

**c. *LAND, CONSTRUCTION AND DESIGN
OF PHYSICAL PLANT***

Exhibit VIII. C. 1. DESCRIPTION OF LAND

Exhibit VIII. C.1.a. Location Information

EXHIBIT VIII.C.1.a

17 pages

ADDRESS: 255 DISCOVERY DRIVE, HOWES CAVE, NEW YORK 12092
Town of Cobleskill, County of Schoharie, State of New York

MAP: Tax map SBL#58.-1-12.1 attached hereto

Copy of the following Deeds with legal description attached hereto.

Book 193 page 9

Book 193 page 33

Book 193 page 35

Book 193 page 197

Book 228 page 430

Book 258 page 4

Book 269 page 537

Book 274 page 553

Book 316 page 321

Book 355 page 232

ADDRESS: 532 CAVERNS DRIVE, HOWES CAVE, NEW YORK 12092
Town of Cobleskill, County of Schoharie County, State of New York

MAP: Tax map SBL#58.-1-10.1 attached hereto

Copy of the following Deed with legal description attached hereto.

Book 551 page 123

H29952

Liber No. 193

This Indenture, Made the third day of February

in the year of our Lord one thousand nine hundred and twenty eight
Hershel Crombie, unmarried, of Howe Cave, New York

of the first part, and
Howe Caverns, Inc., a domestic corporation, of Cobleskill, New York

of the second part,

Witnesseth, That the said party of the first part, in consideration of the sum of

Eight Thousand Dollars,

(\$8000.00) money of the United States, paid by the party of the second part, do es hereby grant and release unto the said party of the second part its ^{successor} assigns, forever. All that piece or parcel of land situate

in the town of Cobleskill Schoharie County, New York, bounded and described generally as follows: One the south by the lands of the Albany and Susquehanna Railroad company; on the east by lands of Conrad Rickard, now deceased; on the north by lands of John Sager and on the west by lands of Edward Van Matten, William Mahan and Michael Cody, and public highway, containing one hundred acres of land more or less.

The above described premises are sold, and conveyed subject to mortgages of William H. Golding of \$2000. and one of Foster Warner of \$2400 of principal with interest from date hereof, which party of the second part hereby assumes and agrees to pay as a part of the purchase price hereof.

91/33
92-114
92-135

Recorded: Feb. 4, 1928

Book 193 page 9

1129952

Liber No. 193

This Indenture, Made the Fifteenth day of February

in the year of our Lord one thousand nine hundred and twenty eight between John J. Sagendorf and Mabel M. Sagendorf, his wife, and Celestia Sagendorf, all of Howe Cave, New York, parties

of the first part, and Howe Caverns, Inc., a domestic corporation of Cobleskill, New York, party

of the second part.

Witnesseth, That the said part 1st of the first part, in consideration of

Thirty Five Thousand Dollars, lawful money of the United States, paid by the party of the second part, do hereby grant and release unto the said party of the second part its successors

and assigns, forever. The cave, and caves, if any, including the full, exclusive and perpetual possession and right to occupy, use, operate, change, alter, extend, excavate, enlarge and improve the said cave or caves, if any, under the following described parcel of land, situate in the town of Cobleskill, County of Schoharie, State of New York and generally bounded and described as follows:

All that certain piece or parcel of land, situate in the town of Cobleskill, Schoharie County, New York, bounded and described as follows: On the east by the public highway leading from Howe Cave to Carlisle Center; on the north by the lands of Lambert Methaway and Edward Van Hatten and on the west by lands of Edward Van Hatten and on the south by the public highway running from Sagendorf's corners School House to Sarnerville, containing fifty acres of land more or less.

And also all that certain other piece or parcel of land situate in the Town of Cobleskill, County of Schoharie, New York bounded on the east by the public highway leading from Howe Cave to Carlisle Center, on the north by the public highway, leading to Cobleskill and on the west and south by lands of Farmer Slingerland, formerly James Slingerland, now deceased, containing ten acres of land more or less.

Reserving to the grantors herein the title to the said lands and the title to the surface thereof over said cave or caves, if any.

Recorded: Feb 16, 1928

Book 193 page 33

1429952

Liber No. 193

This Indenture, Made the fifteenth day of February nineteen hundred and twenty eight between John J. Sagendorf and Mabel K. Sagendorf, his wife and Celestia Sagendorf, all of Howe Cave, New York, parties

of the first part, and Howe Caverns, Inc., a domestic corporation of Cobleskill, New York, party of the second part,

Witnesseth, That the said parties of the first part, in consideration of the sum of Thirty Five Thousand (\$35000.00) Dollars, lawful money of the United States, paid by the party of the second part, do hereby grant and release unto the said party of the second part and assigns, forever, ALL that tract, or parcel of land, situate in the town of Cobleskill, County of Schoharie and State of New York, bounded northerly by lands now owned or occupied by Melvin Lawyer; easterly by lands now owned or occupied by Clarence Robinson and by lands now owned or occupied by Alonzo Wolford; southerly by lands of Helderburgh Cement Company, westerly by lands now owned or occupied by Conrad Richard and by lands owned or occupied by Melvin Lawyer, containing ninety seven acres of land, be the same more or less. Being the same farm and lands conveyed by Eli Rose and wife to said Peter Houck by deed dated March 23rd, 1909, recorded in Schoharie County Clerk's office on the 2nd day of April, 1909 in Book No. 142 of Deeds, at page 264, and being the same premises described in an executors deed, given by George M. Palmer, as executor of the last will of Peter Houck, deceased, to Alonzo Wolford and Ursula Wolford, his wife, dated the 24th day of October, 1914 and recorded in the Schoharie County Clerk's office on the 26th day of October, 1914 in Book 145 of Deeds, at page 86 from which deed the foregoing description is taken, excepting and reserving from said premises, the following described premises: ALL that certain piece or parcel of land, situate in the Town of Cobleskill Schoharie County, New York, bounded and described generally as follows: on the north by lands of Ursula Wolford, on the east by the public highway; on the south by the lands of the Helderbergh Cement Company and on the west by lands of Ursula Wolford, containing one acre of land more or less.

Being the same premises lands conveyed by Ursula Wolford to said John J. Sagendorf and Mabel M. Sagendorf, his wife, by deed bearing date Nov. 2, 1925 and recorded in Schoharie County Clerk's office in Liber 188 of Deeds, page 253.

Also all that certain other tract or parcel of land situate in the town of Cobleskill, County of Schoharie, N.Y., bounded and described as follows: Bounded on the northerly side of lands of Harmon Sagendorf, easterly by lands of Alexander Mays, southerly by lands of Jeremia Richtmyer and Samuel Rickard and westerly by lands of Jacob Metzel, containing one hundred acres of land, be the same more or less.

Being the same lands conveyed to Harmon Sagendorf and John J. Sagendorf by deed by Omar Patrick bearing date December 3rd, 1912 and recorded in Schoharie County Clerk's office in Book No. 161 of Deeds, at page 91. And the said Harmon Sagendorf died leaving a last will and Testament which has been duly admitted to probate in Surrogate's Court of Schoharie County, New York and Walter Sagendorf and wife and Lula F. Lipps by deed conveyed their interest in said lands devised to them under said will of Harmon Sagendorf to John J. Sagendorf and Celestia Sagendorf by deed dated bearing date February 14, 1919 and recorded in Schoharie County Clerk's office in Book 171 of Deeds, page 49.

ALSO ALL THAT CERTAIN PIECE OR PARCEL OF LAND, situate in the town of Cobleskill, County of Schoharie, New York, and bounded on the east by the public highway leading from Howe Cave to Carlisle Center and on the north by the highway leading from Sagendorf Corners' School House to Barnerville and on the west by the second parcel of land above described and on the south by the lands of Melvin Lawyer, containing thirty seven acres of land more or less.

Being part of lands formerly owned by Harmon Sagendorf deceased who died leaving a last will and Testament which has been duly admitted to probate in the Surrogate's Court of Schoharie County, New York and Walter Sagendorf and wife and Lula F. Lipps duly conveyed their interest by aforesaid deed to John J. Sagendorf and Celestia Sagendorf.

Recorded: Feb. 16, 1928

Book 193 page 35

112952

Liber No. 193

This Indenture, Made the twenty first day of April
nineteen hundred and twenty eight
in the year of our Lord one thousand nine hundred and twenty eight
Michael Cody, of Howe Cave, New York (unmarried) party

Witness

of the first part, and
Howe Caverns, Inc. a domestic corporation of Cobleskill, New York, party

of the second part,

Witnesseth, That the said party of the first part, in consideration of the sum of

Two Hundred Dollars,

(\$200.00) lawful money of the United States, paid by the party of the second part, does hereby grant and release unto the said party of the second part its successors and assigns, forever. All that certain piece or parcel of land, situate in the town of Cobleskill, Schoharie County, New York, bounded and described as follows: Beginning at a point being the most southerly corner of the Cody land, said point being marked by a stake set at the corner of the stone walls; thence north only along the Cody line and the farm formerly belonging to Ferschel Cromie, forty five feet to a point in the wall, marked by a stake, said stake being on a line running east and west between the center of two apple trees, the westerly tree standing in the westerly Cody line and the easterly tree being in the fence line of the Cromie orchard lot; thence westerly along the aforementioned agreed line between the apple trees to the easterly apple tree, one hundred seventy feet.

Thence south easterly along Cody's southwesterly line about one hundred seventy six feet to the point of beginning, containing 9/100 acres of land more or less as surveyed and measured by Smith, Golder and Hanburger on the 21st day of April, 1928.

Being a part of the lands conveyed by Marcus Lawyer and wife by deed to said Michael Cody, bearing date January 13, 1898 and recorded in Schoharie County Clerk's office in Book 124 of Deeds, page 90.

Recorded: May 1, 1928

Book 193 page 197

In Presence of
Helen R. Vrooman

Dorothy France }
Dorothy France } Infant

S.55 stamps cancelled
STATE OF NEW YORK }
COUNTY OF SCHOHARIE } SS.:
By Beatrice France Guardian.

On this 21st day of June one thousand nine hundred and forty one before me personally came Beatrice France to me known and known to me to be the Special Guardian of Dorothy France infant and to be the individual described in and who, as such Special Guardian, as aforesaid, executed the foregoing conveyance, and he thereupon duly acknowledged to me that he had executed the same, as the act and deed of such infant and as such Special Guardian of said infant and for the uses and purposes therein mentioned.

Helen R. Vrooman
Notary Public.

Recorded and examined
June 23, 1941 - 10 A. M.

Roland O. Bouck
COUNTY CLERK

Roland O. Bouck, Clerk.

THE PEOPLE OF THE STATE OF NEW YORK, BY THE GRACE OF GOD, FREE AND INDEPENDENT,
TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

KNOW YE, That, pursuant to a resolution of the Board of Commissioners of the Land Office adopted May 27, 1941, and to the provisions of Chapter 61 of the Laws of 1941, and in consideration of the sum of fifty dollars (\$50.00), lawful money of the United States, paid by Howe Caverns, Inc., a corporation organized and existing under and by virtue of the laws of the State of New York, having its principal place of business in the Town of Cobleskill, County of Schoharie and State of New York, said principal place of business having no street name or street number, we have granted and conveyed and by these presents do grant and convey unto the said HOWE CAVERNS, INC., the following described lands:

All that piece or parcel of land, identified in said Chapter 61 of the Laws of 1941 as Maps Numbers 4 and 5, Parcels Numbers 4 and 5, Public Service Commission Case No. 4945 and, also, designated as Map No. 1-C, Parcel No. 1, Public Service Commission Case Number 4945, on file in the State Department of Public Works, situate in the Town of Cobleskill, County of Schoharie and State of New York, acquired for the elimination of the existing highway-railroad crossing at grade of the railroad operated by The Delaware and Hudson Railroad Corporation and the highway, known as Richtmeyer's (Klondike) crossing, bounded and described as follows:

Beginning at a point in the center line of the north approach to Richtmeyer's (Klondike) crossing, said point being the intersection of the aforesaid center line with the division line between the lands of Michael Cody (reputed owner) on the northeast and

Recorded: June 21, 1941

Book 228 page 430

the lands of the State of New York on the southwest, said point of intersection also being Station 5+39 on the center line of the elimination of the highway-railroad grade crossing known as Richtmeyer's (Klondike) crossing; thence along the aforesaid division line South fifty-three degrees, fifty-one minutes East, twenty-five feet and South six degrees, fifty-minute West, thirty-two and nine tenths feet to its intersection with the division line between the lands of Michael Cody (reputed owner) on the northeast and the lands of Howe Caverns, Inc. (reputed owner) on the southwest; thence along the division line between the lands of Howe Caverns, Inc., on the east, south and west, and the lands of the State of New York on the west, north and east, the following courses and distances: South five degrees, thirty minutes West, sixty-two and five tenths feet; thence South twenty-four degrees, thirty-one minutes East, ninety-three and ninety one-hundredths feet; thence South fifty-seven degrees, thirty minutes East, one hundred ten feet; thence South thirty-two degrees, thirty minutes West, fifty feet; thence North fifty-seven degrees, thirty minutes West, fifty-one and five tenths feet; thence North seventy-eight degrees, thirteen minutes West, one hundred twenty-seven and twenty-two one-hundredths feet; thence South eighty degrees, eight minutes West, seventy-seven and fifteen one-hundredths feet and South sixty-six degrees, forty-five minutes West, one hundred thirteen and seventy-two one-hundredths feet to a point in the aforesaid center line of the north approach to Richtmeyer's (Klondike) crossing; thence along the last mentioned center line the following courses and distances: North twenty-eight degrees, seven minutes East, eighty-nine feet; thence North thirty-four degrees, no minutes East, one hundred feet; thence North forty-six degrees, twenty-seven minutes East, one hundred thirty-five feet; and thence North thirty-six degrees, nine minutes East, fifty-seven and five tenths feet to the point of beginning, being nine hundred forty-three one-thousandths of an acre, more or less. Together with all right, title and interest, if any, in and to all that portion of the highway bordering on the lands herein described.

The above mentioned center line of the new road is a portion of the center line of the elimination of the highway-railroad crossing at grade of the railroad operated by The Delaware and Hudson Railroad Corporation and the highway, known as Richtmeyer's (Klondike) crossing.

All bearings referred to true north.

These letters-patent are issued and this grant is made and accepted subject to the following reservation and condition:

There is hereby reserved to The People of the State of New York, the County of Schoharie, the Town of Cobleskill and The Delaware and Hudson Railroad Corporation, without consideration or damage of any nature, all or portions of such lands, if any, as may hereafter be required for highway or railroad purposes.

This grant is made upon the express condition that no more than two directional signs with an overall size of two feet by two feet may be located within the established lines of the Klondike-Sagendorf Corners highway within the limits of the above described parcel of land and that such signs shall be removed by the owners thereof when and as ordered so to do by the Superintendent of Public Works to permit the grading of the area adjacent to such highway for the purpose of sight distance or for any other purpose deemed necessary by such Superintendent.

TOGETHER with all and singular the rights, hereditaments and appurtenances to the same belonging or in any wise appertaining.

STATE OF NEW YORK }
COUNTY OF SCHOHARIE } ss.:
TOWN OF MIDDLEBURGH }

On this 1st day of May Nineteen Hundred and fifty, before me, the subscriber, personally appeared ROBERT SEIDEL and RUTH SEIDEL to me personally known and known to me to be the same persons described in and who executed the within Instrument, and they severally duly acknowledged to me that they executed the same.

Lorene A. Pickett
LORENE A. PICKETT
NOTARY PUBLIC, STATE OF NEW YORK
RESIDING SCHOHARIE CO. NO. 101
COMMISSION EXPIRES MARCH 30, 1951

STATE OF NEW YORK }
COUNTY OF SCHOHARIE } ss.:
TOWN OF MIDDLEBURGH }

On this 3rd day of May, 1950, before me, personally appeared JOSEPH RALPH COTTONE and LUCY COTTONE, to me known, and known to me to be the same persons named in and who executed the within instrument, and they severally duly acknowledged to me that they executed the same for the purpose therein mentioned.

Alice L. Alford
Notary Public - Schoharie Co.

Recorded and examined:
May 4, 1950 10:15 A.M.
Roland O. Bouck
Roland O. Bouck, County Clerk.

THIS INDENTURE,

Made the 5th day of May, in the year Nineteen Hundred and Fifty
BETWEEN HOWARD W. HALL and GENE P. HALL, his wife, both residing in the Town of Cobleskill, County of Schoharie, and State of New York, parties of the first part, and HOWE CAVERNS, INC. a domestic corporation having its principal office and place of business in the County of Schoharie and State of New York, party of the second part.

WITNESSETH, that the said parties of the first part, in consideration of One dollar (\$1.00) lawful money of the United States, and other valuable considerations to them in hand paid by the party of the second part, do hereby grant and release unto the said party of the second part, its successors and assigns forever,

ALL that piece or parcel of land situate in the Town of Cobleskill, County of Schoharie, State of New York, bounded and described as follows: To find the place of beginning extend in a southwesterly direction the southwesterly line of lands formerly owned by Herschel Crommie to a point where it intersects the northeasterly line of the lands of the Albany and Susquehanna Railroad Company; thence in a southeasterly direction along the said northeasterly line of said Railroad property 566 feet 3 inches to a point; thence in a northeasterly direction at right angles to said northeasterly line of said Railroad Company's lands 770 feet to an iron stake which is the point of beginning, it being 20 feet northerly from the center of the private highway owned by Howe Caverns, Inc. and which extends from the town road to the Howe Caverns Lodge; from said point of beginning thence 411 feet 10 inches along a line extending in a northerly direction at an angle of 121 degrees with the aforementioned 770 foot line; thence in a northeasterly direction at an angle of 113 degrees with the last described line, 220 feet to a point; thence in a

Recorded: May 6, 1950

Book 258 page 4

Line
2

... at an angle of 65 degrees with the last described line, 506 feet 8 inches to a point; thence in a westerly direction at right angles to the last described line 189 feet 10 inches to the point of beginning: being two and one-sixth acres, more or less.

Also, a right of way for pedestrians, animals and vehicles from said described property on second party's private road which extends from the town road to the Howe Caverns' Lodge, said right of way being the same as that described in the deed hereinafter referred to from second party hereto to first parties hereto.

Being the same premises conveyed by Howe Caverns, Inc., to Howard W. Hall and Gene P. Hall, his wife, by deed dated July 31st, 1937, and recorded in the Schoharie County Clerk's Office on August 2nd, 1937, in Book 219 of deeds at page 200.

It is understood and agreed by the parties to this instrument that the option contained in said deed from Howe Caverns, Inc., to Howard W. Hall and Gene P. Hall, dated July 31st 1937, is hereby revoked, cancelled and terminated.

The parties of the first part reserve the right and privilege to use, occupy and possess the said premises for and during the remainder of their natural lives and for the life of the survivor of them but only so long as either or both of them shall occupy said premises in person. This reservation shall cease and terminate upon the death of the survivor of the said parties of the first part or upon the said premises no longer being occupied in person by either or both of said parties of the first part, whichever first shall happen. During such occupancy the parties of the first part shall maintain the buildings on said premises in as good as condition as they now are, natural wear excepted, keep the same adequately insured against loss by fire and windstorm for the benefit of the second party and pay the taxes thereon. In case of the partial destruction of any of the buildings on said premises by fire or windstorm the monies payable from said insurance on account thereof, shall, at the option of the life tenants, be used to rebuild the portion thus destroyed. Any loss of fifty per cent (50%) or under of the value of the said buildings thus partially destroyed shall be deemed a partial loss thereof. Any loss of over fifty per cent (50%) in the value thereof shall be deemed a total loss, in which event, in the absence of an agreement made at the time of the loss by the parties to use the insurance monies payable on account thereof for the purpose of rebuilding the buildings thus destroyed, the monies payable on account of such insurance shall be apportioned between the said life tenants or tenant and the said Howe Caverns, Inc. according to the respective interests of the parties in the premises at the time of such loss.

Maintenances shall include the keeping in good repair of the buildings on said premises including the roofs and painting the exterior and any other usual maintenances items.

The parties of the first part shall also, during their said occupancy, have the right to continue to use water as now furnished to said premises by the party of the second part in accordance with the present agreement between the parties to this instrument.

TOGETHER with the appurtenances and all the estate and rights of the parties of the first part in and to the said premises.

TO HAVE AND TO HOLD the above granted premises unto the said party of the second part, its successors and assigns forever.

AND the said Howard W. Hall and Gene P. Hall, parties of the first part, do covenant with the said party of the second part as follows:

FIRST. -- That the party of the second part shall quietly enjoy the said premises.

SECOND. -- That the said HOWARD W. HALL and GENE P. HALL parties of the first part will forever WARRANT the title to said premises.

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INDEX No.
269

537

This Indenture, Made the ninth day of August
in the year Nineteen hundred and Fifty-four

Between FRED N. RICKARD of the Town of Cobleskill, Schoharie County, New York,

Party of the first part, and
HOWE CAVERNS, INC., a domestic corporation having its office and principal place of
business at HowesCave, Town of Cobleskill, Schoharie County, New York,

party of the second part.

Witnesseth, That the said part Y of the first part, in consideration of

ONE Dollar . (\$ 1.00)

lawful money of the United States, and other good and valuable consideration paid by the
part Y of the second part does hereby grant and release unto the said part y of the second
part its successors ~~and~~ and assigns forever, All that certain piece or parcel of land,

situate, lying and being in the Town of Cobleskill, County of Schoharie and State of New
York, bounded and described as follows: Beginning at an iron pin driven in the ground at
the junction of lands of the party of the first part, the party of the second part, and
William Poland, thence along the lands of said Poland south 9° East 1451 feet to a point;
thence North 55° 30' West 1086 feet to a point and the lands of the party of the second
part; thence along the lands of the party of the second part North 34° 30' East 963.5 feet
to the point or place of beginning, containing 12½ acres of land, be the same more or less.

And, being a portion of the premises conveyed to Conrad Rickard by
Samuel Rickard and Elizabeth Rickard, his wife by deed dated May 12, 1886 and duly
recorded in the Schoharie County Clerk's Office on the 11th day of January, 1887 in Liber
101 of Deeds at Page 232 and of which the said Conrad Rickard died seized on or about the
10th day of March, 1925, leaving a last will and testament dated November 15, 1921, a
certified copy of which was recorded in the Schoharie County Clerk's Office on the 30th
day of March, 1925 in Book 3 of Wills at Page 144, which said will devised the premises
to Fred N. Rickard.

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Recorded: Aug. 10, 1954

Book 269 page 537

open LIGHT TO DOTTED LINE

553

Liber No. 274

This Indenture, Made the 1st day of August,

in the year Nineteen hundred and Fifty-six

BETWEEN KENNETH D. REYNOLDS of the Village and Town of Cobleskill, Schoharie County, State of New York, party

of the first part, and HOWE CAVERNS, INC. a domestic corporation having its offices and principal place of business in the Town of Cobleskill, Schoharie County, State of New York, party

of the second part

Witnesseth, That the said party of the first part, in consideration of

--- One Dollar and other good and valuable consideration Dollar (\$ 1.00)

lawful money of the United States,

paid by the party

of the second part, do hereby grant and release unto the said party of the second part

assign forever, PARCEL NO. 1 - All that certain piece or parcel of land situate at Barnerville, in the Town of Cobleskill, Schoharie County, New York, generally bounded as follows: On the north by Parcel No. 2 hereinafter described; on the east by lands of Howe Caverns, Inc.; on the south by lands of Howe Caverns, Inc.; on the west by the public highway; containing seven (7) acres of land more or less. Being a part of the premises conveyed by Marcus Lawyer et al. to Michael Cody by deed dated January 13, 1898 and recorded January 18, 1898 in Liber 124 of Deeds, page 90.

PARCEL NO. 2 - All that certain piece or parcel of land situate in the Town of Cobleskill, Schoharie County, New York, bounded and described generally as follows: Bounded on the north by lands of Wallace Kling and lands formerly of Edward Van Hatten; on the east by lands of Howe Caverns, Inc.; on the south by Parcel No. 1 hereinbefore described; on the west by the public highway and lands of Wallace Kling; containing five (5) acres of land be the same more or less. Being the same premises conveyed by Harry C. Miller to Barney Mehan by deed dated March 31, 1920 and recorded April 2, 1920 in Liber 174 of Deeds, page 146.

Excepting and reserving from each of said parcels all easements of record.

Said above described two parcels of land being the same premises of which William Neehan died seized intestate leaving Mary C. Frasier, Anna Doren, Edward Fleming and Leo Fleming as sole distributees and being the same premises conveyed by Anna Doren et al. to Mary C. Frasier by deed dated March 16, 1955 and recorded in Schoharie Cnty Clerk's Office April 14, 1955 in Liber 272 of Deeds, at Page 21.

Also being the same premises conveyed by Mary C. Frasier to the party of the first part by deed dated July 21, 1956.

Liber 274 page 553

Recorded: Aug. 1, 1956

Book 274 page 553

This Indenture,

SCHOHARIE COUNTY, SS.

Made the 12th day of April
Nineteen Hundred and Sixty five.

Recorded and paid for by P.T.L.
April 16 1965 442 P.
Walter H. Sagendorf 321
Eugene Hallack

Between WALTER H. SAGENDORF and BARBARA W. SAGENDORF, his
wife, both of Howes Cave, Schoharie County, New York, ---

parties of the first part, and
HOWE CAVERNS, INC., of Howes Cave, Schoharie County, New York, -----

Witnesseth that the part of the first part, in consideration of

ONE Dollar (\$1.00)
lawful money of the United States and other good and valuable consideration
paid by the party of the second part, do hereby grant and release unto the
party of the second part, its successors and assigns forever, all
that tract, or parcel of land, situate in the Town of Cobleskill, County of Schoharie
and State of New York, briefly described as follows:

PARCEL A.

Beginning at a concrete monument at the northeast corner of a parcel of land hereby described, which is located on the northwest boundary line of lands now owned by Howe Caverns, Inc., thence S. 66° 00' W. 1181 feet along said boundary to a monument; thence S. 58° 45' W. 220 feet to a monument; thence S. 46° 00' W. 429 feet to a monument which is the southerly corner of said Parcel "A"; thence N. 49° 00' W. 322 feet to a monument; thence N. 40° 00' E. 2153 feet to a monument; thence S. 24° 30' E. 1036 feet to the point or place of beginning, containing 28.5 acres of land be the same more or less.

PARCEL B.

Beginning at a monument at the northwest corner of a parcel of land hereby described, which is also the northerly corner of lands now owned by Howe Caverns, Inc. thence N. 42° 15' E. 329 feet to a monument; thence S. 32° 30' E. 1043 feet to a monument; thence S. 34° 30' W. 356 feet to a monument; thence N. 32° 30' W. 1134 feet to a monument and the point or place of beginning, containing 8.5 acres of land be the same more or less.

PARCEL C.

Beginning at a point in the center of the Howe Cave - Sagendorf Corners Road where the same is intersected by a continuation of the boundary line between the lands of Emory Lawyer on the southeast and lands of Walter and Barbara Sagendorf on the northwest, and running thence along the said boundary line S. 34° 30' W. 1299 feet to the northerly corner of Parcel B. above described; thence S. 43° 15' E. 161 feet along the northwesterly boundary line of said Parcel B. to an iron pin driven in the ground; thence N. 34° 30' E. on a line parallel with the first line above described and fifty (50) feet therefrom 1412 feet to the center of said Howe Cave - Sagendorf

Recorded: April 12, 1965

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Corners Road, thence southeasterly along the center line of said highway, to the point of beginning, containing one and one half (1 1/2) acres of land be the same more or less.

Being portions of the premises conveyed by Walter H. Sagendorf to Walter H. Sagendorf and Barbara W. Sagendorf, his wife, as tenants by the entirety, by deed dated May 25, 1950 and recorded in the Schoharie County Clerk's Office June 1st, 1950 in Liber 259 of Deeds at Page 153.

This Indenture

Made the 11th day of February,
Nineteen Hundred and Seventy-two,

SCHOHARIE COUNTY, SS.
Recorded and examined the 11 day
of Feb. 1972 at 3:28 P.M.
in Book 355 of Deeds at page 232

Regina H. Haddock Clerk

Between JOSEPH H. SMITH and MARGARET L. SMITH, his wife, both of
the Town of Cobleskill, Schoharie County, New York,

parties of the first part, and

HOWE CAVERNS, INC., a domestic corporation organized and
existing under and by virtue of the laws of the State of New York,
having its principal office and place of business at Howes Cave,
Town of Cobleskill, Schoharie County, New York,

party of the second part,

Witnesseth that the parties of the first part, in consideration of -----

-----One-----Dollar (\$ 1.00-----)
lawful money of the United States, and other good and valuable consideration
paid by the party of the second part, do hereby grant and release unto the
party of the second part, its successors and assigns,
~~and~~ forever, all that certain piece or parcel of land lying,
situate and being on the southerly side of Schoharie County Highway
Route #9 in the Town of Cobleskill, County of Schoharie, State of
New York, bounded and described as follows:

Beginning at an iron pin driven in the ground at the north-
westerly corner of the lands herein described and the northeasterly
corner of the lands of Roger M. and Virginia V. Felter (Liber 278,
page 379), said pin being on the southerly bounds of Schoharie County
Highway Route #9 in distance 25.0 feet from the centerline thereof
and in a line with the centerline of the east wall of the cemetery
located on the southerly bounds of the lands of the said Roger M. and
Virginia V. Felter, and running thence on the following courses and
distances along the said highway North 37° 01' East 236.4 feet to a
point, North 23° 21' East 574.7 feet to a point and North 28° 46' East
92.18 feet to an iron pin driven in the ground at the lands of
Dorothy P. Van Natten (Liber 224, page 163); thence South 35° 32'
East 70.0 feet along the lands of the said Dorothy P. Van Natten to
an iron pin driven in the ground; thence North 49° 28' East 204.0
feet along the lands of the said Dorothy P. Van Natten to an iron
pin driven in the ground; thence North 34° 25' West 97.22 feet along
the lands of the said Dorothy P. Van Natten to an iron post found
driven in the ground on the southerly bounds of the said highway;
thence on the following courses and distances along the said highway
North 51° 01' East 114.4 feet to a point, North 55° 01' East 143.0
feet to a point, North 62° 02' East 355.8 feet to a point, North
58° 29' East 161.8 feet to a point and North 55° 41' East 286.0 feet
to an iron pin driven in the ground at the lands of Walter H. and
Barbara W. Sagendorf (Liber 259, page 153); thence South 35° 34' East
342.1 feet along the lands of the said Walter H. and Barbara W.
Sagendorf and along a wire fence to an iron pin driven in the ground
at a corner in the fence; thence South 38° 52' West 2020.1 feet along
the lands of the said Walter H. and Barbara W. Sagendorf and along
the lands of Howe Caverns, Inc. (Liber 316, page 321) and along a wire
fence through an iron pipe found driven in the ground to an iron pin
driven in the ground; thence North 48° 59' West 505.1 feet through
the lands of the party of the first part, the said Joseph H. and
Margaret L. Smith, and along the centerline of a stonewall marking

the easterly bounds of the said cemetery and along the lands of the said Roger M. and Virginia V. Felter to the point or place of beginning and containing 25.84 acres of land be the same more or less and intending to convey any and all rights and privileges to the centerline of the said highway and excepting and reserving any and all rights and privileges granted to power and telephone companies.

Being a portion of the premises conveyed to Joseph H. Smith and Margaret L. Smith, his wife, by four (4) deeds, each of which, although warranty in form and purporting to convey the entire premises, conveyed only an undivided one-fourth ($\frac{1}{4}$) interest thereof, which deeds are as follows: Edward E. Miller to Joseph H. Smith and Margaret L. Smith; his wife, dated August 4, 1967, and recorded in the Schoharie County Clerk's Office August 30, 1967 in Book 327 of Deeds at Page 548; Earl J. Van Natten and Irene Van Natten, his wife, to Joseph H. Smith and Margaret L. Smith, his wife, dated August 17, 1967 and recorded in the Schoharie County Clerk's Office August 30, 1967 in Book 327 of Deeds at Page 552; Alton J. Van Natten to Joseph H. Smith and Margaret L. Smith, his wife, dated August 30, 1967 and recorded in the Schoharie County Clerk's Office August 30, 1967 in Book 327 of Deeds at Page 557; and Dorothy B. Van Natten, as Administratrix of the goods, chattels and credits of William J. Van Natten, deceased, to Joseph H. Smith and Margaret L. Smith, his wife, dated August 30, 1967 and recorded in the Schoharie County Clerk's Office August 30, 1967 in Book 327 of Deeds at Page 561.

Also being the same premises shown on a survey map for Howe Caverns, Inc. made by Rudolph D. Snyder, licensed land surveyor No. 43753, filed in the Schoharie County Clerk's Office simultaneously with the recording of this deed.

This Indenture

Made the 10th day of March,
Nineteen Hundred and Ninety-three,

Between BARBARA SAGENDORF, of R.D. Howes Cave, New York, 12092,

party of the first part, and

HOWE CAVERNS, INC., of Howes Cave, New York, 12092,

party of the second part,

Witnesseth that the party of the first part, in consideration of -----
ONE DOLLAR and 00/100----- Dollar (\$ 1.00-----)

lawful money of the United States, and other good and valuable consideration paid by the party of the second part, do es hereby grant and release unto the party of the second part, its successors and assigns forever, all THAT PIECE OR PARCEL OF LAND situate, lying and being in the Town of Cobleskill, County of Schoharie and State of New York, bounded and described as follows:

BEGINNING at a point on the easterly bounds of Barnerville Road, said point marking the boundary line between the lands of Howe Caverns, Inc. (L.193/5) on the south and the lands of Barbara W. Sagendorf (L.259/157) on the north and running from thence southeasterly along lands of Howe Caverns to a point; thence southwesterly along Howe Caverns to a point; thence southeasterly, again along Howe Caverns to a point; thence running northeasterly along Howe Caverns to a point, and continuing in a general northeasterly direction, also along Howe Caverns, to a point marking the southeast corner of the P. Ruckdeschel (L.517/115); thence northwesterly along Ruckdeschel, 300+ feet to a point; thence northwesterly also along the lands of said Ruckdeschel, 145 feet to the southerly bounds of Sagendorf's Corners Road; thence northwesterly along the Sagendorf's Corners Road 110+ feet to lands of S. & B. Marshall (L.548/223); thence S.58°16'31" W. 277.27 feet to an iron pin and the Marshall Southeast corner; thence N.31°43'30" W. 553.21 feet along the lands of said Marshall and lands of J. Sagendorf (L.550/115) to an iron (tagged "J.D.Crum") set in the ground on the southeasterly side of Barnerville Road; thence southwesterly, 1220+ feet along the said Barnerville Road to the point of beginning, containing Fifty-five (55) acres of land, more or less.

SUBJECT to easements, restrictions, covenants and conditions of record, if any, affecting said premises.

The premises hereby conveyed having been acquired by Walter H. Sagendorf and Barbara W. Sagendorf, from Walter H. Sagendorf, by Deed dated May 25, 1950, and recorded in the Schoharie County Clerk's Office June 1, 1950, in Book 259 of Deeds at Page 153.

RECEIVED
\$ 1.00.00
REAL ESTATE
MAR 10 1993
TRANSFER TAX
SCHOHARIE
COUNTY

BOOK NUMBER 551
FIRST PAGE 123
LAST PAGE 124
TAX # 920
SCHOHARIE COUNTY
DATE 03/10/93
TIME 13:54:44
TRANS NO. 3319

Exhibit VIII. C.1.b. Assessed Value of Land

Schedule of Real Estate Taxes Paid for 5 years

EXHIBIT VIII.C.1.b

2 pages

ASSESSED TO: HOWE CAVERNS, INC.

SBL# 58.-1-12.1

ADDRESS: 255 DISCOVERY DRIVE, HOWES CAVE, NY 12092 (TOWN OF COBLESKILL)

ASSESSED VALUE: LAND \$450,900.00

TOTAL \$3,480,000.00

| YR | P | DESCRIPTION | F/B | TAXES | F/F | PENALTY | INTEREST | ADV | AMOUNT DUE | S |
|------|---|-------------|-----|----------|-----|---------|----------|-----|------------|---|
| 2008 | W | SCHOOL | 1 | 63562.10 | | | | | | E |
| 2009 | W | TWN/CNTY | 1 | 42688.43 | | | | | | L |
| 2009 | W | SCHOOL | 1 | 63269.05 | | | | | | |
| 2010 | W | TWN/CNTY | 1 | 44368.60 | | | | | | |
| 2010 | W | SCHOOL | 1 | 62977.95 | | | | | | |
| 2011 | W | TWN/CNTY | 1 | 43752.91 | | | | | | |
| 2011 | W | SCHOOL | 1 | 67568.92 | | | | | | |
| 2012 | W | TWN/CNTY | 1 | 45692.37 | | | | | | |
| 2012 | W | SCHOOL | 1 | 81996.90 | | | | | | |
| 2013 | W | TWN/CNTY | 1 | 55816.84 | | | | | | |
| 2013 | W | SCHOOL | 1 | 81553.95 | | | | | | |
| 2014 | W | TWN/CNTY | 1 | 53282.71 | | | | | | |

SWIS: 432689 PARCEL: 58.-1-12.1

NAME: HOWE CAVERNS INC

255 DISCOVERY DR

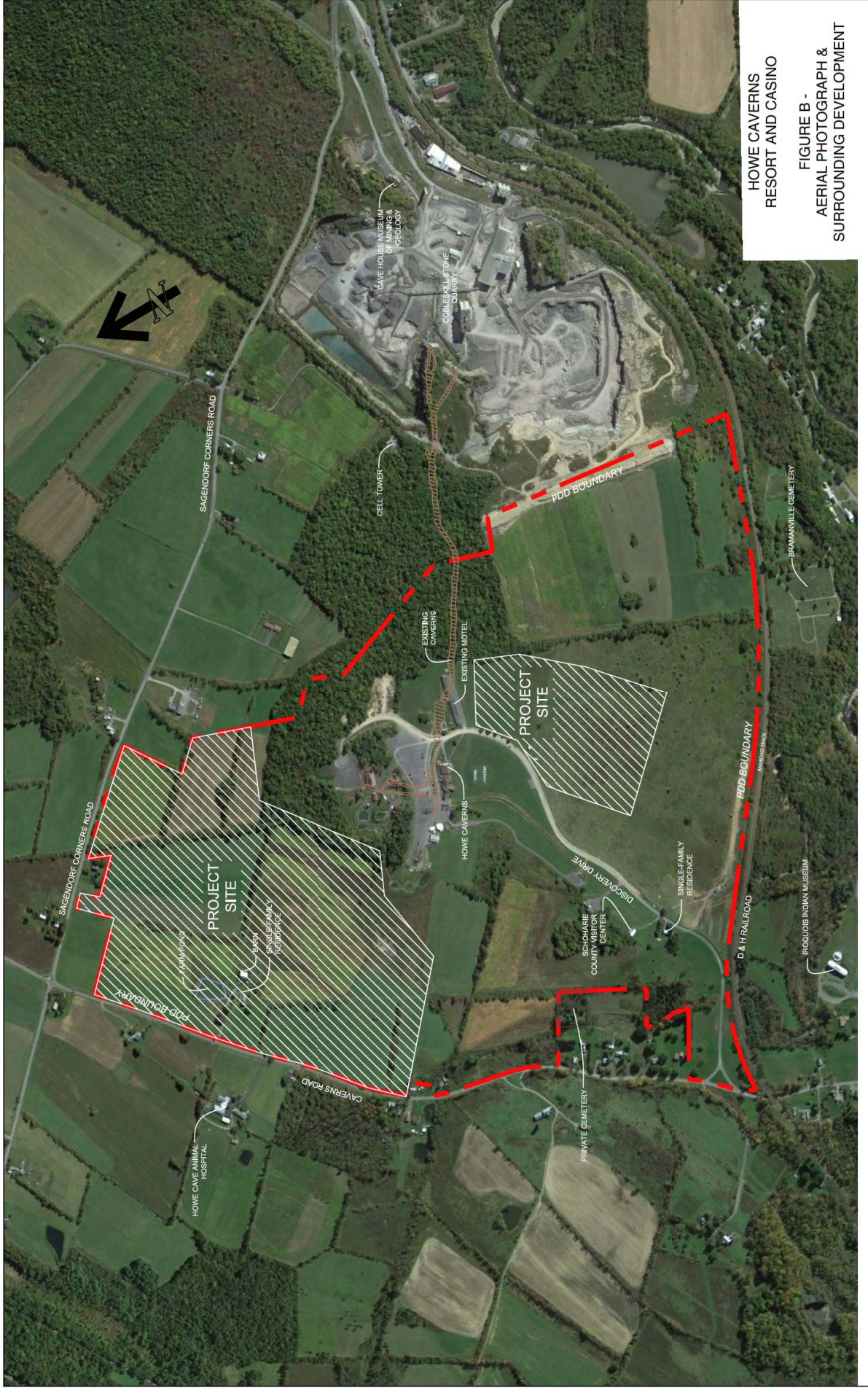
HOWES CAVE, NY 12092

Property Class Code: 418

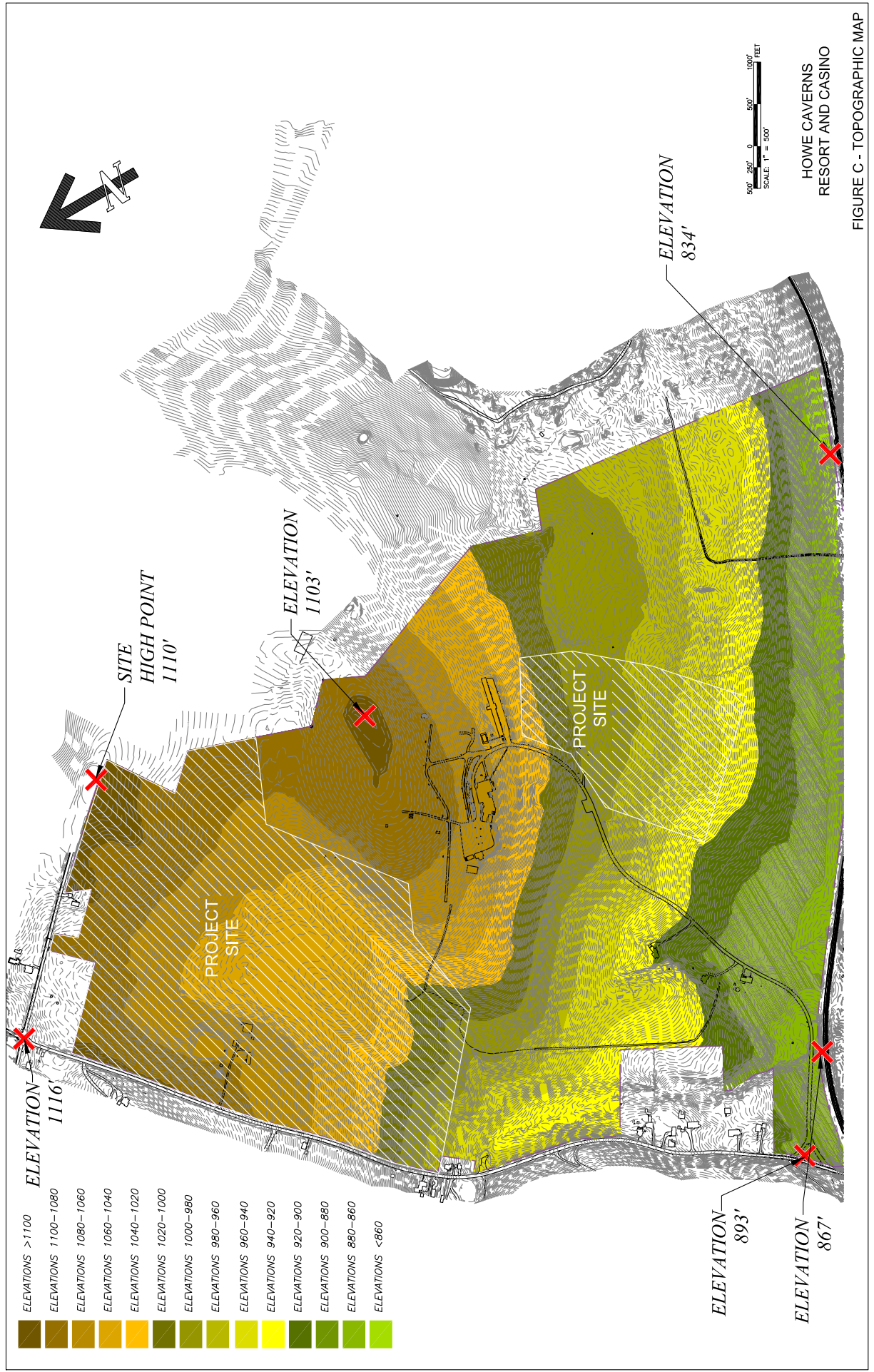
Interest Thru Date: 6/26/2014

Status Date:

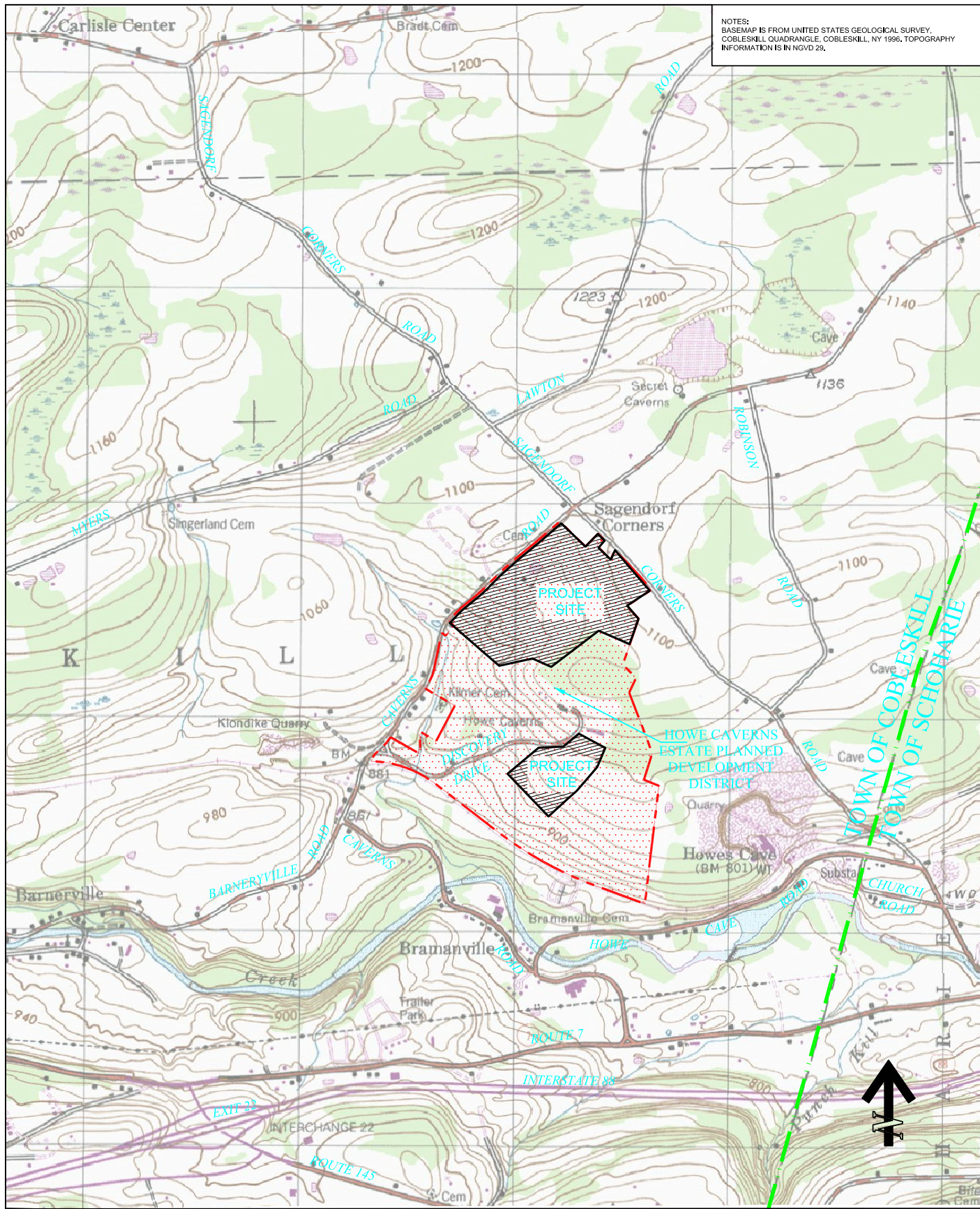
Exhibit VIII. C.1.c. Aerial and Surface Photography



HOWE CAVERNS
RESORT AND CASINO
FIGURE B -
AERIAL PHOTOGRAPH &
SURROUNDING DEVELOPMENT



NOTES:
BASEMAP IS FROM UNITED STATES GEOLOGICAL SURVEY,
COBLESKILL QUADRANGLE, COBLESKILL, NY 1996. TOPOGRAPHY
INFORMATION IS IN NGVD 29.



HOWE CAVERNS
RESORT AND CASINO

FIGURE A - LOCATION MAP

Exhibit VIII. C.1.d. Detailed Description

The Howe Cavern Resort and Casino will be located on 110 acres of property. The project site will be subdivided from 330.04 acre Howe Caves Development LLCs property (Tax Map Parcels

58-1-10.1, 58-1-4, 46-3-20.2 and portions of 58-1-12.1 and 58-2-21.2).

The project site will be comprised of two parcels. The casino/hotel and waterpark/hotel, and ancillary parking and utility infrastructure, will be located in the northern portion of the 330.04 acres Howe Caves property.

See attached map, prepared by McLaren Engineering, indicating the proposed project parcels. The parcels will be created by a subdivision of the property in accordance with the Howe Caverns Estate Planned Development District requirements and Town of Cobleskill zoning regulations.

Exhibit VIII. C.1.e. Defects

Exhibit VIII. C. 1. e.

There are no structural or geological defects. The project is not within a floodplain.

Exhibit VIII. C.1.f. Copies of Phase I & Phase II

Alpha Geoscience completed phase 1 prior to SEQRA.

Phase 2 was deemed to be not necessary.

Exhibit VIII. C.2 OWNERSHIP OF LAND

Exhibit VIII. C.2.a.All Ownership Interest in Past 20 Years

EXHIBIT VIII.C.2.a

2 pages

Effective Date: June 27, 2014

OWNERSHIP OF LAND

ALL PROPERTY OWNED BY HOWE CAVERNS, INC. FOR OVER 20 YEARS ACQUIRED BY THE FOLLOWING DEEDS:

REFERENCE TAX MAP SBL#58.-1-12.1 for the following parcels:

Howe Caverns, Inc. who acquired title from Herschel Crommie by deed dated February 3, 1928 and recorded February 4, 1928 in **Book 193 of Deeds at page 9** in the SCHOHARIE County Clerks Office.

Howe Caverns, Inc. who acquired title from John J. Sagendorf and Mabel M. Sagendorf, his wife by deed dated February 15, 1928 and recorded February 16, 1928 in **Book 193 of Deeds at page 33** in the SCHOHARIE County Clerk's Office.

Howe Caverns, Inc. who acquired title from John J. Sagendorf and Mabel M. Sagendorf, his wife and Celestia Sagendorf by deed dated February 15, 1928 and recorded February 16, 1928 in **Book 193 of Deeds at page 35** in the SCHOHARIE County Clerks Office.

Howe Caverns, Inc. who acquired title from Michael Cody by deed dated April 21, 1928 and recorded May 1, 1928 in **Book 193 of Deeds at page 197** in the SCHOHARIE County Clerks Office.

Howe Caverns, Inc. who acquired title from Commissioner of Land Office by deed dated May 1, 1950 and recorded June 21, 1941 in **Book 228 of Deeds at page 430** in the SCHOHARIE County Clerk's Office.

Howe Caverns, Inc. who acquired title from Howard W. Hall and Gene P. Hall by deed dated May 5, 1950 and recorded May 6, 1950 in **Book 258 of Deeds at page 4** in the SCHOHARIE County Clerks Office.

Howe Caverns, Inc. who acquired title from Fred N. Rickard by deed dated August 9, 1954 and recorded August 10, 1954 in **Book 269 of Deeds at page 537** in the SCHOHARIE County Clerks Office.

Howe Caverns, Inc. who acquired title from Kenneth D. Reynolds by deed dated August 1, 1956 and recorded August 1, 1956 in **Book 274 of Deeds at page 553** in the SCHOHARIE County Clerks Office.

Howe Caverns, Inc. who acquired title from Walter H. Sagendorf and Barbara W. Sagendorf by deed dated April 12, 1965 and recorded April 12, 1965 in **Book 316 of Deeds at page 321** in the SCHOHARIE County Clerks Office.

Owner: HOWE CAVERNS., INC.

Property Address: 255 DISCOVERY DRIVE

C:\Users\KMWright\Documents\wright law\HOWE CAVERNS INC\Exhibit VIII.C.2.a Howe Caverns.docx

County: SCHOHARIE

EXHIBIT VIII.C.2.a

2 pages

Howe Caverns, Inc. who acquired title from Joseph H. Smith and Margaret L. Smith by deed dated February 11, 1972 and recorded February 11, 1972 in **Book 355 of Deeds at page 232** in the SCHOHARIE County Clerks Office.

REFERENCE TAX MAP SBL#58.-1-10.1 for the following parcel:

Howe Caverns, Inc. who acquired title from Barbara Sagendorf by deed dated March 10, 1993 and recorded March 10, 1993 in **Book 551 of Deeds at page 123** in the SCHOHARIE County Clerks Office.

Owner: HOWE CAVERNS., INC.

Property Address: 255 DISCOVERY DRIVE

County: SCHOHARIE

C:\Users\KMWright\Documents\1 wright law\HOWE CAVERNS INC\Exhibit VIII.C.2.a Howe Caverns.docx

Exhibit VIII. C.2.b. Copies of Leases, Deeds, Options

Term Sheet

1. Parties
 - a. Howe Caverns, Inc. ("Howe")
 - b. Howe Caverns Resort & Casino, LLC, with the right to assign to an affiliated entity ("LLC")

2. Background
 - a. The State of New York has authorized the issuance of 4 gambling licenses in regions outside of the New York City metropolitan area.
 - b. Howe is within the area in which a license could be granted, has approximately 300 of acres of developable land in proximity to its Howe Caverns upon which a casino can be developed (the "Property"), has paid the application fee (\$1,000,000.00) for such a license and has until June 30, 2014 to file its application.
 - c. Howe has no experience in the development and operation of casinos.
 - d. LLC or its affiliates has extensive experience in the development and operation of casinos and in making applications for licensing of casinos.
 - e. The parties desire to work together towards LLC's licensing of a casino on the property owned by Howe referred to above.

3. Term Sheet - this term sheet sets forth the general understanding of the parties for the efforts to go forward together to make the application by June 30, 2014 and, if successful, to develop, own and operate a casino on a portion of the Property.

4. Application
 - a. LLC shall create and produce the application to be filed by June 30, 2014.
 - b. Howe will cooperate fully with LLC in its activities to make the application, including but not limited to making its facilities and staff available and promptly providing such information as may be requested by LLC.
 - c. Howe shall execute such documentation as is necessary to enable LLC to file the application in its name and for its exclusive benefit and avail.
 - d. The parties have heretofore designated the land necessary for the casino from the Property.
 - e. All costs incurred prior to the date hereof and to be incurred in the future in regard to LLC's activities in preparation of the application shall be borne by LLC.
 - f. All decisions in regard to the application will be made by LLC; provided however, Howe shall be kept informed as to the activities in respect to the application and where possible consulted should Howe so desire and be

1
[Handwritten signature and initials]

Term Sheet
available in a timely manner.

5. Reimbursement of Application Fee upon the determination of the selection of the 4 licensees:
 - a. If LLC is selected Howe will be paid back the \$1,000,000 fee it paid within 180 days of the announcement of the selection;
 - b. If LLC is not selected and Howe has fully performed, LLC will pay Howe \$500,000 as a partial reimbursement of the application fee.

6. Real Estate
 - a. LLC or its affiliate will be the principal owner of the casino and the land upon which it will sit and the improvements relating thereto.
 - b. The land shall be approximately 110 acres for the Property as shown on the map entitled "Overall Site Plan", prepared by McLaren Engineering Group (modified since the original date of May 10, 2010), and which has been provided to both parties, and to be further set forth in the Purchase Agreement and confirmed by a survey to be provided by Howe and title commitment to be provided by LLC.
 - c. If the application is approved and LLC selected by state of New York, LLC shall purchase the Property for \$3,500,000 subject to proration's and adjustments.
 - d. From and after the closing of the Property, LLC shall pay as a pro-rated portion of Howe's obligation to the Town of Cobleskill for the construction of a water and sewer project servicing the Property the sum of \$100,000 per year for the next ten years.
 - e. LLC shall have 120 days to perform due diligence and feasibility studies of the Property.
 - f. LLC's acquisition of the Property will be subject to satisfaction of all conditions precedent as set forth in the Purchase Agreement, including approval for the construction of the casino by New York State and shall take place upon a date reasonably agreed by the parties after all conditions have been satisfied.
 - g. Howe shall provide LLC within 60 days of executing the Purchase Agreement an updated ALTA survey of the Property and a commitment for an A.L.T. A Form B Owner's Policy of Title Insurance issued by a nationally recognized title insurance company in the amount of the purchase price and copies of all documents referenced therein. Title insurance premium shall be borne by LLC. LLC shall have sufficient time to review and provide comments and objections to the

Term Sheet

survey and title commitment.

- h. At closing, LLC shall obtain an owner's title insurance policy pursuant to the commitment subject only to those exceptions to title approved by LLC.
- i. The integration of the Property into the remaining property not being conveyed to LLC shall remain subject to LLC's reasonable approval. Howe will assign to LLC its right, title and interest in the right to develop a water park facility and hotel and an animated dinosaur attraction.
- j. Howe agrees that it shall not develop, use or convey its retained property (exclusive of the casino property) that interferes, directly competes with, or prohibits in any way the LLC from its use, enjoyment and development of the property as a casino and entertainment facility. This provision shall not apply to Howe's existing facilities and associated businesses which include a cave tour, food, beverage and banquet business, gift shop and amusement features consisting of a zip line course, rope course, Ogo ball course, air jumper and rock wall climbing.
- k. LLC, or its affiliate, shall be granted a right of first refusal to acquire all or any portion of Howe's retained property at such time that Howe received a bona fide third party offer to acquire such property(ies).

7. Binding

- a. This Term Sheet shall remain binding upon the parties until the execution of the purchase agreement. If the parties fail to negotiate and execute a purchase agreement within 60 days from the date hereof after using reasonable good faith efforts, this Term Sheet shall be deemed null and void and the parties shall have no further obligations with respect to each other.



Term Sheet

Date June

Howe Caverns, Inc.

By: *Charles M. Wright* *Attorney in Fact*

Howes Caverns
Thefese A. Wright,
attorney-in-fact for Charles M.
Wright,

Howe Caverns Resort &
Casino, LLC

By: *Michael J. Malick*
MANAGER

Its: President

Enil J. Galasso

En
nil J. Galasso,

Its: Vice President

Exhibit VIII. C.2.c. Amount Spent on Land

\$3.5 Million

\$100,000 per year, for 10 years

Basic total amounts due from the applicant to the current property owner under the executed term sheet supplied in the previous exhibit call for \$3.5 Million up front, plus annual installments of \$100,000 per annum for 10 years.

Exhibit VIII. C.3.ZONING

Exhibit VIII. C.3.a. Current Zoning

The Project Site is located in the “Planned Development District known as the Howe Caverns Estate Planned Development District, Town of Cobleskill” (Howe Caverns PDD). The Howe Caverns PDD comprises a 330.04 acres of which the approximately 110 acres Project site is a part. The Applicant will seek an amendment to the Howe Caverns PDD to modify the allowable building height and to provide the amended Master Plan to include the casino. The waterpark/hotel and amphitheater were included in the 2010 Howe Caverns PDD Master Plan.

Current Local Zoning Approvals

The Howe Cavern property received approval of a Planned Development District (PDD) and a SEQR Negative Declaration on July 12, 2010. The Local Law, known as Local Law No. 1 of 2010, amended the Town of Cobleskill, New York, Zoning Law and Map to provide for the creation of “Planned Development District known as the Howe Caverns Estate Planned Development District, Town of Cobleskill,” by Howe Caves Development LLC. The uses proposed for The Casino Resort at Howe Cavern are all allowed under the PDD. See Attachment A and B for the 2014 PDD approval and SEQR Negative Declaration.

Schedule of Applications for Zoning Approvals and Anticipated Approval Date

Zoning and Site Development approvals will be required from the Town of Cobleskill in accordance with the Town Zoning Code and the State Environmental Quality Review (SEQR) per 6 NYCRR Part 617. The following table provides a summary of the anticipated zoning approvals.

| Approval | Board | Submission Date | Anticipated Approval Date |
|---------------------------|-----------------------------------|------------------------|----------------------------------|
| Amended PDD/SEQR | Town of Cobleskill Town Board | July 2014 | November 2014 |
| Subdivision Approval | | August 2014 | November 2014 |
| Site Development Approval | Town of Cobleskill Planning Board | November 2014 | February 2015 |

Exhibit VIII. C.3.b. Applicable Zoning Designation

The Project Site is located in the “Planned Development District known as the Howe Caverns Estate Planned Development District, Town of Cobleskill” (Howe Caverns PDD). The Howe Caverns PDD comprises a 330.04 acres of which the approximately 110 acres Project site is a part. See Figure A. The project complies with the PDD zoning, except for the height of buildings. An amendment to the PDD will be sought from the Town of Cobleskill to modify the allowable building height

The proposed Casino use will be an allowable zoning use in accordance with New York State Gaming Commission under the Upstate New York Gaming Economic Development Act of 2013.

The Howe Caverns PDD allows the other proposed uses on the Project Site (hotel, waterpark, food service, amusement uses and retail) in addition to the existing and future uses within the balance of the Howe Caverns PDD site. The Howe Caverns PDD provides for the following permitted uses:

- Those uses permitted in a B-2 Highway Business District pursuant to Appendix C of the Zoning Law;
- Howe Caverns Building and Cavern tours;
- Food Service (café, snack bar and/or restaurant);
- Amusement Use;
- Retail sales associated with Project;
- Office Use;
- Open Space;
- Picnic and Playground Use, including pavilions and restrooms;

- RV Park;
 - Parking Areas, Pedestrian Paths and Circulation and Parking Lot Roadways;
 - Tram, train, trolley or other internal circulation vehicle use;
 - Essential services, including but not limited to sewer treatment area and water supply system;
 - Support and maintenance buildings;
- Storage Use;
- Accessory uses and accessory buildings;

These proposed uses are permitted in the B-2 District and/or the R-R District by Special Use Permit including Amusements, Offices, Hotels, Retail Business, Commercial recreation, and Travel trailers. While the Zoning Law proposes individual uses for the Project, the Master Plan provides the Town with a comprehensive development plan which addresses all issues that could potentially impact the community, including the arrival and departure of visitors from offsite, zoning and land use issues, Project Site circulation, parking, pedestrian circulation, drainage and utilities.

The Howe Caverns PDD includes standards for specific permitted uses, area or height standards, development guidelines and review procedures. In all instances not specifically addressed in the PDD legislation, the Zoning Law will apply, in particular, the standards applicable to the B-2 Highway Business District.

The PDD standards and development guidelines include the following:

- PDD standards (see Figure 2-4, PDD Yard Dimension and Setback Plan):

Minimum Yard Dimensions (1)

Set Back ROW

100 feet

| | |
|-----------------------------|-----------------------|
| Rear | 50 feet |
| Side | 50 feet |
| Maximum Building Height (2) | 60 feet or 4 stories* |

* - An amendment to the PDD will be sought to allow the proposed 15 story hotel plus casino

(1) The Set back and yard dimension requirements do not apply as between any lots located within the PDD (whether currently existing or created by later subdivision).

(2) The maximum building height shall not be interpreted to limit or restrict the height of any of those structures delineated in Section 4.41(6) of the Zoning Law (church spires, cupolas and domes not intended for human occupancy, public, utility structures, monuments, radio towers, windmills, water tanks, elevator bulkheads, chimneys, flag poles, stage towers, scenery lofts, buildings on a farm and structures or similar structures). This includes project components such as the zip rider tower.

- RV Parks - The RV Park shall conform to the following requirements:
 - RVs may be stored on the property for no more than six months.
 - No RV shall be placed closer to any street or road line than 100 hundred (100) feet or closer to any other property line than fifty (50) feet.
 - The margins along the side and rear property lines shall be planted with trees and shrubs for a depth of not less than twenty-five (25) feet.

- Transition Requirements for PDD Boundaries - The PDD will comply with the transition requirements for district boundaries as provided in Section 4.41(7) of the Zoning Law, provided that, in place of a solid wall, fence or hedge at least 6 feet but no more than 8 feet in height, the transition area may be planted with trees and

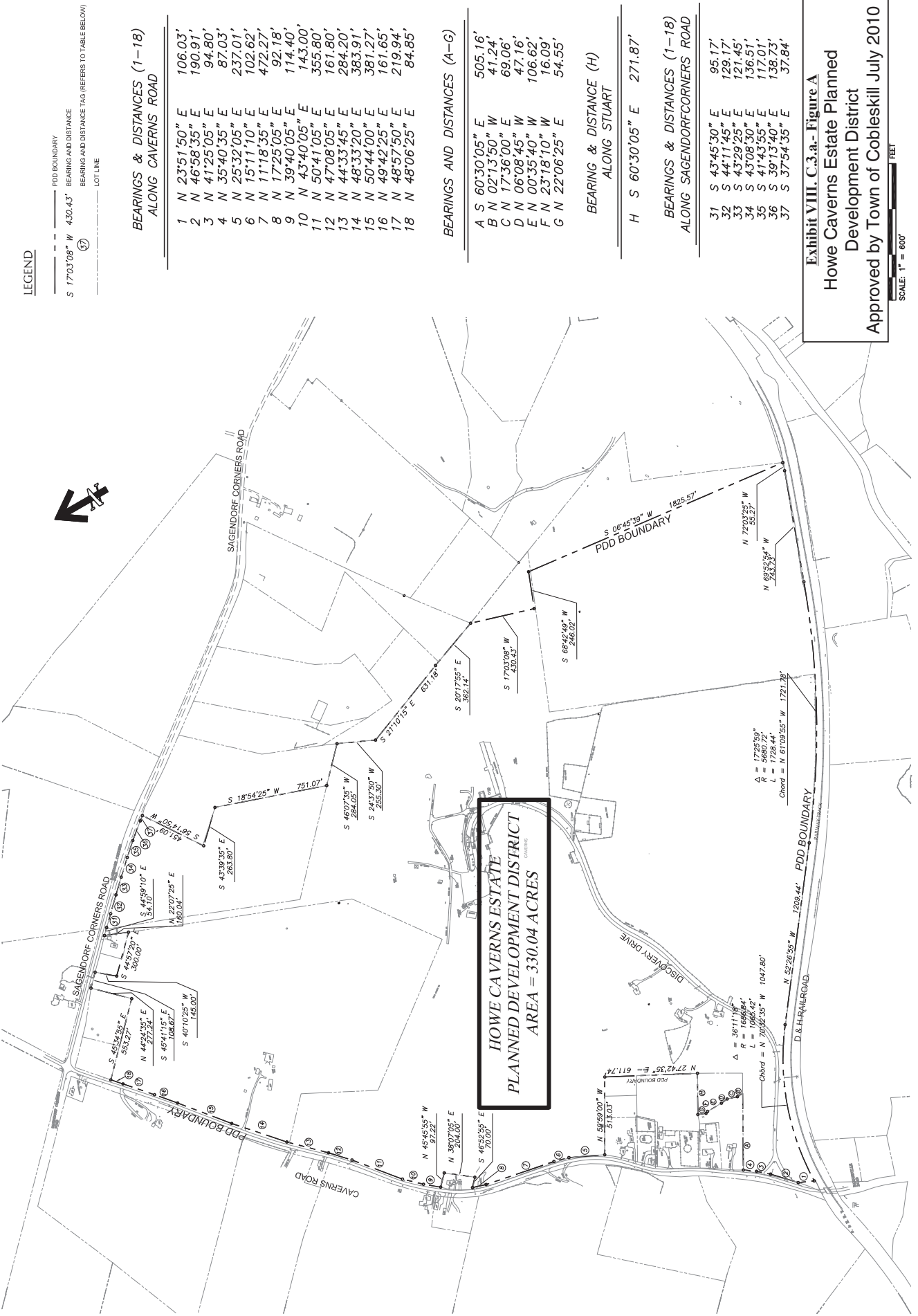
shrubs in accordance with the plans to be submitted and approved during the Site Development Plan review process.

- Open Space - At least thirty percent of the gross area of the district shall be devoted to open space or recreation areas, active or passive. Landscaping will be incorporated throughout the PDD in accordance with plans to be submitted and approved during the Site Development Plan review process.
- Utility Support System - All water supply and wastewater disposal facilities will be privately owned and shall be designed and installed in accordance with the requirements of the New York State and Schoharie County Departments of Health, and the Department of Environmental Conservation as applicable. Utilities including electrical, telephone, and cable will be provided in accordance with plans to be submitted and approved during the Site Development Plan review process. Electrical and telephone distribution lines shall be put underground. Service from the street to transformer for on-site distribution may be located overhead, subject to approval by the Planning Board during the Site Development Plan review process.
- Storm Drainage System - A stormwater pollution prevention plan (“SWPPP”) will be developed in accordance with all local, state and federal laws. The SWPPP will describe temporary and permanent measures that will be implemented to mitigate, attenuate and reduce pollutants in stormwater runoff.
- Traffic Control - Off-site traffic control signs for the Project and all off-site road markings associated with the Project will conform to findings of a traffic study.
- Signage - The Project Sponsor may construct and maintain free

standing project identification signs, pole signs, projecting signs and wall or building signs in addition to normal street signs within the PDD. Signage may be illuminated in accordance with a comprehensive lighting plan determined during the Site Development Plan review process. The sign permit requirements and area standards of Section 4.43 of the Zoning Law, shall not be applicable to signage otherwise permitted pursuant to this provision.

- Parking and Loading- Parking and loading spaces shall be provided and maintained by the Project Sponsor throughout the PDD as shown on plans to be submitted and approved during the Site Development Plan review process, with changes permitted as needs arise within the PDD. The off-street parking and loading requirements and standards of Section 4.42 of the Zoning Law shall not be applicable to the PDD.
- No parking space may not occupy any part of any required side or rear yard, except no such berth shall be located closer than one hundred (100) feet to any lot in any residential district unless wholly within a completely enclosed area or within a building.
- The Master Plan attached to the PDD provides a general representation of the location of the proposed Project components. However, the exact location, design, configuration, and size of items including but not limited to the buildings, location of parking areas, green areas, pedestrian walkways and other related matters may be changed, altered or amended during the Site Development Plan review process. The Master Plan is not intended to limit the Project Sponsor to the exact location of buildings, infrastructure, or other items customarily related to the Site Development Plan review process.

Exhibit VIII. C.3.b. Zoning



LEGEND

- PDD BOUNDARY
- BEARING AND DISTANCE
- BEARING AND DISTANCE TAG (REFERS TO TABLE BELOW)
- LOT LINE

**BEARINGS & DISTANCES (1-18)
ALONG CAVERNS ROAD**

| | | |
|----|---------------|---------|
| 1 | N 23°51'50" E | 106.03' |
| 2 | N 46°58'35" E | 190.91' |
| 3 | N 41°25'05" E | 94.80' |
| 4 | N 35°40'35" E | 87.03' |
| 5 | N 25°32'05" E | 237.01' |
| 6 | N 15°11'10" E | 102.62' |
| 7 | N 11°18'35" E | 472.27' |
| 8 | N 17°25'05" E | 92.18' |
| 9 | N 39°40'05" E | 114.40' |
| 10 | N 43°40'05" E | 143.00' |
| 11 | N 50°41'05" E | 355.80' |
| 12 | N 47°08'05" E | 161.80' |
| 13 | N 44°33'45" E | 284.20' |
| 14 | N 48°33'20" E | 383.91' |
| 15 | N 50°44'00" E | 381.27' |
| 16 | N 49°42'25" E | 161.65' |
| 17 | N 48°57'50" E | 219.94' |
| 18 | N 48°06'25" E | 84.85' |

BEARINGS AND DISTANCES (A-G)

| | | |
|---|---------------|---------|
| A | S 60°30'05" E | 505.16' |
| B | N 02°13'50" W | 41.24' |
| C | N 17°36'00" E | 69.06' |
| D | N 06°08'45" W | 47.16' |
| E | N 00°35'40" W | 106.62' |
| F | N 23°18'10" W | 16.09' |
| G | N 22°06'25" E | 54.55' |

**BEARING & DISTANCE (H)
ALONG STUART**

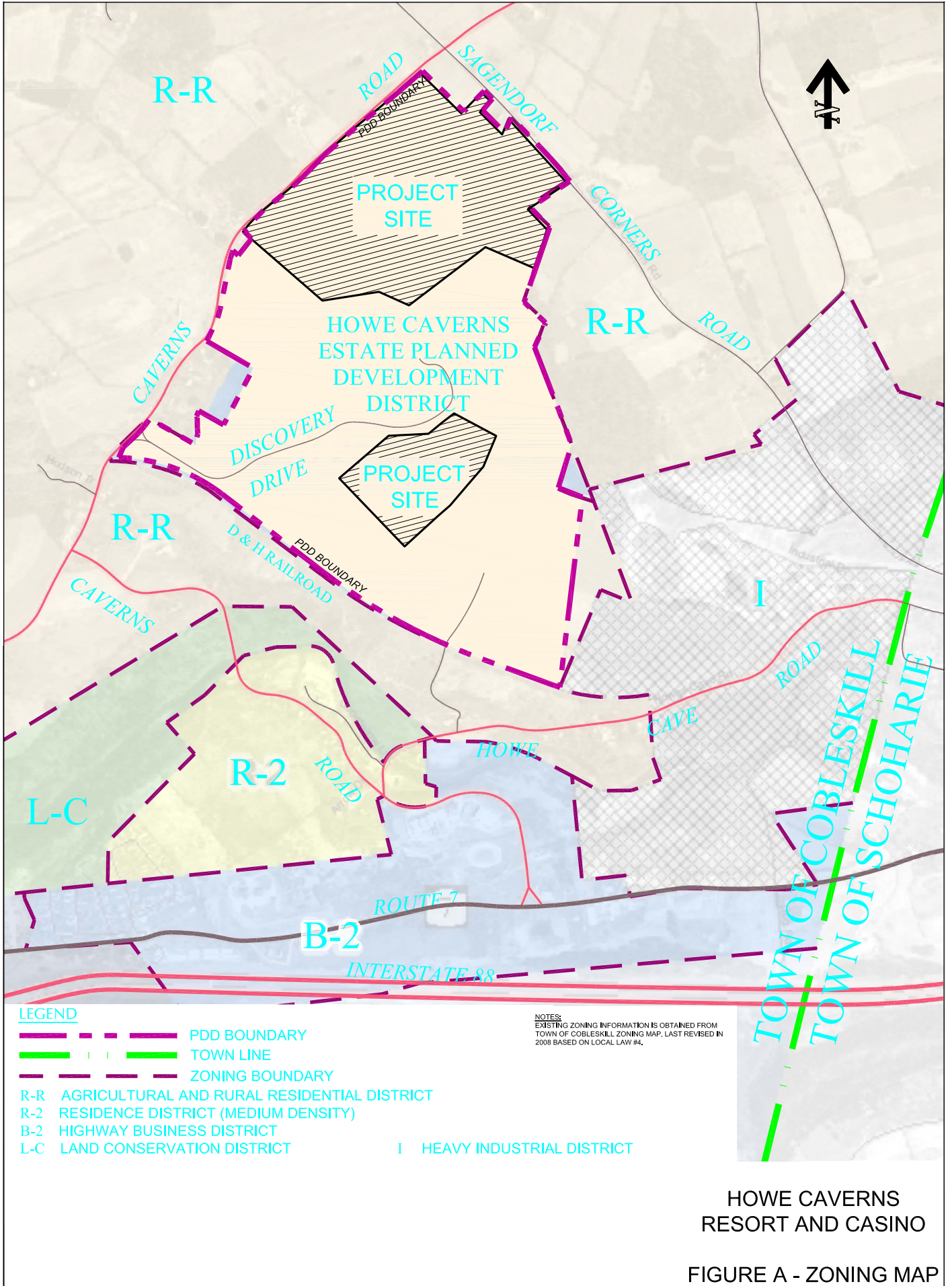
| | | |
|---|---------------|---------|
| H | S 60°30'05" E | 271.87' |
|---|---------------|---------|

**BEARINGS & DISTANCES (1-18)
ALONG SAGEDORFF CORNERS ROAD**

| | | |
|----|---------------|---------|
| 31 | S 43°45'30" E | 95.17' |
| 32 | S 44°11'45" E | 129.17' |
| 33 | S 43°28'25" E | 121.45' |
| 34 | S 43°08'30" E | 136.51' |
| 35 | S 41°43'55" E | 117.01' |
| 36 | S 39°13'40" E | 138.73' |
| 37 | S 37°54'35" E | 37.84' |

Exhibit VIII. C.3.a.- Figure A
Howe Caverns Estate Planned
Development District
Approved by Town of Cobleskill July 2010

SCALE: 1" = 800'
 FEET



**Town of Cobleskill
Town Board
July 12, 2010**

THE HOWE CAVERNS ESTATE PLANNED DEVELOPMENT DISTRICT.

Be it enacted by the TOWN BOARD of the Town of COBLESKILL as follows:

HOWE CAVERNS ESTATE PDD

This Local Law shall be known as Local Law No. 1 of 2010 and amends the Town of Cobleskill, New York, Zoning Law and Map to provide for the creation of "Planned Development District known as the Howe Caverns Estate Planned Development District, Town of Cobleskill," by Howe Caves Development LLC (the "Project Sponsor").

AMENDMENT TO ZONING MAP

The Town of Cobleskill, New York Zoning Law and the Town of Cobleskill Zoning Map be and the same are hereby amended by changing the following described area as set forth below from the existing Agricultural and Rural Residence District, R-R and Highway Business District, B-2 to a Planned Development District to be known and described as "Planned Development District known as the Howe Caverns Estate Planned Development District, Town of Cobleskill."

PDD BOUNDARIES

The area of the Planned Development District (the "PDD") consists of 330.04 acres in the Town of Cobleskill, Schoharie County, New York, bounded and described as set forth in the property description attached hereto as Appendix "A", as shown on EAF Figure 2-1A, "Planned Development District," dated May 4, 2010, as described in the Project Description, which map and project description have been filed in the Town Clerk's Office, and which are incorporated herein by reference and made part hereof.

DEFINITIONS

Unless a definition is expressly provided below, terms appearing throughout this local law are defined as per Appendix A of the Town of Cobleskill, New York Zoning Law ("Zoning Law"), as adopted by the Town Board on April 29, 1983, as revised through the effective date hereof, or through their ordinary usage.

AMUSEMENT. Indoor or outdoor recreational uses including, by way of example, but not limited to: animatronic display and theater, rock maze, picnic area, rock climbing, zip-line, mountain coaster, alpine slide, tree canopy tour, radio control park, winter sports, swimming pool, Water Park, gemstone mining, and amusements within a building, such as a dark ride, flight simulator, four dimensional theater, arcade games.

BUILDING, HEIGHT OF. The vertical distance measured from the average elevation of the average grade around the building to the highest point of the ceiling of the top story in the case of a flat roof; to the deck line of mansard roof; and to the mean height level between the eaves and ridge of a gable, hip or gambrel roof.

RV PARK. Any lot, or portion of a lot, on which two or more RVs are designed to be located, together with any accessory uses thereto, including, by way of example, but not limited to: offices, retail area, pavilion, recreation facilities, showers and/or restrooms, sewer pump out facility.

RV SITE. Any portion of a lot on which a single RV is designed to be located.

WATER PARK. Indoor or outdoor water park customary for a destination resort, including, by way of example, but not limited to: a wave pool, activity tower, swimming pool, lazy river, other water play areas, restrooms, changing areas, arcade, gift shop and mechanical rooms.

PERMITTED USES WITHIN PDD

The following are permitted uses within the Planned Development District:

1. Those uses permitted in a B-2, Highway Business District pursuant to Appendix C of the Zoning Law;
2. Howe Caverns Building and Cavern tours,
3. Food Service (café, snack bar and/or restaurant);
4. Amusement Use;
5. Retail sales associated with Project;
6. Office Use;

7. Open Space;
8. Picnic and Playground Use, including pavilions and restrooms
9. RV Park;
10. Parking Areas, Pedestrian Paths and Circulation and Parking Lot Roadways;
11. Tram, train, trolley or other internal circulation vehicle use;
12. Essential services, including but not limited to sewer treatment area and water supply system;
13. Support and maintenance buildings;
14. Storage Use;

together with accessory uses thereto and accessory buildings therefore.

CONSTRUCTION AND APPLICABLE LEGISLATION

Construction. At the election of the Project Sponsor, the PDD may be constructed in phases.

Applicable Law. All land uses, development, construction and operation of facilities within the PDD shall be conducted in accordance with all applicable local, state, and federal laws, rules and regulations, including, but not limited to the following:

- a. This legislation;
- b. The environmental thresholds and conditions contained in the State Environmental Quality Review Act (“SEQRA”);
- c. The uses and site development plans as approved by the Planning Board;
- d. All relevant requirements of federal, state and county laws and permits issued thereunder, including, but not limited to, Part 36 of the Americans With Disabilities Act, Standards for Accessible Design; and
- e. All relevant requirements of Town laws and ordinances not superceded by this legislation, and permits issued thereunder, including, but not limited to, any noise ordinance enacted by the Town Board after the effective date hereof.

The development and use restrictions contained within this PDD and any specific conditions to approvals issued hereunder shall be interpreted so as to bring about the intent of SEQRA and the Zoning Law to protect the public from adverse environmental impacts to the maximum extent reasonably practicable.

PDD Standards. In any instances where specific permitted uses, area or height standards, development guidelines and/or review procedures specifically set forth in this PDD, as the same are specifically applicable to the PDD, conflict with other general provisions or requirements of the Zoning Law, the particular provisions set forth herein shall take precedence. In all instances not specifically addressed in this PDD, the Zoning Law shall apply, in particular, the standards applicable to the B-2 Highway Business District.

The following figures reflect PDD standards:

Minimum Yard Dimensions

| | |
|-------------------------|----------------------|
| Set Back ROW | 100 feet |
| Rear | 50 feet |
| Side | 50 feet |
| Maximum Building Height | 60 feet or 4 stories |

Set back and yard dimension requirements do not apply as between any lots located within the PDD (whether currently existing or created by later subdivision).

Nothing herein contained shall be interpreted to limit or restrict the height of any of those structures delineated in Section 4.41(6) of the Zoning Law, such as any zip rider tower.

RV Parks located within the PDD shall conform to the following requirements:

- RVs may be stored on the property for no more than six months.
- No RV shall be placed closer to any street or road line than 100 hundred (100) feet or closer to any other property line than fifty (50) feet.
- The margins along the side and rear property lines shall be planted with trees and shrubs for a depth of not less than twenty-five (25) feet.

Transition Requirements for PDD Boundaries. The PDD will comply with the transition requirements

for district boundaries as provided in Section 4.41(7) of the Zoning Law, provided that, in place of a solid wall, fence or hedge at least 6 feet but no more than 8 feet in height, the transition area may be planted with trees and shrubs in accordance with the plans to be submitted and approved during the site development plan review process.

OPEN SPACE

At least thirty percent (30%) of the gross area of the district shall be devoted to open space or recreation areas, active or passive.

Landscaping will be incorporated throughout the PDD in accordance with plans to be submitted and approved during the site development plan review process.

UTILITY SUPPORT SYSTEMS

All water supply and wastewater disposal facilities will be privately owned and shall be designed and installed in accordance with the requirements of the New York State and Schoharie County Departments of Health, and the Department of Environmental Conservation, as applicable.

Potable water shall be provided by the Project Sponsor through on-site wells with on-site backup supply. The Project Sponsor shall comply with all state and federal requirements for provision of water service.

Wastewater disposal systems shall be provided by the Project Sponsor through an on site wastewater treatment plant. The Project Sponsor shall comply with all local, county, state and federal requirements for provision of water service.

Utilities including electrical, telephone, and cable will be provided in accordance with plans to be submitted and approved during the site development plan review process.

Electrical and telephone distribution lines shall be put underground. Service from the street to transformer for on site distribution may be located overhead, subject to approval by the Planning Board during the site development plan review process.

STORM DRAINAGE SYSTEM

A storm water pollution prevention plan (“SWPPP”) will be developed in accordance with all local, state and federal laws. The SWPPP will describe temporary and permanent measures that will be implemented to mitigate, attenuate and reduce pollutants in storm water runoff.

TRAFFIC CONTROL

Off-site traffic control signs for this project and all off-site road markings associated with the project will conform with findings of a traffic study performed by Creighton Manning Engineering, LLP, and will comply with all local, county, state and federal regulations, including, the standards of the American Association of State Highway and Transportation Officials, the New York State Department of Transportation and the County of Schoharie.

SIGNAGE

The Project Sponsor may construct and maintain free standing project identification signs, pole signs, projecting signs and wall or building signs in addition to normal street signs within the PDD. Signage may be illuminated in accordance with a comprehensive lighting plan determined during the site development plan review process. The sign permit requirements and area standards of Section 4.43 of the Zoning Law, shall not be applicable to signage otherwise permitted pursuant to this provision.

PARKING and LOADING

Parking and loading spaces shall be provided and maintained by the Project Sponsor throughout the PDD as shown on plans to be submitted and approved during the site development plan review process, with changes permitted as needs arise within the PDD. The off-street parking and loading requirements and standards of Section 4.42 of the Zoning Law shall not be applicable to the PDD.

No parking space may occupy any part of any required side or rear yard, except no such berth shall be located closer than one hundred (100) feet to any lot in any residential district unless wholly within a completely enclosed area or within a building.

SITE DEVELOPMENT PLAN REVIEW

In accordance with Article 4 and Appendix B of the Zoning Law, prior to the issuance of a building permit for the construction of a building or phase of buildings within the PDD (each, a “Building

Permit”), the Project Sponsor shall submit for approval by the Planning Board a site development plan for any specific project within the PDD showing all buildings and infrastructure to be constructed on the site. The Planning Board may, in its discretion, authorize the Town of Cobleskill Zoning Enforcement Officer to issue a Building Permit for a given phase of construction before completion of the entire site development plan review process or final approval of the site development plan. No Building Permit shall be issued without final approval of that portion of the site development plan corresponding to the building or phase of buildings for which a Building Permit is sought by the Project Sponsor. Specific details concerning the work to be allowed pursuant to such permits shall be established by the Planning Board during the site development plan review process.

The master plan depicted in EAF Figure 1-2, “Master Plan, Howe Caverns Estate,” dated May 4, 2010 (the “Master Plan”), which plan has been filed in the Town Clerk’s Office, and which is incorporated herein by reference and made part hereof, provides a general representation of the location of the proposed project components. However, the exact location, design, configuration, and size of items including but not limited to the buildings, location of parking areas, green areas, pedestrian walkways and other related matters may be changed, altered or amended during the site development plan review process. The Master Plan is not intended to limit the Project Sponsor to the exact location of buildings, infrastructure, or other items customarily related to the site development plan review process.

A certificate of occupancy must be obtained from the Zoning Enforcement Officer prior to occupying all or any portion of any newly constructed building within the PDD. A certificate of occupancy will be granted by the Zoning Enforcement Officer for occupancy of the completed portion of any building as permitted by the New York State Fire Prevention and Building Code (the “Building Code”).

CONSTRUCTION

Construction will be in accordance with the site development plans approved by the Planning Board. All buildings shall be constructed in accordance with the Building Code. All drawings and building specifications shall be approved and stamped by a duly licensed engineer, architect, or landscape architect. All construction shall be subject to inspection, approval and issuance of Certificates of Occupancy by the Zoning Enforcement Officer.

PRIVATE DRIVES AND RELATED RIGHTS-OF-WAY

All private drives and drainage easements shall be constructed and/or located by the Project Sponsor in accordance with the site development plans as approved by the Planning Board. Such drives and easements shall be owned and maintained by the Project Sponsor and/or its successors or assigns.

SEQRA

Pursuant to SEQRA, the Town Board has acted as lead agency for environmental review of this action. The Town Board shall retain continuing jurisdiction as Lead Agency for the project for SEQRA purposes, including but not limited to the purposes set forth under 6 NYCRR Part 617.7(e) and (f), as the same may be amended from time to time. If during the site development plan review process it shall be appropriate under 6 NYCRR Part 617.7(e) or (f), as the same may be amended from time to time, for the Town Board to reconsider its initial determination of significance with respect to the project, the Town Board as Lead Agency may either amend or rescind its initial SEQRA Negative Declaration in accordance with 6 NYCRR Part 617.7(e) or (f), as the same may be amended from time to time.

VIOLATIONS

Any violations of the provisions of this Local Law shall be deemed a violation of the Zoning Law, and the provisions hereof shall be enforceable pursuant to the enforcement provisions of the said Zoning Law. The Town may also seek any other remedies as allowed under law.

EFFECTIVE DATE

This Local Law shall take effect upon filing with the New York State Secretary of State.

APPENDIX A
PROPERTY DESCRIPTION

JOANNE DARCY CRUM, L.S.
PROFESSIONAL LAND SURVEYOR
5 April 2010
Revised 11 June 2010

Howe Caverns, Inc. PDD Description

Description for Proposed PDD Zoning Limits for Howe Caverns, Inc., Town of Cobleskill, Real Property Tax Map Parcels 58-1-10.1, 58-1-4, 46-3-20.2 and portions of 58-1-12.1 and 58-2-21.2.

All that certain lot, piece or parcel of land lying, situate and being on the southeasterly side of Barnerville Road (also known as County Route 8), the southwesterly side of Sagendorf Corners Road, and on the northeasterly side of Delaware & Hudson Railroad (formerly known as the Albany & Susquehanna Railroad) in the Town of Cobleskill, County of Schoharie, State of New York bounded and described as follows:

Commencing at an iron pin set in the ground (8/00) on the southeasterly side of the said Barnerville Road and on the northeasterly side of the said Railroad at the most westerly corner of the lands herein described; SAID PIN being the POINT OF BEGINNING of the lands herein described; thence leaving said pin on the following FOUR (4) bearings and distances along the southeasterly side of the said Barnerville Road;

NORTH 23° 51' 50" EAST 106.03 FEET to a point;
NORTH 46° 58' 35" EAST 190.91 FEET to a point;
NORTH 41° 25' 05" EAST 94.80 FEET to a point;
NORTH 35° 40' 35" EAST 87.03 FEET to an iron pin set in the ground (10/07) on the southeasterly side of the said Barnerville Road; thence leaving said pin on the following SEVEN (7) bearings and distances along Tax Map Parcel 58-1-12.2

SOUTH 60° 30' 05" EAST 505.16 FEET partially along a row of trees passing through an iron pin set in the ground (10/07) at a distance of 485.16' to a point on the centerline of a stream; thence leaving said point

NORTH 02° 13' 50" WEST 41.24 FEET to a point in the said centerline;
NORTH 17° 36' 00" EAST 69.06 FEET to a point in the said centerline;
NORTH 06° 08' 45" WEST 47.16 FEET to a point in the said centerline;
NORTH 00° 35' 40" WEST 106.62 FEET to a point in the said centerline;
NORTH 23° 18' 10" WEST 16.09 FEET to a point in the said centerline; and
NORTH 22° 06' 25" EAST 54.55 FEET to a point in the said centerline; thence leaving said point on the following TWO (2) bearings and distances along Tax Map Parcel 58-1-5

SOUTH 60° 30' 05" EAST 271.87 FEET passing through an iron pin set in the ground on line (10/07) at a distance of 20.0' to an 4"x4" concrete monument found set in the ground; and
NORTH 27° 42' 35" EAST 611.74 FEET to an iron pin set in the ground (8/00); thence leaving said pin

NORTH 59° 59' 00" WEST 513.03 FEET continuing along Tax Map Parcel 58-15; also along Tax Map Parcel 58-1-8, also along Tax Map Parcel 58-1-7 to a 5/8" iron pin found set in the ground on the southeasterly side of the said Barnerville Road; thence leaving said found pin on the following FOUR (4) bearings and distances along the southeasterly side of the said Barnerville Road;

NORTH 25° 32' 05" EAST 237.01 FEET to a point;
NORTH 15° 11' 10" EAST 102.62 FEET to a point;
NORTH 11° 18' 35" EAST 472.27 FEET to a point; and
NORTH 17° 25' 05" EAST 92.18 FEET to an iron pin set in the ground (11/00); thence leaving said pin on the following THREE (3) bearings and distances along Tax Map Parcel 58-1-9;

SOUTH 46° 52' 55" EAST 70.00 FEET to an iron pin set in the ground (11/00);
NORTH 38° 07' 05" EAST 204.00 FEET to an iron pin set in the ground (11/00); and
NORTH 45° 45' 55" WEST 97.22 FEET to an iron pin set in the ground (11/00) on the southeasterly side of the said Barnerville Road; thence leaving said pin on the following TEN (10) bearings and distances along the southeasterly side of the said Barnerville Road
NORTH 39° 40' 05" EAST 114.40 FEET to a point;
NORTH 43° 40' 05" EAST 143.00 FEET to a point;
NORTH 50° 41' 05" EAST 355.80 FEET to a point;
NORTH 47° 08' 05" EAST 161.80 FEET to a point;
NORTH 44° 33' 45" EAST 284.20 FEET to a point;
NORTH 48° 33' 20" EAST 383.91 FEET to a point;
NORTH 50° 44' 00" EAST 381.27 FEET to a point;
NORTH 49° 42' 25" EAST 161.65 FEET to a point;
NORTH 48° 57' 50" EAST 219.94 FEET to a point; and

NORTH 48° 06' 25" EAST 84.85 FEET to an iron pin set in the ground (11/92) at a northerly corner of the lands herein described; thence leaving said pin

SOUTH 45° 34' 55" EAST 553.27 FEET along Tax Map Parcel 58-1-10.3 passing through an iron pin tagged "Lape" found set in the ground at a distance of 239.05', also along Tax Map Parcel 58-1-10.2 to an iron pin tagged "Lape" found set in the ground; thence leaving said found pin

NORTH 44° 24' 35" EAST 277.24 FEET continuing along Tax Map Parcel 58-1 10.2 to an iron pin found set in the ground on the southwesterly side of the said Sagendorf Corners Road; thence leaving said found pin

SOUTH 45° 41' 15" EAST 108.67 FEET along the southwesterly side of the said Sagendorf Corners Road to an iron pin set in the ground (8/00) on the southwesterly side thereof in distance 25' perpendicular from the centerline of the traveled track thereof; thence leaving said pin on the following TWO (2) bearings and distances along Tax Map Parcel 58-1-13

SOUTH 40° 10' 25" WEST 145.00 FEET to an iron pin set in the ground (8/00); and

SOUTH 44° 57' 20" EAST 300.00 FEET to an iron pin set in the ground (8/00); thence leaving said pin

NORTH 22° 07' 25" EAST 160.04 FEET continuing along the said Tax Map Parcel 58-1-13 and along Tax Map Parcel 58-1-11 to an iron pin tagged "Snyder" found set in the ground on the southwesterly side of the said Sagendorf Corners Road; thence leaving said found pin on the following EIGHT (8) bearings and distances along the southwesterly side of the said Sagendorf Corners Road

SOUTH 44° 59' 10" EAST 54.10 FEET to an iron pin tagged "Snyder" found set in the ground on the southwesterly side thereof;

SOUTH 43° 45' 30" EAST 95.17 FEET to a point;

SOUTH 44° 11' 45" EAST 129.17 FEET to a point;

SOUTH 43° 29' 25" EAST 121.45 FEET to a point;

SOUTH 43° 08' 30" EAST 136.51 FEET to a point;

SOUTH 41° 43' 55" EAST 117.01 FEET to a point;

SOUTH 39° 13' 40" EAST 138.73 FEET to a point; and

SOUTH 37° 54' 35" EAST 37.84 FEET to an iron pin tagged "Sprague" found

set in the ground on the southwesterly side thereof at an easterly corner of the lands herein described; thence leaving said found pin on the following SIX (6) bearings and distances along Tax Map Parcel 46-3-20.3 and Tax Map Parcel 58-2-24

SOUTH 56° 14' 50" WEST 451.09 FEET essentially along a hedge row to an iron pin tagged "Sprague" found set in the ground;

SOUTH 43° 39' 35" EAST 263.80 FEET essentially along an old stone wall and hedge row to an iron pin tagged "Sprague" found set in the ground;

SOUTH 18° 54' 25" WEST 751.07 FEET to an iron pin tagged "Sprague" found set in the ground;

SOUTH 46° 07' 35" EAST 284.05 FEET essentially along wire fence remains to an iron pin tagged "Snyder" found set in the ground;

SOUTH 24° 37' 50" WEST 255.30 FEET essentially along a line of trees found blazed, to a concrete monument and iron pin found set in the ground; and

SOUTH 21° 10' 15" EAST 631.18 FEET passing through a concrete monument found set in the ground at a distance of 242', essentially along a hedge row and a blazed line to a second concrete monument found set in the ground; thence leaving said found concrete monument

SOUTH 20° 17' 55" EAST 362.14 FEET along Tax Map Parcel 58-2-4.1, essentially along the said hedge row and found blazed line to a concrete monument found set in the ground; thence leaving said monument

SOUTH 17° 03' 08" WEST 430.43 FEET through Tax Map Parcel 58-1-12.1 to a point on the southerly bounds thereof; thence leaving said point

SOUTH 68° 42' 49" EAST 246.02 FEET along Tax Map Parcel 58-2-21.2 to a point; said point being N 68° 42' 49" W 119.75' from a concrete monument found set in the ground at the northeasterly corner of the said Tax Map Parcel 58-2-21.2; thence leaving said point

SOUTH 06° 45' 39" WEST 1825.57 FEET through Tax Map Parcel 58-2-21.2 to a 1" pinched pipe found set in a box wire fence on the northeasterly side of the said Railroad and at the southeasterly corner of the lands herein described; thence leaving said found pipe on the following FIVE (5) courses along the northeasterly side of the said Railroad being essentially along the said box wire fence line and portions of a brush row

NORTH 72° 03' 25" WEST 55.27 FEET to a point in the said fence;

NORTH 69° 52' 54" WEST 743.73 FEET to an iron pin tagged "Snyder" found

set in the ground; thence leaving said pin on a CURVE to the RIGHT; said CURVE having a RADIUS of 5680.72' a DELTA of 17°25'59" and a CHORD of

NORTH 61° 09' 55" WEST 1721.78 FEET for a distance of 1728.44' to a point in the said fence;

NORTH 52° 26' 55" WEST 1209.44 FEET to a point in the said fence; thence leaving said point on a CURVE to the LEFT; said CURVE having a RADIUS of 1686.84' a DELTA of 36°11'18" and a CHORD of

NORTH 70° 32' 35" WEST 1047.80 FEET for a distance of 1065.42' to the point or place of beginning containing 330.04

ACRES of land, be the same more or less according to a survey run in the field during 2000, last revised 9/8/09 by Joanne Darcy Crum, L.S. 49673 of Cobleskill, New York 12043. All bearings based on True North at 74°30' West Longitude. All iron pins set in the ground being 5/8" x 30" steel rod with yellow cap tagged J.D. Crum".

This description is for the purpose of describing the proposed PDD and is not to be used for conveyance purposes.

**Town of Cobleskill
Town Board
July 12, 2010
94**

**State Environmental Quality Review
NEGATIVE DECLARATION
Notice of Determination of Non-Significance**

Project Number Date: July 12, 2010

This notice is issued pursuant to Part 617 of the implementing regulations pertaining to Article 8 (State Environmental Quality Review Act) of the Environmental Conservation Law.

The Town of Cobleskill Town Board (the "Town Board"), as lead agency, has determined that the proposed action described below will not have a significant adverse environmental impact and a Draft Impact Statement will not be prepared.

Name of Action: Howe Caverns Estate.

SEQR Status: Type 1 ■
 Unlisted □

Conditioned Negative Declaration: □ Yes
 ■ No

Description of Action: Howe Caves Development LLC (the "Project Sponsor") has created a master plan for the development of the existing Howe Cavern and adjacent property that will attract additional visitors to the Project Site through new entertainment, and amusement and lodging components (the "Master Plan"). The Master Plan for Howe Caverns Estate (the "Project") also addresses the arrival and departure of visitors from off site, zoning and land use issues, on site vehicular and pedestrian circulation, parking, drainage and utilities. The Project site is comprised of 330.04 acres located in the northeastern portion of the Town of Cobleskill, Schoharie County (the "Town") and is comprised of Tax Map Parcels 58-1-10.1, 58-1-4, 46-3-20.2 and portions of 58-1-12.1 and 58-2-21.2 (the "Project Site").

The current zoning designations within the Project Site are the B-2, Highway Business District and R-R, Agricultural Rural Residential District. All abutting property is in the R-R District except along the eastern border which is the Cobleskill Stone Quarry in the I, Heavy Industrial District. The Project Sponsor is requesting the entire 330.04 acre Project Site be designated a Planned Development District (PDD) by the amendment to the Town zoning law in order to add the new entertainment, amusement and lodging components contemplated by the Project. According to the Town zoning law a PDD is designed to accommodate such large-scale uses as will be of benefit to the community but which could not have been anticipated at the time of adoption of the Town zoning law.

Location: Howe Caverns is located in the northeastern portion of the Town of Cobleskill, Schoharie County, New York, with access to Caverns Road (County Route 9) to the northwest and Sagendorf Corners Road (a Town Road), to the northeast. The street address of the Project is 255 Discovery Drive, Howes Cave, New York.

the Town Board has reviewed the Environmental Assessment Form (EAF), Parts 1, 2 and 3 submitted by the Project Sponsor, and has made the determination that the Project will not result in significant, adverse environmental impacts and that the Town's zoning law may be amended to designate the Project Site a PDD. The following was relied upon in reaching this determination:

(i) The Project will not result in a substantial adverse change in existing air quality, ground or surface water quality or quantity, traffic or noise levels; a substantial increase in solid waste production; a substantial increase in potential for erosion, flooding, leaching or drainage problems. Specifically:

Wetlands and Water Bodies. The Project will not have any significant or adverse negative impact on the wetlands or water bodies located on the Project Site. The Project is designed in a manner that is aimed at reducing and minimizing all impact to the aquatic resources identified to the greatest extent practicable. As a result, the majority of the Project Site water resources will not be directly or indirectly impacted and will remain in their existing state and will be available for use by resident specified of wildlife before and after development of the Project.

Traffic. The level of service analysis prepared by Creighton Manning Engineering, LLP shows that the Project will not result in a substantial adverse change in traffic levels and that the intersections in the vicinity of the Project Site will operate at adequate levels of service after development of the proposed Project. Although some delay increases will be apparent during peak hours at the 1-88 Eastbound ramp intersection (14.6 second increase during the Friday PM peak hour and 10.7 second increase during the Saturday peak hour), adequate capacity will exist and no improvements are recommended.

Stormwater Management. The Project will not have a significant impact on the stormwater runoff from the Project Site on the adjacent areas. The Project will result in an increase of 64.6 acres of impervious area over the 330.04 acre Project Site. The implementation of the stormwater management and water quality practices and conformance with the New York State Department of Environmental Conservation's Pollution Discharge Elimination System for Discharges for Construction Activities, General Permit GP0-10-000 will mitigate the impact of the Project on off site areas.

