

## **Exhibit VIII.C.7.b (Determination of Number of Rooms/Service/etc.):**

*Submit as Exhibit VIII.C.7.b. copies of any forecast, projections, analysis or studies used to determine the number and type of hotel rooms, level(s) of service and flag(s) or brand(s). Describe any assumptions and the bases thereof. Substantiate their reasonableness.*

Please see the attached Hotel Market Assessment by Maxim Strategy Group / Custom Gaming Consulting dated June 22, 2014.

# Hotel Market Assessment

Hudson Valley Casino & Resort

Town of Newburgh, New York

June 22, 2014

**Prepared for:**

Hudson Valley Casino & Resort

Completed by:

Maxim Strategy Group /

Custom Gaming Consulting

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# Executive Summary

Maxim Strategy Group (“MSG”) was retained to conduct a Hotel Market Assessment (“HMA”) for the proposed Hudson Valley Casino & Resort (“Resort”). The HMA addresses the feasibility of the proposed 300-room resort-style hotel by forecast potential Room Night Demand (“RND”) and room revenue. RND is segregated into two (2) broad categories, including Traditional Hotel Demand (Non-Casino Demand) and Casino Demand.

## *Traditional Hotel Demand*

The proposed hotel is expected to penetrate the traditional hotel market to some extent. This component of demand is segregated into four subcategories including group, leisure tourist, commercial, and pass-through. Based on information obtained from Smith Travel Research (“STR”), there are 98 hotels in the market offering approximately 7,600 rooms, an average of 77 rooms per hotel. The group was narrowed down into a subcomponent called the target market, comprising mainly the upper midscale and upscale brands. These hotels are more centered on the towns of Newburgh, Middletown, Poughkeepsie, and Fishkill.

Potential penetration of the target market is gauged relative to fair share, as measured in terms of room capacity. The extent of which the subject hotel penetrates fair share depends on various attributes of the hotel, including:

- Pricing
- Quality Level
- Amenity Package
- Location
- Marketing Program

## *Casino Demand*

This section forecasts casino demand or demand associated with guests whose primary purpose for the hotel stay is to utilize the casino. This segment typically utilizes the hotel out of convenience or for a short gaming vacation. Regarding the former, casino patrons often use the hotel to postpone a long drive home or simply to avoid drinking and driving. Regarding the latter, the trip to the subject could be replacing a more expensive trip to Las Vegas or Atlantic City, but a leisurely overnight stay is still desired.

## *Baseline versus Induced*

Baseline casino demand reflects demand in which the patron seeks out the hotel on their own or demand encouraged by modest marketing efforts, such as discounts and special offers. Induced casino demand reflects hotel patronage derived from significant marketing efforts such as complimentary rooms to high-worth players or rooms granted via reward points. Baseline demand is based on the number of gamer visits, while induced demand reflects the marketing strategy of the casino operation.

## Demand Summary

Room Night Demand (“RND”) summed to approximately 98,600 nights in 2018, the baseline year of the assessment. Traditional hotel demand accounts for about 26% of the total, compared to 74% for casino demand.

Room Night Demand Summary (Year 2)		
Component	Count	% of Total
[REDACTED]		

## Average Daily Rate

The estimated ADR for the subject hotel was based on the ADR profile of the target market, but adjusted to consider the quality and scope of the hotel as well as capacity constraints on weekends. The ADR analysis was segregated by the weekend and weekday periods.

Average Daily Rate Analysis			
	Weekend	Weekday	Weekend Premium
Market ADR	\$137	\$124	10%
Subject Premium %	[REDACTED]	[REDACTED]	
Subject ADR	[REDACTED]	[REDACTED]	[REDACTED]

## Room Revenue Summary

After applying the estimated rate profile for the subject hotel to room night demand, room revenue calculated to about [REDACTED] in 2018. Note, the weighted average ADR came in at just over [REDACTED] per night for this period. We assumed ADR would increase about 2.5% per year through 2021. With demand growing about 2% in the out years, room revenue increased about 4% per year, reaching near [REDACTED] by 2021.

<b>Room Revenue</b>					
	Available Room Nights	Occupancy Rate	Room Night Demand	ADR	Room Revenue (\$M)
2017	109,500				
2018	109,500				
2019	109,500				
2020	109,500				
2021	109,500				
<b>% Change:</b>					
2018	0%	9%	9%	1%	10%
2019	0%	1%	1%	2%	4%
2020	0%	1%	1%	2%	4%
2021	0%	1%	1%	2%	4%

# Introduction

Maxim Strategy Group (“MSG”) was retained to conduct a Hotel Market Assessment (“HMA”) for the proposed Hudson Valley Casino & Resort (“Resort”). The HMA addresses the feasibility of the proposed 300-room resort-style hotel by forecast potential Room Night Demand (“RND”) and room revenue. RND is segregated into two (2) broad categories, including Traditional Hotel Demand (Non-Casino Demand) and Casino Demand. Not only will the subject hotel create incremental casino demand, but will also penetrate the existing traditional market to some extent. An appropriate Average Daily Rate (“ADR”) is then applied to RND to arrive at room revenue. The subject’s ADR will be based on existing markets rates, but adjusted to consider the quality, scope, and capacity constraints of the hotel. Note, the findings related to RND demand will be used to forecast incremental gaming revenue associated with the hotel offering in the *Gaming Market Assessment*.

## ***Hotel Project***

For the purpose of the HMA, we modeled an upscale hotel with 300 rooms, capable of quickly expanding to 500 rooms based on market demand. The hotel would offer a standard room and various suite options. The standard room would measure from 450 – 500 square feet and feature a separate living area and upgraded bath. The bath would offer two (2) vanities and a separate shower and Jacuzzi Tub. The junior level suites would measure about 850 square feet, and offer a larger living area and separate bedroom. The signature suites would measure in excess of 1,000 square feet, and offer two bedrooms and two baths.

Hotel amenities would likely include a resort-style outdoor pool and deck area; a health and fitness center; full-service spa / salon; and meeting space with business center. The pool area would be capable of offering food and beverage during seasonal peak periods.



## *Orange County Tourism*

Orange County lies in the heart of the scenic Hudson Valley, and captures parts of three (3) mountain ranges, including the Appalachian, Ramapo, and Shawangunk. The area is also the gateway to Catskills Mountains to the northwest, and thus most known for its scenic ambience. Also contributing to the scenic nature of the area is the Hudson River, which marks the county's eastern border, while the Delaware River marks the southwest border. The Ramapo Mountains (also known as the Highlands area) marks the county's southern border, and comprises Bear Mountain State Park and Harriman State Park. The area is dotted with lakes and natural wetlands.

Tourism in Orange County is thriving and generally centered on four major aspects, including: 1) Recreation; 2) Historic and Cultural; 3) Unique Attractions; and 4) Events.

### **Recreation**

The recreation options are numerous, including river cruises, ballooning, hiking & biking, skiing, hunting & fishing, scenic drives, farmers markets, apple orchards, and state parks; to name a few. River cruises originate from either the Newburgh Waterfront or West Point, and cruise the historic Hudson Highlands area. The Newburgh Waterfront features the Pride of the Hudson, Pollepel, and River Rose, while the Commander embarks from West Point. The Pride of the Hudson and River Rose are paddle-wheel style vessels.

With more than 25 varieties of apples in the area, the apple orchards are a top attraction and the perfect place for a unique shopping experience, which includes fresh baked pies. The events marking the apple harvest include the New York Renaissance Faire, Warwick Applefest, and the Sugar Loaf Fall Festival.

The county offers several vantage points and scenic drives for viewing fall foliage including the Newburgh Waterfront, Strom King Art Center, Winding Hills Park, Seven Lakes Drive, and Scenic Byway (Route 97); among many others. The Sterling Forest State Park offers a beautiful lodge-style building with nature and history exhibits, and a huge diorama of the 7,000-acre park. The park contains miles of trails for hiking.

### **Historic / Cultural**

The area host numerous galleries, historic houses & sites, museums, and performing arts centers. The historic and cultural ambience of the area is centered on the revolutionary war period, as the area was home to the Continental Army headquarters.

### **Arts**

The area is known for starting a unique art movement in America in the 1800's, at the Hudson River School of Painting. The area's scenic ambience inspired landscape painting, which are now featured in galleries all over the world. The area is now home to the Orange County Arts Council, a vibrant group located on the estate of one of the preeminent Surrealist artists in the world, Kurt Seligmann. The Orange County Arts Council was formed in 2007 as an organization focused on the pursuit of the arts in the region. It's a collaborative effort between the Orange County Citizens Foundation and the County of Orange borne out of a Cultural Needs Assessment, which highlighted the need for a Cultural Strategic Plan. The Council is committed to the public awareness of the importance of year-round lifelong opportunities for arts and cultural experiences.