Air Quality, Noise Levels and Solid Waste. The Project will not create a substantial adverse change in existing air quality, noise levels or solid waste production. The level of service analysis prepared by Creighton Manning Engineering, LLP estimates that the additional vehicle trips generated by the Project will result in 393 and 518 total vehicle trips during the Friday PM peak hour and Saturday peak hour, respectively, far less than the 1,000 vehicle trips per hour level identified as a the threshold level for potential impact on air quality in the SEQR EAF Part 2. The Project will not include any components, such as incinerators or industrial uses that will emit pollutants into the air. Solid waste will be handled by private carters and will not have a substantial negative impact.

(ii) The Project will not result in the removal or destruction of large quantities of vegetation or fauna; substantial interference with the movement of any resident or migratory fish or wildlife species; impacts on a significant habitat area; substantial adverse impacts on a threatened or endangered species of animal or plant, or the habitat of such a species; or other significant adverse impacts to natural resources. Specifically:

The Project will not result in the removal of large quantities of vegetation; approximately 64.6 (19.6%) acres of vegetation will be removed from the 330.04 acre site. The Project will disturb approximately 130 acres of the Project Site and will leave approximately 202 acres (61%) of open space. The Project

Site on-site habitats are not considered rare and are typical of agriculturally disturbed lands throughout the Schoharie Valley and to date, no endangered, threatened or species of special concern have been observed or identified on or adjacent to the Project Site.

(iii) The Project will not impair the environmental characteristics of a Critical Environmental Area (CEA) as designated pursuant to subdivision 617.14(g) of this Part. Specifically:

The NYSDEC website (<http://www.dec.ny.gov/>) identifies the Wright Karst Area, in the Town of Wright as the only CEA in Schoharie County. The Project will not impair the environmental characteristics of the Wright Karst Area.

(iv) The Project will not create a material conflict with a community's current plans or goals as officially approved or adopted. Specifically:

The Project Site is currently designated B-2, Highway Business District (approximately 189 acres) and R-R, Rural Agriculture and Residential District (approximately 141 acres). The proposed uses of the Project include: food service, amusement use, retail sales, office use, open space, picnic and playground use, RV Park, parking, support, maintenance and storage use. These proposed uses are consistent with and are permitted in the B-2, Highway Business District and/or the R-R, Rural Agriculture and Residential District by Special Use Permit.

(v) The Project will not impair the character or quality of important historical, archaeological, architectural, or aesthetic resources or of existing community or neighborhood character. Specifically:

The only structure determined potentially eligible for inclusion on the State or national Register of Historic Places is the Howe Caverns lodge facility. The Project will not result in any adverse impact to such facility. According to the New York Parks, Recreation and Historic Preservation Law Section 14.09, adverse impacts may include: (a) destruction or alteration of all or part of a property; (b) isolation or alteration of its surrounding environment; (c) introduction of visual, audible, or atmospheric elements that are out of character with the property or alter its setting; or (d) neglect of property resulting in its deterioration or destruction. In particular, the Project does not contemplate alteration of the Howe Caverns lodge facility; the Project will not isolate or alter the surrounding environment of the Howe Caverns lodge facility; and the Project will not introduce visual, audible, or atmospheric elements inconsistent with the existing amusement use. The Master Plan contemplates enlarging the existing parking lot currently adjacent to the Howe Caverns lodge facility, and the Dinosaur Canyon to be constructed to the South-East of the Howe Caverns lodge facility will be constructed below ground level and the signature view of the sloping front lawn will remain. The parking lots and Dinosaur Canyon will be landscaped to continue to provide a landscaped visit, similar to the existing condition. The character and important visual position of the Howe Caverns lodge facility on the Project Site will remain and be reinforced by the Master Plan.

(vi) The Project will not result in a major change in the use of either the quantity or type of energy.

(vii) The Project will not create a hazard to human health.

(viii) The Project will not create a substantial change in the use, or intensity of use, of land including agricultural, open space or recreational resources, or in its capacity to support existing uses. Specifically:

The majority of the Project Site can currently be generally characterized as actively maintained agricultural land and the remaining portions of the Project Site are comprised of forested upland and commercially developed land. As discussed in Section (iv) above, the Project's proposed uses will not be a substantial change from the uses permitted by the current zoning. As discussed in Section (ii) above, approximately 61% of the Project Site will remain open space.

(ix) The Project will not encourage or attract a large number of people to a place or places for more than a few days, compared to the number of people who would come to such place absent the action. Specifically:

The Project is intended to attract additional visitors to the Project Site, however, the nature of the attractions will be such that the majority of visitors are not anticipated to stay beyond a few days for a school trip or vacation.

(x) The Project will not create a material demand for other actions that would result in one of the above consequences.

(xi) The Project will not result in changes in two or more elements of the environment, no one of which has a significant impact on the environment, but when considered together result in a substantial adverse impact on the environment.

(xii) When analyzed with two or more related actions, the Project will not have a significant impact on the environment.

The Town Board has considered reasonably related long-term, short-term, direct, indirect and cumulative impacts, including other simultaneous or subsequent actions.

For Further Information:

Contact Person: Tom Murray, Chairman of the Town of Cobleskill Town Board and Town Supervisor

Address: P.O. Box 327, Cobleskill, NY 12043

Telephone Number: (518) 234-1719

For Type 1 Actions and Conditioned Negative Declarations, a Copy of this Notice is sent to:

Other involved agencies (If any)

1. Town of Cobleskill Code Enforcement Office
Contact Person: Peter Irwin
Address: 378 Mineral Springs Road, Cobleskill, NY 12043
2. County of Schoharie Highway Department
Contact Person: Thomas Fagnani, Commissioner
Address: 393 Main Street, Schoharie, NY 12157
3. Schoharie County Department of Health
Contact Person, Kathleen Farrell Strack MS RN, Public Health Director
Address: 276 Main Street, Schoharie, NY 12157
4. NYS Office of Parks, Recreation & Historic Preservation
Historical Preservation Field Services Bureau
Pebbles Island

Address: P O Box 189, Waterford, NY 12188-0189

5. NYS Department of Environmental Conservation
Contact Person: Kent Sanders
Address: 65561 State Highway 10, Stamford, NY 12167
6. County of Schoharie Planning Board
Contact Person: Lillian Bruno
Address: 349 Mineral Springs Road, Cobleskill NY 12043
7. Town of Cobleskill Planning Board
Contact Person: Tracy Cleveland
Address: 378 Mineral Springs Rd. Suite 5, Cobleskill NY 12043
8. Schoharie County IDA
Contact Person: Ron Filmer
Address: 349 Mineral Springs Road, Cobleskill, NY 12043
9. U.S. Army Corps of Engineers
Contact Person: Andrew Dangler, Upstate Regulatory Field Office
Address: 1 Buffington Street, Watervliet, NY 12180

Applicant (If any):

Howe Caves Development LLC

Address: 255 Discovery Drive, Howes Cave, New York, 12092

Phone / Fax / e-mail: Tel: (518) 296-8990

Environmental Notice Bulletin, 625 Broadway, Albany NY, 12233-1750 (Type One Actions only)

Exhibit VIII. C.3.c. Special Permits

| Agency | Permits and Approvals | i) Procedure to obtain Permits | ii) Anticipated Conditions to be place on the permit | iii) Estimated Dates to obtain Permits |
|-------------------------------|------------------------------|---|---|--|
| NYS Gaming Commission | NYS Gaming License | Application to the NYS Gaming Commission to be filed on 6/30/14. | | October-November 2014 |
| Town of Cobleskill Town Board | Municipal Support Resolution | | | 5/27/2014 |
| Schoharie County ----- | Support Resolution | | | 3/21/2014 |
| Town of Cobleskill Town Board | PDD Approval SEQR | Apply for revision to current PDD to allow building (hotel) height greater than 4 stories and signage. Confirm SEQR Negative Declaration for PDD issued in 2010 | Mitigation measures, such as traffic improvements and completion of connection to sewer and water infrastructure. | November 2014 |
| Town of Cobleskill | Sign Permits | Sign permits subject to PDD law for projects. | | 90 prior to opening of the gaming facility |
| Town of Cobleskill | Highway Permits | Permits for improvements to Town Road for offsite highway mitigation | Bonding and inspection of roadway improvements | June 2015 |

Exhibit VIII. C.4. MASTER PLAN AND BUILDING PROGRAM

Exhibit VIII. C.4.a. Master Plan for Land

The Howe Caverns Resort and Casino will establish a world-class destination gaming resorts that will attract tourists to Upstate New York. It will support jobs and benefit the local economies and tourism industries, as well as support education and property tax relief. The Howe Caverns Resort and Casino will integrate with the existing Howe Caverns with about 160,000 visitors each year. It is the second most-visited natural attraction in New York State, with Niagara Falls taking the number one spot.

The approximately 110 acres The Howe Caverns Resort and Casino property is located within the 300 acre Howe Caverns Planned Development District (PDD). Howe Caverns obtained approval of the PDD Master Plan in 2010. The proposed casino and hotel integrates into the PDD in an area previously designated for an RV park.

The Howe Caverns and Resort and Casino Master Plan (see Figure A) builds upon the 2010 Howe Cavern PDD Master plan to provide a regional destination. The Casino and Hotel are located in the northwestern portion of the property featuring the Howe Cavern Casino with 1,500 slot machines and 34 table game. The Casino will contain restaurants, entertainment and meeting facilities to provide a year round destination. The 253 room hotel is integrated into the casino building sharing the atrium entrance to the casino (See Figure B).

Located immediately south of the Casino and Hotel will be the Waterpark and Hotel (See Figure B). The themed indoor waterpark will complement the Howe Caverns Master Plan and will include 50,000 – 60,000 square feet of indoor and outdoor waterpark that will include variety of tubes, pools, slides, and other waterpark attractions. In addition to the waterpark attractions, there will be restroom and changing areas (which will accommodate day visitors and guests checking in and out), an arcade, gift shop, snack bar, themed gift shop, and mechanical rooms. The 250 room hotel will provide rooms for patrons of the waterpark, the casino and the Howe Caverns attractions.

The Casino design easily accommodates future expansion of the casino floor within the finished space established in the original project build out. The future expansion could include additional casino floor area and additional amenities, such as a movie theatre and bowling alley (See Figure C). These additional amenities represent features that will add to both the attraction and destination quality of the project, for residents of the region and guests alike.

The Howe Caverns Resort and Casino Master Plan integrates the adjacent Howe Caverns Attractions to provide a family destination. The existing Howe Caverns receives approximately 160,000 visitors per year, with approximately 1,200-1,300 peak weekday and 1,700-1,900 peak weekend visitors. The 2010 Howe Caverns Master Plan anticipated accommodating approximately 500,000 visitors per year with approximately 2,500 peak weekday and 5,000 peak weekend visitors.

The Howe Caverns building includes the cave tours, restaurant and souvenir shop. In 2011 - 2012 a new Howe High Adventure Park opened with a four tower Zip Line, Sky Trail Ropes Course, a 26 feet climbing wall and air jumper. These new attractions are seasonal, May-October. In addition, a new 6000 square foot Gemstone Mining building opened allowing year-round gemstone panning for semi-precious minerals. Adjacent to our Gemstone mining building, is a 250 seat three-season Pavilion that may be reserved for events. See Figure D and E.

Another located tourist attraction is the Cave House Museum of Mining & Geology located along Sagendorf Road, southeast of the Project. It is housed in the former Cave House – a hotel built of cut limestone circa 1872 - located next to the original entrance to the cave. Within Schoharie County are additional tourist attractions, such as Secret Caverns, The Iroquois Indian Museum, Gobbler's Knob Family Fun Park, Muscle Motors Speedway, The Landis Arboretum, Blenheim-Gilboa Power Project Visitors' Center and Lansing Manor. Howe Caverns Resort and Casino is centrally located to provide a regional destination within approximately 45 minutes from other regional tourist attractions in Albany and Cooperstown.

Exhibit VIII. C.4.b. Suitability of Project Site

Howe Caverns Resort and Casino Master Plan

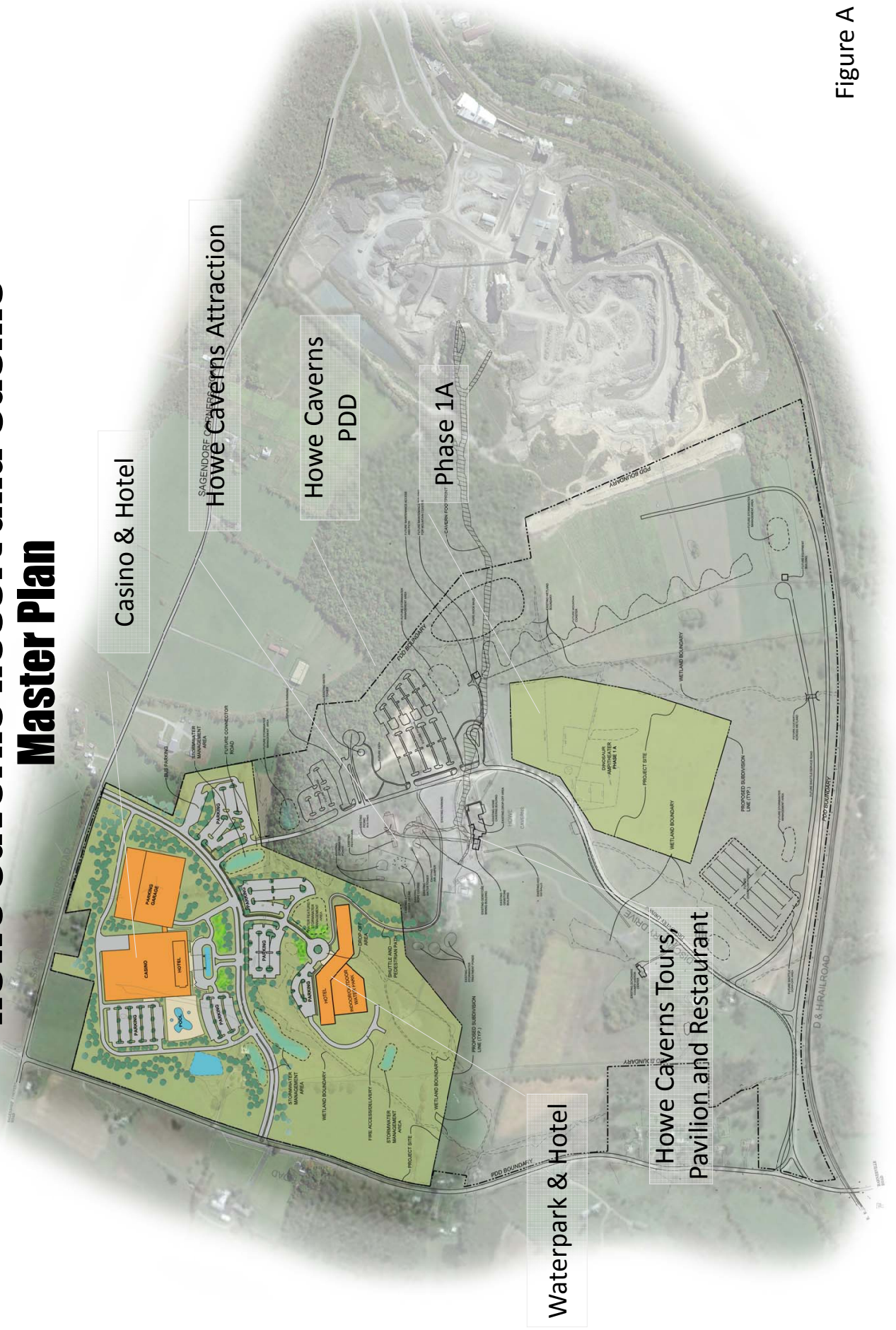


Figure A

Howe Caverns Resort and Casino Master Plan



Casino & Hotel

Connection to Howe Caverns

Waterpark & Hotel

Shuttle Connection to Howe Caverns

Figure B

Howe Caverns Resort and Casino Howe Caverns High Attractions



Figure D

Howe Caverns Resort and Casino

Howe Caverns Attractions



Figure E

Exhibit VIII. C.5.d. Designs Exterior Rendering

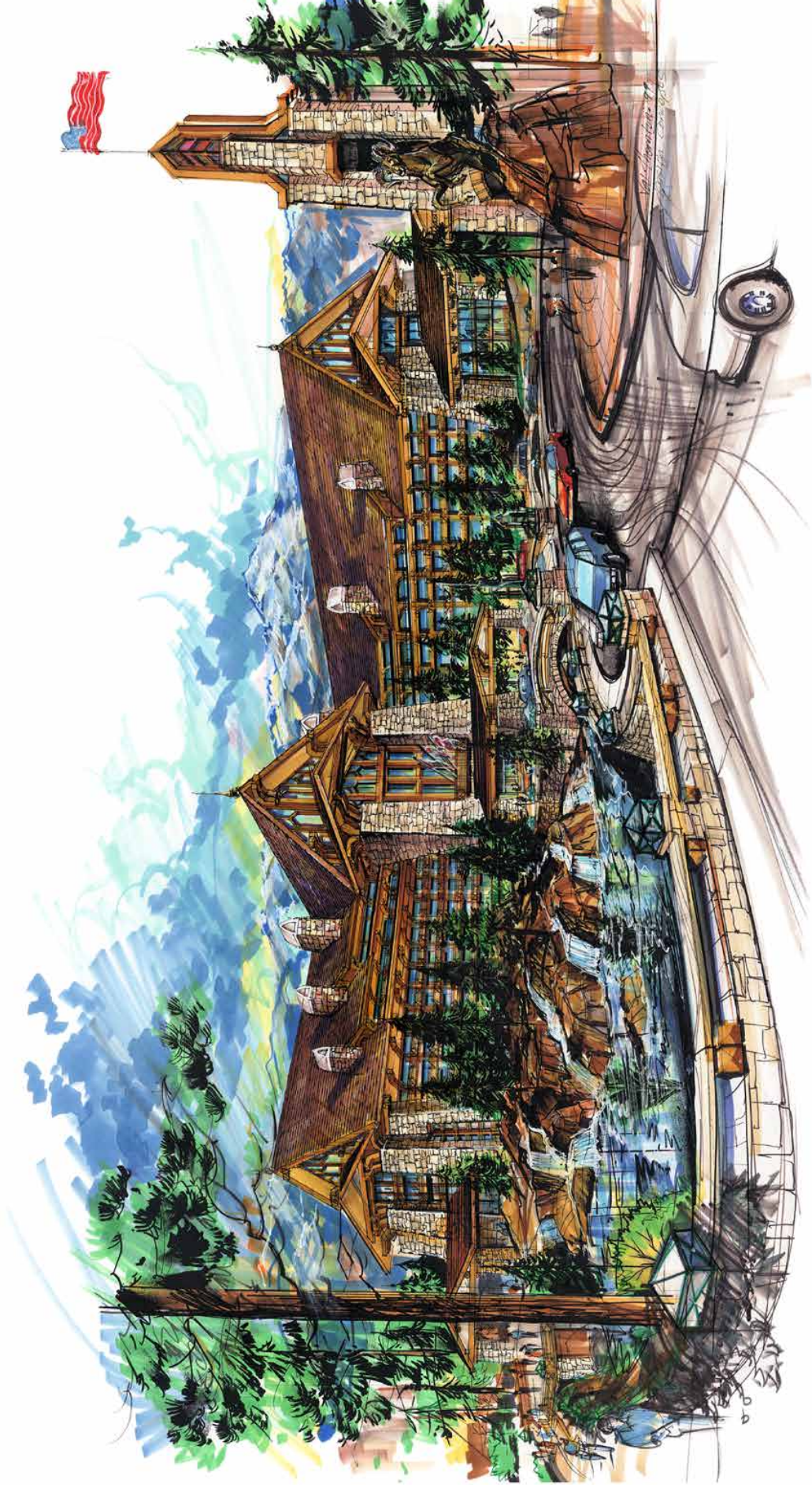


Exhibit VIII. C.4.c. Gaming Facility Building Program



HOWE CAVERNS CASINO RESORT - PROJECT NO. 267002
000300 - PROGRAM AREAS TABULATION

| | AREA (SF) |
|--------------------------------------|------------------|
| CASINO LEVEL | |
| CASINO (1,500 slots, 34 tables) | 58,800 |
| POKER (10 tables) | 1,550 |
| HIGH LIMIT (6 tables) | 2,340 |
| HIGH LIMIT (44 slots) | 1,350 |
| HIGH LIMIT LOUNGE | 900 |
| HIGH LIMIT CAGE | 420 |
| HIGH LIMIT TOILETS | 340 |
| CASHIER'S CAGE & COUNT | 3,600 |
| CASINO OFFICES | 1,800 |
| CASINO BAR | 1,220 |
| LOUNGE BAR (200 cap) | 3,600 |
| BAR B/U | 350 |
| COFFEE SHOP (200 cap) | 5,800 |
| VIEW DINING (180 cap incl bar) | 6,250 |
| FOOD FARE (204 cap) | 6,200 |
| SERVICE BARS (2) | 1,525 |
| GUEST TOILETS (3 Sets) | 5,570 |
| KITCHEN (coffee shop) | 3,600 |
| KITCHEN (view dining) | 2,950 |
| STAFF VERTICAL CIRCULATION | 1,140 |
| ATRIUM (open to below) | 16,800 |
| OPEN TO DOCK BELOW | 6,750 |
| BACK-OF-HOUSE & MISC. | 6,805 |
| TOTAL CASINO LEVEL | 139,660 |
| CONVENTION LEVEL | |
| CONVENTION CORRIDOR | 5,400 |
| MULTI-PURPOSE ROOM | 14,400 |
| BANQUET HALL/MEETING ROOMS (3 rooms) | 7,190 |
| PREFUNCTION | 2,985 |
| BOARD ROOM | 600 |
| CONVENTION KITCHEN | 4,500 |
| CONVENTION STORAGE | 3,600 |
| CONVENTION SUPPORT | 2,400 |
| BACK-OF-HOUSE & MISC. | 9,375 |
| TOTAL CONVENTION LEVEL | 50,450 |

**HOWE CAVERNS CASINO RESORT - PROJECT NO. 267002****000300 - PROGRAM AREAS TABULATION**

| | AREA (SF) |
|---|----------------|
| ENTRY/SERVICE LEVEL | |
| ATRIUM | 16,040 |
| REGISTRATION | 1,800 |
| LOBBY BAR | 1,800 |
| SPA | 7,050 |
| HALLWAY TO POOL & SPA | 2,450 |
| VESTIBULES | 1,000 |
| RETAIL | 1,460 |
| FRONT DESK BACK-UP | 1,135 |
| RESERVATIONS | 2,400 |
| BAGGAGE | 3,660 |
| VALET | 200 |
| TOILETS | 330 |
| CASINO STAFF LOUNGE | 1,685 |
| SLOT REPAIR | 1,200 |
| CASINO SUPPORT | 3,140 |
| OFFICES: EXECUTIVE, ACCOUNTING, INTERNAL AUDIT, RECORDS, ETC. | 4,500 |
| SURVEILLANCE | 1,270 |
| MIS | 1,800 |
| COMM KITCHEN (incl room service) | 7,850 |
| STAFF DINING | 4,040 |
| HOUSEKEEPING & PORTERS | 3,475 |
| UNIFORM ISSUE, CHANGE & TOILETS | 5,050 |
| STAFF TOILETS | 550 |
| ENGINEERING | 9,000 |
| CENTRAL PLANT | 10,640 |
| WAREHOUSE | 7,725 |
| LOADING DOCK | 2,700 |
| LOADING DOCK OPEN | 1,800 |
| TRASH & DOCK | 1,800 |
| HUMAN RESOURCES | 4,500 |
| SECURITY | 2,250 |
| LINEN | 1,800 |
| FIRE COMMAND CENTER | |
| RECEIVING AND PURCHASING | 900 |
| ELECTRICAL | 1,050 |
| DATA | 600 |
| STAFF VERTICAL CIRCULATION | 1,320 |
| BACK-OF-HOUSE & MISC. | 21,010 |
| | |
| TOTAL ENTRY/SERVICE LEVEL | 139,660 |



HOWE CAVERNS CASINO RESORT - PROJECT NO. 267002
000300 - PROGRAM AREAS TABULATION

| | AREA (SF) |
|--|------------------|
| HIGHRISE | |
| 9 FLOORS GUESTROOMS @ 20,860 SF | 187,740 |
| 225 Typical Rooms, 18 2 Bay Suites, 9 3 Bay Suites & 2 Super Suites - 254 KEYS | |
| 1 FLOOR DINING & (2) Two Super Suites @ 20,860 SF | 20,860 |
| Tip Top Dining (144 cap) 3,530 sf | |
| Bar 1,800 sf | |
| Open Kitchen 1,120 sf | |
| Kitchen 870 sf | |
| Toilets 760 sf | |
| Great Suite 2,400 sf | |
| Kick Ass Suite 3,250 sf | |
| Passenger Elevator & Lobby | |
| Service Elevators & Lobby | |
| Excursion Elevator to Dining | |
| ELEVATOR PENTHOUSE | 600 |
| TOTAL HIGHRISE | 209,200 |
| PARKING | |
| SURFACE SPACES 750 | 1 LOT |
| VALET | |
| STAFF | |
| PARKING GARAGE +/- 1500 | 1 LOT |
| TOTAL PARKING | - |



HOWE CAVERNS CASINO RESORT - PROJECT NO. 267002

000300 - PROGRAM AREAS TABULATION

| | AREA (SF) |
|---|------------------|
| FEATURES | |
| PORTE COCHERE | 5,400 |
| ENTRANCE DRIVES, WALKS & CURBS | 1 LOT |
| SIGNAGE | 1 LOT |
| POOL DECK & LOUNGES | 31,100 |
| SWIMMING POOL | 1 LOT |
| WHIRLPOOL | 1 LOT |
| POOL TOILETS | 1 LOT |
| POOL SNACK & LIQUOR BAR | 1 LOT |
| CABANAS | 1 LOT |
| POOL BOY & EQUIPMENT | 1 LOT |
| EXTERIOR LIGHTING | 1 LOT |
| LANDSCAPE / ROCKSCAPE / WATERSCAPE | 1 LOT |
| SUB-TOTAL FEATURES | |
| SERVICES & EQUIPMENT | |
| SURVEILLANCE & SECURITY EQUIPMENT | 1 LOT |
| FOOD SERVICE EQUIPMENT | 1 LOT |
| A/V EQUIPMENT | 1 LOT |
| UNIFORM ISSUE EQUIPMENT | 1 LOT |
| GAMING EQUIPMENT INSTALLATION | 1 LOT |
| POS SYSTEMS | |
| ELECTRIC UTILITY | 1 LOT |
| WATER SERVICE | 1 LOT |
| SEWER SERVICE | 1 LOT |
| PROPANE SERVICE (GAS) | 1 LOT |
| TV | |
| SUB-TOTAL SERVICES & EQUIPMENT | |

Howe Caverns Hotel & Waterpark
Development Budget
Updated: June 23 2014

| Summary | Keys 250.0 | Development Cost Summary Original Estimate | Square Footage |
|---|---------------|--|-------------------|
| Hotel | | | 245,000 |
| Hotel Building including GC Fee & Bond (includes \$500,000 for permits) | | \$30,150,000 | |
| Builder's Contingency included in above number | | | |
| FEC Equipment | | \$1,170,000 | 15,000 |
| Laundry Equipment | | \$365,000 | |
| Kitchen Equipment | | \$1,600,000 | |
| FF&E | | \$5,300,000 | |
| Subtotals Hotel | | \$38,585,000 | |
| Waterpark | | | 55,000 |
| Indoor Water Park Building including GC Fee & Bond | | \$11,150,000 | |
| Builder's Contingency included in above number | | | |
| Outdoor Water Park | | \$3,000,000 | 1.25 acres |
| Specialty Construction, Pools | | \$5,300,000 | |
| Water Slides | | \$2,900,000 | |
| Play Structures | | \$1,200,000 | |
| FF&E | | \$500,000 | |
| Subtotals Waterpark | | \$24,050,000 | |
| Site Contract | | | 11.5 acres |
| Site Construction | | \$5,200,000 | |
| Subtotals Site Contract | | \$5,200,000 | |
| Miscellaneous Contracting Work | | | |
| Theming and Signage (Hotel, Waterpark, FEC) | | \$1,400,000 | |
| Owner Site Preparations | | \$35,000 | |
| Subtotal Miscellaneous Work | | \$1,435,000 | |
| TOTAL HOTEL & WATERPARK and SITE CONTRACT | | \$69,270,000 | |
| Design Fees, Permits and Owners' budget | | | |
| Architecture and Engineering | | \$2,200,000 | |
| Permitting and Fees | | \$582,000 | |
| Insurances - Project Specific | | \$144,900 | |
| Project Management / Pre-Opening Management | | \$1,260,000 | |
| Project Contingency @ 10% | | \$6,927,000 | |
| Subtotal Design Fees, Permits and Owners' Budget | | \$11,113,900 | |
| TOTAL CONSTRUCTION COSTS | | \$80,383,900 | |
| OTHER DEVELOPMENT COSTS | | | |
| Pre-Opening Operating Expenses | | \$3,592,582 | |
| Pre-Opening Labor | | \$ 750,000 | |
| Working Capital | | \$ 299,250 | |
| Insurance (1-st year down payment) | | \$ 51,809 | |
| Advertising / Consulting | | \$ 2,000,000 | |
| Temp Utility Costs | | \$ 131,100 | |
| Room Supplies | | \$ 99,750 | |
| Restaurant Rollout | | \$ 85,500 | |
| Housekeeping Supplies | | \$ 81,751 | |
| Public Area Supplies | | \$ 47,688 | |
| Front Desk Supplies | | \$ 28,635 | |
| Security Supplies | | \$ 17,100 | |
| Subtotal Other Development Costs | | \$3,592,582 | |

Notes:

Budget does not include costs associated with performing the work under a Project Labor Agreement (PLA)
Budget does not include costs associated with central utility infrastructure upgrades (e.g., providing new primary power plant or upgrading existing or providing new water or waste water treatments plants)
Budget does not include blasting or rock removal

Exhibit VIII. C.5. DESIGNS AND LAYOUT

Exhibit VIII. C.5.a. Designs

Supplied herein are numerous Architectural and Engineering materials which depict the currently most advanced work we have developed on overall Design and Layout.

The Waterpark Resort component is still to have its program converted to a rendering level design, but we can share, as depicted on the site plan that this aspect of the build out will be located effectively down hill from the Casino. Currently, the thoughts are to include both indoor, covered and fully outdoor walkway connectivity between the two components, delivering a “together, but separate” quality to their respective locations.

Still under design for the Casino are certain hardscape, landscape and lighting program elements.

Exhibit VIII. C.5.a. Designs

1. Site Plan



Exhibit VIII. C.5.a. Designs

1. Concept Plan

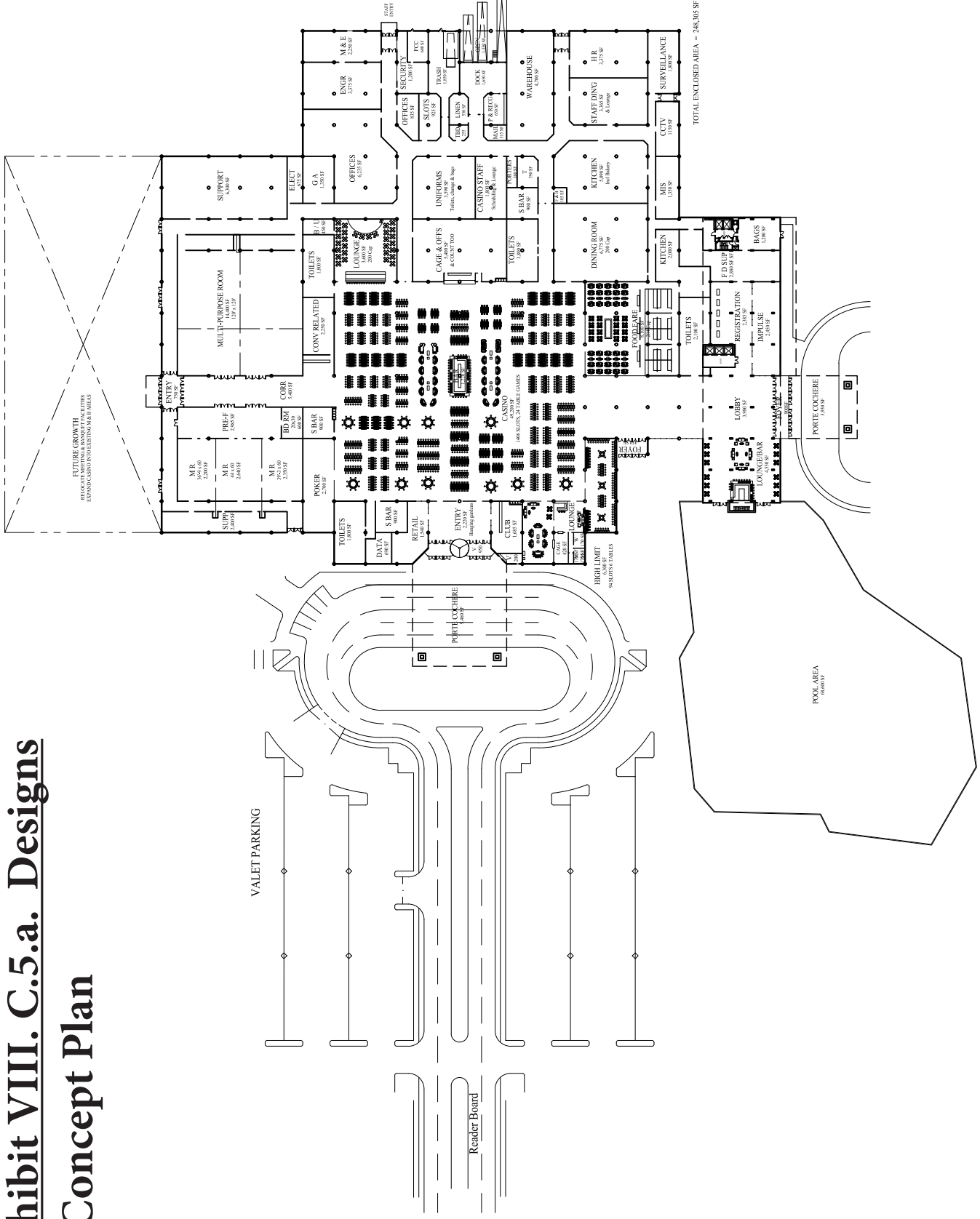
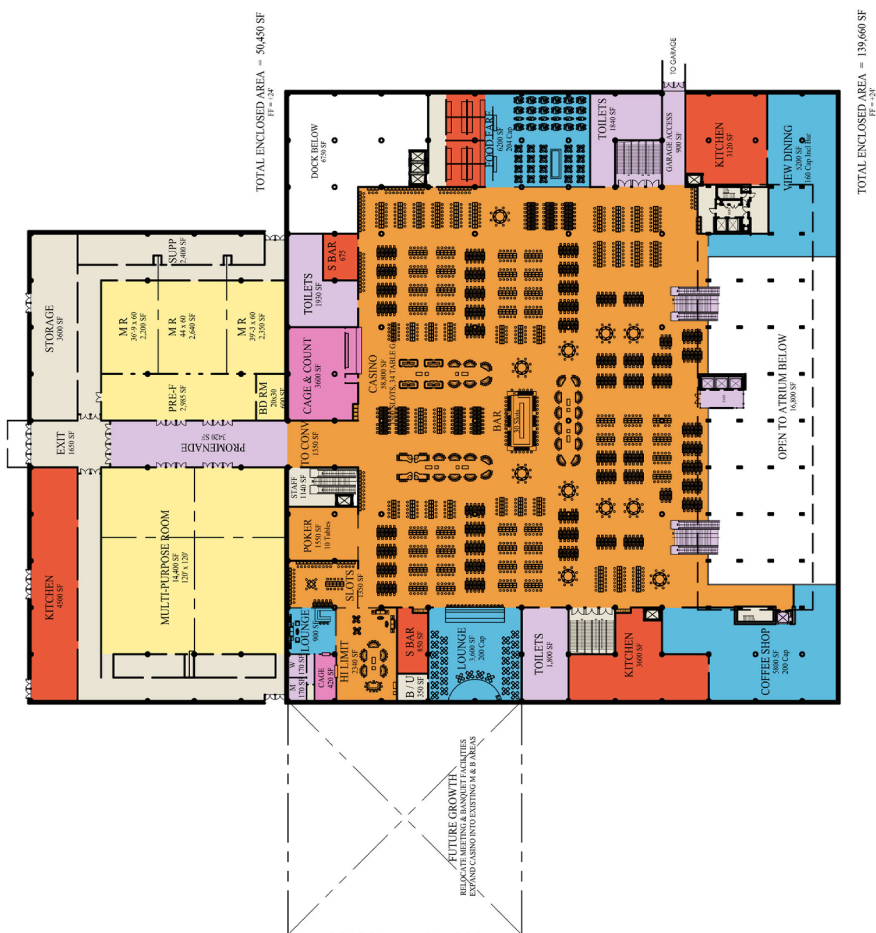
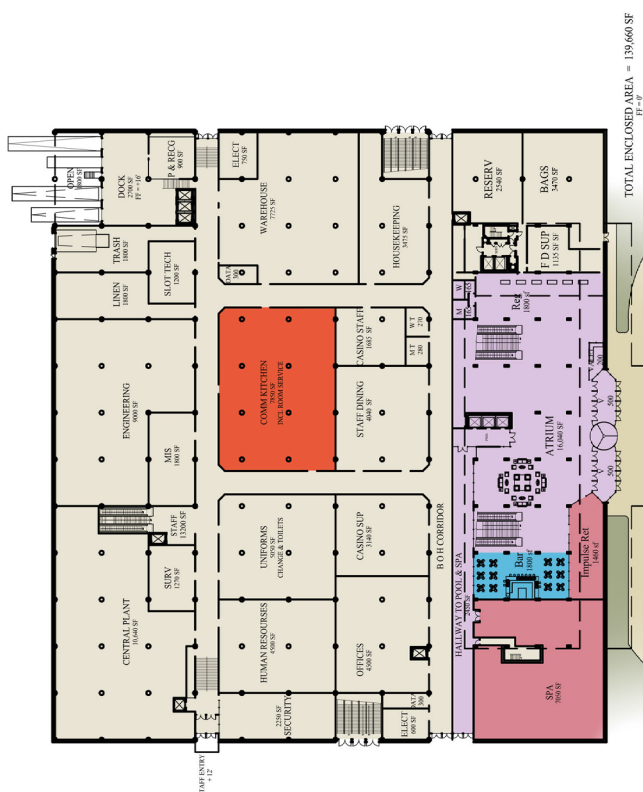


Exhibit VIII. C.5.a. Designs

2. Floor Plans



MASTER PLAN: CASINO / MEETING LEVEL



MASTER PLAN: ENTRY / SERVICE LEVEL



Exhibit VIII. C.5.a. Designs

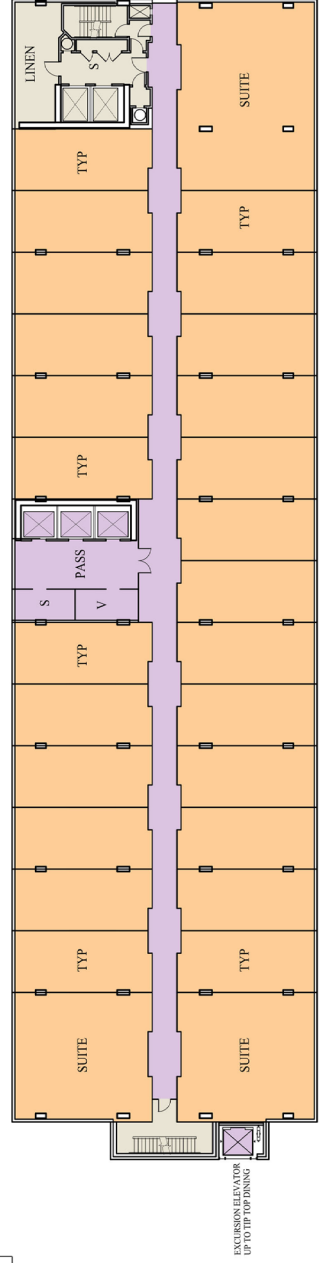
2. Floor Plans



TIP TOP DINING
3,530 SF - 144 CAP

| GUESTROOM TABULATION | |
|------------------------|---------------------------|
| 15 | FLOORS ABOVE CASINO LEVEL |
| 9 | GUESTROOM LEVELS |
| 1 | DINING / SUITE LEVEL |
| 225 TYPICAL GUESTROOMS | |
| 18 | 2 BAY SUITES |
| 9 | 3 BAY SUITES |
| 2 | SUPER SUITES |
| 254 | TOTAL KEYS |

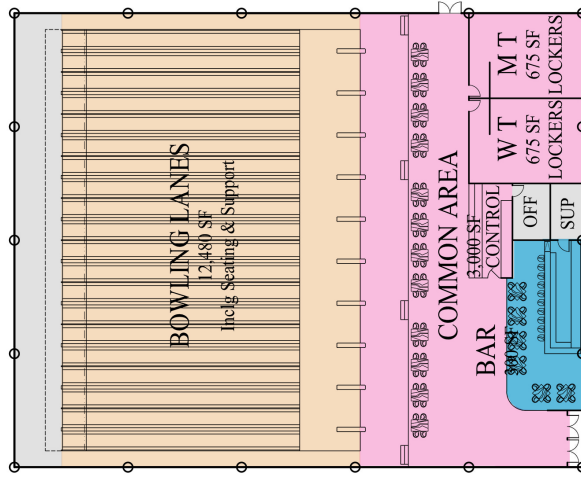
GROSS AREA = 18,090 SF
DINING LEVEL
0 7.5 15 30 FT



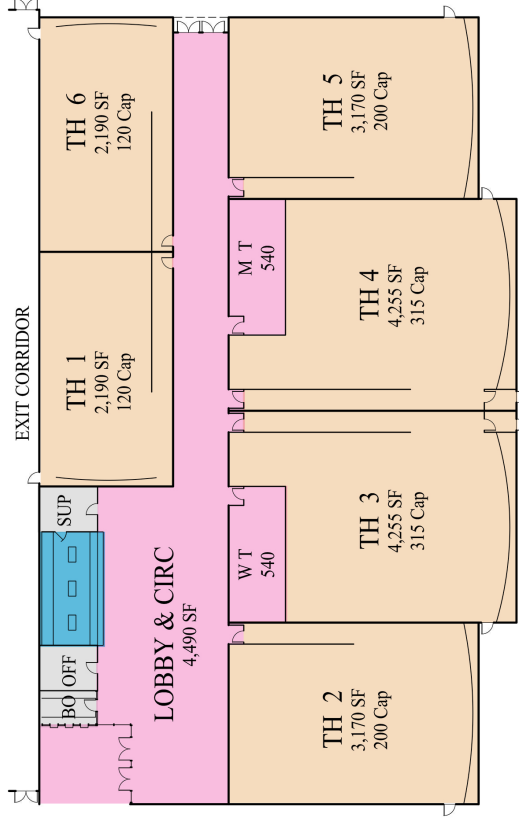
GROSS AREA = 20,860 SF
TYPICAL GUESTROOM LEVEL
0 7.5 15 30 FT

Exhibit VIII. C.5.a. Designs

2. Floor Plans



BOWLING LANES (20)



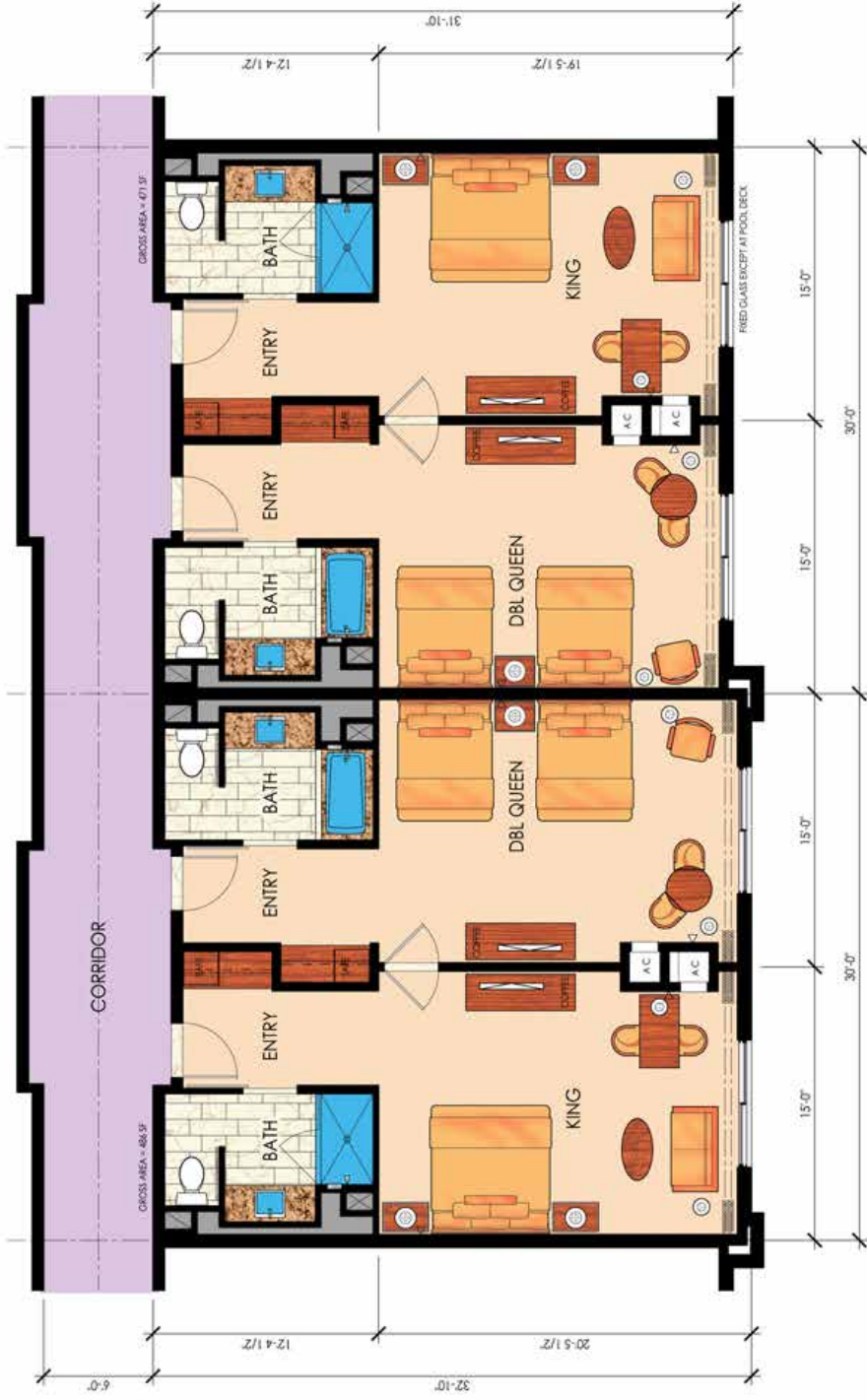
SIX-PLEX MOVIE THEATRES

FUTURE AMENITIES



Exhibit VIII. C.5.a. Designs

2. Floor Plans



TYPICAL BEDROOM LAYOUT



Exhibit VIII. C.5.a. Designs

2. Floor Plans

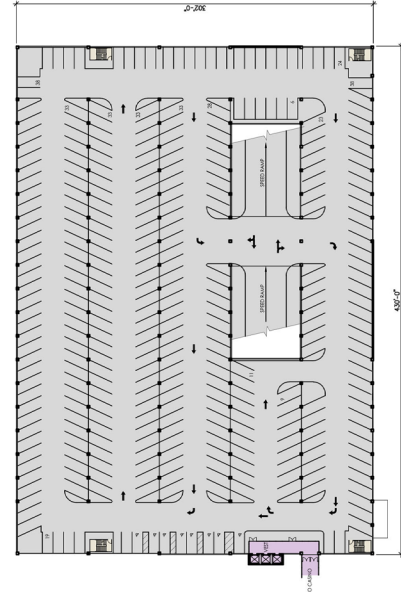
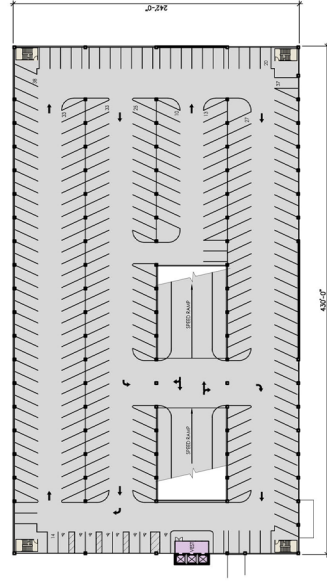
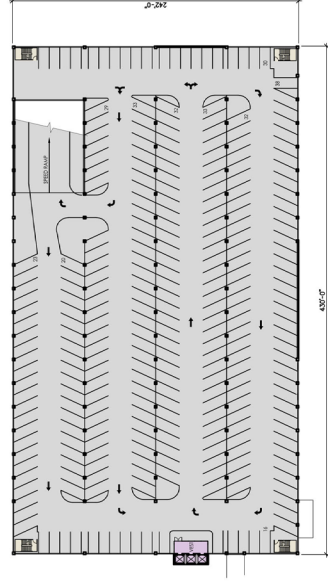
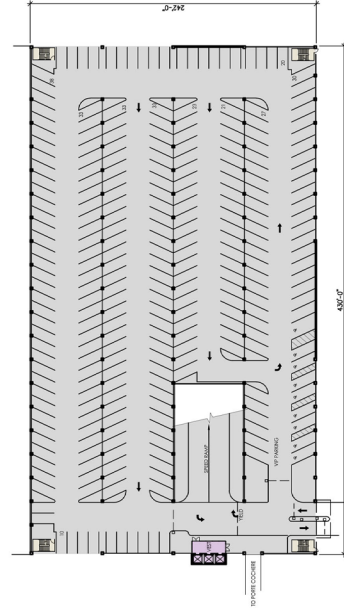
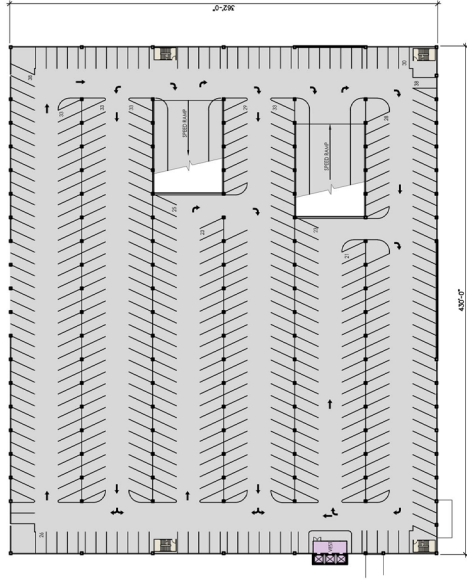


Exhibit VIII. C.5.a. Designs

3. Elevations

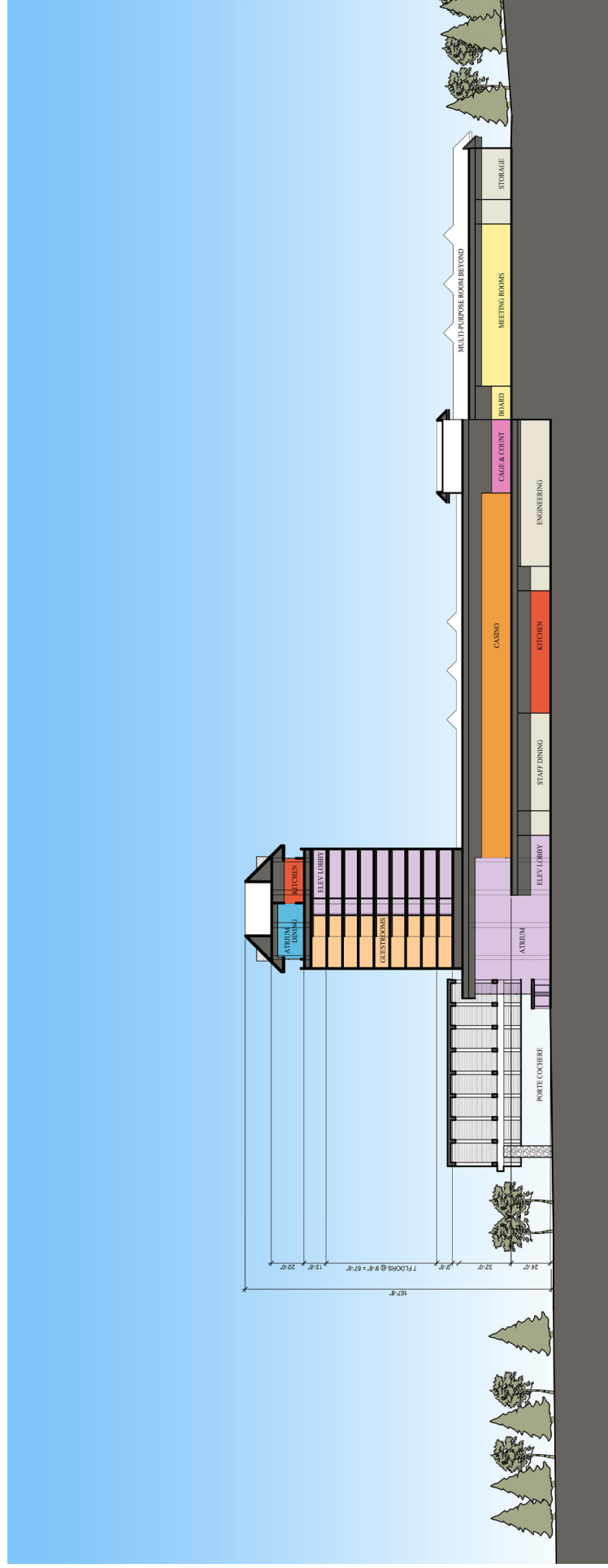
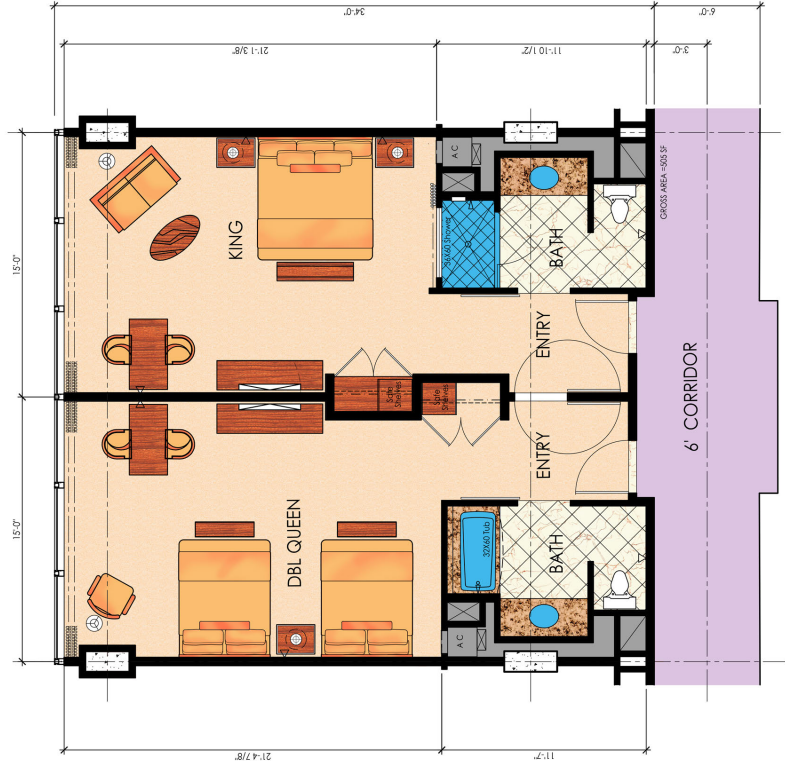
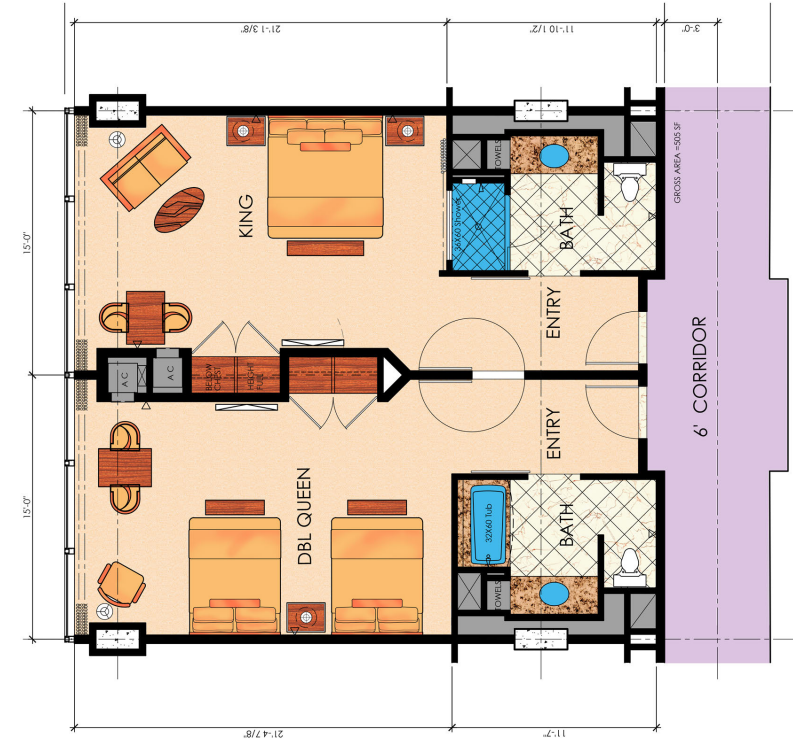


Exhibit VIII. C.5.a. Designs

4. Cross-Sections



TYPICAL GUESTROOM LAYOUT

0 1 2 4 8 FT

Exhibit VIII. C.5.a. Designs

5. Landscape



Exhibit VIII. C.5.a. Designs

7. Parking Structure



Exhibit VIII. C.5.a. Designs

8. Surface Parking and Project Site Traffic

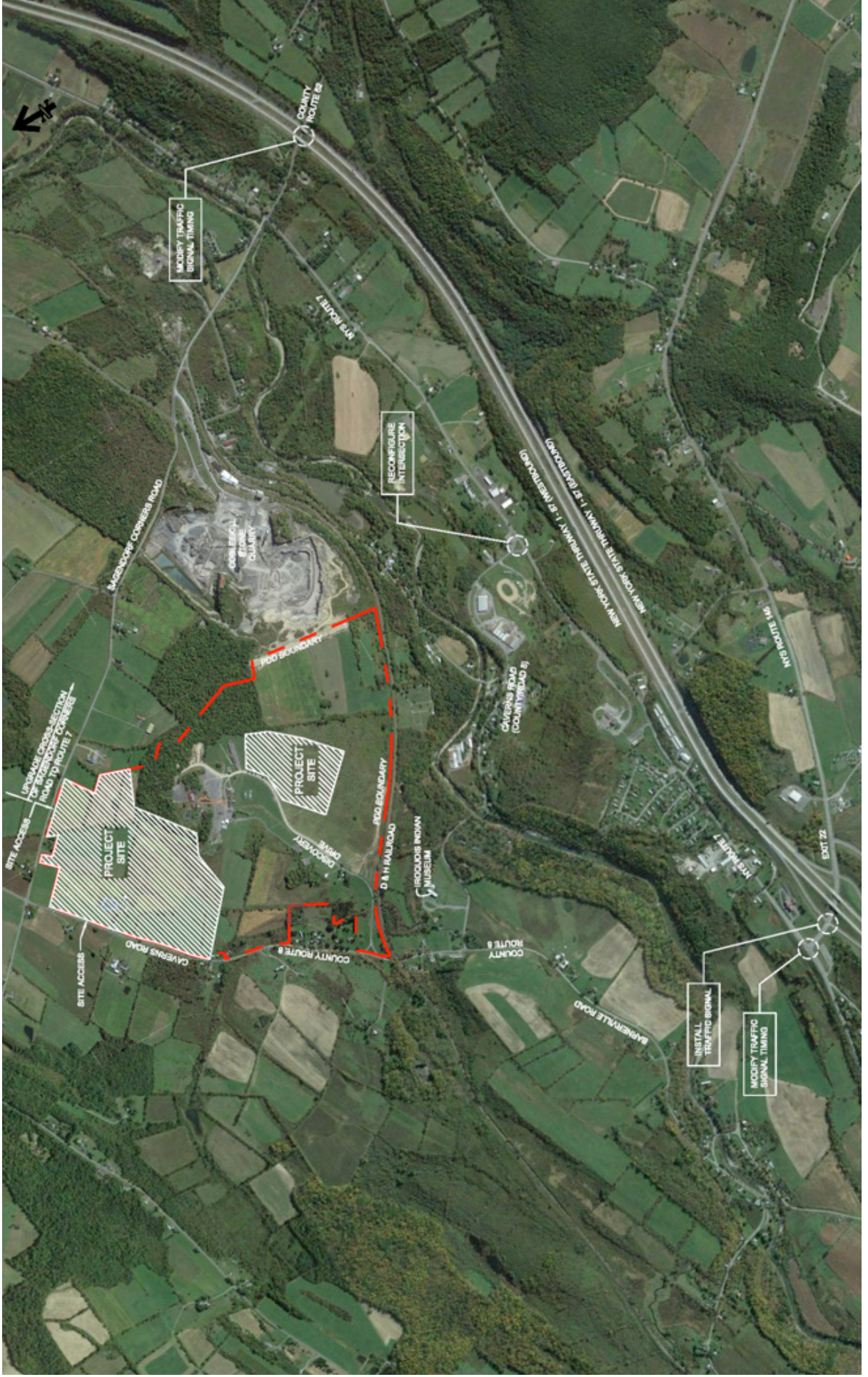


Exhibit VIII. C.5.a. Designs

Project Site Access Plan

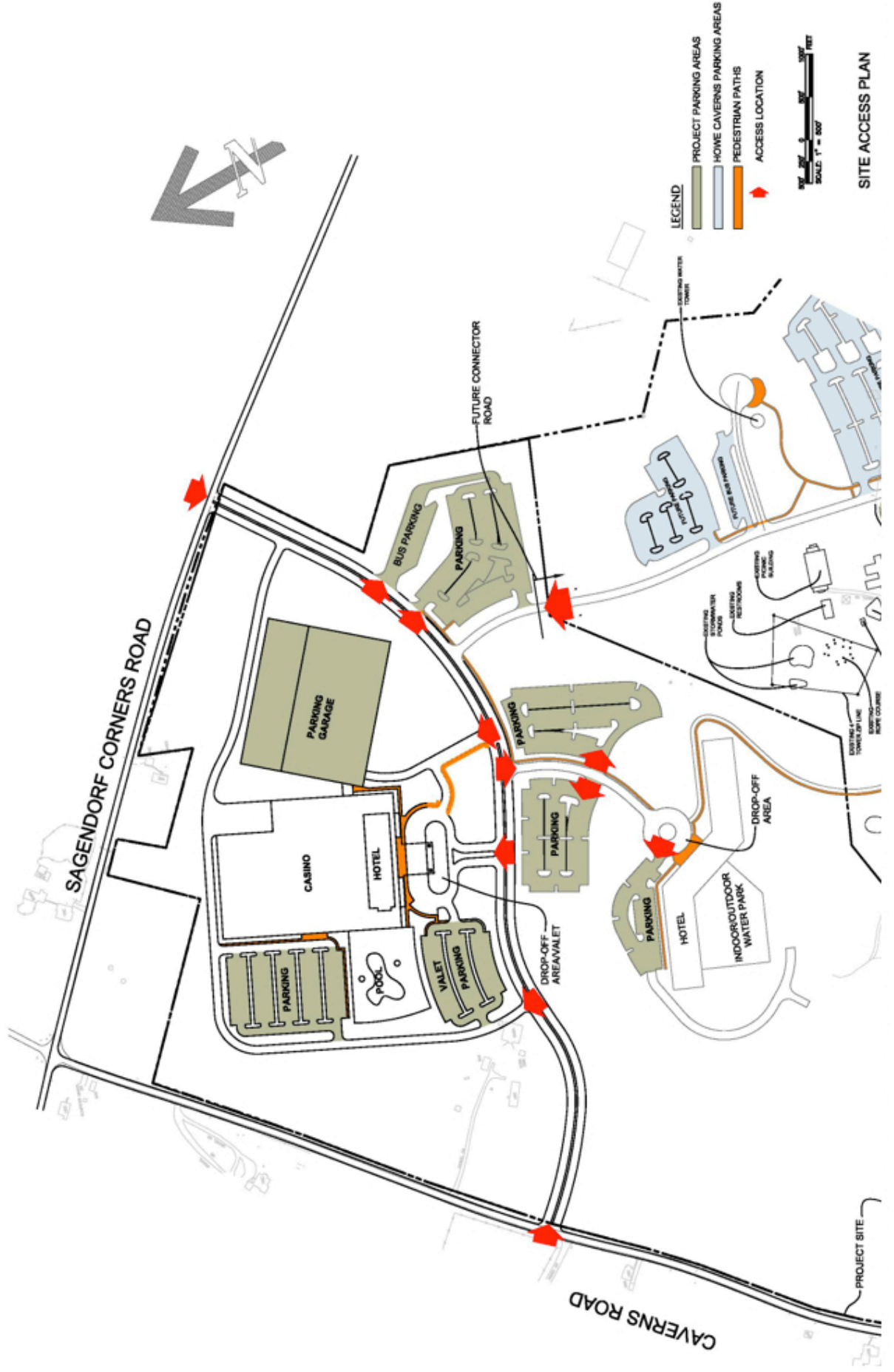


Exhibit VIII. C.5.b. Overall Architectural and Building Plan

Exhibit VIII.C.5.b

The proposed Howe Caverns Resort & Casino has been designed by world-renown architects Bergman Walls & Associates and features a rustic and beautiful alpine resort complex replete with natural stone and timber construction that epitomizes the natural surroundings of the project site: rolling hills, mature forest and exposed rock, overlooking the green valleys and pastures. The architecture incorporates all of the values that make Schoharie County a desirable respite for vacationers seeking a rural sanctuary with robust beauty and unique landscapes, just miles from the nearby urban centers of the Capital Region.

Complementing and enhancing the pre-existing Howe Cavern natural cave attraction – the second most visited natural attraction in New York State besides Niagara Falls, the proposed resort complex will feature two hotels, one adjacent to the casino and a second focused upon and incorporating an exhilarating and challenging indoor / outdoor waterpark and waterslide feature that will be a draw for waterpark enthusiasts and family vacationers - independent of the gaming offerings available at the casino facility. Moreover, the facility will feature existing attractions offered by Howe Caverns, including the historic cave tours, sub terrestrial guided boat tours, an intense zip-line complex, natural and man-made rock wall climbing, and even New York's only OGO (outdoor gravity orb) ride.

The casino resort hotel will be nestled into the hillside facing the sublime views of the Schoharie Valley. Visitors will arrive through a beautifully landscaped entrance providing a sense of having arrived at a warm and relaxing mountain retreat. Natural wood and stone accents will follow guests through the porte-cochere and throughout the resort complex, bringing the natural beauty of the surrounding landscape inside, surrounding guests with subtle and tasteful splendor.

Inside, the building will utilize natural light and water features and green technologies to reinforce the impression that the visitor has entered a special space, located within a special place. The gaming floor will feature all the excitement and amenities one would expect to find in the world-class resorts in Las Vegas, only located just a few miles outside the major tri-city population centers. Great room spaces, vaulted timber ceilings and cavernous stone fireplaces will be reminiscent of the great lodges of the Adirondacks just to the north. Diverse food and beverage offerings, contrasting rustic alpine décor with Neapolitan sophisticated cuisine will cater to all tastes and all price points. Multiple indoor and outdoor entertainment attractions, from traditional gaming entertainment to educational fossil and dinosaur shows that are sure to interest and entertain the curious minds of the young and old alike.

Howe Caverns Resort & Hotel will be a family friendly, four-season, full-service resort that will complement and enhance the many wonderful sights and attractions that make the Schoharie Valley an emerging and highly desirable vacation destination.

Exhibit VIII. C.5.c. Description of Materials

The Howe Caverns Resort & Casino will feature natural stone and timber construction, based on the Great Lodges of the nearby Adirondacks, reflective of surrounding rustic landscape, and projecting the feel of an alpine resort nestled seamlessly into the hills and forests, featuring the scenic views of the beautiful Schoharie Valley.

Exhibit VIII. C.5.d. Interiors and Exteriors



Exhibit VIII. C.5.d. Designs Exterior Rendering

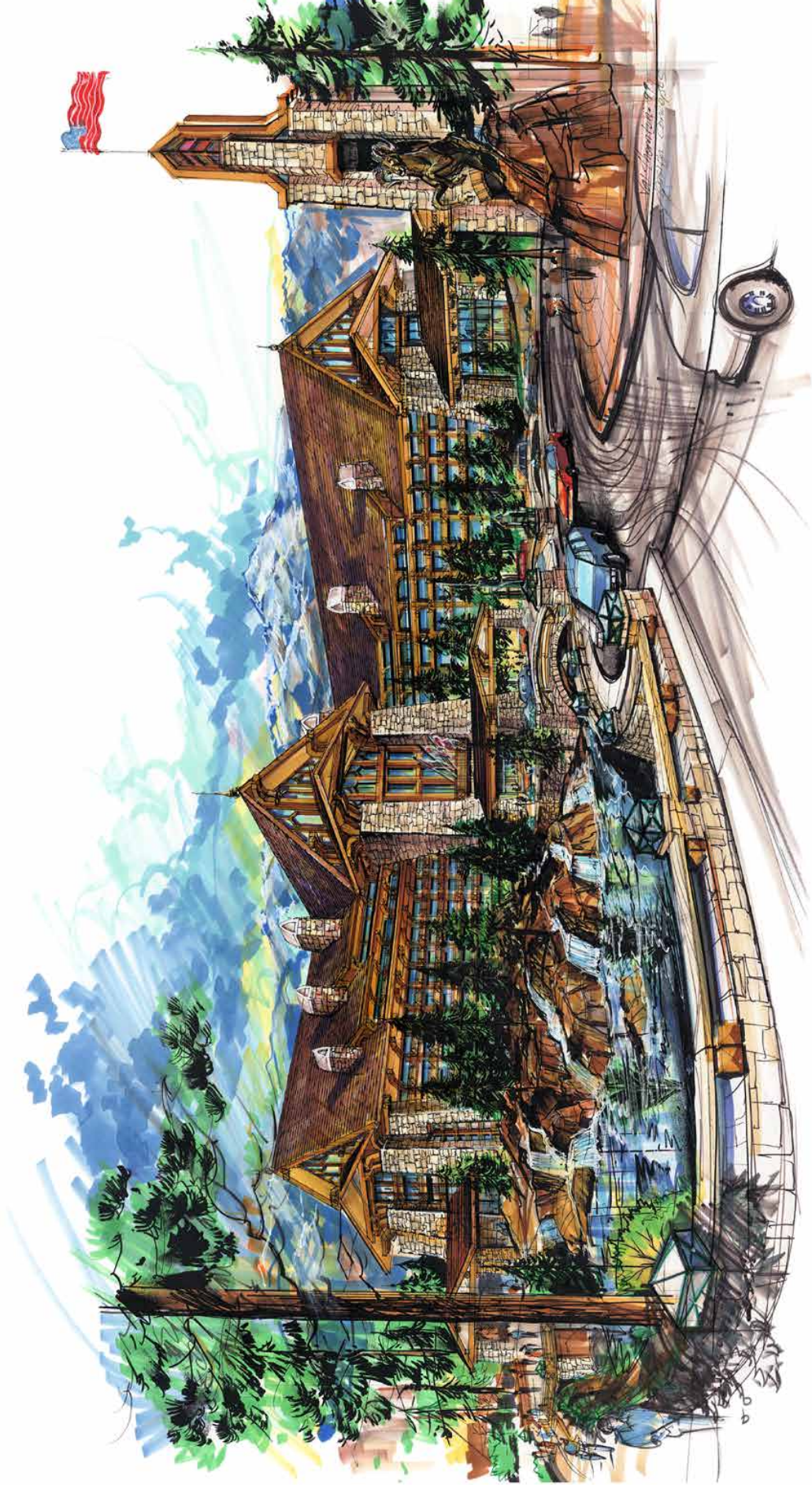


Exhibit VIII. C.5.d. Designs

Exterior Rendering



Exhibit VIII. C.5.d. Designs
Exterior Rendering



Exhibit VIII. C.5.d. Designs

Interior Renderings

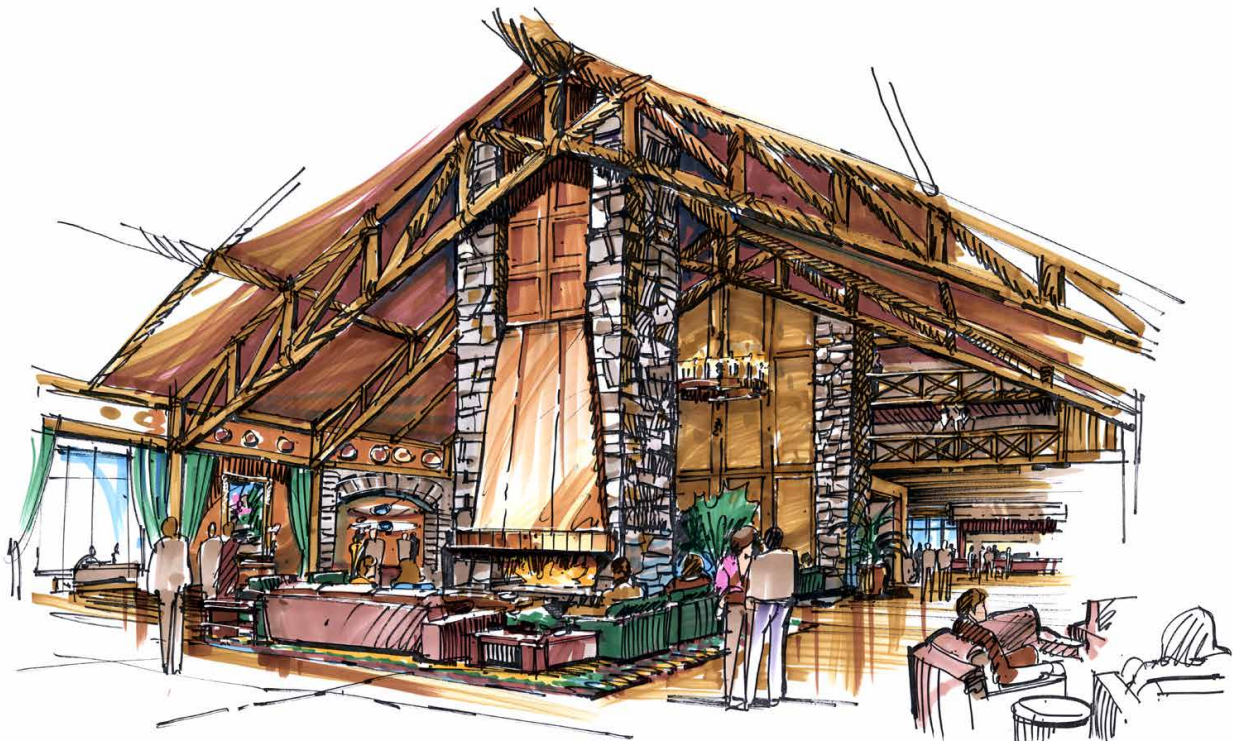


Exhibit VIII. C.5.d. Designs

Interior Renderings

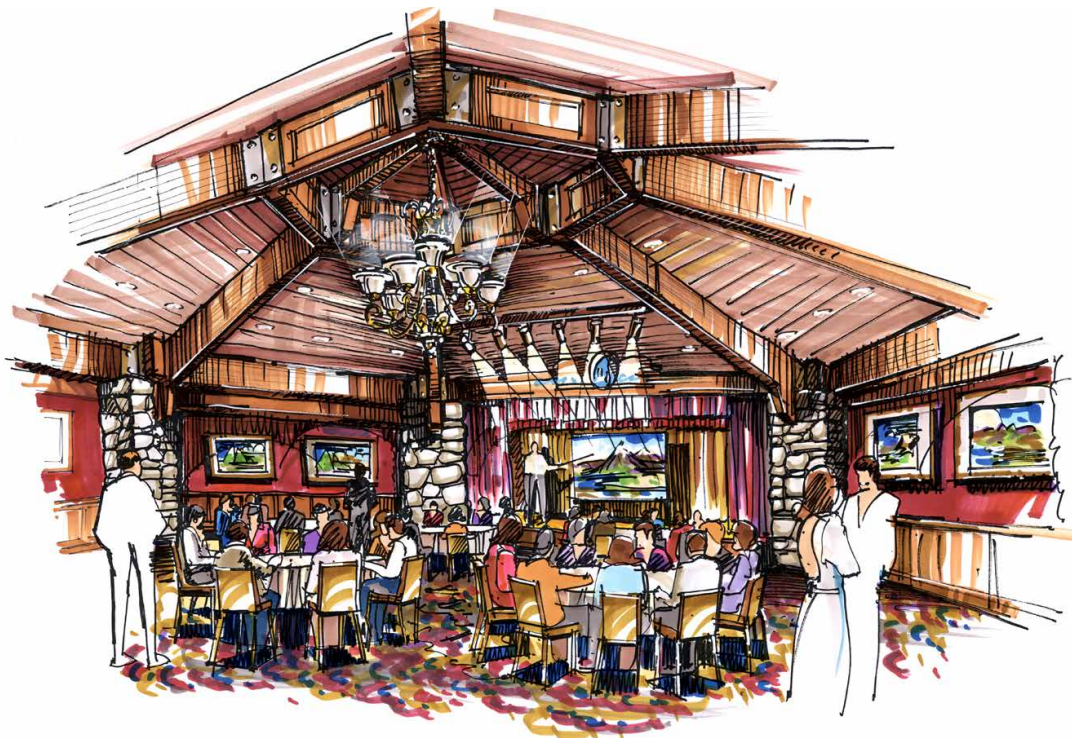
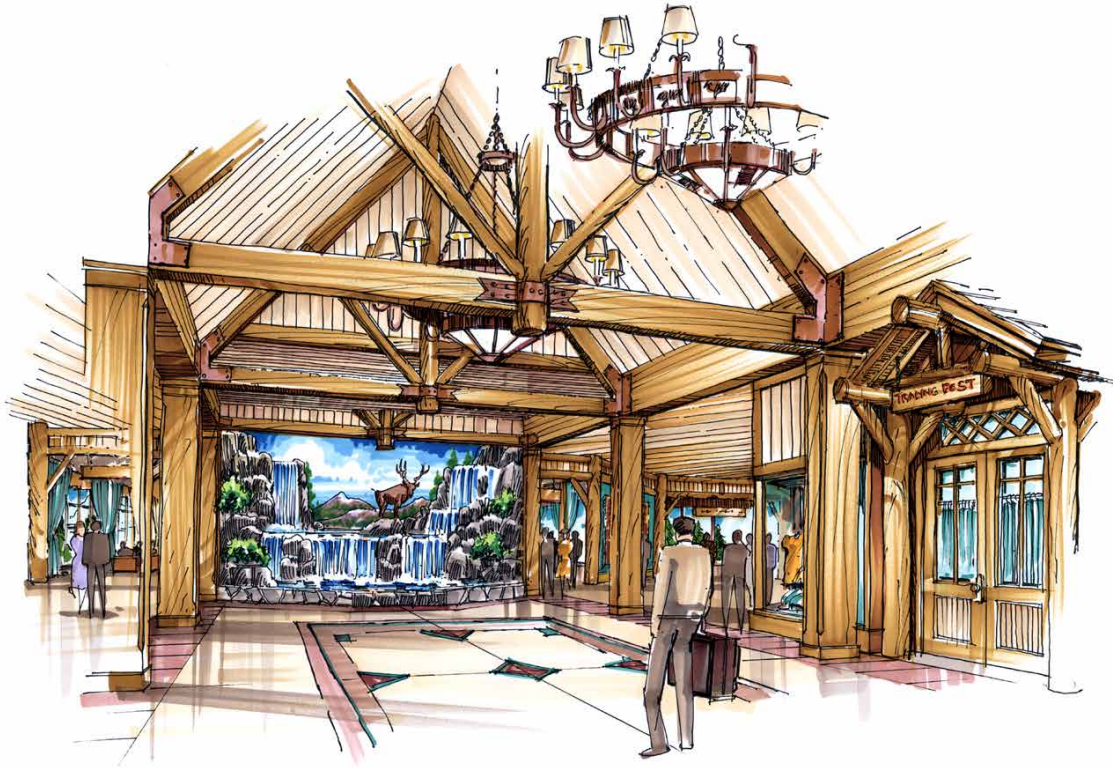


Exhibit VIII. C.5.d. Designs

Interior Renderings



Exhibit VIII. C.5.d. Designs

Interior Renderings

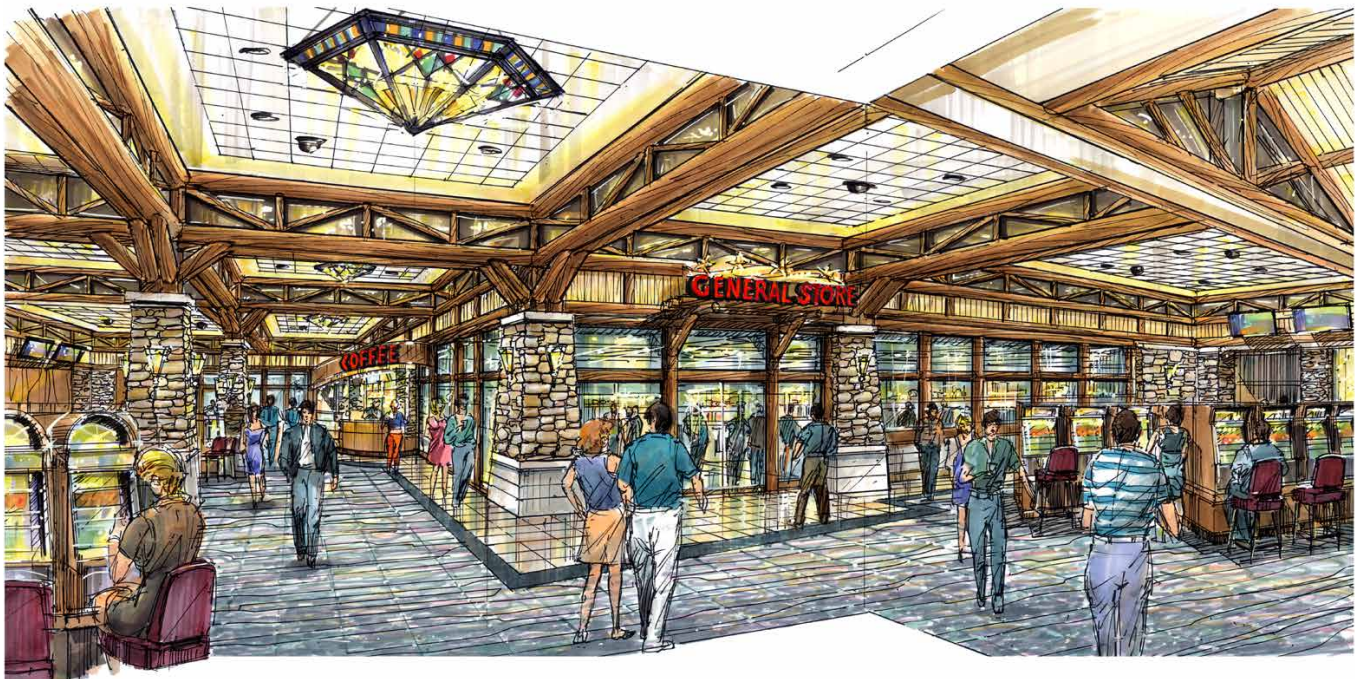


Exhibit VIII. C.5.d. Designs

Interior Renderings



Exhibit VIII. C.6.CASINO

Exhibit VIII. C.6.a. Description of Proposed Gaming Area

Attached are building programs for both the casino and waterpark components along with the Hotels for each and other amenities.

The square footage afforded to the Casino floor based on gaming position aligns with industry standards, plus additional substantial circulation and other space.

The Hotel capacities contemplated have been programmed according the subject feasibility and market studies for each component submitted herein, as customized for some specific market characteristics.

1.

| | |
|------------------------------------|--------|
| Casino | 58,800 |
| Poker | 1,550 |
| High Limit Tables (6) | 2,340 |
| High Limit Slots (44) | 1,350 |
| High Limit Lounge | 900 |
| High Limit Cage | 420 |
| High Limit Restrooms | 340 |
| Cashier's Cage and Count | 3,600 |
| Casino Office | 1,800 |
| Casino Bar | 1,220 |
| Lounge Bar (200 cap) | 3,600 |
| Bar B/U | 350 |
| Coffee Shop (200 cap) | 5,800 |
| View Dining (180 cap incl Bar) | 6,250 |
| Food Fare (204 cap) | 6,200 |
| Service Bars (2) | 1,525 |
| Guest Restroom (3 sets)s | 5,570 |
| Kitchen – Coffee Shop | 3,600 |
| Kitchen – View Dining | 2,950 |
| Staff Vertical Circulation | 1,140 |
| Atrium (open to below) | 16,800 |
| Open to Dock Below | 6,750 |
| Back of House and Miscellaneous | 6,805 |

Square Footage by area

2. Planned Table Games – Approximately 50; type and positions to be determined.
3. Slot Machines – 1,610.
4. Other Electronic / Specialty Games – JIM DACEY
5. Special Purpose Rooms
 - o Poker – 1,550 SF; 10 tables
 - o High Limit Gaming Area – Slots and Tables shown above; separate Cage and Lounge
6. Cage
 - o # of windows – 6 Total
7. Location of count room – Large Cage off Casino Floor
8. Players Club areas – under consideration.
9. Other Gaming related amenities relevant to operation – under consideration.
10. Phasing – No Phasing is contemplated at this time. The facility is designed to accommodate expansion of the gaming floor if needed.

2. Casino Floor

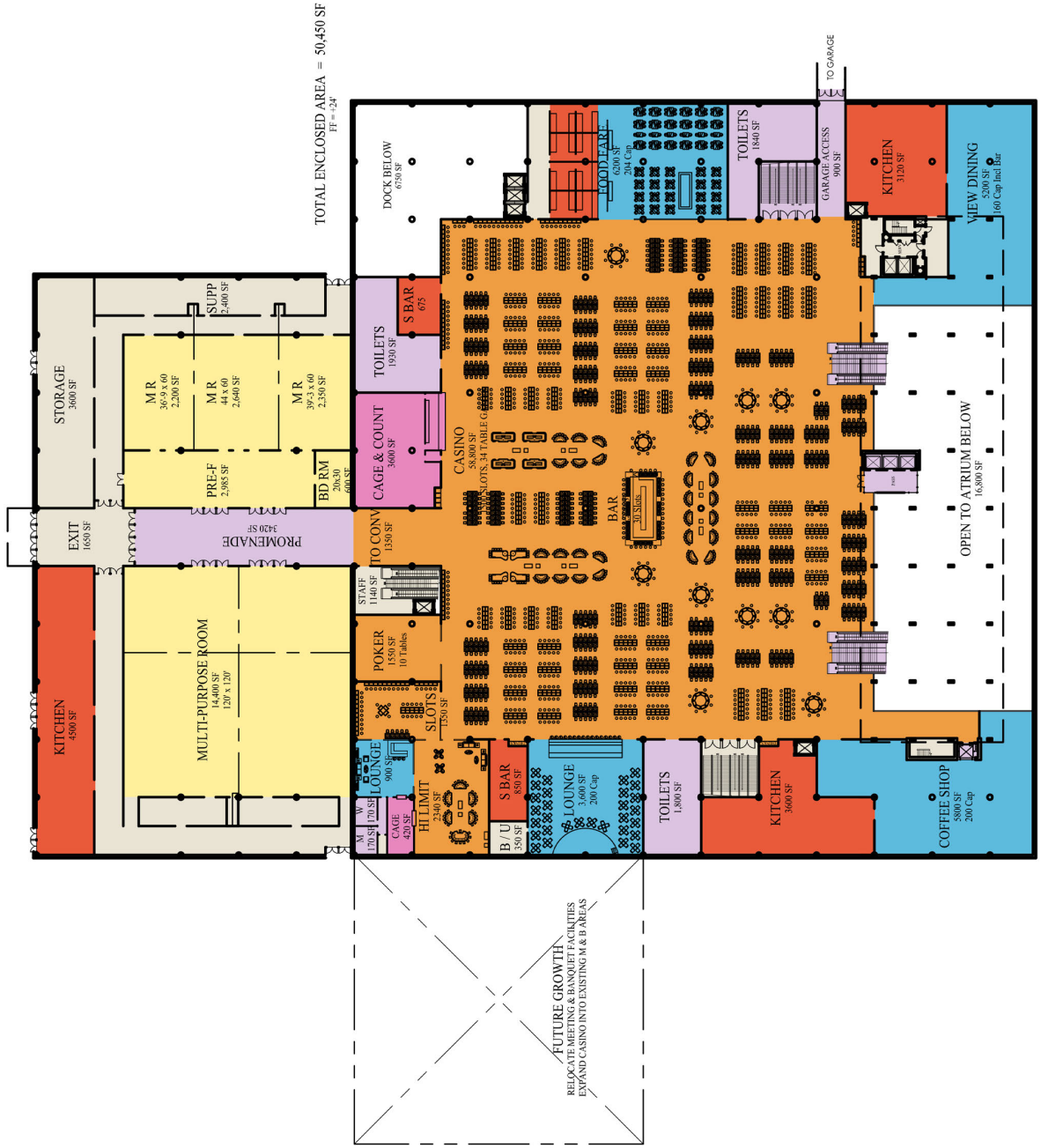


Exhibit VIII. C.6.b. High Limit

Howe Caverns Resort and Casino will commit to the highest standard of service for our VIP guests. In our design layout we have a VIP room with both high limit slots and table games. Additionally located in the VIP room there is a private lounge and facilities. Howe Caverns Resort and Casino will commit to a plan that includes preferred seating in our restaurants and VIP check in at the hotel on weekends and holidays.

Exhibit VIII. C.6.c. Plans to Differentiate Casino

Howe Caverns Resort and Casino will focus on specific areas as a way to differentiate themselves from other casino competitors. First, we will commit to make our patrons feel safe and comfortable with a bright environment, available staff, high employee to patron count, and a visible security presence. Our staff will be focused on personal face to face interaction with our patrons. Howe Caverns Resort and Casino will also establish and maintain a sophisticated lighting and sound system that changes on a continual basis which will refresh the look of the casino.

Exhibit VIII. C.6.d. Attributes of Slot Accounting System

Howe Caverns Resort and Casino has not chosen a slot accounting system at this time. In all of our gaming properties we run a state of the art integrated system in line with the accounting system. Howe Caverns Resort and Casino would work with the State and select a system that would match up on the accounting requirements and also serve as an effective business management tool.

Exhibit VIII. C.7. HOTEL

Exhibit VIII. C.7.a. Description of Proposed Hotel

Howe Caverns Resort and Casino is proposing two hotels. One connected to the casino and the other to the water park. In the casino hotel, there will be 254 keys with 225 of them being typical rooms, 18 keys are two bay suite, 9 keys are 3 bay suite and 2 are super suites. The nine floors with guest rooms make up 187,740sf. The top floor is 20,860sf which consists of a high end restaurant/kitchen and two super suites. The Great Suite is 2400sf and the Kickass Suite 3250sf.

The Howe Caverns Resort Waterpark Hotel will have 250 keys totaling 135,000sf, with 140 keys being double-queens totaling 63,000sf (400sf-450sf per). There will be 20 kings totaling 9000sf (400-450sf per). There will be 90 suites totaling 63,000sf (500sf-700sf per).

Brand – Full House Resorts both independently operate their resorts, and in some cases have teamed with a flag. In most resort destinations, like the Howe Caverns Resort and Casino, Full House has chosen to be the sole operator. Full House has also teamed with the Hilton and the Hyatt in two of their resorts. Both would be able to fulfill the level of service that is necessary for the success of this project. We have spoken to several waterpark operators throughout the country, one has visited the site, but we have not yet selected a manager.

| | |
|---|---------|
| Highrise – Casino Hotel | SF |
| 9 Floors of Guestrooms; 20,860 SF 225 Typical Rooms; 18-2 Bay Suites; 9-3 Bay Suites; 2 Super Suites Total 254 Keys | 187,740 |
| 10th Top Floor – Dining and 2 Super Suites Tip Top Dining (144 cap) 3,530 SF Bar 1,800 SF Open Kitchen 1,120 SF Kitchen 870 SF Toilets 760 SF Great Suite 2,400 SF Kick Ass Suite 3,250 SF Passenger Elevator & Lobby Service Elevator & Lobby Excursion Elevator to Dining | 20,860 |
| Elevator Penthouse | 600 |
| | |
| | 209,200 |
| | |

Exhibit VIII. C.7.b. Determination of Number of Rooms, Service, Etc.

There are two different third part work products which fed into the hotel programming:

1. The gaming study's metrics which supply a baseline, as adjusted for certain subjective marker characteristics
2. The H&LA study, referenced throughout this submittal, which follow.

**MARKET FEASIBILITY STUDY REPORT
FOR THE
HOWE CAVERNS INDOOR WATERPARK RESORT
255 DISCOVERY DRIVE
HOWES CAVE, SCHOHARIE COUNTY, NEW YORK**

Date of Report:

June 20, 2008

FOR

Mr. Robert A. Holt
General Manager
Howe Caverns, Inc.
255 Discovery Drive
Howes Cave, New York 12092



HOTEL & LEISURE ADVISORS

June 20, 2008

DRAFT

Mr. Robert A. Holt
General Manager
Howe Caverns, Inc.
255 Discovery Drive
Howes Cave, New York 12092

**RE: Howe Caverns Indoor Waterpark Resort
Howes Cave, Schoharie County, New York**

Dear Mr. Holt:

In fulfillment of our engagement letter, we have completed our study of the market demand and economic feasibility for the proposal to develop an indoor waterpark resort in Howes Cave, Schoharie County, New York. The property will be located adjacent to the existing Howe Caverns at 255 Discovery Drive. A traveler on I-88 will take either exit 22 or exit 23 and travel along State Route 7 until it intersects with County Road 8. Traveling north on County Road 8 puts the traveler to the main entrance of the Howe Caverns attraction off Sagendorf Corners Road. The consultants have prepared more than 1,000 similar studies over the past 20 years with various firms. The study is based upon market conditions observed as of the date of our market inspection on May 13, 2008 and research conducted in May and June, 2008.

Assumptions

The conclusions contained in this report are based upon a review of information provided by you and on-site field work in the market area which is described in the Scope of Assignment section. As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions not presently foreseeable. The estimated results are based on competent and efficient management of the proposed hotel, as well as an aggressive marketing program prior to and after the opening of the proposed hotel. We assume the subject will hire appropriate management personnel to operate and market the hotel with indoor waterpark. We assume that the subject will operate as an independent resort not affiliated with a national franchise. We assume the proposed hotel will open January 1, 2011. We presume no significant change in the competitive position of the hotel industry in the area from that as set forth in this report. We do not warrant that the estimates will be attained, but they have been conscientiously prepared on the basis of information obtained and our experience in the hotel industry.

It is expressly understood that the scope of this study and the report thereon do not include the possible impact of zoning regulations, licensing requirements, or other restrictions concerning the project, except where such matters have been brought to our attention and which are set forth in this report.

This report and its contents are intended solely for the information of our client for internal use relative to determining the feasibility of the project. The report should not be relied upon for any other purpose. Otherwise, neither our report nor any of its contents

Mr. Robert A. Holt
June 20, 2008
Page 2

nor any reference to Hotel & Leisure Advisors, LLC (H&LA) may be included or quoted in any document, offering circular, registration statement, prospectus, sales brochure, other appraisal, or other agreement without our prior written approval. Such permission will not be unreasonably withheld.

We are available to perform additional consulting services on this proposed property as the scope of the development is finalized. In addition, we are available to perform a self-contained full narrative appraisal report on the proposed development upon your request. We appreciate the opportunity to be of service to your organization and look forward to working with you again.

Respectfully submitted,

Hotel & Leisure Advisors, LLC

DRAFT

David J. Sangree, MAI, ISHC
President

Eric B. Hansen, AIA, ISHC
Director of Development Services

DRAFT

**MARKET FEASIBILITY STUDY REPORT
FOR THE
HOWE CAVERNS INDOOR WATERPARK RESORT
255 DISCOVERY DRIVE
HOWES CAVE, SCHOHARIE COUNTY, NEW YORK**

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SCOPE OF THE ASSIGNMENT

Hotel & Leisure Advisors, LLC has been retained by Mr. Robert A. Holt with Howe Caverns Inc. to estimate the potential market feasibility of the development of a hotel with indoor waterpark adjacent to the existing attraction at Howe Caverns.

We made a number of independent investigations and analyses in performing this study. We evaluated the subject site and its relationship to potential demand generators, as well as its attributes relative to the lodging and waterpark competitors. We interviewed representatives of Convention and Visitors Bureaus, Chamber of Commerce, city officials, county officials, economic development officials, and assessor's office to collect information concerning the proposed site and region. We interviewed managers or owners of existing and proposed competitive hotel or resort properties. We interviewed representatives of various hotel chains to determine performance of area hotels and proposed new supply additions. We interviewed managers of indoor waterpark resorts across the country. We interviewed representatives of area attractions to determine usage and new supply additions. We have conducted demand interviews with various potential users of the proposed facility.

In conducting our investigation and analysis, we relied on data retained in our office, which is updated regularly for use in all assignments. Various agencies and databases, including the Site to Do Business database, were contacted for demographic data, land use policies and trends, growth estimates, and employment data.

Neighborhood data was supplemented by a physical inspection of the subject property and the area. The subject property data considered in our analysis was provided by Mr. Robert A. Holt. In addition to the subject's specific information, we have considered relevant market data in determining the projections used in our cash flow analysis.

The financial analysis was based primarily upon the probable operating experience of the property relative to gross operating revenues, typical expense levels, and resultant net cash flow. Estimates of operating revenues were based upon market data relative to industry standards and comparable properties in the subject area. Expense levels were estimated based upon industry standards and operating histories of similar properties. We have estimated the financial projections for the subject facility for the year beginning January 1, 2011 for 11 years.

EXECUTIVE SUMMARY

| Howe Caverns Indoor Waterpark Resort Recommended Facility | | | |
|--|--------------|-------------------------|--------------------|
| Number of Units | | 250 | |
| Room Mix | Units | Room Breakdown % | Size (S.F.) |
| Double-Queen | 140 | 56% | 400-450 |
| Kings | 20 | 8% | 400-450 |
| Suites | 90 | 36% | 500-700 |
| Franchise Recommendations | | | |
| Independent - no affiliation | | | |
| Meeting Rooms | | Square Feet | |
| Ballroom (divisible into 6 rooms) | | 6,000 | |
| Boardroom (divisible into 2 rooms) | | 1,000 | |
| Pre-function Space | | 2,000 | |
| Auditorium-Symposium-Media Room | | 4,000 | |
| Total | | 13,000 | |
| Food and Beverage Outlets | | | |
| Theme Restaurant | | | |
| Family-style Restaurant | | | |
| Lounge with Limited Food Offerings | | | |
| Deli/Pastry Shop | | | |
| Waterpark Snack Bar | | | |
| Waterpark Features | | Sizing | |
| Indoor Square Footage | | 50,000 | |
| Outdoor Square Footage | | 45,000 | |
| # of Lockers | | 1,000 | |
| Birthday Party Rooms S.F. (Divisible Into 3) | | 1,500 | |
| Dry Play Area | | 5,000 | |
| Potential Themes | | | |
| Cavern-Geological | | | |
| Mining | | | |
| Adirondacks | | | |
| Tropical | | | |
| Additional Revenue Centers | | Square Feet | |
| Arcade | | 5,000 | |
| Gift Shop | | 3,000 | |
| Spa | | 4,000 | |
| Amenities | | | |
| Business Center | | | |
| Health Club | | | |
| Complimentary Shuttle Service to Cooperstown | | | |
| Complimentary High Speed Internet | | | |
| Zip Line | | | |
| Rock Climbing Wall | | | |
| Zorbing Trail/Tubing Hill | | | |
| Valet Service | | | |
| Laundry on-site | | | |
| All-Purpose Sports Court | | | |
| Tennis | | | |
| Miniature Golf | | | |
| Volleyball Court | | | |
| Outdoor Ice Rink | | | |
| Additional On-Site Amenities | | | |
| Howe Caverns/Tours/Lodge/Gift Shop | | | |
| Cave Museum of Mining and Geology | | | |
| Quarry Equipment Park | | | |
| Tram Ride to Quarry Overlook | | | |
| Cement Mine Train Ride | | | |
| Source: Hotel & Leisure Advisors | | | |

Subject Hotel Projections

| Howe Caverns Indoor Waterpark Resort Summary of Performance | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | Base Year | Base +1 | Base +2 | Base +3 | Base +4 | Base +5 |
| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| # Rooms | 250 | 250 | 250 | 250 | 250 | 250 |
| Occupancy | 64.0% | 67.1% | 69.0% | 69.0% | 69.0% | 69.0% |
| Average Rate | \$277.00 | \$290.85 | \$302.48 | \$311.56 | \$320.91 | \$330.53 |
| Rooms Occupied | 58,384 | 61,209 | 62,939 | 62,939 | 62,939 | 62,939 |
| Rooms Revenue | \$16,172,368 | \$17,802,638 | \$19,038,040 | \$19,609,182 | \$20,197,457 | \$20,803,381 |
| Total Revenue | \$23,409,802 | \$25,568,651 | \$27,264,141 | \$28,081,215 | \$28,922,891 | \$29,792,188 |
| Net Income | \$6,836,802 | \$7,945,651 | \$8,613,141 | \$8,855,215 | \$9,119,891 | \$9,393,188 |
| Note: Average rate includes indoor waterpark premium The analysis assumes the property opens in January, 2011 | | | | | | |
| Source: Hotel & Leisure Advisors | | | | | | |

Our analysis indicates that the development of the proposed 250-key indoor waterpark resort with approximately 50,000 square feet of waterpark area produces a positive return. The market area surrounding the subject site contains few indoor waterpark resorts, which have proven to be very popular with families for short vacations and getaways. We have analyzed the potential value for the resort utilizing a 12.50% discount rate and a 10.00% terminal capitalization rate. The valuation indicates a conclusion of \$81,400,000 as completed or \$325,600 per available hotel room (250 rooms) for the development.

In addition, the subject development should be eligible for being included within the Empire Zone, a New York State economic development tool designed to provide tax incentives to developers in the state. Based upon our analysis, the benefits from being included within the Empire Zone create an additional value of \$13,000,000 utilizing the same discount rate of 12.5%. We note that the value conclusion is not meant to be market value because there are still many unknowns concerning the subject project but rather is presented as an analysis of value utilizing typical parameters performed in the income capitalization approach for an appraisal.

We project development costs for the proposed project inclusive of the hotel, conference center, and indoor waterpark to range from \$75,000,000 to \$87,500,000 or from \$300,000 to \$350,000 per available room. Typically, an indoor waterpark costs between \$300 per square foot and \$600 per square foot of net indoor waterpark. A resort hotel without indoor waterpark typically costs between \$150,000 and \$250,000 per available guest room.