<b>Galleries</b>	
Ann Street Gallery	FCC Gallery
Aquinas Hall Theatre	Hudson Valley Gallery
Art at Elm Lake	James Douglas Gallery
Art Works	Mindy Ross Gallery
Artists in the Parks Gallery	New Windsor Art Gallery
Bertoni Gallery	Orange Hall Gallery and Loft
Bethlehem Art Gallery	Pacem in Terris
Bliss	Picture It Framed
Collage	Seligmann Gallery
Clearwaters Gallery	Shawn Dell Joyce Gallery
Desmond Campus	Strazza Art Gallery
Di Bello Gallery	The Gallery at ORMC
Endico Gallery	Upfront Exhibition Space
Executive Suite Gallery	Wallkill River School
Exposures Gallery	Wolfgang Gallery

### **Historic Manors / Historic Sites**

The various must-see mansions include Hasbrouck House, Crawford House, Gomez Mill House, Ellison House, Brick House and Hill-Hold (Historic Village of Montgomery). Hasbrouck House was George Washington’s headquarters during the revolutionary war, while Brick House was home to seven generations of the Nathaniel Hill family. All the homes contain collections of art, period furnishings, books and historical records. Montgomery Street in Newburgh is known for both its outstanding mansions as well as New York State’s largest historic district.

Historic sites date back to the county’s founding in 1683. Portions of this history can be found at sites displaying everything from Revolutionary War history to architecture to iron mining in the area. Historic buildings, battlefields, and charming villages display Orange County’s historic past. Fort Montgomery in Newburgh is one of the preserved military attractions.

<b>Historic Sites / Historic Mansions</b>	
Brick House	Goshen Historic Walk
Carnegie Library	Greenville Historic Buildings
Chester Railroad Station	Hill-Hold
Clove Furnace Historic Site	Jacob T. Walden House
Constitution Island	Knox's Headquarters State Historic Site
Crawford House	Last Encampment of the Continental Army
Dutch Reformed Church (1835)	Minisink Valley Historical Society
Edmonston House	Moffat Library
Edwin Welling Van Duzer Memorial House	Morrison Hall
Eleazer Harding House	New Windsor Cantonment State Historic Site
Fort Decker	Orange Square
Fort Montgomery State Historic Site	U.S. Military Academy
Gatehouse	Warwick Historic Village
Genealogical Society	Washington's Headquarters State Historic Site
Gomez Mill House	West Point Tours, Inc.
Goshen Court House	Woodbury Historical Society
Goshen Historic Track	

### **Museums**

The museum offering in Orange County is anchored by two “hall of fame” museums, including the Harness Racing Museum and the National Purple Heart Hall of Honor. The Harness Racing Museum has state-of-the-art interactive exhibits relate to one of America’s oldest sports, while the National Purple Heart Hall of Honor tells the story of our nation at war and displays an original Purple Heart. The newest museum, Motorcyclepedia, has the largest collection of motorcycles on display in the country.

Orange County (Newburgh) also hosts one of only nine Karpeles Manuscript Library Museums featuring changing exhibits from the world's largest private holding of important original manuscripts and documents. The archives include documents on literature, science, religion, history and art.

<b>Museums</b>
Bull Stone House
Harness Racing Museum & Hall of Fame
Hudson Highlands Nature Museum
Interactive Museum
Karpeles Manuscript Library Museum
Maybrook Railroad Museum
Minisink Heritage Museum
Montgomery Village Museum
Motorcyclepedia
Museum Village of Old Smith's Clove
National Purple Heart Hall of Honor
Neversink Valley Museum of History and Innovation
Orange County Farmer's Museum
Orange County Firefighters Museum
Pines Museum
Port Jervis Fire Museum
Sands Ring Homestead
Storm King Art Center
West Point Museum

### **Performing Arts Centers**

The area hosts the largest theater outside Manhattan - Eisenhower Hall at West Point; featuring international entertainers. This venue is complimented by the more intimate Lycian Centre for smaller productions, road shows, and popular entertainment. Innovative theater and dance are found in the charming Railroad Playhouse that has spectacular views of the Hudson River, while a variety of smaller houses feature old favorites and new talent in affordable productions.

<b>Performing Art Centers</b>
Downing Film Center
Eisenhower Hall Theatre
Jesters Comedy Club
Mount Saint Mary College
Newburgh Actors Studio
Orange Hall Theatre
Paramount Theatre
Playhouse at Museum Village
Ritz Theater
Theatre at West Shore Station

## Attractions

Orange County is home to numerous attractions that operate year-around. These attractions are extremely diverse, from showcasing the historic nature of the area at West Point and National Purple Heart Hall of Honor, to the truly unique such as Orange County Choppers and the Harness Racing Museum. The area is also known for unique shopping at the areas farms, wineries, antiques shops and thrift shops. The county's top ten attractions are listed in the table below.

<b>Orange County's TOP 10 ATTRACTIONS</b>
United States Military Academy at West Point
Woodbury Common Premium Outlets
Orange County Choppers
Storm King Art Center
Newburgh Waterfront
National Purple Heart Hall of Honor
Six Wineries
Sugar Loaf Arts & Craft Village
Washington's Headquarters
Harness Racing Museum & Hall of Fame

### **Newburgh Waterfront**

The Newburgh Waterfront offers beautiful scenery year around, and various seasonal music and art events. The area is packed with unique restaurants and shopping. Several river cruises embark from this site including two paddleboat style vessels. Other recreation options include jet skiing, kayaking, and boating. The Waterfront hosts numerous events and festivals throughout the year, including an arts festival and General Montgomery Day Festival. Newburgh was home to George Washington's Headquarters during the Revolutionary War.

### **Orange County Choppers / American Choppers (Newburgh)**

Orange County is home to American Choppers, the immensely popular TV series featuring Paul Teutul, Sr. and his custom made choppers. He first began his business as a custom chopper shop out of his basement in Montgomery, NY. He was joined by his oldest son, Paul Jr., and debuted their first bike, "True Blue" at Daytona Biketoberfest in 1999. The Teutul's quickly became recognized by chopper enthusiasts everywhere, and were signed by the Discovery Channel in 2002 to headline a television series called American Chopper. Their popularity has led them to build custom theme bikes for some of the biggest names in corporate America such as Microsoft, Lincoln, and Coca-Cola. Tours of this facility are available daily.

### **National Purple Heart Hall of Honor**

The National Purple Heart Hall of Honor is located on the grounds of the New Windsor Cantonment in Vail's Gate. This newly-opened interactive museum honors the recipients of the Purple Heart; a badge that was first awarded on these grounds by General George Washington. It is a family experience with costumed interpreters and demonstrations at the cantonment. Across

the street is the Last Encampment of the Continental Army with replicas of military huts that housed Revolutionary War troops. This site also offers nature trails, an observation trail, and picnic facilities.

### **Harness Racing Museum and Hall of Fame**

The Harness Racing Museum and Hall of Fame in Goshen offers state-of-the-art and interactive exhibits that tell the history of America's first sport. This attraction contains the largest collection of Currier & Ives trotting prints and a 3-D simulator that lets guests drive a sulky to the finish line. Located right behind the museum is the Goshen Historic Track; a functional training center.

### **West Point**

The United States Military Academy at West Point in the Highlands has been educating, training, and inspiring leaders of character for the United States Army for more than 200 years. West Point provides a 47-month leader-development program containing academic rigor, military discipline, and physical challenges, while fostering a moral-ethical foundation. The academy is an internationally recognized institution for academic, military and physical excellence, while developing military, and public and private-sector leaders.

Tourism at West Point is centered on the numerous galleries at the West Point Museum. The museum is situated in a beautiful building behind the West Point Visitors Center in Highland Falls offering a wide range of exhibits on history and art relating to the United States Military Academy Corps of Cadets, US Army and the History of Warfare dating back to Egyptian times.

Visitors also come to West Point for the numerous athletic events as the institution has roughly 24 sports teams competing with other regional colleges. In addition, concerts, shows and graduations are presented at Eisenhower Hall on a frequent basis. In total, an estimated 1.0 million visitors make their way to West Point annually.

<b>West Point Events and Attractions</b>
Visitors Center
West Point Cemetery
West Point Museum
Concerts and Shows at Eisenhower Hall
Cadet Review Schedule (Parades)
Constitution Island

### **Woodbury Premium Outlets**

Woodbury Premium Outlets is located in Central Valley, NY in central Orange County, about 12 miles south of Newburgh. The outlet center features over 220 stores, including Ann Taylor, Armani, Balenciaga, Banana Republic, Burberry, Chloe, Coach, Dior, Dolce & Gabbana, Gucci, Neiman Marcus Last Call, Michael Kors, Polo Ralph Lauren, Prada, Saks Fifth Avenue Off 5th, Tom Ford, Tommy Hilfiger. Over 15 food outlets are also available from full-service venues like Applebee's, to numerous quick-serve venues such as Nathan's, Starbucks, Cinnabon, and Haagen Dasz.