Site Attributes

The developers own a 331.87 acre parcel in which they plan to develop the proposed indoor waterpark resort. The waterpark resort will be constructed on approximately 20 acres of the available site. The proposed subject resort will be called the Howe Caverns Indoor Waterpark Resort, leveraging the existing brand. Howe Caverns is a one-mile underground cave with walking passages, large rooms, and an underground lake which attracted 146,423 paying visitors in 2007. Admission prices range from \$10 for children to \$108 for the adventure tour. The resort will be a part of the Howe Caverns attraction

and will include in addition to the proposed indoor waterpark and existing cavern tours; a Quarry Equipment Park, a Cave Museum of Mining and Geology, a Tram Ride to a Quarry Overlook, and a Cement Mine Train Ride. Other amenities that may be developed on site include; a zorbing/tubing trail, a zip line, a rock climbing wall, all purpose sports court including tennis courts, a volleyball court, miniature golf, and an ice skating rink.

The existing attraction has excellent visibility from I-88 and the proposed indoor waterpark will also be visible to travelers from the interstate.

Area Review

The neighborhood surrounding the subject site has a variety of uses which are primarily related to agricultural, residential, and industrial. The subject site has excellent visibility from I-88, although is located approximately a five mile driving distance from I-88. The site is located approximately 40 miles east of Cooperstown, and 40 miles west from the state capitol of Albany.

The site is located in Schoharie County which is one of eight counties identified in the regional tourism market area known as the Central Leatherstocking Region. The Central Leatherstocking Region is roughly defined by the boundaries of I-88, I-90 and I-81. The region contains cities such as Binghamton, Utica, Rome, Oneonta, and Cooperstown, home to the Baseball Hall of Fame. The subject is located approximately 4 miles east of Cobleskill, along I-88.

Competitive Hotel Market

The proposed indoor waterpark resort will be the first resort hotel with an indoor waterpark in the Central Leatherstocking region. With its proposed cavern-geological theme and wide range of amenities as well as the indoor waterpark and quarry, it will be a unique facility within the market. We have profiled and analyzed a competitive set of resorts, hotels, and indoor waterpark resorts located in New York and Pennsylvania. The following table provides their operating performance.

| Howe Caverns Indoor Waterpark Resort Historical Performance of Competitive Set | | | |
|---|-------------------|----------------|----------------|
| Total Market Demand | Historical | | |
| Segment | 2005 | 2006 | 2007 |
| Commercial | 16,040 | 17,413 | 17,834 |
| Group | 80,569 | 87,497 | 91,361 |
| Leisure | 224,863 | 274,307 | 292,858 |
| Total RN Demand | 321,473 | 379,217 | 402,052 |
| Total Room Demand Growth | - | 18.0% | 6.0% |
| Total Room Nights Available | 559,180 | 629,625 | 637,655 |
| Total Room Supply Growth | - | 12.6% | 1.3% |
| Adjusted Market Occupancy | 57.5% | 60.2% | 63.1% |
| ADR | \$249.34 | \$257.63 | \$267.55 |
| ADR Growth | - | 3.3% | 3.9% |
| RevPAR | \$143.35 | \$155.17 | \$168.69 |
| RevPAR Growth | - | 8.2% | 8.7% |
| Source: Hotel & Leisure Advisors | | | |

As shown above, the existing competitive supply is primarily focused on leisure demand with some group demand. Commercial demand is minimal within the competitive set due

to the resort-leisure oriented focus of the competitive set. The market achieves its highest occupancy levels in the summer months.

Indoor Waterpark Attendance

We have analyzed the potential demand for a 50,000 square foot indoor waterpark facility with an adjacent outdoor waterpark area with a cavern-geological and mining theme. This resort will focus primarily upon hotel guests but still be open for local groups and day passes when the property is slower. The following table indicates our projections of attendance and indoor waterpark revenue from the connected subject hotel and local daily attendance.

| Projected Attendance and Indoor Waterpark Revenue Howe Caverns Indoor Waterpark Resort 50,000 square feet | | | | | | |
|--|--------------------------------|--------------|------------|------------|------------|------------|
| | Stabilized Yr. 2011 dollars | Fiscal Years | | | | |
| | | 2011 | 2012 | 2013 | 2014 | 2015 |
| Howe Caverns Indoor Waterpark Resort | | | | | | |
| Subject property occupied rooms | 62,939 | 58,384 | 61,209 | 62,939 | 62,939 | 62,939 |
| Waterpark package occupied rooms | 59,541 | 55,232 | 57,904 | 59,541 | 59,541 | 59,541 |
| Segment property attendance | 238,165 | 220,926 | 231,616 | 238,165 | 238,165 | 238,165 |
| Local Daily Attendance | | | | | | |
| Attendees | 18,021 | 19,823 | 18,021 | 18,021 | 18,021 | 18,021 |
| Waterpark admission average | \$35.00 | \$35.00 | \$36.05 | \$37.13 | \$38.25 | \$39.39 |
| Projected revenue | \$631,000 | \$693,802 | \$649,651 | \$669,141 | \$689,215 | \$709,891 |
| Total | | | | | | |
| Subject property attendance | 256,186 | 240,749 | 249,637 | 256,186 | 256,186 | 256,186 |
| Available capacity (1,250/day) | 456,250 | 456,250 | 456,250 | 456,250 | 456,250 | 456,250 |
| Usage percentage | 56% | 53% | 55% | 56% | 56% | 56% |
| Total ticket revenue | \$631,000 | \$693,802 | \$649,651 | \$669,141 | \$689,215 | \$709,891 |
| Statistical information | | | | | | |
| Projected attendance per square foot | 5.1 | 4.8 | 5.0 | 5.1 | 5.1 | 5.1 |
| Demand segmentation: | | | | | | |
| Subject property occupied rooms | 93% | 92% | 93% | 93% | 93% | 93% |
| Local Daily Attendance | 7% | 8% | 7% | 7% | 7% | 7% |

Source: Hotel & Leisure Advisors

Recommendations

We have made the following recommendations for the proposed development.

- We recommend the subject offer 250 guest rooms with a mixture of double queens, king rooms, and suites. All double queen or king rooms are recommended to include a sleeper sofa or bunk beds and a half wall to allow families to utilize them as studio suites. We recommend a mixture of room types including themed rooms such as kid’s ‘cave-like’ bunk beds and separate kid’s areas. This will provide flexibility for guests. We recommend these rooms be larger than typical guest rooms with an average square footage of between 400 and 450 square feet. We recommend one and two bedroom suites offering approximately 500 to 700 square feet. We recommend approximately 64% typical guest rooms and 36% suites.
- We recommend the subject offer two restaurants which should share the same kitchen. We recommend one of the restaurants be a family oriented buffet style facility. We recommend the other restaurant offer a slightly more upscale menu although still family-friendly. We recommend developing a lounge with entertainment that would serve limited light fare. We project a waterpark snack bar will be located in the indoor waterpark area. We also recommend a take-out

deli area offering snacks, baked goods, ice cream, and candy. We recommend the food and beverage options and the entire hotel be smoke-free. In addition, guests will have access to the restaurant at Howe Caverns.

- We recommend the subject offer a meeting and conference space with approximately 13,000 square feet including a 6,000 to 7,000 square foot divisible ballroom, a symposium style auditorium room, and a boardroom divisible into two rooms. We do not recommend a large conference center because the subject will be focusing on tour groups, weddings, and families. However, a modest amount of meeting space will allow the subject to attract additional group business in midweek periods. The conference space should be located on the opposite end of the building from the indoor waterpark to allow separation between two different types of users. We recommend the conference space, especially the ballroom, take advantage of the views offered by the property and some outdoor patio/courtyard areas should be integrated into the overall design. The ability to frame the views with the architecture will help promote the wedding business.
- We recommend a 4,000 square foot symposium room that can be rented during the day for group meeting presentations, lectures, and educational classes. At night this room can be used for showing movies and offering live entertainment for resort guests.
- We recommend the subject offer 1,000 to 1,500 square feet of multiple birthday party rooms adjacent to the indoor waterpark for birthday parties to assemble when they are not in the waterpark. This room can be utilized as an overflow breakout room or for waterpark snack bar seating when there are no birthday parties.
- We recommend amenities for business travelers including a small business center and availability of wireless Internet access. We recommend this amenity be located in the conference area of the facility.
- We further recommend a large indoor waterpark, arcade, fitness center, gift shop, and themed lobby.
- We recommend a dry play area of approximately 5,000 square feet including a variety of features such as slides, tubes, and balls.
- We recommend the development include a 4,000 square foot spa which would include multiple treatment rooms and offer services such as massages, facials, therapies, and other treatments.
- We recommend outdoor amenities including an outdoor waterpark area, miniature golf, a zip line, a rock climbing wall, a zorbing trail/tubing hill, an all purpose sports court, tennis courts, volleyball court, and a seasonal outdoor ice rink. We recommend the ice rink be constructed upon a summertime activity site such as the sports court or tennis courts, to minimize site development costs.
- In addition to the recommended outdoor amenities, we concur with the developers plans to offer additional resort amenities such as the development of the Cave House Museum of Mining and Geology, the Quarry Equipment Park, the Tram Ride to the Quarry Overlook, and the Cement Mine Train Ride.

- We recommend the developers offer complimentary daily shuttle transportation to Cooperstown for resort guests to enjoy amenities such as the Baseball Hall of Fame, the Fenimore Art Museum, the Farmers Museum and other Central Leatherstocking regional attractions.
- We recommend the developers review the components of the Great Wolf Lodge properties, Kalahari Resorts, Wilderness Resorts, and the Great Escape Indoor Waterpark Resort facilities while developing the amenities for the property.
- We recommend the facility be constructed with a plan to add a second phase expansion of the hotel rooms and indoor waterpark if demand allows. Planning for an expansion in the initial drawings will lower the cost later on.
- We recommend a convention and visitors bureau be created for Schoharie County with the development of the resort to better promote the subject resort and the county.
- We recommend road improvements be completed along County Road 8 and Sagendorf Corners Road to allow improved access to the subject site.
- We recommend Howe Caverns explore opportunities to present different 'types' of tours, to entice guests to return more often and experience something new each time they enter the caverns.
- We recommend the subject be constructed to try to obtain LEED certification as a "green" structure, which would allow for reduced energy costs and positive eco-friendly publicity. We recommend the developers analyze the various point systems for certification and balance the potentially higher costs with energy and environmental savings. The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. LEED gives building owners and operators the tools they need to have an immediate and measurable impact on their buildings' performance. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. The article "The Greening of Real Estate Appraisal" published in the second quarter 2007 issue of *Valuation* indicates that green buildings on average save 30% of energy costs, 35% of carbon costs, 30% to 50% on water use costs, and 50% to 90% of waste costs. The article discusses a study performed by Stephen Zenker of Cushman and Wakefield who analyzed valuations for office buildings in 2004. He determined the green building would have a 10% to 15% increase in value over a conventional building in a typical holding period while costing only 2% to 3% more to construct.

STANDARD CONDITIONS

The following Standard Conditions apply to real estate consulting engagements and appraisals by Hotel & Leisure Advisors, LLC (H&LA). Extraordinary Assumptions are added as required.

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6. H&LA has not considered the presence of potentially hazardous materials such as asbestos, urea formaldehyde foam insulation, toxic waste, PCBs, pesticides, mold, lead-based paints, or other materials. The appraisers and consultants are not

qualified to detect hazardous materials and H&LA urges the client to retain an expert in this field if desired.

7. Unless noted, H&LA assumes there are no encroachments, zoning violations, or building violations encumbering the subject property. It is assumed that the property will not operate in violation of any applicable government regulations, zoning, codes, ordinances, or statutes.
8. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
9. Real estate consulting engagements and appraisal assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per diem fees and travel costs are paid.
10. No significant change is assumed in the supply and demand patterns indicated in the report. The appraisal or consulting engagement assumes market conditions as observed as of the current date of the market research stated in the letter of transmittal. These market conditions are believed to be correct; however, H&LA or the consultants assume no liability should market conditions materially change because of unusual or unforeseen circumstances.
11. The quality of a lodging facility or other leisure property's management has a direct effect on the property's economic viability. It should be specifically noted by any prospective reader that the engagement assumes that the property will be competently managed, leased, and maintained by financially sound owners over the expected period of ownership. This engagement does not entail an evaluation of management's or owner's prior or future effectiveness. H&LA is not responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.
12. The forecast of income and expenses are not predictions of the future. Rather, they are the consultant's best estimates of current market thinking on future income and expenses. We do not warrant that the estimates will be obtained, but that they have been prepared in a conscientious manner on the basis of information obtained during the course of this study.
13. The subject property is valued assuming all items of furniture, fixtures, equipment, working capital, and inventory are in place. Should items essential in the operation of the hotel prove to be missing, we reserve the right to amend the opinion of value expressed in an appraisal report.
14. H&LA does not, as part of this consulting report or appraisal, perform an audit, review, or examination (as defined by the American Institute of Certified Public Accountants) of any of the historical or prospective financial information used and therefore, does not express any opinion with regard to it.
15. The consulting engagement or appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Code of Ethics of the Appraisal Institute.

16. It is agreed that the maximum damages recoverable from H&LA or its affiliates or their respective employees relative to this engagement shall be the amount of the money actually collected by H&LA or its affiliates for this assignment. Under no circumstances shall any claim for consequential damages be made. In addition, there is no accountability or liability to any third party.
17. This report does not address the project's compliance with the federal statute commonly known as the Americans with Disabilities Act as well as regulations and accessibility guidelines promulgated thereunder.
18. No responsibility is assumed for architectural design and building codes. The report and supplemental graphic information is for concept recommendations only, and is prepared under the Uniform Standards of Professional Appraisal Practice guidelines as a real property appraisal consulting assignment. The analysis and concept drawings included in the report are not intended for technical purposes.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

It is assumed that qualified professional hospitality management with demonstrated expertise in management of hotels and indoor waterparks will operate the subject property. It is assumed that adequate funds will be available for upkeep and repair of the facility.

The location and amenities of the proposed hotel with indoor waterpark, and the details concerning its structure are still in the idea stage and the financial projections shown in this report may change depending upon the type of facility and amenities utilized in the proposed project. As these plans are determined, they could have a material impact on this study.

No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of routine observations made during the appraisal process.

COMPETENCY OF THE CONSULTANTS

Hotel & Leisure Advisors, LLC is a national hospitality consulting firm specializing in appraisals, feasibility studies, and impact analyses for hotels, outdoor and indoor waterparks, resorts, golf courses, restaurants, conference and convention centers, and other leisure real estate. We work exclusively in the hospitality industry and concentrate our efforts on in-depth understanding of the trends and factors related to this industry. Our participation in industry associations and trade groups keeps us abreast of developments affecting our clients and gives us access to rich sources of data. We follow news and transactions occurring in the hospitality industry on a daily basis. The consultants of the firm have performed over 1,000 hotel studies since 1987 at various firms. Mr. David J. Sangree, MAI, CPA, ISHC has written articles concerning hotels, resorts, and waterparks for *Hotel/Motel Management*, *Lodging Hospitality*, *World Waterpark Magazine*, *Midwest Real Estate News*, *Aquatics Magazine*, *Hotel Online*, and *Cornell Hotel and Restaurant Administration Quarterly* and is a national expert on these types of properties. He has appeared on Good Morning America and CNBC concerning shows on resorts and waterparks. He has inspected most of the open indoor waterpark

resorts in the United States and Canada. We maintain databases and files concerning various types of hospitality properties. Therefore, we possess the knowledge and experience to conduct the inspection, analysis, and reasoning necessary to estimate the feasibility of the subject.

AREA REVIEW

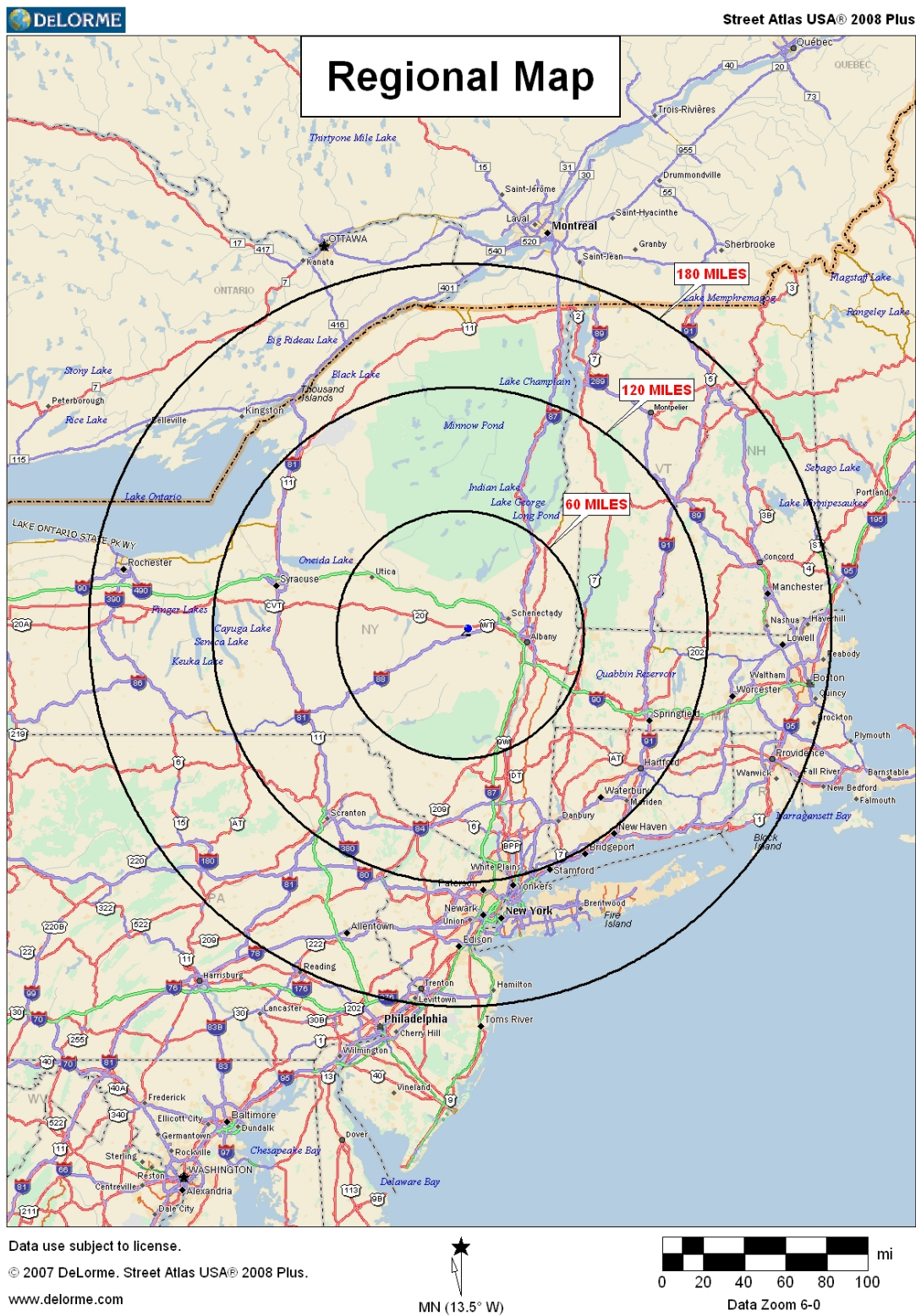
The feasibility of a leisure-oriented project is influenced in a general manner by the economic, political, physical, and social characteristics of its surrounding area. The subject is located in Howes Cave, Schoharie County, New York, and belongs to the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA). An MSA consists of at least one urbanized area of 50,000 or more people plus adjacent areas with a high degree of social and economic integration with the core. According to the U.S. Census Bureau, the Albany-Schenectady-Troy MSA consists of Albany, Rensselaer, Saratoga, Schenectady, and Schoharie Counties. Throughout this section of the report, this area will be referred to simply as the Albany MSA. In terms of population, the Albany MSA is the fourth largest metro area in the state of New York, after New York City, Buffalo, and Rochester.

Howes Cave is located approximately 40 miles west of Albany, the state capital of New York. Though it is considered part of the Albany metro area, Schoharie County is predominantly rural in character, with most of the population clustered in its northern half, in the villages of Cobleskill, Schoharie, Middleburgh, Sharon Springs and Richmondville. This area sits roughly midway between the Catskill Mountains and the Adirondack Mountains, both of which are well known tourism regions. About 40 miles west of Howes Cave is Cooperstown, New York, home to the National Baseball Hall of Fame & Museum. The subject site is located adjacent to the existing Howe Caverns, a well known tourist attraction. The site is located less than two miles north of Interstate 88, a major regional highway which connects with the New York State Thruway in Schenectady.

According to The Appraisal of Real Estate, 12th Edition published by the Appraisal Institute, market area analysis focuses on the four forces – social, economic, governmental, and environmental – that influence value. Analysis of the four forces is performed by investigating specific factors pertaining to each. With a hospitality property, particular emphasis is placed on trends affecting visitors to the area.

Social Forces

In performing a market area analysis, it is necessary to identify relevant social characteristics and influences. To identify and describe these characteristics, one must know that the social or demographic characteristics that influence property values most in a community tend to overlap. Price levels in the subject market in relation to prices in competing areas reflect the overall desirability of the subject market area. Relevant demographic characteristics include population density, employment categories, age levels, household size, and employment status. The population, income, and employment figures presented in this section were taken from the Site To Do Business (STDB) database and are based on official Census findings and estimates and projections from the Environmental Systems Research Institute (ESRI).



Population Trends: The following table presents population growth trends for Howes Cave, Schoharie County, the Albany MSA, and the state of New York.

| Population Growth Trends Howes Cave, New York | | | | | | | |
|--|------------------------|------------------------|------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| Area | 1990 Census | 2000 Census | 2007 (Est.) | 2012 (Proj.) | %Change 1990-00 | %Change 2000-07 | %Change 2007-12 |
| Howes Cave | 1,483 | 1,412 | 1,432 | 1,463 | -4.8% | 1.4% | 2.2% |
| Schoharie County | 31,865 | 31,582 | 32,318 | 33,048 | -0.9% | 2.3% | 2.3% |
| Albany MSA | 809,443 | 825,875 | 861,146 | 887,316 | 2.0% | 4.3% | 3.0% |
| New York | 17,990,455 | 18,976,457 | 19,581,872 | 19,995,757 | 5.5% | 3.2% | 2.1% |

Source: STDB

In 2007, the population of Schoharie County was estimated at around 32,000, with roughly 1,400 living in Howes Cave. As indicated the population of Schoharie County makes up only a small portion of the total population in the larger Albany metro area. The Albany MSA has seen steady population growth in recent years, and this is projected to continue into the foreseeable future. As shown, the estimated and projected growth rates for the Albany MSA are about one percentage point above the state level.

Households: Household consumption plays a critical role in the economic outlook of a region. A household is broadly defined as one or more person(s) living in a housing unit. Households consist of married couples, and male and female householders. The following table presents household growth trends for Howes Cave, Schoharie County, the Albany MSA, and New York.

| Household Growth Trends Howes Cave, New York | | | | | | | |
|---|------------------------|------------------------|------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| Area | 1990 Census | 2000 Census | 2007 (Est.) | 2012 (Proj.) | %Change 1990-00 | %Change 2000-07 | %Change 2007-12 |
| Howes Cave | 539 | 554 | 574 | 593 | 2.8% | 3.6% | 3.3% |
| Schoharie County | 11,260 | 11,991 | 12,488 | 12,907 | 6.5% | 4.1% | 3.4% |
| Albany MSA | 310,299 | 330,246 | 347,149 | 359,862 | 6.4% | 5.1% | 3.7% |
| New York | 6,639,322 | 7,056,860 | 7,279,758 | 7,446,125 | 6.3% | 3.2% | 2.3% |

Source: STDB

In 2007, there were an estimated 347,149 households in the Albany MSA, with 12,488 in Schoharie County and 574 in Howes Cave. As indicated, household counts have risen steadily since 1990 at both the local and regional levels, and this expected to remain the case through 2012 and beyond. At all geographic levels, the fact that growth in the number of households has exceeded population growth is indicative of the widespread trend toward smaller households.

Higher Education: Institutions of higher learning are typically demand generators for leisure facilities and they help to provide an area with a stable employment base. The nearest higher education institution is the State University of New York College of

Agriculture and Technology at Cobleskill (SUNY Cobleskill), about ten miles away. SUNY Cobleskill is a comprehensive residential college with a typical annual enrollment of around 2,500 students, offering a range of bachelor's and associate's degrees.

The greater Albany area is home to a number of colleges and universities, the largest of which is SUNY at Albany which has an annual enrollment of around 11,500 undergraduates and 5,000 graduate students. This institution is one of four university centers within the SUNY system. Other notable schools within the greater Albany metro area include Excelsior College in Albany, the College of Saint Rose in Albany, Rensselaer Polytechnic Institute in Troy, and Union College in Schenectady.

Retail Centers: Research conducted by the Travel Industry Association of America indicates that shopping continues to be the most common activity among U.S. adult travelers, with an estimated 63% including shopping as an activity on a trip. While there may be many types of retail stores in a given area, travelers are typically drawn to traditional enclosed malls, outlet malls, downtown shopping districts, and outdoor "lifestyle" centers.

There are two major retail centers in Albany: Crossgates Mall and Colonie Center. Crossgates Mall, located at the junction of Interstates 87 and 90, has over 250 department stores, specialty shops, and restaurants, as well as the Regal 18 Megaplex movie theater. Anchors include Best Buy, Borders Books, Dick's Sporting Goods, JCPenney, and Macy's. Just east of the Crossgates Mall is Stuyvesant Plaza, an extensive strip mall with additional stores and restaurants. Colonie Center, at Wolf Road and Central Avenue in Albany, has over 100 stores and is anchored by Macy's, Boscov's and Sears, L.L. Bean, and a 13-screen Regal Cinemas.

Tourism Statistics: According to a 2006 Tourism Economics study titled *The Economic Impact of Tourism in New York*, released in December 2007, total visitor expenditures in the state grew by 7.2% in 2006 to \$46.6 billion. The report examines visitor spending in 11 distinct tourism regions, with Schoharie County belonging to the Central Leatherstocking region. In 2006, this region accounted for 3% of the overall tourism expenditure in the state as a whole, amounting to total direct expenditures of around \$1.6 billion. The neighboring Capital-Saratoga region also contributed just 3% to the state total. The New York City region accounted for the largest percentage of visitor spending at 62%.

The following table presents a breakdown of visitor spending by category in the Central Leatherstocking region. These numbers represent estimated 2006 spending and are taken from a Tourism Economics study released in December 2007.

2006 Visitor Spending by Category

Central Leatherstocking Region

| 2006 Tourism Direct Sales, '000s | Lodging | Recreation | F&B | Retail & Service Stations | Transport. | Second Homes | Direct |
|----------------------------------|------------------|------------------|------------------|---------------------------|-----------------|------------------|--------------------|
| Broome | \$61,539 | \$6,052 | \$78,790 | \$47,608 | \$25,499 | \$10,439 | \$229,928 |
| Chenango | \$4,984 | \$593 | \$6,678 | \$4,001 | \$1,411 | \$15,497 | \$33,163 |
| Herkimer | \$14,541 | \$3,110 | \$16,508 | \$11,359 | \$7,285 | \$29,634 | \$82,437 |
| Madison | \$11,296 | \$1,935 | \$22,905 | \$11,877 | \$2,736 | \$12,920 | \$63,669 |
| Montgomery | \$5,570 | \$523 | \$10,161 | \$5,283 | \$15,221 | \$1,911 | \$38,669 |
| Oneida | \$147,498 | \$369,003 | \$173,804 | \$218,300 | \$32,719 | \$20,459 | \$961,783 |
| Otsego | \$40,544 | \$7,575 | \$41,816 | \$29,782 | \$4,517 | \$20,810 | \$145,043 |
| Schoharie | \$6,362 | \$1,123 | \$7,047 | \$4,800 | \$48 | \$19,813 | \$39,194 |
| TOTAL | \$292,335 | \$389,915 | \$357,709 | \$333,010 | \$89,435 | \$131,483 | \$1,593,887 |

Capital-Saratoga Region

| 2006 Tourism Direct Sales, '000s | Lodging | Recreation | F&B | Retail & Service Stations | Transport. | Second Homes | Direct |
|----------------------------------|------------------|-----------------|------------------|---------------------------|------------------|-----------------|--------------------|
| Albany | \$176,056 | \$26,461 | \$176,538 | \$124,631 | \$300,367 | \$9,257 | \$813,311 |
| Fulton | \$5,351 | \$911 | \$8,400 | \$4,826 | \$757 | \$25,483 | \$45,727 |
| Rensselaer | \$12,067 | \$4,978 | \$34,213 | \$17,240 | \$12,676 | \$9,154 | \$90,327 |
| Saratoga | \$77,255 | \$26,761 | \$114,248 | \$73,844 | \$28,199 | \$33,001 | \$353,309 |
| Schenectady | \$9,695 | \$9,334 | \$100,255 | \$40,064 | \$17,067 | \$2,350 | \$178,766 |
| Washington | \$3,779 | \$1,593 | \$4,697 | \$3,457 | \$152 | \$18,796 | \$32,475 |
| TOTAL | \$284,203 | \$70,038 | \$438,352 | \$264,062 | \$359,219 | \$98,042 | \$1,513,915 |

Source: Tourism Economics, 2007

As shown, tourism spending in Schoharie County makes up just a small portion of the Central Leatherstocking region total, and more than half is attributable to Oneida County. In the Capital-Saratoga region, Albany County saw the highest level of visitor spending, followed by Saratoga County. Albany County is number one in every spending category except Recreation and Second Homes.

Recreation and Regional Attractions: Recreational facilities and regional attractions enhance an area's quality of life. These activities also have a significant economic impact on an area by increasing the demand for services and retail trade created by visitors.

Tourists in turn tend to generate lodging demand on weekends, holidays and summer months, offsetting commercial visitations during weaker periods. The following table lists major attractions in the area.

| Major Tourist Attractions in the Subject Area | |
|--|-----------------|
| <u>Attraction</u> | <u>Location</u> |
| Howe Caverns | Howes Cave, NY |
| National Baseball Hall of Fame | Cooperstown, NY |
| National Soccer Hall of Fame | Oneonta, NY |
| New York State Capitol Building | Albany, NY |
| Empire State Plaza | Albany, NY |

Source: Hotel & Leisure Advisors

In the immediate area, adjacent to the subject site, Howe Caverns is the leading tourist attraction, offering guided tours of the caves since 1929. On average, this attraction receives 160,000 visitors annually. The caves recently underwent a change in ownership, resulting in a number of planned additions and improvements. The following table shows the average attendance and revenue performance from the cavern tours.

| Howe Caverns Attendance and Revenue Performance | | | | | | |
|--|-----------------|---------------|------------------------------------|---------------|---------------------|---------------|
| Year | Visitors | % Chg. | Average Price Per Admission | % Chg. | Tour Revenue | % Chg. |
| 2002 | 179,903 | - | \$10.25 | - | \$1,844,393 | - |
| 2003 | 168,069 | -6.6% | \$9.74 | -5.0% | \$1,637,597 | -11.2% |
| 2004 | 169,520 | 0.9% | \$10.74 | 10.2% | \$1,819,954 | 11.1% |
| 2005 | 162,193 | -4.3% | \$11.44 | 6.6% | \$1,855,540 | 2.0% |
| 2006 | 153,207 | -5.5% | \$12.44 | 8.7% | \$1,905,633 | 2.7% |
| 2007 | 146,423 | -4.4% | \$12.87 | 3.5% | \$1,884,636 | -1.1% |
| Average of Years | 163,219 | -4.0% | \$11.25 | 4.8% | \$1,824,626 | 0.7% |
| Year-to-Date through April 2008 | | | | | | |
| 2007 | 15,435 | - | \$12.74 | - | \$196,703 | - |
| 2008 | 21,540 | 39.6% | \$12.44 | -2.3% | \$268,061 | 36.3% |

Source: Howe Caverns/Hotel & Leisure Advisors

As shown above, the number of visitors to Howe Caverns has been declining on average 4.0%, recording in 2007 the lowest attendance of the past six years. Revenue from the cave tours has remained flat over the historical period due to growth in the average ticket price. The revenues shown above only include the cave tours. Howe Caverns also operates a gift shop, a gem cutting attraction, a 21 room motel and restaurant that are a part of the venue. Year-to-date figures indicate that 2008 will have improved performance due to new management, a new marketing strategy, and building renovations. According to management, several areas of the Howe Caverns Attraction are undergoing renovations. A new coffee shop is currently under construction as well as a new café, replacing the existing restaurant in the lodge building. The guest rooms of the

motel are scheduled for bed replacement in 2008. Management also has plans to open up a portion of the caverns that was lost due to mining in the early 20th century, thus extending the caverns by another ¼ mile.

The following table analyzes visitor demographics to Howe Caverns.

| Howe Caverns Visitor Demographics | | | | | | | | |
|---|---------------------------|---------------|----------------------------------|---------------|---------------------|---------------|--------------|---------------|
| Year | Adults and Seniors | % Chg. | Children and Juniors 5-15 | % Chg. | School Group | % Chg. | Other | % Chg. |
| 2002 | 107,009 | - | 32,439 | - | 19,988 | - | 20,467 | - |
| 2003 | 94,553 | -11.6% | 29,014 | -10.6% | 19,304 | -3.4% | 25,198 | 23.1% |
| 2004 | 83,930 | -11.2% | 41,606 | 43.4% | 17,318 | -10.3% | 26,666 | 5.8% |
| 2005 | 83,449 | -0.6% | 38,669 | -7.1% | 17,753 | 2.5% | 22,322 | -16.3% |
| 2006 | 77,659 | -6.9% | 35,760 | -7.5% | 17,424 | -1.9% | 22,364 | 0.2% |
| 2007 | 77,533 | -0.2% | 34,252 | -4.2% | 15,467 | -11.2% | 19,171 | -14.3% |
| Average of Years | 87,356 | -6.1% | 35,290 | 2.8% | 17,876 | -4.9% | 22,698 | -0.3% |
| Percent of Total Visitors | 53.5% | | 21.6% | | 11.0% | | 13.9% | |
| Average 2007 Admission | \$16.69 | | \$10.84 | | \$6.99 | | \$5.82 | |
| Year-to-Date through April 2008 | | | | | | | | |
| 2007 | 7,837 | - | 3,646 | - | 1,720 | - | 2,232 | - |
| 2008 | 10,161 | 29.7% | 5,023 | 37.8% | 3,222 | 87.3% | 3,134 | 40.4% |
| Source: Howe Caverns/Hotel & Leisure Advisors | | | | | | | | |

Adults and seniors comprise on average 53.5% of the total visitors to the caverns. In 2007, this segment of the market paid an average of \$16.69 for their cave tours. The jump in the amount of children visiting the caves from 2003 to 2004 is attributed to the methodology in classifying a child admission. In 2003 the ages for kids ranged from seven to 12. In 2004 the age range was expanded to include kids and juniors from five to 15. The 'other' category includes all other admission types including; several types of groups, collegiate, complimentary tours, and special 'lantern' tours. Year-to-date information shows improvement in all segments of the market with the school groups almost doubling their attendance from last year. The 2008 tour ticket prices are shown in the following table.

| Howe Caverns 2008 Tour Rates | |
|-------------------------------------|------------------|
| Adults, ages 16 to 64 | \$18 |
| Seniors, Ages 65+ | \$15 |
| Juniors, ages 12 to 15 | \$15 |
| Children, ages 5 to 11 | \$10 |
| Children, ages 4 and under | Free |
| Lantern Tour | \$27 |
| Adventure Tour | \$108 |
| K-12 Groups | \$7.56 - \$10.80 |
| College Groups | \$10.80 |
| Adult Groups | \$15.12 |
| Source: Howe Caverns | |

The lantern tours include a tour by lantern, as it was in Lester Howes' time. The special adventure tours include hiking, crawling, and navigating through non-commercial passages within the cavern. The range of pricing for the K-12 groups depends upon the season. July 1 through Labor Day is peak season for scout, youth, and camp types of K-12 groups and the caverns receive a premium rate during this period. The caverns also offer birthday party packages which include discounts on tours and gemstone mining.

Other existing attractions at the Howe Caverns include pony rides, bike trails, gem mining, gem cutting, and an outdoor swimming pool.

Roughly one mile from Howe Caverns is the Iroquois Indian Museum, with exhibits dedicated to Native American history. The Old Stone Fort Museum in Schoharie offers 14 acres of historic buildings and exhibits from the era of the American Revolution. Other historical and cultural attractions within Schoharie County include, the Depot Lane railroad museum, Cavern Creek Grist Mill, and the Palatine House.

Gobbler's Knob Family Fun Park in Cobleskill, approximately four miles from the subject site, offers miniature golf, go-karts, and a driving range, as well as space for birthday parties and other social events. Within Schoharie County, popular spots for sight-seeing and outdoor recreation include the Landis Arboretum, the Blenheim-Gilboa Reservoir, Summit Lake, Eminence State Forest, Max Shaul State Park, Mine Kill State Park, Charlottesville State Forest, and the Fox Creek Nature Center & Trail.

To the west of Schoharie County, is Cooperstown, home to the National Baseball Hall of Fame & Museum, the Fenimore Art Museum, and the Farmers Museum.

The National Baseball Hall of Fame and Museum located in downtown Cooperstown draws approximately 350,000 visitors a year. It is one of the few attractions in Cooperstown that is open year round. Once a year, the hall hosts the hall of fame induction ceremony which draws thousands of visitors to the area for the weekend festivities.

Cooperstown Dreams Park is home to the American Youth Baseball Hall of Fame. It is located on Route 28, just south of Cooperstown. Throughout the spring and summer it hosts weekly youth baseball tournaments, culminating in the National American Tournament of Champions held in August. The 22 baseball fields accommodate the 90 to 100 teams playing each week. While the ball players are house on-site, their families find lodging accommodations in the local hotels, bed and breakfasts, local inns and campgrounds.

The National Soccer Hall of Fame and Museum is also located west of Schoharie County in Oneonta. This hall of fame was established in 1950 and over 260 individuals have been inducted for their outstanding contributions to the sport. The museum was established in 1979. The museum houses one of the largest soccer artifact collections in the world. The 40,000 square foot facility contains interactive hands-on and feet-on activities for visitors. The national Soccer Hall of Fame and Museum draws approximately 20,000 visitors per year.

Zoom Flume Water Park is a large outdoor waterpark in East Durham, New York, at the northern end of the Catskill Mountains area. The park has an extensive selection of slides, splash pools, and other water features. Farther south is Catskill Park, which spans four New York counties and encompasses a number of popular ski areas including

Windham Mountain and Hunter Mountain. Approximately 30 miles to the north is Adirondack State Park, which occupies a large portion of the land area in upstate New York including several well known tourist areas. The Six Flags Great Escape & Splashwater Kingdom in Lake George, New York, is the nearest full-fledged amusement/theme park.

As a visitor destination, Howes Cave benefits from its location less than 40 miles west of the city of Albany. Top attractions include the New York State Capitol and the Empire State Plaza, which includes several cultural and recreational elements as well as the state’s tallest tower outside of New York City. Major components of the Empire State Plaza include the Convention Center, the Center for the Performing Arts (The Egg), the Plaza Art Collection, and the New York State Museum. Other notable attractions in Albany include the Albany Aqua Ducks amphibious tours, Oasis Family Fun Park in Troy, and the Children’s Museum of Science & Technology in Troy.

The following table shows the driving distance from the subject site to some of the most visited attractions in Schoharie County and the surrounding area.

| Driving Distance from Subject Site to Selected Destinations | |
|--|--------------|
| | <u>Miles</u> |
| Howe Caverns | <0.1 |
| Iroquois Indian Museum | 1 |
| Gobbler's Knob Fun Park | 4 |
| Old Stone Fort | 8 |
| Landis Arboretum | 13 |
| Zoom Flume Water Park | 31 |
| Colonie Center | 34 |
| Empire State Plaza | 35 |
| New York State Capitol Building | 35 |
| Albany International Airport | 37 |
| Catskill Park | 37 |
| National Baseball Hall of Fame & Museum | 38 |
| Windham Mountain | 38 |
| Crossgates Mall | 39 |
| Children's Museum of Science & Technology | 44 |
| Oasis Family Fun Park | 44 |
| Hunter Mountain | 46 |
| Six Flags Great Escape & Wildwater Kingdom | 84 |
| Source: randmcnally.com | |

Convention and Event Facilities: Large event facilities such as convention centers, exposition centers, fairgrounds, theaters, stadiums, and arenas play a major role in attracting visitors to an area. These visitors frequently make use of paid overnight accommodations and patronize local restaurants, retail stores, and tourist attractions.

There are no major convention facilities in the immediate area of the subject site; however, there are a handful of smaller facilities in Schoharie County capable of accommodating smaller groups. In addition to the facilities at Howe Caverns, meeting and banquet space is available at the Best Western Cobleskill, Boreali's Restaurant Event Center, the Holiday Inn Express & Suites in Schoharie, and at various locations on the campus of SUNY Cobleskill. The Cobleskill Fairgrounds serve as the site of the annual Sunshine Fair, horse shows, and other various outdoor events. The Altamont Fair Grounds in Altamont, New York, are home to the annual three-county fair representing Albany, Schenectady, and Greene Counties. The Fair Grounds also host other events throughout the year and house a handful of unique historical museums.

Due to its central location and its status as state capital, Albany is a popular site for conventions other large-scale events. The 17,500-seat Times Union Center (formerly Pepsi Arena) in downtown Albany offers more than 55,000 square feet of exhibit space. A covered walkway connects the Times Union Center to the Empire State Plaza Convention Center, which houses 80,000 square feet of exhibit space, six meeting rooms, and a 982-seat theater. A new 244,000 convention center has been proposed for downtown Albany, though it remains unclear when this new facility will be completed.

Economic Forces

Economic considerations relate to the financial capacity of a market area's occupants and their ability to purchase goods and services. Among the economic factors that can be considered in this type of analysis are median household income levels, per capita income, income distribution for households, unemployment levels, and the amount and type of economic development in a given area.

Income: The economic vitality of an area is an important consideration in forecasting the demand and potential income for commercial real estate. The table below lists median household income estimates for Howes Cave, Schoharie County, the Albany MSA, and New York.

| Median Household Income Estimates | | | | | | | |
|--|------------------------|------------------------|------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| Howes Cave, New York | | | | | | | |
| Area | 1990 Census | 2000 Census | 2007 (Est.) | 2012 (Proj.) | %Change 1990-00 | %Change 2000-07 | %Change 2007-12 |
| Howes Cave | \$27,179 | \$38,103 | \$46,624 | \$52,960 | 40.2% | 22.4% | 13.6% |
| Schoharie County | \$26,077 | \$36,551 | \$44,827 | \$51,536 | 40.2% | 22.6% | 15.0% |
| Albany MSA | \$33,108 | \$44,142 | \$56,338 | \$66,218 | 33.3% | 27.6% | 17.5% |
| New York | \$32,965 | \$43,582 | \$56,704 | \$67,544 | 32.2% | 30.1% | 19.1% |

Source: STDB

As shown, the median household income in the Albany MSA is nearly equal to that of the state of New York as a whole, while households in Schoharie County tend to earn somewhat less. As an additional point of comparison, the national median household income was \$53,154 in 2007. At all geographic levels, the subject area has seen steady income growth over the past several years, and this is projected to remain the case heading into the future.

Disposable Income: One indicator often used to measure an area’s ability to buy is disposable income, which is an expression of household income minus tax payments. Analyzing disposable income levels presents a clearer picture of residents’ buying power in a given area and is useful in determining market strength. The following table presents the most recent disposable income figures available for Howes Cave, Schoharie County, the Albany MSA, and the state of New York.

| Disposable Income Howes Cave, New York | |
|---|--|
| Area | Median HH Disposable Income 2007 (Est.) |
| Howes Cave | \$35,856 |
| Schoharie County | \$34,803 |
| Albany MSA | \$40,801 |
| New York | \$41,099 |
| United States | \$41,637 |

Source: STDB

These numbers highlight the disparity in useable household income between Schoharie County and the entirety of the Albany MSA. Once again, the county is below the state and national levels when it comes to typical household income.

Industries and Employment

Information on the size of a region’s labor force and the relative trends in employment and unemployment are key local economic indicators.

Unemployment Rates: The widely cited unemployment rate provides a good measure of the relative utilization of labor in a region. These measures are “residency-based,” providing current information on the labor force status of the residents of a county or region. The following table presents unemployment rates for Howes Cave, Schoharie County, the Albany MSA, and the state of New York.

| Historical Unemployment Rates | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Area | 2003 | 2004 | 2005 | 2006 | 2007 |
| Schoharie County | 5.4% | 5.5% | 5.1% | 5.2% | 5.6% |
| Albany MSA | 4.4% | 4.3% | 4.0% | 3.9% | 3.9% |
| New York | 6.4% | 5.8% | 5.0% | 4.6% | 4.5% |
| United States | 6.0% | 5.5% | 5.1% | 4.6% | 4.6% |

Source: U.S. Department of Labor, Bureau of Labor Statistics

The Albany MSA tends to experience lower levels of unemployment than either the state of New York or the United States at large. Schoharie County has fared somewhat worse in this regard, with its annual unemployment rate exceeding the MSA rate by at least one whole percentage point in each of the years presented. Between 2006 and 2007, the

county's annual unemployment rate rose from 5.2% to 5.6% while the unemployment rates in the MSA, state, and nation remained largely unchanged.

Employment by Industry: The distribution of employment helps determine the economic character of an area. The chart below shows the three largest industrial sectors in terms of the estimated number of persons employed in 2007 for Howes Cave, Schoharie County, the Albany MSA, and the state of New York.

| Largest Industrial Sectors, 2007 | | | | | | |
|---|----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| Howes Cave, New York | | | | | | |
| Geographic Area | Largest industrial sector | | 2nd largest industrial sector | | 3rd largest industrial sector | |
| | Industry | Percentage of persons employed | Industry | Percentage of persons employed | Industry | Percentage of persons employed |
| Howes Cave | Health Care/Social Assistance | 13.7% | Educational Services | 12.3% | Retail Trade | 11.5% |
| Schoharie County | Retail Trade | 14.4% | Educational Services | 14.3% | Health Care/Social Assistance | 12.8% |
| Albany MSA | Health Care/Social Assistance | 15.3% | Educational Services | 12.7% | Retail Trade | 11.4% |
| New York | Health Care/Social Assistance | 15.8% | Educational Services | 11.8% | Retail Trade | 10.5% |

Source: STDB

In 2007, Schoharie County's two largest employment sectors were Retail Trade and Educational Services, followed by Health Care/Social Assistance. Wal-Mart is the county's leading retail employer, with stores in both Cobleskill and Sharon Springs. The top education employer is SUNY Cobleskill with around 575 faculty and staff members, followed by Cobleskill and Schoharie local school systems. The largest health care employer in the county is Cobleskill Hospital, a 40-bed facility with about 240 employees. Health Care/Social Assistance, Educational Services, and Retail Trade are also the top employment sectors at the MSA and state levels. In the Albany MSA, Public Administration is the fourth largest sector with 10.8% of the total employment. This sector includes city, county, state, and federal government employers. Apart from government offices, other major employers in Albany County include General Electric, the Albany Medical Center, St. Peter's Health Care, Northeast Health, SUNY at Albany, and Verizon.

Employment in the Accommodation/Food Services sector is a reliable indicator of the importance of tourism to a local economy. In 2007, this sector accounted for 8.2% of the overall employment in Howes Cave, 5.5% in Schoharie County, 5.6% in the Albany MSA, and 5.6% in the state of New York as a whole. These figures suggest that tourism is of greater relative importance to Howes Cave than to any of the larger geographic areas to which it belongs.

The next table shows trends in overall employment for Howes Cave, Schoharie County, the Albany MSA, and the state of New York since 2000.

| Overall Employment Growth, 2000-2007 | | | | |
|---|------------------------------|-------------|-------------------|------------------|
| | <i>Total Est. Employment</i> | | <i>Net Change</i> | <i>% Change</i> |
| | <u>2000</u> | <u>2007</u> | <u>2000-2007</u> | <u>2000-2007</u> |
| Howes Cave | 696 | 731 | 35 | 5.0% |
| Schoharie County | 14,042 | 15,156 | 1,114 | 7.9% |
| Albany MSA | 404,347 | 435,100 | 30,753 | 7.6% |
| New York | 8,382,988 | 8,971,648 | 588,660 | 7.0% |

Source: U.S. Census Bureau, ESRI forecasts

As indicated, the subject area has seen steady employment growth since 2000 at all geographic levels. Schoharie County alone saw an estimated net increase of over 1,100 jobs from 2000 to 2007, marking a rise of nearly 8%.

Major Employers: The demand for hotels is closely tied to the types of business in an area, their economic strengths and their growth potential. The largest employers in Schoharie County are listed in the following table.

| Major Employers in Schoharie County, New York | | | |
|--|-----------------|-------------------|---|
| <u>Firm/Organization</u> | <u>Location</u> | <u>#Employees</u> | <u>Business Type</u> |
| Wal-Mart | Sharon Springs | 600 | Department Stores |
| SUNY Cobleskill | Cobleskill | 575 | Schools-Universities & Colleges Academic |
| Cobleskill-Richmondville Central Schools | Cobleskill | 400 | Schools |
| Wal-Mart Supercenter | Cobleskill | 360 | Department Stores |
| Lancaster Development Inc | Richmondville | 275 | General Contractors |
| Cobleskill Hospital | Cobleskill | 240 | Hospitals |
| Schoharie Central Schools | Schoharie | 220 | Schools |
| Howe Caverns Inc | Howes Cave | 200 | Hotel & Motel Management |
| New York Power Authority | Gilboa | 150 | Electric Companies |
| Kintz Plastics Inc | Howes Cave | 140 | Plastics-Fabrics,Film-Etc Producer (Mfr) |
| Correctional Services Dept | Summit | 120 | State Govt-Correctional Institutions |
| Cobleskill Stone Products | Howes Cave | 120 | Stone-Crushed |

Source: ReferenceUSA, May 2008

The next map illustrates the location of the subject site in relation to major employers in Schoharie County.



New Developments: The following bullets describe recent developments that will influence tourism, employment, and the general economy in the subject area.

- In 2007, Howe Caverns was purchased by Emil Galasso and Charles Wright. They are continuing to operate the attraction under the name Howe Caverns, Inc. The new owners are proceeding with a number of plans to enhance the visitor experience. The long-range plan, which is to be carried out over the next several years, will create a new extended tour with electric lighting. Howe Caverns has already begun work on the new Cave House Museum of Mining and Geology, and plans are also progressing on a renovated visitor center and gift shop. Currently under construction is a new café, replacing the old Howe Caverns Restaurant. The Café will serve deli-style sandwiches and Panini, home made desserts, soups, chili, and macaroni and cheese. Also under construction is a restaurant/coffee shop, located adjacent to the main lodge. Coffee drinks and fresh bakery items will be served from this remodeled area.
- Gobbler's Knob Family Fun Park in Cobleskill is in the process of a creating a new 9-hole Par 3 golf course as an addition to its current recreational offerings which include miniature golf, go-karts, and a driving range.
- In Albany, there is an effort underway to create a new convention center. The plans call for a 244,000 square foot convention center on Hudson Avenue near the Greyhound bus station. A hotel and a 1,100-car parking garage would be attached to the building. The convention center would be linked to the Times Union Center through an enclosed pedestrian bridge. The total cost of this project has been estimated at nearly \$400 million. As of our research date, financing arrangements had not been completed.
- Two major Catskill Mountains ski resorts – Windham Mountain and Hunter Mountain – have undergone some major improvements over the last two years. At Windham Mountain, over \$5 million in improvements were completed in 2007 including new chairlifts, new trails, updated snowmaking equipment, and gas-powered fire pits. Beginning with the 2007-2008 ski season, Hunter Mountain began offering the option of a transferable season pass which can be shared among friends and family. Hunter Mountain's latest real estate project, The Pinnacle, was completed in late 2007. The Pinnacle adds seven luxury condominiums atop the base lodge with ski-in, ski-out capability. The units are two-story, 1,800+ square foot spaces with breathtaking views of Hunter Mountain and the surrounding area.

Governmental Forces

Governmental considerations relate to the laws, regulations, and property taxes that affect properties in the market area and the administration and enforcement of these constraints such as zoning laws, building codes, and housing and sanitary codes. The property tax burden associated with the benefits provided and the taxes charged for similar benefits in other areas are considered. The enforcement of applicable codes, regulations, and restrictions should be equitable and effective. Governmental characteristics that should be considered in the analysis of a market area include property tax burden relative to services provided, special assessments, zoning and

building codes, quality of public services, and environmental regulations. Some of these factors are discussed in the zoning and real estate tax sections later in this report.

Environmental Forces

Environmental influences consist of any natural or man-made features that are contained in or affect the market area and its location. These include a building’s type and size, topographical features such as terrain and vegetation, changes in property use and land use patterns, and the adequacy of public utilities.

Highway Transportation: Highway accessibility is a primary consideration in planning an area’s future growth and development. Interstate 88 and US Route 20 both offer east/west access through the northern section of Schoharie County. The New York State Thruway can be accessed from both the east and west ends of the county, providing access to Syracuse, Buffalo and points west as well as Boston to the east, and New York City to the south. Primary county routes include NYS Routes 7, 10, 23, 30, 30A, 145 and 990V. The subject site is located in the northern part of the county, less than two miles north of Interstate 88 between exits 22 and 23. The following table presents the annual average daily traffic (AADT) on Interstate 88 at the points nearest to the subject site based on traffic volume statistics maintained by the New York State Department of Transportation.

| Annual Average Daily Traffic Volume Howes Cave, New York | | |
|---|--------------------|--------------------|
| | I-88 at exit 22 | I-88 at exit 23 |
| 2006 | 9,460 | *12,750 |
| 2005 | | |
| 2004 | | 11,950 |
| 2003 | 11,970 | |
| 2002 | | |
| 2001 | | 14,990 |
| 2000 | 10,120 | |
| 1999 | 9,710 | |
| 1998 | | 11,890 |

* Estimated 2006 AADT based on most recent year’s count and traffic trends in the surrounding area
Source: New York State Department of Transportation

Public Transportation: The Schoharie County Public Transportation System provides local service and commuter service to Albany and Schenectady. Long distance service is provided by Vermont Transit Lines.

Air Transportation: The nearest major airport offering commercial passenger service is Albany International, approximately 40 miles east of Howes Cave near the junction of Interstates 90 and 87. The airport averages 90 daily commercial arrivals and departures and is served by Air Canada, American Eagle, Continental, Continental Connection, Delta, Delta Connection, Northwest, Southwest, United/United Express, USAirways/USAirways

Express. The following table presents historical passenger activity at Albany International Airport.

| Airport Activities | | |
|-------------------------------------|--------------------------------------|-----------------------|
| Albany International Airport | | |
| <u>Year</u> | <u>Passenger Enplanements</u> | <u>%Change</u> |
| 2006 | 1,443,360 | -5.9% |
| 2005 | 1,533,301 | -0.2% |
| 2004 | 1,536,263 | 9.3% |
| 2003 | 1,405,611 | -2.9% |
| 2002 | 1,448,263 | -1.1% |
| 2001 | 1,463,632 | — |

Source: Federal Aviation Administration

Scheduled commercial flights are also available from Schenectady County Airport and Oneonta Municipal Airport. Schoharie has one airport privately owned by Sharon Air Park Inc., which is available for limited public use. This facility is located on Route 20 in Sharon Springs.

Rail Transportation: CP Rail provides freight service east west through the northern portion of Schoharie County, parallel to Interstate 88. Amtrak provides passenger service to Amsterdam, Schenectady and Rensselaer.

Climate: The climate of the subject area is moderately warm in the summer and cold in the winter. The average daily temperature in January is 20.3 degrees Fahrenheit and the average daily temperature in July is 69.4 degrees Fahrenheit. The following table depicts typical weather conditions for the subject area based on data collected from the weather station in Cobleskill over a 30-year period.

| Average Weather Conditions for Cobleskill, New York (1971-2000) | | | | |
|--|-------------------------|-----------------------------|--------------------------------|---------------------------|
| Month | Low Temperature (°F) | High Temperature (°F) | Average Temperature (°F) | Precipitation (inches) |
| January | 10.7 | 29.9 | 20.3 | 2.4 |
| February | 12.7 | 31.9 | 22.3 | 1.8 |
| March | 22.3 | 41.3 | 31.8 | 2.8 |
| April | 33.3 | 53.5 | 43.4 | 3.1 |
| May | 45.0 | 66.4 | 55.7 | 3.3 |
| June | 54.1 | 74.6 | 64.4 | 3.7 |
| July | 58.6 | 80.1 | 69.4 | 3.8 |
| August | 56.6 | 77.8 | 67.2 | 3.4 |
| September | 48.5 | 69.8 | 59.2 | 3.1 |
| October | 37.7 | 58.8 | 48.3 | 3.1 |
| November | 29.4 | 46.2 | 37.8 | 2.6 |
| December | 18.7 | 34.8 | 26.8 | 2.7 |
| ANNUAL | 35.6 | 55.4 | 45.6 | 35.8 |

Source: The National Oceanic and Atmospheric Administration's National Weather Service

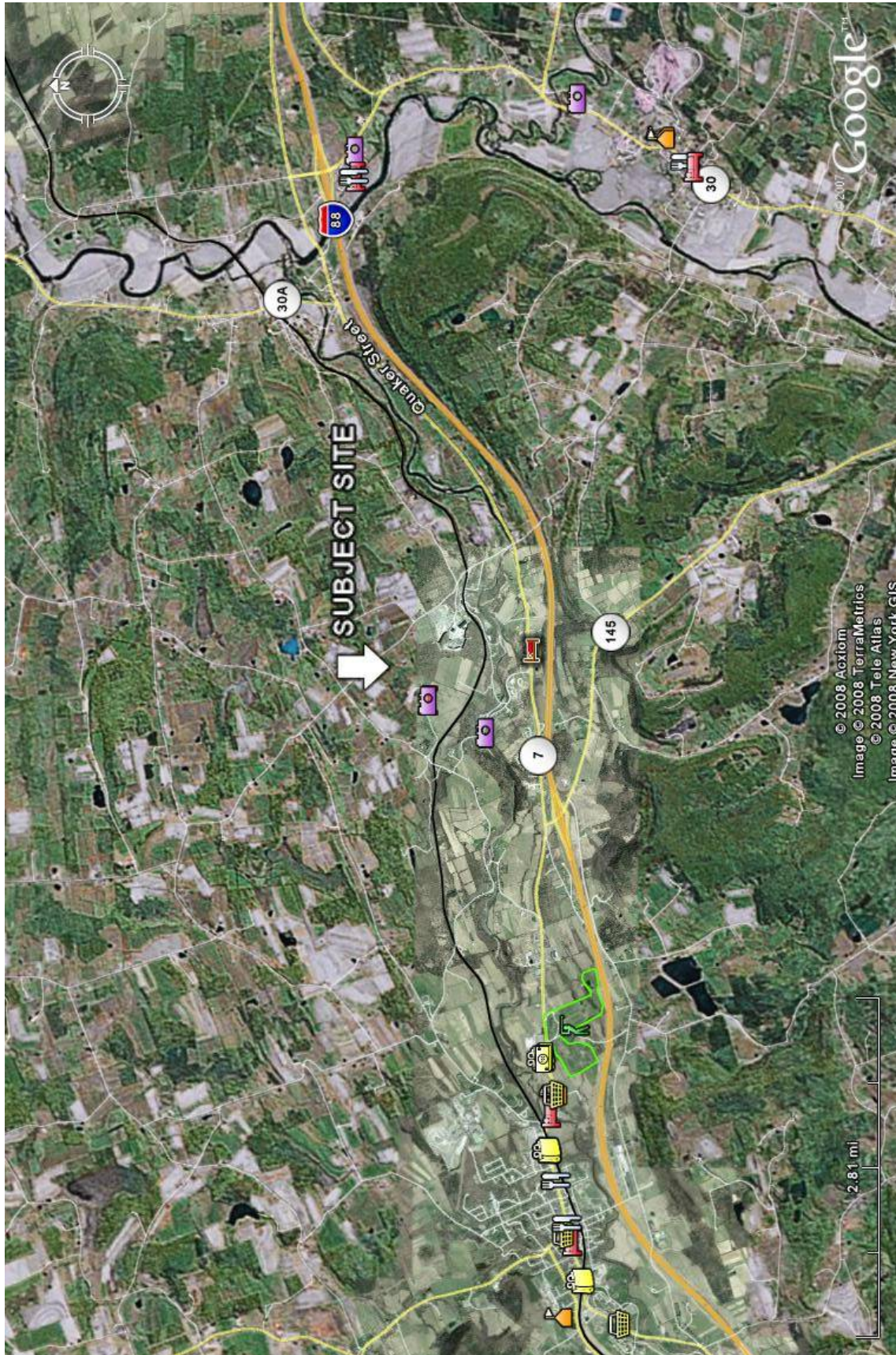
NEIGHBORHOOD ANALYSIS

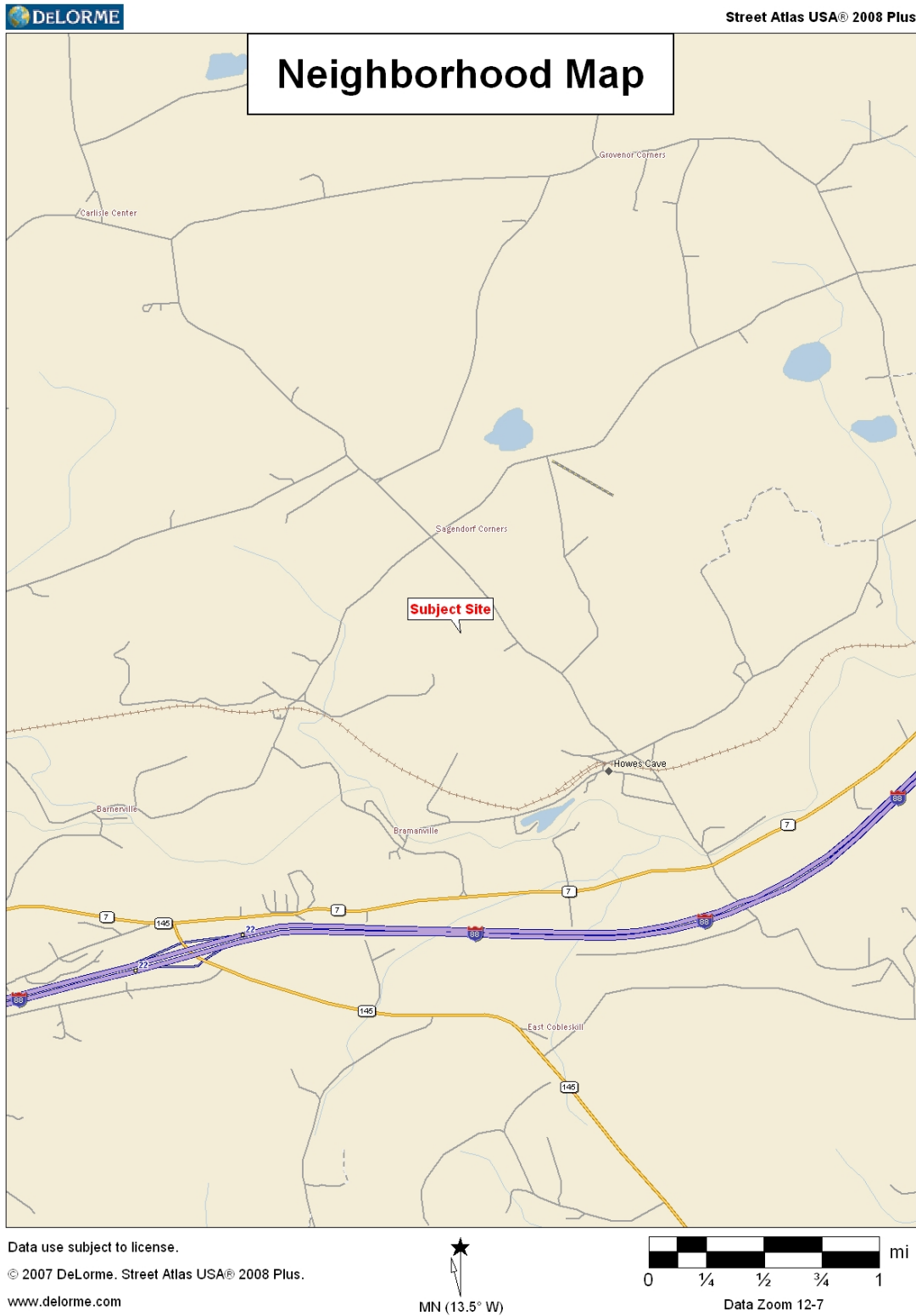
The neighborhood surrounding a lodging facility impacts a hotel’s status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. The subject site is located in a sparsely developed area north of Interstate 88 and east of Cobleskill between I-88 exit 22 and I-88 exit 23.

Aerial Photograph: The image below is an aerial photograph of the subject site.



The next map, generated by Google Earth, illustrates the location of the subject in relation to restaurants, hotels, retail stores and other types of businesses in the immediate area.



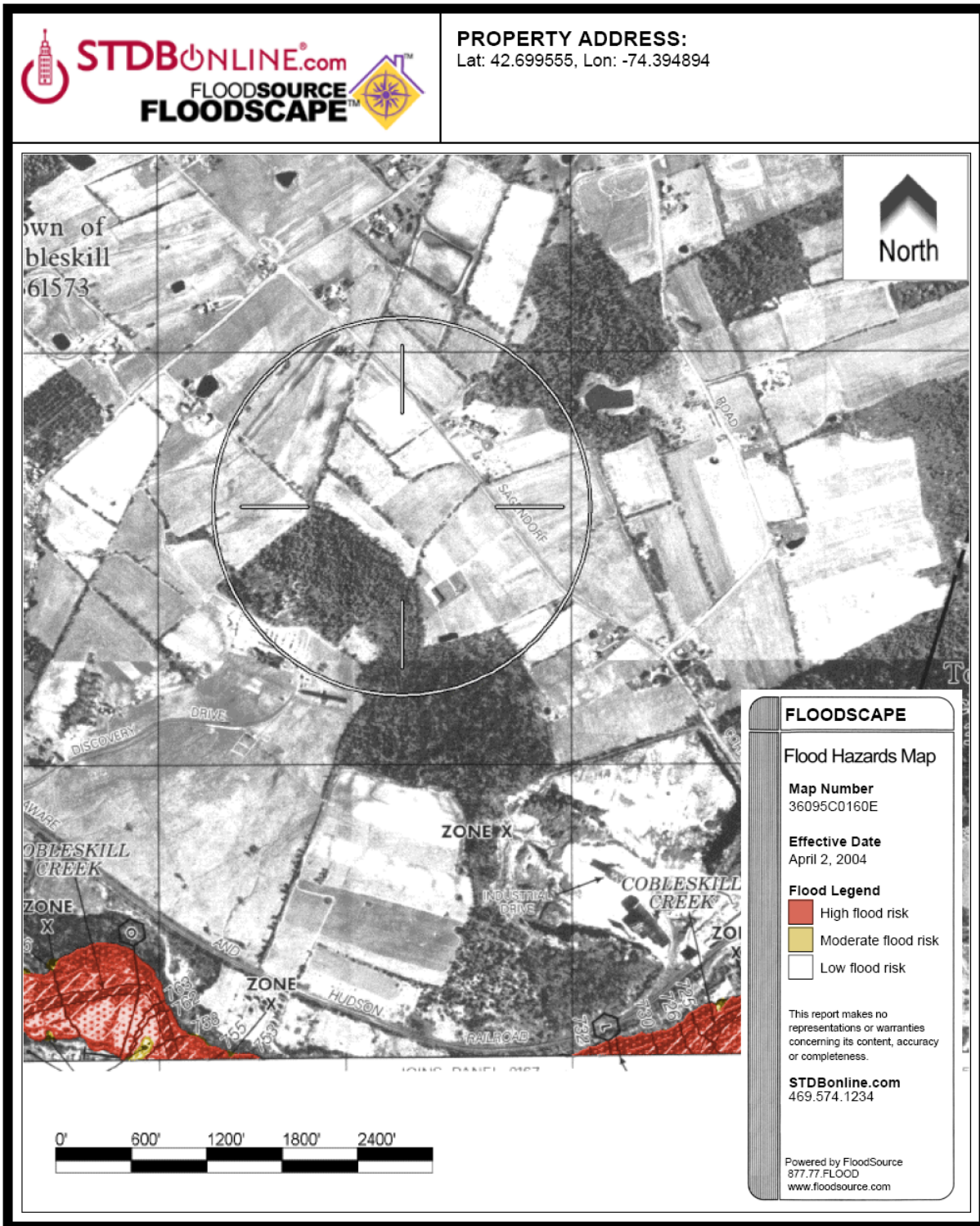


Flood Zone Determinations: According to FEMA definitions, the term 100-year floodplain indicates an area in which there is a 1% or greater annual probability of a flood occurring; the term 500-year floodplain indicates an area with a 0.2% or greater annual probability of flooding.

The most common flood zone definitions are as follows:

- ZONE A** An area inundated by 100-year flooding
- ZONE B** An area inundated by 500-year flooding; an area inundated by 100-year flooding with average depths of less than one foot or with drainage areas less than one square mile; or an area protected by levees from 100-year flooding
- ZONE C** An area that is determined to be outside the 100- and 500-year floodplains
- ZONE D** An area of undetermined but possible flood hazards
- ZONE X** An area within a 500-year floodplain; an area within the 100-year floodplain with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from 100-year flood

The map on the following page presents the FEMA flood zone determinations for the subject site as of April 2, 2004. The map (Map Number 36095C0160E) indicates that the subject site is in a Zone X area, meaning that it is within the lower-risk, 500-year floodplain but outside of the higher-risk, 100-year floodplain which runs along Cobleskill Creek to the south.



Surroundings of Subject Site

The neighborhood surrounding the subject site has a variety of uses which are primarily related to agricultural, residential, and industrial. The subject site has excellent visibility from I-88.

Land uses located to the west of the subject site are agricultural and rural residential farmlands. Land uses to the south include residential and land conservation areas. Adjacent to Interstate 88, along State Route 7, land uses include retail, manufacturing restaurants, commercial greenhouses and other light industrial uses. Land uses to the east include agricultural and rural residential immediately adjacent to the site. Farther east the land use is heavy industrial including a stone quarry aggregate operation. Land uses located to the north of the subject site are agricultural and rural residential.

Businesses located in the immediate area include the Secret Caverns show cave to the north, and the Iroquois Museum, the Grist Mill, Kintz Plastics and the Dodgecity Speedway to the south. Farther east on State Route 7 is the Grapevine restaurant a Wal-Mart and downtown Cobleskill. West on State Route 7 is a local park with two baseball diamonds. The hamlet of Howes Cave is located immediately south of the quarry, southeast of the subject site.

The immediate neighborhood surrounding the subject site offers few restaurant options and limited family entertainment options including Howe Caverns, Secret Caverns, the Iroquois Museum, the Grist Mill and the Dodgecity Speedway, an 1/8 mile oval dirt racetrack located at State Route 7.

Outlook

Our review of the above data indicates a positive outlook for the subject area. The Albany MSA is projected to experience continued increases in population, employment, and median household income in coming years, all of which are signs of a healthy economy. The proposed resort will benefit from its association with a well-recognized natural tourist attraction. The proposed resort also stands to benefit from its location within the highly developed transportation infrastructure of the Albany metro area. The subject will further benefit from its visibility and ease of access from I-88. All of these factors point to sustained economic growth in the area and should benefit the subject property by ensuring high levels of demand heading into the future.

DEMOGRAPHIC COMPARISON of HOWES CAVE vs. WISCONSIN DELLS and SANDUSKY

The success of the proposed indoor waterpark resort is closely tied to demographics and income levels within its market area. Howes Cave is a small town in the northern portion of Schoharie County which is known primarily as the site of Howe Caverns. Schoharie County is the westernmost county of the Albany MSA, a metropolitan area with over 850,000 residents. We have compared the proposed subject site with Wisconsin Dells, Wisconsin, and Sandusky, Ohio, because these locations share many similarities as well as differences, making the comparison of the existing waterpark hotels and resorts in Wisconsin Dells and Sandusky to the subject especially meaningful. Similarities shared among the Howes Cave, Wisconsin Dells, and Sandusky regional areas include:

- Natural water related attractions.
Howes Cave: various small lakes and creeks in the surrounding area
Wisconsin Dells: Wisconsin River
Sandusky: Lake Erie
- Lower room rates during winter months.
- Higher room rates during July and August and special events due to strong demand.
- Variety of tourist attractions within area.
Howes Cave: Howe Caverns, Iroquois Indian Museum, Old Stone Fort, National Baseball Hall of Fame, various attractions of downtown Albany
Wisconsin Dells: Noah's Ark Outdoor Waterpark, Tommy Bartlett shows, Dells boat tours, and various family attractions
Sandusky: Cedar Point Amusement Park, Lake Erie Islands, Monsoon Lagoon Outdoor Waterpark, Merry-Go-Round Museum
- Easy accessibility from major highways.
Howes Cave: I-88
Wisconsin Dells: I-90/94
Sandusky: I-80/90 and Route 2

Differences among the three areas are as follows:

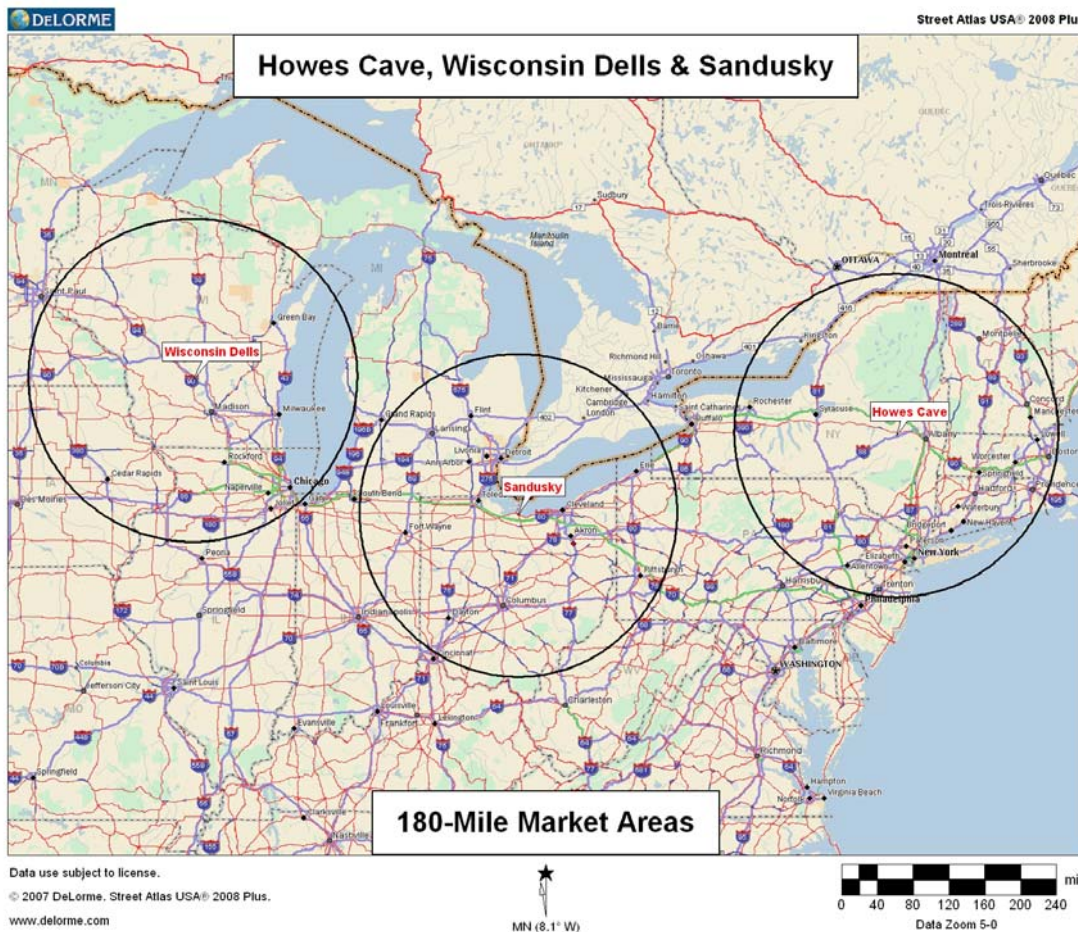
- Historically seasonal tourist attractions (May through September).
Howes Cave is small town with one major year-round attraction
Wisconsin Dells is a seasonal resort community with numerous waterparks and amusement attractions
Sandusky is a seasonal resort community centered around Cedar Point Amusement Park and Soak City outdoor waterpark
- Leisure visitation to market.
Howes Cave: Approximately 160,000 visitors annually to Howe Caverns
Wisconsin Dells: Over three million visitors annually
Sandusky/Lake Erie Islands Region: Nine million visitors annually
- Major theme parks.
Howes Cave: No major theme parks in area
Wisconsin Dells: Noah's Ark Outdoor Waterpark and various small and midsize amusements
Sandusky: Cedar Point Amusement Park and Soak City Outdoor Waterpark
- Skiing.
Howes Cave: major ski areas are located within a one-hour drive.
Wisconsin Dells: four small ski areas
Sandusky: no ski areas
- Varied driving distances to larger metropolitan areas.
Howes Cave: Located within Albany MSA; New York City, Hartford, Syracuse within 180 miles

Wisconsin Dells: Chicago, Minneapolis/St. Paul and Milwaukee within 180 miles
Sandusky: Detroit, Cleveland, Columbus, Toledo within 120 to 180 miles

- Available Hotel Supply.
Howes Cave area: 2,363 available guest rooms within 27 miles; 10,984 available guest rooms in Albany/Schenectady region
Wisconsin Dells: 7,311 available guest rooms
Sandusky/Erie & Ottawa Counties: 6,801 available guest rooms

The following is an analysis of three market areas based on 120-mile and 180-mile radii emanating from Howes Cave, New York; Wisconsin Dells, Wisconsin; and Sandusky, Ohio. It is important to note that the Sandusky and Howes Cave market areas both include portions of Canada. Three of Canada's Census Metropolitan Areas (CMAs), each with a population of over 300,000, fall within Sandusky's 180-mile ring. Howes Cave's 180-mile ring includes the Kingston, Ontario CMA, home to around 155,000 people. Less than 20 miles beyond the reach of the subject's 180-mile market sit two of Canada's largest population centers: Ottawa and Montreal. Combined, the total population of the metropolitan areas surrounding these two major cities totals over 4.8 million people. We have not figured any of this additional population into the following analysis; however, we feel that it is worth noting the large Canadian population which resides just outside of the subject's 180-mile ring.

In this analysis, population and household figures for the Canadian portions of the Sandusky and Howes Cave market areas were based on estimates and projections provided by Statistics Canada, the Canadian equivalent of the U.S. Census Bureau.



Population: The following table presents a summary of population growth trends for the Howes Cave, Wisconsin Dells and Sandusky market areas based on 120-mile and 180-mile radii emanating from each.

| Population Growth Trends Howes Cave, Wisconsin Dells and Sandusky Market Areas | | | | | |
|---|------------------------|------------------------|-------------------------|--|--|
| Area | 2000 Census | 2007 (Est.) | 2012 (Proj.) | %Change 2000-07¹ | %Change 2007-12¹ |
| 120-mile radius | | | | | |
| Howes Cave | 8,787,749 | 9,142,958 | 9,391,969 | 0.6% | 0.5% |
| Wisconsin Dells | 5,658,691 | 6,028,145 | 6,287,261 | 0.9% | 0.8% |
| Sandusky | 13,728,303 | 14,126,310 | 14,414,614 | 0.4% | 0.4% |
| 180-mile radius | | | | | |
| Howes Cave | 38,342,189 | 39,923,545 | 41,014,016 | 0.6% | 0.5% |
| Wisconsin Dells | 16,196,444 | 17,221,923 | 17,985,500 | 0.9% | 0.9% |
| Sandusky | 23,920,997 | 24,525,405 | 25,012,653 | 0.4% | 0.4% |

¹ Indicates a compound annual rate of change
Sources: ESRI, Statistics Canada

As of 2007, there were an estimated 9.1 million people living within a 120-mile radius of the subject site and an estimated 39.9 million within a 180-mile radius. The figures presented in the preceding table show that the population of Howes Cave’s market area is within the range of the other two market areas at the 120-mile level and significantly greater than the other two at the 180-mile level. At both levels, the subject market area has experienced rates of population growth above those recorded in the Sandusky market area but below those seen in the Wisconsin Dells market area.

As a point of comparison, we assembled a table based on the population of the seven largest Metropolitan Statistical Areas (MSAs) in the Howes Cave, Wisconsin Dells, and Sandusky 180-mile market areas. The figures in this table were taken from the *Editor & Publisher Market Guide 2008*. As shown, the total population of the seven largest metropolitan areas in the Howes Cave 180-mile market area is significantly greater than that of the other two market areas listed.

| Population of Large Metropolitan Areas Howes Cave, Wisconsin Dells and Sandusky Market Areas | | | | | |
|---|-----------------------------|--|-----------------------------|---|-----------------------------|
| Largest MSAs within the Howes Cave 180-mile radius | Total Population | Largest MSAs within the Wisconsin Dells 180-mile radius | Total Population | Largest MSAs within the Sandusky 180-mile radius | Total Population |
| New York-Northern NJ-Long Island NY-NJ-PA | 18,915,752 | Chicago-Naperville-Joliet IL-IN-WI | 9,665,045 | Detroit-Warren-Livonia MI | 4,461,844 |
| Philadelphia-Camden-Wilmington PA-NJ-DE-MD | 5,885,391 | Minneapolis-St. Paul-Bloomington MN-WI | 3,247,024 | Pittsburgh PA MSA | 2,364,031 |
| Boston-Cambridge-Quincy MA-NH | 4,486,546 | Milwaukee-Waukesha-West Allis WI | 1,524,310 | Cleveland-Elyria-Mentor OH | 2,109,133 |
| Providence-New Bedford-Fall River RI-MA | 1,638,390 | Madison WI | 552,784 | Cincinnati-Middletown OH-KY-IN | 2,104,063 |
| Hartford-West Hartford-East Hartford CT | 1,207,374 | Davenport-Moline-Rock Island IA- IL | 378,804 | Columbus OH | 1,748,929 |
| Rochester NY | 1,041,873 | Rockford IL | 354,158 | Indianapolis IN | 1,697,876 |
| Bridgeport-Stamford-Norwalk CT | 914,060 | Green Bay WI | 302,155 | Dayton OH | 843,830 |
| Total, Top 7 MSAs | 34,089,386 | Total, Top 7 MSAs | 16,024,280 | Total, Top 7 MSAs | 15,329,706 |
| Note: MSA = Metropolitan Statistical Area | | | | | |
| Source: <i>Editor & Publisher Market Guide 2008</i> | | | | | |

The table above indicates that the subject’s 180-mile market area has a greater number of metropolitan area residents to draw from as compared to the Wisconsin Dells and Sandusky market areas. The largest metropolitan area within the subject’s 180-mile ring is the New York City MSA which spans three states and is home to an estimated 18.9 million people, making it the largest metro area in the nation. The next largest MSA in the subject market is the Philadelphia MSA, though only a small portion of this large metro area falls within the subject’s 180-mile ring. Similarly, the Minneapolis-St. Paul MSA is included in the Wisconsin Dells list even though only a small outlying portion of this statistical area falls inside the radius. As such, these lists are not meant to show the precise number of metropolitan area residents in each of the defined market areas; instead, they provide a rough comparison of the major population centers in each of the three areas. Other major metro areas within 180 miles of Howes Cave include Boston, Providence, Hartford, and Rochester. Howes Cave further benefits from its position within the five-county Albany-Schenectady-Troy MSA, the fourth largest MSA in the state of New York with over 850,000 residents.

Households: A household consists of all the people occupying a single housing unit. While individual members of a household purchase goods and services, these purchases actually reflect household needs and decisions. Thus, the household is a critical unit to be considered when reviewing market data and forming conclusions about the market area and its impact on a recreational facility.

The following table presents a summary of household growth trends for the Howes Cave, Wisconsin Dells and Sandusky market areas based on 120-mile and 180-mile radii emanating from each.

| Household Growth Trends | | | | | |
|--|------------------------|------------------------|-------------------------|--|--|
| Howes Cave, Wisconsin Dells and Sandusky Market Areas | | | | | |
| Area | 2000 Census | 2007 (Est.) | 2012 (Proj.) | %Change 2000-07¹ | %Change 2007-12¹ |
| 120-mile radius | | | | | |
| Howes Cave | 3,331,722 | 3,489,123 | 3,600,583 | 0.7% | 0.6% |
| Wisconsin Dells | 2,180,194 | 2,375,544 | 2,496,003 | 1.2% | 1.0% |
| Sandusky | 5,308,498 | 5,529,908 | 5,674,571 | 0.6% | 0.5% |
| 180-mile radius | | | | | |
| Howes Cave | 14,329,588 | 14,925,558 | 15,366,953 | 0.6% | 0.6% |
| Wisconsin Dells | 6,053,274 | 6,488,272 | 6,791,283 | 1.0% | 0.9% |
| Sandusky | 9,253,647 | 9,612,973 | 9,855,553 | 0.5% | 0.5% |

¹ Indicates a compound annual rate of change
Sources: ESRI, Statistics Canada

An analysis of this table shows that there are an estimated 14.9 million households in the Howes Cave 180-mile market area, which is greater than the estimated 6.5 million households in the Wisconsin Dells market area and the 9.6 million households in the Sandusky market area. From this analysis we can conclude that, within the subject's 180-mile market area, there are more households than within the comparable areas surrounding locations with existing indoor waterpark hotel and resort properties. When comparing 120-mile markets, the estimated household count in the Howes Cave market is within the range established by the other two markets. Once again, the Howes Cave market area has seen somewhat higher levels of growth than the comparable area surrounding Sandusky; however, both of these market areas have experienced lower growth rates than the Wisconsin Dells market area.

Age Distribution: The following table presents the age distribution of the population for Howes Cave's 180-mile radius.

| Percentage of U.S. Population by Age | |
|---|------------------------|
| Howes Cave Market Area | |
| 180-Mile Radius | |
| Age | 2007 (Est.) |
| 0-17 | 24.0% |
| 18-34 | 21.8% |
| 35-54 | 30.2% |
| 55-64 | 11.1% |
| 65+ | 13.0% |
| Median Age | 37.9 |

Source: ESRI

According to the 2007 ESRI estimates, the median age of the United States population is 36.7 years. In the subject's 180-mile radius, the 2007 estimated median age was 37.9 years, meaning half the region's population is older than 37.9 and half is younger. From this analysis we can conclude that, in terms of median age, the subject's 180-mile radius is older than the United States as a whole.

Income: Income levels on a per capita, per family or household basis indicate the economic level of the residents of the market area and form an important component of this total analysis. More directly, household income, when combined with the number of households, is a major determinate of an area's sales potential. The following table presents current median household income levels for the Howes Cave, Wisconsin Dells and Sandusky market areas based on 120-mile and 180-mile radii emanating from each.

| 2007 Median Household Income Estimates | | |
|--|------------------------|------------------------|
| Howes Cave, Wisconsin Dells and Sandusky Market Areas | | |
| Area | Households | Households |
| | 120-mile radius | 180-mile radius |
| Howes Cave | \$59,761 | \$61,998 |
| Wisconsin Dells | \$56,187 | \$59,355 |
| Sandusky | \$54,439 | \$52,312 |
| Source: ESRI | | |

The 2007 estimated median household income level for Howes Cave's 180-mile market area is \$61,998, compared to Wisconsin Dells with \$59,355 and Sandusky with \$52,312. From this analysis, we can conclude that the levels of household income within Howes Cave's 180-mile market area are similar to or greater than those in the other areas with existing indoor waterpark properties. The Howes Cave market also has the highest median household income when comparing 120-mile radii. Overall, income levels are expected to increase in each of the geographical areas listed.

The following table presents the distribution of income for households within Howes Cave's 120-mile and 180-mile market areas.

| 2007 Estimated U.S. Households by Income | | | | |
|---|------------------------|-------------------|------------------------|-------------------|
| Howes Cave Market Area | | | | |
| Income Range | # of Households | % of Total | # of Households | % of Total |
| | 120-mile radius | | 180-mile radius | |
| 0-\$49,999 | 1,473,995 | 42.2% | 6,061,957 | 40.8% |
| \$50,000-\$74,999 | 655,443 | 18.8% | 2,655,054 | 17.9% |
| \$75,000-\$99,999 | 469,282 | 13.4% | 2,013,837 | 13.5% |
| \$100,000-\$149,999 | 495,291 | 14.2% | 2,213,709 | 14.9% |
| over \$150,000 | 395,088 | 11.3% | 1,925,782 | 13.0% |
| Total | 3,489,099 | | 14,870,339 | |
| Source: ESRI | | | | |

As shown, there are an estimated 2.0 million households within the 120-mile radius of the site with household annual earnings over \$50,000. Within Howes Cave's 180-mile radius, there are an estimated 8.8 million households with household annual earnings over \$50,000. Our research indicates a household income of approximately \$50,000 as the minimum income necessary to comfortably afford a stay at a quality indoor

waterpark hotel or resort. According to the 2007 estimates, 57.8% of households in the 120-mile radius and 59.2% of households in the 180-mile radius meet or exceed this income threshold.

Supply of Indoor Waterpark Hotels/Resorts per Household: We have analyzed the number of U.S. and Canadian indoor waterpark hotel and resort properties located within the 180-mile rings around each of the three markets. The figures presented in the following tables include both existing indoor waterpark properties and those which are scheduled to open by the end of 2007. We have performed this analysis to determine the number of choices available to consumers who live within an approximately three-hour drive of each location. The following table indicates our conclusions.

| Indoor Waterpark Properties within 180 Miles of Howes Cave, Wisconsin Dells & Sandusky | | | |
|---|-------------------|------------------------|-----------------|
| | <u>Howes Cave</u> | <u>Wisconsin Dells</u> | <u>Sandusky</u> |
| 2007 Est. Households, 180-mile radius | 14,925,558 | 6,488,272 | 9,612,973 |
| Number of Existing and Soon to be Completed Hotels with Indoor Waterparks | 6 | 42 | 18 |
| Total Rooms | 2,005 | 9,608 | 4,749 |
| Total Waterpark SF | 269,500 | 1,461,840 | 730,000 |
| Households per Waterpark SF | 55.4 | 4.4 | 13.2 |
| Sources: ESRI, Hotel & Leisure Advisors | | | |

The table indicates that, within the 180-mile radius, Howes Cave has the greatest number of households per indoor waterpark square foot while the Wisconsin Dells has the lowest. Of the six properties included in the subject's market area, one is in the state of New York, two are in Pennsylvania, two are in Massachusetts, and one is in Connecticut. The nearest is the Six Flags Great Escape Resort in Queensbury, New York, approximately 60 miles away. There are 42 hotels and resorts with indoor waterparks within a 180-mile radius of the Wisconsin Dells as of our research date and 18 within the 180-mile radius around Sandusky. We note that in all markets there are proposals for additional indoor waterpark hotels and resorts which will increase the supply and potentially dilute occupancy levels. The market section indicates additional information about the supply of indoor waterpark hotels and resorts.

We have also performed an analysis of the total number of family households – i.e. those most likely to have children in the home – within the 180-mile radii of Wisconsin Dells, Sandusky, and the subject. According to the U.S. Census Bureau, a family household consists of a householder plus one or more people living in the same dwelling who are related to the householder by birth, marriage, or adoption. Although not all family households contain young children, making the distinction between family households and total households is a way of highlighting those households most likely to visit an indoor waterpark hotel. These figures were considered in relation to the total number of overnight rooms available at indoor waterpark properties within each market area.

| Ratio of Family Households to Indoor Waterpark Hotel Rooms within 180 Miles of Howes Cave, Wisconsin Dells & Sandusky | | | |
|--|--------------------------|-------------------------------|------------------------|
| | <u>Howes Cave</u> | <u>Wisconsin Dells</u> | <u>Sandusky</u> |
| 2007 Est. Family Households, 180-mile radius | 9,880,479 | 4,269,965 | 6,362,919 |
| Number of Existing and Soon to be Completed Hotels with Indoor Waterparks | 6 | 42 | 18 |
| Total Rooms | 2,005 | 9,608 | 4,749 |
| Family Households per Indoor Waterpark Hotel Room | 4,927.9 | 444.4 | 1,339.8 |
| Sources: ESRI, Hotel & Leisure Advisors | | | |

The estimated number of family households within Howes Cave’s 180-mile radius is approximately 9.9 million. As shown, the Wisconsin Dells market area has 444.4 family households for every indoor waterpark overnight room. Assuming that the subject market area could accommodate the same number of indoor waterpark overnight rooms relative to total family households as the Wisconsin Dells market area would suggest that the subject market could potentially hold a total of 22,232 rooms. After taking into account the 2,005 rooms which already exist within a 180-mile radius of the subject, this would amount to an additional 20,227 rooms. We do not necessarily recommend that this level of new supply be developed in the short term but present the figures to show the potential for new indoor waterpark hotels.

SITE ANALYSIS

Site Location: The subject is located at 255 Discovery Drive, Howes Cave, Schoharie County, New York. It is situated northeast of the existing Howe Caverns lodge building on property owned by the developer.

Size and Shape: The developer currently owns 331.87 acres according to our analysis of their site plan which is included within this section. We have estimated the waterpark resort will be constructed on a 20 acre portion of the available acreage. The design of the facility is in its infancy and many details including the shape and size of the proposed subject sub-parcel have yet to be determined.

The developer also owns land adjacent to the proposed subject which is in-use as a working limestone quarry. Use of this land as an adjacent amenity will be described later in this report.

Access and Exposure: Access to the subject is obtained via I-88. However, the existing access to the property, once off I-88 is a circuitous route that requires significant way-finding signage in order to navigate the route to the caverns. According to the developer, an enhanced main entrance to the waterpark resort is anticipated off Sagendorf Corners Road along with significant improvements along County Road 8. We agree with and recommend these road improvements as described. With the access improvements, an eastbound traveler on I-88 will take exit 22 then travel north to State Route 7. Traveling eastbound on State Route 7 the traveler intersects County Road 8. Turning north on County Road 8, the traveler goes approximately 1.5 miles to the resort

entrance off Sagendorf Corners Road. A westbound traveler on I-88 takes exit 23 then travels north to State Route 7. Turning westbound on State Route 7 the traveler intersects County Road 8. Turning north on County Road 8, the traveler goes approximately 1.5 miles to the resort entrance off Sagendorf Corners Road. The proposed waterpark resort entrance is approximately 4.0 miles from I-88 exit 22 and 5.2 miles from I-88 exit 23.

The site has excellent visibility from I-88, and travelers on I-88, viewing the property, will have the ability to exit at the next available exit to access the subject without having to turn around. The historic Howe Caverns lodge building and large landscaped graphic sign are plainly visible from I-88. The proposed indoor waterpark structure with unique architecture, lighting and size, is anticipated to be visible from I-88 as well.

Other Existing and Proposed Developments at Subject Site: The proposed subject site will be developed adjacent to and integrated with the existing Howe Caverns attraction. Howe Caverns was discovered in 1842 by Lester Howe. Using only torchlight, Lester gave eight to ten hour tours in the caverns, charging \$0.50 per person. In 1929 it was opened to the public after an elevator, brick walkways and modern lighting were installed. More than 14 million people have visited Howe Caverns. Howe Caverns has a GEM (Great Experience for Members) rating from AAA and is one of the top show caves in the U.S. according to the National Caves Association. It is New York State's second most visited natural attraction next to Niagara Falls. It was rated among the top five tourist attractions in the northeast in 2001 by readers of Disney's *FamilyFun* magazine. The existing attraction includes a lodge building with a restaurant, a coffee bar, a children's play area, pony rides, a gift shop, gemstone mining and geode cutting. A 21-room single story, motel is also on the property. Howe Caverns is open year-round.

The Howe Caverns Motel is a 21-room single story structure which is approximately 50 years old. The single loaded, exterior corridor motel underwent bathroom renovations approximately five years ago. The guest rooms are scheduled to have all beds and bedding replaced in 2008. The motel is in good condition and takes full advantage of the views of the surrounding countryside. The motel offers 16 doubles, two family suites, two queen rooms and one king room with Jacuzzi tub. Management reports a highly seasonal occupancy with weekends in July and August completely sold out. The following chart analyzes the motel's operating performance.

| Howe Caverns Motel Operating Performance | | | | | | |
|---|------------|---------------|------------|---------------|---------------|---------------|
| Year | OCC | % Chg. | ADR | % Chg. | RevPAR | % Chg. |
| 2005 | 31.0% | - | \$84.30 | - | \$26.13 | - |
| 2006 | 36.0% | 16.1% | \$78.18 | -7.3% | \$28.14 | 7.7% |
| 2007 | 34.0% | -5.6% | \$92.95 | 18.9% | \$31.60 | 12.3% |
| Year-to-Date through April 2008 | | | | | | |
| 2007 | 19.0% | - | \$66.90 | - | \$12.71 | - |
| 2008 | 20.0% | 5.3% | \$75.12 | 12.3% | \$15.02 | 18.2% |
| Source: Howe Caverns/Hotel & Leisure Advisors | | | | | | |

The motel suffered a decline in occupancy in 2007, however, with a new marketing strategy and awareness of new management, we project occupancy will increase throughout 2008, as indicated by the year-to-date performance. Although the occupancy

declined in 2007, the average daily rate increased significantly, resulting in a steady increase in RevPAR. Year-to-date RevPAR is strong with an 18.2 % increase over 2007.

Based upon the existing good condition of the motel, the relatively small number of rooms, and the nostalgic factor of the motel being directly tied to the Howe Caverns experience, we recommend the motel continue to operate independently from the proposed indoor waterpark resort. However, the 21 rooms should be leveraged as another 'type and quality' of accommodations offered by the entire resort.

In addition to the existing attraction, the developer plans to expand the offerings of Howe Caverns by including the following amenities:

- The Cave House Museum of Mining and Geology, a non-profit, state education chartered entity is scheduled to open in the summer of 2008. This former hotel, located adjacent to the quarry, was constructed around 1865 at the original entrance to the cavern. It contains classrooms for lectures, educational exhibits and historic artifacts. The conversion of the building into a museum strives to preserve the history and heritage of the area while providing educational opportunities in several fields of earth sciences.
- Adjacent to the Cave House Museum of Mining and Geology is the original entrance to the caverns. This entrance is currently being restored after being filled-in from the quarry operations. If possible, we recommend restoring the entrance to its original 1929 character, matching the existing limestone quality of the adjacent Cave House Museum.
- A ¼-mile portion of the cavern that was destroyed by mining in the late 1800's will be reclaimed and restored, extending the cavern back to the length it was when discovered.
- An outdoor Quarry Equipment Park showcasing the history of mining equipment will be developed. The park is anticipated to include a 75-ton loader, a 100-ton hydraulic shovel and a stone crusher. For children, interactive electronic operation of some of the vehicles is also anticipated.
- A tram ride will be installed to take visitors from Howe Caverns to the edge of the quarry for viewing and education of a working quarry operation. We recommend a 'nostalgic' themed tram, offering a glimpse into transportation of days gone by.
- An 11 acre cement mine, located underneath the quarry, will be restored and developed into a train ride amusement.

Numerous details concerning the proposed development have not yet been finalized including parking issues and cohesive theming for the various structures.

Zoning: According to the Town of Cobleskill Zoning Map, a portion of the subject site is zoned B-2, Highway Business and a portion of the site is zoned R-R, Rural Residential. The B-2 district allows the use of amusements, attractions and hotels. The R-R district allows the use of motels and commercial recreation through a special use permit. According to the Schoharie County Planning and Development Agency, the portion of the

subject site that is located in the R-R district will need to be changed to a B-2 district. Therefore, the proposed subject development would be a legally conforming use.

Site Conditions: We have not been provided with an engineering or environmental study done for the subject site, because one has yet to be completed. H&LA has not performed an engineering study nor test borings and makes no conclusion as to the condition of the foundation or the soil and subsoil conditions. The subject site is currently a mix of trees with open agricultural fields.

Utilities: All necessary utilities and services are assumed available to the subject property's site. Water and sewer service are assumed to be adequate.

Deed Restrictions/Easements: The standard utility easements from the local electrical, telephone, and gas companies are projected to encumber the subject property. These easements are considered typical for the operation of commercial property, and are not detrimental. No other easements were made known to the appraiser, and none are assumed to exist.

Property Taxes: The subject site consists of several real estate tax parcels. Commercial property in the Town of Cobleskill is assessed at 45.0% of theoretical market value. However, discussions with the tax assessor revealed potential adjustments to this equalization factor. For purposes of this study, we have estimated this factor at 45.0%, keeping our tax number similar to comparable hotels. According to the tax assessor, the tax rate is approximately \$37 per \$1000 of assessed value. The assessor will work with the developer to generate a fair assessed value. There are no personal property taxes in New York.

To derive a reasonable property tax estimate for the subject, we analyzed the assessed values for comparable hotels in the area of the subject. The following table summarizes the assessed values of the comparable hotels.

| Comparable Assessments | | | | |
|-------------------------------|-------------------------------|-------|-------------|----------|
| Year | Property | Rooms | Assessment | Per Room |
| 2007 | Best Western Cobleskill | 76 | \$2,535,900 | \$33,367 |
| 2007 | Holiday Inn Express Schoharie | 56 | \$1,750,000 | \$31,250 |
| 2007 | Super 8 Cobleskill | 50 | \$1,228,800 | \$24,576 |

Source: Cobleskill and Schoharie Assessor's Office

The previous table indicates an assessment range from \$24,576 to \$33,367 per room for the subject and comparables, with an average of \$29,731 per room. The current assessments of the subject are inconsequential as the subject will be re-assessed when the hotel opens with the indoor waterpark. The following table indicates our projection for real estate taxes for the first year of the analysis.

| Howe Caverns Indoor Waterpark Resort | |
|---|--------------|
| Tax Analysis | |
| Projected Assessors Market Value | \$60,000,000 |
| Assessment % | 45.0% |
| Assessed Value | \$27,000,000 |
| Effective Tax Rate | 0.037 |
| Gross Tax | \$999,000 |
| Rollback % | 0.0% |
| Indicated Tax | \$999,000 |
| Rounded | \$999,000 |
| Personal Prop Tax | \$0 |
| Total Tax | \$999,000 |
| Tax/Room | \$3,996 |
| Source: Hotel & Leisure Advisors | |

The above table reflects an assessed value of \$108,000 per hotel guest room.