## **Events**

Orange County hosts numerous unique events throughout the year. These events are often centered on the fall apple harvest or the fall foliage viewing. Other events focus on the historic nature of the area such as the American Revolution Spring Encampment and General Montgomery Day.

<b>Major Events</b>	
American Revolution Spring Encampment	Monroe Cheese Festival
UFO Festival	General Montgomery Day
Classic 10K Road Race	Applefest
Riverfest	Sugar Loaf Fall Festival
Grand Circuit Harness Racing	Oktoberfest
Great American Weekend	Thanksgiving at Brick House
Orange County Fair	Wreath Fineries at the Wineries
New York Renaissance Faire	Candlelight Historic Homes Tour
Heirloom Tomato Festival	Christmas in the Village

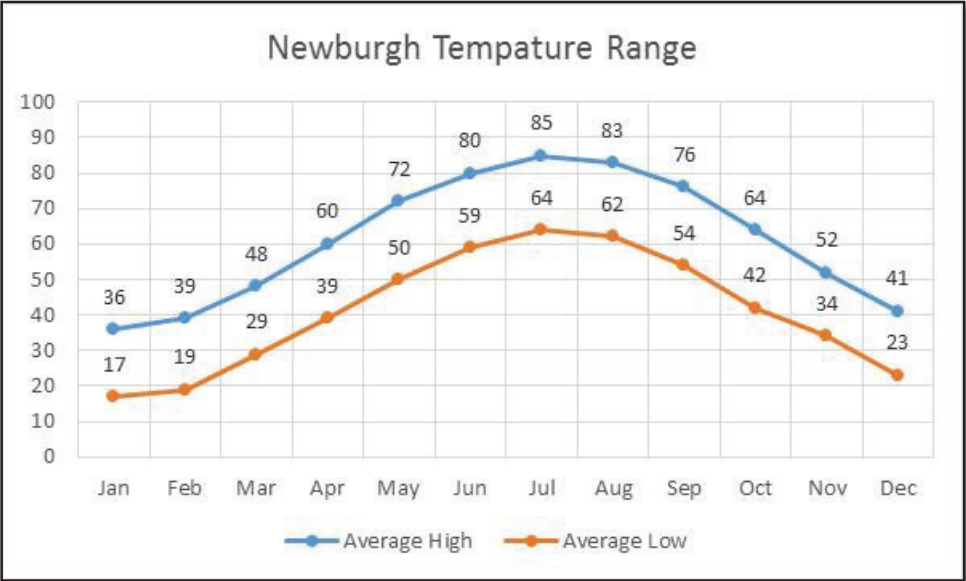
## **Unique Lodging Alternative**

Lodging alternatives include Bed & Breakfast boutiques and unique conference facilities. It would be hard to find a higher concentration of Bed & Breakfast boutiques, with more than 30 options available in the area. These boutiques generally offer between 5 and 10 rooms, and thus do not constitute real competition for the proposed hotel.

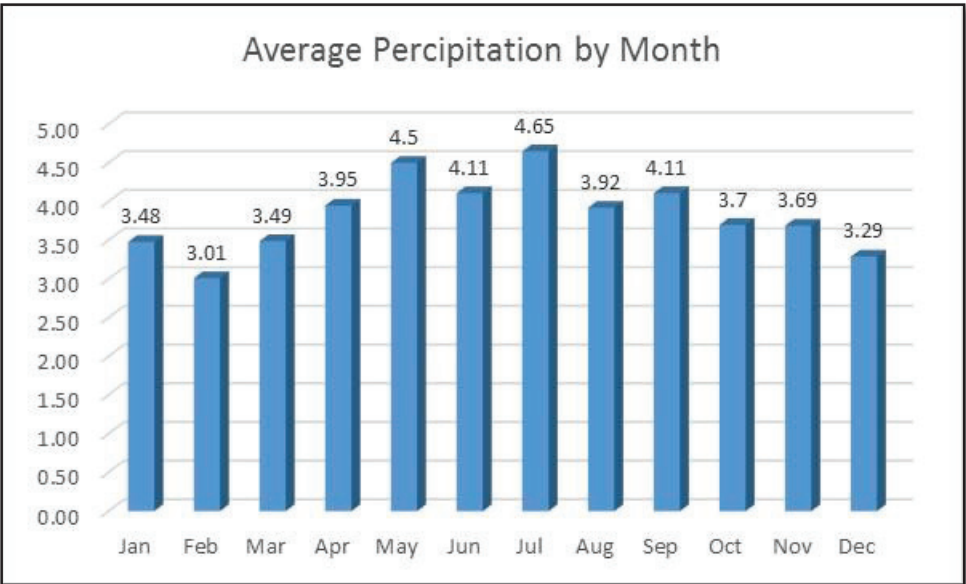
Conference facilities include Cedar Lake Estate, a 500-acre lakefront property for group events; Greenkill Retreat Center for non-profit groups from 20 to 250 guests; Olmstead Center (Cornwall-on-the-Hudson) featuring 2 large homes and 3 rustic cabins; Warwick Center for a mountaintop camp and conference facility.

**Weather**

The weather in the Newburgh area offers four distinct seasons with warm, humid summers and cold, snowy winters. The average high temperature in the summer peaks in July at 85 degrees, while the nights are still fairly pleasant with an average low of 64 degrees. The average low temperature bottoms-out in January at 17 degrees, while the high only reaches 36 degrees. The spring and fall months are very pleasant with mild temperatures.



Average precipitation by month is fairly consistent throughout the year, ranging from a low of about 3.0 inches in February to a high of 4.65 inches in July, as the summer months are generally somewhat wetter. The precipitation in the winter months is almost always in the form of snow, equating to roughly 37 inches of snowfall per year.





## Traditional Hotel Demand

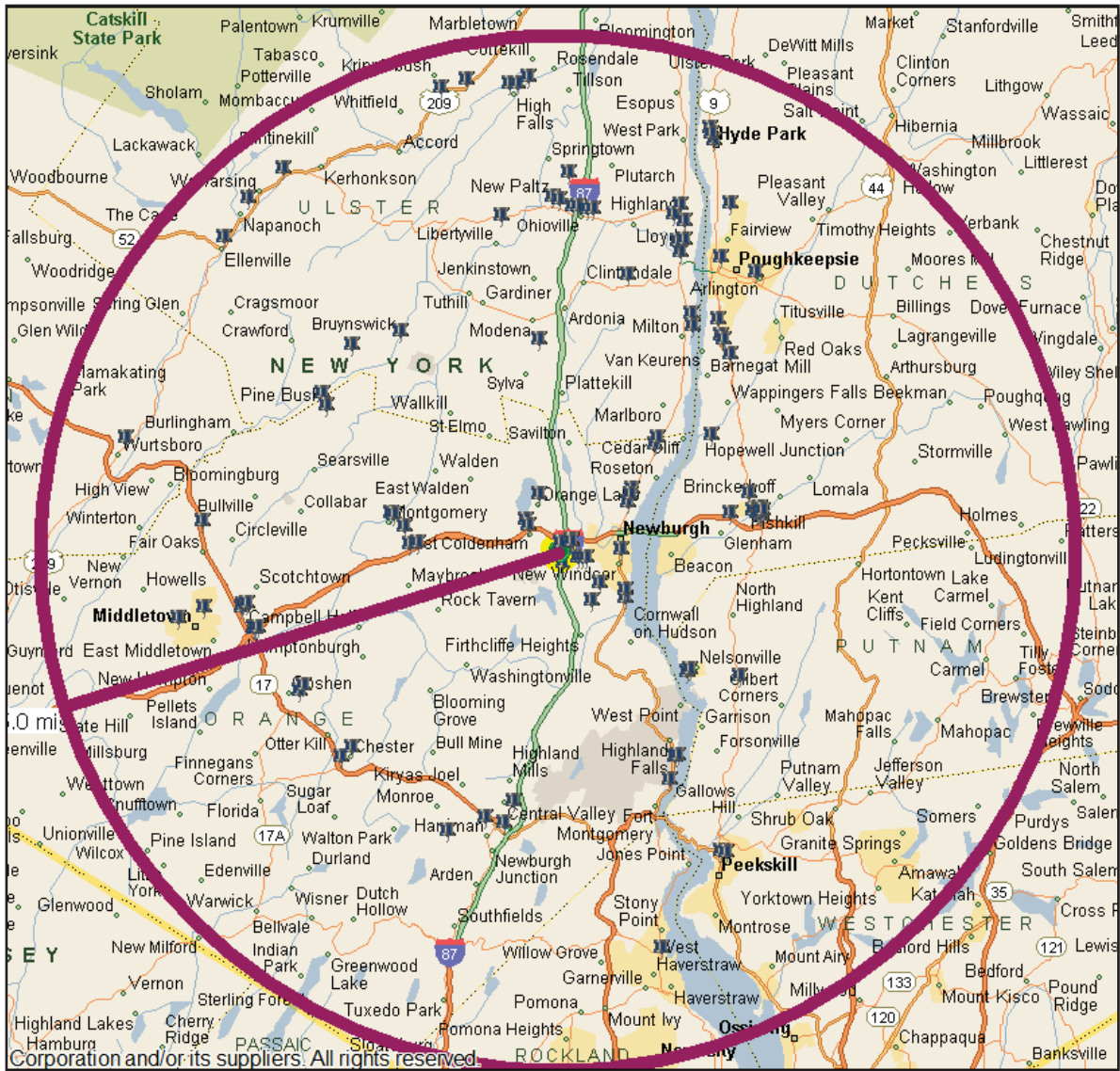
This section forecasts traditional hotel demand for the proposed hotel; demand typically associated with non-casinos hotels. We believe the proposed hotel will penetrate this market to some extent. This component of demand is segregated into four subcategories including group, leisure tourist, commercial, and pass-through. Group demand relates mainly to business meetings, business or trade conventions, gatherings of social organizations, and large family functions. The latter could include weddings or family reunions. The leisure tourist is generally in the area to visit regional tourist attractions or to visit friends and family. The commercial category relates to business travel, which is generally centered on the larger towns such as Newburgh, Middletown, Poughkeepsie, and Peekskill. The pass-through traveler stays overnight out of convenience after a day of travel. They are typically looking for an inexpensive hotel and a convenient hotel right off the highway.