Competitive Advantages and Disadvantages of Subject Site

Advantages

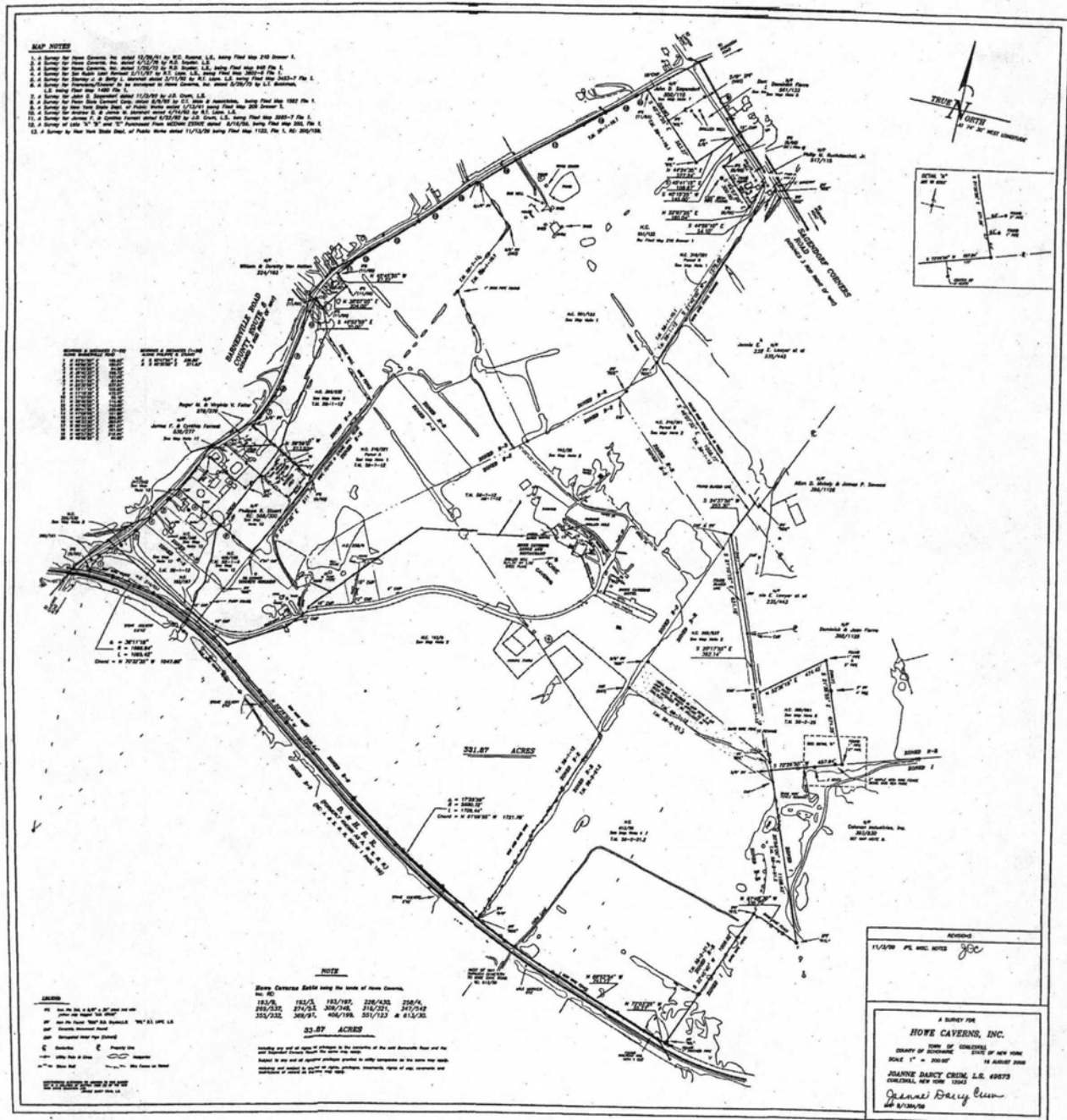
- The subject site is proposed to be located close to Interstate 88 between exit 22 and exit 23. Travelers on I-88 will see the proposed indoor waterpark and the adjacent Howe Caverns attraction as they drive by.
- The subject site is proposed to be part of an existing attraction known as Howe Caverns. Centering around the cavern and the adjacent quarry are mining and geological attractions that define the theme of the resort, and will provide a wide range of entertainment options for visitors.
- The land area for the proposed subject contains 331.87 acres which allows for sufficient land area for an attractive master plan to be performed for the subject site. In our opinion, the subject indoor waterpark resort should be planned to take advantage of the tremendous views from the Howe Caverns property looking south across I-88 into the mountains beyond.
- With its historic Howe Caverns lodge building and large graphic landscaped signage, the development has excellent visibility from travelers on Interstate 88.
- The subject site is located approximately 45 minutes from Cooperstown, New York and the family attractions surrounding the National Baseball Hall of Fame. This is a competitive advantage as Cooperstown draws 500,000 visitors annually.
- The subject site is located within 180 miles of Albany, New York City, Syracuse, Rochester, Binghamton, Scranton, Allentown, Hartford, and Springfield which are projected to be primary demand sources. Other cities within an 180-mile radius include Providence, Boston, Concord, Manchester, Trenton, and the northern suburbs of Philadelphia.

Disadvantages

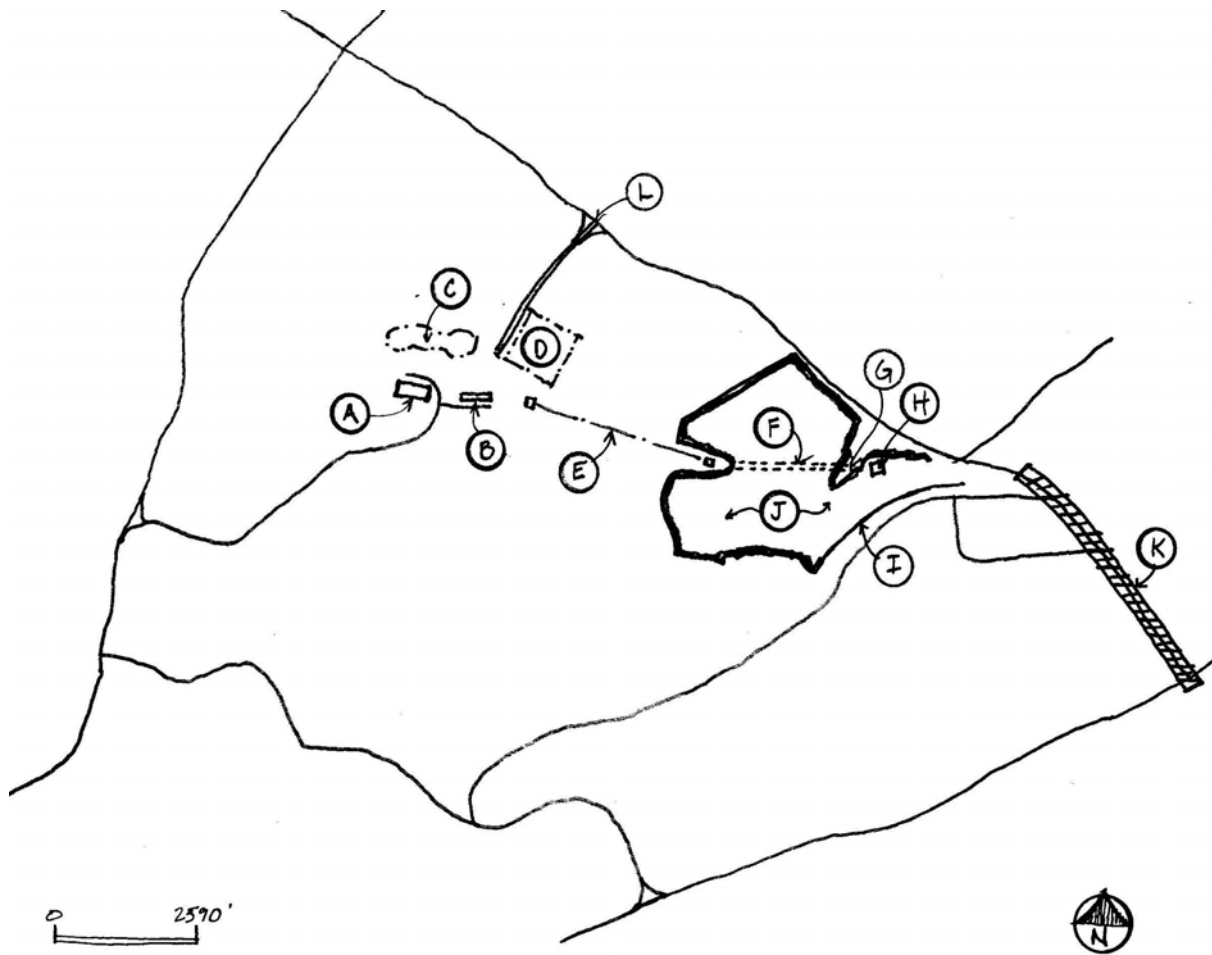
- The neighborhood lacks family amusement parks and attractions. However, the proposed complex will include a variety of related developments, which will provide multiple attractions for visitors. As a comparison, Wisconsin Dells and Sandusky, where indoor waterparks have proven to be successful, offer many more attractions for families.
- The subject location, 40 miles west of Albany, is in an area with few corporate demand generators.
- Although the subject has visibility from I-88, a traveler needs to drive approximately five miles to get to the subject site. Existing access to the proposed subject site is circuitous. We recommend creating a new main entrance and reconditioning existing roadways for improved site access. Signage will be required as part of the proposed development.
- There are few restaurants or retail establishments in the immediate area of the subject.

Conclusion

We are of the opinion that the subject neighborhood as it currently exists would be considered an attractive location for a resort development. We concur with the developers plans to develop the proposed indoor waterpark resort in conjunction with the other amenities that are proposed including the Quarry Equipment Park, The Cave House Museum of Mining and Geology, the tram ride to the quarry overlook, the cement mine train ride and the reclamation/extension of the cavern. The view from the Howe Caverns property is a valuable attraction, especially with the fall 'leaf peepers' as well as wedding groups. The location, approximately 40 miles west of downtown Albany is convenient to tourists coming from the New York Suburbs and the capitol area region. It is our opinion that the subject site will offer a sufficient number of attractions to become an attractive location for the proposed resort.



PARTIAL SITE SURVEY



SITE DEVELOPMENT SKETCH

- A Existing Howe Caverns Lodge Building
- B Existing Howe Caverns Motel
- C Proposed Quarry Equipment Park
- D Proposed 20 acres for Indoor Waterpark Resort
- E Proposed Tram Ride to Quarry Overlook
- F Reclaimed Cavern under Quarry Floor
- G Reclaimed Original Cavern Entrance Hall
- H Cave House Museum of Mining and Geology
- I Proposed Cement Mine Train Ride under Quarry Floor
- J Existing Quarry
- K Proposed Reconditioned County Road 8/Sagendorf Corners Road
- L Proposed New Main Entry for Indoor Waterpark Resort

Source: Hotel & Leisure Advisors

DESCRIPTION OF PROJECTED/RECOMMENDED IMPROVEMENTS

General: We have analyzed the proposed development and reviewed the preliminary development plans for the proposed project. The following describes the proposed development.

The client is considering development of a full-service hotel with indoor waterpark. The client is proposing an indoor waterpark resort with a minimum of 200 rooms and a corresponding indoor waterpark with a minimum of 45,000 square feet of indoor waterpark area. The client is also considering including a conference center, food and beverage establishments, and other amenities for the resort.

The subject development includes a large amount of land to develop a wide range of tourism infrastructure including the subject indoor waterpark resort. We recommend that the architects and land planners for the resort prepare preliminary plans for an expansion of these areas to allow for proper land planning. We project the proposed property will open by January 1, 2011.

We strongly recommend an interesting theme be developed for the subject resort which will leverage the uniqueness of the existing Howe Caverns property and make the resort unique in the region and attractive to children and families. Potential ideas include cavern, geological, mining, Adirondacks, etc. In our opinion, the name and theme of the resort are very important because the property will be an amusement oriented resort property and will need theming throughout the resort that integrates the attractions as one unique resort venue.

The existing infrastructure provided by Howe Caverns should be leveraged to work in conjunction with the proposed new facility to minimize overlap and avoid significant competition between the different resort amenities. We recognize some amenities are useful to both the indoor waterpark resort as well as Howe Caverns, especially in inclement weather. These include the gift shops, coffee shops, and the confectionaries/deli take-out food and beverage outlets. Numerous opportunities should be presented to allow business from one area of the resort to drive another in a synergistic manner.

We recommend and have performed our study utilizing an assumption that the subject would develop a 250-room full-service resort style hotel. As will be discussed under the franchise affiliation section, in our opinion the subject should operate as an independent resort, leveraging the Howe Caverns brand. We recommend an indoor waterpark with approximately 50,000 square feet of waterpark space to allow the subject to have a larger facility than the 38,500 square foot indoor waterpark at the Great Escape Lodge in Queensbury. The following table indicates our recommendations for the resort.

| Howe Caverns Indoor Waterpark Resort Recommended Facility | | | |
|--|--------------|-----------------------------|--------------------|
| Number of Units | | 250 | |
| Room Mix | | | |
| | Units | Room Breakdown % | Size (S.F.) |
| Double-Queen | 140 | 56% | 400-450 |
| Kings | 20 | 8% | 400-450 |
| Suites | 90 | 36% | 500-700 |
| Franchise Recommendations | | | |
| Independent - no affiliation | | | |
| Meeting Rooms | | Square Feet | |
| Ballroom (divisible into 6 rooms) | | 6,000 | |
| Boardroom (divisible into 2 rooms) | | 1,000 | |
| Pre-function Space | | 2,000 | |
| Auditorium-Symposium-Media Room | | <u>4,000</u> | |
| Total | | 13,000 | |
| Food and Beverage Outlets | | | |
| Theme Restaurant | | | |
| Family-style Restaurant | | | |
| Lounge with Limited Food Offerings | | | |
| Deli/Pastry Shop | | | |
| Waterpark Snack Bar | | | |
| Waterpark Features | | Sizing | |
| Indoor Square Footage | | 50,000 | |
| Outdoor Square Footage | | 45,000 | |
| # of Lockers | | 1,000 | |
| Birthday Party Rooms S.F. (Divisible Into 3) | | 1,500 | |
| Dry Play Area | | 5,000 | |
| Potential Themes | | | |
| Cavern-Geological | | | |
| Mining | | | |
| Adirondacks | | | |
| Tropical | | | |
| Additional Revenue Centers | | Square Feet | |
| Arcade | | 5,000 | |
| Gift Shop | | 3,000 | |
| Spa | | 4,000 | |
| Amenities | | | |
| Business Center | | | |
| Health Club | | | |
| Complimentary Shuttle Service to Cooperstown | | | |
| Complimentary High Speed Internet | | | |
| Zip Line | | | |
| Rock Climbing Wall | | | |
| Zorbing Trail/Tubing Hill | | | |
| Valet Service | | | |
| Laundry on-site | | | |
| All-Purpose Sports Court | | | |
| Tennis | | | |
| Miniature Golf | | | |
| Volleyball Court | | | |
| Outdoor Ice Rink | | | |
| Additional On-Site Amenities | | | |
| Howe Caverns/Tours/Lodge/Gift Shop | | | |
| Cave Museum of Mining and Geology | | | |
| Quarry Equipment Park | | | |
| Tram Ride to Quarry Overlook | | | |
| Cement Mine Train Ride | | | |
| Source: Hotel & Leisure Advisors | | | |

We recommend the subject offer a sufficient number of amenities to create a true resort destination. The following bullets highlight the plans for the resort and our recommendations.

- We recommend the subject offer 250 guest rooms with a mixture of double queens, king rooms, and suites. All double queen or king rooms are recommended to include a sleeper sofa or bunk beds and a half wall to allow families to utilize them as studio suites. We recommend a mixture of room types including themed rooms such as kid's 'cave-like' bunk beds and separate kid's areas. This will provide flexibility for guests. We recommend these rooms be larger than typical guest rooms with an average square footage of between 400 and 450 square feet. We recommend one and two bedroom suites offering approximately 500 to 700 square feet. We recommend approximately 64% typical guest rooms and 36% suites.
- We recommend the subject offer two restaurants which should share the same kitchen. We recommend one of the restaurants be a family oriented buffet style facility. We recommend the other restaurant offer a slightly more upscale menu although still family-friendly. We recommend developing a lounge with entertainment that would serve limited light fare. We project a waterpark snack bar will be located in the indoor waterpark area. We also recommend a take-out deli area offering snacks, baked goods, ice cream, and candy. We recommend the food and beverage options and the entire hotel be smoke-free. In addition, guests will have access to the restaurant at Howe caverns.
- We recommend the subject offer a meeting and conference space with approximately 13,000 square feet including a 6,000 to 7,000 square foot divisible ballroom, a symposium style auditorium room, and a boardroom divisible into two rooms. We do not recommend a large conference center because the subject will be focusing on tour groups, weddings and families. However, a modest amount of meeting space will allow the subject to attract additional group business in midweek periods. The conference space should be located on the opposite end of the building from the indoor waterpark to allow separation between two different types of users. We recommend the conference space, especially the ballroom, take advantage of the views offered by the property and some outdoor patio/courtyard areas should be integrated into the overall design. The ability to frame the views with the architecture will help promote the wedding business.
- We recommend a 4,000 square foot symposium room that can be rented during the day for group meeting presentations, lectures, and educational classes. At night this room can be used for showing movies and offering live entertainment for resort guests.
- We recommend the subject offer 1,000 to 1,500 square feet of multiple birthday party rooms adjacent to the indoor waterpark for birthday parties to assemble when they are not in the waterpark. This room can be utilized as an overflow breakout room, or for waterpark snack bar seating when there are no birthday parties.

- We recommend amenities for business travelers including a small business center and availability of wireless Internet access. We recommend this amenity be located in the conference area of the facility.
- We further recommend a large indoor waterpark, arcade, fitness center, gift shop, and themed lobby.
- We recommend a dry play area of approximately 5,000 square feet including a variety of features such as slides, tubes, and balls.
- We recommend the development include a 4,000 square foot spa which would include multiple treatment rooms and offer services such as massages, facials, therapies, and other treatments.
- We recommend outdoor amenities including an outdoor waterpark area, miniature golf, a zip line, a rock climbing wall, a zorbing trail/tubing hill, an all purpose sports court, tennis courts, volleyball court, and a seasonal outdoor ice rink. We recommend the ice rink be constructed upon a summertime activity site such as the sports court or tennis courts, to minimize site development costs.
- In addition to the recommended outdoor amenities, we concur with the developers plans to offer additional resort amenities such as the development of the Cave House Museum of Mining and Geology, the Quarry Equipment Park, the Tram Ride to the Quarry Overlook, and the Cement Mine Train Ride.
- We recommend the developers offer complimentary daily shuttle transportation to Cooperstown for resort guests to enjoy amenities such as the Baseball Hall of Fame, the Fenimore Art Museum, the Farmers Museum and other Central Leatherstocking regional attractions.
- We recommend the developers review the components of the Great Wolf Lodge properties, Kalahari Resorts, Wilderness Resorts, and the Great Escape Indoor Waterpark Resort facilities while developing the amenities for the property.
- We recommend the facility be constructed with a plan to add a second phase expansion of the hotel rooms and indoor waterpark if demand allows. Planning for an expansion in the initial drawings will lower the cost later on.
- We recommend a convention and visitors bureau be created for Schoharie County with the development of the resort to better promote the subject resort and the county.
- We recommend road improvements be completed along County Road 8 and Sagendorf Corners Road to allow improved access to the subject site.
- We recommend the subject be constructed to try to obtain LEED certification as a "green" structure, which would allow for reduced energy costs and positive eco-friendly publicity. We recommend the developers analyze the various point systems for certification and balance the potentially higher costs with energy and environmental savings. The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ is the nationally accepted benchmark for

the design, construction, and operation of high performance green buildings. LEED gives building owners and operators the tools they need to have an immediate and measurable impact on their buildings' performance. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. The article "The Greening of Real Estate Appraisal" published in the second quarter 2007 issue of *Valuation* indicates that green buildings on average save 30% of energy costs, 35% of carbon costs, 30% to 50% on water use costs, and 50% to 90% of waste costs. The article discusses a study performed by Stephen Zenker of Cushman and Wakefield who analyzed valuations for office buildings in 2004. He determined the green building would have a 10% to 15% increase in value over a conventional building in a typical holding period while costing only 2% to 3% more to construct.

Indoor Waterpark Features and Amenities

We recommend the subject develop the indoor waterpark connected to the proposed hotel structure. We recommend development of an indoor waterpark of approximately 50,000 square feet of waterpark area excluding the arcade, gift shop, and mechanical rooms. We project a gross building square footage of between 60,000 and 80,000 square feet for the waterpark structure which will include many of the amenities previously mentioned.

The size recommendation for the hotel and waterpark will provide a good room to waterpark ratio. Typically, the indoor waterpark utilizes approximately 35 to 40 square feet per person. At 50,000 square feet, this implies that the subject indoor waterpark will hold 1,250 to 1,429 people at one time. Additional people will be allowed into the arcade and gift shop areas. The subject is projected to have 250 available guest rooms. If we assume approximately four people per guest room, this equals 1,000 people in the hotel. Therefore, if all hotel rooms were to have waterpark packages, the subject waterpark would have limited capacity for day visitors. However, during time periods when the proposed hotel is not sold out, there will be capacity for day visitors and birthday party packages.

In our opinion, the subject should be developed and advertised as a property with limited access to day visitors to enhance its more exclusive nature and encourage guests to stay overnight. However, during slower weekdays and for birthday parties and groups we recommend the subject offer day passes.

We recommend the indoor waterpark have a unique theme that will leverage the existing Howe Caverns brand and include a variety of tubes, pools, slides, and other indoor waterpark attractions. We recommend the subject facility obtain at least one ride or attraction which is unique to the facility that they can promote to the public. The waterpark should have a separate locker room area to accommodate day visitors and guests who are checking in and out with a minimum of 1,000 lockers. Additional components for the waterpark area should include:

1. Various slides and tubes and other rides for both smaller and larger children
2. Three to five tall slides and rides targeting teenagers or older children

3. Tree house water game structure with various interactive water components
4. Zero depth entry area for babies and toddlers with small slides and water fountains
5. Whirlpools for adults and older children; an indoor/outdoor whirlpool is recommended
6. Basketball and water polo areas
7. Lazy river
8. Wave pool
9. Water coaster or Flowrider
10. Birthday party rooms

We assume the indoor waterpark will be of a quality and theme that will be exciting to regional travelers as well as to local residents and will justify a higher admission price. We recommend a substantial arcade be included as part of the indoor waterpark. The indoor waterpark should also offer a snack bar on premise.

Arcade: We recommend a game room/arcade with approximately 5,000 square feet with a capacity of over 100 arcade games split between a teen area and a smaller child area. We recommend that the arcade area be constructed adjacent a dry play area.

Gift Shop: We recommend a themed gift shop with approximately 3,000 square feet of space selling items related to the theme of the waterpark in addition to swimming related items. We recommend that the existing gift shop in the Howe Caverns lodge building offer an assortment of indoor waterpark items.

Outdoor Waterpark: We recommend the subject have an outdoor waterpark area with a minimum of 45,000 square feet including an outdoor pool, multiple slides, and other outdoor water attractions. Although summer demand is stronger in the area, there is no nearby outdoor water attraction for families and in our opinion the subject needs to offer an outdoor waterpark area to appeal to families in the prime summer vacation months. We recommend the outdoor waterpark area be constructed adjacent to the indoor waterpark to provide an additional summer amenity.

The proposed indoor waterpark size is above the range of most of the nearby facilities including Six Flags Great Escape in Queensbury, NY, Connecticut Grand Hotel with Coco Key Indoor Waterpark in Waterbury, CT, and the Sheraton-Ferncroft with Coco Key Indoor Waterpark in Danvers, MA. However, it is smaller than to the very successful Great Wolf Lodge in Pocono Township, PA.

- The Six Flags Great Escape in Queensbury, NY has 200 guest rooms and 38,500 square feet of indoor waterpark area which equals 192 square feet of indoor waterpark space per available unit.

- The Connecticut Grand Hotel Coco Key in Waterbury, CT which will open in 2008 has 282 guest rooms and a 35,000 square foot indoor waterpark which equals 124 square feet of indoor waterpark space per available unit.
- Sheraton-Ferncroft with Coco Key in Danvers, MA has 367 guest rooms and a 45,000 square foot indoor waterpark area which equals 123 square feet per available unit.
- Great Wolf Lodge in Scotrun, PA has 401 guest rooms and a 78,000 square foot indoor waterpark area which equals 195 square feet per available unit.

Our recommendation for the subject in phase one is for 50,000 square feet of net waterpark area and 250 guest rooms in the hotel, which equals 200 square feet of indoor waterpark space per guest room. The proposed figure will allow the subject to offer the largest indoor waterpark resort on a per room basis in the Northeast which will provide it with a strong marketing advantage. With the other planned amenities at the subject resort, it will create a family destination.

Development Costs for Indoor Waterpark Resorts and Indoor Waterpark Additions: We have analyzed the development budgets of other indoor waterpark resorts which are under development or have been developed in the region as well as for waterpark additions at existing hotels across the United States. A majority of indoor waterpark resorts have been developed new with both the hotel and waterpark being constructed at the same time. However, a number of indoor waterparks have been added to existing hotels as well. In the following table, we have compiled a variety of development cost data for indoor waterpark resorts inclusive of land, hotel, waterpark, and all development costs.

| Indoor Waterpark Resort Development Costs Combined Hotel and Waterpark Components | | | | | | | |
|--|----------------|-------|---------------------|-----------------------------|-----------------|---------------|---------------|
| Name/Description | City | State | Year Opened/To Open | Sq. Feet of Waterpark Space | Number of Rooms | Cost | Cost Per Room |
| Splash Universe Resort | Yuma | AZ | 2009 | 30,000 | 150 | \$30,000,000 | \$200,000 |
| Nickelodeon Resort | San Diego | CA | 2010 | 100,000 | 650 | \$250,000,000 | \$384,615 |
| Indoor Waterpark Resort | Bridgeview | IL | 2009 | 45,000 | 250 | \$65,000,000 | \$260,000 |
| Key Lime Cove | Gurnee | IL | 2008 | 64,500 | 414 | \$135,700,000 | \$327,778 |
| The Frontier Lodge | Lasalle | IL | 2009 | 61,000 | 425 | \$140,000,000 | \$329,412 |
| Hickory Creek Resort | Mokena | IL | 2010 | 40,000 | 235 | \$90,000,000 | \$382,979 |
| Sheraton Hotel & IWP | Fishers | IN | 2009 | 80,000 | 236 | \$65,000,000 | \$275,424 |
| Splash Universe Resort | Shipshewana | IN | 2007 | 25,000 | 154 | \$25,000,000 | \$162,338 |
| Ramada Inn with Indoor Waterpark | Watervliet | MI | 2008 | 11,000 | 95 | \$12,000,000 | \$126,316 |
| Sports Town Indoor Waterpark Resort | Blaine | MN | 2010 | 80,000 | 450 | \$152,000,000 | \$337,778 |
| Indoor Waterpark Resort | Hollister | MO | 2010 | 100,000 | 600 | \$225,000,000 | \$375,000 |
| Great Wolf Lodge | Concord | NC | 2009 | 80,000 | 409 | \$123,000,000 | \$300,733 |
| CanadInns Splasher | Grand Forks | ND | 2007 | 40,000 | 201 | \$50,000,000 | \$248,756 |
| Captain Andy's | North Wildwood | NJ | 2010 | 90,000 | 425 | \$175,000,000 | \$411,765 |
| Hope Lake Lodge | Cortland | NY | 2008 | 33,000 | 150 | \$45,000,000 | \$300,000 |
| Six Flags Great Escape Lodge and Indoor Waterpark | Queensbury | NY | 2006 | 38,500 | 200 | \$47,000,000 | \$235,000 |
| Great Wolf Lodge | Mason | OH | 2007 | 79,000 | 401 | \$116,000,000 | \$289,277 |
| Indoor Waterpark Resort | Redmond | OR | 2010 | 40,000 | 370 | \$120,000,000 | \$324,324 |
| 7th Wave Resort | West Warwick | RI | 2010 | 73,000 | 409 | \$139,000,000 | \$339,853 |
| Cedar Park Waterpark | Cedar Park | TX | 2009 | 38,240 | 250 | \$75,000,000 | \$300,000 |
| Kalahari | Fredericksburg | VA | 2010 | 125,000 | 700 | \$200,000,000 | \$285,714 |
| Great Wolf Lodge | Centralia | WA | 2009 | 78,000 | 398 | \$120,000,000 | \$301,508 |
| Volcano Island | Fairmont | WV | 2010 | 70,000 | 300 | \$91,000,000 | \$303,333 |
| Average | | | | 61,793 | 342 | \$108,291,304 | \$295,735 |

Source: Hotel & Leisure Advisors

Development costs for new construction indoor waterpark resorts have ranged from \$126,316 to \$411,765 per available room. The wide range depends upon the quality of property and the extent of the indoor waterpark. The range of costs is also impacted by union requirements for construction work, extent of financing costs included in development budget, and amount of entrepreneurial profit included in development budget.

We have also profiled the development costs of indoor waterpark additions which have occurred. In the following table, we present other recently developed and under construction indoor waterpark additions to hotels and their development costs.

| Indoor Waterpark Development Costs Waterpark Component Only | | | | | | |
|--|--------------|--------------|--------------------------------|--------------|--|--------------------|
| <u>Name/Description</u> | <u>City</u> | <u>State</u> | <u>Year Opened/To Open</u> | <u>Cost</u> | <u>Sq. Feet of Waterpark Space</u> | <u>Cost Per SF</u> |
| Connecticut Grand | Waterbury | CT | 2008 | \$25,000,000 | 35,000 | \$714.29 |
| Ramada NW Indoor Waterpark | Urbandale | IA | 2009 | \$12,000,000 | 20,000 | \$600.00 |
| Decatur Conference Ctr. & Hotel | Decatur | IL | 2009 | \$12,000,000 | 40,000 | \$300.00 |
| Waves of Fun Waterpark | Sandwich | IL | 2008 | \$12,500,000 | 60,000 | \$208.33 |
| Best Western Coco Key Waterpark | Fitchburg | MA | 2009 | \$20,000,000 | 32,000 | \$625.00 |
| CoCo Key Indoor Waterpark Addition | Danvers | MA | 2007 | \$30,000,000 | 65,000 | \$461.54 |
| Double JJ Resort Gold Rush Waterpark | Rothbury | MI | 2006 | \$17,000,000 | 34,000 | \$500.00 |
| Best Western Edgewater waterpark addition, Duluth, Minnesota | Duluth | MN | 2006 | \$10,000,000 | 30,000 | \$333.33 |
| Red Jacket Mountain View | North Conway | NH | 2008 | \$14,000,000 | 35,000 | \$400.00 |
| Sahara Sams Indoor Waterpark | Berlin | NJ | 2009 | \$23,000,000 | 45,000 | \$511.11 |
| Coco Key Indoor Waterpark | Sharonville | OH | 2007 | \$30,000,000 | 35,000 | \$857.14 |
| Sno Cove Indoor Waterpark | Montage | PA | 2009 | \$12,000,000 | 30,000 | \$400.00 |
| Split Rock IWP addition | Lake Harmony | PA | 2008 | \$18,500,000 | 48,000 | \$385.42 |
| Massanutten Resort waterpark addition, Harrisonburg, Virginia | Harrisonburg | VA | 2005 | \$14,000,000 | 42,000 | \$333.33 |
| Average | | | | \$17,857,143 | 39,357 | \$453.72 |

Source: Hotel & Leisure Advisors

The table indicates a range of costs per square foot. Our discussions with waterpark designers and architects indicate that in 2008 the indoor waterpark can cost anywhere from \$300 per square foot to \$600 per square foot of indoor waterpark area (square footage of the waterpark and play area excluding the arcade, gift shop, offices, etc.). However, as the above figures show, developers can spend less per square foot depending upon what they include within the indoor waterpark. There is a wide range of development costs due to the wide range of rides and amenities which can be included within an indoor waterpark.

We project total development costs for the proposed project inclusive of the hotel, conference center, and indoor waterpark to range from \$75,000,000 to \$87,500,000 or from \$300,000 to \$350,000 per available room.

FRANCHISE AFFILIATION ANALYSIS

We have analyzed the potential for the hotel to operate as an independent property versus one with a hotel franchise. The subject resort could affiliate with a national hotel franchise and receive the benefits of this affiliation by being more recognizable to the potential guests. However, the costs of affiliating with a national franchise can exceed the additional value created in some cases. Because we recommend the proposed resort

include a much larger indoor waterpark with other resort amenities, a national franchise affiliation does not necessarily correlate to customers' expectations of what the resort would offer.

In this section, we have analyzed potential brand affiliations and discussed what type of franchise the subject could affiliate with if it did decide to have a franchise. In our opinion, if the subject chooses to affiliate with a franchise, we recommend it include an upscale franchise hotel which is popular with family travelers. We have analyzed various potential brand affiliations for the subject which are listed below:

- Holiday Inn Resort
- Marriot (Nickelodeon Resort)
- Embassy Suites
- Sheraton

The brands we have listed include full-service hotels with which the subject could affiliate. Each of these brands charges a franchise fee of approximately 5% of rooms revenue in addition to marketing and reservation fees ranging from 3% to 4% of rooms revenue. In our opinion, if the subject were to affiliate with a national franchise, it should focus upon these brands. We understand the Marriott Nickelodeon Resort Brand is currently not accepting new franchises but rather is doing new developments itself.

However, the subject will be a unique facility with an indoor waterpark, arcade, gift shop, meeting space, outdoor waterpark, existing Howe Caverns amenities, and other potential amenities. There are few national franchises which are identifiable with this type of product. Our analysis of resorts in the state of New York indicates that most of these properties are independent and not affiliated with a national franchise. Our analysis of indoor waterpark resorts indicates that approximately 60% of these properties are independent while 40% are affiliated with a national franchise of which Holiday Inn has the largest number of affiliates.

We recommend that the developers hire a competent hotel management company which will operate the subject property as an independent hotel leveraging the Howe Caverns brand. Although we recommend the hotel be independent, we advise it to affiliate with various national reservation services to enable it to appear on various Internet web sites. We have utilized only the marketing expense in our projections. An effective marketing campaign as an independent hotel can result in a higher value than as a chain property.

MUNICIPAL INCENTIVES

In our opinion, the subject development should obtain municipal incentives from the county and state to perform extensive tourism infrastructure at the subject site. These incentives could include a tax abatement, municipal financing, tax incremental financing, county construction of the resort, or other incentives. We recommend incentives due to the high risk involved in developing a tourist oriented project.

We have profiled other indoor waterpark resort projects which have received incentives. The following bullets indicate other indoor waterpark resort projects which have been built or are under development which have received municipal funding.

- **Concord, North Carolina** - Great Wolf Resorts has announced that they plan to construct a 409-room indoor waterpark resort in the Charlotte suburb of Concord near the existing NASCAR speedway. The property will have an 81,000 square foot indoor waterpark. The project will cost over \$100 million to construct. The Concord City Council will grant \$1,500,000 in tax incentives to the resort developers. Additionally, Cabarrus County will provide incentives of \$2,600,000 to the project.
- **Wisconsin Dells, Wisconsin** - The Chula Vista Resort is one of the older resorts in the Wisconsin Dells, having originally opened in 1951. The property is undergoing a \$200 million expansion which includes the addition of between 300 and 600 additional guest rooms, an inflatable sports dome, expanded golf course, proposed conference center, new indoor waterpark, new outdoor waterpark, and other improvements. The City of Wisconsin Dells has approved a tax incremental financing program for the project which will pay the resort \$19 million over a period of years with the planned development of the \$200 million in improvements. The payments by the city to the developer are in increments and occur after completion of specified components of the project.
- **Mason, Ohio** - Great Wolf Resorts opened a 401-room indoor waterpark resort with a 79,000 square foot indoor waterpark. The City of Mason and Warren County provided a 10-year property tax abatement as well as will refund two thirds of the bed tax owed to the city (2% of total revenue) for a 10-year period.
- **Sandusky, Ohio** - Cedar Fair converted the existing Radisson Hotel into Castaway Bay, an indoor waterpark resort. The City of Sandusky approved a 10-year, 100% tax abatement for the \$22 million addition of the indoor waterpark.
- **Huron Township, Ohio** - Kalahari Resort has opened its 596-room resort located in Huron Township in Erie County. As part of the development, Erie County provided over \$11 million in development assistance for road construction and infrastructure improvements for the project. The development is on a former farm which lacked municipal sewer and water services.
- **Fredericksburg, Virginia** - Kalahari Resorts is proposing to develop a \$200 million resort in Fredericksburg Virginia. The City of Fredericksburg is proposing to provide the resort developer a \$61 million incentive package. The 20-year package calls for the City of Fredericksburg to waive \$3.35 million in up-front development fees for the proposed waterpark resort. The City would also return 47.5% of the local tax revenues that Kalahari generates to the resort for 20 years. Kalahari would include the city in its marketing and provide lobby space for the city to market other area attractions.
- **Sheboygan, Wisconsin** - The City of Sheboygan provided \$4 million to the Great Lakes Companies to develop the Blue Harbor Resort and Conference Center. In addition, they provided \$6 million to purchase the land for the proposed indoor waterpark resort on the shores of Lake Michigan. The city also provided \$8 million to construct a city-owned convention center which the resort operates.
- **Fairmont, West Virginia** - The City of Fairmont is providing for \$1 approximately 100 acres of a former brown field site which will be completely

cleaned up to the proposed Volcano Island indoor waterpark resort. In addition, the city is providing tax incremental financing of approximately \$10 million and a rebate of room tax collections of up to 3% of rooms revenue annually. The State of West Virginia is offering to provide a refund of sales taxes receipts up to the value of between 25% and 50% of the overall development budget for new or expanding tourism destination projects such as the proposed waterpark resort.

- **Storm Lake, Iowa** - The State of Iowa and the City of Storm Lake provided \$9 million in Vision Iowa money to the developers of the Kings Pointe Waterpark Resort in Storm Lake. The development includes a 100-room hotel in addition to a 17,000 square foot indoor waterpark and an outdoor waterpark. The overall development costs for the entire project were \$30 million indicating that the municipal support was nearly one third of the project.

Additionally, the city of Syracuse, Onondaga County, and the State of New York offered the developers of the proposed Marriott Hotel in downtown Syracuse a wide variety of incentives including property tax exemptions, \$10,500,000 in direct county spending, \$20,000,000 in county bonds, and up to \$15,000,000 in state aid to construct the proposed 350-room, \$68,300,000 hotel. Our review of various development projects in upstate New York indicates that most projects receive some sort of county or state aid particularly projects of the size and magnitude proposed for the subject.

We recommend the developers apply for a variety of city, county, and state aid including obtaining an Empire Zone designation. For the purposes of our report, we have assumed an Empire Zone will be obtained and we have prepared an analysis of the benefits from the Empire Zone at the end of the financial section.

NATIONAL LODGING OVERVIEW

We have analyzed information concerning the national lodging market including profiling statistics for various markets. Our national analysis focused upon occupancy and average daily rate statistics for various regions, new supply additions, projections concerning future performance of hotels, consumer sentiment for hotels, sales statistics concerning hotel properties, and operating performance statistics for hotels.

Occupancy and Average Daily Rate Performance

We have analyzed the statistical performance for hotels for the past four years in the various regions of the United States. The following table indicates our analysis.

| U.S. Hotel Performance by Regions | | | | | | | | | | | | |
|-----------------------------------|-----------|-------|-------|-------|----------|----------|----------|----------|---------|---------|---------|---------|
| | Occupancy | | | | ADR | | | | RevPAR | | | |
| | 2004 | 2005 | 2006 | 2007 | 2004 | 2005 | 2006 | 2007 | 2004 | 2005 | 2006 | 2007 |
| New England | 60.8% | 60.3% | 60.4% | 61.3% | \$102.28 | \$105.28 | \$112.51 | \$118.44 | \$62.19 | \$63.48 | \$67.93 | \$72.59 |
| Middle Atlantic | 65.0% | 65.9% | 66.0% | 66.8% | \$115.18 | \$125.01 | \$136.42 | \$148.06 | \$74.82 | \$82.43 | \$90.08 | \$98.97 |
| South Atlantic | 63.1% | 64.2% | 63.1% | 62.3% | \$85.41 | \$91.27 | \$98.58 | \$104.00 | \$53.89 | \$58.63 | \$62.19 | \$64.81 |
| East North Central | 55.4% | 56.3% | 57.6% | 57.7% | \$76.28 | \$79.55 | \$86.09 | \$89.75 | \$42.25 | \$44.77 | \$49.63 | \$51.82 |
| East South Central | 57.7% | 60.5% | 60.2% | 59.4% | \$62.85 | \$66.47 | \$71.25 | \$74.98 | \$36.30 | \$40.24 | \$42.87 | \$44.52 |
| West North Central | 56.6% | 57.3% | 57.9% | 59.3% | \$66.35 | \$69.35 | \$72.75 | \$76.01 | \$37.54 | \$39.71 | \$42.11 | \$45.06 |
| West South Central | 57.8% | 62.6% | 62.9% | 62.2% | \$70.58 | \$73.69 | \$78.92 | \$83.41 | \$40.79 | \$46.14 | \$49.67 | \$51.91 |
| Mountain | 63.0% | 65.0% | 66.1% | 66.5% | \$87.80 | \$89.82 | \$94.66 | \$100.20 | \$55.52 | \$58.41 | \$62.60 | \$66.67 |
| Pacific | 65.9% | 68.3% | 69.0% | 68.7% | \$98.95 | \$105.35 | \$114.60 | \$121.74 | \$65.22 | \$71.95 | \$79.03 | \$83.63 |
| Total U.S. | 61.3% | 63.1% | 63.3% | 63.2% | \$86.24 | \$90.95 | \$97.89 | \$103.64 | \$52.88 | \$57.39 | \$61.96 | \$65.50 |

Source: Smith Travel Research

The table indicates the performance of the United States hotel industry utilizing statistics from Smith Travel Research. As of year-end 2007, Smith Travel Research tracked a total census of 48,064 hotel properties with 4,478,676 available rooms. The sampling included in the figures shown above included 68.6% of the available rooms or 3,070,637 available rooms in 2007.

The figures indicate that in 2007 the Pacific region achieved the highest occupancy level while the East North Central region achieved the lowest. The Middle Atlantic States achieved the highest average daily rate while the East South Central region achieved the lowest. Many regions showed at least a slight improvement in occupancy level between 2006 and 2007. The East South Central, the West South Central the Pacific and the overall U.S. showed slight declines in occupancy. However, all regions recorded increases in average daily rate and RevPAR.

We have prepared projections for national occupancy and average daily rate utilizing historical data from Smith Travel Research and our analysis of a wide range of markets throughout the United States. The following table indicates their projections.

| Overall U.S. Lodging Forecast | | | |
|--|------------------|------------|---------------|
| | Occupancy | ADR | RevPAR |
| 2005 | 63.1% | \$91.02 | \$57.43 |
| 2006 | 63.3% | \$97.89 | \$61.96 |
| 2007 | 63.2% | \$103.64 | \$65.50 |
| 2008 | 62.5% | \$108.30 | \$67.69 |
| Source: Smith Travel Research (historic) and H&LA (2008) | | | |

The table indicates that we project overall occupancy levels to show a slight decrease in occupancy as supply growth outpaces demand growth and the economy moves into a recession. The overall RevPAR is projected to grow by 4.2%. Our analysis indicates that projected supply increases are being considered but financing for new supply is more challenging as of early 2008. The rate cuts by the Federal Reserve in early 2008 are projected to increase the amount of potential available credit for new hotel development.

New Supply of Lodging Rooms

Lodging Econometrics (LE) indicated that the new construction pipeline set a record at 5,438 projects and 718,387 guest rooms at the end of 4Q 2007. This represents a 27% year over year increase for guest rooms. Further, in 4Q 2007 guest room counts increased 10% quarter over quarter, the largest quarterly increase in almost three years. The following table indicates historical and projected new construction openings for the United States.

| New Construction Openings | | | |
|-------------------------------------|---------------|--------------------|--------------------------------|
| | Hotels | Guest Rooms | Gross Supply Increase % |
| 2006 (A) | 735 | 78,949 | 1.7% |
| 2007 (A) | 985 | 100,607 | 2.2% |
| 2008 (E) | 1208 | 133,628 | 2.8% |
| 2009 (E) | 1456 | 166,236 | 3.4% |
| Source: Lodging Econometrics (1/08) | | | |

The development boom is led by projects in the upscale and mid-market sectors, which together make up 83% of the non-casino projects and 76% of the guest rooms in the new supply. These chain scales include the high profile brands from the top franchise companies - Marriott, Hilton, InterContinental, and Choice, as well as Best Western.

In 2007, the expanding Pipeline began to unfold in earnest, with 985 hotels and 100,607 rooms opening, a gross supply growth rate of 2.2%. This is the first year since 2001 that more than 100,000 newly constructed rooms opened.

Lodging Econometrics projects new openings in 2008 at 1,208 hotels and 133,628 rooms, a 2.8% gross supply increase. The 2008 forecast is almost completely derived from hotels already under construction. The net supply increase is projected to finish around 2.5%, as Lodging Econometrics expects a decline in operating hotels going offline for alternative use. The forecast for 2009 is 1,456 hotels and 166,236 guest rooms, a 3.4% gross growth rate. While these projections already account for anticipated market conditions, 2009 could decline slightly if economic and lending conditions worsen more than expected.

Smith Travel Research publishes data concerning new construction activity. We have analyzed data from Smith Travel Research/TWR/Dodge Construction Pipeline Report. The following chart indicates statistics published by Smith Travel Research concerning the development pipeline.

| Development Pipeline - Rooms | | | | |
|---|--------------------|--------------------|-------------------|-----------------|
| Phase | December-07 | December-06 | Difference | % change |
| In Construction | 211,694 | 156,209 | 55,485 | 35.52% |
| Final Planning | 83,985 | 56,524 | 27,461 | 48.58% |
| Planning | 319,963 | 304,979 | 14,984 | 4.91% |
| Active Pipeline | 615,642 | 517,712 | 97,930 | 18.92% |
| Pre-Planning | 124,472 | 69,053 | 55,419 | 80.26% |
| Total | 740,114 | 586,765 | 153,349 | 26.13% |
| Source: Smith Travel Research US Lodging Industry Overview (1/08) | | | | |

The table lists the number of new hotel rooms proposed in different phases of development as of 2007 as compared to 2006. The figures indicate a 26.1% increase in the number of rooms under construction, in planning and in pre-planning. The figures have increased in all categories. Pre-planning has significantly increased (80.2%). The data indicates a slight supply addition will be recorded in the United States in coming years due to the number of hotels proposed for the market.

Top 10 Issues

The International Society of Hospitality Consultants released its top 10 issues that faced the hospitality industry in 2007. The following are the highlights of the issues.

1. Growing shortage of qualified and skilled employees
2. Escalation in construction and renovation costs
3. Keeping up with the lightning speed of change in technology
4. Changing demographics and the impact on travel trends
5. Balancing escalating expenses with the need to increase rates
6. Mitigating consumer confusion over brand proliferation and investor concerns over cross brand impact
7. Keeping up with rapid changes in distribution
8. Travel restrictions and their impact on travel
9. Global emerging markets
10. Capital availability and investor and lender confidence in the industry

Information Concerning Travel

American Express and the Travel Industry Association released a survey in 2007 concerning the vacation patterns of Americans. The survey indicates that nearly half of Americans took a vacation in 2006. The following table presents a broad summary of visitation and spending patterns among U.S. leisure travelers.

| Vacation Patterns of Americans | |
|--|-------------|
| # of Americans who took vacation in 2006 | 124 Million |
| # of trips taken | 3 |
| Household spending per vacation | \$1,500 |
| Distance (in miles) from home traveled | 1,200 |
| # of trips via plane | 1 |
| % highly satisfied with last vacation | 90 |
| % traveling with spouse or significant other | 62 |
| % naming cities and urban areas as most their most popular destination | 39 |
| % naming ocean beaches as their most popular destination | 23 |
| Source: Travel Industry Association and American Express 2007 survey of 2,500 vacation travelers | |

The latest *American Express Global Business Travel Forecast*, released in October 2007, indicated that demand for business travel services will continue to outweigh supply in 2008, driving continued increases in rates for air travel, hotels, car rental and corporate meetings and events. The forecast predicts an average domestic North American business trip, including airfare, car rental and hotel stay will increase \$63 or 6.0% next year, while an average international trip with airfare and hotel will increase \$205 or 7.0%.

In the United States, domestic economy fares are projected to rise 1% to 5% in 2008. International business-class fares will climb 5% to 10%, according to the report. The forecast predicts that travel-related prices will increase across transient segments in 2008, though at a slower pace due to anticipated slowing growth in business travel. In North America, hotel rates are project to increase by 4% to 6% for mid-range properties and 5% to 7% for upper-range properties; car rental rates are projected to rise by 2% to 4%. The report notes that some areas may see double-digit price increases, as high as 14% for hotels in certain key U.S. cities. Globally, high demand and slow growth of supply is expected to force airfare, hotel, and rental car prices up. Continued infusion of capital to hotels for upgrades and renovations, particularly in lower market tiers, will force hotels to maintain rates at historic highs.

The U.S. Department of Commerce announced in March 2008 that a record 56.7 million international visitors traveled to the United States in 2007, an increase of 11% over 2006. This level also surpassed the 2000 record year of 51.2 million visitors. Ten of the top 25 arrival markets broke records set in previous years. International visitors also spent a record-breaking \$122.7 billion on travel to, and tourism-related activities within, the United States in 2007 - an increase of nearly 14% over the previous record set in 2006. The largest travel and tourism trade surplus was realized in nearly a decade, with international travelers outspending U.S. travelers abroad by \$17.8 billion in 2007, 113% over 2006.

Hotel Chain Scales

Approximately 75% of all lodging facilities in the United States are affiliated with some type of hotel brand, which looks to provide a level of recognition for the traveling public. In the past decade, many of the popular hotel chain companies such as Marriott and Starwood have created new brands that target different segments of the market. Some of these brands have been created to target the hip and trendy while others have been created to target the business clientele. The following table highlights the various hotel chains as categorized by Smith Travel Research.

| Smith Travel Research 2007 Chain Scales | | | | | |
|--|---------------------------|-----------------------|--------------------------|----------------------------|--------------------------------|
| Economy | Midscale w/o F & B | Midscale w/ F & B | Upscale | Upper Upscale | Luxury |
| 1st Interstate Inn | Amerihost | Best Western | Adam's Mark | Affinia | Colony |
| Bayview International Hotels | Americinn | Clarion | Amerisuites | Caesars | Conrad |
| Americas Best Inns | Baymont Inns & Suites | Doubletree Cub | Aloft | Concorde Hotels | Fairmont Hotel |
| America Best Suites | Bradford Homesuites | Golden Tulip | Aston | Doral | Four Seasons |
| America Best Value | Cabot Lodge | Harvey Hotel | Ayres | Doubletree Hotels | Hotel Sofitel |
| Budget Host Inn | Candlewood Hotel | Hawthorn Inn & Suites | Cambria Suites | Embassy Suites | Inter-Continental |
| Country Hearth Inn | Clubhouse Inns of America | Holiday Inn | Chase Suites | Embassy Vacation Resorts | Loews |
| Cross Country Inn | Comfort Inn | Holiday Inn Select | Club Med | Gaylord Entertainment | Luxury Collection |
| Days Inn | Comfort Suites | Howard Johnson | Coast Hotels USA | Helmsley Hotel | Mandarin Oriental |
| Econo Lodge | Country Inn & Suites | Jolly Hotels | Courtyard | Hilton Hotels | Pan Pacific |
| Inns of America | Drury Inn | Little America | Hilton Garden Inn | Hilton Gaming | Preferred |
| Extended Stay of America | Drury Lodge | Marc | Crowne Plaza | Hyatt | The Peninsula Group |
| Family Inns of America | Extended Stay Deluxe | Ohana Hotels | Four Points | Jurys Hotels | Prince Hotels |
| Guesthouse Inns | Fairfield Inn | Park Plaza | Harrah's | Langham Hotels | St. Regis |
| Homegate | Hampton Inn | Quality | Hawthorn Suites | Le Meridien | Regent Hotels |
| Homestead Studio Suites | Hampton Inn & Suites | Quality Inn Suites | Hawthorn Suites LTD | Marriott | Ritz-Carlton |
| Howard Johnson Express Inn | Heartland Inn | Ramada | Homewood Suites | Marriott International | Starhotels |
| Innkeeper | Holiday Inn Express | Ramada Plaza | Hotel Indigo | Marriott Conference Center | W Hotels |
| Intown Suites | Innsuites Hotels | Red Lion | Hotel Novotel | Millennium Hotels | The Waldorf=Astoria Collection |
| Jameson Inn | La Quinta Inn | Romantik Hotel | Hyatt Place | New Otani Hotels | |
| Knights Inn | La Quinta Inns & Suites | Westmark | Hyatt Summerfield Suites | Nikko | |
| Lexington Hotel Suites | Lees Inn of America | Sunspreet Resorts | Outrigger | Omni | |
| Master Hosts Inn | Mainstay Suites | Westcoast | Radisson | Renaissance Hotel | |
| Masters Inn | Phoenix Inn | Wyndham Garden Hotel | Residence Inn | Sheraton Hotel | |
| Mcintosh Motor Inn | Ramada Limited | | Resortquest Hawaii | Sonesta Hotel | |
| Microtel Inn | Shilo Inn | | Sierra Suites | Swissotel | |
| Motel 6 | Signature Inns | | Springhill Suites | Westin | |
| Red Roof Inn | Silver Cloud | | Staybridge Suites | | |
| Rodeway Inn | Sleep Inn | | Woodfield Suites | | |
| Scottish Inn | Townplace Suites | | Woodfin Suites | | |
| Select Inn & Suites | Wellesley Inn | | Wyndham Hotels | | |
| Shoney's Inn | Wellesley Suites | | Xanterra Parks & Resorts | | |
| Studio 6 | Wingate Inn | | | | |
| Studio Plus | | | | | |
| Suburban Extended Stay Hotels | | | | | |
| Super 8 | | | | | |
| Travelodge | | | | | |

Source: Smith Travel Research

Hotel Sales Overview

We have reviewed statistics concerning the sales of hotels and projections for future sales trends profiling information from the Pennsylvania State University Index of Hotel Values.

| Penn State Index of Hotel Values | | |
|---|-----------------------|---------------------------|
| Overall | Value Per Room | Annual % of Change |
| 2005 | \$80,904 | 10.6% |
| 2006 | \$89,880 | 11.1% |
| 2007 | \$97,979 | 9.0% |
| 2008 | \$105,618 | 7.8% |
| 2009 | \$112,434 | 6.5% |
| Luxury | | |
| 2005 | \$298,401 | 10.1% |
| 2006 | \$326,883 | 9.5% |
| 2007 | \$354,572 | 8.5% |
| 2008 | \$382,606 | 7.9% |
| 2009 | \$408,261 | 6.7% |
| Upper Upscale | | |
| 2005 | \$152,184 | 10.2% |
| 2006 | \$166,178 | 9.2% |
| 2007 | \$178,838 | 7.6% |
| 2008 | \$192,205 | 7.5% |
| 2009 | \$203,145 | 5.7% |
| Upscale | | |
| 2005 | \$100,827 | 9.4% |
| 2006 | \$113,019 | 12.1% |
| 2007 | \$121,986 | 7.9% |
| 2008 | \$131,458 | 7.8% |
| 2009 | \$139,167 | 5.9% |
| Midscale with Food & Beverage | | |
| 2005 | \$60,385 | 12.5% |
| 2006 | \$67,464 | 12.0% |
| 2007 | \$72,074 | 6.5% |
| 2008 | \$76,731 | 6.5% |
| 2009 | \$80,857 | 5.4% |
| Midscale without Food & Beverage | | |
| 2005 | \$62,056 | 14.3% |
| 2006 | \$71,036 | 14.5% |
| 2007 | \$78,299 | 10.2% |
| 2008 | \$85,922 | 9.7% |
| 2009 | \$92,685 | 7.9% |
| Economy | | |
| 2005 | \$22,412 | 22.0% |
| 2006 | \$26,381 | 17.7% |
| 2007 | \$28,347 | 7.5% |
| 2008 | \$30,485 | 7.5% |
| 2009 | \$32,882 | 7.9% |

Source: The Pennsylvania State University (11/07)

The table lists the average hotel sales prices historically in 2005 and 2006 and their projections for 2007 through 2009. The survey indicates that the average U.S. hotel value is expected to increase 9.0% in 2007.

Financial Statistics Concerning Hotels

We have analyzed financial statistics concerning the performance of hotels as taken from the 2007 Host Report published by Smith Travel Research. This report includes the operating statements of over 5,200 hotels and is also utilized in the financial analysis section of this report. The following table presents selected financial ratios to sales for

both full-service and limited-service hotels for the past five years.

| Selected Financial Ratios to Sales | | | | | | |
|--|---------------------|----------------------|------------------------------|------------------------|----------------------|------------------------------|
| | Full-Service | | | Limited-Service | | |
| | GOP* | Fixed Charges | Pre-Tax Income (Loss) | GOP* | Fixed Charges | Pre-Tax Income (Loss) |
| 2001 | 35.1 | 17.5 | 12.0 | 50.5 | 18.6 | 25.6 |
| 2002 | 33.6 | 17.8 | 10.4 | 47.9 | 19.2 | 21.5 |
| 2003 | 30.8 | 18.2 | 9.0 | 44.9 | 20.5 | 19.4 |
| 2004 | 31.9 | 17.9 | 10.9 | 47.3 | 19.4 | 23.2 |
| 2005 | 33.0 | 15.0 | 14.4 | 51.1 | 19.1 | 27.9 |
| 2006 | 34.4 | 14.6 | 16.1 | 55.4 | 17.9 | 32.8 |
| *Before Management Fees and Franchise (Royalty) Fees | | | | | | |
| Source: Host Report 2007 | | | | | | |

The table indicates that the percentage of gross operating profit before management fees and franchise fees has declined since 2001 for full-service hotels, while showing an increase for limited-service hotels. The gross operating profit showed an improvement from 2003 to 2006 for both property types. During the same time frame, the percentage of fixed charges to total revenue has declined while the pretax income has shown a strong improvement for both property types.

ANALYSIS OF INDOOR WATERPARK RESORTS

The indoor waterpark resort and the addition of indoor waterparks to existing hotels have become more widespread phenomena since 2000 in North America. The growth of indoor waterparks is due to their popularity with children and the desire of parents and grandparents to select lodging locations that will be fun for their children. In addition, indoor waterpark resort properties are increasingly popular for short weekends and two- or three-day getaways for families that may not have time for longer vacations. Across the United States and Canada, new indoor waterparks are being added to existing hotels and new indoor waterpark destination resorts are being constructed. The primary growth of indoor waterparks in hotels and resorts is in historically summer resort locations, although they are increasingly being developed in suburban and urban locations.

Hotel & Leisure Advisors (H&LA) defines an indoor waterpark resort as a lodging establishment containing an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space and inclusive of amenities such as slides, tubes, and a variety of indoor water play features. Although numerous hotels bill their indoor pools as waterparks, those with less than 10,000 square feet of aquatic area should be categorized as hotels with water features rather than as waterparks. H&LA divides indoor waterpark resorts into two categories:

- Indoor waterpark destination resort

- Hotel with indoor waterpark

A hotel with indoor waterpark is a hotel with an attached indoor waterpark with 10,000 to 30,000 square feet of indoor waterpark space where the indoor waterpark serves as an amenity to the hotel versus a true destination. An indoor waterpark destination resort is a resort with 30,000 square feet or more of indoor waterpark space and is considered a true destination resort that families visit on a year round basis primarily to visit the waterpark and secondarily because of other attractions or events in the area. The following table indicates the three types of indoor waterparks which currently exist and are being developed in the United States and Canada.

| Types of Indoor Waterparks in Lodging Establishments | | | |
|---|---|--|---|
| | Hotel with Water Features | Hotel with Indoor Waterpark | Indoor Waterpark Destination Resort |
| Size of aquatic area | 1,000 to less than 10,000 square feet | 10,000 to less than 30,000 square feet | 30,000+ square feet |
| Possible Amenities | swimming pool, slide, toddler area with mushroom, spray gun | multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river | multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river, wave pool, water coaster, surfing, outdoor waterpark features |
| Capacity | up to 250 people | 250 to 750 people | 750 to 5,000 people |
| Minimum Number of Lifeguards | 1 | 3 | 10 |
| Arcade Size | 0 to 1,000 square feet | 1,000 to 3,000 square feet | 3,000 to 10,000 square feet |
| Source: Hotel & Leisure Advisors | | | |

An indoor waterpark destination resort differs from a typical hotel in that it offers resort and leisure amenities not found in typical hotel properties. The destination resorts attract families on a year-round basis who are interested in the many activities of the waterpark as well as other activities of the resort which may include a large arcade, retail shops, kids club, spa, fitness facilities, indoor play land, supervised play activities, story time areas, and multiple food and beverage outlets. They include a variety of room types including themed rooms, kids’ cabins and suites. The indoor waterpark destination resorts attract travelers because of the amenities of the resort in addition to the amenities of the area. In contrast, a typical hotel attracts travelers primarily because of the amenities of the area.

The growth in indoor waterparks is occurring both as an amenity in an existing hotel (typically franchised) as well as an integral part of a destination resort (typically independent). Two distinct trends are appearing. The additions to existing hotels, or development of franchised properties with indoor waterparks, are occurring with smaller indoor waterparks being attached to generally smaller hotel projects. These indoor waterparks are an amenity for guests but not the entire focus of a hotel. Larger destination resorts, which consist of larger themed properties with additional amenities and larger waterpark areas, are also under development and opening nationwide. These resorts focus on leisure travelers interested in the waterpark.

National Indoor Waterpark Resort Supply

Currently, 16 hotels located in Wisconsin Dells have indoor waterparks with a total of 4,651 rooms and 738,500 square feet of indoor waterpark space. The Wisconsin Dells has the greatest concentration of hotels with indoor waterparks in North America. We define an indoor waterpark as a facility with a minimum of 10,000 square feet of indoor waterpark space and inclusive of amenities such as slides or tubes. There are additional waterpark properties located in other destinations across the Midwest, Northeast, and Canada. The following table profiles these properties.

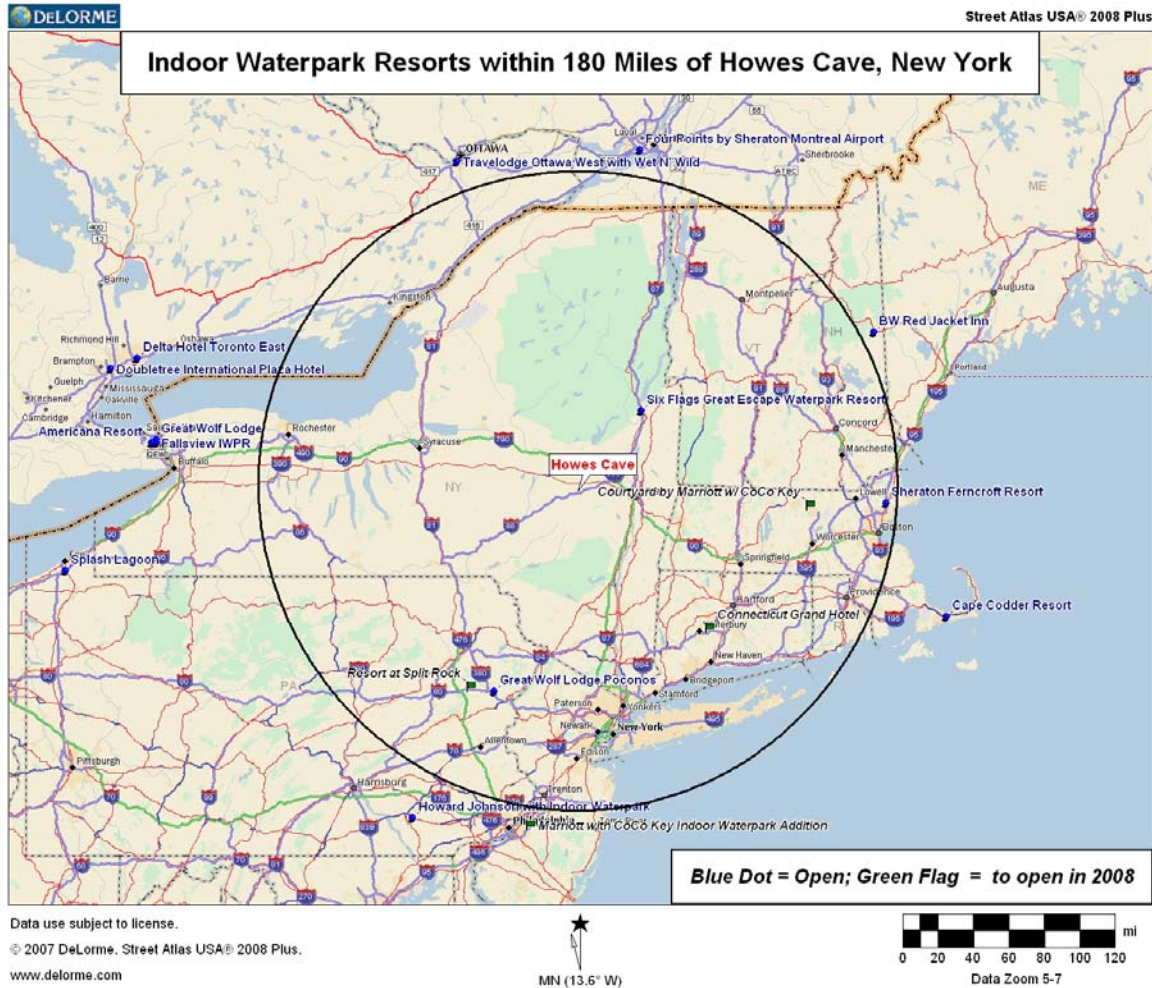
| Indoor Waterpark Resort Supply Analysis | | | | | | |
|--|-------------------|--------------------|----------------------------|---------------|---------------|--------------------|
| State | Number of Resorts | Average Room Count | Indoor Waterpark Size (SF) | | | Percent Franchised |
| | | | Average | High | Low | |
| Idaho | 1 | 98 | 20,000 | 20,000 | 20,000 | 100% |
| Illinois | 5 | 285 | 34,700 | 64,500 | 24,000 | 60% |
| Indiana | 2 | 249 | 27,500 | 30,000 | 25,000 | 50% |
| Iowa | 5 | 138 | 18,600 | 25,000 | 11,000 | 40% |
| Kansas | 2 | 250 | 33,000 | 38,000 | 28,000 | 0% |
| Kentucky | 1 | 81 | 10,000 | 10,000 | 10,000 | 0% |
| Massachusetts | 2 | 314 | 27,500 | 45,000 | 10,000 | 50% |
| Michigan | 11 | 233 | 26,091 | 58,000 | 10,000 | 45% |
| Minnesota | 14 | 178 | 25,929 | 68,000 | 11,000 | 79% |
| Missouri | 2 | 617 | 20,000 | 20,000 | 20,000 | 0% |
| Nebraska | 1 | 383 | 40,000 | 40,000 | 40,000 | 100% |
| New York | 1 | 200 | 38,500 | 38,500 | 38,500 | 0% |
| North Dakota | 4 | 159 | 19,500 | 35,000 | 10,000 | 75% |
| Ohio | 9 | 309 | 51,444 | 173,000 | 10,000 | 33% |
| Pennsylvania | 3 | 302 | 51,000 | 78,000 | 10,000 | 67% |
| South Dakota | 2 | 204 | 30,000 | 30,000 | 30,000 | 100% |
| Tennessee | 1 | 526 | 50,000 | 50,000 | 50,000 | 0% |
| Texas | 3 | 397 | 54,667 | 75,000 | 19,000 | 0% |
| Virginia | 2 | 901 | 61,625 | 67,000 | 56,250 | 0% |
| Washington | 3 | 206 | 26,667 | 60,000 | 10,000 | 67% |
| Wisconsin | 30 | 247 | 35,070 | 225,000 | 10,000 | 20% |
| Total USA/Average | 105 | 293 | 33,491 | | | 42% |
| Alberta | 3 | 260 | 80,600 | 217,800 | 12,000 | 67% |
| Manitoba | 2 | 148 | 10,000 | 10,000 | 10,000 | 100% |
| Ontario | 7 | 371 | 37,143 | 90,000 | 10,000 | 57% |
| Quebec | 1 | 222 | 10,000 | 10,000 | 10,000 | 100% |
| <u>Saskatchewan</u> | <u>1</u> | <u>157</u> | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>100%</u> |
| Total Canada/Average | 14 | 231 | 29,549 | | | 71% |

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
Source: Hotel & Leisure Advisors, LLC, May, 2008

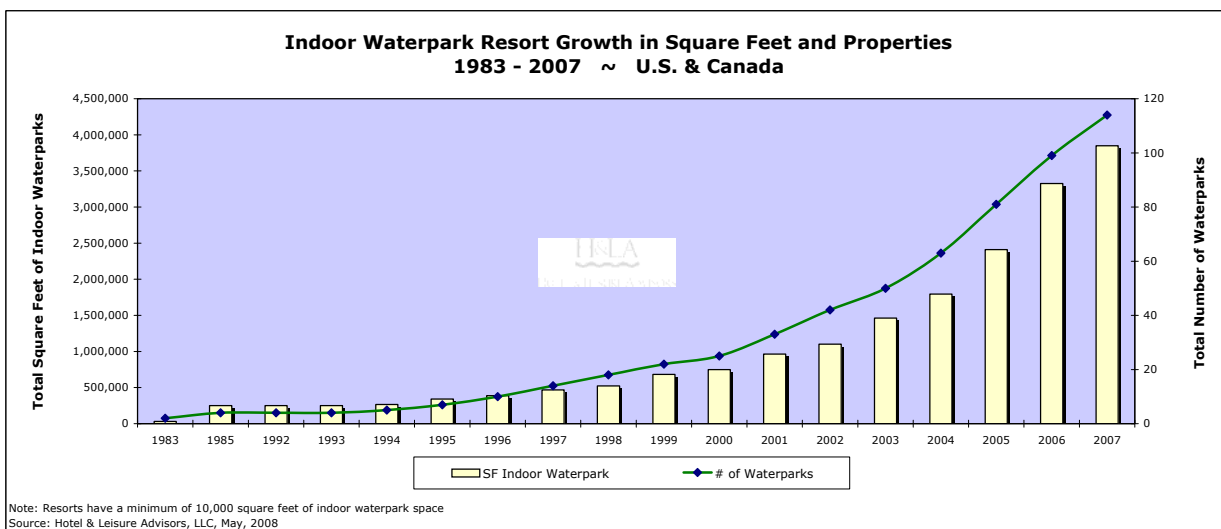
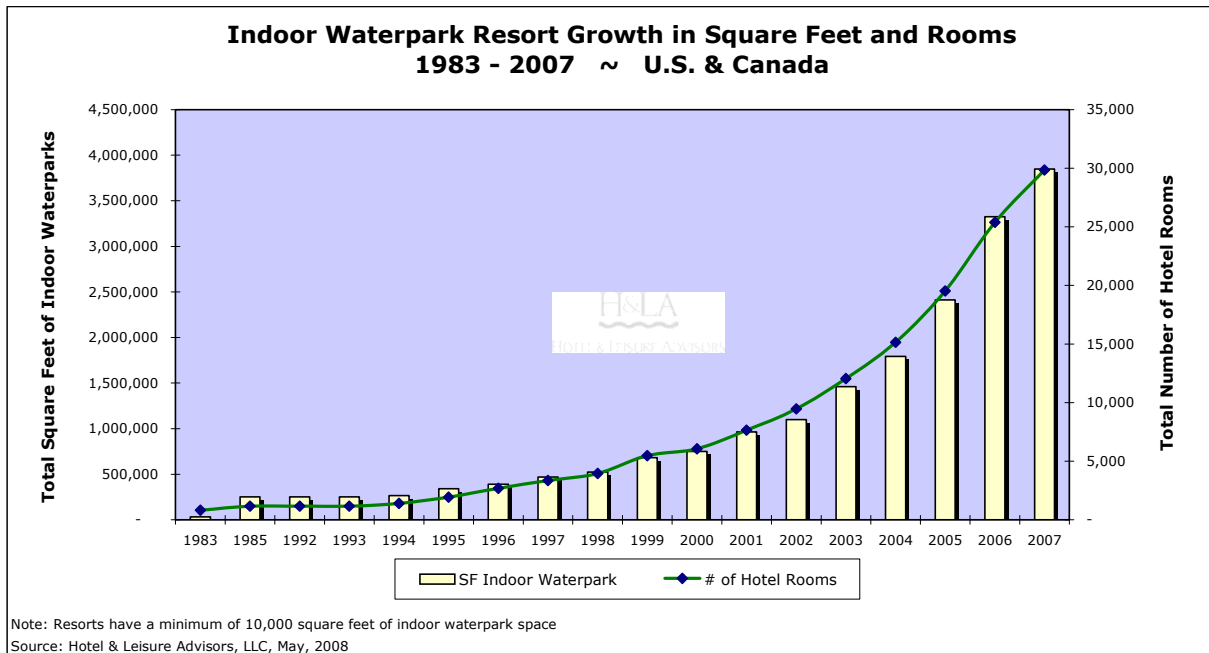
The following chart indicates indoor waterpark resort properties located in the states surrounding the proposed location for the subject.

| Hotels & Resorts with Indoor Waterparks-Surrounding States to Subject | | | | | | |
|--|---------------|------------------|-----------------|--------------|-----------------|----------------|
| Name | Location | State / Province | Number of Rooms | | Waterpark Sq Ft | |
| | | | Franchise | Independent | Franchise | Independent |
| Sheraton-Ferncroft with Coco Key Indoor Waterpark Addition | Danvers | MA | 367 | | 45,000 | |
| Cape Codder Resort | Hyannis | MA | | 260 | | 10,000 |
| Best Western Red Jacket Resort with Kahuna Laguna | North Conway | NH | 163 | | 35,000 | |
| Six Flags Great Escape Waterpark Resort | Queensbury | NY | | 200 | | 38,500 |
| Splash Lagoon - Residence Inn & Holiday Inn Express Suites | Erie | PA | 395 | | 65,000 | |
| Howard Johnson with Indoor Waterpark | Lancaster | PA | 110 | | 10,000 | |
| Great Wolf Lodge | Poconos | PA | | 401 | | 78,000 |
| Wheels Inn & Wild Zone Family Fun Center | Chatham | ON | | 350 | | 10,000 |
| Americana Resort With Indoor Waterpark Addition | Niagara Falls | ON | | 204 | | 25,000 |
| Great Wolf Lodge | Niagara Falls | ON | | 406 | | 85,000 |
| Fallsview Indoor Waterpark (Sheraton & Brock) | Niagara Falls | ON | 402 | 234 | 90,000 | |
| Travelodge Ottawa West with Wet N' Wild | Ottawa | ON | 196 | | 15,000 | |
| Delta Hotel Toronto East | Scarborough | ON | 371 | | 20,000 | |
| Doubletree International Plaza Hotel | Toronto | ON | 433 | | 15,000 | |
| Four Points by Sheraton Montreal Airport | Montreal | QC | 222 | | 10,000 | |
| Total | | 15 | 2,659 | 2,055 | 305,000 | 246,500 |
| Average | | | 295 | 294 | 33,889 | 41,083 |
| Total / Average for Combined Franchise & Independent | | | 4,714 | 295 | 551,500 | 36,767 |
| Note: Averages represent only those properties adding rooms or waterpark SF | | | | | | |
| Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space | | | | | | |
| Source: Hotel & Leisure Advisors, LLC, May, 2008 | | | | | | |

The previous table and the following map indicates existing hotels and resorts with indoor waterparks in New York and the surrounding states. As shown, there are relatively few indoor waterpark projects within the immediate region.



The following charts indicate the growth in indoor waterpark resort supply in the United States and Canada.



Top-Performing Indoor and Outdoor Waterpark Resorts in the United States

We have analyzed the open indoor and outdoor waterpark resorts in the United States and have compiled a chart showing the highest performing facilities in terms of room revenue (inclusive of the waterpark premium).

| Top 10 Performing Waterpark Resorts by Room Revenue in the United States in 2006 | | | | | |
|--|--------------------------------|---------------------|-----------------|--------------------------|---------------------------|
| Rank by Room Revenue | Name | Location | Number of Rooms | Size of Indoor Waterpark | Size of Outdoor Waterpark |
| 1 | Wilderness Resort | Wisconsin Dells, WI | 1,054 | 225,000 | Three Acres |
| 2 | Holiday Inn Nickelodeon Suites | Orlando, FL | 777 | NA | Three Acres |
| 3 | Kalahari Resort | Wisconsin Dells, WI | 740 | 125,000 | One Acre |
| 4 | Great Wolf Lodge | Poconos, PA | 401 | 78,000 | NA |
| 5 | Kingston Plantation Resort | Myrtle Beach, SC | 935 | NA | One Acre |
| 6 | Kalahari Resort | Sandusky, OH | 596 | 80,000 | 1/2 Acre |
| 7 | Great Wolf Lodge | Wisconsin Dells, WI | 437 | 78,000 | 1/2 Acre |
| 8 | Great Wolf Lodge | Williamsburg, VA | 301 | 55,000 | NA |
| 9 | Splash Lagoon Resort | Erie, PA | 368 | 65,000 | NA |
| 10 | Great Wolf Lodge | Sandusky, OH | 271 | 33,000 | NA |

Note: NA - This type of waterpark is not available at this property
Source: Hotel & Leisure Advisors, LLC, May, 2008

The chart indicates that there are two resorts with outdoor waterparks and eight resorts with indoor waterparks, some including outdoor waterparks, on the top 10 list. The list includes properties which were open the entire year 2006. We anticipate the 2007 list to change as a result of recent expansions and openings of larger properties.

Recent Openings of Indoor Waterpark Resorts

The following table indicates properties which opened in 2004 in the United States and Canada.

| Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2004 | | | | |
|--|-----------------|--------------|--------------|-------------------|
| Indoor Waterparks and Resorts | City | State / Prov | New Rooms | Waterpark Sq. Ft. |
| Holiday Inn with Indoor Waterpark Addition | Amana | IA | 0 | 11,000 |
| Holiday Inn North and Caribbean Cove | Indianapolis | IN | 0 | 30,000 |
| Grand Prairie Hotel & Convention Center | Hutchinson | KS | 218 | 28,000 |
| Holiday Inn Express with Indoor Waterpark | Grand Rapids | MI | 79 | 10,000 |
| Ramada Grand Rios Resort | Brooklyn Park | MN | 0 | 35,000 |
| Courtyard/Residence Inn - Milwaukee Rd. Depot | Minneapolis | MN | 357 | 15,000 |
| Sleep Inn and Waterpark | Minot | ND | 126 | 21,000 |
| Castaway Bay at Cedar Point | Sandusky | OH | 0 | 38,000 |
| Ramada Inn and Suites and Indoor Waterpark | Sioux Falls | SD | 150 | 30,000 |
| Blue Harbor Resort | Sheboygan | WI | 247 | 40,000 |
| Lodge at Cedar Creek | Wausau | WI | 140 | 40,000 |
| Kalahari Condominiums Expansion | Wisconsin Dells | WI | 360 | 0 |
| Copa Cabana Indoor Waterpark Addition | Wisconsin Dells | WI | 0 | 10,000 |
| Americana Resort with Indoor Waterpark Addition | Niagara Falls | ON | 0 | 25,000 |
| Total | | 14 | 1,677 | 333,000 |
| Average | | | 210 | 25,615 |

Note: Averages represent only those properties adding rooms or waterpark SF
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
Source: Hotel & Leisure Advisors, LLC, May, 2008

The following table indicates properties which opened in 2005.

| Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2005 | | | | |
|---|------------------|---------------------|------------------|--------------------------|
| Indoor Waterparks and Resorts | City | State / Prov | New Rooms | Waterpark Sq. Ft. |
| Holiday Inn Express and Raptor Reef | Hayden | ID | 98 | 20,000 |
| Grizzly Jack's Grand Bear Lodge at Starved Rock | Utica | IL | 100 | 24,000 |
| Hearthstone (former Baymont) Inn Waterpark Addition | Shepherdsville | KY | 0 | 10,000 |
| Mountain Grand Lodge and Avalanche Bay | Boyer Falls | MI | 220 | 58,000 |
| Zehnder's Splash Village | Frankenmuth | MI | 63 | 22,000 |
| Comfort Suites | Mackinaw City | MI | 50 | 10,000 |
| Best Western Waterpark Expansion | Sterling Heights | MI | 0 | 9,000 |
| Holiday Inn Express and Three Bear Lodge | Baxter | MN | 98 | 19,000 |
| Lodge at Brainerd Lakes | Baxter | MN | 102 | 21,000 |
| Holiday Inn and Wildwoods | Otsego | MN | 125 | 22,000 |
| Kalahari Indoor Waterpark Resort- Route 250 | Sandusky | OH | 596 | 80,000 |
| Splash Lagoon Indoor Waterpark Expansion | Erie | PA | 0 | 13,500 |
| Great Wolf Lodge | Poconos | PA | 401 | 78,000 |
| Massanutten Resort Indoor Waterpark Addition | Harrisonburg | VA | 0 | 56,250 |
| Great Wolf Lodge | Williamsburg | VA | 301 | 55,000 |
| Ramada Inn and Big Splash Indoor Waterpark | Ocean Shores | WA | 54 | 10,000 |
| Comfort Suites with Indoor Waterpark | Johnson Creek | WI | 77 | 10,000 |
| Three Bears Lodge/Jellystone Park expansion | Warren | WI | 120 | 48,000 |
| Country Springs Hotel Waterpark Addition | Waukesha | WI | 0 | 40,000 |
| Great Wolf Lodge Condominium Expansion | Wisconsin Dells | WI | 128 | 0 |
| Total | | 20 | 2,533 | 605,750 |
| Average | | | 169 | 31,882 |

Note: Averages represent only those properties adding rooms or waterpark SF
 Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
 Source: Hotel & Leisure Advisors, LLC, May, 2008

The following table indicates properties which opened in 2006.

| Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2006 | | | | |
|---|--------------------|---------------------|------------------|--------------------------|
| Indoor Waterparks and Resorts | City | State / Prov | New Rooms | Waterpark Sq. Ft. |
| Best Western Pzazz Fun City with Indoor Waterpark | Burlington | IA | 0 | 15,000 |
| Holiday Inn with Indoor Waterpark | Elmhurst | IL | 0 | 24,000 |
| Sheraton Chicago NW CoCo Key Indoor Waterpark Addition | Arlington Heights | IL | 0 | 36,000 |
| Double JJ Ranch Indoor Waterpark Addition | Rothbury | MI | 114 | 34,000 |
| Waterpark of America and Radisson (Grand) Hotel at Mall of America | Bloomington | MN | 400 | 68,000 |
| Best Western Edgewater | Duluth | MN | 17 | 30,000 |
| Holiday Inn with Indoor Waterpark | Lakeville | MN | 0 | 12,000 |
| Six Flags Great Escape Waterpark Resort | Queensbury | NY | 200 | 38,500 |
| Holiday Inn Fort Rapids with Indoor Waterpark | Columbus | OH | 60 | 45,000 |
| Great Wolf Lodge | Mason/Kings Island | OH | 401 | 79,000 |
| Cherry Valley Lodge with CoCo Key Waterpark Addition | Newark | OH | 0 | 35,000 |
| Great Wolf Lodge | Niagara Falls | ON | 406 | 85,000 |
| Sheraton Brock Indoor Waterpark Addition | Niagara Falls | ON | 0 | 90,000 |
| Howard Johnson with Indoor Waterpark | Lancaster | PA | 0 | 10,000 |
| LaQuinta and Fairfield Inn with Indoor Waterpark | Rapid City | SD | 256 | 30,000 |
| Schlitterbahn Indoor/Outdoor Waterpark Resort | Galveston | TX | 0 | 70,000 |
| Great Wolf Lodge Expansion | Williamsburg | VA | 0 | 12,000 |
| Deer Valley Lodge | Barneveld | WI | 62 | 12,000 |
| Best Western Grand Seasons Hotel | Waupaca | WI | 90 | 10,000 |
| Three Bears Lodge/Jellystone Park expansion | Warrens | WI | 151 | 0 |
| Chula Vista expansion | Wisconsin Dells | WI | 190 | 55,000 |
| Great Wolf Lodge Expansion | Wisconsin Dells | WI | 0 | 38,000 |
| Wilderness Glacier Canyon Lodge | Wisconsin Dells | WI | 461 | 65,000 |
| Total | | 23 | 2,808 | 893,500 |
| Average | | | 216 | 40,614 |

Note: Averages represent only those properties adding rooms or waterpark SF
 Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
 Source: Hotel & Leisure Advisors, LLC, May, 2008

The following table indicates the properties which opened in 2007.

| Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2007 | | | | |
|---|-----------------|---------------------|------------------|--------------------------|
| Indoor Waterparks and Resorts | City | State / Prov | New Rooms | Waterpark Sq. Ft. |
| Lodge at Storm Lake & Kings Pointe Waterpark | Storm Lake | IA | 100 | 17,000 |
| Bridges Bay Indoor Waterpark Resort | Arnolds Park | IA | 100 | 25,000 |
| Best Western Clock Tower CoCo Key Waterpark Addition | Rockford | IL | 0 | 25,000 |
| Splash Universe Wana Waves Indoor Waterpark Resort | Shipshewana | IN | 154 | 25,000 |
| Sheraton Ferncroft Resort with CoCo Key Waterpark | Danvers | MA | 0 | 45,000 |
| Grand Traverse Resort and Spa Indoor Waterpark Addition | Acme | MI | 0 | 15,000 |
| Holiday Inn Express Splash Universe Resort | Dundee | MI | 87 | 23,000 |
| Holiday Inn Maple Grove with Indoor Waterpark | Maple Grove | MN | 136 | 25,000 |
| Canad Inn with Splasher of the South Seas | Grand Forks | ND | 201 | 35,000 |
| Holiday Inn with CoCo Key Indoor Waterpark Addition | Omaha | NE | 0 | 40,000 |
| Holiday Inn with Indoor Waterpark | Maumee | OH | 106 | 15,000 |
| Quality Inn and Suites with Rain Indoor Waterpark | Sandusky | OH | 0 | 10,000 |
| Kalahari Indoor Waterpark Resort Expansion | Sandusky | OH | 288 | 93,000 |
| Sheraton Sharonville CoCo Key Indoor Waterpark Addition | Sharonville | OH | 0 | 35,000 |
| Splash Lagoon Holiday Inn Express Expansion | Erie | PA | 27 | 0 |
| Westgate Smoky Mountain Resort Timeshare WP Addition | Gatlinburg | TN | 0 | 50,000 |
| Great Wolf Lodge | Grapevine | TX | 402 | 75,000 |
| Great Wolf Lodge Expansion | Williamsburg | VA | 104 | 0 |
| Three Bears Lodge/Jellystone Park Expansion | Warrens | WI | 72 | 0 |
| Mt. Olympus Pleasant View Motel Addition | Wisconsin Dells | WI | 48 | 0 |
| Chula Vista Expansion | Wisconsin Dells | WI | 116 | 0 |
| Total | | 21 | 1,941 | 553,000 |
| Average | | | 139 | 34,563 |

Note: Averages represent only those properties adding rooms or waterpark SF
 Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
 Source: Hotel & Leisure Advisors, LLC, May, 2008

The development of the indoor waterpark resorts in the Midwest and Northeast increased the number of overnight visitors particularly during the non-summer months. The primary growth has occurred during long weekends and school breaks. The addition of the waterpark to the resorts has added entertainment value for the guest by bringing the outdoor waterpark indoors. Bringing the waterpark indoors eliminates weather as a variable and extends a short peak season to year round. The resorts are very popular with families with children ages 14 and under.

Sizing of Waterparks: Our analysis indicates that the typical indoor waterpark resort property has approximately 150 square feet of net indoor waterpark space (waterpark area and play area but excluding arcade, gift shop, offices) per guest room. This correlates with research that indicates an indoor waterpark should have approximately 35 to 40 square feet of space per person. Because a typical hotel room will house between three and four people, this calls for between 105 and 160 square feet of indoor waterpark space per guest room. Some larger properties have up to 200 square feet of indoor waterpark guest room.

Waterpark Resort Condominiums: A number of indoor waterpark resorts in the Midwestern states have utilized the sale of condominium hotel units to raise funds to construct indoor waterpark additions. Sale prices for condominium units, which are then rented out by the management company, range from \$200,000 to \$500,000 for a two- to three-bedroom (frequently lockout) unit. The buyer of the condominium unit typically utilizes the unit only one to two weeks per year. The buyer hires the hotel management company to rent the unit out on a nightly basis and the management company receives between 40% and 50% of the room revenues. Resorts with condominium units include Kalahari Resorts in Sandusky and Wisconsin Dells; Great Wolf Lodge in Wisconsin Dells; Blue Harbor Resort in Sheboygan; Wilderness Resort in Wisconsin Dells; Boyne's Mountain Grand Lodge and Avalanche Bay in Michigan; and Grizzly Jack's Grand Bear Lodge in Starved Rock, Illinois.

Timeshare Units and Indoor Waterpark Resorts: A number of indoor waterpark resorts are adding timeshare units as a component of their overall rooms supply. Resorts which currently offer timeshare units include Massanutten Resort in Virginia and the Wilderness Resort in Wisconsin Dells. Massanutten Resort reported that after the indoor waterpark addition was announced that both sales and prices of timeshare units increased. Mount Olympus Resort Water and Theme Park Resort in Wisconsin Dells is partnering with Bluegreen Corporation to develop 75 two- and three-bedroom timeshare units in 2008 and 2009 which will be known as Odyssey Dells. Wyndham's timeshare division is selling timeshares at the Wilderness Resort in Wisconsin Dells and is planning to develop timeshare units at the Wilderness Resort in Sevierville, Tennessee.

Indoor Waterparks Occupancy and Average Room Rates: Waterpark resorts outperform the general non-waterpark hotels. There are several reasons for this premium performance, including:

- Year-round destination resorts
- Elimination of weather-related vacation risks
- Wide appeal of water-based recreation
- Increasing demand for short drive-to getaway vacations
- Themes with varying levels of appeal
- Location proximate to customer base
- Location within established family vacation market

The following chart gives more information about comparable indoor waterpark resorts. We have profiled midsized and larger resorts in Wisconsin Dells, Sandusky, Queensbury, Poconos and Danvers. The following table lists the competitive hotels and information about their indoor waterpark areas.

| Selected Indoor Waterpark Resort Profiles | | | | | | | | | | | | | | |
|--|-------------------------------------|-----------------|-------------|--------------|-------------|---------------------|----------------------|---------------|-----------------|-------------|-----------------------------|----------------|----------------|------------------|
| # | Resort | Location | Date Opened | Number Rooms | Rest/Lounge | SF Indoor Waterpark | SF Outdoor Waterpark | Mtg Space | Room Rates-2008 | | Non-Guest Fee for Waterpark | | | |
| | | | | | | | | | High Season | Low Season | Low | High | Half-day | Full day High/SF |
| US Dollars | | | | | | | | | | | | | | |
| 1 | Great Wolf Lodge | Wisconsin Dells | 1997 | 436 | Yes | 76,000 | 50,000 | 5,400 | \$199-\$549 | \$129-\$479 | \$15.00 | \$15.00 | \$15.00 | \$0.0002 |
| 2 | Chula Vista | Wisconsin Dells | 1940s | 578 | Yes | 75,000 | 120,000 | 43,169 | \$189-\$459 | \$119-\$319 | \$29.95 | \$29.95 | \$29.95 | \$0.0004 |
| 3 | Polynesian | Wisconsin Dells | 1989 | 230 | Yes | 38,000 | 166,000 | 2,599 | \$179-\$299 | \$69-\$149 | \$20.00 | \$20.00 | \$20.00 | \$0.0005 |
| 4 | Mount Olympus Resort | Wisconsin Dells | 1995 | 378 | Yes | 55,000 | 1,259,995 | 0 | \$289-\$369 | \$99-\$169 | \$23.00 | \$27.00 | \$23.00 | \$0.0005 |
| 5 | Wilderness (includes condos/cabins) | Wisconsin Dells | 1995 | 1,054 | Yes | 225,000 | 135,000 | 16,844 | \$319-\$1200 | \$99-\$695 | \$29.00 | \$34.00 | \$19.00 | \$0.0002 |
| 6 | Kalahari | Wisconsin Dells | 2000 | 740 | Yes | 125,000 | 100,000 | 71,894 | \$259-\$649 | \$129-\$619 | \$34.00 | \$34.00 | \$25.00 | \$0.0003 |
| 7 | Castaway Bay | Sandusky, OH | 2004 | 237 | Yes | 38,000 | 0 | 10,681 | \$254-\$369 | \$184-\$294 | \$29.00 | \$29.00 | \$15.00 | \$0.0008 |
| 8 | Six Flags Great Escape | Queensbury, NY | 2006 | 200 | Yes | 38,500 | 0 | 7,100 | \$239-\$998 | \$175-\$449 | \$30.00 | \$30.00 | \$30.00 | \$0.0008 |
| 9 | Sheraton-Ferncroft Coco Key | Danvers, MA | 2007 | 367 | Yes | 45,000 | 0 | 30,000 | \$219-\$299 | \$189-\$269 | \$30.00 | \$40.00 | \$30.00 | \$0.0009 |
| 10 | Great Wolf Lodge | Scotrun, PA | 2005 | 401 | Yes | 78,000 | 0 | 6,670 | \$229-\$639 | \$189-\$499 | \$30.00 | \$30.00 | \$30.00 | \$0.0004 |
| Average | | | | 462 | | 79,350 | 183,100 | 19,436 | | | \$27.00 | \$28.90 | \$23.70 | \$0.0005 |

Source: Hotel & Leisure Advisors, LLC, May, 2008

These comparable properties are presented to provide an analysis of the room rates, indoor waterpark square footage, and prices for those properties which allow non-hotel guests to utilize their waterparks. Although there are other indoor waterpark resorts, we have selected the larger facilities or those with more unique themes to indicate the range of prices. We have visited each of these facilities.

Location: Six of the comparable properties are located in Wisconsin Dells, Wisconsin, while one is located in Sandusky, Ohio, one is located in Queensbury, New York, one is located in Danvers, Massachusetts, and one is located in Scotrun, Pennsylvania.

Date Opened: The comparable properties all opened between 1989 and 2007 with the exception of the following resorts. The Chula Vista Resort opened in the 1940s but did not add its waterpark until 1999. Castaway Bay opened in 1988 as a Radisson but changed its name when it added its waterpark in 2004. The Sheraton-Ferncroft opened in 1978 but added its waterpark in 2007.

Number of Rooms: The properties range in room count from 200 to 1,054 available rooms. Three of the Wisconsin Dells properties were expanded in 2002 including Wilderness, Mount Olympus, and Kalahari. Kalahari and Wilderness added additional condominium units in 2003, 2004, 2005, and 2006. Wilderness Resort is also adding 200 timeshare units to be built in 2006 through 2008. Chula Vista did a major expansion in 2006 with the opening of a condominium hotel and additional waterpark on property. The room counts shown include the room additions. The Mount Olympus Resort is a result of the merger of the Mount Olympus theme park, Treasure Island Hotel and Bay of Dreams indoor waterpark, and Pleasant View Motel. The property is offering rooms in the former 330-room Treasure Island and the newly named 48-room Value Motel. The Great Wolf Lodge in Wisconsin Dells added 79 condominium units, which allows for 128 additional guest keys, in the summer of 2005. It added a 25,000 square foot indoor waterpark expansion in 2006.

Restaurant/Lounge: All of the properties have a restaurant and lounge on premise with some properties having multiple options.

Indoor Waterpark Size: The size of the indoor waterparks in the properties range from 38,000 square feet at the Polynesian and Castaway Bay to 225,000 square feet at Wilderness. Properties in Wisconsin Dells have been expanding the sizes of their waterparks in the past three years with three of the properties adding substantial new indoor waterparks. The Kalahari opened their \$12 million, 58,000 square foot addition to their waterpark in December 2002. The Wilderness Resort constructed a 70,000 square foot indoor waterpark called the Wild West Waterpark which opened in late February, 2003. In addition, they opened a 15,000 square foot indoor waterpark on Lake Delton connected to their 108-unit condominium development in 2003. They opened the 65,000 square foot Wildwater Dome indoor waterpark in April 2006. Treasure Island merged with Mt. Olympus in late 2004, creating the largest combination waterpark and amusement park resort facility. The property added an indoor amusement park to its indoor waterpark in 2006, which includes a roller coaster, bumper cars, and kiddie rides. Chula Vista opened an 80,000 square foot indoor waterpark along with a condominium hotel and conference center in summer 2006.

Outdoor Waterpark: Many of the properties have some kind of outdoor waterpark, which may include an outdoor pool with a small slide, or a large 35-acre outdoor waterpark such as that which exists at Mount Olympus Resort.

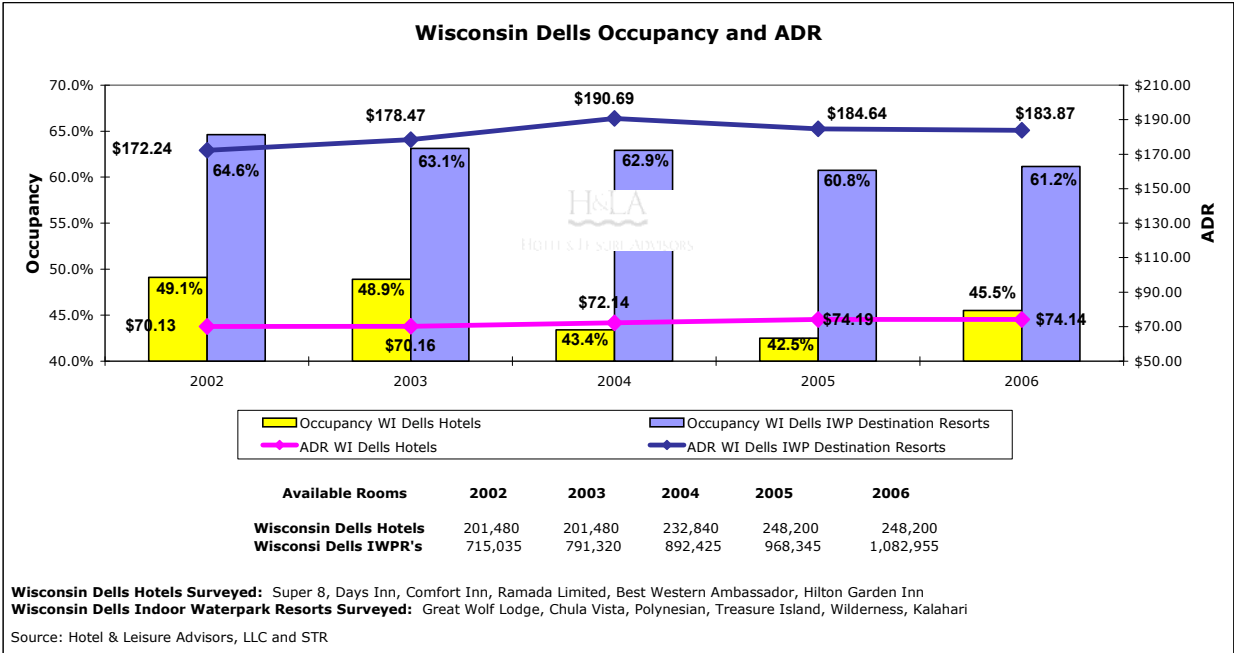
Meeting Space: Most of the properties have a range of available meeting space from 2,599 square feet at the Polynesian to 71,894 square feet at Kalahari. In 2004, Kalahari in Wisconsin Dells expanded its meeting space by adding 35,000 square feet of additional meeting space for a total of 71,894 square feet. They also constructed a condominium complex with 120 condominium units (360 potential guest rooms) near the convention center complex. The groundbreaking was in the fall of 2003 and completion occurred in summer 2004. Group business at Kalahari accounts for 40% of the hotel's market mix. Kalahari in Sandusky added a 60,000 square foot convention center in 2006. In 2006, Wilderness Resort added 224 luxury condominium units plus a 25,000 gross square foot conference and wedding facility. In 2008, Wilderness added an additional 14,000 gross square feet of meeting space to the recently opened Glacier Canyon Lodge Banquet and Conference Center. The Chula Vista Resort is moving through the approval process to develop an additional 300,000 square feet of space for athletics and conventions. The two-phase plan began with the construction of an 80,000 square foot \$7 million inflatable sports dome building which opened in June 2007 for a large volleyball tournament. It houses 24 volleyball courts or 12 basketball courts at one time and will focus on accommodating youth sports events. The second phase will include an identical second dome with an additional 80,000 square feet and a \$40 million 150,000 square foot conference center that could also be used for sports tournaments. Mount Olympus Resort is the only resort, which does not have meeting space for groups.

Published Room Rates: The properties have a wide range of room rates, which they adjust seasonally depending on the time of year and whether school is in session or on break. The properties have substantial discounts when school is in session and the amount of leisure visitors is lower.

Waterpark Fees for Non-Guests: Most of the hotels with indoor waterparks allow for outside visitors. Properties such as the Great Wolf Lodge only allow outside visitors when demand is slow. Other properties such as Treasure Island, Chula Vista, and Kalahari market to encourage outside visitors.

Performance Figures of Indoor Waterpark Resorts

Occupancy and Average Daily Rate for Wisconsin Dells Indoor Waterpark Resorts: Occupancy and ADR for the six larger indoor waterpark resorts, which are located in the Wisconsin Dells, are shown in the following table along with the results from the Smith Travel Research report of all participating hotels in Wisconsin Dells. The purpose for this analysis is to show the higher occupancy and average daily rate which larger indoor waterpark resorts achieve as compared to typical franchise properties as represented by the Smith Travel Research report.



The overall market average of the comparable indoor waterpark resorts located in Wisconsin Dells outperformed the franchise chain affiliated Wisconsin Dells non-resort overall average hotel occupancy by 16 occupancy points and the average daily rate of the non-resort hotels by \$110 in 2006. These statistics are based upon the six larger indoor waterpark destination resorts and the six limited-service franchise participating hotels as shown by Smith Travel Research in Wisconsin Dells. Specific properties within the competitive set outperformed the overall average Smith Travel Research figures by up to 29 occupancy points and the average daily rate by up to \$151 in 2006.

In comparison to the indoor waterpark resorts, the hotels in the Wisconsin Dells without indoor waterparks achieve substantially lower levels of occupancy and are very seasonal. The franchise hotels are open year-round but achieve their strong occupancy levels in the summer months, limiting their direct comparison. However, the analysis clearly indicates the higher occupancy and average daily rates generally achieved by hotels with indoor waterparks as compared to those without.

We have analyzed the historic figures of the Great Wolf Resorts properties, which were recently included in their SEC offering, which is available for all investors to review. The following indicates pertinent information.

| Great Wolf Lodge Indoor Waterpark Resorts Statistical Data for 12 Months Ended December 31, 2004 | | | | | | | | |
|---|------------------------------------|-------|---|------------------|----------------------------------|----------------|---|---|
| Location | Great Wolf Resorts Year Open | Rooms | Indoor Entertainment Area (1) (approx. ft ²) | Occupancy (%) | Average Daily Rate (\$) | Revpar (\$) | Total Revenue per Occupied Room (\$) | Total Revenue per Available Room (\$) |
| Wisconsin Dells, WI | May 1997 | 309 | 65,000 | 62.2 | \$188.76 | \$117.47 | \$267.20 | \$166.29 |
| Sandusky, OH(2) | March 2001 | 271 | 42,000 | 68.0 | \$231.45 | \$157.50 | \$325.78 | \$221.68 |
| Traverse City, MI | March 2003 | 281 | 53,000 | 69.4 | \$223.43 | \$155.04 | \$320.68 | \$222.52 |
| Kansas City, KS (3) | May 2003 | 281 | 50,000 | 64.4 | \$196.18 | \$126.31 | \$285.85 | \$184.05 |
| Sheboygan, WI (4) | July 2004 | 183 | 50,000 | 58.3 | \$190.35 | \$110.93 | \$351.61 | \$204.91 |

(1) The indoor entertainment areas generally include the indoor waterpark, game arcade, children's activity room and fitness room, as well as an Aveda concept spa, 3D virtual reality theater, Wiley's Woods and party room in the resorts that have such amenities.
(2) Prior to May 2004, this resort was operated as Great Bear Lodge.
(3) They currently lease the property on which the Kansas City resort is located pursuant to a 10-year ground lease with a local governmental authority. They intend to convert this leasehold interest into a fee simple interest.
(4) The Sheboygan resort is known as the Blue Harbor Resort
Source: Great Wolf Resorts SEC Filing, February 2005

The chart indicates 2004 year-end performance for their five properties. The figures shown for Sheboygan represent seven months of performance while the other properties include 12 months of performance. We have also analyzed the year to date 2005 performance of all of the Great Wolf Lodge properties as shown in recent SEC filings. The following table indicates these results.

| Great Wolf Lodge Indoor Waterpark Resorts Statistical Data for Nine Months Ended September 30 | | |
|--|-----------------|-----------------|
| | YTD 9/05 | YTD 9/04 |
| Wisconsin Dells: | | |
| Occupancy | 62.6% | 65.5% |
| ADR | \$192.55 | \$195.84 |
| RevPAR | \$120.56 | \$128.33 |
| Total RevPOR | \$282.04 | \$273.11 |
| Total RevPAR | \$176.58 | \$178.96 |
| Sandusky: | | |
| Occupancy | 62.8% | 73.2% |
| ADR | \$224.54 | \$234.02 |
| RevPAR | \$141.00 | \$171.26 |
| Total RevPOR | \$316.66 | \$327.36 |
| Total RevPAR | \$198.84 | \$239.57 |
| Traverse City: | | |
| Occupancy | 72.5% | 73.7% |
| ADR | \$215.92 | \$227.34 |
| RevPAR | \$156.49 | \$167.57 |
| Total RevPOR | \$312.20 | \$325.01 |
| Total RevPAR | \$226.27 | \$239.56 |
| Kansas City: | | |
| Occupancy | 69.0% | 67.4% |
| ADR | \$212.30 | \$192.14 |
| RevPAR | \$146.48 | \$129.42 |
| Total RevPOR | \$300.36 | \$282.37 |
| Total RevPAR | \$207.25 | \$190.18 |
| Sheboygan: | | |
| Occupancy | 58.3% | — |
| ADR | \$171.42 | — |
| RevPAR | \$99.95 | — |
| Total RevPOR | \$338.96 | — |
| Total RevPAR | \$197.64 | — |
| Williamsburg: | | |
| Occupancy | 61.7% | — |
| ADR | \$239.60 | — |
| RevPAR | \$147.84 | — |
| Total RevPOR | \$358.48 | — |
| Total RevPAR | \$221.19 | — |

Source: Great Wolf Resorts SEC Filings

The results indicate a decline in performance in the Sandusky property due to competition from the Castaway Bay property, operated by Cedar Fair. In contrast, Kansas City showed improved levels of performance. The following chart indicates the year-end 2005, 2006, and 2007 figures and year to date figures for the chain.

| Great Wolf Resorts, Inc. Operating Statistics for 2005-2007 and YTD 2007-2008 | | | | | |
|---|-------------|-------------|-------------|-----------------|-----------------|
| | 2007 | 2006 | 2005 | YTD 3/08 | YTD 3/07 |
| All Properties | | | | | |
| Occupancy | 62.2% | 64.0% | 60.6% | 62.4% | NA |
| ADR | \$248.66 | \$241.70 | \$213.77 | \$269.67 | NA |
| RevPAR | \$154.60 | \$154.61 | \$129.56 | \$168.32 | NA |
| Total RevPOR | \$374.20 | \$359.57 | \$322.41 | \$413.15 | NA |
| Total RevPAR | \$232.66 | \$230.01 | \$195.40 | \$257.88 | NA |
| All - Same Store* | | | | | |
| Occupancy | 64.7% | 64.8% | 60.5% | 64.0% | 64.2% |
| ADR | \$248.05 | \$240.14 | \$209.71 | \$265.80 | \$248.21 |
| RevPAR | \$160.45 | \$155.68 | \$126.93 | \$170.01 | \$159.46 |
| Total RevPOR | \$368.59 | \$354.78 | \$315.37 | \$402.97 | \$378.74 |
| Total RevPAR | \$238.42 | \$230.00 | \$190.89 | \$257.75 | \$243.32 |
| *Same store comparison includes properties that were open for the full periods, while all properties include results for properties that were open for any portion of the period. | | | | | |
| Source: Great Wolf Resorts, Inc. 2008 1st Quarter | | | | | |

The chart indicates that the chain has recorded improvements in both occupancy and average daily rate from 2005 to 2007 for all properties. The 2007 figures indicate slight declines for both same-store properties as well as all properties. The decline in all properties is due to the opening of the Mason, Ohio and Niagara Falls, Ontario facilities which are still in their first year of performance. The chain has shown strong growth in average daily rate for both categories between 2005 and 2006 due to the opening of the Great Wolf Lodge Poconos. While growth in year-to-date occupancy is relatively flat, year-to-date average daily rate is up significantly, resulting in increases in RevPAR.

Usage of Indoor Waterpark: We have analyzed the usage of the indoor waterparks within the resorts. The following table indicates our estimates of annual usage of the indoor waterparks and a usage per square foot figure for each waterpark. The names of each facility are kept confidential.

| Annual Attendance at Indoor Waterpark Resorts | | |
|--|-----------------------------|---------------|
| Resort | Estimated Annual Attendance | Attendance/SF |
| A | 396,000 | 5.1 |
| B | 700,000 | 5.6 |
| C | 296,000 | 5.4 |
| D | 414,000 | 5.3 |
| E | 280,000 | 4.3 |
| F | 67,000 | 6.7 |
| G | 196,000 | 4.4 |
| H | 125,000 | 5.5 |
| Average | | 5.3 |

Source: Hotel & Leisure Advisors

The table indicates that among eight existing indoor waterpark resorts, they have a range of attendance per square foot from 4.3 to 6.7 people. The overall average is 5.3 people per square foot. The attendance figures range from below 100,000 to approximately 700,000 visitors per year.

Reasons for Strong Indoor Waterpark Resort Performance

We have analyzed the reasons for the increase in the number of indoor waterparks and the strong performance of many of the indoor waterpark resorts, which have opened. We have reviewed data from the 2007 Leisure Market Research Handbook published by Richard K. Miller and Associates. The following bullets are highlights from the book, which provides data concerning travel.

- According to the Travel Industry Association of America (TIA), travel volume in the United States is forecasted to equal 1.23 billion person trips in 2006, which is an increase from 1.2 billion person trips in 2005 and 1.18 billion person trips in 2004.
- According to the TIA, 68% of U.S. adults took a leisure trip of at least 50 miles one way in the previous year. Since 1994 leisure person trips have increased by more than 16% while during the same timeframe business and convention travel volume decreased by more than 15%.
- Twenty-four percent of household trips in the United States include children under 18 or 134.9 million trips in total according to the TIA Domestic Travel Market Report. Eighty-seven percent of trips with children are for leisure reasons with nearly half-taken to visit friends or relatives.
- Twenty-two percent of parents who took a trip in the past year took their children out of school to be part of their travel experience. This represents nearly 16 million adults who took their child or children out of school to take a trip in the past year.
- Forty-two percent of overnight trips with children include a hotel stay.
- According to the TIA, weekend travel is more popular than ever with 50% of all adults or nearly 103 million taking at least one weekend trip per year. Nearly 30% have taken five or more weekend trips and 35% note they have taken their children along on at least one trip.

- According to the TIA, shopping topped the list of favorite activities among travelers (30%). This was followed by family events (27%), outdoor activities (11%), city/urban sightseeing (10%), rural sightseeing (10%), beach activities (9%), historic places, sites, museums (8%), gambling (8%), visiting a theme/amusement park (7%), national/state park (7%) with seminar/courses, nightlife, sports event, zoo/aquarium, boating, performing arts, cultural events, golf, art museums, and winter sports equaling the remainder of the participants.
- Based on the survey of 11,000 parents, Zagat's new *US Family Travel Guide* lists the following are the top 10 destinations for travel with children:
 - Magic Kingdom, Orlando
 - Epcot, Orlando
 - American Museum of Natural History, New York City
 - Disneyland, Anaheim
 - Central Park, New York City
 - Disney-MGM Studios, Orlando
 - Metropolitan Museum of Art, New York City
 - Disney's Animal Kingdom, Orlando
 - Bronx Zoo, New York City
 - Yosemite National Park, California

Waterpark Attendance

According to the World Waterpark Association, waterpark attendance was between 73 and 75 million people in 2006, which is an increase from the attendance of 42 million people in 1991. The attendance levels in 2006 were between 3% and 5% higher than the figures for 2005 according to the World Waterpark Association. There are over 1,000 waterparks in North America. These include outdoor, indoor, and municipally owned facilities.

We have analyzed statistics concerning attendance at the top 15 United States outdoor waterparks as taken from *Park World* magazine.

| U.S. Waterparks With Highest Attendance | | | | | | |
|---|----------------------------|----------------------|-----------------|-----------------|----------|--|
| # | Name | Location | 2007 Attendance | 2006 Attendance | % Change | |
| 1 | Typhoon Lagoon | Lake Buena Vista, FL | 2,080,000 | 2,049,000 | 1.5% | |
| 2 | Blizzard Beach | Lake Buena Vista, FL | 1,910,000 | 1,881,000 | 1.5% | |
| 3 | Wet 'n Wild | Orlando, FL | 1,370,000 | 1,343,000 | 2.0% | |
| 4 | Schlitterbahn | New Braunfels, TX | 865,000 | 881,000 | -1.8% | |
| 5 | Water Country USA | Williamsburg, VA | 773,000 | 689,000 | 10.9% | |
| 6 | Raging Waters | San Dimas, CA | 650,000 | 650,000 | 0.0% | |
| 7 | Adventure Island | Tampa, FL | 615,000 | 609,000 | 1.0% | |
| 8 | Noah's Ark | Wisconsin Dells, WI | 561,000 | 589,000 | -5.0% | |
| 9 | Hyland Hills Water World | Federal Heights, CO | 558,000 | 413,000 | 26.0% | |
| 10 | Schlitterbahn | Galveston, TX | 550,000 | 495,000 | 10.0% | |
| 11 | Dollywood's Splash Country | Pigeon Forge, TN | 491,000 | 394,000 | 19.8% | |
| 12 | Wet'n Wild Emerald Pointe | Greensboro, NC | 470,000 | 464,000 | 1.2% | |
| 13 | Six Flags White Water | Marietta, GA | 469,000 | 464,000 | 1.0% | |
| 14 | Six Flags Hurricane Harbor | Arlington, TX | 435,000 | 448,000 | -3.0% | |

Source: TEA and ERA Attractions Attendance Report 2008

Conclusion: These trends are positive for indoor waterpark resorts because they indicate that people are looking for activities which children will enjoy and are visiting for shorter durations. The indoor waterpark resort is very popular for two to three night stays and most children enjoy the indoor waterpark area extensively. Our analysis of the comparable indoor waterpark resorts indicates that the addition of an indoor waterpark allows a property to achieve substantially higher occupancy and average daily rate than

those properties without this component. There are examples of properties that are successful in operating the waterpark for both hotel guests and the public, although proper management is required to avoid overcrowding and proper pricing.

Projected Development of Indoor Waterpark Resorts

Because of the strong performance of the indoor waterpark resorts in Wisconsin Dells and other locations, there are many properties considering the development of an indoor waterpark resort. The following table summarizes the indoor waterpark resorts which are under construction or are in planning or development stages.

| Indoor Waterparks Currently Proposed or In Progress United States and Canada | | | | | |
|---|-----------------------------|----------------------------|--------------------|---------------------------|-----------------------------|
| Region | Number of Resort Properties | Number of New Resort Rooms | Average Room Count | Indoor Waterpark SF Total | Indoor Waterpark SF Average |
| Northeastern United States | 78 | 19,677 | 371 | 3,663,700 | 52,339 |
| Midwestern United States | 127 | 26,060 | 251 | 4,565,000 | 39,696 |
| Southern United States | 41 | 8,983 | 346 | 1,981,000 | 55,028 |
| Western United States | 53 | 16,333 | 380 | 2,582,240 | 54,941 |
| USA Total/Average | 299 | 71,053 | 337 | 12,791,940 | 50,501 |
| Canada Total/Average | 12 | 2,515 | 229 | 600,000 | 50,000 |
| N. America Total/Average | 311 | 73,568 | 315 | 13,391,940 | 50,401 |

Note: Averages represent only those properties adding rooms or waterpark SF
 Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
 Source: Hotel & Leisure Advisors, LLC, May, 2008

The table indicates that there are 311 properties in the United States and Canada which are proposing to add indoor waterpark facilities or are developing new construction indoor waterpark resorts. Most indoor waterpark resorts that are currently operational, under construction, and proposed are located in northern states due to a shorter summer season. The previous list includes indoor waterpark resorts known to be in the planning stages or under construction. Of this list, only those with proper planning and financing will be developed. We project a number of these projects will not be developed due to the challenging financing issues.

Our research indicates that there are 29 new indoor waterpark resorts or expansions to resorts are projected to open in 2008 in the United States and Canada. The following table lists these properties.

| Indoor Waterpark Additions & Indoor Waterpark Resorts Projected to Open in 2008 | | | | |
|--|-----------------|---------------------|------------------|--------------------------|
| Indoor Waterparks and Resorts | City | State / Prov | New Rooms | Waterpark Sq. Ft. |
| Holiday Inn/former Connecticut Grand Hotel CoCo Key IWP Addition | Waterbury | CT | 0 | 35,000 |
| Honey Creek Resort with Indoor Waterpark | Rathbun Lake | IA | 105 | 15,000 |
| Sunset Bay Condominums at Lodge at Storm Lake & Kings Pointe Waterpark | Storm Lake | IA | 70 | 0 |
| Silver Mountain Resort's Silver Rapids | Kellogg | ID | 268 | 42,000 |
| KeyLime Cove Indoor Waterpark Resort | Gurnee | IL | 414 | 64,500 |
| Valley of the Springs Resort | French Lick | IN | 156 | 40,000 |
| Abe Mountain Lodge Indoor Waterpark Addition | Nashville | IN | 0 | 12,000 |
| Courtyard (former Best Western) with CocoKey IWP Addition | Fitchburg | MA | 0 | 32,000 |
| Northpointe Inn with Indoor Waterpark Addition | Mackinaw City | MI | 0 | 23,000 |
| Ramada Inn with Surfari Joes Indoor Waterpark | Watervliet | MI | 95 | 15,000 |
| Timberlake Lodge with Grand Splash Waterpark | Grand Rapids | MN | 84 | 10,000 |
| Splash Universe Indoor Waterpark Resort | Hazelwood | MO | 150 | 30,000 |
| Sheraton (former Clarion) with CoCo Key Indoor Waterpark Addition | Kansas City | MO | 0 | 50,000 |
| Castle Rock Indoor Waterpark Resort Addition | Branson | MO | 101 | 25,000 |
| Ramada Inn with Indoor Waterpark Addition | St. Joseph | MO | 0 | 11,000 |
| Wingate Inn with Big Horn Indoor Waterpark | Billings | MT | 109 | 20,000 |
| Best Western Red Jacket Inn Waterpark Addition | North Conway | NH | 0 | 35,000 |
| Radisson Indoor Waterpark Addition | Albuquerque | NM | 0 | 23,000 |
| Holiday Inn Express & Maui Sands Indoor Waterpark Addition | Sandusky | OH | 95 | 55,000 |
| Kalahari Sandusky 5BR Cottage Expansion | Sandusky | OH | 10 | 0 |
| Resort at Split Rock | Lake Harmony | PA | 0 | 41,000 |
| Wilderness Hotel & Indoor Waterpark | Sevierville | TN | 236 | 20,000 |
| Lakeview Resort Texanaland Indoor Waterpark Addition | Canyon Lake | TX | 50 | 20,000 |
| Villages Resort Indoor Waterpark Addition | Flint | TX | 0 | 19,000 |
| Great Wolf Lodge Expansion | Grapevine | TX | 203 | 0 |
| Great Wolf Lodge | Grand Mound | WA | 398 | 60,000 |
| Action City Metropolis Hotel and Indoor Waterpark | Eau Claire | WI | 107 | 30,000 |
| Kalahari Resort 5BR cottage expansion | Wisconsin Dells | WI | 33 | 0 |
| Fairfield Inn, Country Inn, and Indoor Waterpark | Gillette | WY | 160 | 10,000 |
| Total | | 29 | 2,844 | 737,500 |
| Average | | | 150 | 29,500 |
| Note: Averages represent only those properties adding rooms or waterpark SF | | | | |
| Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space | | | | |
| Source: Hotel & Leisure Advisors, LLC, May, 2008 | | | | |

The closest new indoor waterpark resorts proposed near the subject include proposals for the following indoor waterpark resorts in the region.

Howe Caverns Indoor Waterpark Resort Market Analysis

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| Indoor Waterparks Currently Proposed or In Progress Subject State and Surrounding States | | | | | | |
|---|-----------------------------|--------------|---------------|-------------------|--------|--|
| Indoor Waterparks and Resorts | City | State / Prov | New Rooms | Waterpark Sq. Ft. | Status | |
| Great Wolf Lodge | Ledyard | CT | 400 | 80,000 | U/D | |
| Powder Ridge Ski Resort - Indoor Waterpark Resort | Middlefield | CT | | | P | |
| Indoor Waterpark Resort | Mystic | CT | 400 | 50,000 | P | |
| Holiday Inn/former CT Grand Hotel CoCo Key IWP Addition | Waterbury | CT | 0 | 35,000 | U/C | |
| Indoor Waterpark Resort | Cedarville | MA | 200 | 20,000 | P | |
| Courtyard (former Best Western) with CocoKey IWP Addition | Fitchburg | MA | 0 | 32,000 | U/C | |
| Marriott with Indoor Waterpark | Foxboro | MA | 200 | 60,000 | P | |
| Cape Codder Resort Indoor Waterpark Addition | Hyannis | MA | 20 | 20,000 | U/C | |
| Casino Hotel with Indoor Waterpark | Middleboro | MA | 1,000 | 50,000 | P | |
| Holiday Inn Mount Holyoke with Waterpark Addition | Mount Holyoke | MA | 0 | 10,000 | P | |
| Indoor Waterpark Resort | Bellmawr | NJ | 400 | 80,000 | P | |
| Sahara Sands Indoor Waterpark | Berlin | NJ | 0 | 45,000 | U/D | |
| Magic Sports and Health Indoor Waterpark Resort | Hamilton | NJ | 600 | 100,000 | P | |
| Marriott with Coco Key Indoor Waterpark Addition | Mount Laurel | NJ | 0 | | U/C | |
| Crowne Plaza with Indoor Waterpark | Somerset | NJ | 0 | 25,000 | P | |
| Comfort Suites Indoor Water Park Addition | Somerset | NJ | 0 | 15,000 | P | |
| Legends Hotel Indoor Waterpark Addition | Vernon | NJ | 0 | 90,000 | P | |
| Indoor Waterpark Resort | Vernon | NJ | 400 | 80,000 | P | |
| Captain Andys Seaport Pier Indoor Waterpark Resort | Wildwood | NJ | 425 | 90,000 | U/D | |
| Holiday Inn Batavia Indoor Waterpark Addition | Batavia | NY | 0 | 20,000 | P | |
| Holiday Inn with Circus Circus Indoor Waterpark | Belvidere | NY | 100 | 35,000 | P | |
| Indoor Waterpark Resort | Bethlehem | NY | 200 | 30,000 | P | |
| Casino and Indoor Waterpark Resort | Bridgehampton | NY | 500 | 50,000 | P | |
| Hotels with Indoor Waterpark | Buffalo | NY | 250 | 10,000 | P | |
| Indoor Waterpark Resort | Catskill | NY | 450 | 100,000 | P | |
| Hope Lake Indoor Waterpark Resort at Greek Peak | Cortland | NY | 150 | 23,000 | U/C | |
| Hamlet on the Hudson Resort with Indoor Waterpark | Coxsackie | NY | 554 | 30,000 | P | |
| Indoor Waterpark Resort | Farmington | NY | 300 | 50,000 | P | |
| Peek n Peak indoor waterpark addition | Findlay | NY | 80 | 50,000 | P | |
| GoOcean Indoor Waterpark Resort | Goshen | NY | 500 | 80,000 | P | |
| Indoor Waterpark Resort | Great Valley | NY | 300 | 60,000 | P | |
| Former Concord Resort Redevelopment | Kiamesha Lake | NY | | | P | |
| Indoor Waterpark Resort | Lake Placid area | NY | 150 | 30,000 | P | |
| Indoor Waterpark Resort | New Baltimore/Greene County | NY | 400 | 60,000 | P | |
| Indoor Waterpark Resort at Coney Island | New York City | NY | 500 | 75,000 | P | |
| Hotel with Indoor Waterpark & Ski Area | Riverhead | NY | 2,200 | 100,000 | P | |
| Destiny USA | Syracuse | NY | 1,300 | 200,000 | P | |
| Holiday Inn with Indoor Waterpark | Syracuse | NY | 200 | 45,000 | P | |
| Sandstone Indoor Waterpark Resort | Thompson | NY | 350 | 60,000 | U/D | |
| Indoor Waterpark | Altoona | PA | 0 | 40,000 | P | |
| Holiday Inn with Indoor Waterpark Addition | Bensalem | PA | 0 | 10,000 | P | |
| Camelback Indoor Waterpark Resort | Camelback Mtn. | PA | 400 | 80,000 | U/D | |
| Seven Springs Indoor Waterpark Addition | Champion | PA | 0 | 55,000 | P | |
| Splash Lagoon Expansion | Erie | PA | 0 | 20,000 | U/D | |
| Nemacolin Waterpark Addition | Farmington | PA | 0 | 40,000 | P | |
| Indoor Waterpark Resort and Theater | Gettysburg/Cumberland Twp. | PA | 400 | 85,000 | P | |
| Hampton Inn with Splash Sensation Indoor Waterpark | Hamburg | PA | 96 | 22,000 | P | |
| Indoor Waterpark Resort | Hershey | PA | 250 | 50,000 | P | |
| Jungle Joey's Indoor Waterpark Resort | Hershey | PA | 112 | 25,000 | P | |
| Hotels with Indoor Waterpark | Intercourse | PA | 390 | 50,000 | P | |
| Sno Mountain (Montage ski area) Indoor Waterpark | Lackawanna County | PA | 100 | 30,000 | P | |
| Resort at Split Rock | Lake Harmony | PA | 0 | 41,000 | U/C | |
| Hotel with Indoor Waterpark at Centaur Casino/Racetrack | Lawrence County | PA | 300 | 150,000 | P | |
| Hotel with Waterpark - Route 97 | Mount Joy | PA | NA | NA | P | |
| Indoor Waterpark Resort | Oaks | PA | 275 | 50,000 | P | |
| Kennywood Indoor Waterpark Resort | Pittsburgh | PA | NA | NA | P | |
| Indoor Waterpark Resort | Poconos | PA | 400 | 90,000 | P | |
| Hampton Inn with Indoor Waterpark | Reading | PA | 96 | 22,000 | P | |
| Comfort Inn with Kahuna Splashdown Indoor Waterpark | Somerset | PA | 98 | 20,000 | P | |
| Hotel with Indoor Waterpark | Springfield Township | PA | NA | NA | P | |
| Timberland Family Resort with Waterpark | State College | PA | NA | NA | P | |
| Heritage Hills Golf Resort Waterpark Addition | York | PA | 150 | 15,000 | P | |
| Indoor Waterpark Resort | Washington | PA | 300 | 65,000 | P | |
| Great Wolf Lodge | Tiverton | RI | 400 | 80,000 | P | |
| 7th Wave Resort | West Warwick | RI | 409 | 75,000 | U/D | |
| Jay Peak Indoor Waterpark Resort | Jay | VT | 100 | 30,000 | P | |
| Sheraton Burlington Indoor Waterpark Addition | Burlington | VT | 0 | 30,000 | P | |
| Indoor Waterpark Resort | Duval/Montréal | Québec | 300 | 50,000 | P | |
| Embassy Suites with Indoor Waterpark | Montréal | Québec | 330 | 40,000 | P | |
| Indoor Waterpark Resort | Mount Trembant | Québec | 200 | 60,000 | P | |
| Total | | 70 | 17,635 | 3,355,000 | | |
| Average | | | 367 | 52,422 | | |

Note: Averages represent only those properties adding rooms or waterpark SF
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
Key: P - Proposed; U/D - Under Development; U/C - Under Construction
Source: Hotel & Leisure Advisors, LLC, May, 2008

There are numerous proposals for indoor waterpark properties within New York, the surrounding states and provinces. In our opinion, the sheer number of proposals is concerning for any proposed development. However, many of these projects are still preliminary and may not occur. The closest proposals to the subject include the following:

- GoOcean Indoor Waterpark Resort – Goshen, New York: The proposed development is projected to have 500 rooms, spa, 80,000 square foot indoor waterpark, an outdoor waterpark, miniature golf, gift shop, convention center, and nature trails. This project is very preliminary and the developer, Liliana Trafficante, has a poor track record for development.
- Sandstone Resort at Hudson Valley – Bridgeville, New York: The site is located near Monticello, New York in Sullivan County. The proposed development is projected to have 350 rooms, spa, 60,000 square foot indoor waterpark, high definition 4-D theater, retail, and restaurants. The project has been announced but has not yet obtained financing
- Indoor Waterpark Resort – New Baltimore, New York: The proposed resort is projected to have 400 guest rooms and a 60,000 square foot indoor waterpark. The project is very preliminary.
- Legends Hotel Indoor Waterpark Addition – Vernon, New Jersey: The proposed redevelopment of the resort is projected to have 700 guest rooms, 90,000 square foot indoor waterpark, 20,000 square foot outdoor waterpark, spa, miniature golf, gift shop, arcade, and a convention center.
- A second proposal in the Vernon, New Jersey, market involves the construction of a 400-room hotel and indoor waterpark near the Great Gorge Country Club, which is near the Legends Hotel. A feasibility study has been performed on this development and the project continues to seek financing.
- The former Concord Resort redevelopment located in Kiamesha Lake, New York: Developer Louis Cappelli is planning a \$1 billion resort with gambling, golf courses, shopping, horse racing, a spa, and a waterpark. This resort is planned on the site of the former Concord resort, which is currently being demolished.
- The Hope Lake Lodge Resort & Indoor Waterpark at Greek Peak in Cortland, New York, is currently under construction. The project, when completed in 2009, will contain a 150-key hotel condominium complex with a 23,000 square foot indoor waterpark and 3,000 square foot family entertainment center.
- Glacier Lakes Resort, Indoor Waterworld and Conference Center in Farmington, NY: This proposed development includes a 45,000 square foot indoor waterpark and 300 guest rooms in two hotels, one of which is a Hampton Inn. The project has been put on hold as it continues to seek financing.
- DestiNY in Syracuse, NY: A proposed 200,000 square foot indoor waterpark with 1,300 hotel rooms has been put on hold. Pyramid Companies is the developer for this 75 million square foot sustainable retail, hotel and entertainment development of which the indoor waterpark constitutes a small part.

- The Holiday Inn with Indoor Waterpark in Syracuse, New York has also been put on hold. Still in the planning stages, this proposed development includes 200 hotel rooms and 45,000 square feet of indoor waterpark area. The developer is Blue Sky Development.

Nine of these ten projects are currently in the feasibility and discussion stages and have not actually obtained financing or started construction of their projects. Only the Hope Lake Lodge Resort & Indoor Waterpark at Greek Peak has begun construction. We have not included these projects in our penetration analysis which follows due to their uncertainty, and/or distance from the subject site, although acknowledge that something will get developed in coming years.

The addition of more waterpark resorts in the Midwest and Northeast is of concern; however, the demand for this product is very strong as is the potential population base particularly for the subject, which is located within driving distance to New York City, Albany, Boston, Providence, Philadelphia, and Binghamton.

REGIONAL LODGING OVERVIEW

We have profiled the performance of the New York City, the State of New York and the Albany-Schenectady lodging markets in order to assess the current conditions for development. The following chart shows the New York City market historical lodging performance. The New York City market includes 489 hotels with 85,865 available guest rooms according to Smith Travel Research.

| New York City Operating Performance | | | | | | |
|--|------------|---------------|------------|---------------|---------------|---------------|
| Year | OCC | % Chg. | ADR | % Chg. | RevPAR | % Chg. |
| 2004 | 81.0% | - | \$181.98 | - | \$147.40 | - |
| 2005 | 82.9% | 2.3% | \$211.62 | 16.3% | \$175.43 | 19.0% |
| 2006 | 82.5% | -0.5% | \$241.40 | 14.1% | \$199.16 | 13.5% |
| 2007 | 83.7% | 1.5% | \$269.84 | 11.8% | \$225.86 | 13.4% |
| Year-To-Date through April 2008 | | | | | | |
| 2007 | 78.5% | - | \$231.40 | - | \$181.65 | - |
| 2008 | 78.5% | 0.0% | \$250.19 | 8.1% | \$196.40 | 8.1% |
| Source: Smith Travel Research | | | | | | |

The table shows that New York City has had strong ADR growth over the last three years. This growth rate has also spilled over into other regions in New York. The market attracts strong demand from commercial travelers, groups and leisure travelers. The New York City market greatly affects the overall New York State performance.

The following chart indicates the historical performance of the state of New York. The New York City MSA including Long Island, Westchester County area, and the city itself heavily influence the performance of the state’s hotel figures.

| State of New York Operating Performance | | | | | | |
|--|------------|---------------|------------|---------------|---------------|---------------|
| Year | OCC | % Chg. | ADR | % Chg. | RevPAR | % Chg. |
| 2004 | 69.3% | - | \$141.42 | - | \$98.00 | - |
| 2005 | 70.5% | 1.7% | \$157.00 | 11.0% | \$110.69 | 12.9% |
| 2006 | 70.7% | 0.3% | \$174.26 | 11.0% | \$123.20 | 11.3% |
| 2007 | 71.8% | 1.6% | \$192.21 | 10.3% | \$138.01 | 12.0% |
| Year-To-Date through April 2008 | | | | | | |
| 2007 | 63.9% | - | \$172.81 | - | \$110.43 | - |
| 2008 | 64.4% | 0.8% | \$184.72 | 6.9% | \$118.96 | 7.7% |
| Source: Smith Travel Research | | | | | | |

The chart indicates the strong improvement in average daily rate which occurred among the hotels statewide. The hotels in upstate New York particularly Syracuse, Rochester, and Buffalo are achieving far lower growth rates in ADR than those closer to New York City.

Occupancies and average daily rates for the capital area region including Albany and Schenectady are approximately 10 occupancy points lower than the average of the entire state as shown in the following chart.

| Albany/Schenectady Operating Performance | | | | | | |
|---|------------|---------------|------------|---------------|---------------|---------------|
| Year | OCC | % Chg. | ADR | % Chg. | RevPAR | % Chg. |
| 2006 | 60.5% | - | \$95.48 | - | \$57.77 | - |
| 2007 | 59.7% | -1.3% | \$99.83 | 4.6% | \$59.60 | 3.2% |
| Year-To-Date through March 2008 | | | | | | |
| 2007 | 52.5% | - | \$92.14 | - | \$48.37 | - |
| 2008 | 50.0% | -4.8% | \$94.68 | 2.8% | \$47.34 | -2.1% |
| Source: Smith Travel Research | | | | | | |

According to Smith Travel Research this area contains 129 properties with a total of 10,984 guest rooms. This market benefits from businesses and groups visiting New York State governmental offices and tourists visiting the capitol area attractions.

New Supply

A number of properties have opened in the Albany, Schenectady and southeastern New York area since 2003 as shown in the following table.

| Recent Supply Additions | | | | |
|---|-------------------------|-----------------|------------------|--------------|
| Albany/Schenectady and Southeast New York Region | | | | |
| Name of Establishment | City & State | Aff Date | Open Date | Rooms |
| Super 8 Cobleskill | Cobleskill, NY | Jan 2003 | Jan 2003 | 50 |
| Courtyard Middletown | Middletown, NY | Aug 2003 | Aug 2003 | 134 |
| Hampton Inn Cortland | Cortland, NY | Sep 2003 | Sep 2003 | 68 |
| Scottish Inns Albany | Albany, NY | Oct 2003 | Oct 2003 | 31 |
| Country Inn & Suites Cortland | Cortland, NY | Dec 2003 | Dec 2003 | 81 |
| Fairfield Inn Saratoga Malta | Malta, NY | Jan 2004 | Jan 2004 | 114 |
| Comfort Inn & Suites East Greenbush | East Greenbush, NY | Apr 2004 | Apr 2004 | 89 |
| Holiday Inn Express Hotel & Suites Cooperstown | Cooperstown, NY | Apr 2004 | Apr 2004 | 74 |
| The Lodge @ Turning Stone | Verona, NY | Apr 2004 | Apr 2004 | 98 |
| Hampton Inn Oneonta | Oneonta, NY | Jun 2004 | Jun 2004 | 106 |
| Courtyard Saratoga Springs | Saratoga Springs, NY | Jul 2004 | Jul 2004 | 146 |
| Mount Merino Manor B & B | Hudson, NY | Oct 2004 | Oct 2004 | 7 |
| Holiday Inn Express Hotel & Suites Chester Monroe Goshe | Chester, NY | Feb 2005 | Feb 2005 | 80 |
| The Country Squire B & B | Hudson, NY | Feb 2005 | Feb 2005 | 4 |
| Best Western Park Inn | Saratoga Springs, NY | Mar 2005 | Mar 2005 | 63 |
| Comfort Inn & Suites Goshen | Goshen, NY | Apr 2005 | Apr 2005 | 95 |
| Residence Inn Albany E Greenbush Tech Valley | East Greenbush, NY | May 2005 | May 2005 | 78 |
| Hampton Inn Suites Albany Airport | Latham, NY | Jun 2005 | Jun 2005 | 85 |
| Residence Inn Saratoga Springs | Saratoga Springs, NY | Jun 2005 | Jun 2005 | 100 |
| Holiday Inn Express Hotel & Suites Clifton Park | Clifton Park, NY | Aug 2005 | Aug 2005 | 76 |
| Kaatskill Mountain Club | Hunter, NY | Aug 2005 | Aug 2005 | 77 |
| Hampton Inn Suites Albany Downtown | Albany, NY | Oct 2005 | Oct 2005 | 165 |
| Howard Johnson Express Inn & Suites Cooperstown | Milford, NY | Nov 2005 | Nov 2005 | 60 |
| Homewood Suites Albany | Albany, NY | Apr 2006 | Apr 2006 | 133 |
| La Quinta Inn & Suites Albany Airport | Latham, NY | May 2006 | May 2006 | 78 |
| Clarion Collection 74 State | Albany, NY | Dec 2006 | Dec 2006 | 74 |
| Emerson Inn & Spa | Mount Tremper, NY | Mar 2007 | Mar 2007 | 26 |
| Hilton Garden Inn Albany Medical Center | Albany, NY | May 2007 | May 2007 | 129 |
| Hampton Inn Schenectady | Schenectady, NY | May 2007 | May 2007 | 93 |
| Microtel Inn & Suites Middletown | Middletown, NY | May 2007 | May 2007 | 80 |
| Hilton Garden Inn Albany SUNY Area | Albany, NY | Oct 2007 | Oct 2007 | 126 |
| Springhill Suites Albany Colonie | Colonie, NY | Nov 2007 | Nov 2007 | 119 |
| Homewood Suites Newburgh Stewart Airport | New Windsor, NY | Nov 2007 | Nov 2007 | 125 |
| Hampton Inn Utica | Utica, NY | Dec 2007 | Dec 2007 | 83 |

Source: Smith Travel Research

The table indicates that new supply has opened throughout the Albany, Schenectady and southeastern New York area. However, an analysis of the types of properties reveals that a majority of the new supply properties are mid-scale select-service properties and, with the exception of a few, do not have tourists as their primary demand generator similar to the subject property, the Howe Caverns Indoor Waterpark Resort.

Analysis of Area Resort Properties

In order for a comparable analysis of primary leisure destinations, we have analyzed similar resort properties in the areas of the Catskills and the Pocono Mountains, both of which border the Central Leatherstocking tourist region of New York State.

Schoharie County is located north of the region known as the Catskills. The Catskills area developed in the early to mid-1900s as the primary summer mountain resort area for the residents of New York City. The Catskills reached their prime in the post World War II era, particularly in the 1950s and 1960s with major 500-plus room resorts such as Grossinger’s, the Concord, Kutsher’s Brown’s, the Nevele, the Pines, the Raleigh, Brickman’s, and the Fallsview expanding their seasons to encompass winter sports and group meeting business in the spring and fall seasons, and on weekdays in the winter months. By the 1960s, the Catskills’ resorts had become important regular venues for

the corporate, state, and regional association meetings and drew a significant amount of their non-summer business from these sources.

As the number of older vacationers and baby-boomers visiting the Catskills declined, the properties did not earn sufficient annual profits to keep them well maintained and the quality of the facilities suffered. The declining visitation and facility quality levels led to a spiraling decline of the resorts and many began closing in the 1990s.

The following table shows comparable resort properties with over 100 rooms in the Catskills region.

| Resort Properties with over 100 Rooms Catskill Region, New York | | | |
|--|-------------------------|------------------|--------------|
| Name of Establishment | City & State | Open Date | Rooms |
| Mohonk Mountain House | New Paltz, NY | Jun 1879 | 266 |
| The Nevele Grand Resort | Ellenville, NY | Jun 1901 | 435 |
| Fallsview Best 5 Resort and Spa | Ellenville, NY | Nov 2006 | 250 |
| Rocking Horse Ranch | Highland, NY | Jun 1958 | 119 |
| Kaatskill Mountain Club Resort | Hunter, NY | Aug 2005 | 115 |
| Pinegrove Dude Ranch | Kerhonkson, NY | Jun 1971 | 110 |
| Hudson Valley Resort | Kerhonkson, NY | Jun 1945 | 275 |
| Villa Roma Resort and Conference Center | Callicoon, NY | 1940s | 234 |
| Friar Tuck Inn | Castskill, NY | Jun 1970 | 520 |
| Ostesaga Hotel | Cooperstown, NY | Jun 1909 | 136 |
| Kutsher's Country Club Resort | Monticello, NY | 1940s | 400 |
| Raleigh Hotel | South Fallsburg, NY | Jun 1949 | 320 |
| Spring Mountain Resort/Homowack Lodge | Spring Glen, NY | Jun 1945 | 335 |
| Swan Lake Resort Hotel | Swan Lake, NY | Jun 1945 | 252 |

Source: Smith Travel Research and H&LA

The above table shows that in over 30 years, only one resort has opened in the Catskills region. A number of older resorts have also closed in the Catskills area over the past decades.

The Fallsview Best 5 Resort and Spa was part of the Nevele Grand Resort until a new owner separated it from the Nevele Grand Resort in 2006. The Nevele Grand Resort is currently for sale for \$26.5 million. The sale price includes 487 acres of land and the 432-room hotel. The listing documents indicate that the property achieved an occupancy level of 28% in 2007 and a net income of \$2,500,000.

The Central Leatherstocking region also borders the northernmost edge of the Poconos Mountains. The Poconos Mountains in Pennsylvania are primarily a leisure destination with both family and couples being the predominant leisure travelers. The region was historically known as a honeymoon capital but has recently broadened its emphasis to include the many family-oriented properties as well as nature and adventure travel. This leisure family-orientation has shown a strong increase in visitation due to the opening of the Great Wolf Lodge Poconos, in Scotrun, Pennsylvania.

In 2004, Pennsylvania lawmakers approved legislation authorizing up to 61,000 slot machines in 14 different locations in Pennsylvania including the Poconos area. The Mount Airy Casino Resort, which opened in November 2007, offers 188 rooms, 2,500 slot machines, golf course, spa, nightclub, restaurants, and lounge.

The following table shows resort properties with over 100 rooms which will be somewhat comparable to the subject in the Poconos region.

| Resort Properties with over 100 Rooms Poconos Region, Pennsylvania | | | |
|---|-------------------------|------------------|--------------|
| Name of Establishment | City & State | Open Date | Rooms |
| Fernwood Hotel & Resort | Bushkill, PA | Jun 1960 | 177 |
| Great Wolf Lodge Pocono Mountains | Scotrun, PA | Oct 2005 | 401 |
| Pocmont Resort | Bushkill, PA | Jun 1947 | 133 |
| Sheraton Hotel Caesars Pocono Palace Resort | Marshalls Creek, PA | Jun 1949 | 189 |
| Sheraton Hotel Caesars Paradise Stream | Mount Pocono, PA | Jun 1971 | 143 |
| Pocono Manor Inn & Resort | Pocono Manor, PA | Jun 1902 | 243 |
| Sheraton Hotel Caesars Brookdale | Scotrun, PA | Jun 1965 | 119 |
| Shawnee Inn | Shawnee On Delaware, PA | Jun 1910 | 103 |
| Skytop Lodge | Skytop, PA | Jun 1928 | 193 |
| Woodloch Pines Resort | Hawley, PA | Jun 1958 | 167 |
| Sheraton Hotel Caesars Cove Haven | Lakeville, PA | Jun 1958 | 276 |
| Split Rock Resort | Lake Harmony, PA | Jun 1946 | 221 |

Source: Smith Travel Research and H&LA

The above table shows that in over 30 years, only two resorts have opened including the Mount Airy Resort and Casino and the Great Wolf Lodge in the region. The Caesars Brookdale was sold March 29, 2008 to Silverleaf Resorts and the sale will be final in July. The resort will close at the end of April for major renovations. The other three Caesar Resorts are also up for sale.

COMPETITIVE LODGING MARKET OVERVIEW

Supply and demand factors for the subject's competitive market have been analyzed for six years beginning in the year 2008. The subject is projected to open in 2011. Although both supply and demand conditions are likely to change beyond our analysis period, projecting market conditions further into the future becomes highly speculative. The projections are for calendar years beginning with the month of January. Our projections analyze currently known supply and demand changes in the market and forecast a stabilized level of occupancy for both the market and the subject property. The stabilized level is considered to project a representative level of performance for both the market and the subject based upon currently known information.

Existing Competitive Supply: Based on our research, we have identified a competitive resort supply with a total of 1,792 guest rooms in ten existing lodging facilities. We have analyzed the competitiveness of each of the hotels and resorts selected for the competitive set. In our opinion, each of the hotels is in some degree competitive with the proposed subject and we have utilized 100% of the available guest rooms in each competitive hotel for our analysis. In determining the competitive supply for proposed subject, we have considered the proposed subject's segmentation and sources of business. The subject will be a year-round leisure oriented waterpark resort property, which currently does not exist in the capitol region market. In this section, we have profiled and analyzed a competitive set of resorts, hotels, and indoor waterpark resorts located in New York and Pennsylvania. We have included the local hotel supply of nearby limited-service hotels along with regional resort hotels. We have also included the two indoor waterpark resorts located in Queensbury and the Poconos. We have excluded from the competitive set many of the older hotels located in the market. The following charts list the competitive properties and pertinent information about each resort or hotel.

**Howe Caverns Indoor Waterpark Resort
Market Analysis**

| Survey of Competitors | | | | | | | | | | |
|-----------------------|--|--------------------|--------------|--------------|--------------|---------------|-----------------------|---------------------|-------------|--------------|
| # | Property | Location | % Comparable | # Rooms | Year Opened | Swimming Pool | Restaurant/ Lounge | Meeting Space SF | Room Rates | |
| 1 | Best Western Inn of Cobleskill | Cobleskill, NY | 100% | 76 | June-61 | Indoor | Yes | 3,210 | \$79-\$199 | |
| 2 | Otesaga Hotel | Cooperstown, NY | 100% | 135 | June 1, 1909 | Outdoor | Yes | 12,592 | \$308-\$585 | |
| 3 | Mohonk Mountain House | New Paltz, NY | 100% | 266 | June-1879 | Indoor | All-Inclusive | 9,689 | \$380-\$690 | |
| 4 | Preferred The Sagamore | Bolton Landing, NY | 100% | 350 | June-30 | In & Outdoor | Yes | 22,080 | \$155-\$465 | |
| 5 | Holiday Inn Express Hotel & Suites Schoharie | Schoharie, NY | 100% | 56 | July-99 | None | Comp. Brkst | 6,993 | \$89-\$169 | |
| 6 | Holiday Inn Express Hotel & Suites Cooperstown | Cooperstown, NY | 100% | 74 | April-04 | Indoor | Comp. Brkst | 624 | \$79-\$499 | |
| 7 | Great Escape Lodge & Waterpark | Queensbury, NY | 100% | 200 | February-06 | Waterpark | Yes | 7,100 | \$185-\$628 | |
| 8 | Great Wolf Lodge Poconos | Scotrun, PA | 100% | 401 | October-05 | Waterpark | Yes | 6,670 | \$249-\$499 | |
| 9 | Kaatskill Mountain Club Resort | Kerhonkson, NY | 100% | 115 | August-05 | Outdoor | Yes | 2,000 | \$165-\$600 | |
| 10 | Rocking Horse Ranch | Highland, NY | 100% | 119 | June-58 | In & outdoor | All-Inclusive | 1,000 | \$210-\$489 | |
| | | | | Total | | | | | | 1,792 |

Note: Otesaga Hotel open seasonally from April through November
Source: Hotel & Leisure Advisors

| Competitive Supply Performance Indicators | | | | | | | | | |
|---|--|--------------------------|---------|-------|----------------------------|------------|----------------|----------------|-------------|
| # | Property | 2007 Market Segmentation | | | 2007 Estimated Performance | | | RevPAR | Penetration |
| | | Commercial | Leisure | Group | ADR | Occupancy | RevPAR | | |
| 1 | Best Western Inn of Cobleskill | 25% | 50% | 25% | \$50 to \$100 | 50% to 60% | \$50 to \$100 | \$50 to \$100 | 91% |
| 2 | Otesaga Hotel | 0% | 38% | 62% | \$250 to \$300 | 60% to 70% | \$250 to \$300 | \$150 to \$200 | 110% |
| 3 | Mohonk Mountain House | 0% | 75% | 25% | \$250 to \$300 | 60% to 70% | \$250 to \$300 | \$150 to \$200 | 103% |
| 4 | Preferred The Sagamore | 0% | 60% | 40% | \$250 to \$300 | 50% to 60% | \$250 to \$300 | \$150 to \$200 | 84% |
| 5 | Holiday Inn Express Hotel & Suites Schoharie | 60% | 25% | 15% | \$50 to \$100 | 50% to 60% | \$50 to \$100 | \$25 to \$75 | 88% |
| 6 | Holiday Inn Express Hotel & Suites Cooperstown | 40% | 30% | 30% | \$100 to \$150 | 60% to 70% | \$100 to \$150 | \$50 to \$100 | 104% |
| 7 | Great Escape Lodge & Waterpark | 0% | 91% | 9% | \$200 to \$250 | 60% to 70% | \$200 to \$250 | \$150 to \$200 | 97% |
| 8 | Great Wolf Lodge Poconos | 0% | 94% | 6% | \$300 to \$350 | 70% to 80% | \$300 to \$350 | \$200 to \$250 | 117% |
| 9 | Kaatskill Mountain Club Resort | 0% | 85% | 15% | \$200 to \$250 | 50% to 60% | \$200 to \$250 | \$100 to \$150 | 90% |
| 10 | Rocking Horse Ranch | 0% | 65% | 35% | \$300 to \$350 | 60% to 70% | \$300 to \$350 | \$200 to \$250 | 97% |
| Average | | 4% | 73% | 23% | \$267.55 | 63% | \$267.55 | \$168.69 | 100% |

Note: Otesaga Hotel open seasonally from April through November
Source: Hotel & Leisure Advisors

The existing competitive supply can be segmented as follows:

The 76-room Best Western Inn Of Cobleskill is located on the east side of Cobleskill approximately 4.5 miles from the subject site. This older property was built in 1961 and has seen numerous renovations throughout its life. The property offers an indoor pool, a restaurant, and meeting space. The property also offers an on-site bowling alley which in the winter months, according to management, the property markets as a destination spot. The property caters to the Cooperstown overflow market in the spring and summer months as well as weddings and conferences in the spring and fall. The property reports capturing some of the winter 'snowbird' demand and has promotional packages with the Plattekill Ski Resort in the western Catskills. The property received a Best Western Director's Award for quality in 2007. The property achieved an overall penetration rate of 91% in 2007.

The 135-room Otesaga Hotel is located in Cooperstown, on the south shore of Otsego Lake, approximately 40 miles west of the subject site. This resort first opened in 1909 and reports a significant amount of repeat business from older travelers who make the resort a second home for several weeks during the summer. The property offers two restaurants, three lounges, an outdoor pool, canoe rentals, and a golf course. According to management their primary demand comes from the group segment of the market, with business from the Cooperstown Dreams Park occupying the most nights from mid-April through August. The resort promotes Howe Caverns as a local amenity for its guests. In the fall, couples stay at the resort who enjoy the changing colors of the area's scenery. The property is open and operating from early April through the last Sunday in November after Thanksgiving. Management reports the unpredictable winter weather as a deterrent from staying open all year. The property achieved an overall penetration rate of 110% in 2007.

The 266-room Mohonk Mountain House is a National Historic Landmark, located on top a mountain at the edge of New Paltz, New York. This property offers a Victorian castle hotel with extensive grounds, which include hundreds of miles of hiking trails along with spectacular gardens and an attractive lake. Property amenities include a nine-hole golf course, covered ice skating rink, fitness room, lakeside swimming beach, tennis, and regular lectures and performances. This property attracts a primarily white-collar clientele. It achieves a strong leisure percentage and continually tries to increase its group percentage although the meeting space availability within the property is scattered. The property added air conditioning to the main building in 2007. The property achieved an overall penetration rate of 103% in 2007.

The 350-room Preferred The Sagamore is located in Bolton Landing on a private island off the shores of Lake George. This resort is an independent property affiliated with Preferred Hotels and Resorts. The resort features a hotel, lodges, six restaurants, golf course, spa, tennis courts, water sports and winter activities. The Sagamore has 22,080 square feet of meeting space. The property was originally built in 1930, was closed during the 1980s and reopened in 1985 as the Omni Sagamore Hotel. It converted to the independent property in 1995. This property achieves the highest average daily rate in the Lake George area due to its extensive resort amenities and availability of larger suites. The property achieved an overall penetration rate of 84% in 2007.

The 56-room Holiday Inn Express Hotel & Suites Schoharie is located approximately nine miles east of the subject directly off I-88 in Schoharie. The property, which opened in

1999, offers a complimentary hot breakfast. It does not have a swimming pool. Management reports hotel demand derived from transient business travelers, historic heritage tours and Cooperstown overflow. The property currently does not have promotional packages with any of the northern Catskills ski areas. The property's almost 7,000 square feet of banquet and meeting space provides an amenity for local groups and wedding demand. Of the competitive set, this hotel has the greatest amount of meeting space on a per room basis. This limited-service hotel reports approximately 60% of its demand comes from the commercial segment. The property achieved an overall penetration rate of 88% in 2007.

The 74-room Holiday Inn Express Hotel & Suites Cooperstown is located approximately 42 miles west of the subject in Cooperstown. This limited-service hotel opened in 2004. This property offers an indoor heated pool and spa, complimentary continental breakfast, a fitness room, and a business center. The room mix contains 50 double-queen rooms, eight king rooms and 14 junior suites with a fully stocked kitchenette, a whirlpool suite, and a kids suite. The property also offers an arcade room and a small meeting room. The property benefits from its close proximity to the Cooperstown Dreams Park and the National Baseball Hall of Fame. The property promotes Howe Caverns as a local tourist attraction. The property achieved an overall penetration rate of 104% in 2007.

The 200-room Great Escape Lodge & Waterpark is located in Queensbury, New York in the Lake George area. The indoor waterpark resort property opened in February 2006. The 38,500 square foot indoor waterpark is located directly across from the Six Flags Great Escape amusement park. Amenities at the property include an arcade, spa, 7,100 square feet of meeting space, Trapper's restaurant and lounge, and a fitness room. The resort is located close to the retail corridor in Queensbury across Route 9 from the Six Flags Great Escape amusement park. The hotel announced it will franchise its restaurant to Johnny Rockets starting in the summer of 2008. The property received negative publicity in March and April 2008 due to a virus outbreak affecting hundreds of waterpark visitors, which has caused a number of lawsuits to be filed against the resort. The property achieved an overall penetration rate of 97% in 2007.

The 401-room Great Wolf Lodge Poconos is located in Scotrun, Pennsylvania. This \$92 million development features a 78,000 square foot indoor waterpark, multiple restaurants, 6,670 square feet of meeting space, 7,000 square foot arcade, 5,000 square feet of gift shop retail, 2,300 square foot spa, children's activity center and fitness center. The property includes the usage of the waterpark in its rates. This property is projected to be a primary competitor for the subject development due to its amenity package. The property has achieved strong levels of performance due to offering the largest indoor waterpark in the New York region. The property achieved an overall penetration rate of 117% in 2007.

The 115-room Kaatskill Mountain Club Resort is located in Hunter, New York adjacent to the Hunter Mountain ski area. This fractional resort property was developed and sold as a quarter-share condominium hotel. Quarter shares are currently for sale for prices ranging from \$65,000 to \$199,000 with unit sizes ranging from studios to three-bedroom units. We have included the property due to its proximity to the subject site and it being the newest resort hotel in the Catskills region. Management indicated that the property achieved an occupancy level of approximately 57% in 2007 which included 36 occupancy points as typical hotel customers and 21 occupancy points as fractional owners utilizing their hotel. The property receives maintenance fees and housekeeping fees from the fractional owners, but not a room rate. The room rate we have shown is the estimated

average daily rate for the rented overnight rooms. The property is typically full on most weekends during the winter and summer months and achieved approximately 90 fill nights. It is slowest during the spring and late fall months. The property offers a fitness center, restaurant and lounge, on-site meeting room, access to various meeting spaces on Hunter Mountain, and an outdoor pool. The property achieved an overall penetration rate of 90% in 2007.

The 119-room Rocking Horse Ranch is located eight miles southeast of New Paltz in Highland. This attractive family resort offers a wide range of activities for families including winter skiing and tubing, lakeside boating and swimming, indoor and outdoor pools, tennis, fitness center, volleyball, softball, basketball, croquet, archery, kids' activities, nightly entertainment, dancing, and other activities. In 2005, the property added an indoor play land, which includes a giant foam ball factory and climbing wall. The indoor pool includes a water feature of dumping buckets and the outdoor pool includes water slides. The owner of this hotel also owns Splashdown Beach outdoor waterpark in Fishkill, which they are continuing to upgrade. This property achieves a strong occupancy level, as it is popular with families as well as groups. The property achieved an overall penetration rate of 97% in 2007.



COMPETITORS MAP

Historical Lodging Demand: The following table provides occupancy, average daily rate (ADR), and revenue per available room (RevPAR) for the defined competitive set for the past five years based upon information obtained from Smith Travel Research. Within our competitive set all properties participate with Smith Travel Research except for the Great Wolf Poconos, the Kaatskill Mountain Club, and Rocking Horse Ranch.

| Competitors Operating Performance | | | | | | | | | | |
|---|---------------|--------|---------|--------|-------|--------|----------|--------|----------|--------|
| Howe Caverns Indoor Waterpark Resort | | | | | | | | | | |
| Year | Annual Supply | % Chg. | Demand | % Chg. | OCC | % Chg. | ADR | % Chg. | RevPAR | % Chg. |
| 2003 | 300,485 | - | 159,044 | - | 52.9% | - | \$239.48 | - | \$126.75 | - |
| 2004 | 320,835 | 6.8% | 171,501 | 7.8% | 53.5% | 1.0% | \$237.88 | -0.7% | \$127.16 | 0.3% |
| 2005 | 327,495 | 2.1% | 186,838 | 8.9% | 57.1% | 6.7% | \$216.52 | -9.0% | \$123.53 | -2.9% |
| 2006 | 397,055 | 21.2% | 231,100 | 23.7% | 58.2% | 2.0% | \$224.85 | 3.8% | \$130.87 | 5.9% |
| 2007 | 405,970 | 2.2% | 243,186 | 5.2% | 59.9% | 2.9% | \$234.48 | 4.3% | \$140.46 | 7.3% |
| Average of Years | 350,368 | 8.1% | 198,334 | 11.4% | 56.3% | 3.2% | \$230.64 | -0.4% | \$129.75 | 2.7% |
| Year-To-Date through March | | | | | | | | | | |
| 2007 | 91,980 | - | 36,121 | - | 39.3% | - | \$195.36 | - | \$76.72 | - |
| 2008 | 91,980 | 0.0% | 38,485 | 6.5% | 41.8% | 6.5% | \$195.34 | 0.0% | \$81.73 | 6.5% |
| Note: Excludes Great Wolf Poconos, Kaatskill Mountain Club, and Rocking Horse Ranch | | | | | | | | | | |
| Source: Smith Travel Research | | | | | | | | | | |

The following table indicates our analysis of the historical occupancy and average daily rate for the market including all of the competitive hotels.

| Howe Caverns Indoor Waterpark Resort | | | |
|--|----------------|----------------|----------------|
| Historical Performance of Competitive Set | | | |
| Total Market Demand Segment | Historical | | |
| | 2005 | 2006 | 2007 |
| Commercial | 16,040 | 17,413 | 17,834 |
| Group | 80,569 | 87,497 | 91,361 |
| Leisure | 224,863 | 274,307 | 292,858 |
| Total RN Demand | 321,473 | 379,217 | 402,052 |
| Total Room Demand Growth | - | 18.0% | 6.0% |
| Total Room Nights Available | 559,180 | 629,625 | 637,655 |
| Total Room Supply Growth | - | 12.6% | 1.3% |
| Adjusted Market Occupancy | 57.5% | 60.2% | 63.1% |
| ADR | \$249.34 | \$257.63 | \$267.55 |
| ADR Growth | - | 3.3% | 3.9% |
| RevPAR | \$143.35 | \$155.17 | \$168.69 |
| RevPAR Growth | - | 8.2% | 8.7% |
| Source: Hotel & Leisure Advisors | | | |

The table indicates the changes in supply and demand of the entire competitive set for the proposed subject property. Overall demand has shown a strong increase since 2005 due to supply increases in 2005 and 2006 with the opening of the Kaatskill Mountain Club resort, the Great Wolf Lodge Poconos resort, and The Great Escape Lodge and Waterpark. Demand has shown an average annual increase of 25% since 2005.

The average daily rate of the competitive set has shown an average annual increase of 7.3% between the two-year historical period. During the same period, the RevPAR has increased by 17.7% on average.

We have analyzed the seasonality of the competitive set including the performance by month and day. The following table indicates the performance as shown in the Smith Travel Research report for fiscal year 2007.

| Analysis of Competitive Set Daily and Monthly Occupancy and ADR Howe Caverns Indoor Waterpark Resort | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Occupancy (%) | | | | | | | | |
| | Sun | Mon | Tue | Wed | Thu | Fri | Sat | Total Month |
| Apr - 07 | 40.2 | 50.0 | 56.4 | 56.8 | 56.2 | 57.0 | 57.4 | 52.9 |
| May - 07 | 46.5 | 43.6 | 52.4 | 54.2 | 52.1 | 62.8 | 71.4 | 54.5 |
| Jun - 07 | 51.2 | 69.5 | 70.1 | 73.6 | 75.6 | 76.3 | 85.7 | 72.3 |
| Jul - 07 | 72.4 | 86.6 | 87.4 | 83.6 | 86.7 | 94.6 | 100.4 | 86.9 |
| Aug - 07 | 84.3 | 93.2 | 96.8 | 93.1 | 90.2 | 94.9 | 101.7 | 93.4 |
| Sep - 07 | 50.1 | 54.1 | 59.1 | 65.1 | 69.8 | 81.7 | 93.8 | 68.0 |
| Oct - 07 | 59.9 | 62.8 | 66.5 | 63.4 | 67.8 | 86.0 | 94.0 | 70.8 |
| Nov - 07 | 37.3 | 43.4 | 46.3 | 49.8 | 53.0 | 62.2 | 65.8 | 51.5 |
| Dec - 07 | 32.5 | 40.6 | 38.6 | 39.0 | 38.2 | 42.3 | 45.6 | 39.5 |
| Jan - 08 | 25.9 | 28.5 | 29.6 | 29.7 | 27.1 | 32.2 | 36.1 | 29.8 |
| Feb - 08 | 40.6 | 46.6 | 50.5 | 48.2 | 47.3 | 48.6 | 52.5 | 47.8 |
| Mar - 08 | 38.3 | 46.5 | 53.6 | 54.6 | 49.8 | 49.0 | 50.6 | 48.6 |
| Year Avg | 48.7 | 56.3 | 59.6 | 60.0 | 60.0 | 67.0 | 72.2 | 60.5 |
| ADR (\$) | | | | | | | | |
| | Sun | Mon | Tue | Wed | Thu | Fri | Sat | Total Month |
| Apr - 07 | \$194.02 | \$193.21 | \$191.48 | \$196.02 | \$194.75 | \$189.41 | \$189.68 | \$192.63 |
| May - 07 | \$195.80 | \$206.33 | \$199.62 | \$195.72 | \$190.28 | \$188.70 | \$185.59 | \$193.83 |
| Jun - 07 | \$228.77 | \$220.47 | \$216.28 | \$214.01 | \$227.35 | \$253.23 | \$253.94 | \$233.17 |
| Jul - 07 | \$295.51 | \$287.97 | \$288.58 | \$281.60 | \$299.45 | \$312.21 | \$306.30 | \$295.91 |
| Aug - 07 | \$327.54 | \$311.97 | \$308.11 | \$285.98 | \$303.23 | \$315.02 | \$311.64 | \$308.18 |
| Sep - 07 | \$251.21 | \$210.95 | \$194.37 | \$200.80 | \$216.79 | \$252.44 | \$267.31 | \$233.09 |
| Oct - 07 | \$230.27 | \$211.93 | \$210.91 | \$214.46 | \$196.96 | \$212.11 | \$211.82 | \$212.30 |
| Nov - 07 | \$198.89 | \$195.90 | \$196.94 | \$204.49 | \$200.50 | \$184.18 | \$174.46 | \$192.20 |
| Dec - 07 | \$237.30 | \$231.59 | \$227.47 | \$236.86 | \$239.81 | \$229.31 | \$229.59 | \$232.83 |
| Jan - 08 | \$201.23 | \$206.71 | \$222.60 | \$216.15 | \$220.83 | \$205.33 | \$202.01 | \$211.30 |
| Feb - 08 | \$206.11 | \$209.06 | \$210.04 | \$211.86 | \$205.69 | \$200.81 | \$201.12 | \$206.13 |
| Mar - 08 | \$175.06 | \$179.55 | \$178.29 | \$176.36 | \$174.84 | \$176.29 | \$171.64 | \$175.96 |
| Year Avg | \$241.85 | \$232.88 | \$229.96 | \$226.59 | \$231.39 | \$238.79 | \$237.34 | \$234.10 |

Note: Excludes Great Wolf Lodge Poconos, Kaatskills Mountain Club, and Rocking Horse Ranch
Source: Smith Travel Research

The table indicates that the competitive set of properties achieved their highest occupancy levels on Saturdays and Fridays and their weakest occupancy level on Sundays. The highest average daily rate is achieved on Fridays particularly in the month of August. The strongest ADR month is August while the weakest month is March.

Proposed Hotel Development: Discussions with local municipal officials, real estate brokers, and hotel operators and review of various published data have revealed that currently there are a few proposals for resorts in the market. The following bullets describe the proposed projects.

- In Saugerties, a proposal is in place for a major new development that would include a hotel, catering hall, restaurant, commercial space, and residential units. The plan, which was presented by Saugerties-based Horse Shows in the Sun (HITS) in January 2008, calls for a 500-seat catering hall, a 150-seat restaurant, a 30-unit "boutique" hotel and 18,400 square feet of retail space. The plan would also include 16 residential units and a kayak marina. The project would be located on the former Cantine Mill site at Partition and Dock streets, next to Krause's Candy and along the shore of the Esopus Creek. The proposed \$15 million

development is to be aided by a \$780,000 grant from the state's Restore-NY economic development program. If completed, this project is expected to revitalize the downtown area and create up to 140 full- and part-time jobs.

- In Coxsackie, developer Mark Salomon is currently seeking to develop a 554-unit townhome resort called Hamlet on the Hudson. The project is proposed to include an 18-hole golf course, a 130,000 square foot clubhouse, and hiking and bicycle trails. The clubhouse would feature a pro shop and golf cart storage, men's and women's lounges, a day-care facility, a fitness area, a banquet facility, dining areas, a bridal suite, and a business and conference center. Also planned for the site is a 30,000 square foot indoor waterpark, a children's pavilion with a bowling alley and arcade, and an outdoor water park with an 8,000 square foot wave pool. In order for the plan to move forward, the 587-acre property where Salomon intends to build must be annexed by the village of Coxsackie, and the village must lift its building moratorium. Assuming that these conditions are met, construction could start some time in 2009.
- In December 2007, the Ulster County town of Rosendale, New York, received a proposal for a luxury spa and housing development on Williams Lake, featuring a 130-room hotel and 160 homes. Plans were submitted by Canopy Development as project manager for Hudson River Valley Resorts, a group of professional investors including Rick Steele of Longmeadow Capital, Matrix Planning LLC, Revolution LLC and "other individual investors," according to documents filed with the town. Under the proposal, the 130-room hotel would be an expansion and renovation of the existing 95-room Williams Lake Hotel. Of the 779 acres proposed to be purchased, only 325 acres would be available for development because 411 acres are protected by a conservation easement and 43 acres are covered by a lake. The proposed development would include a 19,000 square foot spa, a 5,000 square foot wellness center, a 5,000 square foot welcome and arrival center, an interpretive center, a courtyard with a skating rink, a yoga and meditation studio, a boathouse, and a teahouse. The developers have projected that the project would lead to 1,500 construction jobs and 450 permanent employees.
- In April 2008, developers announced plans to build a \$100 million destination resort in Bridgeville, NY off Route 17 in Sullivan County. The plans call for 350-room hotel, 60,000 square foot indoor waterpark, a spa, a 4-D theater, retail, and restaurants. The project is currently known as Sandstone Resort at Hudson Valley but may be changed.
- In February 2008, developers announced plans to build a \$700 million "entertainment city" on the former Concord Hotel property two miles southeast of the village of Monticello. The first phase plans for a 1,500-room luxury hotel with more than 210,000 square feet of convention and casino space. Plans also call for a new harness track to be built and upgrading Concord's two championship golf courses. This project is in the planning stages, and according to officials, and there have been numerous plans for the old Concord over the years, and none have come to fruition.
- In January 2008, the environmental review for the proposed \$400 million Belleayre Resort has been delayed. The proposed resort would comprise of two complexes, both located west of the Belleayre Mountain Ski Center. One complex would include a 250-room hotel and 139 lodging units in townhouse style units

surrounding an 18-hole golf course. The second complex would consist of a 120-room hotel and a spa.

- The Greene County IDA is working to develop a mixed-use destination retail and resort development at exit 21 off the New York Thruway (I-87). The property could include a resort hotel with indoor waterpark and destination retail type stores. Various reports were prepared in 2007 concerning the environmental impact of the property and the project is still in its planning stages. No tenants or developers have been identified.
- During the course of our interviews, the potential for a new three-story, 74-room Hampton Inn and Suites on Route 28 in Cooperstown was mentioned as being in the early planning stages. According to an article from October of 2006, the developer wished to have construction underway by mid-November, 2007. As of the date of this report, nothing has happened on the site.

We have not included any of the resort or hotel projects in our supply analysis as they have not been financed or received approvals.

The following table indicates the proposed increase in supply, which we have incorporated into our analysis. We have included only the proposed subject within our analysis since the above projects are still in the planning stages.

| Additions to Supply | | | | | | | |
|-----------------------------|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Hotel | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1 | Historical Existing Rooms | 1,747 | 1,747 | 1,747 | 1,747 | 1,747 | 1,747 |
| | Howe Caverns Indoor Waterpark Resort | - | - | - | 250 | 250 | 250 |
| | Total New Rooms | - | - | - | 250 | 250 | 250 |
| | Change in HARC | - | - | - | - | - | - |
| | Total Supply | 1,747 | 1,747 | 1,747 | 1,997 | 1,997 | 1,997 |
| Total Room Nights Available | | 637,655 | 637,655 | 637,655 | 728,905 | 728,905 | 728,905 |

Source: Hotel & Leisure Advisors

Area Demand Analysis

Estimates of demand for lodging facilities within the market area included analysis of the following factors.

1. Identification of the appropriate demand segments for the competitive set
2. The characteristics of each demand segment, including the need for quality lodging accommodations
3. The overall contribution of room nights generated by each demand segment, as well as the growth potential of each demand segment
4. The strength and attractiveness of the market area's business environment with regard to the economy, educated labor force, leisure attractions, and quality of life
5. Historical and anticipated trends in employment distribution and growth
6. Interviews with representatives of competitive hotels and various hotel chains to determine performance of area hotels and proposed new supply additions

- 7. Interviews with representatives of Convention and Visitors Bureau, Chamber of Commerce, city officials, county officials, economic development officials and others

Future lodging demand generated by the primary demand segments in the market is estimated based upon an analysis of key economic and demographic indicators, annual historical growth by demand segment for the competitive market, and the anticipated impact of future development on lodging demand.

Market Demand Segmentation: The market for transient accommodations relates to a wide range of travelers within a market area. For the purposes of the demand analysis, the overall market is subdivided into individual segments based on the type or nature of travel. The following table indicates the different segments, which exist in the competitive set of hotels.

| Total Accommodated Demand Output | | | |
|---|-------------------|---------------------------|----------------------------|
| Segment | | 2007 Rm Nights | Segment Percent |
| 1 | Commercial | 17,834 | 4% |
| 2 | Group | 91,361 | 23% |
| 3 | Leisure | 292,858 | 73% |
| TOTAL | | 402,052 | 100% |
| Market Occupancy | | 63.1% | |
| Market ADR | | \$ 267.55 | |
| Source: Hotel & Leisure Advisors | | | |

Future lodging demand generated by the primary demand segments is estimated based upon an analysis of key economic and demographic indicators, annual historical growth by demand segment for the competitive market, and the anticipated impact of future development on lodging demand. Induced demand is analyzed separately.

Commercial Demand is defined as general transient overnight travel created by businesses and governmental institutions in the area. The business traveler tends to be less price-sensitive than many leisure travelers and is more likely to utilize a hotel’s food and beverage facilities. Commercial demand is typically strongest on Sunday through Thursday nights. This demand segment consists of people visiting area companies for purposes of relocation, corporate inspection, sales meetings, consulting, training, and other purposes.

The commercial segment equaled approximately 4% of room night demand in 2007. This demand within the competitive set is coming from the smaller, local hotels and not the competitive resort properties. We project the subject resort will not attract commercial demand due to its high room rates and leisure activities.

Group Demand includes conferences and group meetings with a minimum of 10 occupied rooms on a single night. Group lodging demand is generated in conjunction with conventions, association meetings, corporate meetings, training seminars, and social functions such as weddings and family reunions. This segment also includes family reunions and SMERF (social, military, educational, religious, and fraternal) groups. Group demand typically utilizes meeting space in the market’s hotels as well as larger convention centers and event centers within the area.

Group demand in the competitive set is strongest at The Sagamore Resort and the Otesaga Hotel, which contain the largest amount of meeting space of any of the comparable resorts. The following table indicates the meeting spaces per available room of the competitive properties.

| Meeting Space to Rooms Ratio | | | |
|--|-------------------------|----------------|---|
| Hotel | Meeting Space SF | # Rooms | Meeting Space Per Available Room |
| Best Western Inn Of Cobleskill | 3,210 | 76 | 42.2 |
| Otesaga Hotel | 12,592 | 135 | 93.3 |
| Mohonk Mountain House | 9,689 | 266 | 36.4 |
| Preferred The Sagamore | 22,080 | 350 | 63.1 |
| Holiday Inn Express Hotel & Suites Schoharie | 6,993 | 56 | 124.9 |
| Holiday Inn Express Hotel & Suites Cooperstown | 624 | 74 | 8.4 |
| Great Escape Lodge & Waterpark | 7,100 | 200 | 35.5 |
| Great Wolf Lodge Poconos | 6,670 | 401 | 16.6 |
| Kaatskill Mountain Club Resort | 2,000 | 115 | 17.4 |
| Rocking Horse Ranch | 1,000 | 119 | 8.4 |

Source: Hotel & Leisure Advisors

The group segment equals approximately 23% of room night demand in 2007. We project a slow increase in group demand for the competitive set based upon historical trends in the group market.

Leisure Demand consists of individuals and families visiting attractions in the area or passing through en route to other destinations. Their purpose for travel may include sightseeing, visiting friends and relatives, recreation, relaxation, events, and numerous other non-business activities. Leisure demand is strongest Friday and Saturday nights and during school holiday periods. Tourist demand for lodging peaks during the summer months when the amusement parks and waterparks are open from visitors to the region. Additionally, leisure demand comes from the many sports tournaments and events of the metropolitan area. While the leisure segment often is comprised of more rate sensitive travelers, the segment is willing to pay higher rates during peak demand periods. Primary leisure attractions in the market are presented in the following table.

| Major Tourist Attractions in the Subject Area | |
|--|-----------------|
| <u>Attraction</u> | <u>Location</u> |
| Howe Caverns | Howes Cave, NY |
| National Baseball Hall of Fame | Cooperstown, NY |
| New York State Capitol Building | Albany, NY |
| Empire State Plaza | Albany, NY |

Source: Hotel & Leisure Advisors

The leisure segment equaled approximately 73% of room night demand in 2007. Leisure demand in the market peaks during the month of August from families vacationing. Additionally, leisure demand comes from various major events in each individual competitive hotel's market from attractions, area colleges, and other activities. We project moderate increases in demand in the segment of the existing competitive set. We project additional growth from the opening of the subject's indoor waterpark, which we have accounted for primarily in induced demand.

The lodging demand historical and projected growth rates by segment for the subject lodging market are shown in the following table.

| Accommodated Demand Growth Rates | | | | | | | | | |
|----------------------------------|------------|------|-----------|------|------|------|------|------|--|
| Segment | Historical | | Projected | | | | | | |
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | | |
| Commercial | 8.6% | 2.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Group | 8.6% | 4.4% | 0.0% | 0.3% | 0.5% | 2.0% | 2.0% | | |
| Leisure | 22.0% | 6.8% | 0.0% | 0.4% | 1.0% | 2.0% | 2.0% | | |
| Weighted Average | 18.0% | 6.0% | 0.0% | 0.4% | 0.8% | 1.9% | 1.9% | | |

Source: Hotel & Leisure Advisors

The preceding table indicates the historical growth achieved by each of the segments over the past two years and the consultant's projection of long-term outlook for the subject's market area.

Induced Demand: Induced demand is defined as the incremental demand stimulated by the introduction of new supply, in excess of demand changes caused by external economic conditions. In other words, the introduction of a new hotel in a market can increase demand due to additional supply on sold-out nights, or due to the specific facilities or marketing efforts of a property. We have considered the influence of induced demand as it relates to the opening of the subject.

By analyzing the current number of fill nights, we have estimated the induced demand that would be created by having additional hotel rooms in the market. We project that the market will receive a percentage of induced demand when the existing hotels currently fill up, displacing demand to surrounding markets.

Historically, the area hotels generally report approximately 50-125 fill nights annually. These fill nights occur primarily between April and October with a vast majority during the summer months.

The indoor waterpark resorts we analyzed indicate fill nights ranging from 100 to 175 annually. The fill nights at the indoor waterpark resorts occur primarily on weekends, during school holidays, and during summer months from families. Thus in 2011, we have projected induced demand from the opening of the new hotel rooms. The following table indicates our estimates.

| Induced Demand Inputs | | | | | | | | | |
|-----------------------|--------------------------------------|-----------|----------------|----------------|----------------------------------|------|------|--------|------|
| Hotel | Name of Proposed | Fill Days | # Rooms | Induced Demand | Total Induced Demand | | | | |
| | | | | | 2008 | 2009 | 2010 | 2011 | 2012 |
| 1 | Howe Caverns Indoor Waterpark Resort | 130 | 250 | 32,500 | - | - | - | 32,500 | - |
| | Total | | 250 | 32,500 | - | - | - | 32,500 | - |
| | Segmentation | | Hotel 1 | | Induced Demand by Segment | | | | |
| | Group | | 20% | | - | - | - | 6,500 | |
| | Leisure | | 80% | | - | - | - | 26,000 | |

Source: Hotel & Leisure Advisors

We project approximately 130 fill nights for the proposed resort and have applied the majority of the induced demand to the leisure segment.

PROJECTED MARKET OCCUPANCY

The forecasts of area-wide occupancy are derived from the relationship between the estimated room night demand and guest room supply. We have applied the growth rates and induced demand to the base year room night demand for each segment to arrive at a forecast of area-wide annual lodging demand. The projected room night demand is then divided by the projected annual supply (incorporating supply additions) to derive the area-wide occupancy levels. The projected supply, demand, and occupancy levels are shown in the following table.

| Howe Caverns Indoor Waterpark Resort | | | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Market Demand Analysis | | | | | | | | | |
| Accommodated Demand | Historical | | | | Projected | | | | |
| Segment | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Commercial | 16,040 | 17,413 | 17,834 | 17,834 | 17,834 | 17,834 | 17,834 | 17,834 | 17,834 |
| Group | 80,569 | 87,497 | 91,361 | 91,361 | 91,635 | 92,093 | 93,935 | 95,814 | 95,814 |
| Leisure | 224,863 | 274,307 | 292,858 | 292,858 | 294,029 | 296,969 | 302,908 | 308,966 | 308,966 |
| Total | 321,473 | 379,217 | 402,052 | 402,053 | 403,498 | 406,896 | 414,677 | 422,614 | 422,614 |
| Induced Demand | | | | | | | | | |
| Segment | Projected | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | | |
| Commercial | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Group | 0 | 0 | 0 | 6,500 | 6,500 | 6,500 | | | |
| Leisure | 0 | 0 | 0 | 26,000 | 26,000 | 26,000 | | | |
| Total | 0 | 0 | 0 | 32,500 | 32,500 | 32,500 | | | |
| Total Market Demand | Historical | | | | Projected | | | | |
| Segment | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Commercial | 16,040 | 17,413 | 17,834 | 17,834 | 17,834 | 17,834 | 17,834 | 17,834 | 17,834 |
| Group | 80,569 | 87,497 | 91,361 | 91,361 | 91,635 | 92,093 | 100,435 | 102,314 | 102,314 |
| Leisure | 224,863 | 274,307 | 292,858 | 292,858 | 294,029 | 296,969 | 328,908 | 334,966 | 334,966 |
| Total RN Demand | 321,473 | 379,217 | 402,052 | 402,053 | 403,498 | 406,896 | 447,177 | 455,114 | 455,114 |
| Total Room Demand Growth | - | 18.0% | 6.0% | 0.0% | 0.4% | 0.8% | 9.9% | 1.8% | 0.0% |
| Total Room Nights Available | 559,180 | 629,625 | 637,655 | 637,655 | 637,655 | 637,655 | 728,905 | 728,905 | 728,905 |
| Total Room Supply Growth | - | 12.6% | 1.3% | 0.0% | 0.0% | 0.0% | 14.3% | 0.0% | 0.0% |
| Adjusted Market Occupancy | 57.5% | 60.2% | 63.1% | 63.1% | 63.3% | 63.8% | 61.3% | 62.4% | 62.4% |

The table indicates that we project the market occupancy to remain stable in 2008, and show an increase in 2009 due to the lack of new supply and projected growth in demand. We project declines in occupancy in 2011 due to the opening of the subject. With the strong projected induced demand from the new resort and additional on-site amenities, we project overall occupancy to improve in 2012 and 2013 to levels similar to those achieved historically.

DEMAND INTERVIEWS

We conducted interviews to determine the demand for a 200- to 300-room indoor waterpark resort to be located adjacent to Howe Caverns in Howe’s Cave, New York. The hotel would also have conference and banquet space. Because of the strong tourist industry in the area, our interviews focused on tour operators, tourist attractions and others with knowledge of the leisure market in the area. The subject also has potential to target the wide range of state associations or groups.

We conducted interviews with a wide range of tourism related businesses and nonprofit groups within Schoharie County and the surrounding area. In each case, the individual interviewed was identified as one who was knowledgeable about the tourist industry or responsible for booking hotel and meeting space for events. All were given a brief

description of the proposed development and asked to predict the organization's possible interest. Twenty-one groups, attractions and tourism offices were contacted and, from among these, thirteen individuals agreed to be interviewed. The following summarize their responses.

The representative from the **Albany Convention and Visitors Bureau** stated that the Albany market typically does not see that much decline in hotel occupancies during the winter and likes the idea of 'weather proofing' the area through offering amenities that are open in the winter such as the proposed indoor waterpark resort. The Albany CVB works hard with the area's existing attractions to continue to market the region. Of concern to the interviewee is the ability for the proposed subject property to maintain occupancy during the week. She stated that she is basing her information off what she's heard regarding the performance of the Six Flags Great Escape property in the Lake George area. She acknowledged the marketing effort that it will take to make the proposed subject a viable resort destination.

The representative from the **Cooperstown/Otsego County Tourism** office stated that families come repeatedly to the area, especially for the baseball camps located in Cooperstown. Once in the area, family schedules are tight; however, the area is lacking the infrastructure for other types of family attractions. She felt that the proposed subject would be a good idea for the area, especially since the proposed location is closer to Albany and the capitol region than the Lake George region. The interviewee reported that the office's current marketing campaign is targeting upscale baby-boomers and the younger population. She stated that in the past, Cooperstown/Otsego County Tourism had cross marketed the region with Schoharie County.

The **Cooperstown Chamber of Commerce** currently promotes Howe Caverns as a local family attraction. The interviewee stated that an indoor waterpark at Howe Caverns would be a wonderful addition to the region as there exists a serious lack of winter attractions. The indoor waterpark resort would provide a 'highly diverse option' to the area. The representative stated that families visiting the area expect other types of attractions. In two or three days, visitors have exhausted most options in the immediate area. There is a concern for the distance between Howe Caverns and Cooperstown. Families expect to stay as close as possible to the Baseball Hall of Fame. However, when presented with the possibility of a daily shuttle, the interviewee thought it would be a great idea. Another aspect to the local families visiting the baseball parks is what to do when their teams have been eliminated from the tournaments. The waterpark would provide them with a very viable option.

We interviewed the executive directors of two local family attractions regarding their opinions of the proposed indoor waterpark. The not-for-profit **Iroquois Indian Museum** would welcome a new attraction in the area. She reported that 41% of their business comes to the museum because of the Howe Caverns attraction. The museum is located less than ½ mile south of the subject property. Museum attendance has shown a decline from 21,000 visitors in 2002, to 11,000 visitors in 2007. "The more people that visit the area, the better for the economy", stated the representative. The only concern the interviewee mentioned was for the impact that the new facility would have on the land. The representative for the not-for-profit **Old Stone Fort Museum Complex**, located on Fort Road in the town of Schoharie reported a steady decline in visitors since 2002. He mentioned the post-9/11 economic conditions, a decline in disposable income and lack of free time as reasons for the declining attendance. His main customers are family groups with grandparents as well as a lot of individuals working on genealogy projects. The

representative would welcome the proposed resort as anything than can convert the 'day-tripper into an overnighter', would be welcomed in the county.

We interviewed a representative from **First Choice Educational**, which is a tour group operator based in Batavia, New York. The representative said that she arranges 10 to 15 tours per year and that tours can have from 25 to 200 participants. Most of the participants in her tours are students, and tours usually include educational components. The tour itineraries planned often include stops at Howe Caverns and the surrounding attractions. However, the tour operator said, tours never stay overnight in the area because they are usually on their way to Albany, Boston or New York City. Furthermore, the tour operator said that there is usually not adequate lodging in the Howe's Cave area for her tours. When the proposed hotel and waterpark were described to her, the interviewee expressed a high level of interest. She said that waterparks are very popular with the students. She has arranged tours including Splash Lagoon (Erie, PA) or Great Wolf Lodge in Sandusky, OH and found that the students love them. When asked what she would be willing to pay for a stay at an indoor waterpark, the planner said that she usually pays \$80 to \$100 for a room holding four students. That price does not include the waterpark premium but usually includes a hot breakfast. When room price and waterpark tickets are bundled, she usually pays approximately \$160 for a room holding four students. We asked if the tour operator would consider planning tours that spent the night in Howe's Cave, if the proposed hotel was built. She said that she would definitely consider planning an itinerary that included Howe Caverns, the Farmers Museum, attractions in Cooperstown, and an overnight stay at the proposed indoor waterpark.

Bella Tours is a tour company based in Liverpool, New York which arranges tours for both adults and students. The representative we interviewed said that she usually arranges two bus tours per year in the Howe's Cave region. Buses carry an average of 110 people. When tours pass through Howe's Cave they generally stay overnight in Albany or another large population area with enough space for their tour groups. Stops on their itinerary in the area have included places such as the Howe Caverns, the Iroquois Museum, and attractions in Cooperstown. When the proposed indoor waterpark resort was described to her, the tour planner expressed a high level of interest. She felt that a waterpark would draw more people to the area. She also said that she would consider using the proposed hotel as an overnight stopping place for tours – particularly tours involving student groups. We asked the tour planner what other amenities and/or attractions she would like to see in the Howe's Cave area. She felt that student groups get bored easily and need a lot of fun things to do; however, she also felt that there should be some "learning based" attractions. She felt that the waterpark itself would add a popular and fun attraction to the area. She also said that she often gets requests for meeting space in which to hold ice cream socials or game nights.

We interviewed a representative from **Travelogues International** which is a tour company based in West Seneca, New York. They specialize in tours for student groups from elementary school age to high school age. The interviewee said that his groups usually have 40 to 50 participants, and tours last an average of four days and three nights. He sends an average of five to eight groups to Howe Caverns in a given year; however, they do not stay overnight in the area. Most often the groups use the caverns as a stopping place on their way to Boston. When the proposed indoor waterpark resort was described to him the interviewee expressed a high level of interest. He said that they have used Splash Lagoon and the Kalahari in Sandusky as destinations or stopping places for their tours in the past and would definitely consider using the proposed as an overnight stopping place. He said that if there were a hotel and waterpark in the area, he

would consider creating a tour package that included Cooperstown, Albany and the surrounding area. When asked if he would prefer a brand name hotel or an independent, he said that branding was not a factor when choosing hotels to include in his itinerary. When asked what he would be willing to pay for an overnight stay, he mentioned that at times at other waterpark hotels he was able to negotiate a rate of \$100 for a room and four waterpark passes.

FuelingTheFun.com is an internet-based "travel package assembly system" for Cooperstown, Albany and the surrounding areas. Families can access the website and plan their itineraries and receive discounts on lodging and tourist attractions. We spoke to the owner of the business who said that his service is a good way for local vendors to band together and market their products. He said that in that particular part of New York, marketing is difficult because there are no large CVBs in the area, and the smaller ones that do exist do not have enough resources to properly market the area. To date FuelingTheFun.com has assembled approximately 1,000 packages for individual families. We asked the owner's opinion on the possibility of a new waterpark hotel adjacent to Howe Caverns and he felt that it would work well in the area. He said that having an indoor waterpark in the area would open up the slower season because weather would not be a factor. However, he also felt that it would be important to add other attractions to the area; to "do something new like Lake George." He also felt the proper marketing would be crucial to the success of the proposed hotel. When asked about branding, the interviewee stated that brand is important to many people, particularly with package deals. He also felt that the caverns were well-known enough that they may be a brand of their own; therefore, including 'Howe Caverns' in the name of an independent hotel may work as well as a brand name.

We interviewed a representative from **Bradford Travel** who arranges tours for high school and junior high students. He arranges tours in western New York and the surrounding states. He said that he has utilized Howe Caverns as a stopping place for his tours on their way to Albany. On average three to five groups stop in Howe's Cave, New York per year. Each group is composed of 40 to 80 students. When the proposed hotel and indoor waterpark was described to him, the tour planner indicated a high level of interest. He said that many of his tours have included stops and/or overnight stays at Splash Lagoon and Castaway Bay. He felt that a waterpark hotel in Howe's Cave would entice more groups to the area and would encourage them to stay overnight rather than just pass through. He also said that he would consider rearranging some of his tour itineraries to include an overnight stay at the proposed hotel. When asked about branding preferences, the interviewee said that he does not look at branding when choosing a venue for his tours. However, he felt that affiliating with a national brand may be useful for the proposed hotel because of the opportunity for national advertising. When asked what rates he was able to get at other waterparks, he said that he recently was able to get a rate of \$74 for a room and an additional \$28.75 per person for passes to the waterpark.

The **Soccer Hall of Fame** in Oneonta sees approximately 20,000 visitors per year. We interviewed the programs and events manager who said that many people call her to inquire about lodging in the area. This is particularly true during their annual tournament which draws up to 80,000 participants and spectators from New York and several surrounding states. Although she does not book hotel rooms for people who inquire, she does make suggestions based on her knowledge of the local hotel market. The Soccer Hall of Fame also lists suggestions on their website. The programs and events manager is also responsible for partnering with other area attractions. In the past, the Soccer Hall

partnered with Howe Caverns and the Baseball Hall of Fame to offer a “triple play” package to families at a discounted rate. When we asked her opinion on the proposed hotel with indoor waterpark, the respondent felt that a waterpark would be a wonderful idea. She said that she and her colleagues would often talk about wanting an indoor waterpark and hotel in Oneonta. She also said that the museum is under new management and plans are being made to give the museum a new look and draw more visitors to the area. She felt that the presence of an indoor waterpark hotel would help those efforts. We asked the programs and events manager if there were other amenities that she would like to see in the area. She felt that a large sports and entertainment center similar to the ESPN Zone or Dave and Busters would work well in the area. She felt that the area should offer several family-friendly activities such as indoor batting cages, miniature golf, and laser tag. She also thought that team-building activities for groups would work well in the area. When asked about branding, the interviewee said that branding was not an issue for her when looking for lodging. When asked what price the proposed hotel may be able to charge, she felt that they could charge anywhere from \$180 to \$300 for rooms inclusive of waterpark passes depending on the demand level.

We interviewed a representative from the **Student Tours** based in Pavilion, New York. Student Tours arranges tours for junior high and high school students. Many of the groups they deal with are small, single-bus groups of 15 to 50 people but they do occasionally deal with groups of 300 to 400. Since this tour company deals with many small groups, the groups have more latitude in planning and do not have to stick to a pre-made itinerary. The interviewee said that often times the groups make requests for particular stops which are then worked into their itinerary. When asked what types of activities are requested by groups, the tour planner said that he gets a lot of requests for waterparks, amusement parks, dinner theaters, boat tours, and paint ball. Two to three times per year he will get a request for Howe Caverns. We asked the tour planner his opinion on the proposed hotel and waterpark in Howe’s Cave. He felt that it would be popular with many of his groups. He felt that it would be particularly popular with older groups who were on “senior trips” or similar types of trips that emphasized fun activities over purely educational activities. He also felt that the school systems in the surrounding area who may not have sufficient funds to go to New York City or Boston, may find the proposed resort to be a good, cost-effective option that will be fun for their students.

The **Cooperstown Dreams Park** is a baseball camp located in Cooperstown, New York. They hold week-long baseball camp sessions throughout the summer. Although they house all of the players in their center, many parents and siblings come along and need to find housing in the surrounding area. The public relations representative we interviewed seemed to think that the housing options in Cooperstown and the immediate vicinity were adequate for the needs of most of the families coming in with the baseball team members. However, there is an annual event called the Hall of Fame Weekend that draws up to 20,000 participants and spectators which fills up hotels from Albany to Binghamton. When the proposed hotel was described to her, the interviewee felt that it would be popular with visitors to the area and with locals living in the area as well. When asked about branding preferences, she said that many people prefer brands over independent hotels. We also asked if there were particular amenities that visiting families enjoyed in the area. She mentioned that they often visit the museums in the area and that there is a “Fun Park” that is very popular with families.

Leisure Interviews

Demand interviews were conducted with prospective guests concerning their interest level in an indoor waterpark resort. Between 1999 and 2008, Mr. Sangree has supervised or conducted more than 600 interviews with leisure guests regarding their interest in, and use of, indoor waterparks. Leisure guests were interviewed from a wide range of homes in the Midwest, Northeast, Southeast, and Western United States, and Western Canada for a variety of projects, which involved an indoor waterpark resort. We have compiled the results from these surveys to provide meaningful data concerning the interest level in an indoor waterpark resort. Although the interviewees were not specifically asked about the subject site, the research gleaned from these telephone interviews provides data concerning pricing and interest level in an indoor waterpark resort. The following bullets summarize results of those interviews.

- A majority of people contacted had not heard of an indoor waterpark resort unless they lived within 180 miles of an existing indoor waterpark resort such as properties in Sandusky or Wisconsin Dells. In 2006, 2007, and 2008 increasing numbers of people have heard of indoor waterpark resorts through various media and visiting newly open properties.
- The vast majority of the respondents were interested in visiting an indoor waterpark with their children and families. Those respondents who did not have children indicated a low level of interest.
- Interviewees indicated they would pay a range of rates from \$10 to \$40 per person per day for use of an indoor waterpark. The day rates they were willing to pay varied substantially based upon their expectations for the quality of the facility. Additionally, higher prices at the facility would reduce the number of times the family would visit in a year.
- In regard to hotel rooms, the rates people would pay ranged from \$100 to \$400, which would include usage of the indoor waterpark. Generally, the families interviewed felt that the rates at existing indoor waterpark resorts were high but they were still willing to go with their children.
- When asked their preference of a room night package that included use of the indoor waterpark in the cost of the room versus purchasing a daily pass separately, the vast majority preferred a package arrangement, which would include the waterpark passes.
- The average number of guests in a room night group was approximately 4.5, with a range of 4 to 7 people. This statistic indicates that families are typically most interested in indoor waterpark resorts and will travel as a family unit or with friends and stay in the same room.
- Guests were interested in staying an average of two to three nights per visit.
- The vast majority of interviewees indicated interest in visiting an indoor waterpark resort on weekends or during summer or school breaks. Only a small minority were available to visit on weekdays.

- The most popular time of year to visit was summer, followed by winter.
- Amenities requested by respondents included good restaurant and lounge, meeting space, spa, arcade, shops, family activities, game room, playground, miniature golf, separate swimming pool from indoor waterpark, outdoor waterpark, bowling, ice skating, and movie theater.

Overall, the respondents indicated a strong interest in an indoor waterpark resort particularly if it includes a variety of family activities. The respondents indicated that weekends and school breaks in the winter and summer were the most likely time periods when they would visit. The results of our interviews correlate with the actual operating results from a wide range of indoor waterpark resorts.

Howe Caverns Marketing Strategy

We interviewed Mark Shipley, Chief Thinker for Howe Caverns' marketing firm **Smith and Jones**. Smith and Jones is currently engaged to reposition the Howe Caverns brand. According to Shipley, leveraging the intriguingly unique caverns is the appropriate way to theme the resort and truly make the venue a powerful destination. Shipley anticipates repackaging the attraction into a more modern and more interactive venue that can help increase brand awareness among travelers and make them 'want to get there'. Shipley stated that the draw from the capitol area as well as Binghamton will appeal to those people that don't want to deal with large crowds further up state. The appeal is for a venue that is not another generic waterpark, but one that provides fun, educates, and differentiates itself in the market, all at the same time.

We recommend the developers be consistent with their marketing strategy for all aspects of the indoor waterpark resort including how it relates to the caverns, quarry and other site amenities.

COMPETITIVE ADVANTAGES AND DISADVANTAGES OF SUBJECT PROPERTY

We have assessed the projected competitive position of the proposed subject property as it compares to the defined competitive lodging supply. Based on interviews with representatives of competitive hotels, our general knowledge of the market area, and consideration of factors such as competent and efficient management, a well defined marketing program, the location of the subject property, and the quality of the facility, we have estimated future market penetration of the subject. The following property characteristics were considered as competitive advantages and disadvantages when estimating future penetration rates for the different segments.

Positive Attributes

- The subject's location approximately 40 miles west of downtown Albany, off I-88, is projected to be a strong advantage. The property is projected to be convenient to travelers from the New York suburbs as well as travelers from Binghamton.
- With the proposed road improvements and new main entry to the site, the subject property will have convenient access off the interstate and will provide access from the resort to the area's attractions including the offerings in the northern Catskills as well as the Cooperstown, Oneonta, Silver Springs and Otsego Lake areas. The visibility of the subject from I-88 is projected to be an advantage as it will increase awareness of the resort for travelers.
- The subject property will be the newest resort hotel within the competitive set. The proposed indoor waterpark at the subject will offer a range of slides and attractions. It is projected to be popular with families and children.
- The subject property will be located adjacent to the existing attraction of Howe Caverns. The caverns are a well-established tourist destination within the region that has served generations of families.
- The subject is projected to be a very unique resort within the industry as it will be the only indoor waterpark that is leveraging a national show cave as an attraction. The themeing of the subject in regards to caverns, geology and mining, will differentiate itself within the industry. The subject resort will offer many attractions related to the site's geological and mining characteristics. This is projected to be a strong advantage.
- The subject will offer the largest indoor waterpark facility in upstate New York. Although other projects are proposed in upstate New York, at the time of our research these have not started construction or been financed. The subject will offer a popular family experience for travelers year-round. Based upon the success of the resorts in the Poconos, Wisconsin Dells, Sandusky, and Erie it is our opinion that family oriented travelers from a two- to three-hour drive will enjoy coming to the subject to experience the waterpark and all the other amenities of the facility and area.
- The subject will offer an attractive facility with a wide range of room types including a higher percentage of suites larger than a typical hotel. The planned restaurants, themed lobby, gift shop, arcade, and other amenities will allow the subject to offer a memorable experience for leisure visitors.

- The subject has a strong potential to outperform the market, particularly during the winter and summer periods and weekends year-round with the addition of the indoor waterpark facility. The primary target time for families will be summer months, weekends, and winter months. The subject is expected to be a popular destination during the summer months because demand is already strong during these months in the market.
- The subject is recommended to offer a conference and banquet center which will allow it to market to groups and wedding parties who may be interested in its location and scenic views. The projected group business will utilize the facility during mid-week periods when family leisure travelers are not available.

Negative Attributes

- The neighborhood surrounding the subject site lacks family amusement parks or larger tourist attractions. Although the surrounding area offers some smaller museums and heritage locations, there is a limited number of attractions for family travelers to visit. With the development of the subject, we project additional attractions to open in the area.
- The location of the subject is 45 minutes from the area's major attraction, the Baseball Hall of Fame, located in Cooperstown. We recommend the subject provide shuttle transportation to Cooperstown as an amenity of the resort for guests to easily visit this and other area attractions including the skiing offerings of the northern Catskills in the winter.
- The subject's waterpark is recommended to be open to the public. The subject will need to have capacity controls to ensure overcrowding does not occur.

PROJECTED SUBJECT OCCUPANCY

Projected levels of occupancy for the subject hotel are discussed in detail in this section. Estimates of the ability of the subject to capture future market area demand were formulated via a fair market share and penetration analysis. Fair market share is defined as the percentage of rooms, which a property contributes to the total supply of guest rooms in the defined competitive market area. Penetration rate is defined as the percentage of a property's fair share of demand that is actually accommodated by that property. Penetration rates in excess of 100% indicate that a hotel possesses competitive advantages, while competitive weaknesses are reflected by penetration rates that are below 100%.

In determining the penetration rates for the subject, we have also analyzed the historical penetration levels of each of the competitors. We have calculated, through our computer model, projected penetration rate and projected occupancy levels for each competitor and new supply additions. This provides us with a better framework to analyze the subject's projected performance in context of our projected market occupancy. The following section discusses each individual demand segment.

Commercial Demand Penetration: The following table presents the historical penetration rates for the competitive supply, followed by the projected subject penetration rates.

| Projected Penetration Rates Commercial Segment | | |
|---|------------------|-------------------------|
| Competitors | <u>2007</u> | |
| <u>Hotel Name</u> | <u>Occ rooms</u> | <u>Penetration Rate</u> |
| Best Western Inn Of Cobleskill | 4,000 | 510% |
| Otesaga Hotel | 0 | 0% |
| Mohonk Mountain House | 0 | 0% |
| Preferred The Sagamore | 0 | 0% |
| Holiday Inn Express Hotel & Suites Schoharie | 7,000 | 1193% |
| Holiday Inn Express Hotel & Suites Cooperstown | 7,000 | 934% |
| Great Escape Lodge & Waterpark | 0 | 0% |
| Great Wolf Lodge Poconos | 0 | 0% |
| Kaatskill Mountain Club Resort | 0 | 0% |
| Rocking Horse Ranch | 0 | 0% |
| Projected Subject | | |
| 2011 | 0 | 0% |
| 2012 | 0 | 0% |
| 2013 | 0 | 0% |
| 2014 | 0 | 0% |
| 2015 | 0 | 0% |
| Source: Hotel & Leisure Advisors | | |

Based upon the family orientation of the proposed resort we do not project any corporate demand penetration in this segment.

Group Demand Penetration: The following table presents the historical penetration rates for the competitive supply, followed by the projected subject penetration rates.

| Projected Penetration Rates Group Segment | | |
|--|------------------|-------------------------|
| Competitors | | <u>2007</u> |
| <u>Hotel Name</u> | <u>Occ rooms</u> | <u>Penetration Rate</u> |
| Best Western Inn Of Cobleskill | 4,000 | 100% |
| Otesaga Hotel | 14,000 | 300% |
| Mohonk Mountain House | 16,000 | 113% |
| Preferred The Sagamore | 27,000 | 148% |
| Holiday Inn Express Hotel & Suites Schoharie | 2,000 | 58% |
| Holiday Inn Express Hotel & Suites Cooperstown | 5,000 | 137% |
| Great Escape Lodge & Waterpark | 4,000 | 39% |
| Great Wolf Lodge Poconos | 6,000 | 31% |
| Kaatskill Mountain Club Resort | 4,000 | 60% |
| Rocking Horse Ranch | 9,000 | 149% |
| Projected Subject | | |
| 2011 | 10,432 | 81% |
| 2012 | 10,979 | 84% |
| 2013 | 11,327 | 87% |
| 2014 | 11,327 | 87% |
| 2015 | 11,327 | 87% |
| Source: Hotel & Leisure Advisors | | |

We recommend the subject offer approximately 13,000 square feet of meeting space, which may be utilized for various groups and wedding parties as well as a media center for the hotel guests. We project a slightly below fair share penetration rate in the group segment due to the property's projected leisure focus.

Leisure Demand Penetration: The following table presents the historical penetration rates for the competitive supply, followed by the projected subject penetration rates.

| Projected Penetration Rates Leisure Segment | | |
|--|------------------|-------------------------|
| Competitors | | <u>2007</u> |
| <u>Hotel Name</u> | <u>Occ rooms</u> | <u>Penetration Rate</u> |
| Best Western Inn Of Cobleskill | 8,000 | 62% |
| Otesaga Hotel | 9,000 | 57% |
| Mohonk Mountain House | 47,000 | 106% |
| Preferred The Sagamore | 41,000 | 69% |
| Holiday Inn Express Hotel & Suites Schoharie | 3,000 | 30% |
| Holiday Inn Express Hotel & Suites Cooperstown | 5,000 | 43% |
| Great Escape Lodge & Waterpark | 41,000 | 122% |
| Great Wolf Lodge Poconos | 102,000 | 151% |
| Kaatskill Mountain Club Resort | 20,000 | 105% |
| Rocking Horse Ranch | 17,000 | 86% |
| Projected Subject | | |
| 2011 | 47,952 | 119% |
| 2012 | 50,230 | 123% |
| 2013 | 51,612 | 127% |
| 2014 | 51,612 | 127% |
| 2015 | 51,612 | 127% |
| Source: Hotel & Leisure Advisors | | |

The subject with the indoor waterpark will offer an important competitive advantage over the other properties. Leisure travelers will firstly be interested in the subject because it is a new hotel product located adjacent to the Howe Caverns show cave attraction. In addition, the subject will offer the large and uniquely themed indoor waterpark. We have projected a penetration rate well above fair share. Our penetration rate assumes that the subject will be creating an unique attraction that will leverage the well-established theme of the caverns, which will have a strong interest level from families traveling through the Central Leatherstocking market as well as families coming to New York's capitol region. Its location and visibility off I-88 will benefit potential leisure business. The subject's indoor waterpark will be a strong tourist attraction year round. Based on these factors, we anticipate the subject will penetrate this segment above fair share in the first year of operation and in future years.