### ***Local Hotel Market***

The first step in forecasting traditional hotel demand is to gain a thorough understanding of the local hotel market. Thus, a site visit was conducted for the purpose of touring the market and various relevant hotel properties. We defined the local market to include all the existing hotels (including hotels under construction) within about 25 miles of Newburgh. Based on information obtained from Smith Travel Research (“STR”), there are 98 hotels in the market offering approximately 7,600 rooms, an average of 77 rooms per hotel. Notwithstanding the four (4) hotels under construction, the market has not added any new hotels in the last five years. However, the four (4) hotels currently under construction will add 342 rooms to the market, increasing availability by approximately 5%. The new hotels included 3 upper midscale (244 rooms) and 1 upscale (98 rooms) offerings.

These hotels are fairly scattered throughout the area, with some clustering around the larger towns or at convenient locations off the major highways. Many of the hotels take advantage of the scenic qualities of the area, situated either just off the Hudson River, in the foothills to the Catskills Mountains, or near the state parks. The following map shows the general distribution of these hotels.

## Hotel Location Map



STR also segregates the hotel inventory by class. This market is heavily weighted with economy and midrange (including upper midscale) offerings, comprising 75% of the total rooms. There are 12 upscale hotels comprising 18% of the total rooms, featuring such popular brands as Courtyard, Hyatt House, Residence Inn, Hilton Garden Inn, and Homewood Suites. These hotels run an average of 116 rooms. There are 3 upper upscale hotels, two of which are small independents, situated to take advantage of area's scenic attractions. The luxury offering include Mohonk Mountain House (266 rooms) in New Platz to the north, and Glenmere Mansion (19 rooms) in Chester to the south.

<b>Hotel Market Summary</b>				
Hotel Class	Hotel Count	Average Room Count	Room Inventory	% of Total
Economy Class	50	50	2,501	33%
Midscale Class	10	94	939	12%
Upper Midscale Class	21	109	2,284	30%
Upscale Class	12	116	1,394	18%
Upper Upscale Class	3	63	188	2%
Luxury Class	2	143	285	4%
<b>Total</b>	<b>98</b>	<b>77</b>	<b>7,591</b>	<b>100%</b>

### *Target Hotel Market*

The next step is to narrow this group into a subcomponent called the target market, containing only hotels in which the subject hotel could potentially penetrate to a material extent. Thus, the target market excludes economy and midscale hotels, as patrons of these hotels are very value oriented. It also excludes boutique hotels and hotels that utilize a scenic ambience. Remaining are mainly the upper midscale and upscale brands. These hotels are more centered on the towns of Newburgh, Middletown, Poughkeepsie, and Fishkill. The twenty-seven (23) target market hotels contain over 2,700 rooms, as listed in the table below.

<b>Target Market Hotels</b>				
Property	City & State	Class	Open Date	Rooms
Hampton Inn Harriman Woodbury	Central Valley, NY	Upper Midscale Class	8/1/08	136
Holiday Inn Express & Suites Chester Monroe Goshen	Chester, NY	Upper Midscale Class	2/1/05	80
Hampton Inn Fishkill	Fishkill, NY	Upper Midscale Class	8/1/98	99
Holiday Inn Express Fishkill Mid Hudson Valley	Fishkill, NY	Upper Midscale Class	12/1/07	71
Holiday Inn Express & Stes West Pt Fort Montgomery	Fort Montgomery, NY	Upper Midscale Class	12/1/01	86
Comfort Inn & Suites Goshen	Goshen, NY	Upper Midscale Class	4/1/05	95
Hampton Inn Middletown	Middletown, NY	Upper Midscale Class	6/1/99	127
Holiday Inn Middletown Goshen	Middletown, NY	Upper Midscale Class	7/1/68	101
Comfort Inn Stewart International Airport Newburgh	Newburgh, NY	Upper Midscale Class	10/1/90	130
Hampton Inn Newburgh West Point Stewart Airport	Newburgh, NY	Upper Midscale Class	7/1/97	115
Mercury Grand Hotel	Poughkeepsie, NY	Upper Midscale Class	6/1/69	153
Hampton Inn Suites Poughkeepsie	Poughkeepsie, NY	Upper Midscale Class	10/1/08	129
Holiday Inn Express Poughkeepsie	Poughkeepsie, NY	Upper Midscale Class	6/1/67	121
Courtyard Fishkill	Fishkill, NY	Upscale Class	5/1/91	152
Residence Inn Fishkill	Fishkill, NY	Upscale Class	12/1/85	139
Hyatt House Fishkill	Fishkill, NY	Upscale Class	3/1/06	135
Hilton Garden Inn Poughkeepsie Fishkill	Fishkill, NY	Upscale Class	6/1/02	111
Courtyard Middletown	Middletown, NY	Upscale Class	8/1/03	134
Homewood Suites Newburgh Stewart Airport	New Windsor, NY	Upscale Class	11/1/07	125
Hilton Garden Inn Newburgh Stewart Airport	Newburgh, NY	Upscale Class	10/1/06	119
Courtyard Newburgh Stewart Airport	Newburgh, NY	Upscale Class	2/1/97	78
Courtyard Poughkeepsie	Poughkeepsie, NY	Upscale Class	6/1/88	149
Residence Inn Poughkeepsie	Poughkeepsie, NY	Upscale Class	9/1/04	128
<b>Hotel Count / Rm Count</b>			<b>23</b>	<b>2,713</b>

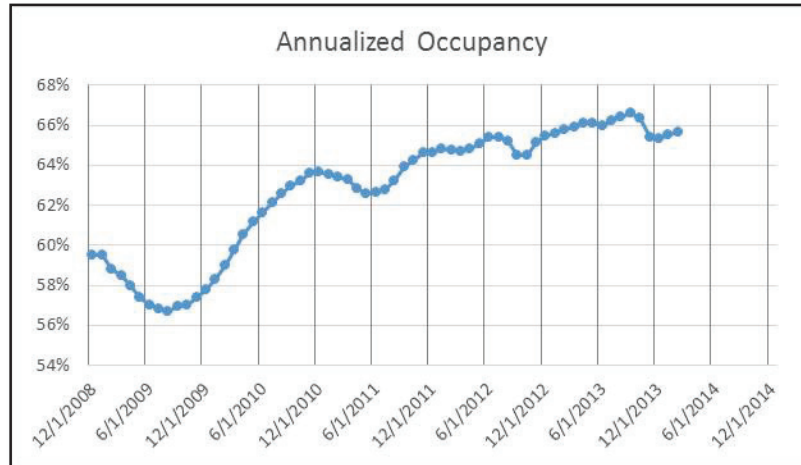
**Target Market Stats**

The performance of the target market hotels was analyzed based on data obtained from STR for a large sample of these hotels. The data focuses on Supply, Demand, Occupancy, Average Daily Rate (“ADR”), and Revenue per Available Room (“Rev Par”). In 2013, the target market posted an average occupancy of 65% combined with an ADR of \$119, resulting in a Rev Par of \$78. Note that Rev Par is a multiple of occupancy and ADR.

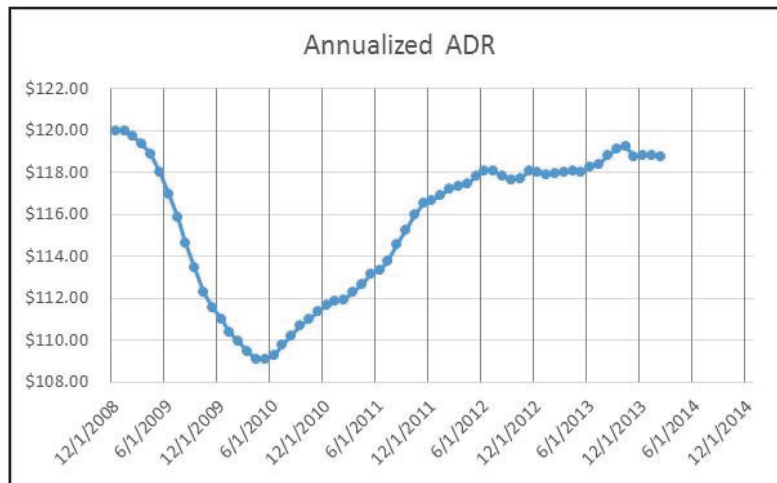
While occupancy rates in the 65% to 70% range are pretty typical, the relatively low ADR reflects the heavy weighting of Upper Midscale hotels. The performance of the target market has improved modestly over the last few year, following a major rebound in 2010 following the nationwide recession. The following table summarizes target market hotel performance over the last five years, as displayed in the table below.

<b>Target Market Hotel Performance Summary</b>			
	Occupancy	ADR	Rev Par
2009	58%	\$111	\$64
2010	64%	\$112	\$71
2011	65%	\$117	\$75
2012	65%	\$118	\$77
2013	65%	\$119	\$78
<b>% Change:</b>			
2010	10%	1%	11%
2011	2%	4%	6%
2012	1%	1%	3%
2013	0%	1%	0%

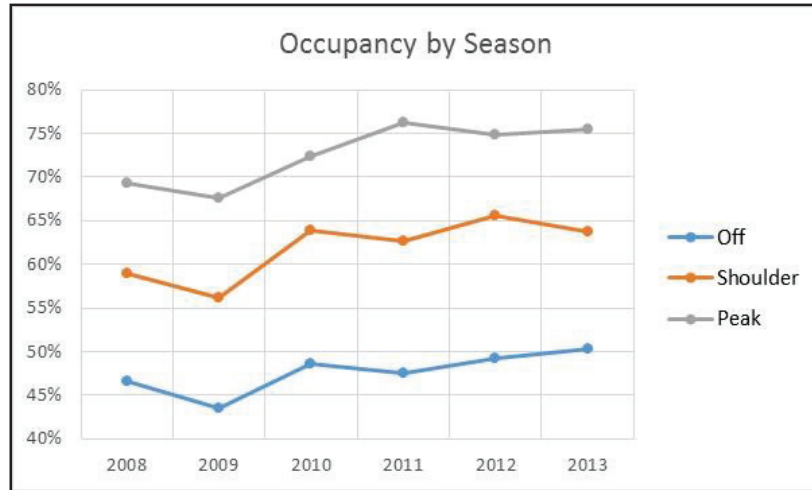
The occupancy rate has been trending modestly higher over the last several years from about 64% in 2010 to a near-term high of about 67% in mid-2013. From a longer term perspective, the occupancy rate rebounded sharply from a near-term low of about 57% in mid-2009, following the nationwide recession, to about 64% in 2010.



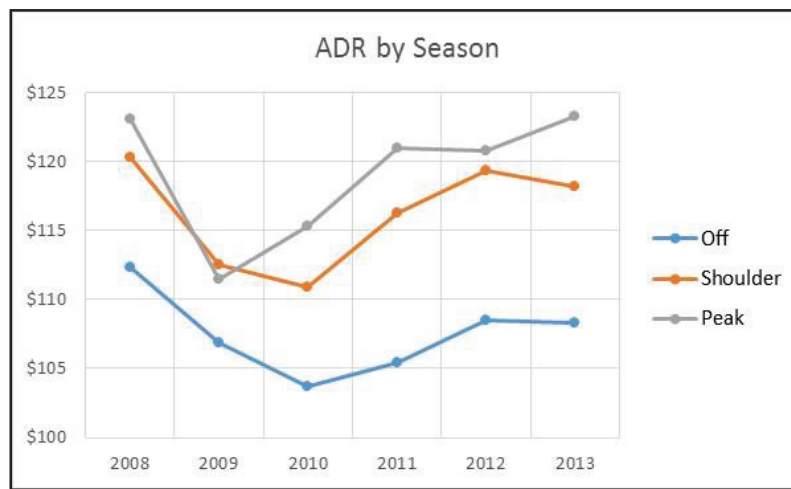
ADR has also been trending modestly higher over last few years, increasing from about \$112 in 2010 to \$119 in 2013, an average gain of 2.1% per year. From a longer term perspective, ADR fell from about \$120 in 2008 to a near-term low of \$109 in mid-2010; a total decline of 9%, again, due to the recession. The rate then rebounded quickly reaching \$117 by the end of 2011, followed by slight gains of 1% in 2012 and 2013. The rate now sits just below the pre-recessionary level. Note that the rebound in ADR lagged the rebound in occupancy by about 8 months.



The Newburgh hotel market shows a considerable amount of seasonality, with a peak season running from June through October, while the off season comprises the winter months of December, January and February. The peak season occupancy rate has leveled off in the 75% range over the last few years, compared to about 50% for the off season rate. The shoulder period rate falls generally in-between. The differential between peak and off season suggests that there is a vibrant leisure tourist business, centered on the summer months. If the occupancy was steadier throughout the year, it would suggest a heavy weighting of business travelers that patronizes hotels more evenly throughout the year.



The ADR also shows seasonality, although less pronounced. In 2013, the peak season was 14% and 9% higher than the off and shoulder season, respectively. The peak season rate reached \$124 in 2013, compared to \$118 for shoulder and \$108 for off. Looking back a few years, the gap was somewhat tighter.



The following table compares the market's occupancy and ADR by weekday versus weekend period. The weekend occupancy rate is 74% versus 64% for weekday; a difference of 11%. Similarly, ADR on the weekend was \$13 higher; a percent difference of 11%. This data supports our contention that the market is heavily weighted with leisure tourist demand; a type of demand heavily skewed towards the weekend.

Hotel Performance by Weekday and Weekend Periods				
	Weekday	Weekend	Difference	% Difference
Occupancy	64%	74%	11%	17%
ADR	\$115	\$127	\$13	11%

### Target Market Demand

With roughly 2,700 hotel rooms in the target market realizing an occupancy rate around 65%, target market room night demand calculated to 643,700 occupied nights in 2013. We estimated that the leisure category accounts for the largest proportion of demand at 45% of the total, followed by commercial demand at 30%. Group and pass-through demand comprises the balance at 15% and 10%, respectively. The low proportion of group demand reflects in part the minimal amount of available meeting space in the target market.

Target Market Demand (2013)					
Room Count	2,713				
Occupancy Rate	65%				
<b>Room Night Demand</b>	<b>643,659</b>				
Category	Group	Leisure	Commercial	Pass-Through	Total
Apportionment	15%	45%	30%	10%	100%
<b>RND by Category</b>	<b>96,549</b>	<b>289,647</b>	<b>193,098</b>	<b>64,366</b>	<b>643,659</b>

### Target Market Growth

Growth in target market demand is dependent on various factors including:

- Growth in Capacity
- Growth in Area Population
- Development of New Tourist Attractions
- Health of the Economy
- Competition from Neighboring Markets

Utilizing a trend analysis, while considering the new capacity coming to the market, we estimated that demand would increase by 3.5% in 2014 (mainly due to new capacity), and 2.0% per year for 2015 through 2018.

<b>Target Market Growth</b>					
	Group	Leisure	Commercial	Pass-Through	Total
2013	96,549	289,647	193,098	64,366	643,659
2014	99,928	299,784	199,856	66,619	666,187
2015	101,927	305,780	203,853	67,951	679,511
2016	103,965	311,896	207,930	69,310	693,101
2017	106,044	318,133	212,089	70,696	706,963
2018	108,165	324,496	216,331	72,110	721,103
<b>% Change:</b>					
2014	3.5%	3.5%	3.5%	3.5%	3.5%
2015	2.0%	2.0%	2.0%	2.0%	2.0%
2016	2.0%	2.0%	2.0%	2.0%	2.0%
2017	2.0%	2.0%	2.0%	2.0%	2.0%
2018	2.0%	2.0%	2.0%	2.0%	2.0%

### **Target Market Penetration**

The extent of which the subject hotel penetrates the target market depends on various attributes of the hotel, including:

- Pricing
- Quality Level
- Amenity Package
- Location
- Marketing Program

Potential penetration of the target market is gauged relative to fair share. Fair share is measured in terms of room capacity. For instance, the subject hotel with 300 rooms would account for about 8.5% of the rooms in the target market. Thus, if the subject hotel captured 8.5% of demand, it has achieved fair share capture. Keep in mind, the higher the supply market share, the harder it is to penetrate to the extent of fair share.