Howe Caverns Indoor Waterpark Resort
Subject Occupancy and Average Daily Rate Analysis

D-6

| Subject Property Name: | | Howe Caverns Indoor Waterpark Resort | | | | | | |
|--|--------------|---|--------|--------|--------|--------|--------|--------|
| Room Nights by Segment | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Group | | 10,432 | 10,979 | 11,327 | 11,327 | 11,327 | 11,327 | 11,327 |
| Leisure | | 47,952 | 50,230 | 51,612 | 51,612 | 51,612 | 51,612 | 51,612 |
| | TOTAL | 58,384 | 61,209 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 |
| Percent of Total Room Nights by Segment | | | | | | | | |
| Group | | 17.9% | 17.9% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% |
| Leisure | | 82.1% | 82.1% | 82.0% | 82.0% | 82.0% | 82.0% | 82.0% |
| | TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Subject Available Rooms per Day | | 250.0 | 250.0 | 250.0 | 250.0 | 250.0 | 250.0 | 250.0 |
| Subject Available Rooms per Year | | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 |
| Subject Property Projections | | | | | | | | |
| Occupancy | | 64.0% | 67.1% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% |
| Market Share | | 13.1% | 13.4% | 13.8% | 13.8% | 13.8% | 13.8% | 13.8% |
| Fair Share | | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |
| Penetration | | 104.3% | 107.4% | 110.5% | 110.5% | 110.5% | 110.5% | 110.5% |
| Market Occupancy | | 61.3% | 62.4% | 62.4% | 62.4% | 62.4% | 62.4% | 62.4% |

Source: Hotel & Leisure Advisors

In a stabilized year of operation, the subject is projected to achieve an occupancy level of 69.0% which results in an overall penetration rate of 110.5%. The subject is projected to outperform the market due to the many unique attractions created at the subject site. The market segmentation for the subject hotel is projected to be predominately leisure with a higher percentage of group than the Great Wolf Lodge or the Great Escape Lodge due to the recommended conference center. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for shifts in the local economy and changes in the market's demand patterns to force the occupancy below this selected point of stability.

Daily Analysis

The following table indicates our projections by day indicating that the property will achieve stronger occupancy levels on weekends.

| Analysis by Day Howe Caverns Indoor Waterpark Resort Stabilized Year Projection | | |
|--|----------------------------------|--|
| <u>Day Of Week</u> | <u>Overall # Days</u> | <u>Stabilized Year Projection</u> |
| Monday | 53 | 55% |
| Tuesday | 52 | 55% |
| Wednesday | 52 | 55% |
| Thursday | 52 | 75% |
| Friday | 52 | 90% |
| Saturday | 52 | 95% |
| Sunday | <u>52</u> | <u>60%</u> |
| Overall | 365 | 69% |
| Number Available Rooms | | 250 |
| Source: Hotel & Leisure Advisors | | |

Our projections indicate that weekends will be nearly full because of the indoor waterpark and other attractions located at the facility, while during weekdays, the subject will attract some group and summer leisure demand.

Monthly Analysis

The following table indicates our projections of occupancy by month in a stabilized year of operation.

| Projection of Monthly Occupancy Howe Caverns Indoor Waterpark Resort | |
|---|---|
| Month | <u>Stabilized Year Occupancy</u> |
| JAN | 55% |
| FEB | 70% |
| MAR | 75% |
| APR | 75% |
| MAY | 50% |
| JUN | 75% |
| JUL | 90% |
| AUG | 93% |
| SEP | 65% |
| OCT | 70% |
| NOV | 53% |
| DEC | <u>53%</u> |
| ANNUALIZED | 69% |
| Source: Hotel & Leisure Advisors | |

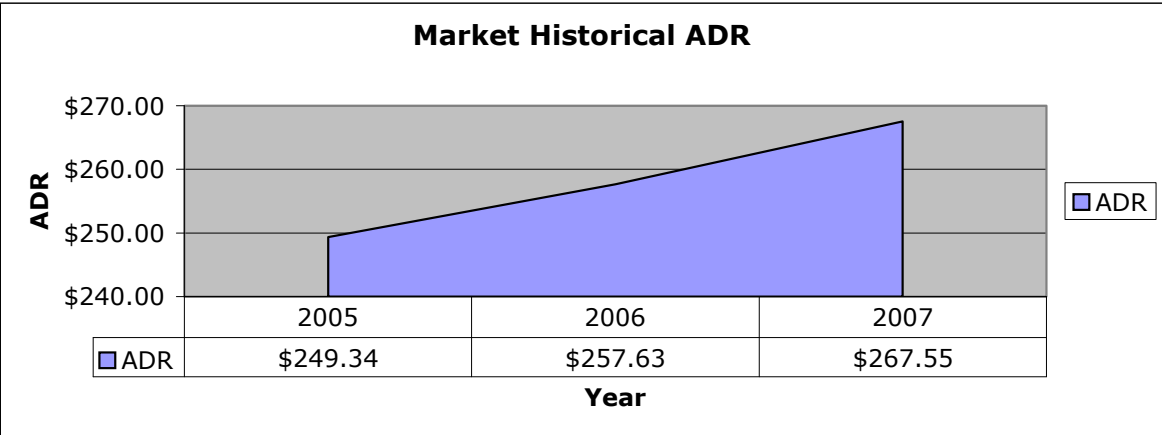
The table indicates that we project higher occupancy and average daily rate levels in the winter and summer months.

ESTIMATED AVERAGE DAILY RATE

The estimates of future average daily rate for the subject hotel are based on the following factors:

- Historical average daily rates achieved by the competitors
- The discounting practices of these hotels
- The projected demand segmentation of the subject
- The appropriate rate positioning of similarly-operated properties relative to other hotels
- Estimated economic inflation rate of 3.0% per year

We have analyzed the historical average daily rate for the competitive set and individual competitors within the market. Between 2005 and 2007, the average daily room rate among the competitive supply increased by a compounded annual rate of 3.6% to \$267.55 in 2007. The following chart illustrates the historical average daily rate performance for the competitive supply.



The competitive supply has a wide range in average daily rates as shown in the following table.

| Competitive Hotels Average Daily Rate Analysis | | |
|---|--|----------------------------|
| | Property | 2007 Estimated Performance |
| 1 | Best Western Inn of Cobleskill | \$50 to \$100 |
| 2 | Otesaga Hotel | \$250 to \$300 |
| 3 | Mohonk Mountain House | \$250 to \$300 |
| 4 | Preferred The Sagamore | \$250 to \$300 |
| 5 | Holiday Inn Express Hotel & Suites Schoharie | \$50 to \$100 |
| 6 | Holiday Inn Express Hotel & Suites Cooperstown | \$100 to \$150 |
| 7 | Great Escape Lodge & Waterpark | \$200 to \$250 |
| 8 | Great Wolf Lodge Poconos | \$300 to \$350 |
| 9 | Kaatskill Mountain Club Resort | \$200 to \$250 |
| 10 | Rocking Horse Ranch | \$300 to \$350 |
| | Average | \$267.55 |

Source: Hotel & Leisure Advisors

Rack Rates: We recommend that the subject promote rack rates including usage of the indoor waterpark. We recommend that the subject offer some rooms on weekdays at traditional rack rates (excluding waterpark premium) for some groups and commercial travelers while keeping all leisure oriented rates higher. By including the waterpark passes with most room rates, it will help in planning and managing the waterpark, including knowing how many day passes can be sold.

We project higher rack rates particularly on weekends and during the high season, which we consider as weekends year round, and weekdays during school breaks and the summer. We project that the subject will offer lower rates during slower time periods.

We have projected recommended rack rates taking into account the projected brand affiliation, newly constructed condition, and location, and in light of competitive rate structuring at nearby hotels. We recommend the following room rate structure, in 2011 dollars, for the proposed subject hotel including waterpark passes.

| Howe Caverns Indoor Waterpark Resort Recommended Rack Rates (including indoor waterpark passes) | | |
|--|-----------------|---------------|
| Room Type | Standard | Suites |
| Rates | \$249 - \$499 | \$349 - \$899 |

Source: Hotel & Leisure Advisors

The preceding rate structure represents the appropriate published rates for the proposed subject for rates including indoor waterpark passes in a stabilized lodging market in 2011 dollars. We considered the competitive rate structuring at nearby hotels. We utilized the rate structures at the existing indoor waterpark resorts located in the Poconos, Queensbury, Wisconsin Dells, and Sandusky as previously shown as references. The following chart illustrates occupancy and average daily rates by market segment in the first year of the projection excluding waterpark admission.

| Segmentation Analysis | | |
|--|---------------------------|---------------------------|
| Howe Caverns Indoor Waterpark Resort | | |
| Including Waterpark Admission | | |
| Group | | First Year <u>2011</u> |
| | % Total Rooms | 17.9% |
| | Average Daily Rate | \$170 |
| | Room Nights | 10,432 |
| | Total Revenue | \$1,773,464 |
| Leisure | % Total Rooms | 82.1% |
| | Average Daily Rate | \$300 |
| | Room Nights | 47,952 |
| | Total Revenue | \$14,385,494 |
| Annual Combined | Occupancy | 64.0% |
| | Total Room Nights | 58,384 |
| | Total Revenue | \$16,158,958 |
| | Average Daily Rate | \$277 |
| | RevPAR | \$177.1 |
| Note: totals may not add or multiply due to rounding | | |
| Source: Hotel & Leisure Advisors | | |

We project the subject will have to offer discounts in group segment in order to attract travelers during non summer weekdays when families are not available to utilize the subject facilities. The leisure segment is projected to be the highest rate, because this will occur throughout the summer, school holidays, and on weekends year-round.

After discounting and promotions, the above rate structure should enable the hotel to achieve an estimated average daily rate of \$277 in 2011. The table indicates the projected average daily rate including waterpark passes. The guests will be receiving a value of approximately \$160 included within the room rate for usage of the waterpark. (\$40 times 4). This will allow guest usage of the waterpark both the day they arrived and the day they leave. However for some guests traditional room rates will be offered as they will be projected to not utilize the waterpark. We have increased the average daily rate projection at levels above inflation in the first two years to account for introductory specials, which will be performed. Future projections are increased at the rate of inflation of 3.0% throughout the projection period.

The following table demonstrates the projected base and inflated ADR for the subject for fiscal year projections beginning in January of each year.

| Estimated Average Daily Rate Market and Subject | | | | | | | |
|--|-----------|-----------------|----------|------------------|-----------------|----------|-----------------|
| Competitive Set of Hotels | | | | Subject Property | | | |
| Year | Occupancy | ADR Growth Rate | ADR | Occupancy | ADR Growth Rate | ADR | ADR Penetration |
| 2005 | 57.5% | - | \$249.34 | | | | |
| 2006 | 60.2% | 3.3% | \$257.63 | | | | |
| 2007 | 63.1% | 3.9% | \$267.55 | | | | |
| 2008 | 63.1% | 3.0% | \$280.00 | | | | |
| 2009 | 63.3% | 3.0% | \$288.40 | | | | |
| 2010 | 63.8% | 3.0% | \$297.05 | | | | |
| 2011 | 61.3% | 3.0% | \$305.96 | 64.0% | 0.0% | \$277.00 | 91% |
| 2012 | 62.4% | 3.0% | \$315.14 | 67.1% | 5.0% | \$290.85 | 92% |
| 2013 | 62.4% | 3.0% | \$324.60 | 69.0% | 4.0% | \$302.48 | 93% |
| 2014 | 62.4% | 3.0% | \$334.33 | 69.0% | 3.0% | \$311.56 | 93% |
| 2015 | 62.4% | 3.0% | \$344.36 | 69.0% | 3.0% | \$320.91 | 93% |

Source: Hotel & Leisure Advisors

INDOOR WATERPARK ANALYSIS

Although the subject indoor waterpark will focus upon hotel guests as visitors to the waterpark, we project that it will also be open to day visitors particularly on weekdays and on slower weekends. We recommend that on busy weekends the subject not allow access for day visitors to encourage guests to stay overnight. We project limited availability on weekends when the subject hotel rooms will mostly fill the waterpark. Previously, we made an analysis of indoor waterpark resorts. In this section, we have made estimates as to the number of attendees for the waterpark from hotel guests and residents of the area.

Waterpark Competitors: Currently there are no indoor waterparks located in the Albany-Schenectady area. The closest indoor waterpark resort is the Six Flags Great Escape resort in Queensbury. The nearest outdoor waterpark is Zoom Flume Waterpark in East Durham.

Estimated Average Ticket Price

To estimate the average ticket price for the subject property for both hotel guests and non-hotel guests, we analyzed historical ticket prices achieved on a per square foot basis at the comparable facilities shown earlier in this section in addition to comparing the prices of the local facilities discussed above. We have taken into account the average rates achieved by the comparables, projected discounting practices of the subject, and the appropriate rate positioning for the subject.

The following indicates our projected overall average ticket price for the subject. We note that the subject will have a 50,000 square foot indoor waterpark.

| Projected Average Ticket Price Analysis Stabilized Year (2011 Dollars) | | |
|---|-------------------|-------------------|
| Relevant comparables: | Rack Rate | Discounted |
| Kalahari-Sandusky | \$42.00 | \$32.00 |
| Kalahari-Wisconsin Dells | \$39.00 | \$25.00 |
| Mount Olympus-Wisconsin Dells | \$40.00 | \$36.00 |
| Six Flags Great Escape Indoor Waterpark-Queensbury | \$39.99 | \$24.99 |
| Splash Lagoon Indoor Waterpark | \$34.95 | \$24.95 |
| Great Wolf Lodge - Poconos | \$30.00 | \$30.00 |
| Splashdown Beach Waterpark-Fishkill | \$25.00 | \$20.00 |
| Zoom Flume Outdoor Waterpark - East Durham | \$23.95 | \$23.95 |
| Average indoor waterpark per square foot | \$0.0005 | \$0.0004 |
| Price per square foot range | \$.0002 - \$.0009 | \$.0002 - \$.0009 |
| Projected overall average ticket price: | | |
| Proposed indoor waterpark square feet | 50,000 | |
| Projected price per square foot | \$0.00076 | |
| Projected average daily ticket price | \$38.00 | |
| Projected average half-day ticket price | \$28.00 | |
| Projected percentage of daily tickets | 70% | |
| Projected overall average ticket price | \$35.00 | |
| Source: Hotel & Leisure Advisors | | |

The following table projects rack rates for day passes for the indoor waterpark. We recommend the subject offer higher rates during the weekends when there is limited availability (including holidays and peak summer weekdays) than on weekdays because on weekends there will be more hotel guests who will want to use the waterpark and are paying for the use of the waterpark in their room rate. We recommend the use of coupons and discounts to local people and guests who are not on special packages during slower seasons. We recommend the following ticket price structure, in 2011 dollars, for the proposed indoor waterpark.

| PROJECTED TICKET PRICES PROPOSED INDOOR WATERPARK | | |
|--|-----------------|-----------------|
| | Half Day | Full Day |
| Weekdays | \$28 | \$38 |
| Weekends/Holidays/ Peak Summer Weekdays | \$38 | \$43 |

The preceding rate structure represents the projected published rates for the proposed indoor waterpark in a stabilized market. We project the subject will have a range of ticket prices because we project the subject to have different categories depending on the day of week. We project the subject will apply discounting to the above listed rates during slower periods for birthday parties. Thus, after considering applicable discounting as well as other promotional rates, the above structure should enable the subject to achieve an estimated stabilized average ticket price of \$35.00.

We project the subject will offer room rate packages which will allow the guest room occupants to utilize the waterpark the day of arrival and day of departure for a premium over the room rate. We project that the waterpark hotel room packages will allow the

guest room occupants to utilize the waterpark. The room rate is projected to allow for each room to receive four wrist bands per room.

We have increased the average ticket price at the rate of inflation of 3% throughout the projection period.

Projected Subject Waterpark Performance

Based on interviews with comparable indoor waterparks, our general knowledge of the market area, and consideration of factors such as competent and efficient management, a well-defined marketing program, the location of the subject property, and the quality of its facility, we have estimated future demand of the subject waterpark by hotel and non-hotel guests.

Hotel Demand: We have estimated the projected demand for use of the indoor waterpark through overnight packages from the subject 250-room hotel, which will be connected to the property. The following table presents our projections for occupancy and the number of room night occupants, which purchase waterpark packages in a stabilized year of our analysis.

| Subject Hotel Packages Projected Demand Stabilized Year (2011 Dollars) | |
|---|---------|
| Available rooms per day | 250 |
| Available rooms per year | 91,250 |
| Projected occupancy | 69.0% |
| Projected occupied rooms | 62,939 |
| % group demand | 18% |
| Projected group occupied rooms | 11,327 |
| % utilize waterpark | 70.0% |
| (a) Waterpark package occupied rooms | 7,929 |
| % leisure demand | 82% |
| Projected leisure occupied rooms | 51,612 |
| % utilize waterpark | 100.0% |
| (b) Waterpark package occupied rooms | 51,612 |
| (c) Total Waterpark package occupied rooms | 59,541 |
| Average guests per room | 4 |
| Projected visitors | 238,165 |
| Source: Hotel & Leisure Advisors | |

We project approximately 7,929 of the group related occupied rooms and 51,612 of the leisure occupied rooms will utilize the waterpark which will allow them admission to the waterpark the night of arrival and the next day. The room rate will allow up to a family of four admissions. We project a higher percentage of leisure occupied rooms will utilize the waterpark because these people are at the resort to enjoy the resort amenities and will pay a higher room rate to enjoy the waterpark.

We project the average guest room to have approximately 4 guests per room and the projected visitors from the hotel who will visit the waterpark will equal 238,165 visitors.

Local Residents, Other Hotel Guests, and Day Passes: We project that on weekdays and slower weekends the subject will have capacity for guests staying at other hotels and local residents to utilize it. We project stronger local resident demand during the winter months, on weekends, and during school breaks when local residents have more free time. We project other hotels in the area may have guests interested in utilizing the waterpark particularly on weekends and when school is out of session. During many weekends however, we recommend the subject not allow day passes but rather try to encourage them to visit on weekdays. The following table indicates our estimates.

| Local Residents & Daily Visitors Projected Demand Stabilized Year (2011 Dollars) | |
|---|-----------|
| 60-Mile Radius residents (2012) | 1,689,446 |
| Number of youth under 20 | 400,463 |
| Usage percentage | 3.0% |
| Number of users under 20 | 12,014 |
| Chaperones at .5 per user | 6,007 |
| Number of users | 18,021 |
| Visits per year | 1 |
| Waterpark visitors | 18,021 |
| Waterpark admission average | \$35.00 |
| Projected revenue (rounded) | \$631,000 |
| Source: Hotel & Leisure Advisors | |

We project 3.0% of residents under age 20 who live within a 60-mile radius of the facility will utilize the indoor waterpark through a day pass including guests from other hotels. Including adult chaperones, this equals approximately 18,021 local waterpark visitors from the region to utilize the facility for birthday parties and for day passes. We think there will be a strong demand for birthday parties and other children oriented functions in the birthday party area of the waterpark. In our opinion, the potential for this segment is higher; however, we project that the subject will limit its day pass usage to justify the high room rates they are charging.

The following table presents the estimated demand by segment and total revenue for the subject indoor waterpark for the projection period. Based upon the size for the indoor waterpark of 50,000 square feet, we project the property will have a maximum capacity of 1,250 people in the indoor waterpark.

We estimate that in the first year of our projection, the local residents will achieve 110% of projected stabilized demand, because the subject will have a strong novelty factor for local youth and adults to try out.

| Projected Attendance and Indoor Waterpark Revenue Howe Caverns Indoor Waterpark Resort 50,000 square feet | | | | | | |
|--|--------------------------------|----------------------|------------|------------|------------|------------|
| | Stabilized Yr. 2011 dollars | Fiscal Years 2011 | 2012 | 2013 | 2014 | 2015 |
| Howe Caverns Indoor Waterpark Resort | | | | | | |
| Subject property occupied rooms | 62,939 | 58,384 | 61,209 | 62,939 | 62,939 | 62,939 |
| Waterpark package occupied rooms | 59,541 | 55,232 | 57,904 | 59,541 | 59,541 | 59,541 |
| Segment property attendance | 238,165 | 220,926 | 231,616 | 238,165 | 238,165 | 238,165 |
| Local Daily Attendance | | | | | | |
| Attendees | 18,021 | 19,823 | 18,021 | 18,021 | 18,021 | 18,021 |
| Waterpark admission average | \$35.00 | \$35.00 | \$36.05 | \$37.13 | \$38.25 | \$39.39 |
| Projected revenue | \$631,000 | \$693,802 | \$649,651 | \$669,141 | \$689,215 | \$709,891 |
| Total | | | | | | |
| Subject property attendance | 256,186 | 240,749 | 249,637 | 256,186 | 256,186 | 256,186 |
| Available capacity (1,250/day) | 456,250 | 456,250 | 456,250 | 456,250 | 456,250 | 456,250 |
| Usage percentage | 56% | 53% | 55% | 56% | 56% | 56% |
| Total ticket revenue | \$631,000 | \$693,802 | \$649,651 | \$669,141 | \$689,215 | \$709,891 |
| Statistical information | | | | | | |
| Projected attendance per square foot | 5.1 | 4.8 | 5.0 | 5.1 | 5.1 | 5.1 |
| Demand segmentation: | | | | | | |
| Subject property occupied rooms | 93% | 92% | 93% | 93% | 93% | 93% |
| Local Daily Attendance | 7% | 8% | 7% | 7% | 7% | 7% |
| Source: Hotel & Leisure Advisors | | | | | | |

The stabilized year projected attendance per square foot of 5.1 is similar to our estimate of the average attendance per square foot of seven comparable indoor waterparks of 5.3 as shown in the following table.

| Annual Attendance at Indoor Waterpark Resorts | | |
|--|-----------------------------|---------------|
| Resort | Estimated Annual Attendance | Attendance/SF |
| A | 396,000 | 5.1 |
| B | 700,000 | 5.6 |
| C | 296,000 | 5.4 |
| D | 414,000 | 5.3 |
| E | 280,000 | 4.3 |
| F | 67,000 | 6.7 |
| G | 196,000 | 4.4 |
| H | 125,000 | 5.5 |
| Average | | 5.3 |
| Source: Hotel & Leisure Advisors | | |

Our estimate is similar on a per square foot basis as the subject will offer a destination indoor waterpark resort. Our usage estimate is due to the large population base which exists so convenient to the proposed park. We project with the unique multiple attractions being constructed at the subject site, and its easy access from the New York Thruway and I-88, that it will be appealing to both locals and visitors with children to the Central Leatherstocking market. Our estimates of revenues, as outlined in this section of the report, are predicated on the following assumptions:

- The subject hotel and waterpark will be professionally managed and maintained
- The subject hotel and waterpark will be effectively promoted with a well-targeted marketing program throughout the analysis period

- The subject hotel and waterpark will actively promote the waterpark and sell packages
- A continued program of periodic replacement of furniture, fixtures and equipment will continue throughout the analysis period

INTRODUCTION

The estimation of the statement of annual operating results of the subject property involved an analysis of the proposed subject project scope and characteristic. We have identified operating statements of comparable properties and reviewed industry standards for comparable properties in forecasting the financial performance of the subject.

The general steps include the following:

- Estimate the potential gross revenues for the subject property based upon an examination of the prior operating history of the subject property (if available); operating history of comparable properties in the subject market area as well as on a national basis; and an analysis of industry trends.
- Analyze departmental, undistributed, and fixed expenses and project appropriate amounts in each category.
- Project the resultant net operating income (cash flow before debt service) over an appropriate holding period.

All amounts have been rounded to the nearest one thousand dollars and account classifications generally conform to the definitions prescribed by the American Hotel and Lodging Association in the Uniform System of Accounts for Hotels.

The prospective financial analysis is based on the results of operations of comparable facilities, industry standards, and projections regarding the future environment in which the hotel will operate. This includes the assumption that the property will be operated in a competent and professional manner and will be properly advertised and promoted.

The industry standards utilized for this analysis are from the Host Study 2007, published by Smith Travel Research and TRENDS in the Hotel Industry, 2007, published by PKF Consulting. We utilized industry standards for full-service Middle Atlantic hotels from the Host Study and resort hotels in New England–Middle Atlantic from PKF Trends. In addition, we analyzed actual financial results from our database of full-service hotels located in the Midwest and Eastern United States.

For comparables one and two we have compiled a grouping of 15 indoor waterpark destination resorts which we have analyzed over the past three years. The resorts represent larger resort properties with indoor waterparks with different brands and are located in the Midwest and Northeast United States. Comparable one represents the overall average of the 15 properties. This grouping has an average of 356 rooms and an average net indoor waterpark area of 62,833 square feet. Comparable two represents the average of the five better performing properties which have the highest income before fixed charges percentage of total revenue. These five properties have an average of 401 rooms and an average net indoor waterpark area of 62,800 square feet.

We have also presented operating results from the combined operations of the Great Wolf Lodge, Wisconsin Dells Wisconsin and the Great Wolf Lodge, Sandusky, Ohio for the year 2003 as taken from their Form S-1 registration statement filed with the Securities and Exchange Commission dated August 2004. In the statement, they provided basic financial data which we have shown in this report. The following statement presents the

combined historical operating performance of the two Great Wolf Lodge properties as found in their SEC filings.

| Combined Historical Operating Results for the Great Wolf Lodge, Wisconsin Dells and Great Wolf Lodge, Sandusky | | | | |
|---|---------------------|--------------|-------------------|-----------------|
| | | 2003 | | |
| PERCENTAGE OF OCC/ADR | 65.0% | at | \$212.00 | |
| OCCUPIED ROOMS | | | 137,605 | |
| AVAILABLE ROOMS | | | 211,700 | |
| REVENUE: | AMOUNT | RATIO | PER AVAIL ROOM | PER OCC ROOM |
| Rooms | \$29,172,000 | 71.6% | \$50,297 | \$212.00 |
| Food, Beverage, and Other | <u>\$11,546,000</u> | <u>28.4%</u> | <u>\$19,907</u> | <u>\$83.91</u> |
| Total | 40,718,000 | 100.0% | \$70,203 | \$295.90 |
| Departmental Expenses | | | | |
| Rooms | \$4,311,000 | 14.8% | \$7,433 | \$31.33 |
| Food, Beverage, and Other | <u>\$9,009,000</u> | <u>78.0%</u> | <u>\$15,533</u> | <u>\$65.47</u> |
| Total | 13,320,000 | 32.7% | \$22,966 | \$96.80 |
| Total Departmental Profit | 27,398,000 | 67.3% | \$47,238 | \$199.11 |
| Undistributed Expenses | | | | |
| Administrative & Marketing | \$7,557,000 | 18.6% | \$13,029 | \$54.92 |
| Property Operating Costs | <u>\$4,969,000</u> | <u>12.2%</u> | <u>\$8,567</u> | <u>\$36.11</u> |
| Total | 12,526,000 | 30.8% | \$21,597 | \$91.03 |
| Income before Fixed Charges | 14,872,000 | 36.5% | \$25,641 | \$108.08 |
| Source: Great Wolf Resorts SEC Form S-1 Filing, August, 2004 | | | | |

The following statements present comparable hotel operating results and industry standards of comparable properties. We note that the industry standards do not have indoor waterparks.

Howe Caverns Indoor Waterpark Resort
Comparable Financial Statements and Industry Standards

| | Average 15 WP Resorts 2004-2007 | | | Average 5 top WP Resorts 2004-2007 | | | Host Report - F/S Middle Atlantic 2007 | | | PKF Trends - Resorts N. England/Mid-Atlantic 2007 | | |
|----------------------------------|------------------------------------|---------|-------------|---------------------------------------|---------------|-------------|---|-----------|-------------|--|---------|-------------|
| | \$ | Percent | \$/Avail Rm | \$ | Percent | \$/Avail Rm | \$ | Percent | \$/Avail Rm | \$ | Percent | \$/Avail Rm |
| Number of Rooms | 356 | | | 401 | | | 307 | | | 217 | | |
| Occupancy | 65.0% | | | 71.2% | | | 73.6% | | | 63.9% | | |
| Average Rate | \$191.76 | | | \$221.89 | | | \$202.38 | | | \$183.25 | | |
| Days Open | 365 | | | 365 | | | 365 | | | 365 | | |
| Rooms Occupied | 84,461 | | | 104,212 | | | 82,472 | | | 50,612 | | |
| Rooms Available | 129,940 | | | 146,365 | | | 112,055 | | | 79,205 | | |
| Revenues | \$ | Percent | \$/Avail Rm | \$ | Percent | \$/Avail Rm | \$ | Percent | \$/Avail Rm | \$ | Percent | \$/Avail Rm |
| Rooms | \$ 16,194,847 | 66.3% | \$ 191.74 | \$ 23,125,584 | 67.1% | \$ 57,670 | \$ 221.91 | 68.6% | \$ 54,368 | \$ 9,274,580 | 58.0% | \$ 42,740 |
| Food | \$ 3,855,329 | 15.8% | \$ 10,830 | \$ 5,708,682 | 16.6% | \$ 14,236 | \$ 54.78 | 22.1% | \$ 17,485 | \$ 4,510,996 | 28.2% | \$ 20,788 |
| Beverage | \$ 860,656 | 3.5% | \$ 2,418 | \$ 1,165,349 | 3.4% | \$ 2,906 | \$ 11.18 | 4.6% | \$ 3,611 | \$ 13,444 | 5.4% | \$ 4,005 |
| Telephone | \$ 12,404 | 0.1% | \$ 35 | \$ 17,078 | 0.0% | \$ 43 | \$ 0.16 | 0.9% | \$ 688 | \$ 2,566 | 0.2% | \$ 166 |
| Rentals Income | \$ 537,627 | 2.2% | \$ 1,510 | \$ 1,036,683 | 3.0% | \$ 2,585 | \$ 9.95 | 2.1% | \$ 1,642 | \$ 6,111 | 1.4% | \$ 998 |
| Gift Shop/Other | \$ 1,291,223 | 5.3% | \$ 3,627 | \$ 1,835,034 | 5.3% | \$ 4,576 | \$ 17.61 | 1.8% | \$ 1,444 | \$ 5,388 | 6.8% | \$ 5,018 |
| Arcade | \$ 761,786 | 3.1% | \$ 2,140 | \$ 1,010,738 | 2.9% | \$ 2,521 | \$ 9.70 | 0.0% | \$ - | \$ - | 0.0% | \$ - |
| Indoor Waterpark | \$ 929,701 | 3.8% | \$ 2,612 | \$ 544,512 | 1.6% | \$ 1,358 | \$ 5.23 | 0.0% | \$ - | \$ - | 0.0% | \$ - |
| Total Revenue | \$ 24,443,573 | 100.0% | \$ 68,662 | \$ 34,443,660 | 100.0% | \$ 85,894 | \$ 330.52 | 100.0% | \$ 79,238 | \$ 15,996,155 | 100.0% | \$ 73,715 |
| Departmental Expenses | | | | | | | | | | | | |
| Rooms | \$ 2,977,882 | 18.4% | \$ 8,365 | \$ 3,819,756 | 16.5% | \$ 9,526 | \$ 36.65 | 26.4% | \$ 14,359 | \$ 53.45 | 31.1% | \$ 13,308 |
| Food & Beverage | \$ 3,569,520 | 75.7% | \$ 10,027 | \$ 4,904,270 | 71.3% | \$ 12,230 | \$ 47.06 | 80.0% | \$ 16,885 | \$ 62.85 | 64.1% | \$ 15,903 |
| Telephone | \$ 62,427 | 503.3% | \$ 175 | \$ 68,621 | 401.8% | \$ 171 | \$ 0.66 | 107.3% | \$ 738 | \$ 2.75 | 49.6% | \$ 2.29 |
| Gift Shop/Other | \$ 809,638 | 62.7% | \$ 2,274 | \$ 1,170,289 | 63.8% | \$ 2,918 | \$ 11.23 | 94.3% | \$ 1,361 | \$ 5.07 | 61.7% | \$ 3,096 |
| Arcade | \$ 306,449 | 40% | \$ 861 | \$ 411,007 | 41% | \$ 1,025 | \$ 3.94 | 0% | \$ - | \$ - | 0% | \$ - |
| Indoor Waterpark | \$ 1,485,261 | 160% | \$ 4,172 | \$ 1,546,612 | 284% | \$ 3,857 | \$ 14.84 | 0% | \$ - | \$ - | 0% | \$ - |
| Total Dept. Expenses | \$ 9,211,177 | 37.7% | \$ 25,874 | \$ 11,920,555 | 34.6% | \$ 29,727 | \$ 114.39 | 42.1% | \$ 33,343 | \$ 124.12 | 44.1% | \$ 32,536 |
| Departmental Income | \$ 15,232,396 | 62.3% | \$ 42,788 | \$ 180.35 | \$ 22,523,105 | 65.4% | \$ 56,167 | \$ 216.13 | \$ 45,895 | \$ 170.84 | 55.9% | \$ 41,179 |
| Undistributed Operating Expenses | | | | | | | | | | | | |
| Administrative & General | \$ 1,977,245 | 8.1% | \$ 5,554 | \$ 2,278,487 | 6.6% | \$ 5,682 | \$ 21.86 | 7.7% | \$ 6,114 | \$ 22.76 | 8.2% | \$ 6,078 |
| Management Fees | \$ 710,972 | 2.9% | \$ 1,997 | \$ 1,053,913 | 3.1% | \$ 2,628 | \$ 10.11 | 3.3% | \$ 2,633 | \$ 9.80 | 3.7% | \$ 2,722 |
| Marketing | \$ 1,658,299 | 6.8% | \$ 4,658 | \$ 2,174,005 | 6.3% | \$ 5,421 | \$ 20.86 | 5.9% | \$ 4,698 | \$ 17.49 | 6.9% | \$ 5,098 |
| Franchise Fees | \$ 755,385 | 3.1% | \$ 2,122 | \$ 1,139,519 | 3.3% | \$ 2,842 | \$ 10.93 | 0.5% | \$ 407 | \$ 1.52 | 0.9% | \$ 699 |
| Prop. Oper. & Maintenance | \$ 921,123 | 3.8% | \$ 2,587 | \$ 1,078,483 | 3.1% | \$ 2,689 | \$ 10.35 | 4.4% | \$ 3,522 | \$ 13.11 | 5.8% | \$ 4,287 |
| Energy Costs | \$ 1,330,320 | 5.4% | \$ 3,737 | \$ 1,695,232 | 4.9% | \$ 4,228 | \$ 16.27 | 3.8% | \$ 3,011 | \$ 11.21 | 5.6% | \$ 4,155 |
| Total Und. Oper. Expenses | \$ 7,353,344 | 30.1% | \$ 20,655 | \$ 9,419,639 | 27.3% | \$ 23,490 | \$ 90.39 | 25.7% | \$ 20,385 | \$ 75.88 | 31.3% | \$ 23,039 |
| Income Before Fixed Charges | \$ 7,879,052 | 32.2% | \$ 22,132 | \$ 93.29 | \$ 13,103,466 | 38.0% | \$ 32,677 | \$ 125.74 | \$ 25,510 | \$ 94.96 | 24.6% | \$ 18,140 |
| Fixed Charges | | | | | | | | | | | | |
| Property Tax | \$ 700,056 | 2.9% | \$ 1,966 | \$ 897,995 | 2.6% | \$ 2,239 | \$ 8.62 | 3.7% | \$ 2,953 | \$ 10.99 | 2.4% | \$ 1,799 |
| Insurance | \$ 346,387 | 1.4% | \$ 973 | \$ 340,689 | 1.0% | \$ 850 | \$ 3.27 | 0.9% | \$ 727 | \$ 2.71 | 1.2% | \$ 871 |
| Reserve for Replacement | \$ 743,136 | 3.0% | \$ 2,087 | \$ 814,705 | 2.4% | \$ 2,032 | \$ 7.82 | 1.4% | \$ 1,143 | \$ 4.25 | 0.0% | \$ - |
| Total Fixed Charges | \$ 1,789,579 | 7.3% | \$ 5,027 | \$ 2,053,389 | 6.0% | \$ 5,121 | \$ 19.70 | 6.1% | \$ 4,823 | \$ 17.95 | 3.6% | \$ 2,670 |
| Net Income | \$ 6,089,473 | 24.9% | \$ 17,105 | \$ 11,050,077 | 32.1% | \$ 27,556 | \$ 106.03 | 26.1% | \$ 20,687 | \$ 77.01 | 21.0% | \$ 15,470 |
| Source:Hotel & Leisure Advisors | | | | | | | | | | | | |

Net Income \$ 6,089,473 24.9% \$ 17,105 \$ 11,050,077 32.1% \$ 27,556 \$ 106.03 26.1% \$ 20,687 \$ 77.01 \$ 3,356,990 21.0% \$ 15,470 \$ 66.33

Fixed and Variable Component Analysis

In forecasting revenues and expenses for a lodging facility, we have utilized a fixed and variable component model. The model is based on the premise that hotel revenues and expenses have a component that is fixed and another component that varies directly with occupancy and facility utilization. Therefore, a projection can be made by taking a known level of revenue or expense and calculating the fixed component as well as the variable portion. The fixed component is then held at a constant level while the variable portion is adjusted for the percentage of change between the projected occupancy and facility utilization, which produces the known level of revenue or expense.

The following table indicates the revenue and expense categories that can be projected utilizing the fixed and variable component model. The first two columns represent the typical range of fixed versus variable while the third column represents the figure selected for this project.

| Range of Fixed and Variable Ratios | | | | |
|---|------------------------------|---------------------------------|-------------------------|-----------------------------|
| | Typical Percent Fixed | Typical Percent Variable | Selected % Fixed | Index of Variability |
| Revenues | | | | |
| Rooms | 30% - 50% | 50% - 70% | Market Analysis | Occupancy |
| Food & Beverage | 0% - 30% | 70% - 100% | 20.0% | Food & Beverage Revenue |
| Telephone | 10% - 40% | 60% - 90% | 20.0% | Occupancy |
| Other Income | 30% - 60% | 40% - 70% | 10.0% | Occupancy |
| Departmental Expenses | | | | |
| Rooms | 50% - 70% | 30% - 50% | 60.0% | Occupancy |
| Food & Beverage | 40% - 60% | 40% - 60% | 50.0% | Food & Beverage Revenue |
| Telephone | 50% - 70% | 30% - 50% | 60.0% | Telephone Revenue |
| Other Income | 40% - 60% | 40% - 60% | 50.0% | Other Expenses |
| Undistributed Operating Expenses | | | | |
| Administrative & General | 60% - 80% | 20% - 40% | 70.0% | Total Revenue |
| Management Fee | 0% | 100% | 0.0% | Total Revenue |
| Marketing | 60% - 80% | 20% - 40% | 70.0% | Total Revenue |
| Franchise Fees | 0% | 100% | 0.0% | Total Revenue |
| Property Operation & Maintenance | 55% - 75% | 25% - 45% | 65.0% | Total Revenue |
| Energy Costs | 85% - 95% | 5% - 15% | 90.0% | Total Revenue |
| Fixed Charges | | | | |
| Property Taxes | 100% | 0% | 100.0% | Total Revenue |
| Insurance | 100% | 0% | 100.0% | Total Revenue |
| Reserve for Replacement | 0% | 100% | | Total Revenue |

Source: Hotel & Leisure Advisors

INCOME AND EXPENSE ANALYSIS

Rooms Revenue: Rooms department revenue was calculated by estimating annual occupancy and average daily rate per occupied room. Our estimates of occupancy and ADR, and the rationale supporting these estimates, are presented in the Subject Occupancy and Average Daily Rate Analysis section of this report. The following table indicates the projected occupancy levels and average daily rate for the subject property.

| Howe Caverns Indoor Waterpark Resort Projected Rooms Revenue | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | Base Year | Base +1 | Base +2 | Base +3 | Base +4 | Base +5 |
| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| # Rooms | 250 | 250 | 250 | 250 | 250 | 250 |
| Occupancy | 64.0% | 67.1% | 69.0% | 69.0% | 69.0% | 69.0% |
| Average Rate | \$277.00 | \$290.85 | \$302.48 | \$311.56 | \$320.91 | \$330.53 |
| Rooms Occupied | 58,384 | 61,209 | 62,939 | 62,939 | 62,939 | 62,939 |
| Rooms Revenue | \$16,172,368 | \$17,802,638 | \$19,038,040 | \$19,609,182 | \$20,197,457 | \$20,803,381 |

Source: Hotel & Leisure Advisors

Food Revenue: Food revenue is from the sale of food at the subject’s restaurants, lounges, waterpark snack bar, banquet and meeting rooms, and miscellaneous food income including public room rental. Our food and beverage estimates include the assumption that the subject will have a popular themed restaurant, an additional family-style restaurant, a bar with limited food offerings, and a waterpark snack bar. We also project food and beverage revenue related to the meeting space. The following table outlines our analysis of the subject’s food department revenue.

| FOOD REVENUE | | | | |
|-------------------------------|--------------------|-----------------|-----------------|----------------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$3,855,329 | 15.8% | \$10,830 | \$45.65 |
| Comp. 2 | \$5,708,682 | 16.6% | \$14,236 | \$54.78 |
| Host | \$5,367,895 | 22.1% | \$17,485 | \$65.09 |
| PKF Trends | \$4,510,996 | 28.2% | \$20,788 | \$89.13 |
| Average | \$4,860,726 | 20.7% | \$15,835 | \$63.66 |
| H&LA 1st Yr. Proj. | \$3,500,000 | 15.0% | \$14,000 | \$59.95 |

Source: Hotel & Leisure Advisors

We have projected first year food revenues of \$59.95 per occupied room or \$3,500,000 in total dollars.

Beverage Revenue: This revenue line item consists of the sale of beverages from the lounge, restaurant, room service, and banquets. The following table outlines our analysis of the subject’s beverage department revenue.

| BEVERAGE REVENUE | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$860,656 | 3.5% | \$2,418 | \$10.19 |
| Comp. 2 | \$1,165,349 | 3.4% | \$2,906 | \$11.18 |
| Host | \$1,108,577 | 4.6% | \$3,611 | \$13.44 |
| PKF Trends | \$869,085 | 5.4% | \$4,005 | \$17.17 |
| Average | \$1,000,917 | 4.2% | \$3,235 | \$13.00 |
| H&LA 1st Yr. Proj. | \$700,000 | 3.0% | \$2,800 | \$11.99 |

Source: Hotel & Leisure Advisors

We project first year beverage revenues of \$11.99 per occupied room or \$700,000 in total dollars.

Telephone Revenue: This revenue includes income from local calls, long distances calls, and access charges. Telephone revenue figures for hotels have been declining in recent years as guests utilize personal cell phones rather than hotel provided phone capability. In addition, many hotels are offering complimentary wireless access limiting ability to achieve higher revenues. The following table outlines our analysis of the subject’s telephone department revenue.

| TELEPHONE REVENUE | | | | |
|-------------------------------|-----------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$12,404 | 0.1% | \$35 | \$0.15 |
| Comp. 2 | \$17,078 | 0.0% | \$43 | \$0.16 |
| Host | \$211,216 | 0.9% | \$688 | \$2.56 |
| PKF Trends | \$36,022 | 0.2% | \$166 | \$0.71 |
| Average | \$69,180 | 0.3% | \$233 | \$0.90 |
| H&LA 1st Yr. Proj. | \$44,000 | 0.2% | \$176 | \$0.75 |

Source: Hotel & Leisure Advisors

Based upon the leisure orientation of the subject property, we project telephone revenue of \$0.75 per occupied room in the first year of the analysis.

Rentals and Other Income: This line item includes all income (net) associated with vending machines, sponsorship income, laundry, movie rental, rentals, meeting room rental, rental of spa to outside operator, rental of cabanas (or caverns, in keeping with the theme) in indoor and outdoor waterpark sections, faxes, and any other miscellaneous income generated by the hotel. The following table outlines our analysis of the subject’s rentals and other income.

| RENTALS INCOME | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$537,627 | 2.2% | \$1,510 | \$6.37 |
| Comp. 2 | \$1,036,683 | 3.0% | \$2,585 | \$9.95 |
| Host | \$504,094 | 2.1% | \$1,642 | \$6.11 |
| PKF Trends | \$216,566 | 1.4% | \$998 | \$4.28 |
| Average | \$573,743 | 2.2% | \$1,684 | \$6.68 |
| H&LA 1st Yr. Proj. | \$500,000 | 2.1% | \$2,000 | \$8.56 |

Source: Hotel & Leisure Advisors

We have estimated net rentals and other income to be \$500,000 in the first year of our analysis. This category represents 2.1% of total revenue in the first year of our analysis.

Gift Shop Department: We recommend the subject have a themed gift shop which we estimate will have approximately 3,000 square feet. Gift shop revenue will occur from the subject selling various retail items including T-shirts, swimsuits, goggles, sweat shirts, and other items. We recommend the subject have a themed gift shop and include various items related to the subject's theme. The following table outlines our analysis of the subject's gift shop department revenue.

| GIFT SHOP | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$1,291,223 | 5.3% | \$3,627 | \$15.29 |
| Comp. 2 | \$1,835,034 | 5.3% | \$4,576 | \$17.61 |
| Average | \$1,563,129 | 4.8% | \$3,666 | \$14.95 |
| H&LA 1st Yr. Proj. | \$1,000,000 | 4.3% | \$4,000 | \$17.13 |

Source: Hotel & Leisure Advisors

The comparables one and two represent the gift shop revenue from the indoor waterpark resorts. The figures shown previously for the industry standards are labeled as other departments and do not correctly reflect gift shop revenues.

Gift shop revenues at other resorts which we have analyzed range from \$200 to \$1,000 per square foot of gift shop space. According to the publication Dollars and Cents of Shopping Centers: 2006, the median sales for clothing and accessories category ranged from \$164 to \$488 per square foot between the categories Neighborhood Shopping Centers and Super Regional Shopping Centers. The sales per square foot for clothing and accessories in the top 2% of Super Regional Shopping Centers equaled between \$533 and \$2,222 per square foot. However, for Neighborhood Shopping Centers the sales per square foot for clothing and accessories in the top 2% equaled between \$233 and \$371 per square foot. The wide range reflects the theming, availability of other shops nearby, and the types of items sold. We forecast gift shop revenue of \$ 1,000,000 which equals \$333.33 per square foot of gift shop space.

Arcade Department: We have estimated the revenue from usage of the planned arcade. We project the arcade to have approximately 5,000 square feet. We recommend the arcade be located adjacent to the proposed indoor waterpark facility. Other properties which we have analyzed have achieved gross arcade revenue ranging between \$50 per square foot of arcade space to \$225 per square foot. With the development of the indoor waterpark, we project some family members will choose to play arcade games while others are still in the indoor waterpark area. We assume the subject will lease the arcade equipment with an outside operator at a 50%/50% split. The following table outlines our analysis of the subject’s arcade department revenue.

| ARCADE | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$761,786 | 3.1% | \$2,140 | \$9.02 |
| Comp. 2 | \$1,010,738 | 2.9% | \$2,521 | \$9.70 |
| Average | \$886,262 | 1.5% | \$1,165 | \$4.68 |
| H&LA 1st Yr. Proj. | \$800,000 | 3.4% | \$3,200 | \$13.70 |

Source: Hotel & Leisure Advisors

As shown, the comparables indicate lower arcade revenue than what we are showing partially because some of the comparable’s statement which we analyzed indicate the net arcade expense versus the gross expense which we are showing. The industry standards do not have separate arcade departments. We project arcade revenue of \$800,000 in the first year which equals \$160.00 per square foot of arcade space.

Waterpark Revenue: We have estimated revenues for the indoor waterpark including hotel guest and non-hotel guest sales. We project the subject will have strong interest from both hotel guests, and day visitors interested in having birthday parties or group events. We project the indoor waterpark to be approximately 50,000 square feet. The following indicates our projections for the indoor waterpark as shown previously.

| Projected Attendance and Indoor Waterpark Revenue Howe Caverns Indoor Waterpark Resort 50,000 square feet | | | | | | |
|--|--------------------------------|--------------|------------|------------|------------|------------|
| | Stabilized Yr. 2011 dollars | Fiscal Years | | | | |
| | 2011 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Howe Caverns Indoor Waterpark Resort | | | | | | |
| Subject property occupied rooms | 62,939 | 58,384 | 61,209 | 62,939 | 62,939 | 62,939 |
| Waterpark package occupied rooms | 59,541 | 55,232 | 57,904 | 59,541 | 59,541 | 59,541 |
| Segment property attendance | 238,165 | 220,926 | 231,616 | 238,165 | 238,165 | 238,165 |
| Local Daily Attendance | | | | | | |
| Attendees | 18,021 | 19,823 | 18,021 | 18,021 | 18,021 | 18,021 |
| Waterpark admission average | \$35.00 | \$35.00 | \$36.05 | \$37.13 | \$38.25 | \$39.39 |
| Projected revenue | \$631,000 | \$693,802 | \$649,651 | \$669,141 | \$689,215 | \$709,891 |
| Total | | | | | | |
| Subject property attendance | 256,186 | 240,749 | 249,637 | 256,186 | 256,186 | 256,186 |
| Available capacity (1,250/day) | 456,250 | 456,250 | 456,250 | 456,250 | 456,250 | 456,250 |
| Usage percentage | 56% | 53% | 55% | 56% | 56% | 56% |
| Total ticket revenue | \$631,000 | \$693,802 | \$649,651 | \$669,141 | \$689,215 | \$709,891 |
| Statistical information | | | | | | |
| Projected attendance per square foot | 5.1 | 4.8 | 5.0 | 5.1 | 5.1 | 5.1 |
| Demand segmentation: | | | | | | |
| Subject property occupied rooms | 93% | 92% | 93% | 93% | 93% | 93% |
| Local Daily Attendance | 7% | 8% | 7% | 7% | 7% | 7% |
| Source: Hotel & Leisure Advisors | | | | | | |

Total Revenue: Our projections indicate total revenue in the first year of \$400.96 per occupied room. This compares to statistics from the Great Wolf Resorts properties which indicate total revenue per occupied room of \$374.20 in 2007 for all properties. As a comparison, the chain achieved total revenue per occupied room of \$316.84 in 2006 for the properties including Wisconsin Dells, Sandusky, Traverse City, Kansas City, Sheboygan, and Williamsburg. When the Pocono Mountain resort is added to the grouping, the revenue per occupied room for the chain was \$361.85 in 2006.

Departmental Expenses

Departmental expenses are costs borne by individual departments of the hotel and can be segmented separately.

Rooms Expenses: Rooms department expenses include expenses incurred as a result of the operation of the rooms department. They include such items as salaries and wages, employee benefits, travel agent commissions, contract cleaning, guest transportation, laundry and dry cleaning, linens, operating supplies, reservations, uniforms, and other costs. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy (because management can schedule housekeepers, bell staff, and other hourly staff to work when demand requires), a higher percentage of the department's expenses are considered as fixed because a hotel still has to maintain staffing in all areas at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy. For the purposes of our model, we have considered that 60.0% of the expenses are fixed. Commissions represent remuneration to various booking agents including travel agents for booking rooms. Because these fees are based on a percentage of the rooms revenue, they are highly dependent on occupancy and average daily rate. The following table outlines our analysis of the subject's room department expenses.

| ROOMS EXPENSE | | | | |
|-------------------------------|-------------|--------------------|-------------|-----------|
| | Amount | % of Dept. Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$2,977,882 | 18.4% | \$8,365 | \$35.26 |
| Comp. 2 | \$3,819,756 | 16.5% | \$9,526 | \$36.65 |
| Host | \$4,408,213 | 26.4% | \$14,359 | \$53.45 |
| PKF Trends | \$2,887,836 | 31.1% | \$13,308 | \$57.06 |
| Average | \$3,523,422 | 23.1% | \$11,389 | \$45.61 |
| H&LA 1st Yr. Proj. | \$2,911,000 | 18.0% | \$11,644 | \$49.86 |

Source: Hotel & Leisure Advisors

The Great Wolf Lodge properties indicate a rooms expense ratio of 14.8% which was substantially lower than typical hotels as the room rate includes the indoor waterpark admission component. For the subject hotel, the waterpark premium has been included with the room revenue and we have utilized a rooms expense within the range of the comparables. We project the property to have rooms expenses of 18.0% of rooms revenue in the first year of the projection.

Food and Beverage Expenses: These expenses reflect the items necessary for the operation of the restaurant, lounge, and meeting facilities within the lodging facility. Major items of expense in the food and beverage department include the cost of food and beverage, payroll, china, glassware, menus, uniforms, and other expenses related to the operation of the food and beverage facilities. The following table outlines our analysis of the subject's food and beverage department expenses.

| FOOD & BEVERAGE EXPENSE | | | | |
|------------------------------------|-------------|--------------------|-------------|-----------|
| | Amount | % of Dept. Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$3,569,520 | 75.7% | \$10,027 | \$42.26 |
| Comp. 2 | \$4,904,270 | 71.3% | \$12,230 | \$47.06 |
| Host | \$5,183,695 | 80.0% | \$16,885 | \$62.85 |
| PKF Trends | \$3,450,951 | 64.1% | \$15,903 | \$68.18 |
| Average | \$4,277,109 | 72.8% | \$13,761 | \$55.09 |
| H&LA 1st Yr. Proj. | \$3,150,000 | 75.0% | \$12,600 | \$53.95 |

Source: Hotel & Leisure Advisors

We estimate the food and beverage expense ratio of 75.0% of combined food and beverage revenue in the first year.

Telephone Expenses: These expenses reflect the cost of providing local and long distance calls in addition to salaries and wages for any telephone department employees. The department also includes costs for rental equipment, house calls, and wireless access capability. The following table outlines our analysis of the subject's telephone department expenses.

| TELEPHONE EXPENSE | | | | |
|-------------------------------|-----------|--------------------|-------------|-----------|
| | Amount | % of Dept. Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$62,427 | 503.3% | \$175 | \$0.74 |
| Comp. 2 | \$68,621 | 401.8% | \$171 | \$0.66 |
| Host | \$226,566 | 107.3% | \$738 | \$2.75 |
| PKF Trends | \$49,693 | 138.0% | \$229 | \$0.98 |
| Average | \$101,827 | 287.6% | \$328 | \$1.28 |
| H&LA 1st Yr. Proj. | \$88,000 | 200.0% | \$352 | \$1.51 |

Source: Hotel & Leisure Advisors

We project telephone expenses to equal 200.0% of telephone revenue in the first year of the projection.

Gift Shop Expenses: The expenses for the gift shop include payroll and related benefits, cost of merchandise, and related expenses in operating the retail store. The following table outlines our analysis of the subject's gift shop department expenses.

| GIFT SHOP | | | | |
|-------------------------------|-------------|--------------------|-------------|-----------|
| | Amount | % of Dept. Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$809,638 | 62.7% | \$2,274 | \$9.59 |
| Comp. 2 | \$1,170,289 | 63.8% | \$2,918 | \$11.23 |
| Average | \$989,964 | 70.6% | \$2,412 | \$9.79 |
| H&LA 1st Yr. Proj. | \$600,000 | 60.0% | \$2,400 | \$10.28 |

Source: Hotel & Leisure Advisors

The comparables one and two represent groupings of other indoor waterpark resorts. The industry standards figures shown previously are indicated under other operated departments on their financial statements and are not directly comparable to the proposed gift shop.

The comparable indoor waterpark destination resort properties with gift shops have expense ratio averages of between 50% and 70%. We forecast gift shop expenses as a percentage of departmental revenue of 60.0%.

Arcade Expenses: The expenses for the arcade assume that the subject property will lease all machines for the arcade on a revenue split with an arcade operator who will continually update the projected 100+ arcade machines. We project the revenue split to be approximately 40% to the arcade operator with the remaining 10% expenses for supplies. The following table outlines our analysis of the subject's arcade department expenses.

| ARCADE | | | | |
|-------------------------------|-----------|-----------------|-------------|-----------|
| | Amount | % of Dept. Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$306,449 | 40.2% | \$861 | \$3.63 |
| Comp. 2 | \$411,007 | 40.7% | \$1,025 | \$3.94 |
| Average | \$358,728 | 20.2% | \$471 | \$1.89 |
| H&LA 1st Yr. Proj. | \$400,000 | 50.0% | \$1,600 | \$6.85 |

Source: Hotel & Leisure Advisors

The industry standards do not have a separate department for arcade. Arcade operations at other indoor waterparks we have reviewed have expense ratios ranging from 40% to 60% of arcade revenue. We project arcade expenses of 50.0% of arcade revenue in the first year of the analysis.

Waterpark Expenses: We have projected the expenses related to the waterpark specifically concerning payroll and supplies. The expenses exclude the cost of utilities or maintenance which are shown under those respective categories. We have analyzed the projected expenses for the indoor waterpark as shown in the following table.

| Projected Waterpark Expenses Howe Caverns Indoor Waterpark Resort | | | | |
|--|------------------------------------|---------------|------------------|--------------------|
| <u>Position</u> | <u>Number of FTE Positions</u> | <u>Salary</u> | <u>Benefit %</u> | <u>Total</u> |
| Management | 1.5 | \$45,000 | 45% | \$97,875 |
| Lifeguards | 30 | \$17,000 | 25% | \$637,500 |
| Arcade | 5 | \$17,000 | 25% | \$106,250 |
| Administrative | 2 | \$20,000 | 25% | \$50,000 |
| Housekeeping | 3 | \$17,000 | 25% | \$63,750 |
| Total/Average Payroll | 41.5 | \$18,157 | 27% | \$955,375 |
| Add Other Waterpark Expenses | | | | \$50,000 |
| Total | | | | \$1,005,375 |

Source: Hotel & Leisure Advisors

The table indicates the numbers of full-time equivalent employees which we project the indoor waterpark will require. In reality, the actual number of employees will be substantially higher because many will be part-time. The following table indicates the results from the averages of the other indoor waterpark destination resorts and our projection.

| INDOOR WATERPARK | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Dept. Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$1,485,261 | 159.8% | \$4,172 | \$17.59 |
| Comp. 2 | \$1,546,612 | 284.0% | \$3,857 | \$14.84 |
| Average | \$1,515,937 | 110.9% | \$2,007 | \$8.11 |
| H&LA 1st Yr. Proj. | \$1,005,000 | 144.9% | \$4,020 | \$17.21 |

Source: Hotel & Leisure Advisors

Our projection as a percentage of departmental revenue is similar compared to the averages of other indoor waterpark destination resorts.

Undistributed Operating Expenses

Undistributed operating expenses are costs borne by the entire operation, and not attributable to any one specific department or profit center.

Administrative and General Expenses: This department represents expenses related to the management and administration of the property. It includes salaries and wages, employee benefits, cost of accounting and legal fees, credit card commissions, printing, stationery, general liability insurance, donations, travel and entertainment, security, and postage costs. Most administrative and general expenses are relatively fixed although there are variable components such as bonuses provided to management. The following table outlines our analysis of the subject’s administrative and general department expenses.

| ADMINISTRATIVE & GENERAL | | | | |
|-------------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$1,977,245 | 8.1% | \$5,554 | \$23.41 |
| Comp. 2 | \$2,278,487 | 6.6% | \$5,682 | \$21.86 |
| Host | \$1,876,998 | 7.7% | \$6,114 | \$22.76 |
| PKF Trends | \$1,318,926 | 8.2% | \$6,078 | \$26.06 |
| Average | \$1,862,914 | 7.7% | \$5,857 | \$23.52 |
| H&LA 1st Yr. Proj. | \$1,750,000 | 7.5% | \$7,000 | \$29.97 |

Source: Hotel & Leisure Advisors

We have estimated this expense to be \$7,000 per available room or 7.5% of total revenue in the first year of the projection.

Management Fee: The projection for the subject hotel's income and expenses assumes competent management by a professional management company. We assume that a prudent investor would utilize a competent management company with fees structured at market rates. Although some companies provide their own management for hotels they will typically charge the property for management services. Management fees typically

range between 2% to 4% of total revenue for full-service hotels and 3% to 5% for limited service hotels. The following table outlines our analysis of the subject's management fee expenses.

| MANAGEMENT FEE | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$710,972 | 2.9% | \$1,997 | \$8.42 |
| Comp. 2 | \$1,053,913 | 3.1% | \$2,628 | \$10.11 |
| Host | \$808,331 | 3.3% | \$2,633 | \$9.80 |
| PKF Trends | \$590,674 | 3.7% | \$2,722 | \$11.67 |
| Average | \$790,973 | 3.2% | \$2,495 | \$10.00 |
| H&LA 1st Yr. Proj. | \$702,000 | 3.0% | \$2,808 | \$12.02 |

Source: Hotel & Leisure Advisors

We have estimated this expense to be 3.0% of total revenue throughout the analysis period based upon current industry standards for management agreements.

Marketing Expenses: These include expenses related to advertising and promotion required to obtain and retain customers for products and services. Expenses include salaries and wages, employee benefits, subscriptions, operating supplies, postage, telephone, trade shows, and travel and entertainment. The department includes the costs of advertising in various media such as newspapers, magazines and directories, as well as direct mail campaign, billboards and miscellaneous sales and marketing expenses. This department also includes marketing expenses related to the franchise affiliation. Franchise royalty fees are shown separately under franchise fees. The following table outlines our analysis of the subject's marketing expenses.

| MARKETING | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$1,658,299 | 6.8% | \$4,658 | \$19.63 |
| Comp. 2 | \$2,174,005 | 6.3% | \$5,421 | \$20.86 |
| Host | \$1,442,286 | 5.9% | \$4,698 | \$17.49 |
| PKF Trends | \$1,106,266 | 6.9% | \$5,098 | \$21.86 |
| Average | \$1,595,214 | 6.5% | \$4,969 | \$19.96 |
| H&LA 1st Yr. Proj. | \$2,125,000 | 9.1% | \$8,500 | \$36.40 |

Source: Hotel & Leisure Advisors

We have projected a relatively high amount marketing expense, which will be required in order to generate the level of revenues shown in this report. Our projection assumes the subject will not have a separate franchise fee. The resort with waterpark will require extensive billboard, television, and direct-mail advertising to attract people to visit the facility. Our first year projections indicate a marketing expense of \$8,500 per available room, or \$2,125,000 in the first year of the projection.

Franchise Fee: Franchise fees are the fees paid to franchise companies for the ability to utilize their name and systems. Typical franchise expenses range from 4% to 6% of rooms revenue. We have not included a franchise fee because we project and recommend that the subject will operate as an independent resort.

Property Operation and Maintenance Expenses: These expenses include salaries and wages, employee benefits, cost of supplies, outside contractors, painting and decorating, carpentry, garbage removal, engineering supplies, uniforms, and other costs associated with maintaining the physical plant of the structure. A majority of these expenses are fixed because they are required to maintain the building. This category includes both payroll and related benefits and other expenses associated with periodic preventive maintenance and repairs to the physical structure and mechanical equipment. The following table outlines our analysis of the subject's maintenance expenses.

| PROPERTY OPERATIONS AND MAINTENANCE | | | | |
|--|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$921,123 | 3.8% | \$2,587 | \$10.91 |
| Comp. 2 | \$1,078,483 | 3.1% | \$2,689 | \$10.35 |
| Host | \$1,081,254 | 4.4% | \$3,522 | \$13.11 |
| PKF Trends | \$930,279 | 5.8% | \$4,287 | \$18.38 |
| Average | \$1,002,785 | 4.3% | \$3,271 | \$13.19 |
| H&LA 1st Yr. Proj. | \$875,000 | 3.7% | \$3,500 | \$14.99 |

Source: Hotel & Leisure Advisors

We estimate this expense at \$3,500 per available room in the first year of operation which equals 3.7% of total revenue. Our estimate includes maintenance expenses related to the waterpark.

Energy Expenses: These represent expenditures for electricity, heating, fuel, water, waste removal and related operating supplies. A large portion of a lodging facility's energy consumption is relatively fixed. All public areas must be continually lighted and climate controlled regardless of occupancy. The following table outlines our analysis of the subject's energy expenses.

| ENERGY | | | | |
|-------------------------------|-------------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$1,330,320 | 5.4% | \$3,737 | \$15.75 |
| Comp. 2 | \$1,695,232 | 4.9% | \$4,228 | \$16.27 |
| Host | \$924,377 | 3.8% | \$3,011 | \$11.21 |
| PKF Trends | \$901,635 | 5.6% | \$4,155 | \$17.81 |
| Average | \$1,212,891 | 5.0% | \$3,783 | \$15.26 |
| H&LA 1st Yr. Proj. | \$1,250,000 | 5.3% | \$5,000 | \$21.41 |

Source: Hotel & Leisure Advisors

Our estimate considers that the subject waterpark will be kept at approximately 85 degrees Fahrenheit year-round. We estimate this expense to equal \$5,000 per available

room or 5.3% of total revenue in the first year of the projection. Our estimate is above the Host industry standards because it includes costs related to the waterpark. Our estimate does not incorporate potential energy savings which a LEED certification may allow or the potential savings from the subject utilizing the geothermal properties of the caverns for heating and cooling. Also these projections do not take into consideration the potential reduction in electrical rates that could be realized through an Empire Zone designation.

Income before Fixed Charges: We have analyzed our projection of income before fixed charges with the comparable properties as shown in the following table.

| INCOME BEFORE FIXED CHARGES | | | | |
|------------------------------------|--------------------|-----------------|-----------------|-----------------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$7,879,052 | 32.2% | \$22,132 | \$93.29 |
| Comp. 2 | \$13,103,466 | 38.0% | \$32,677 | \$125.74 |
| Host | \$7,831,570 | 32.2% | \$25,510 | \$94.96 |
| PKF Trends | \$3,936,380 | 24.6% | \$18,140 | \$77.78 |
| Average | \$8,187,617 | 31.8% | \$24,615 | \$97.94 |
| H&LA 1st Yr. Proj. | \$8,554,000 | 36.5% | \$34,215 | \$146.51 |

Source: Hotel & Leisure Advisors

As a comparison, the 2003 Great Wolf Lodge's financial statement previously shown indicates income before fixed charges of 36.5% of total revenue, \$25,641 per available room, and \$108.08 per occupied room. Our first year projection is within the range of the comparables.

Fixed Charges

Fixed expenses include any expenses that relate to the ownership of the hotel including property taxes, buildings and contents insurance, reserve for replacement, and any applicable land, building, or equipment rental.

Real Estate and Property Taxes: These taxes are comprised of real estate and personal property taxes. The State of New York does not have personal property taxes. We recommend the subject apply for an Empire Zone designation which would allow for all taxes to be reimbursed to the project. We recommend they apply for a PILOT program which will abate a portion of their taxes. We have calculated taxes based upon a market value of \$60,000,000, which is below what the actual development costs will be but considers the comparable property assessments. We acknowledge that this calculation will change depending upon what the governmental authorities offer the project. The following table indicates our first-year real estate tax projection.

| Howe Caverns Indoor Waterpark Resort | |
|---|--------------|
| Tax Analysis | |
| Projected Assessors Market Value | \$60,000,000 |
| Assessment % | 45.0% |
| Assessed Value | \$27,000,000 |
| Effective Tax Rate | 0.037 |
| Gross Tax | \$999,000 |
| Rollback % | 0.0% |
| Indicated Tax | \$999,000 |
| Rounded | \$999,000 |
| Personal Prop Tax | \$0 |
| Total Tax | \$999,000 |
| Tax/Room | \$3,996 |
| Source: Hotel & Leisure Advisors | |

We project real estate taxes of \$999,000 in the first year of the analysis.

Building and Property Insurance: The insurance expense category includes the cost of insuring the building and its contents against damage or destruction from fire, weather, sprinkler leakage, boiler explosion, breakage, and other potential disasters. The insurance expense includes both property and liability insurance. Over the past several years insurance costs for hotels have fluctuated dramatically depending upon claims and natural disasters. The following table outlines our analysis of the subject's insurance expenses.

| INSURANCE | | | | |
|----------------------------------|-----------|-----------------|-------------|-----------|
| | Amount | % of Total Rev. | \$/Avail Rm | \$/Occ Rm |
| Comparables | | | | |
| Comp. 1 | \$346,387 | 1.4% | \$973 | \$4.10 |
| Comp. 2 | \$340,689 | 1.0% | \$850 | \$3.27 |
| Host | \$223,189 | 0.9% | \$727 | \$2.71 |
| PKF Trends | \$189,007 | 1.2% | \$871 | \$3.73 |
| Average | \$274,818 | 1.1% | \$855 | \$3.45 |
| H&LA 1st Yr. Proj. | \$250,000 | 1.1% | \$1,000 | \$4.28 |
| Source: Hotel & Leisure Advisors | | | | |

We have projected an expense of \$250,000 or \$1,000 per room in the first year of the projection. Our assumption incorporates the fact that the subject will have a waterpark which requires additional liability insurance.

Reserve for Replacement: Furniture, fixtures, and equipment are essential to the operation of a lodging facility and their quality often influences the class of a property. Included in this category are all non real estate items that are normally capitalized, not expensed. Most hotels account for the replacement of furniture, fixtures, and equipment (FF&E) by establishing a fund commonly referred to as a reserve for replacement which is generally funded from a hotel's cash flow. In theory, a sufficient amount of money is available to replace FF&E at the end of its useful life. A recent study by the International Society of Hospitality Consultants indicated that the traditional 3% reserve is lower than most hotels they surveyed actually spent over historical periods. The survey indicated that the expense should be between 4% and 5% of total revenues. We have estimated

this reserve to equal 2.0% of total sales in the first year of operation, increasing to 3.0% in the second year, and 4.0% in year three and beyond. The 4.0% replacement reserve is projected for year three and beyond because it is in keeping with industry guidelines for hotels of the subject's size and volume of operation.

Inflation: The assumed 3.0% per annum rate of inflation for the analysis is derived by review of the historical increases to the Consumer Price Index (CPI). To the extent that actual rates differ from this percentage, the estimates would have to be adjusted. All revenue and expense items were first calculated in 2011 dollars. A 3.0% growth rate was applied to all revenue and expenses.

PROSPECTIVE FINANCIAL ANALYSIS IN INFLATED DOLLARS

The following forecasts of income and expenses reflect the subject's anticipated performance for calendar years beginning 2011. We have projected that the subject's operations will stabilize in the third year and all income and expense items will increase thereafter at the underlying inflation rate of 3.0%. We note that departmental expense ratios are expressed as a percentage of departmental revenues. All other expense ratios are expressed as a percentage of total revenues. We have presented rounded figures to the nearest thousand.

PROJECTED FINANCIAL PERFORMANCE

HOWE CAVERNS INDOOR WATERPARK RESORT

| | Base +4 2015 | | Base +5 2016 | | Base +6 2017 | | Base +7 2018 | |
|----------------------------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|
| | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |
| | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% |
| | \$320.91 | \$330.53 | \$340.45 | \$350.66 | \$360.78 | \$371.90 | \$383.02 | \$394.14 |
| | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 |
| | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 |
| | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 |
| | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent |
| | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm |
| | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm |
| | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent |
| | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm | \$/Occ Rm |
| | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm | \$/Avail Rm |
| | Percent | Percent | Percent | Percent | Percent | Percent | Percent | Percent |
| Number of Rooms | \$ 20,197 | \$ 20,803 | \$ 21,427 | \$ 22,070 | \$ 22,713 | \$ 23,356 | \$ 24,000 | \$ 24,643 |
| Occupancy | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% |
| Average Rate | \$ 320.91 | \$ 330.53 | \$ 340.45 | \$ 350.66 | \$ 360.78 | \$ 371.90 | \$ 383.02 | \$ 394.14 |
| Days Open | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 |
| Rooms Occupied | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 |
| Rooms Available | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 |
| Revenues | \$ (000) | \$ (000) | \$ (000) | \$ (000) | \$ (000) | \$ (000) | \$ (000) | \$ (000) |
| Rooms | \$ 20,197 | \$ 20,803 | \$ 21,427 | \$ 22,070 | \$ 22,713 | \$ 23,356 | \$ 24,000 | \$ 24,643 |
| Food | \$ 4,306 | \$ 4,436 | \$ 4,569 | \$ 4,708 | \$ 4,847 | \$ 4,986 | \$ 5,125 | \$ 5,264 |
| Beverage | \$ 857 | \$ 883 | \$ 909 | \$ 936 | \$ 963 | \$ 990 | \$ 1,017 | \$ 1,044 |
| Telephone | \$ 54 | \$ 55 | \$ 57 | \$ 59 | \$ 61 | \$ 63 | \$ 65 | \$ 67 |
| Rentals Income | \$ 618 | \$ 637 | \$ 656 | \$ 676 | \$ 695 | \$ 715 | \$ 734 | \$ 754 |
| Gift Shop | \$ 1,212 | \$ 1,248 | \$ 1,286 | \$ 1,324 | \$ 1,362 | \$ 1,400 | \$ 1,438 | \$ 1,476 |
| Arcade | \$ 969 | \$ 999 | \$ 1,029 | \$ 1,059 | \$ 1,089 | \$ 1,119 | \$ 1,149 | \$ 1,179 |
| Indoor Waterpark | \$ 710 | \$ 731 | \$ 753 | \$ 776 | \$ 799 | \$ 822 | \$ 845 | \$ 868 |
| Total Revenue | \$ 28,923 | \$ 29,792 | \$ 30,686 | \$ 31,606 | \$ 32,550 | \$ 33,519 | \$ 34,513 | \$ 35,532 |
| Departmental Expenses | | | | | | | | |
| Rooms | \$ 3,420 | \$ 3,523 | \$ 3,628 | \$ 3,737 | \$ 3,846 | \$ 3,955 | \$ 4,064 | \$ 4,173 |
| Food & Beverage | \$ 3,740 | \$ 3,852 | \$ 3,967 | \$ 4,086 | \$ 4,205 | \$ 4,324 | \$ 4,443 | \$ 4,562 |
| Telephone | \$ 102 | \$ 105 | \$ 108 | \$ 111 | \$ 114 | \$ 117 | \$ 120 | \$ 123 |
| Gift Shop | \$ 712 | \$ 734 | \$ 756 | \$ 778 | \$ 801 | \$ 823 | \$ 845 | \$ 868 |
| Arcade | \$ 475 | \$ 489 | \$ 504 | \$ 519 | \$ 534 | \$ 549 | \$ 564 | \$ 579 |
| Indoor Waterpark | \$ 1,130 | \$ 1,163 | \$ 1,198 | \$ 1,234 | \$ 1,270 | \$ 1,306 | \$ 1,342 | \$ 1,378 |
| Total Dept. Expenses | \$ 9,579 | \$ 9,866 | \$ 10,161 | \$ 10,465 | \$ 10,769 | \$ 11,073 | \$ 11,377 | \$ 11,681 |
| Departmental Income | \$ 19,344 | \$ 19,926 | \$ 20,525 | \$ 21,141 | \$ 21,781 | \$ 22,442 | \$ 23,136 | \$ 23,851 |
| Undistributed Operating Expenses | | | | | | | | |
| Administrative & General | \$ 1,983 | \$ 2,043 | \$ 2,104 | \$ 2,167 | \$ 2,229 | \$ 2,292 | \$ 2,355 | \$ 2,418 |
| Management Fees | \$ 868 | \$ 894 | \$ 921 | \$ 948 | \$ 975 | \$ 1,002 | \$ 1,029 | \$ 1,056 |
| Marketing | \$ 2,408 | \$ 2,481 | \$ 2,555 | \$ 2,632 | \$ 2,709 | \$ 2,786 | \$ 2,863 | \$ 2,940 |
| Franchise Fees | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Prop. Oper. & Maintenance | \$ 993 | \$ 1,023 | \$ 1,053 | \$ 1,085 | \$ 1,117 | \$ 1,149 | \$ 1,181 | \$ 1,213 |
| Energy Costs | \$ 1,410 | \$ 1,452 | \$ 1,496 | \$ 1,541 | \$ 1,586 | \$ 1,631 | \$ 1,676 | \$ 1,721 |
| Total UDOEs | \$ 7,662 | \$ 7,893 | \$ 8,129 | \$ 8,373 | \$ 8,617 | \$ 8,861 | \$ 9,105 | \$ 9,349 |
| Income Before Fixed Charges | \$ 11,682 | \$ 12,033 | \$ 12,396 | \$ 12,768 | \$ 13,144 | \$ 13,521 | \$ 13,901 | \$ 14,282 |
| Fixed Charges | | | | | | | | |
| Property Tax | \$ 1,124 | \$ 1,158 | \$ 1,193 | \$ 1,229 | \$ 1,264 | \$ 1,300 | \$ 1,335 | \$ 1,371 |
| Insurance | \$ 281 | \$ 290 | \$ 299 | \$ 307 | \$ 316 | \$ 325 | \$ 334 | \$ 343 |
| Reserve for Replacement | \$ 1,157 | \$ 1,192 | \$ 1,227 | \$ 1,264 | \$ 1,301 | \$ 1,338 | \$ 1,375 | \$ 1,412 |
| Total Fixed Charges | \$ 2,562 | \$ 2,640 | \$ 2,719 | \$ 2,800 | \$ 2,881 | \$ 2,964 | \$ 3,048 | \$ 3,133 |
| Net Income | \$ 9,120 | \$ 9,393 | \$ 9,677 | \$ 9,968 | \$ 10,263 | \$ 10,557 | \$ 10,852 | \$ 11,147 |

Source: Hotel & Leisure Advisors

| PROJECTED FINANCIAL PERFORMANCE | | | | | | | | | | | |
|--------------------------------------|-----------|----------|-------------|-----------|----------|-------------|-----------|----------|-------------|-----------|-----------|
| HOWE CAVERNS INDOOR WATERPARK RESORT | | | | | | | | | | | |
| | Base +8 | | | Base +9 | | | Base +10 | | | | |
| | 2019 | | | 2020 | | | 2021 | | | | |
| | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | | |
| | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | | |
| | \$361.18 | \$372.02 | \$372.02 | \$372.02 | \$372.02 | \$372.02 | \$372.02 | \$372.02 | \$372.02 | | |
| | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 | | |
| | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | | |
| | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | | |
| | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | | |
| | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | | |
| | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | | |
| | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 | | |
| | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | | |
| | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | | |
| | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | | |
| | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | 69.0% | | |
| | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | \$383.18 | | |
| | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 | | |
| | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | 62,939 | | |
| | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | 91,250 | | |
| Number of Rooms | \$ (000) | Percent | \$/Avail Rm | \$/Occ Rm | Percent | \$/Avail Rm | \$/Occ Rm | Percent | \$/Avail Rm | \$/Occ Rm | \$/Occ Rm |
| Rooms | \$ 22,732 | 69.8% | \$ 90,928 | \$ 361.17 | 69.8% | \$ 93,656 | \$ 372.01 | 69.8% | \$ 96,468 | \$ 383.18 | \$ 24,117 |
| Food | \$ 4,847 | 14.9% | \$ 19,388 | \$ 77.01 | 14.9% | \$ 19,968 | \$ 79.31 | 14.9% | \$ 20,568 | \$ 81.70 | \$ 5,142 |
| Beverage | \$ 965 | 3.0% | \$ 3,860 | \$ 15.33 | 3.0% | \$ 3,972 | \$ 15.78 | 3.0% | \$ 4,092 | \$ 16.25 | \$ 1,023 |
| Telephone | \$ 60 | 0.2% | \$ 240 | \$ 0.95 | 0.2% | \$ 248 | \$ 0.99 | 0.2% | \$ 256 | \$ 1.02 | \$ 64 |
| Rentals Income | \$ 696 | 2.1% | \$ 2,784 | \$ 11.06 | 2.1% | \$ 2,868 | \$ 11.39 | 2.1% | \$ 2,952 | \$ 11.73 | \$ 738 |
| Gift Shop | \$ 1,364 | 4.2% | \$ 5,456 | \$ 21.67 | 4.2% | \$ 5,620 | \$ 22.32 | 4.2% | \$ 5,788 | \$ 22.99 | \$ 1,447 |
| Arcade | \$ 1,091 | 3.4% | \$ 4,364 | \$ 17.33 | 3.4% | \$ 4,496 | \$ 17.86 | 3.4% | \$ 4,632 | \$ 18.40 | \$ 1,158 |
| Indoor Waterpark | \$ 799 | 2.5% | \$ 3,196 | \$ 12.69 | 2.5% | \$ 3,292 | \$ 13.08 | 2.5% | \$ 3,391 | \$ 13.47 | \$ 848 |
| Total Revenue | \$ 32,554 | 100.0% | \$ 130,216 | \$ 517.23 | 100.0% | \$ 134,120 | \$ 532.73 | 100.0% | \$ 138,147 | \$ 548.73 | \$ 34,537 |
| Departmental Expenses | | | | | | | | | | | |
| Rooms | \$ 3,849 | 16.9% | \$ 15,396 | \$ 61.15 | 16.9% | \$ 15,860 | \$ 63.00 | 16.9% | \$ 16,336 | \$ 64.89 | \$ 4,084 |
| Food & Beverage | \$ 4,209 | 72.4% | \$ 16,836 | \$ 66.87 | 72.4% | \$ 17,340 | \$ 68.88 | 72.4% | \$ 17,860 | \$ 70.94 | \$ 4,465 |
| Telephone | \$ 114 | 190.0% | \$ 456 | \$ 1.81 | 190.3% | \$ 472 | \$ 1.87 | 189.1% | \$ 484 | \$ 1.92 | \$ 121 |
| Gift Shop | \$ 802 | 58.8% | \$ 3,208 | \$ 12.74 | 58.8% | \$ 3,304 | \$ 13.12 | 58.8% | \$ 3,404 | \$ 13.52 | \$ 851 |
| Arcade | \$ 534 | 48.9% | \$ 2,136 | \$ 8.48 | 49.0% | \$ 2,204 | \$ 8.75 | 49.0% | \$ 2,268 | \$ 9.01 | \$ 567 |
| Indoor Waterpark | \$ 1,271 | 159.1% | \$ 5,084 | \$ 20.19 | 159.1% | \$ 5,236 | \$ 20.80 | 159.1% | \$ 5,396 | \$ 21.43 | \$ 1,349 |
| Total Dept. Expenses | \$ 10,779 | 33.1% | \$ 43,116 | \$ 171.26 | 33.1% | \$ 44,416 | \$ 176.42 | 33.1% | \$ 45,748 | \$ 181.71 | \$ 11,437 |
| Departmental Income | \$ 21,775 | 66.9% | \$ 87,100 | \$ 345.97 | 66.9% | \$ 89,704 | \$ 356.31 | 66.9% | \$ 92,399 | \$ 367.01 | \$ 23,100 |
| Undistributed Operating Expenses | | | | | | | | | | | |
| Administrative & General | \$ 2,232 | 6.9% | \$ 8,928 | \$ 35.46 | 6.9% | \$ 9,196 | \$ 36.53 | 6.9% | \$ 9,472 | \$ 37.62 | \$ 2,368 |
| Management Fees | \$ 977 | 3.0% | \$ 3,908 | \$ 15.52 | 3.0% | \$ 4,024 | \$ 15.98 | 3.0% | \$ 4,144 | \$ 16.46 | \$ 1,036 |
| Marketing | \$ 2,710 | 8.3% | \$ 10,840 | \$ 43.06 | 8.3% | \$ 11,168 | \$ 44.36 | 8.3% | \$ 11,504 | \$ 45.69 | \$ 2,876 |
| Franchise Fees | \$ - | 0.0% | \$ - | \$ - | 0.0% | \$ - | \$ - | 0.0% | \$ - | \$ - | \$ - |
| Prop. Oper. & Maintenance | \$ 1,117 | 3.4% | \$ 4,468 | \$ 17.75 | 3.4% | \$ 4,604 | \$ 18.29 | 3.4% | \$ 4,740 | \$ 18.83 | \$ 1,185 |
| Energy Costs | \$ 1,587 | 4.9% | \$ 6,348 | \$ 25.21 | 4.9% | \$ 6,540 | \$ 25.98 | 4.9% | \$ 6,736 | \$ 26.76 | \$ 1,684 |
| Total UDOEs | \$ 8,623 | 26.5% | \$ 34,492 | \$ 137.00 | 26.5% | \$ 35,532 | \$ 141.14 | 26.5% | \$ 36,596 | \$ 145.36 | \$ 9,149 |
| Income Before Fixed Charges | \$ 13,152 | 40.4% | \$ 52,608 | \$ 208.96 | 40.4% | \$ 54,172 | \$ 215.17 | 40.4% | \$ 55,803 | \$ 221.65 | \$ 13,951 |
| Fixed Charges | | | | | | | | | | | |
| Property Tax | \$ 1,266 | 3.9% | \$ 5,064 | \$ 20.11 | 3.9% | \$ 5,212 | \$ 20.70 | 3.9% | \$ 5,372 | \$ 21.34 | \$ 1,343 |
| Insurance | \$ 317 | 1.0% | \$ 1,268 | \$ 5.04 | 1.0% | \$ 1,304 | \$ 5.18 | 1.0% | \$ 1,344 | \$ 5.34 | \$ 336 |
| Reserve for Replacement | \$ 1,302 | 4.0% | \$ 5,208 | \$ 20.69 | 4.0% | \$ 5,364 | \$ 21.31 | 4.0% | \$ 5,524 | \$ 21.94 | \$ 1,381 |
| Total Fixed Charges | \$ 2,885 | 8.9% | \$ 11,540 | \$ 45.84 | 8.9% | \$ 11,880 | \$ 47.19 | 8.9% | \$ 12,240 | \$ 48.62 | \$ 3,060 |
| Net Income | \$ 10,267 | 31.5% | \$ 41,068 | \$ 163.13 | 31.5% | \$ 42,292 | \$ 167.99 | 31.5% | \$ 43,563 | \$ 173.03 | \$ 10,891 |

Source: Hotel & Leisure Advisors

Conclusion

Our analysis indicates that the subject will achieve a positive rate of return because of its many amenities and its larger indoor waterpark. We have analyzed the potential value for the resort utilizing a 12.50% discount rate and a 10.00% terminal capitalization rate. The following chart indicates the discounted cash flow analysis utilizing these rates and the previously presented financial projections.

| Howe Caverns Indoor Waterpark Resort | | | | | | |
|---|--------------------|-------------------|--------------------|----------------------|------------|--------|
| Discounted Cash Flow Analysis - As Completed | | | | | | |
| Present Value of Cash Flow | | | | | P.V. @: | 12.50% |
| <u>Year</u> | <u>Year Number</u> | <u>Net Income</u> | <u>P.V. Factor</u> | <u>Present Value</u> | | |
| 2011 | 1 | 6,836,802 | 0.8889 | 6,077,157 | | |
| 2012 | 2 | 7,945,651 | 0.7901 | 6,278,045 | | |
| 2013 | 3 | 8,613,141 | 0.7023 | 6,049,284 | | |
| 2014 | 4 | 8,855,215 | 0.6243 | 5,528,267 | | |
| 2015 | 5 | 9,119,891 | 0.5549 | 5,060,892 | | |
| 2016 | 6 | 9,393,188 | 0.4933 | 4,633,380 | | |
| 2017 | 7 | 9,677,124 | 0.4385 | 4,243,055 | | |
| 2018 | 8 | 9,967,717 | 0.3897 | 3,884,861 | | |
| 2019 | 9 | 10,266,989 | 0.3464 | 3,556,890 | | |
| 2020 | 10 | 10,572,959 | 0.3079 | 3,255,902 | | |
| Subtotal PV From Cash Flow | | | | \$48,567,733 | | |
| Present Value of Reversion Sale Price | | | | | | |
| Net Income for Year: | | | 11 | \$ | 10,890,647 | |
| Divided by Reversion Overall Rate | | | 10.0% | | | |
| Gross Reversion | | | \$108,906,473 | | | |
| Less Costs of Sale @: | | | 2.0% | 2,178,129 | | |
| Net Reversion | | | \$106,728,344 | | | |
| Value per Room | | | \$426,913 | | | |
| Reversion Sale Price | | | | | | |
| Add Reversion | 10 | 106,728,344 | 0.3079 | 32,866,582 | | |
| Market Value as of | | January 1, 2011 | | \$81,434,315 | | |
| Less Renovation Costs | | \$0 | | | | |
| Market Value | | \$81,434,315 | | | | |
| Rounded Market Value | | | | \$81,400,000 | | |
| Valuation Factors | | | | | | |
| Price Per Hotel Room: | | | \$325,600 | | | |
| % of Value from Cash Flow | | | 59.7% | | | |
| % of Value from Reversion | | | 40.4% | | | |

The valuation indicates a conclusion of \$81,400,000 as completed or \$325,600 per available hotel room (250 rooms). We note that the value conclusion is not meant to be market value because there are still many unknowns concerning the subject project but rather is presented as an analysis of value utilizing typical parameters performed in the income capitalization approach for an appraisal. However, sufficient development cost details were not available concerning the construction costs, site improvement costs, and

other expenses related to the proposed development. Additionally, sufficient details are not available concerning municipal subsidies for the proposed project.

We are available to perform additional analysis on the subject as additional information is obtained.

Introduction

We have made an analysis of the various governmental incentives which are available for the project. The primary types of governmental incentives available for the proposed resort development include incentives from the Schoharie County Industrial Development Agency and incentives from the state of New York assuming the subject will be located in a qualified Empire Zone. According to the client, there is a strong potential for the resort to be located within an Empire Zone, and we have assumed it will be located in an Empire Zone for the following analysis.

The following paragraphs briefly outline the incentives which we understand may be available for the subject project. We advise the reader to review additional legal documents concerning these incentives. Included in the addendum is a presentation for the proposed subject issued by the GROW team from Schoharie County. This team includes: Economic Development, Empire Zone Program, Industrial Development Agency and County Planning and Development offices. The GROW team presentation outlines the potential incentives available.

Empire State Development Zone

The Empire Zone for the subject property has not yet been approved but the client has been verbally told that there is a strong opportunity for the resort site to be included in an Empire Zone. The following bullets describe the potential benefits from being in an Empire Zone

- The tax reduction credit is applied against business corporate taxes, personal income taxes, banking corporation taxes or insurance corporation taxes. The credit is computed by a formula based upon the number of jobs created, the company's assets in the Empire Zone and the state, and the income taxes paid by the company. The credit is available for 10 years potentially at 100%. The development would establish a new corporation to develop and operate the hotel. This should allow all employees to be considered as new jobs created. We have assumed that the taxable income of the hotel would receive the state income tax credit of 7.5%.
- A five-year wage tax credit of \$3,000 for targeted workers and \$1,500 for non-targeted workers is available. In the following chart we have assumed that the subject would have 254 non-targeted employees in the hotel.
- Real property tax credit is available, which can result in a refundable credit against business or income tax equal to a percentage of real property taxes paid in the Empire Zone. This credit is available for 10 years potentially at 100%. We have projected that the subject will be entitled to the maximum percentage provided for by the statute and these credits are passed through to the equity members in accordance with their respective ownership interests. We have forecast the property tax exemption in this section of the analysis for 10 years at 100%. We have forecast the property tax exemption on 100% of the hotel projected taxes.
- Exemption of sales tax for building materials is available. We have applied this exemption to the projected reserve for replacement by multiplying the reserve for replacement from the hotel times the 4% state sales tax for 10 years. In addition, the value of the state sales tax exemption would apply to the subject's

development costs for those building supplies which normally would include a sales tax.

- Utility rate reductions are available which would allow special reduced electric and gas rates through investor-owned utilities. Based upon discussions with the Schoharie County Planning and Development Agency we have assumed that this would result in approximately a 12% energy credit against the projected energy costs.

Schoharie County Industrial Development Agency (IDA) Incentives

The IDA has indicated to the client that they may be available to provide the following incentives:

- Project financing taxable bonds and other low-cost programs are available from the agency. We understand that the IDA could consider issuing taxable bonds to finance the subject project. This study does not analyze the lower interest rates which may apply to the subject financing as there is no definitive information available as to the difference between rates from a commercial lender and the rates which the IDA would offer. However, the benefits of taxable bond financing can be substantial for a reduction of the subject interest payments.
- Sales tax exemption is available for the project which would allow a complete exemption from the Schoharie County sales tax of 4% for the project. The IDA could apply this to the proposed resort if the subject agreed to have the IDA take title to the project and lease the project back to the developers for a set period of time such as one year. The value of this would apply to the subject's development costs for those building supplies which normally would include a sales tax.
- Property tax abatement utilizing a payment in lieu of taxes schedule could apply to the increase in assessed value. However, for the purposes of this report, we have assumed full real estate taxes as we project Schoharie County to establish a PILOT program to utilize the tax money for assistance in payment for the development.

The following tables indicate our projections for the Empire Zone credits for the hotel. We have projected the interest payment for the subject based upon a loan of \$52,500,000 which is what we estimate the subject's loan would need to be based upon the size of the resort. We have utilized an interest rate of 8.0%. The interest payment is calculated utilizing a 30 year term. Our depreciation estimate is based upon the projected development costs for the project of \$75,000,000 . Depreciation is calculated utilizing a 40 year term.

The above discussed incentives will create additional value for the subject property. The following table depicts the cash flows from these incentives.

**Howe Caverns Indoor Waterpark Resort
Empire Zone Analysis**

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| HOWE CAVERNS INDOOR WATERPARK RESORT EMPIRE ZONE CREDITS ANALYSIS | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Hotel: | | | | | | | | | | |
| Net Income Before Debt Service | \$6,836,802 | \$7,945,651 | \$8,613,141 | \$8,855,215 | \$9,119,891 | \$9,393,188 | \$9,677,124 | \$9,967,717 | \$10,266,989 | \$10,572,959 |
| NYS Income Tax Reduction Credits | | | | | | | | | | |
| Interest Payment | \$4,200,000 | \$4,162,925 | \$4,122,884 | \$4,079,639 | \$4,032,935 | \$3,982,494 | \$3,928,019 | \$3,869,185 | \$3,805,645 | \$3,737,021 |
| Depreciation | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 | \$1,875,000 |
| Pretax Income | \$761,802 | \$1,907,726 | \$2,615,257 | \$2,900,576 | \$3,211,956 | \$3,535,694 | \$3,874,105 | \$4,223,532 | \$4,586,344 | \$4,960,938 |
| a) NYS Tax @ 7.5% Credit | \$57,135 | \$143,079 | \$196,144 | \$217,543 | \$240,897 | \$265,177 | \$290,558 | \$316,765 | \$343,976 | \$372,070 |
| Zone Wage Credits | | | | | | | | | | |
| b) Wage Credit at \$1,500 per employee | \$381,000 | \$381,000 | \$381,000 | \$381,000 | \$381,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Sales Tax Credits | | | | | | | | | | |
| Reserve for Replacement | \$468,000 | \$767,000 | \$1,091,000 | \$1,123,000 | \$1,157,000 | \$1,192,000 | \$1,227,000 | \$1,264,000 | \$1,302,000 | \$1,341,000 |
| c) Sales Tax @ 4% Credit | \$18,720 | \$30,680 | \$43,640 | \$44,920 | \$46,280 | \$47,680 | \$49,080 | \$50,560 | \$52,080 | \$53,640 |
| Real Property Tax Credit | | | | | | | | | | |
| Real Estate Taxes | \$999,000 | \$1,029,000 | \$1,060,000 | \$1,092,000 | \$1,124,000 | \$1,158,000 | \$1,193,000 | \$1,229,000 | \$1,266,000 | \$1,303,000 |
| d) Projected Credit (100% of taxes) | \$999,000 | \$1,029,000 | \$1,060,000 | \$1,092,000 | \$1,124,000 | \$1,158,000 | \$1,193,000 | \$1,229,000 | \$1,266,000 | \$1,303,000 |
| Utility Rate Reductions | | | | | | | | | | |
| Energy | \$1,250,000 | \$1,289,000 | \$1,329,000 | \$1,369,000 | \$1,410,000 | \$1,452,000 | \$1,496,000 | \$1,541,000 | \$1,587,000 | \$1,635,000 |
| e) Credit at estimated 12% of expense | \$150,000 | \$154,680 | \$159,480 | \$164,280 | \$169,200 | \$174,240 | \$179,520 | \$184,920 | \$190,440 | \$196,200 |
| Total Value of Credits (a+b+c+d+e) | \$1,605,855 | \$1,738,439 | \$1,840,264 | \$1,899,743 | \$1,961,377 | \$1,645,097 | \$1,712,158 | \$1,781,245 | \$1,852,496 | \$1,924,910 |
| Net Present Value at 12.5% | | | | | | | | | | |
| | | | | | | | | | | \$13,000,000 |

Source: Hotel & Leisure Advisors

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, conclusions and recommendations.
- We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- David J. Sangree, MAI, ISHC and Eric B. Hansen, AIA, ISHC have made a personal inspection of the property that is the subject of this report.
- Kyle Mossman provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.
- As of the date of this report, David J. Sangree has completed the continuing education program of the Appraisal Institute.

DRAFT

David J. Sangree, MAI, ISHC
President

Eric B. Hansen, AIA, ISHC
Director of Development Services

Exhibit VIII. C.7.c. Proposed Manager of Hotel

The Waterpark Hotel will not be managed by Full House Resorts. Howe Caverns Casino and Resorts has spoken with many waterpark hotel operators but have yet to select a manager.

Exhibit VIII. C.7.d. Usage and Allotment of Hotel

Rooms

As the WLX study pointed out, for a similar market, about 18% of the rack rate would be used in the hotel. Throughout different times of the year, this rate could vary based on varying factors that would be adjusted to maximize revenue.

Exhibit VIII. C.7.e. Spa, Fitness and Pool Areas

The casino hotel would have a proposed spa of 7050sf. Current thinking is the next generation of design is to double that space to accommodate the needs of a true destination resort. This may accompany maintaining the existing spa space at the waterpark resort. We believe that the project will see high profitability from this function. The waterpark hotel will have a 4000sf spa. The casino hotel will have both a swimming pool and a whirlpool. The waterpark will have an indoor and outdoor pool as well as waterslides. The site has an abundance of water, as described in the water demand study, but we will also take other measures such as the use of transparent texlon roofing and geothermal solutions to address heating and resource demands.

Exhibit VIII. C.7.f. Plans to Differentiate Hotel from Competitors

Howe Caverns Resort and Casino is part of a true destination in every sense of the word. We are the only site bringing a dual function hotel concept to the table. We have two hotels, one for the waterpark and one for the casino. The casino markets significant draw is within the 60 mile radius. The water park aspect extends our primary market to 120-180 mile radius. This opens up more revenue from other states and New York City.

| Waterpark Hotel | SF |
|-------------------------------------|----------------|
| 250 Rooms | 245,000 |
| 140 Double Queen Avg. 425 SF | |
| 59,500 | |
| 20 King Avg. 425 SF 8,500 | |
| 90 Suites Avg. 600 SF 54,000 | |

Exhibit VIII. C.7.g. Names of Hotels of Comparable Quality

Howe Caverns Resort and Casino would be similar to other Full House Resorts Properties including the Rising Star Casino Resort in Indiana (www.Risingstarcasino.com) , Buffalo Thunder Casino in Santa Fe (www.Buffalothunderresort.com) and Grand Lodge Casino in Nevada, (www.Grandlodgecasino.com) .

Exhibit VIII. C.7.h. Outsourcing of Linen, Housekeeping, and Laundry

The Howe Caverns Resort and Casino design and budget currently accommodates internally housed laundry equipment and linen supply service. If outsourcing this function is more efficient, we will avail ourselves of a local service provider and reallocate the space. Housekeeping will be kept in-house.

Exhibit VIII. C.8.

MEETING & CONVENTION FACILITIES

Exhibit VIII. C.8.a. Proposed Meeting and Convention Space

The Howe Caverns Resort and Casino has a planned build-out that includes meetings space whose critical mass is more than adequate to house some events and meetings of fairly significant size by industry standards. Nonetheless, we have assumed only modest business activity in that space. We do anticipate making an earnest investment in quality Sales and Event Management personnel, once under construction, to make serious inroads in that industry. As we become more successful in building a Big Brand and establishing our destination quality, the target audience of this meetings business will expand geographically to a sphere somewhat similar to

the waterpark target market. Since we have the space, and it is relatively inexpensive to build out, our risk here is confined to a small staff investment. The local banquet market opportunity will not be forsaken as currently, for example, many residents of the sub region have no choice but to book facilities closer into the Capital Region in Albany, Schenectady and even Saratoga Springs to attain an adequate setting for a wedding or other event of size. We expect that 5 year performance in this area could be as much as 2-3 times the figures we show in the pro forma materials, with the portion from out of market representing larger shares each year. There is 7,190sf of designated meeting space that can be divided into three separate meeting rooms.

| | SF |
|------------------------------|---------------|
| Convention Corridor | 5,400 |
| Multi-Purpose Room | 14,400 |
| Banquet Hall / Meeting Rooms | 7,190 |
| Prefunction | 2,985 |
| Board Room | 600 |
| Convention Kitchen | 4,500 |
| Convention Storage | 3,600 |
| Convention Support | 2,400 |
| Back of House Misc | 9,375 |
| TOTAL | 50,450 |

Exhibit VIII. C.8.b. Proposed Business Center Facilities

A business center of approximately 1200-1500sf will be carved out of the space labeled under misc. on the convention level.

Exhibit VIII. C.9. ENTERTAINMENT VENUES

Exhibit VIII. C.9.a. Description of Entertainment Venues

We have no planned internal entertainment venue.

Phase 1a contains an educational demonstration theater with approximately 200 seats for the sole purpose of educating children and adults about dinosaurs, fossils and other geological history. Admission price and frequency are yet to be determined and there is no intent to allow outside entertainment acts to use the facility.

It is planned to make available robust offerings of live entertainment via existing live entertainment venues. We have also entered into an agreement with Fair Game to partner with them to provide opportunities for patrons to attend live events in the region as described in exhibit b.

Exhibit VIII. C.9.b. Marketing of Entertainment Venues

An agreement has been entered into with Fair Game to provide entertainment opportunities to patrons.

It is also our intent to seek agreements with other nearby entertainment venues that are not within the scope of the Fair Game agreement.

Memorandum of Understanding

26 June 2014

This Memorandum of Understanding executed by Upstate Theater Coalition for a Fairgame LLC, see Appendix A, ("Fairgame"), 432 State Street, Schenectady, NY 12305, Saratoga Performing Arts Center, Saratoga; Saratoga City Center, Saratoga, Proctors, Schenectady, the Palace Performing Arts Center, Albany; the Troy Music Hall, Troy and the Times Union Center, Albany (being collectively referred to as the "Venues"), and Howe Caverns Resort and Casino, LLC, a New York based company, 255 Discovery Dr, Howe ("Casino Developer").

The parties recognizes that New York State is in the process of selecting live gaming operators for each of three regions in the state and that the New York State Gaming Commission has made clear the need for applicant gaming operators to "actively support the mission and operation of impacted live entertainment venues..."

It is the intent of the Casino Developer to construct and operate a Gaming Facility without an indoor entertainment facility, but with a significant dinosaur attraction/theater. This agreement is based on the foregoing intent and should the casino venue size, seats, number of events per year increase or include regular headliners, the parties will negotiate an amendment of the understanding reflected herein, and any more formal agreement reflecting such understanding, to offset the effect on the Venues of an expansion by Casino Developer in the number of

entertainment events or the capacity of the Entertainment Facility (including construction of one or more new or additional facilities).

Recognizing that it is not the intent of the Casino Developer to cause harm to the live entertainment facilities at the Venues, the following actions are to be put into place and acknowledged in the Casino Developer's application for a New York Gaming Facility License and will continue during the entire life of the Casino Developer's (or its assigns) license (if awarded) and any renewals thereof, unless earlier terminated in accordance with the provisions hereof:

- 1) Casino Developer, if awarded, a New York Gaming Facility License, will promote events of the Venues and use its gaming "loyalty" programs to purchase and distribute tickets for admission to events at the Venues.
- 2) Casino Developer and the Venues will establish joint marketing agreements, including agreements covering such matters as program sponsorships, ticketing kiosks, lodging package programs, in room promotions, and ticket purchases, etc.
- 3) Casino Developer will support the Venues, with a quarterly payment to Fairgame (to be divided among and paid to the Venues and Fairgame in accordance with the agreement among the Venues and Fairgame noted in Appendix A) of \$175,000 per year for the life of the

license, which will be utilized as outlined in Appendix A. Should the Casino Developer expand its Entertainment Facility, construct one or more new facilities or arrange for regular headline live performance events in a year, the Casino Developer will promptly notify the other parties hereto of such planned activities and all parties will promptly thereafter negotiate an additional amount (but not less than \$1,000,000 per year), to be paid to Fairgame each year commencing with the year that such plans are realized in whole or in part. In determining the additional amount, the parties shall consider the anticipated negative impact of such activities on each Venue based upon, among other factors, (i) the increase in the capacity of the Entertainment Facility and/or increase in the number of annual live performances, (ii) the proposed use of such expanded or new facilities, and (iii) the distance of the Entertainment Facility from the location of each Venue. The agreed amount will be divided among and paid to the Venues and Fairgame in such manner as the Venues and Fairgame may agree, taking into account the anticipated negative impact on each Venue based upon the foregoing factors. If the parties are unable to agree on the additional amount or the Venues and Fairgame are unable to agree on the allocation of the agreed amount, the dispute shall be resolved by arbitration among the applicable parties in New York City before an impartial arbitrator or tribunal.

The parties understand that the agreement contemplated hereby is not exclusive and that

Fairgame may enter into agreements with other applicants for a New York Gaming Facility License.

It is the intent of the parties to incorporate the understanding of the parties hereto into a more formal agreement, including the foregoing terms and provisions, as well as such other terms and conditions as may be normal and customary in the industry with regard to similar agreements. Until such more formal agreement is prepared and executed, this Memorandum shall be binding and enforceable upon the parties, it being understood this Memorandum shall be of no force or effect if Casino Developer is not awarded a New York Gaming Facility License and each of the Venues may terminate this Memorandum as to it, if it believes, in the exercise of its reasonable judgment, that the agreement contemplated by this Memorandum could be detrimental to its mission or operations.

If any provision of this Memorandum shall be determined by any applicable New York State Gaming Facility regulatory authority or other applicable authority to be inconsistent or in violation of applicable laws or regulations, the parties shall negotiate in good faith to amend this Memorandum to bring it into compliance with applicable laws or regulations, while preserving the general intentions of the parties expressed hereunder.

HOWE CAVERNS RESORT AND CASINO, LLC

By: 
MANAGER



Philip Morris, CEO, Proctors, Schenectady; Chair, Fairgame



Marcia White, President and CEO, SPAC, Saratoga



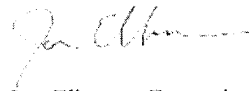
Holly Brown, Executive Director, Palace, Albany



Mark Baker, Executive Director, Saratoga City Center, Saratoga



Bob Belber, General Manager, TU Center, Albany



Jon Elbaum, Executive Director, Troy Savings Bank Music Hall, Troy



Mark Eagan, President, Albany-Colonie Regional Chamber

Exhibit VIII. C.9.c. Entertainment Venues **Contemplated**

Existing venues will be enhanced as they will be the sole facilities utilized for patron entertainment options.

It is planned to have priority arrangements made for ticket availability for comps and purchase by resort patrons.

Howe Caverns Resort and Casino has had conversations with Proctor's Theater, the closest venue, regarding promotion of live acts and purchasing tickets for events.

Exhibit VIII. C.10. NON---GAMING AMENITIES

Exhibit VIII. C.10.a. Description of Non Gaming Amenities

Casino Hotel:

1. There are 3 proposed restaurants:

Signature Restaurant – 3,500sqft, Capacity 144

Buffet (View Dining) – 6,250sqft, Capacity 180

Café (Food Fare) – 6,200sqft, Capacity 204

Coffee Shop – 5,800sqft Capacity 200

2. The proposed retail space includes:

Small Retail Outlet/Gift Shop – 1,460sqft

Retail space will not serve general community

3. There are 5 proposed Bars and lounges:

Top Floor Bar – 1,800sqft

Lobby Bar – 1,800sqft

Casino Bar – 1,220sqft

Lounge Bar – 3,600sqft, Capacity 200

Service Bars (2) – 1,525sqft each

4. The proposed recreational facilities are as follows:

Pool – 3,100sqft (includes swimming pool, whirlpool, pool snack bar)

Spa – 7,050sqft

5. Other proposed amenities include:

Valet – 200sqft

Baggage – 3,600sqft

Parking Garage – 1,500sqft

Waterpark Hotel

The Waterpark restaurants will consist of a multi functional restaurant with a buffet, a small lounge, sports bar and family sit down all operated out of same kitchen.

The proposed retail space includes:

Small Surf Shop

Gift Shop

Retail space will not serve general community

There will be a small lounge and a sports bar as described in number 1.

The proposed recreational facility will be the water park which includes pools, slides, water features and play structures both indoor and outdoor.

There are no other amenities.

Kids Quest

The Howe Caverns team has had discussions with Kids Quest, an hourly childcare service featuring a full entertainment center and arcade.

As you will see in the following pages, Kids Quest is a leader in its field and among its many locations are numerous associated with Casinos.

Two of its casino-connected locations also coordinate with waterpark resort facilities, in Wisconsin and Michigan.

While we do not have a formal arrangement with Kids Quest, they did indicate a keen interest in being involved in our property given its destination and family-oriented nature.





"My grandpa brought my brother and me to Kids Quest on a Saturday afternoon. We played hard and made new friends. We can't wait to come back again the next time my grandpa and grandma come to the casino!"

— Russell, age 12

Just one look at a Kids Quest entertainment center or Cyber Quest arcade and the first adjective that comes to mind is "wow," followed shortly thereafter by words like "amazing, colorful, exciting, friendly, clean, and safe!"

The Kids Quest and Cyber Quest concepts offer something for everyone, and these unique and exciting amenities have allowed casinos nationwide to truly become "family friendly" destinations.

From the beginning, company owners Bill and Sue Dunkley wanted to create a children's venue like no other! Armed with big ideas and unlimited imaginations — the Dunkley family set out to provide expertly supervised childcare and an unforgettable entertainment experience for the families of casino patrons.

Kids Quest hourly care was founded with the same standard of quality childcare that we pledge to the nearly 8,500 families served daily by our New Horizon Academy and Kinderberry Hill schools. Dating back to 1971, New Horizon Enterprises currently owns and operates 60+ early childhood education centers with over 1,200 employees. With this solid and well-seasoned experience providing exceptional childcare, we confidently opened our first Kids Quest in 1992 to rave reviews!

In a world where the "destination resort" has become a standard — the addition of a Kids Quest and a Cyber Quest arcade creates an incredible and lasting impression.



**Kids
Quest[®]
Q**



Our Karaoke Star Stage is a favorite place for kids to sing and dance — costumes add the star touch!

Kids Quest directors use a state-of-the-art surveillance system to monitor the floor, providing a safe and secure entertainment experience.



Our signature Quest playpiece offers both a physical and navigational challenge to children.

Kids Quest welcomes families with a spacious lobby. At check-in, we collect important guest information from parents in order to best care for their children.



Our Tiny Tot room is a private and well-staffed area designed especially for our smallest guests. We maintain a ratio of 1 teammate to 4 children.

“When I leave my baby at Kids Quest, my husband and I can go get dinner and enjoy a show. In our town the casino has the very best restaurants and entertainment. What makes it perfect is we can have fun as a couple again and be near our daughter and feel secure about her care.”

— Melinda G.

The Quest Café offers a variety of kid-friendly snacks and hot meals, along with exciting interactive games at the café booths.

Welcome to Kids Quest!

The list of activities offered by our Kids Quest hourly care centers is endless — with special events planned monthly and well-maintained interest centers designed to engage and entertain our guests from ages 6 weeks to 12 years!

In the planning phase of development we work with only the most innovative and creative architectural firms in the country to ensure that every structure we build is not only visually stimulating, but functional and child-safe as well.

Finally, our New Horizon Technology division provides our centers and arcades with state-of-the-art security systems and surveillance cameras to actively monitor our Kids Quest and Cyber Quest properties. Our center directors, operations managers, and corporate staff can observe all floor activity from their offices or from their laptop computers anywhere in the country!

It is our mission to provide not only all-encompassing supervision and outstanding entertainment — but to maintain the very highest safety standards for our guests, families, and employees.





- Kids Quest opens new markets and accesses a broader demographic market for each host property, encouraging families to travel longer distances to casinos because they can be together.
- Studies show families travel 50% farther than the average casino customer.
- Kids Quest is a “must have” amenity for any casino resort operation. Kids Quest increases market share and revenues while enhancing the entertainment value of the property.
- Resort casino destinations with a Kids Quest attract families with expendable income.
- The role of the Internet will continue to dominate travel planning for families. Our Web site averages over 6 million hits per year to date. Both Kids Quest and Cyber Quest are currently linked to our host properties’ Web sites in order to effectively market our facilities to potential guests.
- According to recent reports, family travel accounts for 74% of all vacation travel in the United States.
- Family vacations (adults with children) will continue to grow at a faster rate than all other forms of leisure travel, as both parents and grandparents continue to look at a vacation as one way to unite families in a contemporary world that is increasingly dominated by the demands of work.
- 21% of children are in the care of their grandparents, and grandparents enjoy gaming with a childcare option.
- 83% of all leisure travelers with children under 18 took them along on at least one trip.
- 68% of parents admitted their children were also “very influential” in determining their vacation destination.
- Gamers on overnight trips are more likely to be younger, have a college degree, and be employed in a managerial or professional capacity. This demographic is also likely to have a child in the household — thus having a need for childcare while at the casino.

- On average, we entertain and care for nearly 1,800 children (ages 6 weeks through 12 years of age) per day.
- All of our employees undergo drug testing and background checks to ensure the safety of the children in our care.
- Kids Quest offers a well-equipped, private Tiny Tot room filled with educational and developmental toys for play, and cribs for when our smallest guests need to nap.
- We feature our exclusive Karaoke Star Stage where children can prepare for their turn on American Idol™, complete with costumes for dress-up.
- A physically challenging playpiece and climbing apparatus is a part of all center designs (with the exception of our locations at the Palms in Las Vegas and Treasure Island in Minnesota due to space limitations).
- Our dramatic play areas vary in theme and equipment for role playing to encourage growth in verbal skills and creativity.
- Many centers feature a Cosmic Club that provides games and activities that older children enjoy — among them: PlayStation® 3, Xbox 360®, Kinect™, Nintendo® Wii™, Guitar Hero®, and Rock Band® — essentially all of the latest and greatest to keep tweens entertained.
- Kids Quest provides backup care for casino staff members. This feature reduces employee absenteeism and turnover, allows for overtime requests and staffing flexibility, and also serves as an excellent tool to recruit quality employees.
- Nearly all Kids Quests have a Gym where our guests can run off some steam on a basketball court or play other competitive sports games.



The Gym is a great area for our guests to expend some energy and take part in organized games.



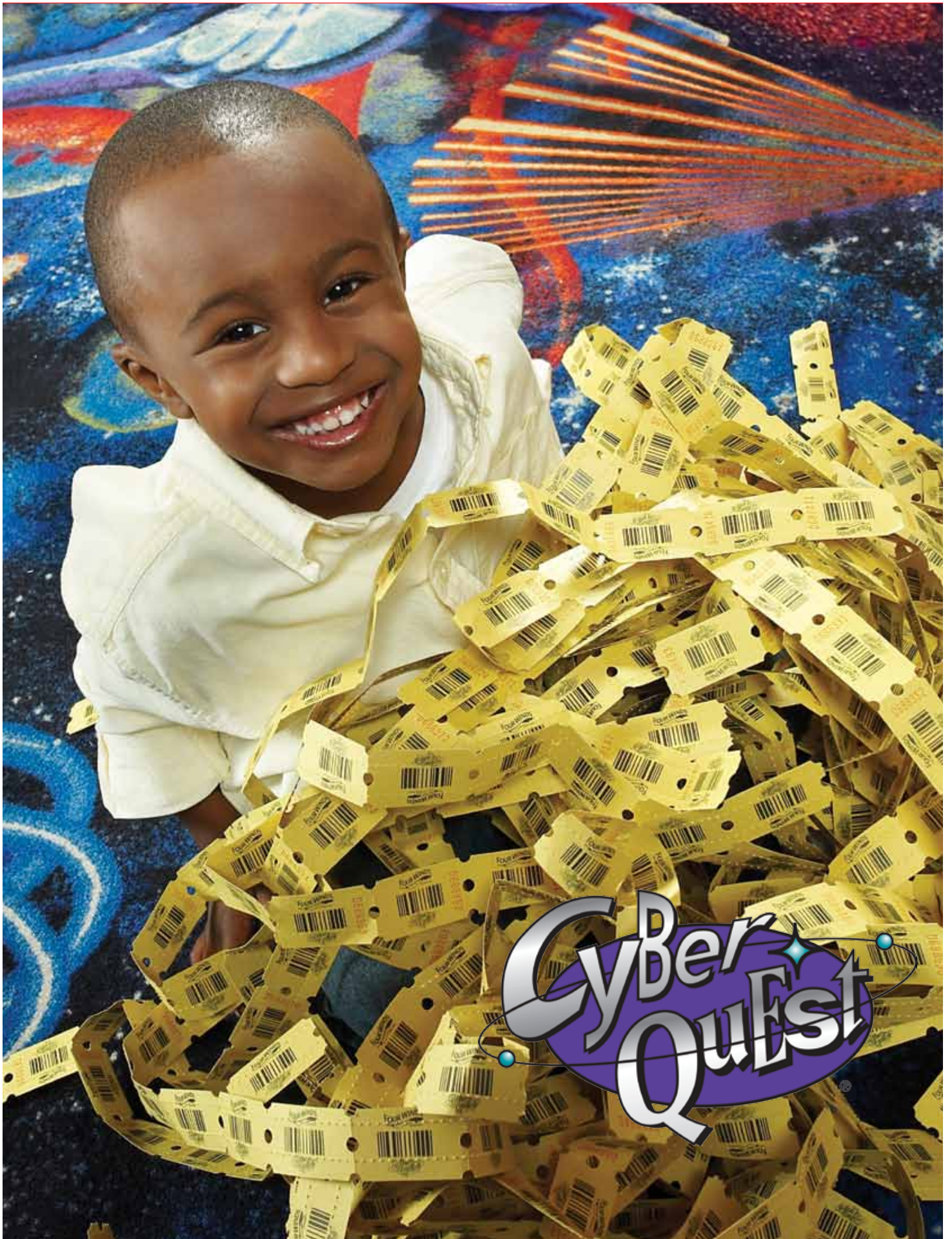
The Quest Café also provides a great place for children to socialize and to enjoy movies overhead on state-of-the-art, flat-screen televisions.



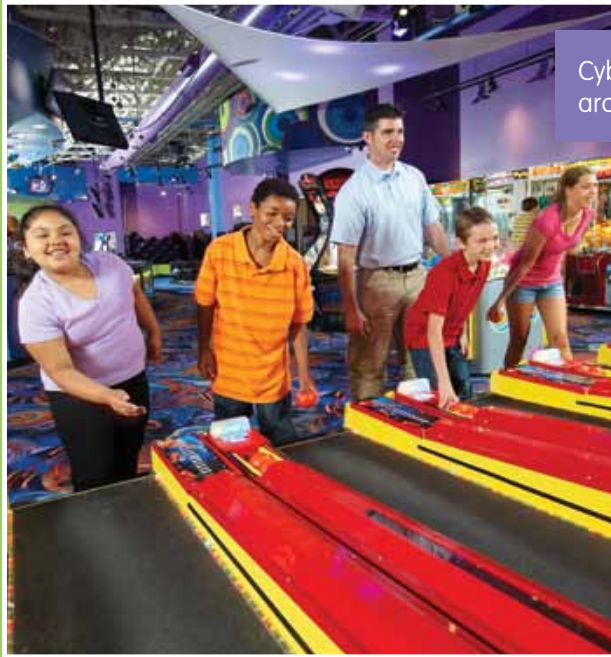
Kids Quest includes an array of popular and age-appropriate arcade games that kids can play as much as they like!



"I like Kids Quest because I never get bored! There is always something to do and sometimes I even run out of time and I want to stay longer!"
— Jackson, age 9



Cyber
Quest



Cyber Quest encourages family play on all of our arcade games.

At Cyber Quest, we carefully select an array of games for all ages to enjoy.



Cyber Quest prize redemption quality is among the highest in the industry.



Teammates are always available to answer questions and actively engage our arcade guests in play.

Welcome to Cyber Quest!

In general, most people think that arcades are teenage hangouts with a violent video game presence. The average arcade features games which most parents would not allow in their homes, but are readily accessible to children in unsupervised venues.

At Cyber Quest, we have a different philosophy. We carefully edit our game choices to eliminate violence and encourage healthy, competitive fun!

By design, Cyber Quest is devoted to providing a non-violent arcade experience to families and to serve a wide variety of clientele. Children under the age of 12 must be accompanied by an adult, and those over the age of 12 may play on their own, with friends, or with family members.

The dynamic tandem of Kids Quest and Cyber Quest gives resort casinos an undeniable advantage over competitors when seeking a share of the growing family travel market.

Kids Quest and Cyber Quest satisfies those vacationers looking for a great destination that can truly provide something for everyone!



We provide games that entertain our smallest players. We create a safe and secure atmosphere with staff members working the floor at all times.

"The Cyber Quest arcade has been a perfect place for us to celebrate birthdays. We brought my son and a group of his friends this year and they had a really wonderful time! Everyone went home with a prize! Cyber Quest has become one of our favorites to enjoy as a family."

— Jana L.

Our Quest Club Card debit system replaces the need for game tokens that can be easily lost. The system also allows guests to reload their card at any time.





- One big difference between Cyber Quest and other arcades is that we only provide non-violent game options.
- Non-violent entertainment provides three types of game choices:
 1. **Redemption:** An arcade game based on skill, which rewards a player tickets based proportionally on their score.
 2. **Video:** An interactive game experience that involves eye-hand coordination to achieve a goal, usually in a competitive arena.
 3. **Novelty:** An arcade game where players use their skills of timing and eye-hand coordination in an attempt to win a desired prize.
- Our Cyber Quest arcades provide an excellent mix of these challenges along with a safe and secure entertainment environment.
- Our games truly provide more than great entertainment — they challenge cognitive skills and help to develop each player’s eye-hand coordination.
- Even if our guests are unable to tally a significant score, our games are programmed to award tickets just for playing!
- Families are encouraged to play together at Cyber Quest in games like Skee Ball — a game that simulates the fun of bowling!
- In the game of Stackers, players utilize their sense of timing along with eye-hand coordination to build blocks into virtual towers to win prizes!
- Cyber Quest also offers the widely popular Dance, Dance Revolution™ fitness game at all of our locations. Once the music starts, guests are challenged to actively dance and keep up with the beat of the music. Scores are built by following routines without error.
- We feature an arcade version of Wheel of Fortune®. Players try to stop a chasing light in the “spin zone.” When this is achieved, another inner circle spins and the player can win up to 500 tickets!

- Cyber Quest caters to clientele of all ages — we encourage and welcome families to play.
- By eliminating the violent content and explicit language in our game offerings, our Cyber Quest arcades attract a more wholesome customer base.
- Cyber Quest arcades are well lit and actively supervised by knowledgeable employees who are trained to interact with our guests.
- At Cyber Quest, we have an ongoing board of review to scrutinize the latest games for inappropriate content.
- Arcade games have been research-proven to develop excellent eye-hand coordination skills in children.
- The Cyber Quest card system allows our guests to “load” their card with any monetary amount, eliminating the need for tokens or cash to be carried, stolen, or lost.
- Our arcades have a great mix of skill-driven games as well as games of chance — so everyone can succeed at Cyber Quest.
- All teammates in our employment are trained in first aid and CPR so they can effectively react in case of an emergency.
- All Cyber Quest arcades are monitored by a surveillance camera system.
- Ongoing strategic partnerships allow us to be on top of what’s new in the arcade industry — and we pass that innovation on to our guests.
- As a leader in providing an outstanding arcade experience, we often participate in testing new games for play value and guest feedback — this keeps our game selection fresh and unlike any other!
- True to our mission of providing the newest and most entertaining arcade experience — Cyber Quest rotates our game offerings numerous times per year, which provides new challenges and fun at each visit!



We intentionally program our games for a higher payout of tickets; at Cyber Quest, it's easier to succeed, and this enhances self-esteem!



Our Cyber Quests are colorful and spacious in design so they can accommodate a number of guests and still allow for an active game playing environment.

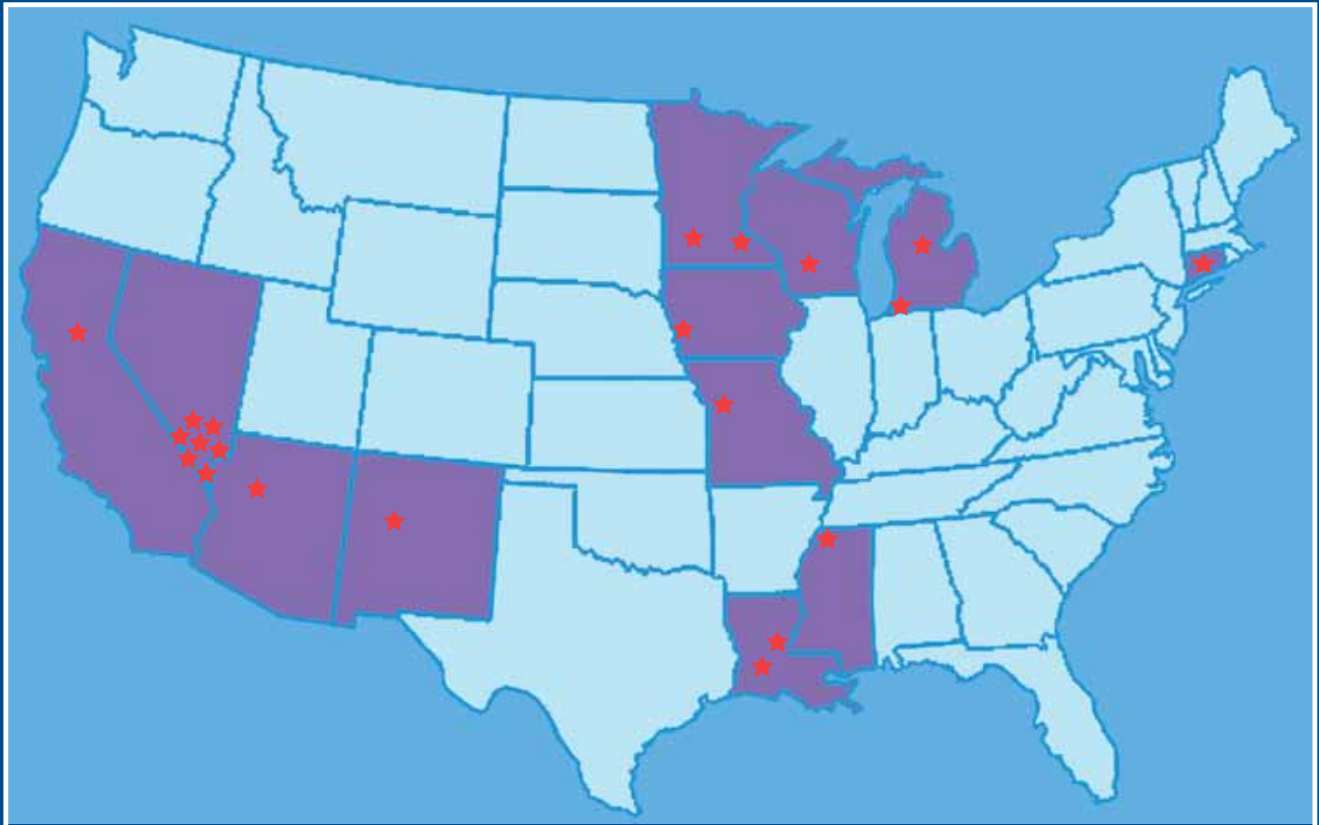


Older kids love the basketball shoot! This game provides a competitive challenge between players and creates an opportunity for socializing between our guests.



"I get to go to Cyber Quest for my birthday or when I get good grades at school. It's my favorite place to go to celebrate."
— Jeff, age 10

You Can Find Us At:



- **Ameristar Casino Hotel** Council Bluffs, Iowa
- **Ameristar Casino Hotel** Kansas City, Missouri
- **Avi Resort & Casino** Laughlin, Nevada
- **Boulder Station Hotel & Casino** Las Vegas, Nevada
- **Cliff Castle Casino** Camp Verde, Arizona
- **Coushatta Casino Resort** Kinder, Louisiana
- **Four Winds Casino Resort** New Buffalo, Michigan
- **Harrah's Tunica** Robinsonville, Mississippi
- **Ho-Chunk Casino Hotel & Convention Center** Baraboo, Wisconsin
- **Jackpot Junction Casino Hotel** Morton, Minnesota
- **Mohegan Sun Casino** Uncasville, Connecticut
- **Palms Casino Resort** Las Vegas, Nevada
- **Paragon Casino & Resort** Marksville, Louisiana
- **Red Hawk Casino** Placerville, California
- **Red Rock Casino Resort Spa** Las Vegas, Nevada
- **Route 66 Casino Hotel** Albuquerque, New Mexico
- **Santa Fe Station Hotel & Casino** Las Vegas, Nevada
- **Soaring Eagle Casino & Resort** Mt. Pleasant, Michigan
- **Sunset Station Hotel & Casino** Las Vegas, Nevada
- **Texas Station Gambling Hall & Hotel** North Las Vegas, Nevada
- **Treasure Island Resort & Casino** Red Wing, Minnesota

What Casino Executives Are Saying About

"This is the second casino property that I have worked for with a Kids Quest facility. I often joke with guests that the only bad thing about Kids Quest is trying to get your children out! They never want to leave Kids Quest!"

— Don Billbrough, CHA
 Director of Hotel Operations
 Route 66 Casino Hotel
 Albuquerque, NM



"Kids Quest has been invaluable to the success of our casinos. These amenities have expanded our customer base to include families."

— Stacy Stagg
 Assistant General Manager
 Red Rock Casino Resort Spa
 Station Casinos
 Las Vegas, NV



"Kids Quest centers are great for bringing in new clientele. With the recent expansion of the new Treasure Island Conference Center, Kids Quest has been a selling tool for convention sales. Once people learn that we provide a quality childcare option — it makes their decision an easy one when choosing where to hold their meetings or to game."

— Mark Dunn
 Vice President of Hospitality
 Treasure Island Resort and Casino
 Red Wing, MN



"I have seen the Kids Quest concept operate very successfully on a casino property. Kids Quest offers a valuable childcare resource not only for gamers, but also for those who attend special events, concerts, movies, and for those who enjoy fine dining on the casino premises. My children always enjoyed their time spent there!"

— Jeff Favre



MARKSVILLE, LA

"Kids Quest gives us a competitive edge. We are the only casino in the region where the kids can come and have as much fun as the parents."

— Phil Ziegler
 Marketing Director
 Coushatta Casino Resort
 Kinder, LA



"Kids Quest and Cyber Quest are extraordinary, yet affordable, casino amenities that help differentiate our product in a very competitive landscape. Both the childcare center and the arcade give us an added advantage to eclipse the competition."

— Heidi Hamers
 Vice President of Marketing
 Red Hawk Casino
 Placerville, CA



REDHAWK™
 — CASINO —

Kids Quest & Cyber Quest

“Kids Quest has been an excellent addition to our properties and the guest experience. Station Casinos is proud of our affiliation with Kids Quest.”

— Scott M. Nielson
Chief Development Officer
Station Casinos
Las Vegas, NV



“Want the best child care in Tunica? Check out Kids Quest! They meet and exceed both parent and child expectations! As a former childcare provider myself, I know a great facility and staff when I see one — and I highly recommend Kids Quest to our casino patrons!”

— Peggy Zaongo
Horseshoe Casino and Hotel
Sheraton Casino and Hotel
Tunica, Mississippi



“Kids Quest and Cyber Quest have proven to be a strong competitive advantage for us, as we are the only casino in the area to provide on-site childcare. The childcare professionals at Kids Quest and Cyber Quest provide our guests with the assurance that their children are receiving exceptional care in a safe and secure environment.”

— Four Winds Casino Resort
New Buffalo, MI



“I will not build a casino without a Kids Quest. They are very honest, hardworking, and loyal. I would highly recommend them as a business partner. I was amazed at the efficiency with which they trained their staff, purchased equipment, and prepared for business. They immediately developed policies and procedures to ensure that the centers were providing a safe and secure environment for children.”

— Lyle Berman
Chairman of the Board
Lakes Entertainment

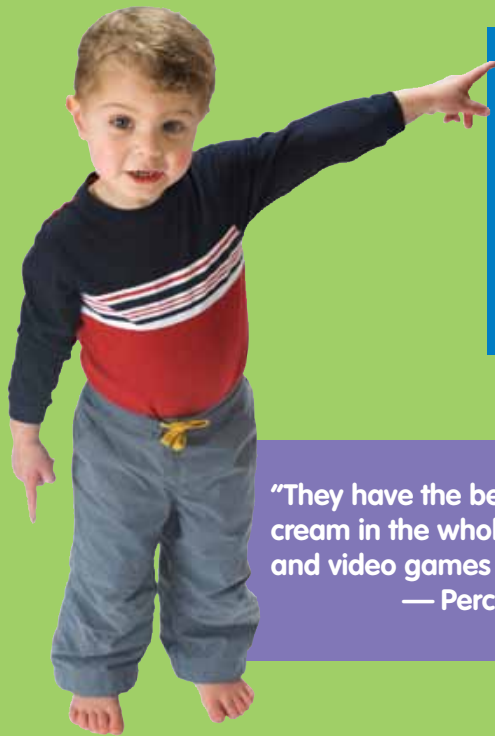


“In addition to being an outstanding public relations opportunity — the Kids Quest and Cyber Quest complex has proven itself to be a necessary amenity for parents concerned with the safety of their children when they visit our property — and it’s great fun for the kids themselves.”



— Roland J. Harris
The Mohegan Tribe
Mohegan Sun Casino
Uncasville, CT

What Kids Are Saying About



"They have the best ice cream in the whole world and video games too!"
— Percy, age 3

"My mom brings me to Kids Quest because then she knows that I'm having as much fun as she is. My dad works at the casino, too, so they can have lunch together while I play."

— Melissa, age 11



"Cyber Quest is my favorite arcade and it has the coolest games, and if I don't know how to play a game they have people there to help me."

— Chase, age 6



"I like the karaoke stage the best! I want to win American Idol™ someday and I practice at Kids Quest."

— Sophie, age 6



Kids Quest & Cyber Quest

"Both Cyber Quest and Kids Quest are fun! I get to go to both when we visit this casino and I could stay there all day if my mom and dad would let me!"

— Mason, age 7



"Kids Quest is my favorite! I always ask my mom and dad if I can go and I make new friends when I'm playing there. It's awesome! The arcade is fun too — my dad and I play all kinds of games together and I win lots of tickets."

— Mitchell, age 5



"I loved the Sparkle Salon and the way they braided my hair and put glitter in it. I felt so special! And there were great videos to watch in the salon, too!"

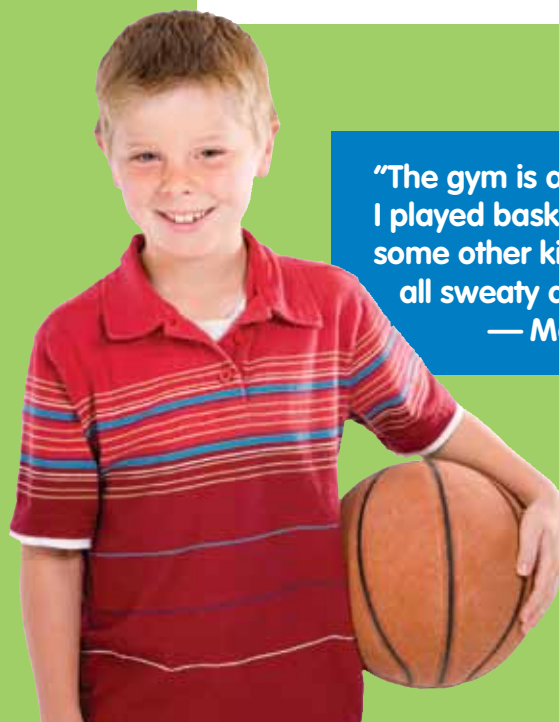
— Brittany, age 11

"The Cosmic Club is really cool! I like to spend my time playing all of the newest games. I feel like the older kids have a special place to hang out...it's fun!"

— Kyra, age 12

"The gym is awesome! I played basketball with some other kids and I got all sweaty and stuff!"

— Marcus, age 11



"At first I was nervous to be there alone, but the girls that work there are super nice and they played with me until I made some new friends..."

— Kara, age 10

What Parents are Saying About



"My kids ask to go to Kids Quest and then we go as a family to Cyber Quest. Both places are clean and staffed with friendly employees. We are regulars and they still make us feel special!"

— Roy M.

"Cyber Quest is an arcade that I feel comfortable in. It's bright and well lit and I think the card system they use is great! My children can each load a card and then play to their heart's content. There are no tokens to lug around and lose...it's a wonderful place!"

— Carmen D.

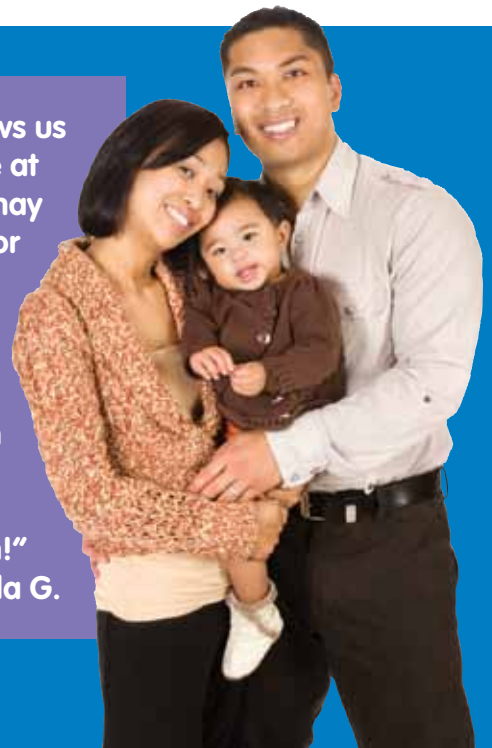
"We have been to nearly all of the Kids Quests in the Las Vegas area and they are consistently friendly. What makes me feel comfortable is that they seem to genuinely take an interest in my children and they entertain them very well!"

— Lisa C.



"Kids Quest allows us to enjoy our time at the casino! We may go for gaming, for dinner, to see a show or take in a movie, but we always have childcare we can depend on and that we feel comfortable with!"

— Amanda G.



"Kids Quest is a wonderful place to have! It opens up the options for gamers traveling with children. It is also great that it accepts Player's Club!"

— Duane D.

Kids Quest & Cyber Quest



"Kids Quest is the best deal in town! Their hourly rates are reasonable and the kids love going to play there. I would highly recommend Kids Quest to any of my friends or family members!"

— Kelly A.



"We found the staff at both Kids Quest and Cyber Quest to be both knowledgeable and friendly. The employees were courteous to us as parents and especially kind to our child. We felt comfortable leaving her at the center."

— Renee T.

"It looks so fun in there I want to stay here and play with my kids! Sometimes getting them to go home can be a challenge!"

— David L.

"As my eyes surveyed the Sparkle Salon, the video games area, the indoor climber, the snack bar, the gymnasium, and the smiles on the faces of the employees, I couldn't help but wish I could stay there with the kids and play too!"

— Melissa M.



"The kids love Cyber Quest because it's so easy for them to win and feel successful. You should have seen my daughter's face when the tickets came spilling out of the machine in front of her — it was like Christmas and her birthday all at once! She also got to pick out a nice prize! The day was one she will always remember! Thank You!"

— Alyse H.





Kids Quest/Cyber Quest
3405 Annapolis Lane North, #100
Plymouth, MN 55447
800.941.1007 • kidsquest.com

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Exhibit VIII. C.10.b. Promotion of Local and Regional Amenities

In agreement with the Schoharie IDA (SEE ATTACHED), the Howe Caverns Resort and Casino will promote, buy and serve local products.

There are also agreements in development that will create partnerships with several local products and businesses such as Cooperstown Beverage Trail, Brooks BBQ, American Hotel, Fly Creek Cider Mill and several others.

There are also working understandings with local farmer's markets and the Farm Bureau.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("Memorandum") is made on June 24, 2014, by and between Howe Caverns Resort and Casino, a Delaware LLC ("Howe Caverns"), and the County Industrial Development Agency that is a signatory below ("IDA")(each a "Party" and collectively "the Parties") for the purpose of pledging their mutual support and cooperation toward achieving the job creation and economic development objectives enumerated in the Upstate New York Gaming Economic Development Act of 2013 ("Gaming Act") in conjunction with a resort and casino gaming development ("Project") to be located at Howe Caverns in Cobleskill, New York.

WHEREAS, the Parties desire to enter into an agreement pledging to work cooperatively together in good faith to employ their best efforts to serve and enhance the employment and economic development needs of the region they serve;

AND WHEREAS, the intent of the Gaming Act is to allow the selected regions of the State to fully capitalize on the economic development potential of legalized casino gambling;

AND WHEREAS, the Gaming Act acknowledges that appropriately regulated gaming resort developments in upstate New York can boost economic development, create thousands of well-paying jobs, and provide added revenue to the state and local governments;

AND WHEREAS, the Gaming Act acknowledges that the upstate New York tourism industry constitutes a critical component of our State's economic infrastructure and that upstate casinos will help attract non-New York residents and bring downstate New Yorkers to upstate;

AND WHEREAS, the Gaming Act provides that the local benefits to be derived from the casino sites will be considered in the casino evaluation process and revenue realized from casinos shall be utilized to increase support for education and to provide real property tax relief to localities;

THEREFORE, in consideration of the foregoing provisions, and in further consideration of the potential benefits the provisions of the Gaming Act could bring to our region through the Project, the Parties do hereby agree to work cooperatively and pledge their support for the Project proposed by Howe Caverns;

MOREOVER, and in addition, Howe Caverns agrees that it shall at all times use its best efforts to ensure that the Project:

- Is operated in a responsible, efficient, and businesslike manner to generate maximum revenue in support of the localities within the region;
- operates in partnership with and promotes local hotels, restaurants, and retail facilities so that patrons experience the full diversified regional tourism industry;
- implements a workforce development plan that utilizes the existing labor force, including both the construction of the Project and its operation thereafter;
- develops workforce training programs that serve the local under- and un-employed populations and works with the counties within the region to develop methods for residents within the region to access employment at the gaming facility;
- establishes, funds, and maintains human resource hiring and training practices that promote and enhance the development of a locally-based skilled and diverse workforce;

- purchases, whenever possible, local goods and services to be used in all phases of the construction and operation of the Project; and
- establishes a fair and reasonable partnership with regional live entertainment venues under which the Project actively supports the mission and the operation of the entertainment venues.

WHEREFORE, although the Parties acknowledge that no contractual relationship is created between them by this Memorandum, it is the Parties clear and unambiguous intent to work together in the true spirit of partnership to ensure that this Memorandum represents a meaningful and tangible statement of support by the Parties for the Project and for the representations and agreements of the Parties contained herein.

This Memorandum is accepted and agreed to by the following Parties giving their signatures below and shall be deemed effective as of the date contained in the first paragraph above:

Howe Caverns Resort and Casino, LLC

By:

Schoharie County IDA

By:

Ronald Wilmer / CEO

Exhibit VIII. C.11. QUALITY OF AMENITIES

We have proposed a facility that is expected to be somewhat higher end on the spectrum of Casinos same sized, and which will truly be a Destination Resort. We have set a high quality standard as we conceive Howe Caverns Resort and Casino which we will not compromise even as we value engineer and seek more efficient paths to the same end. Currently, our cost per key is on the higher end of the competitive set. We do know that will may need to expand the spa and fund an extensive build out that includes sound-proofing, more luxurious finishes and FFE and other increased costs to bring this amenity up to standard.

To our current restaurant package we may add a buffet, which is somewhat standardized. We proposed a high end and mid end restaurant to compliment the 24 hour coffee shop. This is quite comparable to the higher quality in our competitive set.

We are a Destination Resort. We are not “slots in a box”. If we denigrate that in any way, then we denigrate the Big Brand that we need to build. We will strive to do that efficiently but we cannot forsake the absolute need to be on the higher end of the quality scale.

Exhibit VIII. C.12. HOURS OF OPERATION

The Casino hours of operation will be 24 hours a day, 7 days a week, 365 days a year.

The indoor water park hours of operation will be 9 am-9 pm on Friday and Saturday and 10-8 on Sunday-Friday 365 days per year.

The outdoor water park will be open seasonly, weather permitting from May to October with hours of operation from 10-6.

Restaurants

Signature restaurant -serving dinner daily from 4-11 365 days a year

Buffet- open 365 days a year, 24 hours a day.

Cafe- open 365 days a year 24 hours a day.

Bars within the casino will be open from 11 am to 4am.

Water park restaurants

Multi functional restaurant with a buffet, a small lounge, sports bar and family sit down all operated out of same kitchen. The buffet, lounge and sit down will open from 8am to 9 pm. The sports bar will be open from 11 to midnight.

Exhibit VIII. C.13. BACK OF HOUSE

| | |
|---|---|
| <p>Kitchen Casino and Hotel</p> <ul style="list-style-type: none"> • Our design features over 20,000 SF of Kitchen space <ul style="list-style-type: none"> ○ Casino: Coffee Shop 3,600; View Dining 2,950 ○ Convention: 4,500 ○ Tip Top Dining: 870 Back; 1,120 Open ○ Common Kitchen 7,850 <p>Waterpark</p> <ul style="list-style-type: none"> • Still under design; est. total 12,000 SF | <p>We have planned dedicated Kitchens for each of three restaurants, plus a common Kitchen preparation with room service responsibility and storage area below. These facilities will also service Sports Bar amenities off the Casino.</p> <p>The areas shown do not include the Food Court.</p> <p>These areas will be adequate to service all the planned food alternatives, and expansions thereon, as well as a large meeting or banquet. The design emphasizes efficiency.</p> <p>The alternative for an Employee Dining facility is still under consideration.</p> |
| <p>Security – 2,250 Feet</p> | <p>The total space is actually modest. The importance is designing the facility with a degree of isolation, except for accessibility and efficiency to interact with local law enforcement.</p> |
| <p>Executive Office – 4,500 SF</p> | <p>Importance is place on efficient but comfortable space that will help employees reflect well.</p> |
| <p>Back of the House – Total over 36,000 DF Entry / Service – 21,010 SF Casino – 6,850 SF Convention – 9,375 SF</p> | <p>The Design here needs to accommodate access points, storage and wide aisles for a mass of staff passing one another in task. Slot repair and technicians are also afforded adequate space throughout our design.</p> |

Exhibit VIII. C.14. PARKING AND TRANSPORTATION INFRASTRUCTURE

Exhibit VIII. C.14.a. Description of Parking Spaces and Structures

Patron and employee parking will be completely accommodated on-site. Guests of the resort will enter via the proposed access intersections with Sagendorf Corners Road and Caverns Road to access the internal roadway system directing guests to a valet area or self-park lots for the casino and waterparks. Resort employees will be directed to the employee parking lot near the casino. Overflow parking is also available on site with walks and shuttles to and from the casino and hotels.

A review of available data for existing casinos indicates that the proposed program for Howe Caverns Resort and Casino is similar to the Sands at Bethlehem Casino located in Pennsylvania which provides approximately 1.15 parking spaces per gaming position (inclusive of employees and patrons). Parking is also required for the hotel with indoor water park and the outdoor water park. Parking demand for these two uses was estimated based upon data published by ITE. The parking demand for the project is summarized in Table 1 and compared to the proposed parking supply for the project.

Table 1 – Parking Summary

| Land Use | Size | Rate | Parking Spaces | |
|--------------------|------------------------|-------------------------------|----------------|--------------|
| | | | Demand | Supply |
| Casino | 1,772 GP | 1.15 spaces/GP | 2,038 | 2,107 |
| Water Slide Park | 50,000 SF (1.15 acres) | 84.5 spaces/acre | 97 | 435 |
| Waterpark Hotel | 250 Rooms | 1.29 spaces per occupied room | 323 | |
| Total Trips | | | 2,458 | 2,542 |

GP = Gaming Positions

Table 1 shows that the parking demand for the proposed project is 2,458 parking spaces. The proposed project includes 2,542 parking spaces which exceeds the parking demand. The parking facilities will include have accessible parking spaces in accordance with the ADA Accessibility Guidelines (ADAAG) parking design requirements and the NYS Building Code.

Valet parking is provided adjacent to the casino near the valet drop-off and pick-up at the casino and hotel entrance of the hotel.

Bus drop-off, pick-up will be at the main casino and hotel entrance at the Porte Cochere. Bus parking is provided near the overflow lot near Sagendorf Corner Road. Sidewalks are provided to the Casino to also allow patrons to walk to the bus parking area.

Exhibit VIII. C.14.b. Description of Traffic Circulation

The traffic generated by the Proposed Project from the regional road network. It is expected that approximately 40 percent of the trips generated will travel to and from the east on I-88, 10 percent will travel to and from the east on NY Route 7, 5 percent will travel to and from the east on County Road 9, and 15 percent will travel to and from the north on Sagendorf Corners Road. Additionally, it is expected that 15 percent of site generated trips will travel to and from the west via I-88, 5 percent will travel to and from the south on NY Route 145, 5 percent will travel to and from the west on NY Route 7, and 5 percent will travel to and from the west on County Road 8.

The traffic will enter the Project Site at two main access points, one on Sagendorf Corner Road (70 percent of arrival) and one on Caverns Road (30 percent of arrivals). An internal road will connect the two access points long which will be the entrances to the casino/hotel and the waterpark/hotel, parking and loading docks. A possible future connection

is planned to the Howe Caverns buildings and entertainment facilities. This connection will provide an alternate connection to Caverns Road and also provide internal site circulation. The access points to the adjacent roads will be stopped controlled. See attached Figure.

Parking will be available to the patrons adjacent to the casino, hotels and the waterpark. The entrances to the parking is directly from the internal access road. The parking garage is directly adjacent to the casino/hotel with a pedestrian connection to the casino floor.

Sidewalks are provided to connect the parking lots to the facilities. Additional sidewalks are proposed to connect the Project components (casino/hotel and waterpark/hotel to the adjacent Howe Caverns attractions. The connection path is provided to that will allow walking or a small shuttle operate.

Limousine and valet drop-off is located at the Porte Cochere at the front of the casino/hotel building. The patrons will then enter into casino and hotel atrium. Valet parking will be offered and the valet parking will be in the lot immediately adjacent to the hotel or in the overflow lot near the Sagendorf Corner entrance. The drop-off lanes at the Porte Cochere allow the valet operation and the drop-off/pick-up of patrons away from the main access road.

Employees parking is primarily located north of the casino building. Additional employee parking is available in the overflow lot near Sagendorf Corner Road and if needed in assigned spaces within the parking garage.

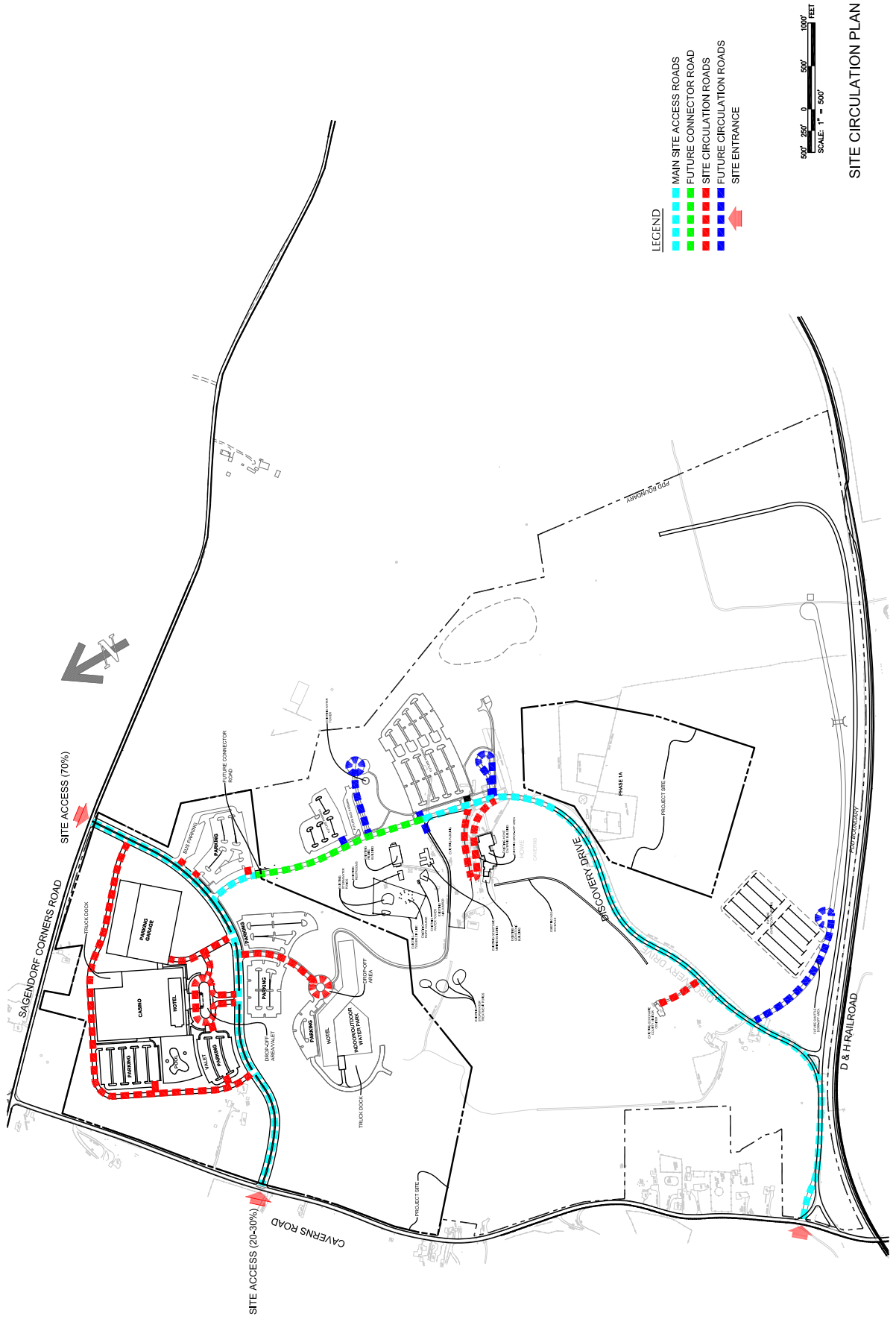
Bus drop-off, pick-up will be at the main casino and hotel entrance at the Porte Cochere. Bus parking is provided near the overflow lot near Sagendorf Corner Road. Sidewalks are provided to the Casino to also allow patrons to walk to the bus parking area.

Loading/service docks for the casino/hotel are located at the rear of the casino building. The loading dock is access from an internal road that connects to the main access road connection Sagendorf Corner Road and Caverns Road.

The waterpark/hotel is located southwest of the casino/hotel and similarly will be its own drop-off area, parking and loading docks. Sidewalks are provided to allow convenient access between the facilities.

Service vehicles (such as utility trucks or trash pick-up and snow removal) will be parked at the loading dock or in the overflow parking lot near Sagendorf Corner Road. Snow removal equipment is anticipated to be provided by independent contractors and will be staged offsite.

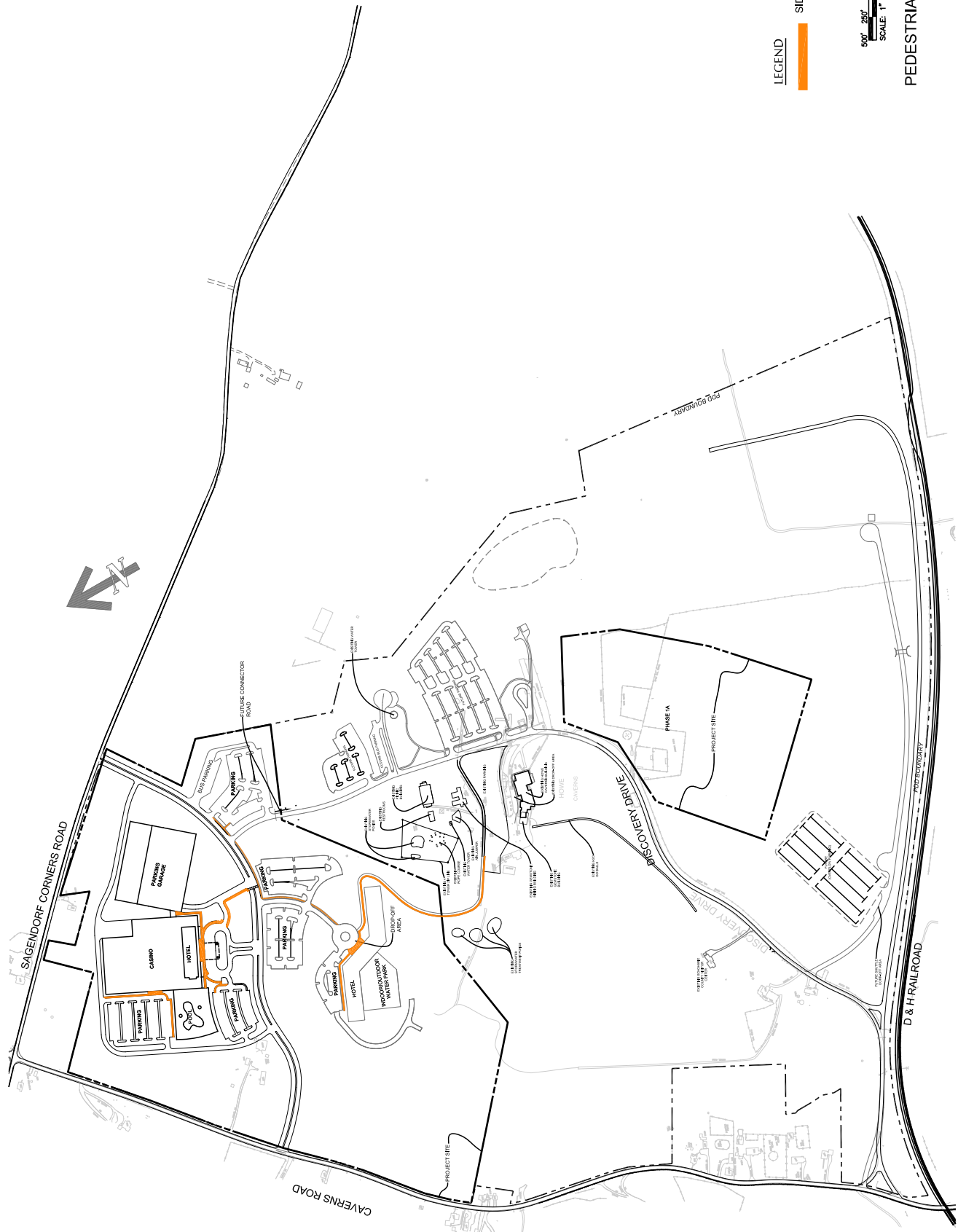
There will not be a gas station or refueling venue on site. There are gas stations along Route that can provide service to patrons. Security staff patrolling the parking lots will be able to provide jumper cables for dead batteries and will assistance disabled vehicles by calls to area facilities.



- LEGEND**
- MAIN SITE ACCESS ROADS
 - FUTURE CONNECTOR ROAD
 - SITE CIRCULATION ROADS
 - FUTURE CIRCULATION ROADS
 - SITE ENTRANCE

500' 250' 0 500' 1000'
 FEET
 SCALE: 1" = 500'

SITE CIRCULATION PLAN



LEGEND
 SIDEWALK

500' 250' 0 500' 1000'
 FEET
 SCALE: 1" = 500'

PEDESTRIAN CIRCULATION MAP

Exhibit VIII. C.15. DOCK AND LOADING

Loading Dock will consist of 2,700sf with an additional 1,800sf for loading dock opening. There will also be another 1800sf for trash and dock. The loading dock and security set up is similar to other facilities run by Full House Resorts and ensure safety and security.

Exhibit VIII. C.16. PHYSICAL PLANT AND MECHANICAL SYSTEMS

The Howe Cavern Resort and Casino complex will be designed with HVAC systems that will deliver a high level of comfort & control to the occupants and employ energy efficient strategies to promote sustainability and minimize environmental impact. The project is expected to participate in NYSERDA's New Construction Program to take maximum advantage of available incentives for the installation of equipment & systems exceeding current codes. This will include selection of highly efficient cooling equipment, boilers, air & water distribution systems supplemented by energy recovery systems and demand controlled ventilation in spaces with potentially high but variable occupancy.

Reliability of the systems will be assured by incorporating multiple design features including proper equipment sizing & selection considering redundancy (N +1 for critical equipment), selective use of emergency generation, and highly automated controls dedicated to providing instantaneous notification to operators of any equipment or temperatures in an abnormal condition.

The buildings systems will be designed for stand-alone operation with provisions for interconnection provisions where necessary for external or temporary services. This will include an alternate heating source available for operation during utility outages. All life-safety systems will be backed up by emergency generation and UPS' installed where necessary to protect occupant safety and overall essential performance.

As can be seen on the floor plans, the primary mechanical space for HVAC is well located adjacent to major areas served and along an exterior wall.

**Exhibit VIII. C.17. INFRASTRUCTURE
REQUIREMENTS**

**Exhibit VIII. C.17.a. Estimated Fresh Water
and Electricity Demand**

HOWE CAVERNS RESORT AND CASINO
WATER AND SEWER STUDY

for

HOWE CAVERNS RESORT AND CASINO LLC
COBLESKILL, NEW YORK

DRAFT



Project No. 124-1401
June 2014

JME | JOHN M. MCDONALD
ENGINEERING, P.C.

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HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

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HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

INTRODUCTION

Howe Caverns Resort and Casino, LLC proposes to develop a Resort and Casino at Howe Caverns located in the Town of Cobleskill, Schoharie County, New York. McDonald Engineering has been retained to conduct an independent analysis of the impacts of this Resort and Casino project on the local and regional water and sewer supply. The specific objectives of this study are as follows:

- To develop a projection of the gaming facilities water and wastewater base and peak demand requirements, and to determine that adequate capacity is available to meet these needs.
- Based on the projected demand, determine the water and wastewater infrastructure improvements that will be necessary to serve the gaming facility, along with cost estimates for said improvements.

BACKGROUND

The proposed Howe Caverns Resort and Casino is located within a 10-acre parcel of land that is part of the 330-acre Howe Caverns Planned Development (PDD) that included new amusement venues/attractions, several of which have been built and are in operation.

In 2012, the Town of Cobleskill completed a water and wastewater study to identify the long term infrastructure needs of the NYS Route 7/I-88 commercial corridor, including the Howe Caverns facility. This study incorporated the proposed water and sewer needs as identified in the Master Plan for the Howe Caverns PDD. With this information, the Town created the Town of Cobleskill Water District No. 1, and Sewer District No. 1, which included a \$9.2 million capital improvement project to supply both water and sewer services to the NYS Route 7/I-88 commercial corridor and the Howe Caverns facility. See Exhibit A entitled "Town of Cobleskill Water and Sewer System Location Map". Construction is nearly complete with an estimated startup date of August 31, 2014. This infrastructure was specifically designed and built to accommodate the long term water and sewer demand (base and peak) for the build-out of Howe Caverns as promulgated in the 2010 Facility Master Plan. The completion of a new Town water and sewer system, provides substantial excess capacity to meet the long-term base and peak demands for the entire Howe Caverns plan, including the Resort and Casino.

DEVELOPMENT OF WATER AND SEWER DEMAND REQUIREMENTS

The Town water and sewer district improvements, currently in the final phases of construction, were designed to meet the long term needs as identified in the Howe Caverns Master Plan. The impacts of the Resort and Casino can be determined by adding the net changes from the original Howe Caverns Master Plan water and sewer demand projections, with the proposed water and sewer demand projections of the Resort and Casino.

HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

The projected water and sewer demands for the Howe Caverns Planned Development were determined for each of the facilities based on the original water and wastewater report prepared as part of the adopted Howe Caverns Master Plan. Water and wastewater generation rates are computed using generally accepted flow rate standards and as published by regulatory agencies. As part of this analysis, water and sewer demands have been updated to reflect the current development plan. A tabulation of the water and sewer demand in gallons per day (GPD) for each facility/venue is summarized in A, B and C in the table below.

The proposed Howe Caverns Resort and Casino needs to be added to the Master Plan flows to determine the total demand. The Resort and Casino consists of a 248,000 square-foot gaming facility which includes gaming machines, table games, restaurants, bars/lounges, banquet space, 240-room hotel, and a 1,500 space parking garage. From these uses, floor plan area, occupancy loads and other factors, the water and sewer demand can be estimated. This analysis results in a projected base demand for the Resort and Casino of 88,300 GPD. The detailed line by line item flow demand for each use/category can be found in Exhibit B of this report. The table below presents the base demand for all components of the Howe Caverns Complex.

Projected Water and Sewer Demand

| <u>Venue/Attraction</u> | <u>Projected Flow GPD</u> |
|---|---------------------------|
| A. Existing Caverns Facility Gemstone Building, Zip Rider, Mountain Coaster, Tree Canopy, Maintenance Building | |
| <i>TOTAL A.....</i> | <i>12,800</i> |
| B. Dinosaur Canyon Entertainment Building, Rock Climbing, Radio Control Park | |
| <i>TOTAL B.....</i> | <i>14,000</i> |
| C. 250 Room Water Park Hotel | 44,000 |
| Indoor Water Park | 17,000 |
| Outdoor Water Park | <u>16,000</u> |
| <i>TOTAL C.....</i> | <i>77,000</i> |
| SUBTOTAL A+B+C | 103,800 |
| D. Casino/250 Room Hotel (See Exhibit B) | <u>88,300</u> |
| TOTAL AVERAGE BASE DEMAND | 192,100 |

HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

The total projected base demand at build-out, in accordance with the Howe Caverns Master Plan, and including the Resort and Casino, is 192,100 GPD. The following information provides the background assessment and engineering documentation, which demonstrates that the existing Town and Village water and sewer system has the capability to meet the base and peak demand of the proposed Resort and Casino.

EXISTING WATER SYSTEM SOURCE OF SUPPLY CAPABILITIES

The soon to be completed Town of Cobleskill Water System (August 31, 2014), obtains its water supply from the Village of Cobleskill. The Village has a surface supply and water filtration plant with a rated base production capacity of 2,000,000 GPD. The current base demand for the Village system and projected Town system is 600,000 GPD. The table below summarizes the resulting available capacity for the peak demand day when the Howe Caverns peak day is included.

| Water - Source of Supply | GPD |
|--|----------------|
| Approved Village Water Filter Plant Capacity..... | 2,000,000 |
| Less Current & Projected Peak Demand from Existing System..... | <u>900,000</u> |
| Available Village Filter Plant Capacity..... | 1,100,000 |
| Less Howe Caverns Peak Demand..... | <u>392,100</u> |
| Filter Plant Remaining Excess Capacity..... | 707,900 |

As shown, there will be substantial excess source capacity available after taking into account the base and peak demands of Howe Caverns needs.

EXISTING WATER DISTRIBUTION/STORAGE FIRE PROTECTION CAPABILITIES

The new Town water system connects to the Village transmission line system at the Village/Town line boundary. The Town water system consists primarily of 12-inch transmission lines, which serves Howe Caverns. The Town water system also owns and maintains a water booster station and 270,000-gallon storage tank located at the higher elevations of the Howe Caverns property. This tank location was selected because it is at the highest elevation in the Town service area, and thus provides water system pressure and fire flow requirements. This system configuration provides Howe Caverns with the needed fire flow requirement of 1,500 GPM for a 2-hour duration (180,000 gallons), while still providing an available residual pressure of 20 psi in all areas of the water system.

PROPOSED ON-SITE WATER DISTRIBUTION SYSTEM IMPROVEMENTS

Water mains will have to be extended from the Town system to provide potable water and fire protection to each of the facilities to be constructed within the Howe Caverns Complex. The site plan provided as Exhibit C entitled, "Proposed On-Site Water and Sewer Infrastructure" presents the existing Town main, Town booster pump station, and 270,000-gallon storage tank. Two distribution branch mains will be installed from the Town main, which will serve the two facilities described below.

HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

- Water Branch A, which serves the Water Park/Hotel, will extend westerly from the Town’s water main on Discovery Drive, and will consist of the installation of approximately 1,850 linear feet of 12-inch water main, with hydrants and valves appropriately placed. To provide adequate system pressure and to meet fire flow requirements for the elevated 7-story hotel, a pump station will be necessary, which will include booster pumps and a fire pump system to serve this facility. The total estimated cost for Water Branch A and the pump station, including engineering and contingencies, is estimated at \$440,000.
- Water Branch B is a separate 12-inch main which will serve the Resort and Casino, and will connect directly to the tank outlet near the existing tank vault, as shown on the site plan. This branch consists of approximately 1,950 linear feet of 12-inch water main and related appurtenances. A pump station with booster pumps and a fire pump will also be needed to meet the system demand pressure and fire flow needs at the Resort and Casino. The estimated project cost for Water Branch B is approximately at \$450,000.

The total estimated cost for on-site water system improvements amounts to \$890,000. Detailed estimates are provided in Exhibit D.

EXISTING SEWER SYSTEM CAPABILITIES

The soon to be completed Town of Cobleskill Sanitary Sewer Collection System (August 31, 2014), will discharge wastewater from the Town's system into the Village collection system for subsequent treatment at the Village Wastewater Treatment Plant (WWTP). The approved permitted capacity of the Village's WWTP is 1,800,000 gallons per day (GPD), as per the SPDES permit. Currently the WWTP treats an average daily flow around 500,000 GPD. The current base demand for the Village system and projected Town system is 900,000 GPD. The table below summarizes the resulting WWTP available capacity for the peak demand day including the Howe Caverns facility peak demand day.

| Sewer WWTP Capacity | GPD |
|--|----------------|
| WWTP Permitted Capacity..... | 1,800,000 |
| Less Current & Projected Peak Demand from Existing System..... | <u>900,000</u> |
| Available WWTP Plant Capacity..... | 900,000 |
| Less Howe Caverns Peak Demand..... | <u>392,100</u> |
| WWTP Remaining Excess Capacity..... | 507,900 |

As shown, the Village WWTP has available excess treatment plant capacity to meet the long-term peak demands of both the Town's system and the Howe Cavern Development Project, including the Resort and Casino.

HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

PROPOSED SEWER COLLECTION SYSTEM IMPROVEMENTS

The Town sewer system has been designed to provide sanitary sewer to a point near the water booster pump station on Discovery Drive. From this point, the trunk sewer will be extended and three branch collection system sewer lines will be installed to serve the three facilities within the Howe Caverns Complex. All can be served via gravity sewer. The proposed on-site sewer system improvements have been broken down into four components, as shown on the site plan in Exhibit C, and as summarized below.

- The proposed trunk sewer line begins at the location where all the branches meet, just west of the existing Howe Caverns Building, and runs southerly to Discovery Drive, then connects into the existing Town sewer system near the water booster station. This portion will consist of approximately 16,000 linear feet of 8-inch gravity sewer main and five precast manholes. This portion is estimated at \$188,000.
- Sewer Branch A will run easterly from the trunk line to the Entertainment Building. This portion will consist of approximately 600 linear feet of 8-inch sewer main and two precast manholes. This will cost approximately \$75,000.
- Sewer Branch B will run westerly from the trunk line to the Water Park and Hotel Facilities. This portion will consist of approximately 1,000 linear feet of 8-inch sewer main and three precast manholes. This cost is estimated at \$121,000.
- Sewer Branch C will run northerly to serve the Resort and Casino. This portion will consist of approximately 2,750 linear feet of 8-inch sewer main and nine precast manholes. This project will cost approximately \$327,000.
- The receiving Town and Village sewer collection piping system has adequate capacity to handle the base and peak demand flows. However the hydraulic analysis completed indicates that the Village East End Pump Station will need to be upgraded at some point to handle the projected peak demand flow rates when the entire Town system is built-out. In all likelihood this may not occur within the next ten years. The estimated cost to upgrade the Village East End Pump Station is estimated at \$154,000.

The total estimated cost of the four on-site improvement components and the East End Pump Station upgrade amounts to \$865,000. Detailed cost estimates are provided in Exhibit D.

HOWE CAVERNS RESORT AND CASINO WATER AND SEWER STUDY

CONCLUSION

This study finds that the existing Town water system and sewer system have adequate capacity to meet the long-term base and peak demands of the Howe Caverns Resort and Casino. These findings are summarized below:

- The Town and Village water systems have adequate capacity to provide the base and peak demands, and fire flow requirements of the Howe Caverns Resort and Casino Complex.
- On-site water system improvements within the Howe Caverns property will be necessary to service the facilities. Water system improvements estimated costs of the on-site water work is \$890,000.
- The Town sewer system infrastructure has adequate capacity to handle the base and peak demands of the Howe Caverns Project.
- The Village sewer infrastructure has available capacity to meet the long-term Howe Caverns base and peak demand requirements. At some point in the distant future, the Village East End Pump Station will need to be upgraded as the growth occurs within the Town system.
- Sewer system improvements within the Howe Caverns property will be necessary to serve the proposed facilities. The total estimated cost of the four on-site improvement components, and the Village East End Pump Station, amounts to \$865,000.

In conclusion, this study finds that there is more than adequate water and sewer infrastructure capacity to meet the base and peak demands of the Howe Caverns Resort and Casino. Further, there will be no local or regional impacts as a result of this project.

HOWE CAVERNS RESORT AND CASINO
WATER AND SEWER STUDY

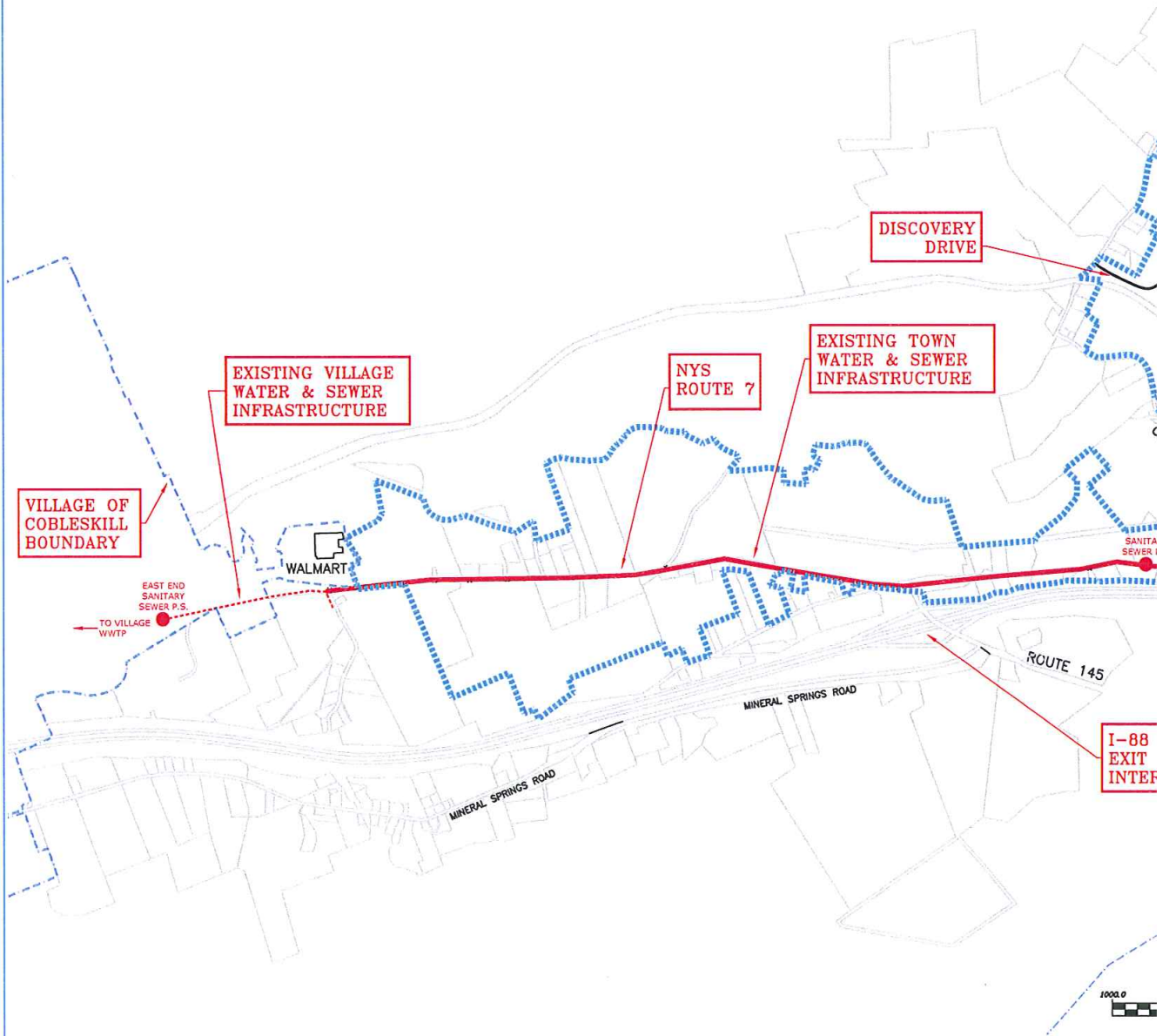
EXHIBIT A
TOWN OF COBLESKILL WATER AND SEWER SYSTEM
LOCATION MAP

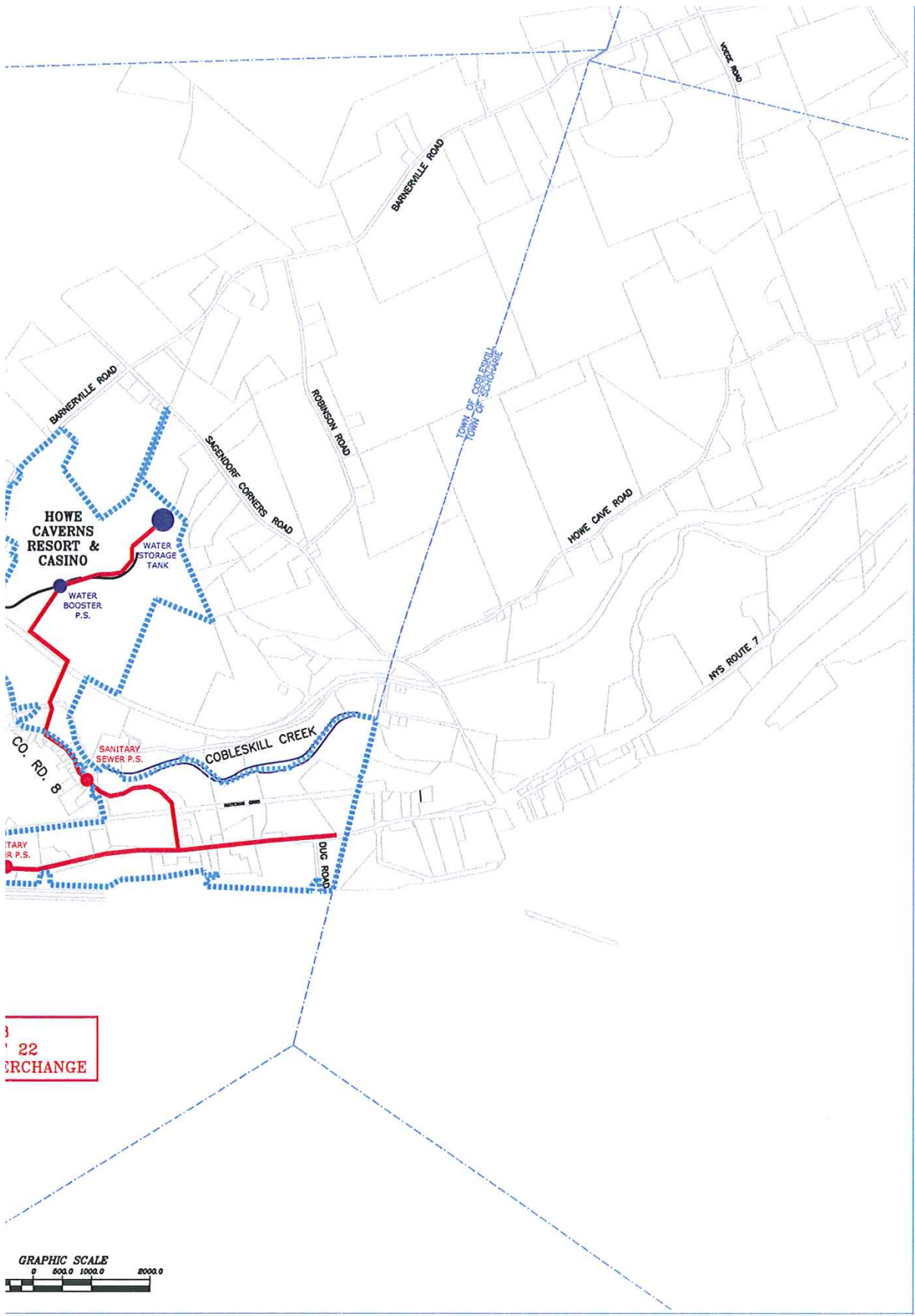


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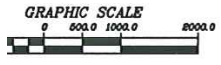
EXHIBIT A
TOWN OF COBLESKILL
WATER & SEWER SYSTEM
LOCATION MAP

PROJECT #124-1401
JUNE 2014





3
22
EXCHANGE





HOWE CAVERNS RESORT AND CASINO
WATER AND SEWER STUDY

EXHIBIT B
HOWE CAVERNS RESORT AND CASINO
WATER AND SEWER DEMAND TABLE



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Howe Caverns Resort and Casino - Water/Sewer Demand

| LOCATION | Unit | Quantity | Water/Sewer Demand | |
|---|------|----------|---|-------------------------|
| | | | Rate | Total (Gallons Per Day) |
| CASINO LEVEL | | | | |
| CASINO (1,500 slots, 34 tables) | SF | 58,800 | | |
| POKER (10 tables) | SF | 1,550 | | |
| HIGH LIMIT (6 tables) | SF | 2,340 | | |
| HIGH LIMIT (44 slots) | SF | 1,350 | | |
| HIGH LIMIT LOUNGE | SF | 900 | | |
| TOTAL CASINO LEVEL | SF | 64,940 | 14 gpd per employee/shift + 0.3 gpd/sf (use 0.4 gpd/sf) | 25,976 |
| CASINO FOH AND RESTAURANTS | | | | |
| HIGH LIMIT CAGE | SF | 420 | 0.1 gpd/sf | 42 |
| HIGH LIMIT TOILETS | SF | 340 | 0.1 gpd/sf | 34 |
| CASHIER'S CAGE & COUNT | SF | 3,600 | 0.1 gpd/sf | 360 |
| CASINO OFFICES | SF | 1,800 | 0.1 gpd/sf | 180 |
| BACK-OF-HOUSE & MISC. | SF | 6,805 | 0.1 gpd/sf | 681 |
| CASINO BAR | - | - | - | - |
| LOUNGE BAR (200 cap) | SEAT | 200 | 35 gpd/seat | 7,000 |
| BAR B/U | - | - | - | - |
| COFFEE SHOP (200 cap) | SEAT | 200 | 37 gpd/seat | 7,000 |
| VIEW DINING (180 cap incl bar) | SEAT | 180 | 38 gpd/seat | 6,300 |
| FOOD FARE (204 cap) | SEAT | 204 | 39 gpd/seat | 7,140 |
| SERVICE BARS (2) | - | - | - | - |
| GUEST TOILETS (3 Sets) | - | - | - | - |
| KITCHEN (coffee shop) | - | - | - | - |
| KITCHEN (view dining) | - | - | - | - |
| STAFF VERTICAL CIRCULATION | - | - | - | - |
| ATRIUM (open to below) | - | - | - | - |
| OPEN TO DOCK BELOW | - | - | - | - |
| TOTAL CASINO FOH AND RESTAURANTS LEVEL | | | | 54,713 |
| CONVENTION LEVEL | | | | |
| CONVENTION CORRIDOR | SF | 5,400 | 0.1 gpd/sf | 540 |
| MULTI-PURPOSE ROOM | SF | 14,400 | 0.1 gpd/sf | 1,440 |
| BANQUET HALL/MEETING ROOMS (3 rooms) | SF | 7,190 | 0.1 gpd/sf | 719 |
| PREFUNCTION | SF | 2,985 | 0.1 gpd/sf | 299 |
| BOARD ROOM | SF | 600 | 0.1 gpd/sf | 60 |
| CONVENTION KITCHEN | SF | 4,500 | 0.1 gpd/sf | 450 |
| CONVENTION STORAGE | | | | |
| CONVENTION SUPPORT | SF | 2,400 | 0.1 gpd/sf | 240 |
| BACK-OF-HOUSE & MISC. | SF | 9,375 | 0.1 gpd/sf | 938 |
| TOTAL CONVENTION LEVEL | | 50,450 | | 4,685 |
| ENTRY/BOH SERVICE LEVEL | | | | |
| ATRIUM | | | | |
| REGISTRATION | SF | 1,800 | 0.1 gpd/sf | 180 |
| LOBBY BAR | SF | 1,800 | 0.1 gpd/sf | 180 |
| SPA | SF | 7,050 | 0.1 gpd/sf | 705 |
| HALLWAY TO POOL & SPA | | | | |
| VESTIBULES | SF | 1,000 | 0.1 gpd/sf | 100 |
| RETAIL | SF | 1,460 | 0.1 gpd/sf | 146 |
| FRONT DESK BACK-UP | SF | 1,135 | 0.1 gpd/sf | 114 |
| RESERVATIONS | SF | 2,400 | 0.1 gpd/sf | 240 |
| BAGGAGE | | | | |
| VALET | SF | 200 | 0.1 gpd/sf | 20 |
| TOILETS | | | | |
| CASINO STAFF LOUNGE | SF | 1,685 | 0.1 gpd/sf | 169 |
| SLOT REPAIR | SF | 1,200 | 0.1 gpd/sf | 120 |
| CASINO SUPPORT | SF | 3,140 | 0.1 gpd/sf | 314 |
| OFFICES: EXECUTIVE, ACCOUNTING, INTERNAL AUDIT, RECORDS, ETC. | SF | 4,500 | 0.1 gpd/sf | 450 |
| SURVEILLANCE | SF | 1,270 | 0.1 gpd/sf | 127 |
| MIS | SF | 1,800 | 0.1 gpd/sf | 180 |
| COMM KITCHEN (incl room service) | SF | 7,850 | 0.1 gpd/sf | 785 |
| STAFF DINING | SF | 4,040 | 0.1 gpd/sf | 404 |
| HOUSEKEEPING & PORTERS | SF | 3,475 | 0.1 gpd/sf | 348 |
| UNIFORM ISSUE, CHANGE & TOILETS | SF | 5,050 | 0.1 gpd/sf | 505 |
| STAFF TOILETS | SF | 550 | 0.1 gpd/sf | 55 |
| ENGINEERING | SF | 9,000 | 0.1 gpd/sf | 900 |
| CENTRAL PLANT | | | | |
| WAREHOUSE | | | | |
| LOADING DOCK | | | | |
| LOADING DOCK OPEN | | | | |
| TRASH & DOCK | | | | |
| HUMAN RESOURCES | SF | 4,500 | 0.1 gpd/sf | 450 |
| SECURITY | SF | 2,250 | 0.1 gpd/sf | 225 |
| LINEN | SF | 1,800 | 0.1 gpd/sf | 180 |
| FIRE COMMAND CENTER | | | | |
| RECEIVING AND PURCHASING | SF | 900 | 0.1 gpd/sf | 90 |
| ELECTRICAL | | | | |
| DATA | | | | |
| STAFF VERTICAL CIRCULATION | | | | |
| BACK-OF-HOUSE & MISC. | SF | 21,010 | 0.1 gpd/sf | 2,101 |
| TOTAL ENTRY/SERVICE LEVEL | | | | 9,087 |
| HOTEL | | | | |
| 250 QUEST ROOMS | ROOM | 250 | 110 gpd/room | 27,500 |
| TOTAL HOTEL | | | | 27,500 |
| WATER DEMAND | | | | 95,984 |

INCLUDING 20% REDUCTION FOR WATER SAVINGS DEVICES + 15% FOR MECHANICAL AND IRRIGATION

88,305

GALLONS PER DAY (AVERAGE DAILY FLOW)

Use

88,300

GPD

Note - The above flow information and calculations for the proposed Resort/Casino facility were provided by the McClaren Group.

HOWE CAVERNS RESORT AND CASINO
WATER AND SEWER STUDY

EXHIBIT C
HOWE CAVERNS PROPOSED ON-SITE
WATER AND SEWER INFRASTRUCTURE SITE PLAN



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TOWN OF COBLESKILL
 SCHOHARIE COUNTY

HOWE CAVERNS ESTATE
 CASINO RESORT AND COMPLEX

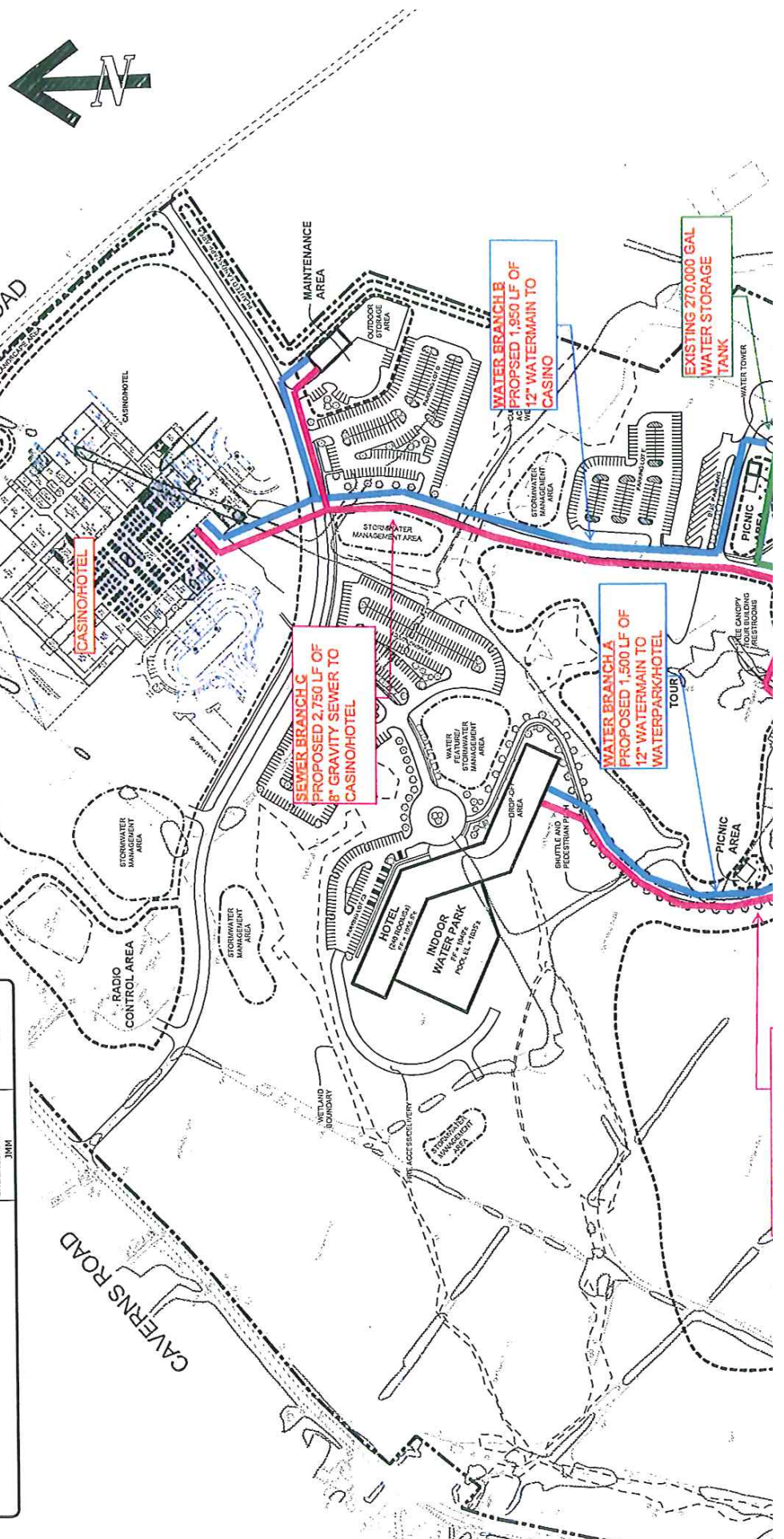
SHEET TITLE:

PROPOSED ON-SITE WATER AND SEWER
 INFRASTRUCTURE

UNAUTHORIZED
 ALTERATIONS TO THIS
 DOCUMENT IS A
 VIOLATION OF SECTION
 7209 SUBDIVISION LAW
 AND SECTION 2
 OF THE EDUCATION LAW

| NO. | DATE | REVISION | BY |
|-----|----------|----------------|-----|
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SCALE: NTS
 FILE NO.: 124-1401
 PROJ. ENGR.: JMM
 DATE: JUNE 2014
 DRAWN BY: JMM
 SHEET NO.: 1
 CHECKED BY: JMM



SAGENDORF CORNERS ROAD
 CAVENS ROAD
 PDB BOUNDARY

CASINO HOTEL
 WATERPARK HOTEL
 INDOOR WATER PARK
 HOTEL

STORMWATER MANAGEMENT AREA
 RADIO CONTROL AREA
 WATER FEATURE/STAMPING MANAGEMENT AREA
 BOTTLE AND CELEBRATION AREA

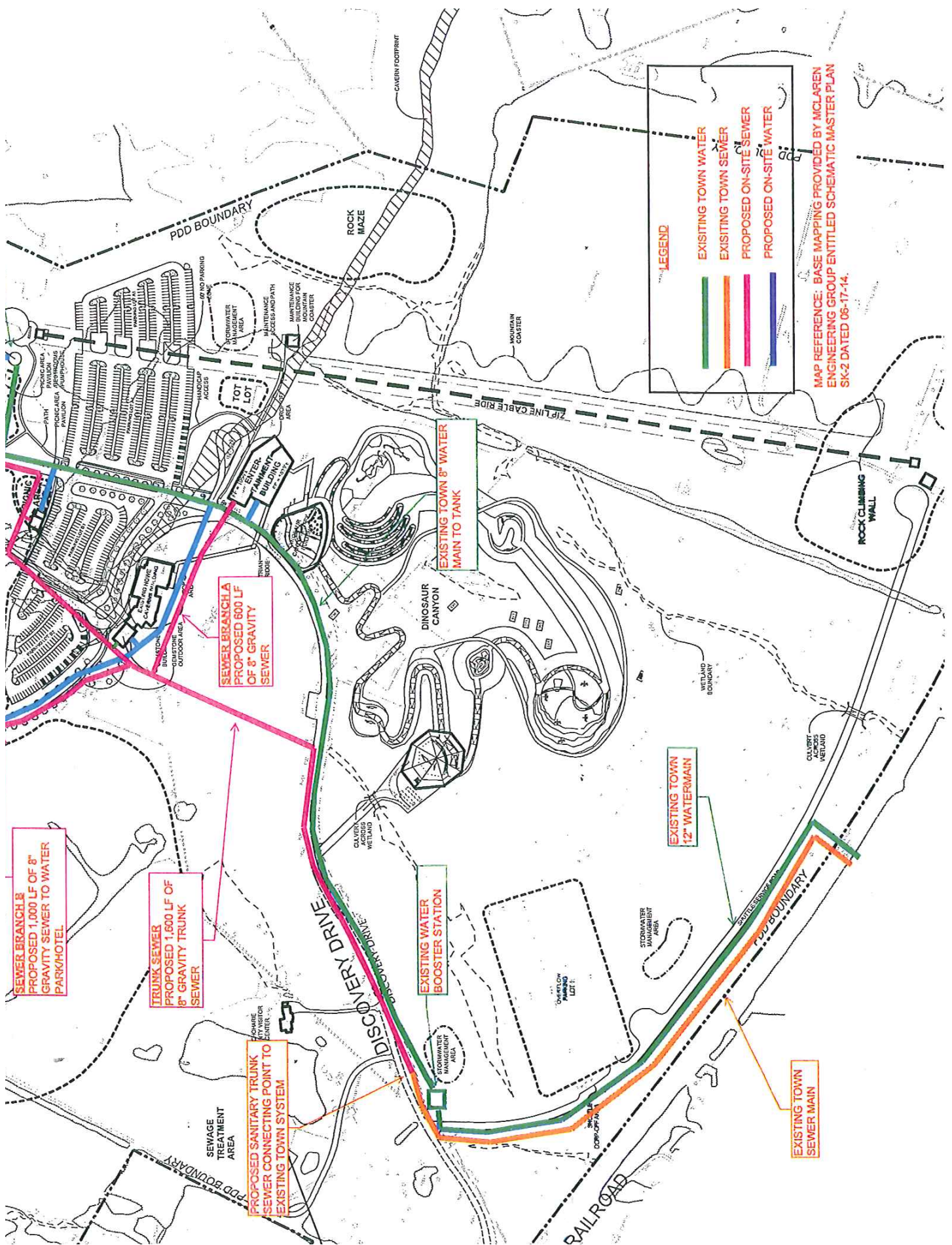
MAINTENANCE AREA
 OUTDOOR STORAGE AREA
 STORAGE AREA
 WETLAND BOUNDARY
 TRAIL ACCESS/VEHICLE

WATER BRANCH B
 PROPOSED 1,950 LF OF
 12\"/>

WATER BRANCH C
 PROPOSED 2,750 LF OF
 8\"/>

WATER BRANCH A
 PROPOSED 1,500 LF OF
 12\"/>

EXISTING 270,000 GAL
 WATER STORAGE
 TANK
 WATER TOWER
 PICNIC AREA
 TABLE ONLY (RESTROOM)



SEWER BRANCH 1
 PROPOSED 1,000 LF OF 8"
 GRAVITY SEWER TO WATER
 PARK/HOTEL

TRUNK SEWER
 PROPOSED 1,600 LF OF
 8" GRAVITY TRUNK
 SEWER

SEWER BRANCH 2
 PROPOSED 600 LF
 OF 8" GRAVITY
 SEWER

**PROPOSED SANITARY TRUNK
 SEWER CONNECTING POINT TO
 EXISTING TOWN SYSTEM**

**EXISTING WATER
 BOOSTER STATION**

**EXISTING TOWN 8"
 MAIN TO TANK**

**EXISTING TOWN
 12" WATERMAIN**

**EXISTING TOWN
 SEWER MAIN**

LEGEND

- EXISTING TOWN WATER
- EXISTING TOWN SEWER
- PROPOSED ON-SITE SEWER
- PROPOSED ON-SITE WATER

MAP REFERENCE: BASE MAPPING PROVIDED BY MCLAREN
 ENGINEERING GROUP ENTITLED SCHEMATIC MASTER PLAN
 SK-2 DATED 06-17-14.

HOWE CAVERNS RESORT AND CASINO
WATER AND SEWER STUDY

EXHIBIT D
ON-SITE WATER AND SEWER IMPROVEMENT
COST ESTIMATES



Howe Caverns On-Site
Water Improvements

Cost Estimate

Water Branch A Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------|---|-------|------|------------|-----------|
| 1 | General Requirements | 1 | LS | \$60,000 | \$60,000 |
| 2 | Bedding | 100 | CY | \$30 | \$3,000 |
| 3 | Pipe Zone Backfill | 400 | CY | \$30 | \$12,000 |
| 4 | 12" CL 52 DIP incl. excavation & backfill | 1,850 | LF | \$65 | \$120,250 |
| 5 | 12" Main gate valves w/ box & cover | 3 | EA | \$3,000 | \$9,000 |
| 6 | Fire Hydrant | 4 | EA | \$3,500 | \$12,950 |
| 7 | 6" CL 50 DIP incl. excavation (hydrant leads) | 37 | LF | \$45 | \$1,665 |
| 8 | 6" Hydrant gate valves w/ box & cover | 4 | EA | \$2,000 | \$7,400 |
| 9 | 12" x 6" Tee | 4 | EA | \$1,500 | \$5,550 |
| 10 | Booster pump and Fire Pump System | 1 | LS | \$125,000 | \$125,000 |
| | SUBTOTAL | | | | \$356,815 |
| | CONTINGENCIES (10%) | | | | \$35,682 |
| | ESTIMATED CONSTRUCTION COSTS | | | | \$392,497 |
| | ENGINEERING | | | | \$47,100 |
| | TOTAL PROJECT COST | | | | \$440,000 |

Water Branch B Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------|---|-------|------|------------|-----------|
| 1 | General Requirements | 1 | LS | \$60,000 | \$60,000 |
| 2 | Bedding | 110 | CY | \$30 | \$3,300 |
| 3 | Pipe Zone Backfill | 400 | CY | \$30 | \$12,000 |
| 4 | 12" CL 52 DIP incl. excavation & backfill | 1,950 | LF | \$65 | \$126,750 |
| 5 | 12" Main gate valves w/ box & cover | 3 | EA | \$3,000 | \$9,000 |
| 6 | Fire Hydrant | 4 | EA | \$3,500 | \$13,650 |
| 7 | 6" CL 50 DIP incl. excavation (hydrant leads) | 39 | LF | \$45 | \$1,755 |
| 8 | 6" Hydrant gate valves w/ box & cover | 4 | EA | \$2,000 | \$7,800 |
| 9 | 12" x 6" Tee | 4 | EA | \$1,500 | \$5,850 |
| 10 | Booster pump and Fire Pump System | 1 | LS | \$125,000 | \$125,000 |
| | SUBTOTAL | | | | \$365,105 |
| | CONTINGENCIES (10%) | | | | \$36,511 |
| | ESTIMATED CONSTRUCTION COSTS | | | | \$401,616 |
| | ENGINEERING | | | | \$48,194 |
| | TOTAL PROJECT COST | | | | \$450,000 |

| | |
|--------------------|-----------|
| Water Branch A | \$440,000 |
| Water Branch B | \$450,000 |
| Total Project Cost | \$890,000 |

Sewer Improvements

Cost Estimate

Trunk Sewer Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------------------------------|---|-------|------|------------|-----------|
| 1 | General Requirements | 1 | LS | \$20,000 | \$20,000 |
| 2 | 8" PVC Sewer Pipe, incl. excavation & bedding | 1,600 | LF | \$60 | \$96,000 |
| 3 | Precast Concrete Manholes incl. frame & cover | 5 | EA | \$3,600 | \$19,200 |
| 4 | Pipe Bedding Material | 89 | CY | \$30 | \$2,667 |
| 5 | Pipe Zone Backfill Material | 356 | CY | \$35 | \$12,444 |
| 6 | Connect to existing system | 1 | LS | \$2,000 | \$2,000 |
| SUBTOTAL | | | | | \$152,311 |
| CONTINGENCIES (10%) | | | | | \$15,231 |
| ESTIMATED CONSTRUCTION COSTS | | | | | \$167,542 |
| ENGINEERING | | | | | \$20,105 |
| TOTAL PROJECT COST | | | | | \$188,000 |

Sewer Branch A Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------------------------------|---|------|------|------------|----------|
| 1 | General Requirements | 1 | LS | \$10,000 | \$10,000 |
| 2 | 8" PVC Sewer Pipe, incl. excavation & bedding | 600 | LF | \$60 | \$36,000 |
| 3 | Precast Concrete Manholes incl. frame & cover | 2 | EA | \$3,600 | \$7,200 |
| 4 | Pipe Bedding Material | 33 | CY | \$30 | \$1,000 |
| 5 | Pipe Zone Backfill Material | 133 | CY | \$35 | \$4,667 |
| 6 | Connect to existing system | 1 | LS | \$2,000 | \$2,000 |
| SUBTOTAL | | | | | \$60,867 |
| CONTINGENCIES (10%) | | | | | \$6,087 |
| ESTIMATED CONSTRUCTION COSTS | | | | | \$66,953 |
| ENGINEERING | | | | | \$8,034 |
| TOTAL PROJECT COST | | | | | \$75,000 |

Sewer Branch B Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------------------------------|---|-------|------|------------|-----------|
| 1 | General Requirements | 1 | LS | \$15,000 | \$15,000 |
| 2 | 8" PVC Sewer Pipe, incl. excavation & bedding | 1,000 | LF | \$60 | \$60,000 |
| 3 | Precast Concrete Manholes incl. frame & cover | 3 | EA | \$3,600 | \$12,000 |
| 4 | Pipe Bedding Material | 56 | CY | \$30 | \$1,667 |
| 5 | Pipe Zone Backfill Material | 222 | CY | \$35 | \$7,778 |
| 6 | Connect to existing system | 1 | LS | \$2,000 | \$2,000 |
| SUBTOTAL | | | | | \$98,444 |
| CONTINGENCIES (10%) | | | | | \$9,844 |
| ESTIMATED CONSTRUCTION COSTS | | | | | \$108,289 |
| ENGINEERING | | | | | \$12,995 |
| TOTAL PROJECT COST | | | | | \$121,000 |

Sewer Branch C Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------------------------------|---|-------|------|------------|-----------|
| 1 | General Requirements | 1 | LS | \$40,000 | \$40,000 |
| 2 | 8" PVC Sewer Pipe, incl. excavation & bedding | 2,750 | LF | \$60 | \$165,000 |
| 3 | Precast Concrete Manholes incl. frame & cover | 9 | EA | \$3,600 | \$33,000 |
| 4 | Pipe Bedding Material | 153 | CY | \$30 | \$4,583 |
| 5 | Pipe Zone Backfill Material | 611 | CY | \$35 | \$21,389 |
| 6 | Connect to existing system | 1 | LS | \$2,000 | \$2,000 |
| SUBTOTAL | | | | | \$265,972 |
| CONTINGENCIES (10%) | | | | | \$26,597 |
| ESTIMATED CONSTRUCTION COSTS | | | | | \$292,569 |
| ENGINEERING | | | | | \$35,108 |
| TOTAL PROJECT COST | | | | | \$327,000 |

Off-Site Sewer Improvements Cost Estimate

| Item | Description | Qty. | Unit | Unit Price | Total |
|------------------------------|--------------------------------|------|------|------------|-----------|
| 1 | East End Pump Station Upgrades | 1 | LS | \$125,000 | \$125,000 |
| SUBTOTAL | | | | | \$125,000 |
| CONTINGENCIES (10%) | | | | | \$12,500 |
| ESTIMATED CONSTRUCTION COSTS | | | | | \$137,500 |
| ENGINEERING | | | | | \$16,500 |
| TOTAL PROJECT COST | | | | | \$154,000 |

| | |
|-----------------------|------------------|
| Trunk Sewer | \$188,000 |
| Sewer Branch A | \$75,000 |
| Sewer Branch B | \$121,000 |
| Sewer Branch C | \$327,000 |
| Off-Site Improvements | \$154,000 |
| Total | \$865,000 |

eypae.com

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Albany, NY 12203
T 518 795 3800



26 June 2014

RE: Howe Caverns Resort and Casino

Dear Sir:

EYP Architecture & Engineering has been retained by Howe Caverns Resort and Casino LLC to conduct an independent analysis of estimated electrical demand for a new Resort and Casino in the Town of Cobleskill, Schoharie County, New York.