Penetration is assessed by demand category as the subject facility is more apt to attract group and leisure tourist demand, in contrast to commercial and pass-through. Group penetration depends to a large extent on the amount of meeting space proposed for the project. We estimated that the subject hotel would achieve fair share penetration of the group category by capturing 14% of group demand.

However, we estimated the subject would only capture 60% of fair share or 8.4% of leisure tourist demand because leisure demand is heavily skewed towards the weekend, and would thus compete for capacity with casino demand.

We estimated that the hotel would only capture 30% of both commercial and pass-through demand, resulting in market capture rates of 4.2%. The significant discount associated with commercial



demand reflects the business traveler’s desire to stay at branded hotels with loyalty programs. Pass-through travelers would be discouraged by the price of the subject. In summary, we estimated that the proposed hotel would capture 7.6% (roughly half of fair share), equating to 60,600 room nights of non-casino demand (traditional hotel demand), as displayed in the table below.

**Note, the demand outlined in the table below represents potential demand. Based on capacity constraints on the weekend, the hotel can only accommodate of portion of this demand. The underlying assumption is that casino demand will be given preference at the expense of traditional hotel demand.**

<b>Penetration Analysis</b>					
	Group	Leisure	Commercial	Pass-Through	Total
Market Demand	108,165	324,496	216,331	72,110	721,103
Subject Fair Share	8.6%	8.6%	8.6%	8.6%	8.6%
Penetration Rate	1.00	0.60	0.30	0.30	0.54
Subject Capture	8.6%	5.2%	2.6%	2.6%	4.7%
<b>Subject Demand</b>	<b>9,319</b>	<b>16,774</b>	<b>5,591</b>	<b>1,864</b>	<b>33,549</b>

## Casino Demand

This section forecasts casino demand or demand associated with guest whose primary purpose for the hotel stay is to utilize the casino. This segment typically utilizes the hotel out of convenience or for a short gaming vacation. Regarding the former, casino patrons often use the hotel to postpone a long drive home or simply to avoid drinking and driving. Regarding the latter, the trip to the subject could be replacing a more expensive trip to Las Vegas or Atlantic City, but a leisurely overnight stay is still desired.

### *Casino Hotel Competition*

Of the 15 casinos in the competitive set (excluding Atlantic City), six (6) offer a casino hotel(s).

#### **Size**

In terms of size, these hotels generally fall into two (2) operating platforms: 1) destinations resorts and 2) local market hotels. Regarding destination resorts, unique in this hotel group are Foxwoods and Mohegan Sun in Connecticut, offering about 2,250 and 1,200 hotel rooms, respectively, resulting in only 6.4 and 3.6 gaming positions per hotel room. These ratios of gaming positions to hotel rooms are very low in comparison to other regional casino properties, suggesting a destination offering. Las Vegas and Atlantic City show the lowest ratio in the country. Turning Stone also falls into this destination group, offering over 700 rooms, equating to 4.0 gaming positions per room. These destination properties offer numerous room options (often in separate venues); numerous dining options; and amenities tailored to the overnight guest. Amenities often focus on entertainment and likely include significant retail and a full-service spa.

The other three hotels in the group fall into a different category with hotel room counts in the roughly 200 to 300 range. Note that the ratio of gaming positions to hotel rooms is much higher

ranging from about 11.9 to 13.7 times. These hotels are utilized by patrons coming generally from the local market and used primarily out of convenience, exhibiting short stays. The amenities are more tailored to the local market featuring bars/lounges and tailored dining.

Note, with 525 rooms, the subject hotel has a ratio of 7.7 positions per hotel room, thus putting it into a hybrid category.

### Quality

The quality of these hotels is generally on the high-end. Turning Stone has four separate venue with half the rooms falling in the upper upscale class with the remainder exhibiting more of value offering. The upper upscale venues exhibit very large standards rooms in excess of 550 sqft. The Mohegan Sun offer one venue, which is rated 4-diamond, with a standard room measuring 450 sqft. Foxwoods has four unique hotel options, all of which are rated upscale or better, including a luxury offering called The Fox Tower. Mohegan Sun at Pocono Downs presents the lowest quality hotel, rated midscale by STR. The standard room measures between 330 to 350 sqft. To finish off the list, Mount Airy and Sands Bethlehem exhibit upper upscale hotels, generally in the 4-diamond range. The latter presents a standard room measuring 400 sqft.

### Amenities

The amenities related to destination resorts are tailored to guests with more time, such as entertainment, resort-style pools, recreation options, and retail. For instance, Turning Stone offers a tennis and racquetball facility, and several resort-style pools. Mohegan Sun features a 10,000-seat arena for headliner acts, a retail center with over 10 shops, and a golf course. Foxwoods features a golf course and numerous unique pool options. Both Mohegan Sun and Foxwoods offer an extensive full-service spa.

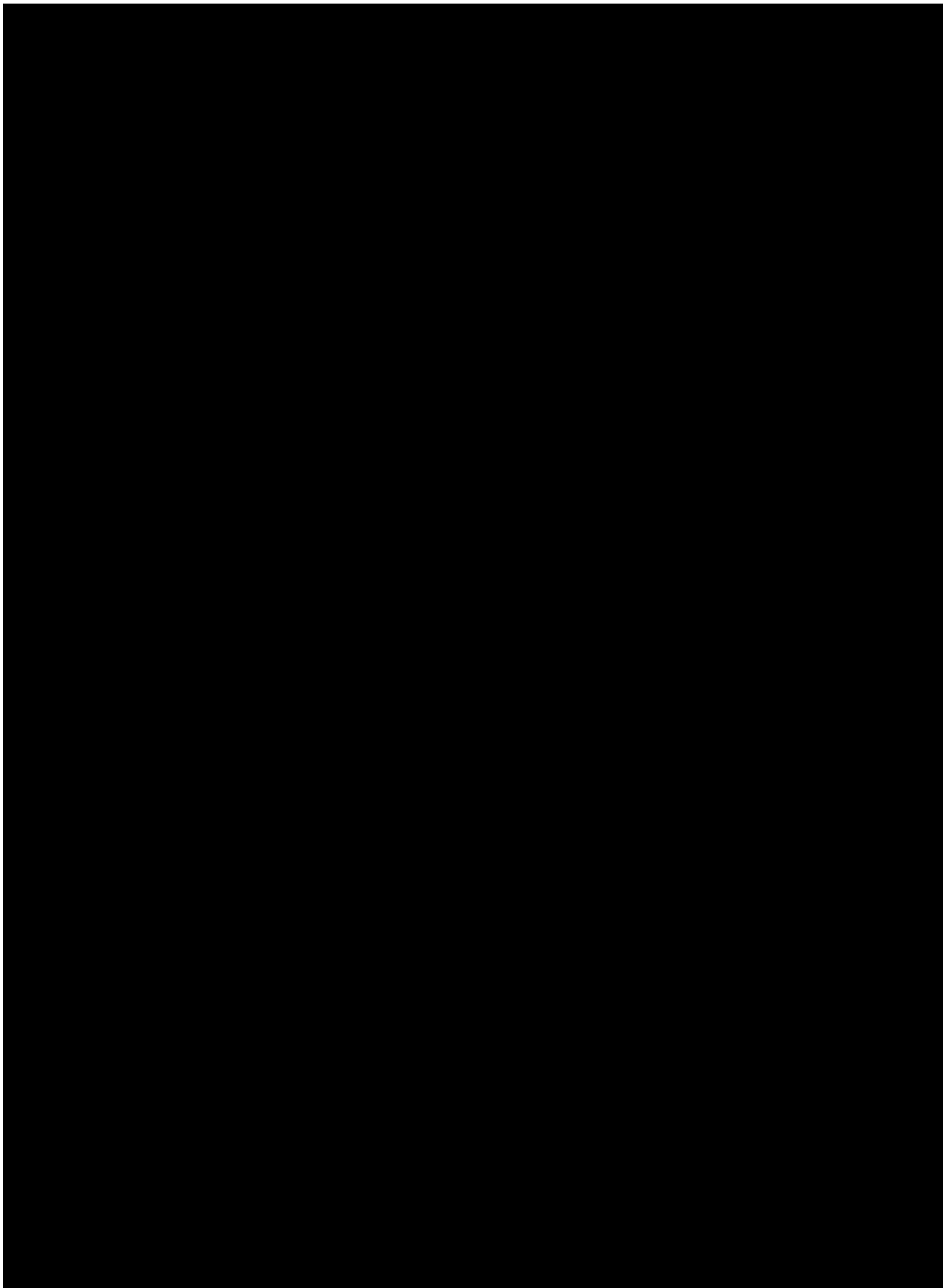
Regional Casino Hotel Inventory							
Property	Location	Room Count	Gaming Positions / Hotel Rooms	Class	Standard Room Size (sqft)	Suite %	Hotel Amenities
Turning Stone	Vernon, NY	709	4.0	Various	Various	20%	Fitness Club; Tennis/ Racquetball; Golf
Mohegan Sun (CT)	Mashantucket, CT	1,200	6.2	Upper Upscale	450 sqft	15%	Spa / Fitness; Indoor/ Outdoor Pool; Golf; Retail
Foxwoods (CT)	Uncasville, CT	2,247	3.6	Upper Upscale	350 - 450 sqft	12%	Spa; Golf; Indoor Pools
Mohegan Sun Pocono Downs	Wilkes-Barr, PA	238	11.9	Upper Midscale	330 - 350 sqft	8%	Fitness Center; Spa; Indoor/ Outdoor Pools
Mount Airy	Mount Pocono, PA	188	12.6	Upper Upscale	NA	13%	Golf; Fitness Center; Spa / Salon
Sands Bethlehem	Bethlehem, PA	300	13.7	Upper Upscale	400 sqft	NA	Fitness Center; Indoor Pool