The facility consists of a Hotel/Casino, Waterpark/Hotel, and a Phase 1 Dinosaur Amphitheater located on a 100 acre portion of the 330 acre Howe Caverns Planned Development property.

The approximate building area and occupancy consists of 500,000 square feet of Casino, Convention, Hotel, and support space. Also proposed are indoor and outdoor waterpark complexes. The total anticipated peak electric demand is approximately 5800kW. The base electric load for the complex is calculated at approximately 4000kW. The division of demand load is as follows:

| | |
|--------------------------------|--------|
| General Power | 360kW |
| Interior and Exterior Lighting | 560kW |
| Computers/Offices | 240kW |
| Motors | 1800kW |
| Air Conditioning | 2800kW |
| Total | 5760kW |

13.2kV or 34.5kV utility service is requested to the proposed complex, terminated at outdoor metal clad switchgear. Medium Voltage distribution to on-site loads and pad mounted transformers for utilization voltage will be provided by the Owner.

Onsite power generation options under consideration include Photovoltaic arrays, Wind energy, and gas-fired Turbine Generators. The economic and performance potential of each technology will be evaluated during the design process. Power generation will be coordinated with National Grid and potential parallel connection designed in accordance with New York State Standardized Interconnection Requirements

We look forward to developing the electric service for Howe Caverns Resort and Casino. Should there be any questions or clarifications in this matter please contact us at 518-795-3876.

Thank you for your cooperation and timely response.

Sincerely,

John W. Hall

Exhibit VIII. C.17.b. Peak Demand Plans

The integration of gas fired turbine generators have been successfully deployed at many Hotels and Casinos throughout the country to reduce energy consumption during periods of high electrical demand. Gas fired power generation would relieve demand on the area electric infrastructure, provide increase reliability, and be could be integrated to efficiently serve CHP technology.

The onsite water tank will provide back-up supply of water for fire and domestic water demand during peak period.

Exhibit VIII. C.17.c. Necessary Utility Improvements

Existing electric and natural gas utilities require extension from nearby Route 7 for service to the proposed site. The distribution of the associated costs will be as determined by National Grid, New York State grants, and by incentives achieved through the use of high efficiency systems.

MEG provided this section

Electricity, sewer, water, and other utility improvements anticipated to serve The Casino Resort at Howe Cavern Gaming Facility are provided below

| Electrical Service | |
|--|-------------------------------------|
| Description of Improvement: -Onsite distribution and connection to the existing National Grid system | |
| i) Estimated cost of the improvements | \$1,400,000 |
| ii) Estimated date of completion | 6 months prior to completion |
| iii) Names of the parties, whether public or private, initiating the improvements | Howe Caves Development, LLC |
| iv) Names of the parties responsible for the costs of the improvements | Howe Caves Development, LLC |
| v) If more than one party is responsible for the costs, the proportionate distribution of the costs among the parties | All costs by Applicant |

Water Service**Description of Improvement:**

- Water Branch A, which serves the Water Park/Hotel, will extend westerly from the Town's water main on Discovery Drive, and will consist of the installation of approximately 1,850 linear feet of 12-inch water main, with hydrants and valves appropriately placed. To provide adequate system pressure and to meet fire flow requirements for the elevated 7-story hotel, a pump station will be necessary, which will include booster pumps and a fire pump system to serve this facility.
- Water Branch B is a separate 12-inch main which will serve the Resort and Casino, and will connect directly to the tank outlet near the existing tank vault, as shown on the site plan. This branch consists of approximately 1,950 linear feet of 12-inch water main and related appurtenances.

| | |
|--|-------------------------------------|
| i) Estimated cost of the improvements | \$890,000 |
| ii) Estimated date of completion | 6 months prior to completion |
| iii) Names of the parties, whether public or private, initiating the improvements | Howe Caves Development, LLC |
| iv) Names of the parties responsible for the costs of the improvements | Howe Caves Development, LLC |
| v) If more than one party is responsible for the costs, the proportionate distribution of the costs among the parties | None |

Sewer Service

Description of Improvement:

- The proposed trunk sewer line begins at the location where all the branches meet, just west of the existing Howe Caverns Building, and runs southerly to Discovery Drive, then connects into the existing Town sewer system near the water booster station. This portion will consist of approximately 16,000 linear feet of 8-inch gravity sewer main and five precast manholes.
- Sewer Branch A will run easterly from the trunk line to the Entertainment Building. This portion will consist of approximately 600 linear feet of 8-inch sewer main and two precast manholes. This will cost approximately \$75,000.
- Sewer Branch B will run westerly from the trunk line to the Water Park and Hotel Facilities. This portion will consist of approximately 1,000 linear feet of 8-inch sewer main and three precast manholes.
- Sewer Branch C will run northerly to serve the Resort and Casino. This portion will consist of approximately 2J 50 linear feet of 8-inch sewer main and nine precast manholes.
- The receiving Town and Village sewer collection piping system has adequate capacity to handle the base and peak demand flows. However the hydraulic analysis completed indicates that the Village East End Pump Station will need to be upgraded at some point to handle the projected peak demand flow rates when the entire Town system is built-out. In all likelihood this may not occur within the next ten years.

| | |
|--|-------------------------------------|
| i) Estimated cost of the improvements | \$865,000 |
| ii) Estimated date of completion | 4 months prior to completion |
| iii) Names of the parties, whether public or private, initiating the improvements | Howe Caves Development, LLC |
| iv) Names of the parties responsible for the costs of the improvements | Howe Caves Development, LLC |
| v) If more than one party is responsible for the costs, the proportionate distribution of the costs among the parties | None |

Exhibit VIII. C.17.d. Necessary Roadway and Traffic Improvements

The roadway and traffic improvements anticipated to ensure adequate access to The Casino Resort at Howe Cavern Gaming Facility are shown in the following table.

| Roadway and Traffic Improvements | |
|---|-----------------------------|
| Description of Improvement: | |
| <ul style="list-style-type: none"> - Rt 145/I-88 Exit 22 EB ramps signal - Rt 7/Rt 145 signal timing modifications - Rt 7/Sagendorf Corners Rd/CR 52 signal timing modifications - Rt 7/Caverns Rd intersection reconfiguration - Rt 7/Caverns Rd intersection reconfiguration with signal installation - Sagendorf Road curve realignment and lane/shoulder widening | |
| i) Estimated cost of the improvements | \$3,205,000 |
| i) Estimated date of completion> | 90 Prior to Opening |
| iii) Names of the parties, whether public or private, initiating the improvements | Howe Caves Development, LLC |
| iv) Names of the parties responsible for the costs of the improvements | Howe Caves Development, LLC |
| v) If more than one party is responsible for the costs, the proportionate distribution of the costs among the parties | All costs by Applicant |

Exhibit VIII. C.17.e. Storm Water Management

Submit as Exhibit VIII. C.17.e. a description of plans for management, detention and discharge of storm water on and from the Project Site to include (i) the estimated cost of the improvements; (ii) the estimated date of completion; (iii) the names of the parties, whether public or private, initiating the improvements; (iv) the names of the parties responsible for the costs of the improvements; and (v) if more than one party is responsible for the costs, the proportionate distribution of the costs among the parties.

The plans for management, detention and discharge of storm water on and from The Casino Resort at Howe Cavern Gaming Facility are shown in the following table.

| Storm Water | |
|--|--|
| Description of Improvement: The project will provide stormwater facilities to comply with the New York State Department of Environmental Protection's (NYSDEC) Pollution Discharge Elimination System (SPDES) for Discharges for Construction Activities, General Permit GP0-10-0001 (General Permit) and the Town of Cobleskill requirements. Facilities will include the following: <ul style="list-style-type: none">- Onsite storm drainage system to convey storm runoff from the buildings, roads and parking lots to the stormwater detention and water quality facilities- Stormwater Detention Basins that will include water quality features. Most detention basin will be designed as micropool extended detention basins. Bioswales will also be incorporated in parking lots. | |
| i) Estimated cost of the improvements | \$650,000 |
| ii) Estimated date of completion | Stormwater facilities will be constructed concurrent with the site development and completed prior to the Casino/Hotel opening |
| iii) Names of the parties, whether public or private, initiating the improvements | Howe Caves Development, LLC |
| iv) Names of the parties responsible for the costs of the improvements | Howe Caves Development, LLC |
| v) If more than one party is responsible for the costs, the proportionate distribution of the costs among the parties | All costs by Applicant |

STORMWATER REPORT

HOWE CAVERNS RESORT AND CASINO TOWN OF COBLESKILL, NY

Prepared for:

Howe Caverns Resort and Casino, LLC

**McLaren Project No. 140617
June 2014**



**Prepared by:
McLaren Engineering Group
100 Snake Hill Road
West Nyack, NY 10994**

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1.0 INTRODUCTION

McLaren Engineering Group (MEG), has been retained by the Howe Caverns Resort and Casino, LLC to conduct an independent analysis regarding the proposed stormwater management system for Howe Caverns Resort and Casino, a proposed casino/hotel development in the Town of Cobleskill, Schoharie County, New York.

2.0 MCLAREN ENGINEERING GROUP QUALIFICATIONS

Founded in 1977, McLaren Engineering Group has a 37-year history of providing multidiscipline consulting engineering services to clients worldwide. Headquartered in West Nyack, NY and with offices in New York, NY; Orlando, FL; Baltimore, MD; Middletown, CT; and San Francisco, CA.

We have an excellent history of inspection, engineering and design experience working for both public and private entities. McLaren is currently providing or has recently provided structural engineering services for clients such as the Port Authority of New York and New Jersey, New York City Department of Transportation, New York City Economic Development Corporation, New York City Department of Corrections, New York State Department of Transportation, the Baltimore Center for the Performing Arts, Olympia & York, Carnival Cruise Corporation, U.S. Gypsum, Roseland Contractors, LLC., R&D Development, Turner Construction, Consolidated Edison Company, PSE&G, and the U.S. Navy.

The Site/Civil Division provides complete design and construction management services for all types public and private of civil and site development projects. Including drainage, grading, infrastructure, geotechnical services, utilities design, erosion control, stormwater management and zoning and entitlement permitting and assistance for large-scale public and private infrastructure, mixed-use developments, parks, and waterfront facilities. We have specific in-depth expertise in large site development projects and public transportation and infrastructure facilities.

Large-scale site development and infrastructure experience includes: the Club at Briarcliff Manor Senior Housing will be a 385 unit continuing care retirement community with on a 59 acre campus; the General Electric Training Center in Ossining, NY, which includes a new residential building, maintenance building, classroom addition, and renovations on the 52 acre campus; the Port Imperial development which consists of 6,500 residential units and approximately 2 million square feet of commercial space, including office, retail and a full service hotel; the Central Nyack Drainage Improvement Project for the Town of Clarkstown which is an infrastructure project including street and streetscape improvements, drainage improvements and a regional dam and detention basin; and the Village of Briarcliff Water Infrastructure projects which includes a water pump station to replace an existing elevated tank, water and sewer infrastructure and a comfort station at a Village Park. We have worked on casino/entertainment projects which include Philly Live! which contains which approximately 57,000 s.f. of entertainment/ retail space where

McLaren provided site/civil engineering and geotechnical engineering services and the Maryland Live! gaming facility that includes the 2 million square foot structure and parking for 4,300 cars on the six-level structure.

3.0 SCOPE OF REPORT

In 2010, as part of the Master Plan for the 300 acre Howe Caverns Estate Planned Development District (Howe Caverns PDD), McLaren Engineering Group (MEG) prepared a Preliminary Stormwater Pollution Prevention Plan (SWPPP) for the proposed development at Howe Caverns. The 2010 SWPPP addressed the requirements set forth by the New York State Department of Environmental Protection's (NYSDEC) Pollution Discharge Elimination System (SPDES) for Discharges for Construction Activities, General Permit GP0-10-001 (General Permit). The General Permit requires conformance with the technical standards for stormwater quantity and quality controls presented in the New York State Stormwater Management Design Manual (NYSDEC Design Manual).

This Report has been prepared to address the stormwater runoff from the proposed Project. The project will not increase the impervious when compared to the 2010 master plan and the impacts and mitigation outlined in the 2010 SWPPP continue to apply to the proposed Project.

4.0 SITE DESCRIPTION

This section describes the area within the project site, and areas adjacent to the overall Howe Caverns PDD and the approximately 110 acres Project Site with respect to stormwater management.

2.1 Location

The Howe Caverns PDD site, is located in the Town of Cobleskill, New York. The PDD Site can be generally characterized as actively maintained agricultural land. The agricultural land is comprised of tilled/planted cornfields and routinely harvested hay fields. The remaining portions of the Howe Caverns PDD site are comprised of forested upland and commercially developed land. The forested upland is restricted to lands that have not been farmed and is located within the northeast corner of the property. Additionally, wooded hedgerows separate some of the agricultural fields from one another. The developed component of the Site contains historical development associated with Howe's Cavern and the onsite farmland.

The Howe Caverns PDD, is bounded by Sagendorf Corners Road to the northeast, County Road 9/Caverns Road to the northwest, the site property line and railroad track to the west and southwest, and the existing rock quarry to the south.

4.1 Project Description

The Howe Caverns PDD will be to attract additional visitors to the new casino, entertainment and amusement and lodging components, including Casino/Hotel and hotel/water park associated with The Casino Resort at Howe Caverns (the Project). The other existing and future uses within the Howe Caverns PDD include the Howe Caverns building, picnic area, Gemstone building, zip line, and other entertainment and amusement uses. The overall PDD site will be designed to allow the Project components to be sequenced based on market conditions. The stormwater management system is also designed to allow the sequential development of the site. See Figure 1.

4.2 Watercourses and Storm Sewers

An unnamed tributary of the Cobleskill Creek flows south east through the southwester portion of the Howe Caverns PDD site. This stream is approximately 3-5 feet wide and possesses a rock/coble substrate and flows year round. It is classified by the NYSDEC as a Class C(t) trout stream. This stream is a direct, second order tributary of Cobleskill Creek. According to DEC Article 15 regulations, streams classified as Class C(t) or higher are subject to permit requirements and regulation under Article 15. This tributary discharges into the Cobleskill Creek approximately 0.5 miles south of the Howe Caverns PDD site.

In the northern portion of the Howe Caverns PDD site there is also a man-made pond. It has been determined that this irrigation pond does not serve any stormwater drainage purposes.

There are no storm sewers located within the Howe Caverns PDD site.

4.3 Land Cover

With respect to drainage analysis, the land within the Howe Cavern PDD is primarily classified as undeveloped agricultural land. For the purpose of the stormwater runoff analysis, the majority of the land coverage has been classified as meadows. This provides a conservative value for runoff from the agricultural land. The remainder of the land coverage is woods and impervious area. Impervious coverage consists of driveways, building and structures.

A wetland delineation study was performed within the PDD, and it was determined that there are 18 wetland areas within the PDD site, 11 of which will be subject to jurisdiction of the USACE. There are no NYSDEC regulated wetlands within the Howe Caverns PDD site.

4.4 Soils

A review of the USDA Natural Resources Conservation Service, National Cooperative Soil Survey indicates that there are twelve types of soils present on the site. Table 1 below summarizes the characteristics of the soil present on the site and the respective areas.

**Table 1
Soil Characteristics**

| Map Unit | Soil Names | Hydrologic Group |
|-----------------|---------------------------------|-------------------------|
| Al | Alluvial land | D |
| DdB | Darien silt loam | C |
| DeB | Darien silty clay loam | C |
| DsB3 | Darien silty clay loam | C |
| DuC3 | Darien silty clay loam | C |
| FaB | Farmington very rocky silt loam | C |
| FaF | Farmington very rocky silt loam | C |
| HfB | Honeoye-Farmington complex | B |
| Ilc | Ilion and Lyons silt loams | D |
| MhC | Mohawk and Honeoye silt loams | B |
| MhC3 | Mohawk and Honeoye silt loams | B |
| MhD | Mohawk and Honeoye silt loams | B |

Source:<http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx>

4.5 Rainfall Data

Rainfall data utilized in the analysis was obtained from the Northeast Regional Climate Center. These rainfall values are proposed by the NYSDEC in the pending changes to the Stormwater Design Manual and provide a conservative approach to the Project stormwater design. Site specific 24-hour storm event data for the Howe Caverns PDD site are presented in Table 2 below.

Table 2

Rainfall Data

| 24-Hour Storm Event | Type III, 24-Hour Rainfall (inches) |
|---------------------|-------------------------------------|
| 1-Year | 2.24 |
| 2-Year | 2.63 |
| 10-Year | 3.70 |
| 25-Year | 4.59 |
| 100-Year | 6.36 |

Source: <http://www.nrcc.cornell.edu/>

5.0 METHODOLOGY AND CRITERIA

5.1 Stormwater Management

The Stormwater Management (SWM) Plan has been designed in accordance with Appendix D of the General Permit and the following publications:

- “Urban Hydrology for Small Watershed” (Technical Release No. 55), published by the United States Department of Agriculture, Soil Conservation Service, dated June 1986.
- New York State Stormwater Management Design Manual, latest version.

The pre and post-development runoff rates provided in this Report were calculated using the computer software program entitled “WinTR-55” published by USDA National Resources Conservation Service and “Hydraflow Hydrographs 2009” published by Autodesk Inc. These programs incorporates the methodology used in SCS TR-20 and TR-55 to compute and route flood hydrographs.

5.2 Water Quality

The General Permit requires the treatment of stormwater for site runoff prior to discharging off-site. This requirement is applicable for new construction on areas that will have a site disturbance of one (1) acre or more. New York State water quality requirements are satisfied through the implementation of properly designed and installed Stormwater Management Practices (SMP), as described in the NYSDEC Manual.

SMP's are designed to capture and treat 100% of the Water Quality Volume (WQ_v), provide 80% Total Suspended Solids (TSS) removal and 40% Total Phosphorous (TP) removal, have longevity in operation, and incorporate a pretreatment system.

5.3 Channel Protection Volume

Stream Channel Protection Volume Requirements (Cpv) are designed to protect stream channels from erosion through the extended detention of the one (1)-year, 24-hour storm event. The Cpv requirement does not apply in certain conditions, including when recharge of the entire Cpv volume is achieved at a site or the site discharges directly tidal waters or fourth order (fourth downstream) or larger streams. Also, Cpv is not required at sites where the resulting diameter of the Extended Detention (ED) orifice is too small, to prevent clogging (A minimum 3" orifice with a trash rack or 1" if the orifice is protected by a standpipe having slots with an area less than the internal orifice are recommended to prevent clogging).

5.4 Overbank Protection

The primary purpose of the overbank flood control is to prevent an increase in the frequency and magnitude of out-of-bank flooding generated by urban development. In accordance with Section 4.3 of the NYSDEC Design Manual, overbank control requires storage to attenuate the post development 10-year, 24-hour peak discharge rate (Qp) to predevelopment rates. The overbank flood control requirement (Qp) does not apply in certain conditions including when the site discharges directly tidal waters or fourth order (fourth downstream) or larger streams.

5.5 Extreme Storm

The Extreme Flood Control criteria is to prevent the increased risk of flood damage from large storm events, maintain boundaries of the pre-development 100-year floodplain and protect the integrity of stormwater management practices, the NYSDEC Design Manual requires storage to attenuate the post development 100-year, 24-hour peak discharge rate (Qr) to predevelopment rates.

6.0 HYDROLOGIC AND HYDRAULIC ANALYSIS

6.1 Existing Conditions

An investigation of the existing site and surrounding area was performed to understand the surface runoff patterns on, and adjacent to the Howe Caverns PDD site. Following a review of existing topography and site conditions, four (4) separate Drainage Areas have been defined within the Howe Caverns PDD site and surrounding areas (See Figure 2: Drainage Area Map – Existing Conditions). Descriptions of these Drainage Areas are as follows:

- E1- This Drainage Area is comprised of approximately 161 acres of land, of which, approximately 121 acres is on-site area and 40 acres is off-site area. The on-site area is comprised of agricultural fields, meadows and woods, and the off-site area is comprised of agricultural fields, woods, and impervious area. Stormwater runoff from this drainage area discharges into the Cobleskill Creek Tributary at the western portion of the Howe Caverns PDD site.
- E2 - This Drainage Area is comprised of approximately 68.8 acres of land. This area includes the area within the vicinity of the existing Howe Caverns Building and surrounding structures, the majority of Discovery Drive and the buildings adjacent to it. Stormwater runoff from portions of this site discharge off-site at the southern property line at a culvert under the railroad.
- E3 - This Drainage Area is comprised of approximately 75.4 acres of land. This area includes the existing motel, parking lot and the pool east of the motel. Stormwater runoff from portions of this site discharge off-site at the southern property line at a culvert under the railroad.
- E4- This Drainage Area is comprised of approximately 29.3 acres of land. Stormwater runoff from portions of this site discharge off-site at the southern property line at a culvert under the railroad.
- E4A - This Drainage Area is comprised of approximately 23.8 acres of land. This area includes open meadows/hay field and woods in the southeastern portion of the site. Approximately 11.3 acres of the drainage area is outside of the PDD Project Site. The stormwater runoff from this area discharges off-site at the southern property line at a culvert under the RR track.
- E6 - This Drainage Area is comprised of approximately 36.9 acres of land, of which, approximately 23 acres is on-site area and 13 acres is off-site area. The on-site area is comprised of agricultural fields, meadows and woods, and the off-site area is comprised of the single family homes along Caverns Road. Stormwater runoff from this drainage area discharges into the Cobleskill Creek Tributary at the western portion of the Howe Caverns PDD site.

A Design Point represents the general location where the majority of runoff from the respective drainage areas discharges stormwater runoff off-site. The same design points are used in pre-development and post-development analysis such that a comparison of peak flows can be made. Design Points have been identified for all drainage area, and are depicted on the Drainage Area Maps. A description of each of the design points is as follows:

- Design Point 1 – This design point corresponds to Drainage Area E1. The design point is the discharge point along the unnamed Cobleskill Creek tributary along the western

property line of the adjacent property at the southwestern portion of the Howe Caverns PDD site.

- Design Point 2 – This design point corresponds to Drainage Area E2. The design point is a discharge point at the southern property line.
- Design Point 3 – This design point corresponds to Drainage Area E3. The design point is a discharge point at the southern property line.
- Design Point 4 – This design point corresponds to Drainage Area E4. The design point is a discharge point at the southern property line.

A summary of the existing peak discharge rates from the Howe Caverns PDD site is shown in Table 3.

**Table 3
Existing Peak Stormwater Discharge Rates**

| Location | Design Year Storm Peak Flow (CFS) | | | | |
|----------|-----------------------------------|--------|---------|---------|----------|
| | 1-Year | 2-Year | 10-Year | 25-Year | 100-Year |
| E1 | 24.6 | 41.7 | 100.76 | 158.3 | 285.5 |
| E2 | 20.9 | 30.4 | 60.0 | 86.9 | 143.5 |
| E3 | 26.5 | 38.6 | 75.9 | 110.0 | 181.4 |
| E4 | 2.7 | 5.7 | 18.7 | 32.5 | 64.6 |
| E4A | 10.2 | 17.6 | 42.0 | 65.5 | 116.8 |
| E6 | 41.7 | 58.1 | 107.3 | 152.1 | 244.9 |

6.2 Proposed Conditions

6.2.1 Proposed Condition Stormwater Runoff

An analysis of the proposed site conditions was performed to determine the necessary measures required to satisfy the General Permit (See Figure 3 –Drainage Area Map – Proposed Conditions). The analysis utilized the same Drainage Areas and Design Points used for the existing condition analysis. Drainage Area E1 has been split into 8 separate sub-areas (P1A through P1H) with individual corresponding SMP’s. However, all these drainage areas discharge to Design Point 1. Drainage Area E3 has been subdivided into P3 and P3A. Subarea P3A is the entertainment venue, which will utilize ponds which will double as aesthetic purposes and drainage purposes. As noted above, the separate SMP’s will allow the sequencing of construction of the project components.

Descriptions of the Drainage Areas under proposed conditions are as follows:

- P1A- This Drainage Area is comprised of approximately 8.23 acres of land, of which, approximately 7.72 acres is on-site area and 0.51 acres is off-site area. The on-site area

is will include the access road to the Casino/Hotel and Waterpark/Hotel areas and landscape area along Caverns Road. Stormwater runoff from this drainage area will discharge into an SMP and ultimately discharge into the Cobleskill Tributary at the western portion of the PDD site.

- P1B- This Drainage Area is comprised of approximately 23.79 acres of land, of which, approximately 5.71 acres is on-site area and 18.08 acres is off-site area. The on-site area is comprised of meadow, and the off-site area is comprised of meadow and impervious area. Stormwater runoff from this drainage area will be re-routed around and through the Casino/Hotel and discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the PDD site to the Cobleskill Creek tributary at the western portion of the Howe Caverns PDD site.
- P1C- This Drainage Area is comprised of approximately 29.97 acres of land, of which, approximately 27.64 acres is on-site area and 2.33 acres is off-site area. The on-site area is comprised of the proposed Casino/Hotel, and the off-site area is comprised of agricultural land and impervious area. Stormwater runoff from this drainage area will discharge into an SMP and discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the PDD site to the Cobleskill Tributary at the western portion of the Howe Caverns PDD site.
- P1D- This Drainage Area is comprised of approximately 12.44 acres of land, of which, approximately 7.42 acres is on-site area and 5.02 acres is off-site area. The on-site the maintenance area and portions of the site road and the off-site area is comprised of agricultural land and impervious area. Stormwater runoff from this drainage area will discharge into an SMP and ultimately discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the Howe Caverns PDD site to the Cobleskill Tributary at the western portion of the PDD site.
- P1E- This Drainage Area is comprised of approximately 9.12 acres of on-site land. The area is comprised of the buildings and parking lots associated with the proposed Hotel/Water Park. Stormwater runoff from this drainage area discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the Howe Caverns PDD site to the Cobleskill Tributary at the western portion of the PDD site.
- P1F- This Drainage Area is comprised of approximately 6.54 acres of on-site land. The on-site area is comprised of portions of the Hotel/Waterpark and service road. Stormwater runoff from this drainage area will discharge into an SMP and ultimately discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the Howe Caverns PDD site to the Cobleskill Tributary at the western portion of the PDD site.

- P1G- This Drainage Area is comprised of approximately 66.40 acres of land, of which, approximately 64.86 acres is on-site area and 1.54 acres is off-site area. The on-site area is comprised of portions of the site roadway and the off-site area is comprised of meadow and impervious area. Stormwater runoff from this drainage area discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the Howe Caverns PDD site to the Cobleskill Tributary at the western portion of the PDD site.
- P1H- This Drainage Area is comprised of approximately 4.8 acres of on-site land. The on-site area is comprised of proposed roadways and parking lots and existing wooded areas. Stormwater runoff from this drainage area will discharge into an SMP and discharge to the onsite swale northwest of the proposed Hotel/Water Park. Runoff will continue through the Howe Caverns PDD site to the Cobleskill Tributary at the western portion of the PDD site.
- P2 - This Drainage Area is comprised of approximately 63.7 acres of land on-site. This area includes the Existing Howe Caverns building, proposed parking lots, Gemstone Building, paths, open space, woods and meadow. Stormwater runoff from this drainage area will discharge into an SMP and ultimately discharge at the southern property line.
- P3 - This Drainage Area is comprised of approximately 61.9 acres of land on-site. This area includes the proposed Entertainment Building, tot lot, parking lots, roadways, path, landscape areas and existing woods to remain. Stormwater runoff from this drainage area will discharge into an SMP and ultimately discharge at the southern property line.
- P3A - This Drainage Area is comprised of approximately 18.75 acres of land on-site. This area includes the future entertainment venue, including paths, landscaping and excavated canyons and pits. Runoff within the entertainment venue will be pumped at a controlled rate.
- P4- This Drainage Area is comprised of approximately 29.44 acres of land, of which, approximately 29.32 acres is on-site area and 0.12 acres is off-site area. The on-site area is comprised of meadow, gravel, and impervious area, and the off-site area is comprised of impervious area. Stormwater runoff from this drainage area will discharge into an SMP and ultimately discharge at the southern property line.

6.3 Water Quality

The site design will require that 100% of the water quality volume must be captured and treated for new impervious areas. The preliminary design has been developed to allow variation in the sequence of construction of the project components. This will allow construction of measures for each component as it is constructed without reliance on prior or subsequent components.

Approximate calculations of the required WQv have been performed for the site components in proposed conditions. Table 4 summarizes the required water quality volume for each drainage area.

**Table 4
Calculated Estimated Water Quality Volume**

| DRAINAGE AREA | WATER QUALITY VOLUME (acre-ft) |
|--|--------------------------------|
| P1A & C Casino/Hotel Area | 0.92 |
| P1D (Bus Parking and Employee Lot) | 0.33 |
| P1E (Hotel/Water Park) | 0.45 |
| P1F (Hotel/Water Park) | 0.22 |
| P1H (Road and Parking) | 0.20 |
| P2 (Ex. Howe Cavern, Gemstone, Parking, Paths) | 1.0 |
| P3 (Entertainment Building, Mountain Coaster, Parking Lots, Roads, Paths, Landscape areas) | 0.71 |
| P3A (future area) | 1.0 |
| P4 (Mountain Coaster, Rock Climbing) | 0.57 |

The overall design and layout of the PDD site must be considered when determining specific types, sizes, and locations of acceptable SMPS. SMPs will be determined during final site design, and all specific calculations and data will be submitted in a revised SWPPP. All SMPs shall be in accordance with the criteria set forth by the NYSDEC Design Manual. The initial analysis assumes the use of micropool extended detention basins (P1).

6.4 Water Quantity

As noted, stormwater measures have been designed throughout the Howe Caverns PDD site to treat and control stormwater from the individual project components. Schematic Design was prepared for each SMF to determine the approximate storage volume required to detain the increase in peak stormwater discharge and to determine the land area required. The proposed stormwater measures are summarized below:

- Casino/Hotel Area (P1A&C) – Under existing conditions, stormwater runoff generated off-site, north of the project site, is channeled south, to the Project site at existing ditches and a culvert underneath Sagendorf Corners Road. It is proposed that this runoff will be diverted around the Casino Hotel by a culvert and drainage swale. Runoff generated upstream from the project site comes from undisturbed existing conditions; therefore, this drainage area is not required to be treated and can be discharged directly.
- Hotel/Water Park (P1E & P1F) - It is proposed that stormwater generated from the northern half of the hotel roof and the hotel parking lot will flow into a SMP on the

northeastern side of the hotel. Stormwater generated from the southern half of the hotel and the water park will be collected into a separate SMP and will discharge to the onsite drainage swale and off-site.

- New Road, Parking Lot, Entertainment Building (P3) - A SMP will be constructed to treat the discharge from the eastern portion of the parking lot, the proposed Entertainment Building, and the TOT area. Stormwater discharge from the western portion of the parking lot and runoff generated from Discovery Drive will flow southwest into a separate SMP.
- Future Entertainment Venue (P3A) - The entertainment venue will be designed with water features incorporated into it for aesthetic purposes. It is proposed that this venue double as SMP's. Water flow from this area will be by a pump system at a controlled rate.
- Mountain Coaster and Rock Climbing (P4) - East of the entertainment venue will be a mountain coaster and rock climbing, including the access road. A SMP will be provided in this location to treat runoff from this area.
- Southwest of the entertainment venue will be an overflow parking area and road. A water quality basin will be located south east of the overflow parking area to treat stormwater runoff.

Drainage Areas that have an increase in total peak discharge offsite will require measures to reduce peak discharge to pre-development conditions. This can be accomplished by constructing SMP's with detention or retentions capability, upstream from the corresponding Design Point. All final design calculations and details of SMP's will be developed during the site plan approval phase of the project.

Table 5 indicates the approximate storage required to mitigate the difference in peak stormwater discharge between existing and proposed conditions. Drainage Areas that have a decrease in total peak discharge will not require any additional detention facilities.

**Table 5
Estimated Required Water Storage Volume**

| DRAINAGE AREA | APPROXIMATE REQUIRED STORAGE (acre-ft) |
|----------------------|---|
| P1A | 2.21 |
| P1C | 4.56 |
| P1D | 2.03 |
| P1E | 5.35 |
| P1H | 1.48 |

| | |
|----|------|
| P2 | 4.80 |
| P3 | 4.00 |
| P4 | 2.50 |

6.5 Storm Drainage System

The proposed development will require the construction of a new storm drain system within the project streets to convey the runoff from ditches, parking areas, and other impervious area to SMP's. The storm drains would be designed in accordance with the Town of Cobleskill requirements.

7.0 EROSION AND SEDIMENT CONTROL

7.1 Erosion and Sediment Control Measures

During construction of the Project, the potential for soil erosion and sedimentation will be controlled through the use of temporary soil erosion and sediment control measures. These measures will be designed and installed in accordance with New York Guidelines for Urban Erosion and Sediment Control dated October 2005. The soil erosion and sediment control plan will minimize the downstream erosion by controlling runoff at its source, minimizing runoff from disturbed areas and de-concentrating storm water runoff. Temporary and permanent stabilization methods will be implemented before construction begins and will be continuously modified throughout the project to provide the best methods for stormwater management and pollution prevention.

Phasing of activities shall be as follows:

Pre-Construction Activities

- Identify all natural resources and mark and protect them as necessary i.e. trees, vegetation.
- Identify on-site and downstream surface water bodies and install controls to protect them from sedimentation.
- Establish temporary stone construction entrance pads to capture mud and debris from the tires of construction vehicles.
- Install perimeter sediment controls such as silt fence as shown on the project plans.
- All earth disturbances during this phase should be limited to work necessary to install erosion and sedimentation controls.

During Construction Activities

- Install runoff and drainage controls as shown on the project plans and as necessary. These controls should reduce run-off flow rates and velocities as well as divert off site and clean run-off.

- Stabilize the conveyance system (i.e. ditches, swales, berms etc.) by seeding, mulching, installing rock check dams.
- Stabilize all stormwater runoff outlets as shown on the project plans and as necessary.
- Stabilization measures should be initiated as soon as practical in portions of the site where construction activities have temporarily or permanently ceased, but in no case more than 14 days. Where activities will resume within 21 days in that portion of the site, measures need not be initiated.
- Limit soil disturbance and exposure of bare earth to a minimum.
- All topsoil stockpiles should be staged in an area away from surface waters and storm drains and should be protected and stabilized.
- Construction vehicles shall enter and exit the site at the stabilized construction entrance. The construction entrances will be maintained during the life of the construction and repaired and/or cleaned periodically to ensure proper function.
- Water trucks will be used as needed during construction to reduce dust generated on the site. The contractor will provide dust control in compliance with applicable local and state dust control regulations.
- At any location where surface run-off from disturbed or graded areas may flow off-site, sedimentation control measures must be installed to prevent sedimentation from being transported.
- Regular inspections and maintenance should be performed as described in the following section.

Post-Construction Activities

- Identify the permanent structural or non-structural practices that will remain on the site.
- Provide an Operation & Maintenance (O&M) manual to the Owner who is expected to conduct the necessary O&M over the life of the structures.

7.2 Construction Sequence Scheduling

A phased construction sequence schedule of the Project will limit the acreage of exposed soils to a minimum extent possible at given time. Due to the size of the project area, the need to move earth between areas to balance the earthwork volume and the need for stockpile areas, it is anticipated that there will be periods when the project site disturbance will be greater than 5-acres. The NYSDEC and Town will be notified in advance when this is anticipated to occur. Limiting the exposed soils will reduce the amount of sediments in runoff water and ultimately preserve the quality of surface waters. The construction sequence will be developed as the project moves to the Site Development Plan approval and Building Permit Phase.

7.3 Implementing the SWPPP

The General Permit requires that site assessment and inspections for all construction activities in excess of one (1) acre.

The site assessment and inspections required for this project will include the following:

1. The operator shall have a "Qualified Inspector" conduct site inspections in conformance with the requirements of the General Permit. A Qualified Inspector is a person that is knowledgeable in the principles and practices of erosion and sediment control, such as a licensed Professional Engineer, Certified Professional in Erosion and Sediment Control (CPESC), Registered Landscape Architect, or other Department endorsed individual(s). Someone working under the direct supervision of the licensed Professional Engineer or licensed Landscape Architect provided that person has training in the principles and practices of erosion and sediment control. Training in the principles and practices of erosion and sediment control means that an individual performing a site inspection has received four (4) hours of training, endorsed by the Department, from a Soil and Water Conservation District, CPESC, Inc. or other Department endorsed entity in proper erosion and sediment control principles no later than two (2) years from date this general permit is issued. After receiving the initial training, an individual working under the direct supervision of the licensed Professional Engineer or licensed Landscape Architect shall receive four (4) hours of training every three (3) years. Note: Inspections of any post-construction stormwater management practices that include structural components, such as a dam for an impoundment, shall be performed by a licensed Professional Engineer.
2. Following the commencement of construction, site inspections shall be conducted by the qualified inspector as follows:
 - a. Where soil disturbance activities are on going, conduct a site inspection at least once every seven (7) calendar days.
 - b. Where the project has received authorization to disturb greater than five (5) acres of soil at any one time, conduct at least two (2) site inspections every seven (7) calendar days, separated by a minimum of two (2) full calendar days.
3. The qualified inspector shall prepare an inspection report subsequent to each and every inspection. At a minimum, the inspection report shall include and/or address the following:
 - a. Date and time of inspection.
 - b. Name and title of person(s) performing inspection.

- c. A description of the weather and soil conditions (e.g. dry, wet, saturated) at the time of the inspection.
 - d. A description of the condition of the runoff at all points of discharge from the construction site. This shall include identification of any discharges of sediment from the construction site. Include discharges from conveyance systems (i.e. pipes, culverts, ditches, etc.) and overland flow. Identification of all erosion and sediment control practices that need repair or maintenance.
 - e. Identification of all erosion and sediment control practices that were not installed properly or are not functioning as designed and need to be reinstalled or replaced.
 - f. Description and sketch of areas that are disturbed at the time of the inspection and areas that have been stabilized (temporary and/or final) since the last inspection.
 - h. Current phase of construction of all post-construction stormwater management practices and identification of all construction that is not in conformance with the SWPPP and technical standards.
 - i. Digital photographs, with date stamp, that clearly show the condition of all practices that have been identified as needing corrective actions. The qualified inspector shall attach paper color copies of the digital photographs to the inspection report being maintained onsite within seven (7) calendar days of the date of the inspection. The qualified inspector shall also take digital photographs, with date stamp, that clearly show the condition of the practice(s) after the corrective action has been completed. The qualified inspector shall attach paper color copies of the digital photographs to the inspection report that documents the completion of the corrective action work within seven (7) calendar days of that inspection.
4. The operator shall maintain a record of all inspection reports in a site logbook. The site logbook shall be maintained on site and be made available to the permitting authority upon request.
 5. Prior to filing of the Notice of Termination or the end of permit term, the operator shall have the qualified inspector perform a final site inspection. The qualified inspector shall certify that the site has undergone final stabilization using either vegetative or structural stabilization methods and that all temporary erosion and sediment controls (such as silt fencing) not needed for long-term erosion control have been removed.

6. The SWPPP must clearly identify the contractor(s) and subcontractor(s) that will implement the measure(s). All contractors and subcontractors identified in a SWPPP must sign a copy of certification statement (see Appendix B) before undertaking any construction or activity at the site identified in the SWPPP. All certifications must be included in the SWPPP. The certification must include the name and title of the person providing the signature; the name, address and telephone number of the contracting firm; the address (or other identifying description) of the site; and the date the certification is made.

7.4 Best Management Practices

Throughout construction, care shall be taken to ensure sediment does not enter surface water bodies and chemicals do not enter stormwater, potentially contaminating surface and groundwater supplies. The following Best Management Practices (BMP) shall be observed to maintain responsible environmental practices on the construction site.

Good Housekeeping

Good housekeeping is essential to reducing the risk of contaminating runoff waters during every stage of construction. The General Contractor shall ensure supervisors train each employee in good housekeeping practices as they pertain to the implementation of this SWPPP.

All equipment shall be operational while it is stored on site. Inspections shall be conducted regularly to ensure all equipment is free of leaks and that oil and grease are not in contact with soils or stormwater.

Temporary Facilities

Temporary sanitary facilities may be located on site for construction workers. This facility shall be located in an accessible and visible location. A waste management company will be contracted to provide the routine pumping and sanitization of the facility.

Solid Waste

No solid materials are allowed to be discharged from the site with stormwater. All solid waste shall be collected and placed in containers. The containers will be emptied periodically by a contract trash disposal service and hauled away from the site.

Sedimentation Tanks

The contractor will be responsible for providing portable sedimentation tanks for the discharge water of any dewatering operation. The contractor will size the tanks based on NYSDEC guidelines and the calculations will be submitted to the Engineer of Record for review. No discharge into stormwater drainage structures or piping without treatment will be permitted.

8.0 LONG TERM MAINTENANCE AND OPERATIONS

Periodic long-term inspection and maintenance of the Stormwater Management Practices (SMP) will be required by the owner and operator of the facility. These components consist of the water quality/detention ponds and devices, drainage swales and the storm drainage collection system (pipes, drain inlets and manholes). The descriptions of the long-term maintenance requirements will be developed based on the final design and the SMP's selected below.

9.0 LOCAL AND REGIONAL IMPACT

Conformance with this Storm Water Pollution Prevention Plan will insure the proposed Project will be in compliance with the General Permit for Stormwater Discharges from Construction Activity (GP-0-10-001) and the Project will not have any local or regional impacts.

Respectfully submitted by,

The Office of
McLaren Engineering Group
M.G. McLAREN, P.C.

A handwritten signature in black ink, appearing to read "S. L. Grogg", written in a cursive style.

Steven L. Grogg, P.E.
Vice President Site – Civil Division

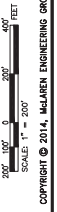
FIGURES

| NO. | DATE | REVISION |
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TOWN OF COBLESKILL COUNTY OF SCHENECTADY, NEW YORK
HOME CAVERNS RESORT AND CASINO

SITE PLAN
 SHEET NO. 1-S
 PROJECT NO. 14-001
 DATE: 09/25/14
 DRAWN BY: JAS. SCHWARTZ
 CHECKED BY: JAS. SCHWARTZ
 SCALE: 1" = 200'
 SHEET NO. 1-S



SCALE: 1" = 200'
 COPYRIGHT © 2014, MCLAREN ENGINEERING GROUP



LEGEND

| | |
|---------------------------|----------------------------|
| (Dashed line symbol) | PROPOSED SITE BOUNDARY |
| (Thick solid line symbol) | HOME CAVERNS FPOD BOUNDARY |
| (Wavy line symbol) | WETLAND |
| (Hatched pattern symbol) | CAVERNS |

THIS PLAN AND ALL INFORMATION THEREON ARE THE PROPERTY OF MCLAREN ENGINEERING GROUP AND SHALL BE KEPT CONFIDENTIAL AND NOT REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF MCLAREN ENGINEERING GROUP.



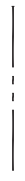

LEGEND

- DP 1
- DESIGN POINT
- DRAINAGE BOUNDARY
- PDD BOUNDARY



600' 300' 0 600' 1200'
FEET
SCALE: 1" = 600'

LEGEND

- DESIGN POINT 
- DRAINAGE BOUNDARY 
- PDD BOUNDARY 
- STORMWATER MANAGEMENT AREA 



600' 300' 0 600' 1200'
FEET
SCALE: 1" = 600'

Exhibit VIII. C.18. PROJECT FIRMS

Exhibit VIII. C.18.a. Information on Associated Project Firms

McLaren Engineering
100 Snake Hill Road
P.O. Box 600
West Nyack, NY 10994

Aquatic Development Group
13 Green Mountain Dr.
Cohoes, NY 12047

The Hudson Group
425 State Street
Albany, NY 12203

Bergman, Walls, and Associates Ltd.
2964 South Jones
Las Vegas, NV89146

EYP
NanoFab East
257 Fuller Rd., 1st Fl.
Albany, NY 12203

A&R Global Consulting, LLC.
19 Cropsey Street, Unit 2A,
Warwick, NY 10990

North Country Ecological Services
25 W. Fulton St.,
Gloversville, NY 12078

Cobleskill Stone Products
112 Rock Road
Cobleskill, NY 12043

John McDonald Engineering
7 South Church Street
Schenectady, New York 12305

TN Ward Company
129 Coulter Avenue
Ardmore, PA 19003

WLX Enterprises
8 Wampanoag Ave.
Westery, RI 02891

LaChase Construction
205 Indigo Creek Drive
Rochester, NY 14626

Exhibit VIII. C.18.b. Contact Information for Associated Project Firms

McLaren Engineering
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Ken Ellis
President
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The Hudson Group
Dennis Rap
President and Principal
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Bergman, Walls, and Associates Ltd.
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Chairman
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Ardmore, PA 19003

WLX Enterprises
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President
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Westery, RI 02891

LaChase Construction
Steve Bills
Vice President
585-254-3510
205 Indigo Creek Drive
Rochester, NY 14626

Exhibit VIII. C.19. CONSTRUCTION BUDGET



OWNER: Howe Caverns
 PROJECT: Casino
 LOCATION: Albany NY
 AREA(gsf): 306,220 net area
 1610 slots
 50 games
 Casino
 ESTIMATE: OOM
 ESTIMATOR(s): APM
 DATE: 24-Jun-14

| DESCRIPTION/SYSTEM | CSI | Cost per SF of BLDG Area | TOTAL |
|---|------------------------------|--------------------------|----------------------|
| 1 SITE WORK / EXCAVATION | 02200 | \$7.83 | \$2,398,178 |
| 2 DEMOLITION | 02210 | \$0.00 | \$0 |
| 3 LANDSCAPING AND AMENITIES | 02900 | \$0.00 | \$0 |
| 4 FOUNDATIONS/SUPERSTRUCTURE | 03300 | \$34.91 | \$10,690,918 |
| 5 VERTICAL ENVELOPE | 07000 | \$17.48 | \$5,353,600 |
| 6 HORIZONTAL ENVELOPE | 07200 | \$7.83 | \$2,398,120 |
| 7 VERTICAL TRANSPORTATION | 14000 | \$6.86 | \$2,100,000 |
| 8 FINISHES | 09400 | \$131.74 | \$40,341,225 |
| 9 PLUMBING | 15100 | \$15.00 | \$4,593,300 |
| 10 FIRE PROTECTION | 15200 | \$4.50 | \$1,377,990 |
| 11 HVAC | 15300 | \$50.00 | \$15,311,000 |
| 12 ELECTRICAL | 16000 | \$55.83 | \$17,096,470 |
| 14 GENERAL REQUIREMENTS/HOISTING | 2.0% 01000 | \$6.64 | \$2,032,635 |
| SUBTOTAL | | | \$103,693,436 |
| General Conditions | 8.00% | \$27.09 | \$8,295,475 |
| Insurance | 1.00% | \$3.66 | \$1,119,889 |
| Performance & Payment Bond (none included) | 0.00% | \$0.00 | \$0 |
| Business taxes none required | 0.00% | \$0.00 | NA |
| Contingency | 10.00% | \$36.94 | \$11,310,880 |
| CM Fee | 4.00% | \$16.25 | \$4,976,787 |
| TOTAL | Gross CSF | \$422.56 | \$129,396,467 |
| Hotel | 254 keys | \$265,014 | \$67,313,506 |
| Garage | 1527 cars | \$16,711 | \$25,517,958 |
| FFE Hotel 254 rooms at \$25000/room and other space | | | \$250,000 |
| Purchase Casino FF&E (excluding slots & games) | | | \$3,000,000 |
| A&E soft cost for Site, Building & Interiors incl. FFE designs | | | \$1 |
| Slot machine & table games | 1610 @ \$12,000, 50 @ \$6000 | | \$19,620,000 |
| Casino installation of slots & games | | | \$500,000 |
| Permits | | | not included |
| | | | \$251,947,932 |

Qualifications:

- 1 Excludes any piles or special foundations. No soil report available at this time.
- 2 Excludes all sitework and hardscape, pools & fountains at the casino/hotel/garage.
- 3 Casino includes structural provisions to support the hotel and the atrium space.
- 4 Excludes elevators and firestairs serving the hotel. (see Hotel)
- 5 Excludes roofing over casino at hotel footprint (in Hotel)
- 6 Excludes hazmats or rock removal.
- 7 Excludes all soft costs, commissions, pre opening or training expenses, legal fees.



OWNER: Howe Caverns
PROJECT: Casino
LOCATION: Albany NY
AREA(gsf): 306,220 net area
 1610 slots
 50 games
ESTIMATE: OOM
ESTIMATOR(s): APM
DATE: 24-Jun-14

| 1 | SITE WORK / EXCAVATION | 02200 | | | | |
|----|---|--------------|----|---------------|--------------------|---------------------|
| 1 | Excavate to basement subgrade 10' average & haul to on site use | 51,726 | cy | \$12.00 | \$620,711 | |
| 2 | Backfill basement | 7,467 | cy | \$25.00 | \$186,667 | |
| 3 | Excavate for foundations & SOG excl. stone at slab (inconc) | 190,200 | sf | \$4.00 | \$760,800 | |
| 4 | Foundation drainage | 1,200 | lf | \$25.00 | \$30,000 | |
| 5 | Site utilities (storm,sewer,water from site to buildg. incl. sant.pump) | 1 | ls | \$300,000.00 | \$300,000 | |
| 6 | On site storm water management (under ground & above) | | | | | in site work |
| 7 | Driveway paving, curbs and hardscape, pools, fountains | | | | | in site work |
| 8 | Entrance way paving walks and hardscape | 1 | ls | \$250,000.00 | \$250,000 | |
| 9 | Signage | 1 | ls | \$250,000.00 | \$250,000 | |
| 10 | Gas to building by Utility Co. | | | | | by others |
| | | | | | | |
| | | | | | | |
| | SITE WORK / EXCAVATION | TOTAL | | \$7.83 | \$2,398,178 | |

| 2 | DEMOLITION | 02210 | Quantity | | Unit \$ | TOTAL |
|---|-------------------|--------------|----------|--|---------------|------------|
| 1 | None required | | | | | |
| 2 | | | | | | \$0 |
| | | | | | | |
| | | | | | | |
| | DEMOLITION | TOTAL | | | \$0.00 | \$0 |

| 3 | LANDSCAPING AND AMENITIES | 02900 | Quantity | | Unit \$ | TOTAL |
|---|----------------------------------|--------------|----------|-------|---------------|---------------------|
| 1 | Landscaping/Irrigation Allowance | | 1 | allow | \$0.00 | in site work |
| 2 | | | 1 | allow | \$0.00 | \$0 |
| | | | | | | |
| | | | | | | |
| | LANDSCAPING AND AMENITIES | TOTAL | | | \$0.00 | \$0 |

| 4 | FOUNDATIONS/SUPERSTRUCTURE | 03300 | Quantity | | Unit \$ | TOTAL |
|----|--|------------------|----------|----|------------|-------------|
| 1 | Foundations at basement perimeter | | 1,500 | lf | \$120.00 | \$180,000 |
| 2 | Foundations at grade multipurpose | | 635 | lf | \$110.00 | \$69,850 |
| 3 | Spread footings and piers internally | | 75 | ea | \$1,250.00 | \$93,750 |
| 4 | Spread footings and piers internally | Multipurpose | 10 | ea | \$1,200.00 | \$12,000 |
| 5 | Foundation wall at perimeter incl. WP 50% | 24' deck to deck | 18,000 | sf | \$40.00 | \$720,000 |
| 6 | Atrium/hotel foundations for hotel | | 40 | ea | \$5,000.00 | \$200,000 |
| 7 | Elevator pits including excavation & WP | | 12 | ea | \$4,500.00 | \$54,000 |
| 8 | Escalator pits | | 8 | ea | \$6,500.00 | \$52,000 |
| 9 | Perimeter foundation insulation 2'+2' | | 8,540 | sf | \$2.00 | \$17,080 |
| 10 | Slab on grade incl. stone | casino bsmt | 139,660 | sf | \$6.00 | \$837,960 |
| 11 | Slab on grade incl. stone | Multipurpose | 50,450 | sf | \$6.00 | \$302,700 |
| 12 | Structural steel & metal deck at both areas | less atrium/dock | 116,110 | sf | \$18.00 | \$2,089,980 |
| 13 | Structural steel & metal deck at porte cochere | special | 9,460 | sf | \$30.00 | \$283,800 |
| 14 | Concrete Slab on metal deck | less atrium | 116,110 | sf | \$7.00 | \$812,770 |



OWNER: Howe Caverns
PROJECT: Casino
LOCATION: Albany NY
AREA(gsf): 306,220 net area
 1610 slots
 50 games
ESTIMATE: OOM
ESTIMATOR(s): APM
DATE: 24-Jun-14

| | | | | | | |
|----|---|-----------------|--------------|----|----------------|---------------------|
| 15 | Spray fireproofing | | 116,110 | sf | \$3.00 | \$348,330 |
| 16 | Roof structure | | | | | |
| 17 | Steel framing at roof of casino | less hotel area | 118,800 | sf | \$21.00 | \$2,494,800 |
| 18 | PT Atrium roof & Hotel level 1 in place of roof | incl columns | 20,860 | sf | \$35.00 | \$730,100 |
| 19 | Same at multipurpose | incl high bays | 50,450 | sf | \$20.00 | \$1,009,000 |
| 20 | Spray fireproofing | 1 level | 50,450 | sf | \$3.00 | \$151,350 |
| 21 | Stairs incl. pan fill | at escalators | 124 | rs | \$500.00 | \$62,069 |
| 22 | Hotel stairs | | | | | not included |
| 23 | Fire stairs | | 248 | rs | \$650.00 | \$161,379 |
| 24 | Foundation at canopy | | 2 | ea | \$4,000.00 | \$8,000 |
| | | | | | | |
| | FOUNDATIONS/SUPERSTRUCTURE | | TOTAL | | \$34.91 | \$10,690,918 |

| 5 | VERTICAL ENVELOPE | 07000 | Quantity | | Unit \$ | TOTAL |
|----|---|--------------------|--------------|-----|----------------|--------------------|
| 1 | Perimeter wall studs & sheathing, stone etc | incl. multipurpose | 43,824 | sf | \$60.00 | \$2,629,440 |
| 2 | Lower level 50% of side walls | | 4,296 | sf | \$60.00 | \$257,760 |
| 3 | Front lower level | | 9,360 | sf | \$65.00 | \$608,400 |
| 4 | Porte cochere skin | | 3,600 | sf | \$55.00 | \$198,000 |
| 5 | Glass doors incl. vestibule for above | | 16 | prs | \$12,000.00 | \$192,000 |
| | Revolving door | | 1 | ea | \$30,000.00 | \$30,000 |
| 6 | Other exit doors & interior stair tower doors | | 31 | prs | \$2,200.00 | \$68,200 |
| 7 | Other exterior special features at casino | allowance | 1 | ls | \$500,000.00 | \$500,000 |
| 8 | Soffit at porte cochere | | 9,460 | sf | \$30.00 | \$283,800 |
| 9 | Misc. accent features on all elevations | | 57,480 | sf | \$5.00 | \$287,400 |
| 10 | Cage and court raised ares walls | | 1 | ls | \$100,000.00 | \$100,000 |
| 11 | Raised section of multipurpose skin | | 3,840 | sf | \$40.00 | \$153,600 |
| 12 | Dock doors including frames | | 5 | ea | \$9,000.00 | \$45,000 |
| 13 | | | | | \$0.00 | \$0 |
| 14 | | | | | \$0.00 | \$0 |
| 15 | | | | | \$0.00 | \$0 |
| | | | | | | |
| | VERTICAL ENVELOPE | | TOTAL | | \$17.48 | \$5,353,600 |

| 6 | HORIZONTAL ENVELOPE | 07200 | Quantity | | Unit \$ | TOTAL |
|---|--|---------------|--------------|----|---------------|--------------------|
| 1 | Roofing ,flashing RTU's copings etc exclude hotel area | | 169,250 | sf | \$11.00 | \$1,861,750 |
| 2 | Skylites | | 30 | ea | \$7,000.00 | \$210,000 |
| 3 | Shingle roof and trim at Porte cochere | add for slope | 10,879 | sf | \$30.00 | \$326,370 |
| 4 | | | | sf | \$0.00 | \$0 |
| 5 | | | | sf | \$0.00 | \$0 |
| | | | | | | |
| | HORIZONTAL ENVELOPE | | TOTAL | | \$7.83 | \$2,398,120 |

| 7 | VERTICAL TRANSPORTATION | 14000 | Quantity | | Unit \$ | TOTAL |
|---|---------------------------------------|-------|----------|----|--------------|-------------|
| 1 | 4500# w/ (2) stops Service/Passengers | Hydo | 2 | ea | \$135,000.00 | \$540,000 |
| 2 | Passenger | Hydo | 4 | ea | \$120,000.00 | \$480,000 |
| 3 | Escalators | | 8 | ea | \$135,000.00 | \$1,080,000 |



OWNER: Howe Caverns
PROJECT: Casino
LOCATION: Albany NY
AREA(gsf): 306,220 net area
 1610 slots
 50 games
ESTIMATE: OOM
ESTIMATOR(s): APM
DATE: 24-Jun-14

| | | | | | |
|--------------------------------|-----------------|--------------|----|---------------|---------------------|
| 4 | Hotel elevators | 6 | ea | | not included |
| VERTICAL TRANSPORTATION | | TOTAL | | \$6.86 | \$2,100,000 |

| 8 | FINISHES | 09400 | Quantity | | Unit \$ | TOTAL |
|-----------------|--|------------------------|------------------|----|-----------------|---------------------|
| 1 | Finishes Lower Level & atrium | | | | | \$0 |
| 2 | Atrium | | 16,040 | sf | \$125.00 | \$2,005,000 |
| 3 | Registration | | 1,800 | sf | \$75.00 | \$135,000 |
| 4 | Atrium Bar | | 1,800 | sf | \$300.00 | \$540,000 |
| 5 | Spa | | 7,050 | sf | \$150.00 | \$1,057,500 |
| 6 | Balance of public area lower level | | 3,980 | sf | \$80.00 | \$318,400 |
| 7 | Central plant | | 10,640 | sf | \$20.00 | \$212,800 |
| 8 | Engineering | | 9,000 | sf | \$65.00 | \$585,000 |
| 9 | Kitchen | | 7,850 | sf | \$300.00 | \$2,355,000 |
| 10 | Warehouse | | 7,725 | sf | \$15.00 | \$115,875 |
| 11 | Balance of BOH | | 73,775 | sf | \$70.00 | \$5,164,250 |
| 12 | | Total | 139,660 | sf | | |
| 13 | | Avg CSF w/o MEP | \$ 89.42 | | | |
| 14 | | | | | | |
| 15 | Finishes Casino Level | | | | | |
| 16 | Casino | | 59,850 | sf | \$175.00 | \$10,473,750 |
| 17 | Dock below | two levels | 6,750 | sf | | |
| 18 | Atrium below | two levels | 16,800 | sf | | |
| 19 | High limit poker & slot | | 5,240 | sf | \$300.00 | \$1,572,000 |
| 20 | Kitchen | | 3,600 | sf | \$300.00 | \$1,080,000 |
| 21 | View Dining | | 5,200 | sf | \$400.00 | \$2,080,000 |
| 22 | Coffee shop | | 5,800 | sf | \$300.00 | \$1,740,000 |
| 23 | Food Fare | | 6,200 | sf | \$200.00 | \$1,240,000 |
| 24 | Lounge | | 3,600 | sf | \$325.00 | \$1,170,000 |
| 25 | Balance of BOH & Support spaces | | 26,620 | sf | \$100.00 | \$2,662,000 |
| 26 | | Total | 139,660 | sf | | |
| 27 | | Avg CSF w/o MEP | \$ 157.65 | | | |
| 1 | Finishes Convention Space | | | | | |
| 2 | Multipurpose | | 14,400 | sf | \$130.00 | \$1,872,000 |
| 3 | Pre Function,MR & Board room | | 8,425 | sf | \$120.00 | \$1,011,000 |
| 4 | Promenade | | 3,420 | sf | \$65.00 | \$222,300 |
| 5 | Kitchen | | 4,500 | sf | \$300.00 | \$1,350,000 |
| 6 | Balance of BOH & Support spaces | | 19,705 | sf | \$70.00 | \$1,379,350 |
| 7 | | Total | 50,450 | sf | | |
| 8 | | Avg CSF w/o MEP | \$ 115.65 | | | |
| FINISHES | | TOTAL | | | \$131.74 | \$40,341,225 |

| 9 | PLUMBING | 15100 | Quantity | | Unit \$ | TOTAL |
|---|--------------|-------|----------|----|---------|-------------|
| 1 | Lower Level | | 139,660 | sf | \$15.00 | \$2,094,900 |
| 2 | Casino level | | 116,110 | sf | \$15.00 | \$1,741,650 |
| 3 | Convention | | 50,450 | sf | \$15.00 | \$756,750 |



OWNER: Howe Caverns
PROJECT: Casino
LOCATION: Albany NY
AREA(gsf): 306,220 net area
 1610 slots
 50 games
ESTIMATE: OOM
ESTIMATOR(s): APM
DATE: 24-Jun-14

| | | | | | |
|--|-----------------|--|--------------|----------------|--------------------|
| | | | | | |
| | | | | | |
| | | | | | |
| | PLUMBING | | TOTAL | \$15.00 | \$4,593,300 |

| 10 | FIRE PROTECTION | 15200 | Quantity | | Unit \$ | TOTAL |
|----|------------------------|-------|--------------|----|---------------|--------------------|
| 1 | Lower Level | | 139,660 | sf | \$4.50 | \$628,470 |
| 2 | Casino level | | 116,110 | sf | \$4.50 | \$522,495 |
| 3 | Convention | | 50,450 | sf | \$4.50 | \$227,025 |
| | | | | | | |
| | | | | | | |
| | FIRE PROTECTION | | TOTAL | | \$4.50 | \$1,377,990 |

Howe Caverns Hotel & Waterpark

Development Budget

Updated: June 23 2014

| | Keys 250.0 | Development Cost Summary Original Estimate | Square Footage |
|---|---------------|--|-------------------|
| Summary | | | |
| Hotel | | | |
| Hotel Building including GC Fee & Bond (includes \$500,000 for permits) | | \$30,150,000 | 245,000 |
| Builder's Contingency included in above number | | | |
| FEC Equipment | | \$1,170,000 | 15,000 |
| Laundry Equipment | | \$365,000 | |
| Kitchen Equipment | | \$1,600,000 | |
| FF&E | | \$5,300,000 | |
| Subtotals Hotel | | \$38,585,000 | |
| Waterpark | | | |
| Indoor Water Park Building including GC Fee & Bond | | \$11,150,000 | |
| Builder's Contingency included in above number | | | |
| Outdoor Water Park | | \$3,000,000 | 1.25 acres |
| Specialty Construction, Pools | | \$5,300,000 | |
| Water Slides | | \$2,900,000 | |
| Play Structures | | \$1,200,000 | |
| FF&E | | \$500,000 | |
| Subtotals Waterpark | | \$24,050,000 | |
| Site Contract | | | |
| Site Construction | | \$5,200,000 | 11.5 acres |
| Subtotals Site Contract | | \$5,200,000 | |
| Miscellaneous Contracting Work | | | |
| Theming and Signage (Hotel, Waterpark, FEC) | | \$1,400,000 | |
| Owner Site Preparations | | \$35,000 | |
| Subtotal Miscellaneous Work | | \$1,435,000 | |
| TOTAL HOTEL & WATERPARK and SITE CONTRACT | | \$69,270,000 | |
| Design Fees, Permits and Owners' budget | | | |
| Architecture and Engineering | | \$2,200,000 | |
| Permitting and Fees | | \$582,000 | |
| Insurances - Project Specific | | \$144,900 | |
| Project Management / Pre-Opening Management | | \$1,260,000 | |
| Project Contingency @ 10% | | \$6,927,000 | |
| Subtotal Design Fees, Permits and Owners' Budget | | \$11,113,900 | |
| TOTAL CONSTRUCTION COSTS | | \$80,383,900 | |
| OTHER DEVELOPMENT COSTS | | | |
| Pre-Opening Operating Expenses | | \$3,592,582 | |
| Pre-Opening Labor | \$ | 750,000 | |
| Working Capital | \$ | 299,250 | |
| Insurance (1-st year down payment) | \$ | 51,809 | |
| Advertising / Consulting | \$ | 2,000,000 | |
| Temp Utility Costs | \$ | 131,100 | |
| Room Supplies | \$ | 99,750 | |
| Restaurant Rollout | \$ | 85,500 | |
| Housekeeping Supplies | \$ | 81,751 | |
| Public Area Supplies | \$ | 47,688 | |
| Front Desk Supplies | \$ | 28,635 | |
| Security Supplies | \$ | 17,100 | |
| Subtotal Other Development Costs | | \$3,592,582 | |

Notes:

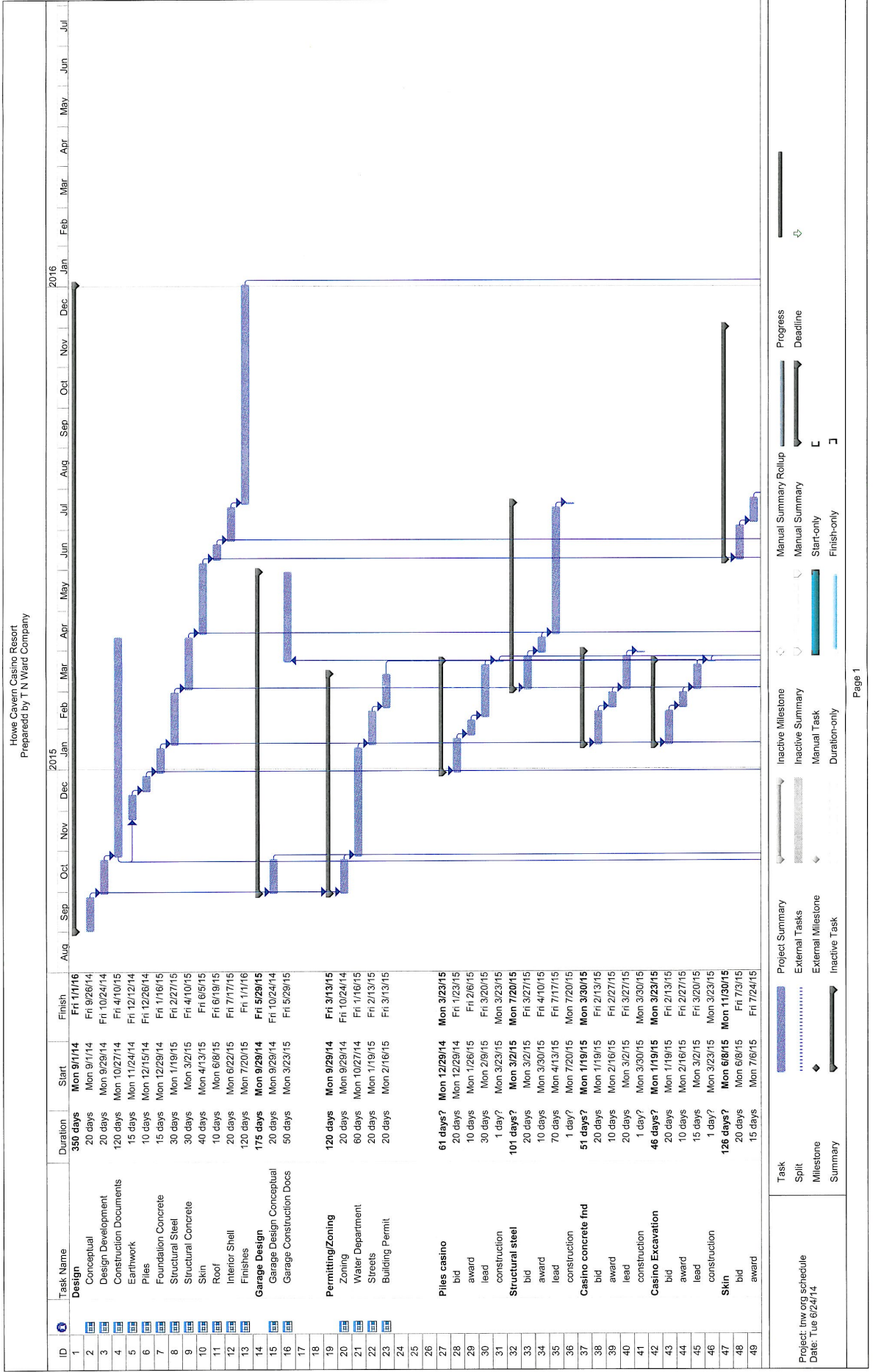
Budget does not include costs associated with performing the work under a Project Labor Agreement (PLA)

Budget does not include costs associated with central utility infrastructure upgrades (e.g., providing new primary power plant or upgrading existing or providing new water or waste water treatments plants)

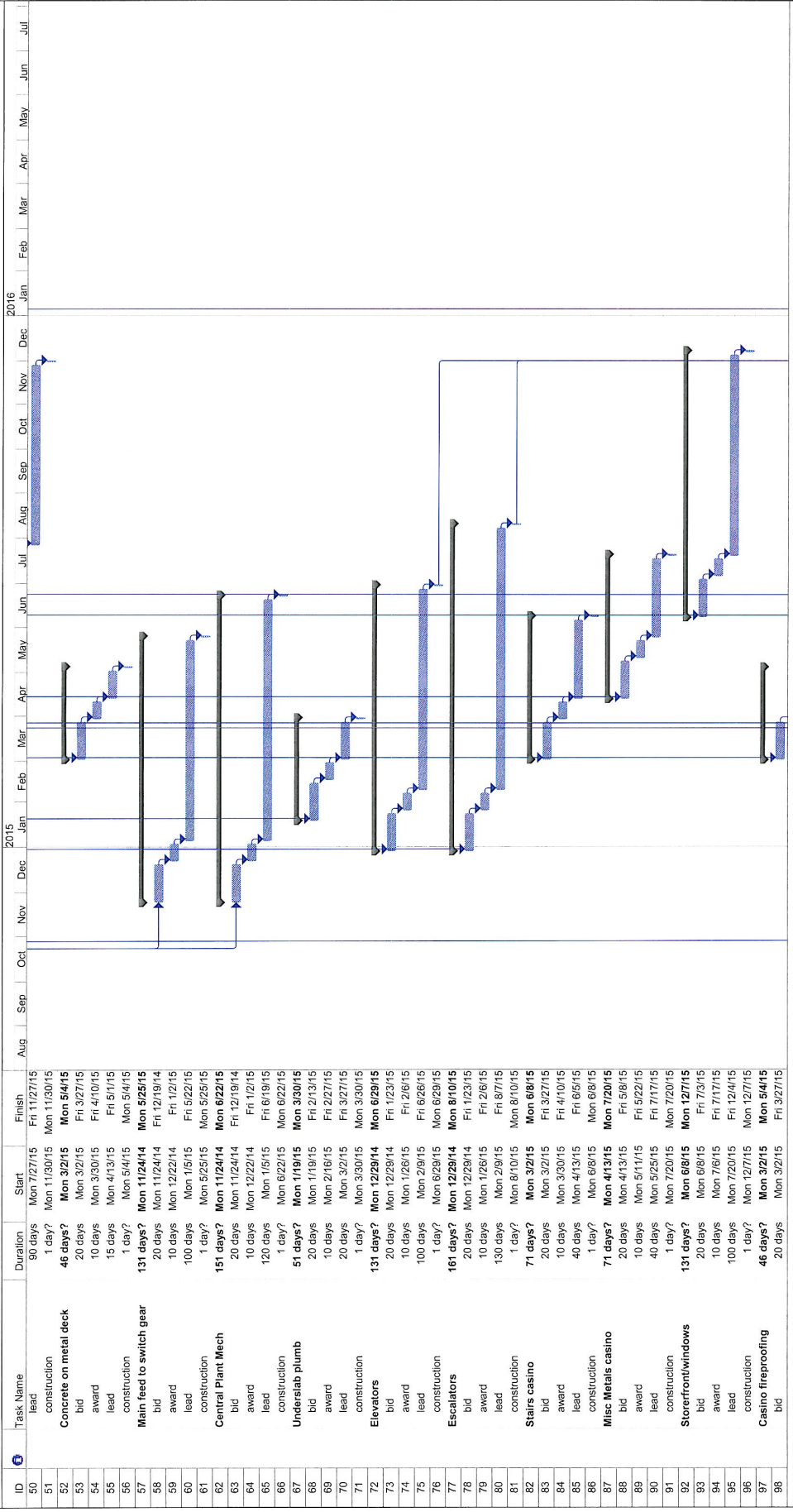
Budget does not include blasting or rock removal

Exhibit VIII. C.20. TIMELINE FOR CONSTRUCTION

Exhibit VIII. C.20.a. Proposed Construction Timeline



Howe Cavern Casino Resort
Prepared by T N Ward Company



Project: inv.org.schedule
Date: Tue 6/24/14

Task Split Milestone Summary

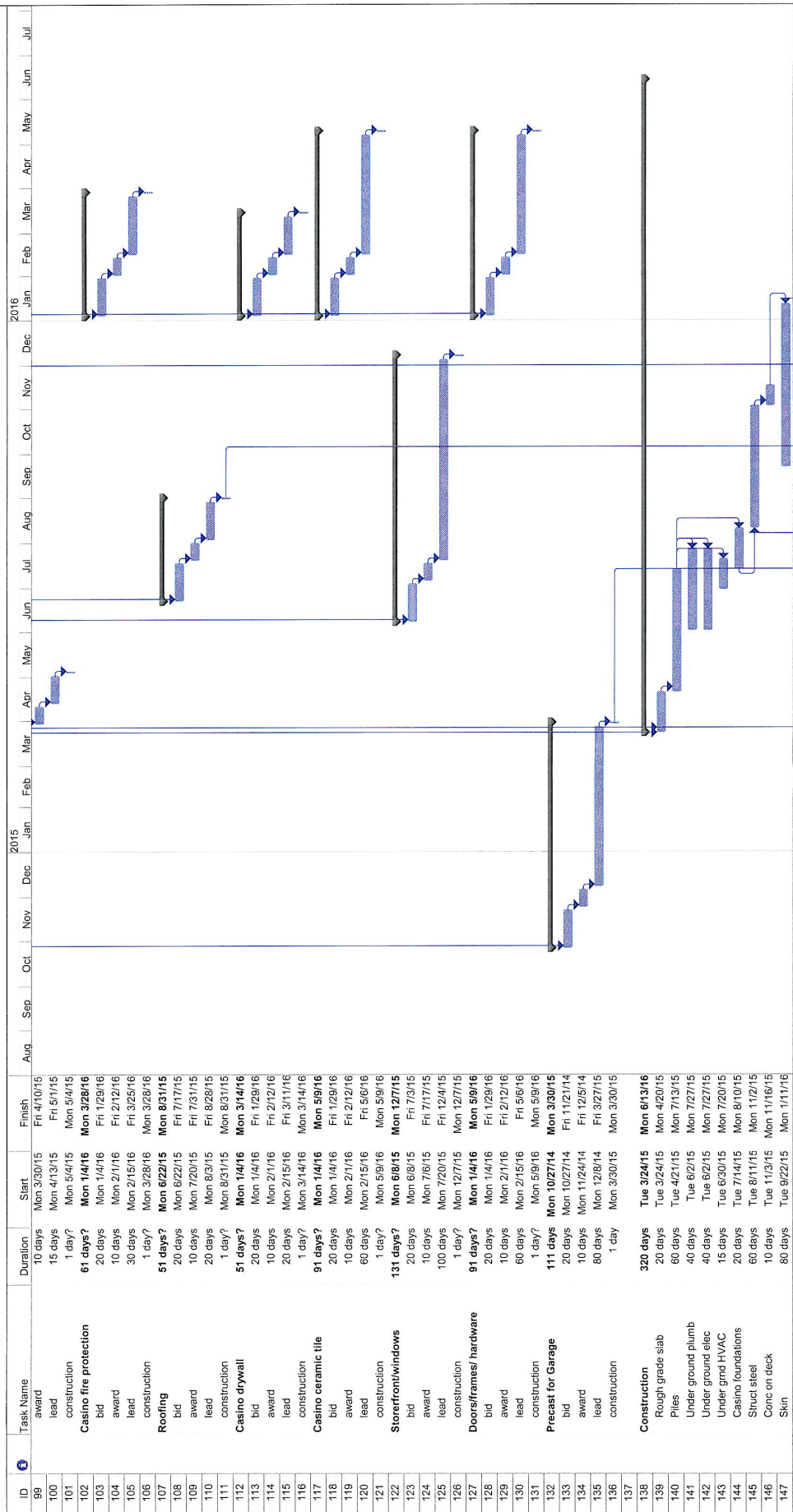
Project Summary External Milestone Inactive Milestone

Inactive Milestone Manual Task Duration-only

Manual Summary Rollup Manual Summary Start-only Finish-only

Progress Deadline

Page 2



Project: hnw.org schedule
Date: Tue 6/24/14

Task: Task
Split: Split
Milestone: Milestone
Summary: Summary

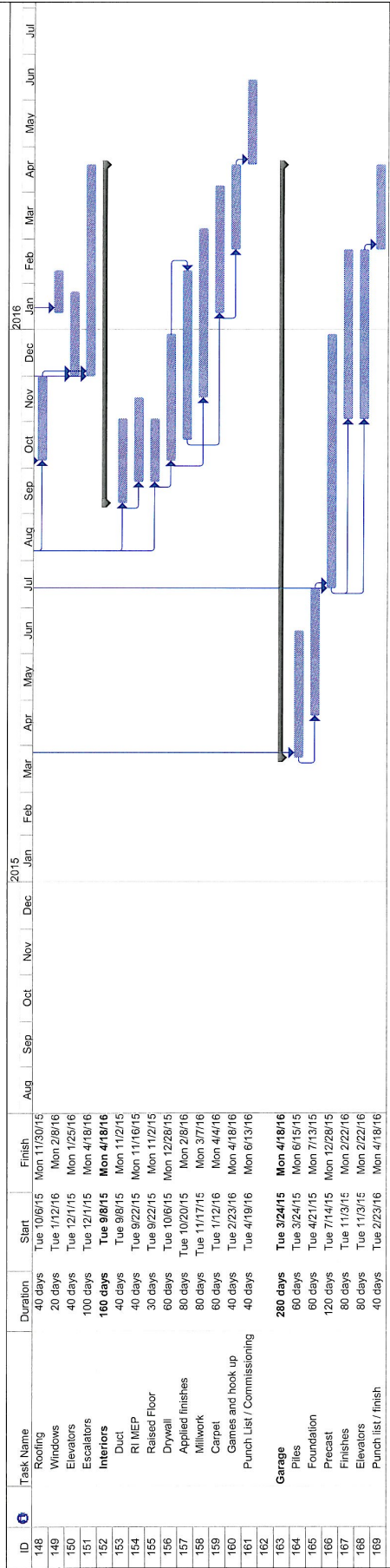
Project Summary: Project Summary
External Task: External Task
External Milestone: External Milestone
Inactive Task: Inactive Task

Inactive Milestone: Inactive Milestone
Manual Summary: Manual Summary
Manual Task: Manual Task
Duration-only: Duration-only

Manual Summary Rollup: Manual Summary Rollup
Start-only: Start-only
Finish-only: Finish-only

Progress: Progress
Deadline: Deadline

Howe Cavern Casino Resort
Prepared by T N Ward Company



Project: Inv org. schedule
Date: Tue 6/24/14

Task
Split
Milestone
Summary

Project Summary
External Tasks
External Milestone
Inactive Task

Inactive Milestone
Inactive Summary
Manual Task
Duration-only

Manual Summary Rollup
Manual Summary
Start-only
Finish-only

Progress
Deadline

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Waterpark Resort – Construction Timeline Highlights

| Quarter / Phase | Activities |
|------------------------|---|
| July- Sept 2014 | Secure Waterpark Resort Developer – Manager Refine Concept / Design Vignette with Waterpark Architect and ADG Waterpark Equipment Synthesize with Casino – Resort H&LA Study Updated Engineering interactions |
| Sept 2014- Dec 2014 | Full Design and Engineering Track SEQRA update process |
| Jan 2015 – March 2015 | Construction Drawings Bids Pull Permits Ground Break |
| March 2015 – June 2015 | Site work Foundation work |
| July 2015 – Sept 2015 | Waterpark Infrastructure Superstructure and Core Steelwork |
| Oct 2015 – Dec 2015 | Frame and Shell for Hotel |
| Jan 2016 – March 2016 | Hotel established Mechanicals |
| April 2016 – June 2016 | Frame and Shell for Waterpark Hotel advanced construction |
| July 2016 – Sept 2016 | Equip Waterpark FFE installation Landscaping, Parking |
| Oct 2016 | Finish Work Punchlist C of O |
| Nov 2016 | Opening |

Exhibit VIII. C.20.b. Proposed Closures

Submit as Exhibit VIII. C.20.b. a description of anticipated street and sidewalk closures, plans for redirecting traffic, impacts on existing parking, if any, noise and dust impacts, and plans for mitigating such impacts both during and following construction. Describe measures that will be taken to mitigate all construction impacts on the local community.

In the event the financing for any further phase is not included in Item VIII.A.6. of this RFA, indicate the anticipated sources of financing for such phase and the details of such financing.

Parking & Sidewalks:

There are no parking or sidewalks within the Project Site.

Dust Impacts:

Construction activities will implement dust control measures in accordance with the *New York Guidelines for Urban Erosion and Sediment Control*. The dust control measure will be included in the Storm Water Pollution Prevention Plan and monitored as required by the New York State Department of Environmental Protection's (NYSDEC) Pollution Discharge Elimination System (SPDES) for Discharges for Construction Activities, General Permit GP0-10-0001 (General Permit). After construction, all lawn and landscape areas will be maintained by the Applicant.

Noise:

The construction activities associated with the Project construction activities will have minimal impact as a result of the distance of the Project Site to adjacent residential properties. The construction activities for this type of project generally includes ground clearing, excavation, foundations, building construction, exterior finishing and cleanup. Construction equipment utilized will differ during each phase. It is anticipated that heavy equipment (bulldozers, dump trucks) will be used during ground clearing and excavation activities.

Noise is generated during construction primarily from diesel engines that power the equipment. Exhaust noise usually is the predominant source of diesel engine noise and will be mitigated by maintaining functional mufflers on all equipment.

Blasting, if required for the project, is of very short duration. Any blasting will be in accordance with all local, state and federal regulations.

Traffic Control:

Offsite roadway improvements will include maintenance and protection of traffic plans prepare in accordance with the National Manual on Uniform Traffic Control Devices for Streets and Highways (MUTCD) and 17 NYCRR Chapter V (New York Supplement). The traffic control plans will be approved by the agency with jurisdiction of the roadway. Within the area of anticipated roadway improvements, there are no sidewalks or parking where mitigation will be required.

Exhibit VIII. C.20.c. Commencement of Construction

The Howe Caverns Resort and Casino will commence construction within 3 months after the issuance of a License. The receipt of the Site Development permit, soil movement permits and the filing of the Notice of Intent for the New York State Department of Environmental Protection's (NYS-DEC) Pollution Discharge Elimination System (SPDES) for Discharges for Construction Activities, General Permit GP0-10-0001 (General Permit) will allow the site grading and foundation construction to proceed. The design and approval process for these actions will commence prior to the issuance of a License to expedite the start of construction.

Exhibit VIII. C.20.d. Dislocation Due to

Construction

The Howe Caverns Resort and Casino is located within the 330 acres Howe Caverns Estate Planned Development District. The location of the proposed Casino/Hotel and Waterpark/Hotel is within the agricultural land is comprised of tilled/planted cornfields and routinely harvested hay fields, except for one farm house and barn are located in the northwestern portion of the site, near Cavern Road. This house is occupied by a rental tenant. The tenant will be given 4-6 month's notice to allow them to relocate.

Exhibit VIII. C.20.e. Proposed Opening Date of

Gaming Facility

a proposed date for the proposed Gaming Facility to open for gaming and indicate major risks to such proposed opening date and the range of probable delays associated with each. Describe plans to mitigate such risks. Indicate whether the proposed Gaming Facility will open in phases or all at one time. If the facility is to open in phases, provide a detailed description of what will open in each phase and the proposed opening date for each phase and/or what conditions each such opening date will be contingent upon. Provide Applicant's commitment for a proposed outside date, notwithstanding any delays, for substantial completion of the initial fully operational phase of the proposed Gaming Facility.

The Howe Caverns Resort and Casino will open by November 1, 2017. This is based on the following time line:

| | | |
|----------------------------|---|---|
| November 1, 2014 | - | Gaming Facility Location Board selection of Gaming Operators |
| December 1, 2014 | - | Completion of the amended PDD and SEQR with the Town of Cobleskill |
| January 1, 2015 | - | Granting of Gaming License |
| April 2015 | - | Begin Construction |
| September 2017 | - | Complete Building Construction |
| September to November 2017 | - | Building interior furnishing, operation start-up and set-up of casino gaming and back of house operations |
| November 1, 2017 | - | The Howe Cavern Resort and Casino, including the waterpark and hotel opens. |

The potential delays with respect to the above dates and plans to mitigate such delays are as follows:

| <u>Phase/Action</u> | <u>Potential Delay and Plans to Mitigate</u> |
|--|--|
| Gaming Facility Location Board selection of Gaming Operators | If decision of Gaming Operators is delayed by the Gaming Facility Location Board, the opening date may delay. The delay would only occur if the delay extends beyond February 2015 |
| Completion of the amended PDD and SEQR with the Town of Cobleskill | A delay will impact issuance of a gaming license. Unless delay extends beyond March 1, 2015, no delay in opening date |
| Granting of Gaming License | Potential delay could occur due to completion of the SEQR process by the Town of Cobleskill Town Board. The Applicant is initiating the amended PDD and SEQR prior to the selection of Gaming Operators and is committed to expedite the process to the extent practical. |
| Begin Construction | Potential delay due to not receiving Site Development Approval. The Applicant is committed to begin the design and approval process in the fall of 2014 to allow the Town of Cobleskill Planning Board to review concurrent with the Town Board PDD and SEQR approvals. Completion of the Site Development approvals is anticipated within 2-3 months after amended PDD and SEQR |

| | |
|---------------------------------------|--|
| <p>Complete Building Construction</p> | <p>Potential Delays could occur due to material delivery delays, weather conditions or labor issues.</p> <ul style="list-style-type: none"> - The Applicant will retain a construction manager experienced in casino and expedited construction. Identifying long lead time items, reserving steel mill capacity and scheduling of construction to maintain efficiency of labor and equipment will mitigate construction delays. - The timeline anticipated allows 9 months of construction prior to the winter period. Utilizing the schedule effectively will allow closing portions of the building to maintain construction during the winter period. - The anticipated schedule will provide two spring-summer-fall construction periods to complete all onsite grading, drainage, utilities and landscaping and offsite highway improvements. - The Applicant will enter into a Project Labor Agreement to avoid potential delays due to labor issues. |
|---------------------------------------|--|

The Casino and Hotel and the Waterpark and Hotel will comprise the initial construction Howe Caverns Resort and Casino. Phase 1A of the Master Plan will include an Amphitheater entertainment venue located near the Howe Cavern attractions.

The opening date of the Casino and Hotel and the Waterpark and Hotel is anticipated on November 1, 2016. The opening of the facilities is contingent upon the Applicant receipt of a gaming license.

The Amphitheater entertainment venue is anticipated to be completed by April 2019.

As demonstrated in this “Request For Applications To Develop And Operate a Gaming Facility in New York State”, Howe Caverns Resort and Casino, LLC, is committed for a proposed outside date, notwithstanding any delays, for substantial completion of the initial fully operational phase of the proposed Howe Cavern Resort and Casino gaming facility.

Exhibit VIII. C.21. CONSTRUCTION JOBS



OWNER: Howe Caverts
 PROJECT: Casino
 LOCATION: Albany NY
 AREA(gst): 306,220 net area
 Casino
 ESTIMATE: OOM
 ESTIMATOR(s): APM
 DATE: 26-Jun-14

1610 slots
 50 games

| DESCRIPTION/SYSTEM | CSI | Cost per SF of BLDG Area | TOTAL | % of cost that is labor | avg. MH \$ | Hours/FTE's / % complete per quarter | | | | | | FTE's | Mo. Comp | | |
|--|--------|--------------------------|---------------------|-------------------------|---------------|--------------------------------------|-------|--------|--------|---------|--------|-------|----------|-----------------|--|
| | | | | | | Quarters year 1 | | | | | | | | Quarters year 2 | |
| | | | | | | 1st | 2nd | 3rd | 4th | 1st | 2nd | | | | |
| 1 SITE WORK / EXCAVATION | 02200 | \$0.00 | \$0 | 40% | \$55 | - | - | - | - | - | - | - | - | \$9,526 | |
| 2 DEMOLITION | 02210 | \$0.00 | \$0 | | # of FTE's >> | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | | |
| 3 LANDSCAPING AND AMENITIES | 02900 | \$0.00 | \$0 | | % completed>> | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | | |
| 4 FOUNDATIONS/SUPERSTRUCTURE | 03300 | \$18.20 | \$5,572,450 | 70% | \$40 | - | - | 43,863 | 53,635 | - | - | - | - | \$6,928 | |
| | | | | | # of FTE's >> | 0% | 0% | 45% | 55% | 0% | 0% | 0% | 0% | 188 | |
| 5 VERTICAL ENVELOPE | 07000 | \$36.36 | \$1,133,750 | 70% | \$40 | - | - | - | 58,462 | 116,904 | 19,484 | - | - | \$6,928 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 112 | 225 | 37 | 375 | 0% | | |
| 6 HORIZONTAL ENVELOPE | 07200 | \$0.65 | \$200,256 | 40% | \$39 | - | - | - | 624 | 1,248 | 208 | 0 | 0 | \$6,668 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 30% | 60% | 10% | 0 | 4 | | |
| 7 VERTICAL TRANSPORTATION | 14000 | \$5.82 | \$1,783,000 | 20% | \$71 | - | - | - | 2,511 | 2,511 | - | - | - | \$12,297 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 50% | 50% | 0% | 0% | 10 | | |
| 8 FINISHES | 09400 | \$65.43 | \$20,036,713 | 50% | \$45 | - | - | - | 22,263 | 165,841 | 44,526 | - | - | \$7,794 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 43 | 300 | 86 | 428 | 0% | | |
| 9 PLUMBING | 15100 | \$14.78 | \$4,527,380 | 70% | \$60 | - | - | - | 15,846 | 21,128 | 15,846 | - | - | \$10,392 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 30 | 41 | 30 | 102 | 0% | | |
| 10 FIRE PROTECTION | 15200 | \$3.36 | \$1,028,950 | 75% | \$50 | - | - | - | 4,630 | 6,174 | 4,630 | - | - | \$8,660 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 9 | 12 | 9 | 30 | 0% | | |
| 11 HVAC | 15500 | \$20.16 | \$6,173,700 | 60% | \$58 | - | - | - | 6,387 | 19,160 | 28,740 | 9,580 | - | \$10,046 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 12 | 37 | 55 | 18 | 123 | | |
| 12 ELECTRICAL | 16000 | \$15.46 | \$4,733,170 | 65% | \$59 | - | - | - | 5,215 | 15,644 | 20,858 | 7,822 | - | \$10,219 | |
| | | | | | # of FTE's >> | 0% | 0% | 0% | 10 | 30 | 40 | 15 | 95 | | |
| 14 GENERAL REQUIREMENTS/HOISTING | 01000 | \$2.70 | \$827,841 | 60% | \$48 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 3 | \$8,314 | |
| | | | | | # of FTE's >> | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 20 | | |
| | | | | | % completed>> | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | | |
| SUBTOTAL | | | \$56,017,210 | | | | | | | | | | | | |
| General Conditions | 4.00% | \$7.32 | \$2,240,688 | 85% | \$48 | 6,613 | 6,613 | 6,613 | 6,613 | 6,613 | 6,613 | 6,613 | 13 | \$8,314 | |
| | | | | | # of FTE's >> | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 76 | | |
| | | | | | % completed>> | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | | |
| Insurance | 1.00% | \$1.80 | \$562,579 | 0% | | | | | | | | | | | |
| Performance & Payment Bond (none included) | 0.00% | \$0.00 | \$0 | | | | | | | | | | | | |
| Business taxes | 0.00% | \$0.00 | NA | | | | | | | | | | | | |
| Contingency | 10.00% | \$19.22 | \$5,884,048 | in above | | | | | | | | | | | |
| CM Fee | 4.00% | \$8.45 | \$2,568,981 | 0% | | | | | | | | | | | |
| TOTAL | | \$23.92 | \$67,313,506 | | | | | | | | | | | | |

Total number of FTE's over 6 quarters>> 1,450
 Average daily number of FTE's >> 272

Exhibit VIII. C.22. GAMING EQUIPMENT **VENDORS**

Our Manager / Operator, Full House Resorts, has not yet made any determination pertaining to the proposed vendors of gaming equipment to be utilized in the facility. That being said, Full House currently operates 6 gaming facilities in which it utilizes all major brands of slot machines, table games, and equipment, back of house accounting and player club systems. Full House will monitor all evolutions and advancements in these machines, devices, and equipment and, with an adequate amount of lead time, will make decisions concerning the optimal brands, systems, and allocations of such machines, devices and systems to ensure the mix at the time of the facility opening represents the “state of the art” within the industry.

***d. INTERNAL CONTROLS
AND SECURITY***

Exhibit VIII. D.1. INTERNAL CONTROLS AND SECURITY SYSTEMS

Exhibit VIII. D.1.a. Proposed Internal Controls

Full House Resorts, Inc. is a publicly traded company (FLL) and currently is approved to conduct gaming in the following jurisdictions;

Indiana
Mississippi
Nevada

We also manage the Buffalo Thunder resort in New Mexico under and NIGC approved management contract and therefore was approved by the Tribal Gaming Authority. Previously we developed, opened and managed the FireKeepers Casino in Battle Creek, Mi for the Huron Band and were approved by their gaming commission to conduct operations.

We would develop a complete and Internal Control Program (ICP) as well as a comprehensive Security System approach and corresponding policies and procedure that would provide coverage to the gaming facility and included amenities.

I have attached a customary index and table of contents that would be used to guide the development of the ICP.

An organization report chart and staffing levels to support with requirements of the ICP would be developed in concert with the regulators and completed as part of the Pre_Opening plan.

In addition the newly formed entity would look to develop policies and practices that covered the following areas;

| | |
|-----------------------------------|-----------------------------|
| Code of Ethics | Record Retention |
| Vendor Registration | Charter for Audit Committee |
| Audit Schedule | Contract Approval |
| Compliance & Accounting Reporting | |

This is only a representative sampling of the administrative areas where policy and operating procedures would be developed to support the ICP and Security protocols.

Exhibit VIII. D.1.b. Projected Table of Organization

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| | | REFERENCE, SECTION NO. AND PAGE NO. | LAST DATE SUBMITTED | LAST IGC APPROVAL DATE |
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| Section 2 | Count Team Index | 2-n/a-1 | 7/5/11 | 7/21/11 |
| | Positions, Signatory Authority and Access to Sensitive Areas | | | 7/21/11 |
| | | 2-n/a-n/a | 7/5/11 | |
| | Count Room Characteristics | 2-1 | 2/21/14 | 2/24/14 |
| | Count Team Authorized Personnel | 2-2 | 2/12/14 | 2/25/14 |
| | Live Gaming Device Currency Collection | 2-3 | 7/5/11 | 7/21/11 |
| | Live Gaming Device Emergency Currency Collection | 2-4 | 7/5/11 | 7/21/11 |
| | Count Team Process | 2-5 | 2/15/13 | 2/23/13 |
| | Bill Validator Currency Collection | 2-6 | 7/5/11 | 7/21/11 |
| | Bill Validator Emergency Currency Collection | 2-7 | 7/5/11 | 7/21/11 |
| | Bill Validator Count Team Process | 2-8 | 5/4/14 | 2/23/13 |
| | Currency Counters | 2-9 | 7/5/11 | 7/21/11 |
| | Count Team TITO | 2-10 | 7/5/11 | 7/21/11 |
| Section 3 | Cashier's Cage Index | 3-n/a-n/a | 7/21/11 | 7/26/11 |
| | Positions, Signatory Authority and Access to Sensitive Areas | | | |
| | | 3-n/a | 7/21/11 | 7/26/11 |
| | Cage Characteristics | 3-1 | 7/21/11 | 7/26/11 |
| | Authorized Personnel | 3-2 | 7/21/11 | 7/26/11 |
| | Deposits Into the Main Bank | 3-3 | 7/21/11 | 7/26/11 |
| | Exchanges with the Cashier's Cage | 3-4 | 7/21/11 | 7/26/11 |
| | Cash Buys from the Main Bank | 3-5 | 7/21/11 | 7/26/11 |
| | Patron Safekeeping Deposits | 3-6 | 7/21/11 | 7/26/11 |
| | Cashing of Patron Checks and Cash Equivalents | 3-7 | 6/13/12 | 9/6/12 |
| | Currency Transaction Reports (CTRs) | 3-8 | 8/16/13 | 7/26/11 |
| | Live Gaming Device Fills and Credits | 3-9 | 1/27/12 | 6/21/12 |
| | Live Gaming Device and Electronic Gaming Device Tournaments | | 7/21/11 | |
| | | 3-10 | | 7/26/11 |
| | Financial Institution Deposits | 3-11 | 7/21/11 | 7/26/11 |
| | Receivables | 3-12 | 7/21/11 | 7/26/11 |
| | Tips and Gratuities | 3-13 | 5/4/14 | 7/26/11 |
| | Hand Paid Jackpots - Cage | 3-14 | 5/29/13 | 11/12/12 |
| | Unclaimed Electronic Gaming Device Jackpots | 3-15 | 8/24/11 | 12/16/11 |
| | Ticket Redemption Center Patron Self Service Dispensing System Transaction Controls | 3-16 | 7/21/11 | 7/26/11 |
| Shift Reconciliations | 3-17 | 7/21/11 | 7/26/11 | |
| Credit | 3-18 | 1/27/12 | 2/3/12 | |
| Chips | 3-19 | 6/11/12 | 6/22/12 | |

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| | Jet Sort Testing | 3-20 | 7/21/11 | 7/26/11 |
| | Chips Specifications | 3-21 | 7/21/11 | 7/26/11 |
| | Cashier's Cage – Paid Outs/Paid Ins | 3-22 | 11/18/11 | 12/5/11 |
| Section 4 | Slot Department Index | 4-n/a | 3/26/13 | 3/27/13 |
| | Positions, Signatory Authority and Access to Sensitive Areas | 4-n/a-n/a | 11/16/12 | 3/4/13 |
| | Electronic Gaming Device Floor Changes | 4-1 | 2/22/13 | 3/26/13 |
| | Slot Location and Records | 4-2 | 7/5/11 | 7/26/11 |
| | Progressive Electronic Gaming Devices | 4-3 | 5/29/13 | 6/25/13 |
| | Free Play Electronic Gaming Device | 4-4 | 7/5/11 | 7/26/11 |
| | Duplication of EPROMS | 4-5 | 7/5/11 | 7/26/11 |
| | Computer Monitoring of Electronic Gaming Devices | 4-6 | 7/5/11 | 7/26/11 |
| | Electronic Gaming Device Tournament Rules | 4-7 | 7/5/11 | 7/26/11 |
| | Electronic Gaming Device Entry | 4-8 | 6/28/13 | 6/28/13 |
| | Electronic Gaming Device Inventory Requirements | 4-9 | 7/5/11 | 7/26/11 |
| | Electronic Gaming Device Movements | 4-10 | 7/5/11 | 7/26/11 |
| | Ticket In/Ticket Out | 4-11 | 7/5/11 | 7/26/11 |
| | Accepting Player's Club Membership Requests - Deleted | 4-12 | 3/26/13 | 3/27/13 |
| | Networked Systems | 4-13 | 4/25/12 | 4/27/12 |
| | Players Club ("Marketing Services") | 4-14 | 11/16/12 | 3/8/13 |
| Section 5 | Table Games Department Index | 5-n/a | 7/5/11 | 7/22/11 |
| | Positions, Signatory Authority and Access to Sensitive Areas | 5 | 4/3/13 | 4/19/13 |
| | Cash and Coupons Presented at Live Gaming Devices | 5-1 | 7/5/11 | 7/22/11 |
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| | Gaming Equipment | 5-3 | 7/5/11 | 7/22/11 |
| | Table Requirements | 5-4 | 7/5/11 | 7/22/11 |
| | Table Game Requirements | 5-5 | 7/5/11 | 7/22/11 |
| | Table Game Movements | 5-6 | 7/5/11 | 7/22/11 |
| Section 6 | Security Department Index | 6-n/a | 7/5/11 | 7/22/11 |
| | Positions, Signatory Authority and Access to Sensitive Areas | 6-n/a | 7/5/11 | 7/22/11 |
| | Duties and Responsibilities | 6-1 | 12/10/12 | 1/17/13 |
| | Emergency Procedures | 6-2 | 12/10/12 | 1/18/13 |
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| | Sensitive Key Control | 6-6 | 5/20/13 | 5/21/13 |
| | Dispute Procedures | 6-7 | 7/5/11 | 7/22/11 |
| | Eviction Procedures | 6-8 | 12/10/12 | 1/18/13 |
| | IGC Voluntary Exclusion Program | 6-9 | 03/05/14 | 3/20/14 |
| | Traka Key System | 6-10 | 12/10//12 | 1/23/13 |
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| | Surveillance Room | 7-2 | 6/5/14 | 7/22/11 |
| | Departmental Procedures | 7-3 | 6/5/14 | 9/6/12 |
| Section 8 | Accounting Department Index | 8-n/a | 7/5/11 | 7/25/11 |
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| | Electronic Gaming Device Audit | 8-n/a | 7/5/11 | |
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| | Live Gaming Device Audit | 8-2 | 2/21/13 | 7/15/13 |
| | Admission Tax-Revenue Audit | 8-3 | 4/15/13 | 4/18/13 |
| | Currency Transaction Reports (CTRs) & Suspicious Activity Reports – Casinos (SARCs) | 8-4 | 5/9/13 | 6/13/12 |
| | Returned Checks | 8-5 | 7/5/11 | 7/25/11 |
| | Destruction of Records | 8-6 | 7/5/11 | 7/25/11 |
| | Accounting Records | 8-7 | 7/5/11 | 7/25/11 |
| | Wagering Taxes | 8-8 | 7/3/13 | 7/12/13 |
| Section 9 | Internal Audit Department Index | 9-n/a | 7/5/11 | 7/22/11 |
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| | Duties and Responsibilities | 9-1 | 7/5/11 | 7/22/11 |
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| Promotions | 10-5 | 4/28/14 | 3/4/13 |
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| Caribbean Stud Poker Rules/Procedures | 11-3 | 7/5/11 | 7/26/11 |
| Let it Ride Rules/Procedures | 11-4 | 7/5/11 | 7/26/11 |
| Blackjack Rules/Procedures | 11-5 | 9/26/11 | 10/17/11 |
| Tournament Rules/Blackjack/Craps/Roulette | 11-6 | 7/5/11 | 7/26/11 |
| Three Card Poker Rules/Procedures | 11-7 | 9/6/13 | 9/30/13 |
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| Blackjack 21 + 3 Rules/Procedures | 11-9 | 7/5/11 | 7/29/11 |
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| Rules – Texas Hold’Em Bonus | 11-12 | 7/5/11 | 7/29/11 |
| Rules – Ultimate Texas Hold’Em Bonus | 11-13 | 7/8/13 | 7/19/13 |
| Rules – Pai Gow Poker | 11-14 | 5/18/12 | 3/7/12 |
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| Rules – Crazy Four Poker | 11-16 | 9/26/11 | 10/17/11 |
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| Petty Cash Procedures | 12-3-1 | 7/5/11 | 7/19/11 |
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