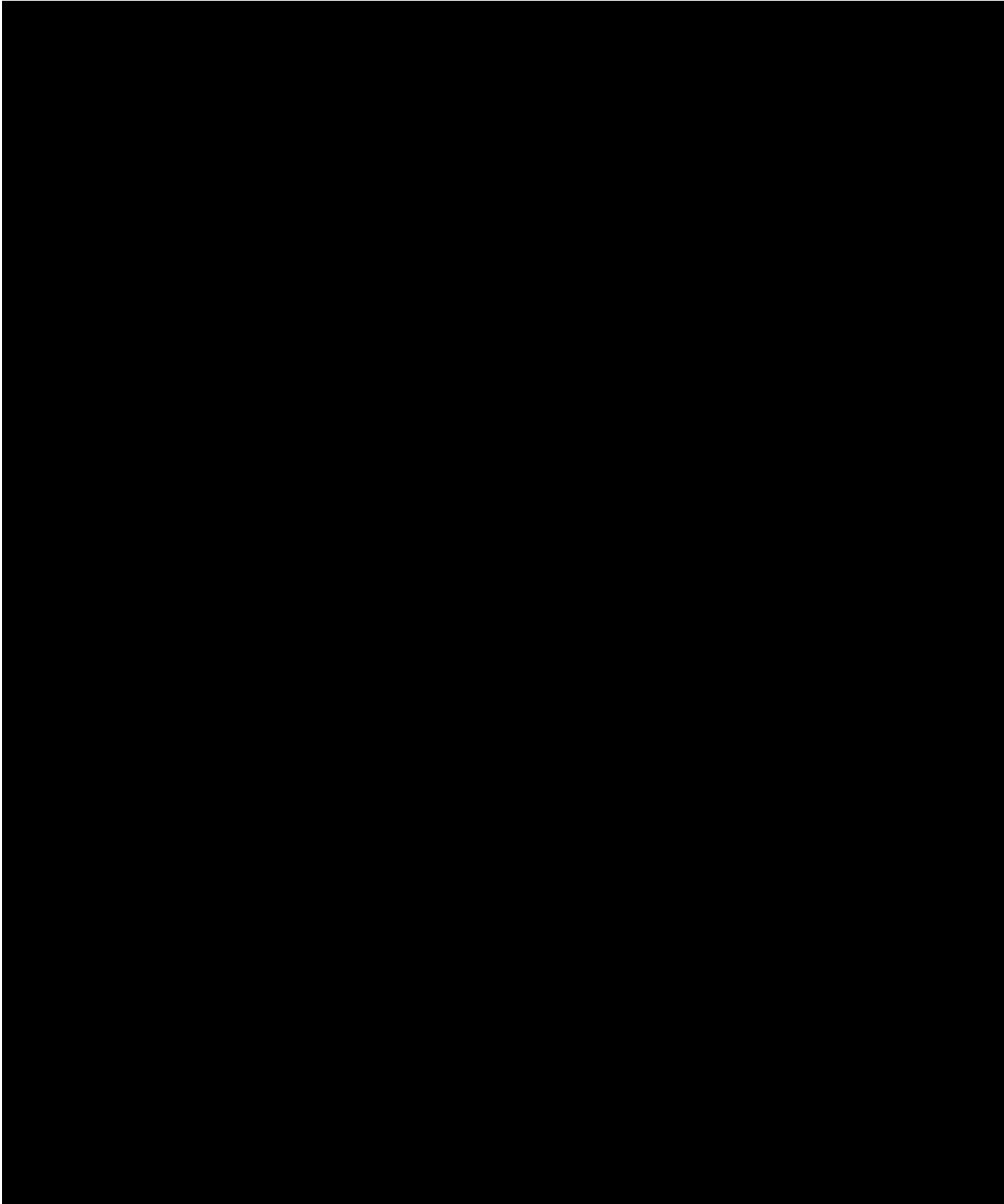
### Pricing

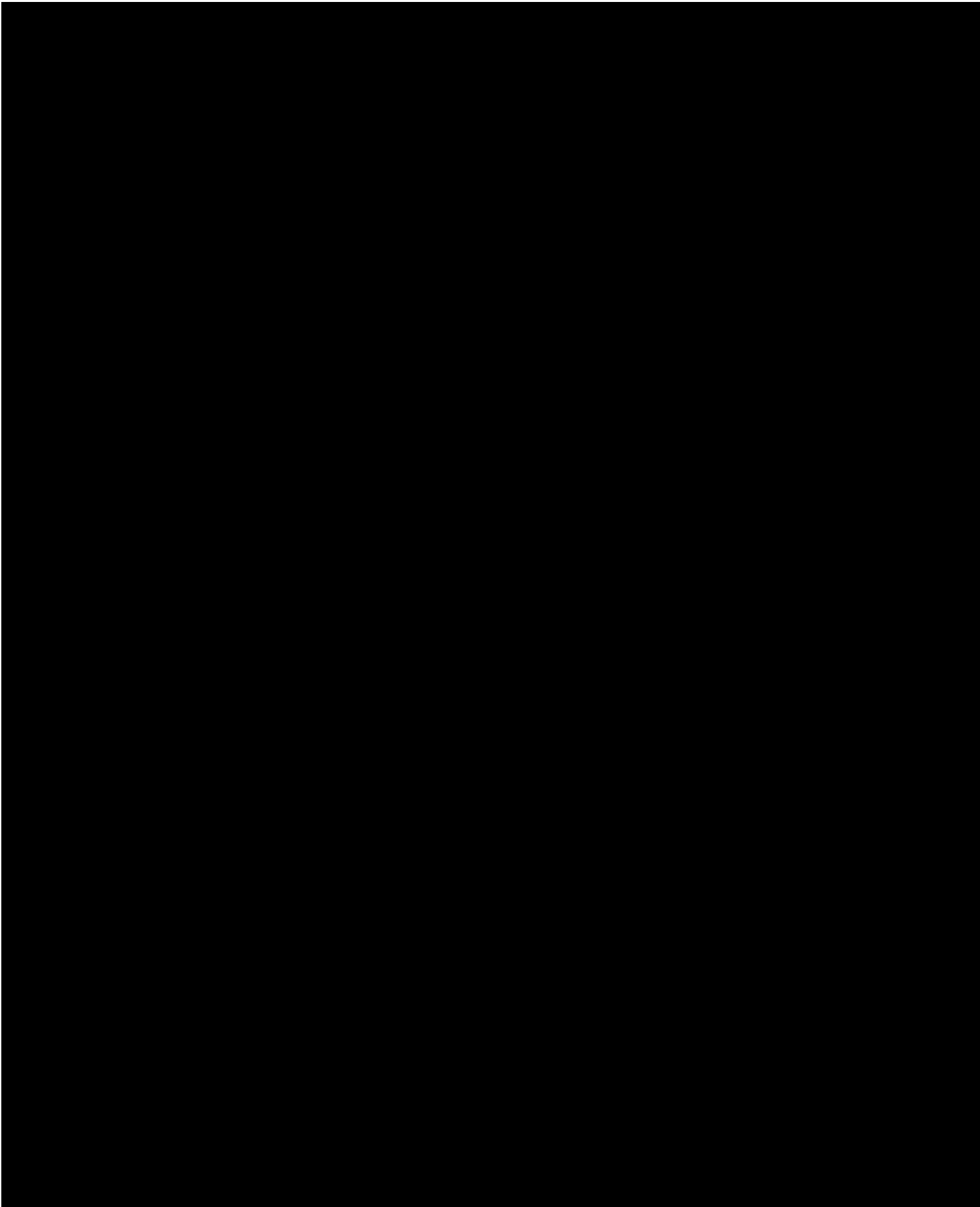
Next, we analyzed the pricing profile of a few of the more relevant hotels. Each of the hotels listed below exhibit dynamic pricing or pricing that varies based on demand. In other words, the rate often varies from weekend to weekend. Typically, the weekday rates are more stable, while the weekend rates can vary widely. Many weekend nights, as well as some weekdays, are sold out in advance at these hotels.

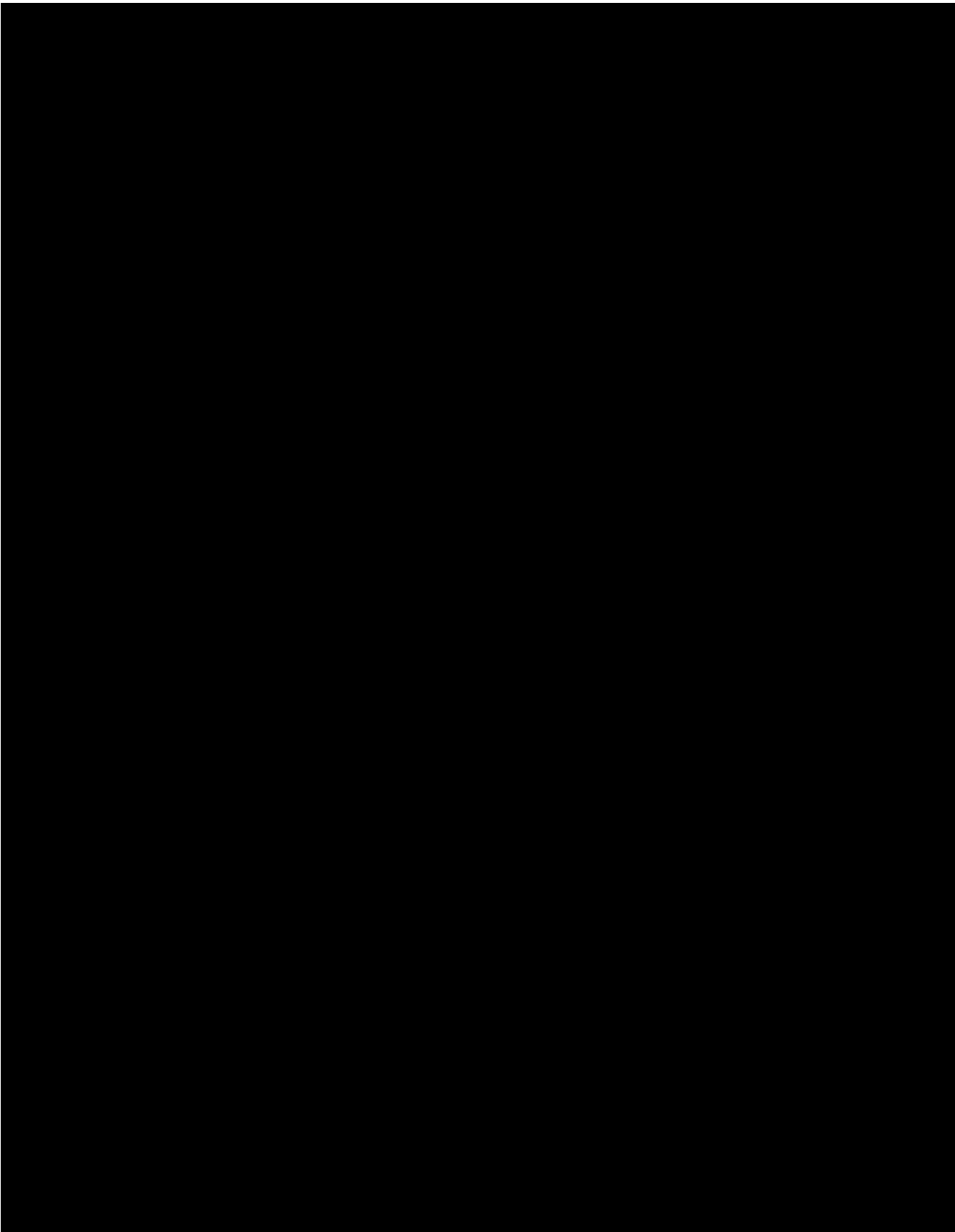
We noted a strong correlation between quality and pricing. Mount Airy, offering the highest rated hotel (4-diamond rating), showed the highest rate on the weekend of about \$200 to \$350 per night. Saturday night garners a premium of about 140% over the weekday price for this hotel. Sands Bethlehem showed the second highest pricing profile. The weekday rate averages about \$155, while the premium on Friday is modest, the premium on Saturday is in the 80% range at about \$250 to \$310 per night.

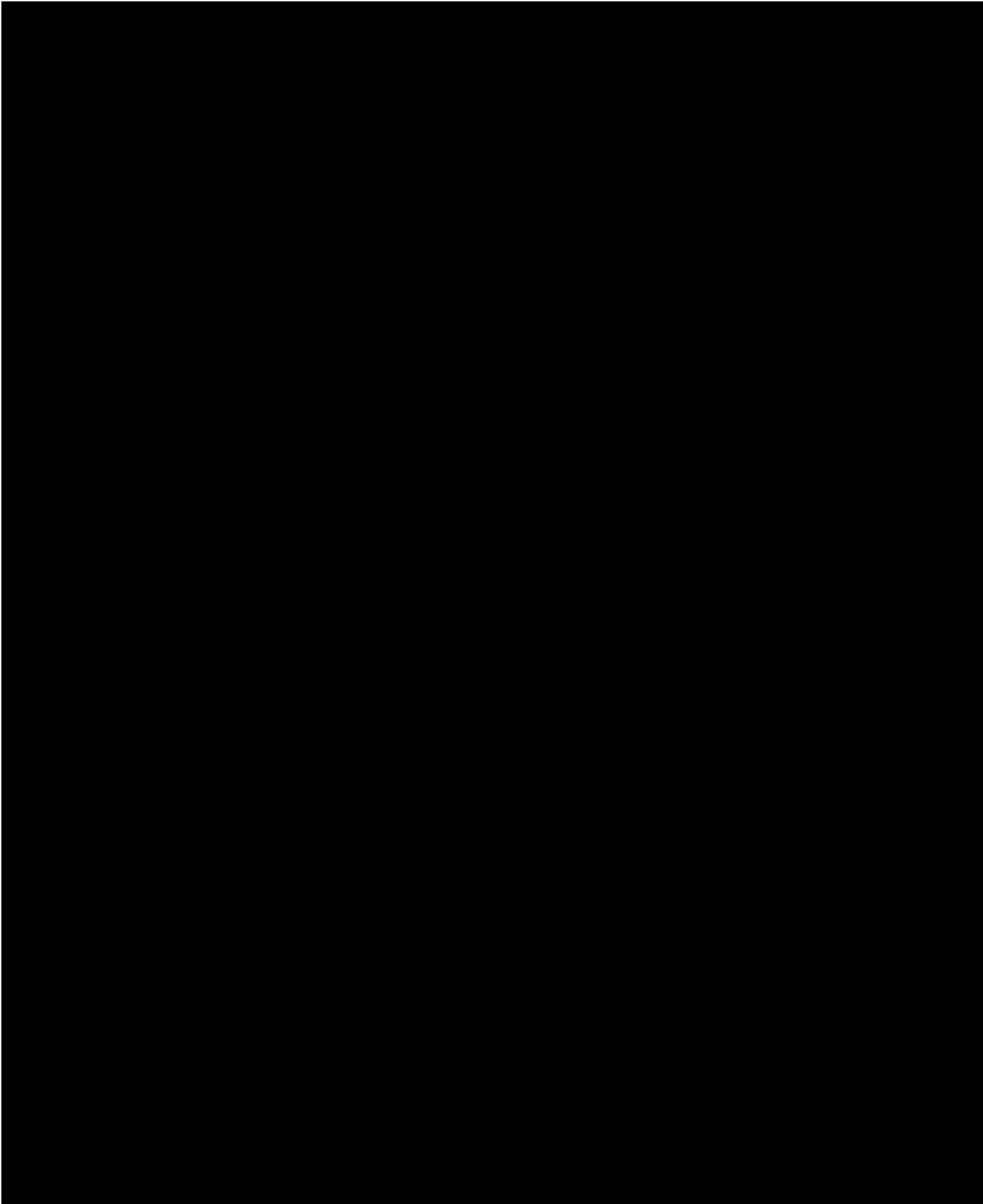
<b>ADR Analysis</b>					
	Weekday	Friday	Saturday	Friday Premium %	Saturday Permium %
Mohegan Sun	\$90 - \$110	\$145 - \$170	\$170 - \$210	58%	90%
Mount Airy	\$130 - \$160	\$200 - \$250	\$340 - \$350	55%	138%
Sands Bethlehem	\$150 - \$160	\$170 - \$190	\$250 - \$310	16%	81%
Note: Room rates reflect standard rack room rates.					



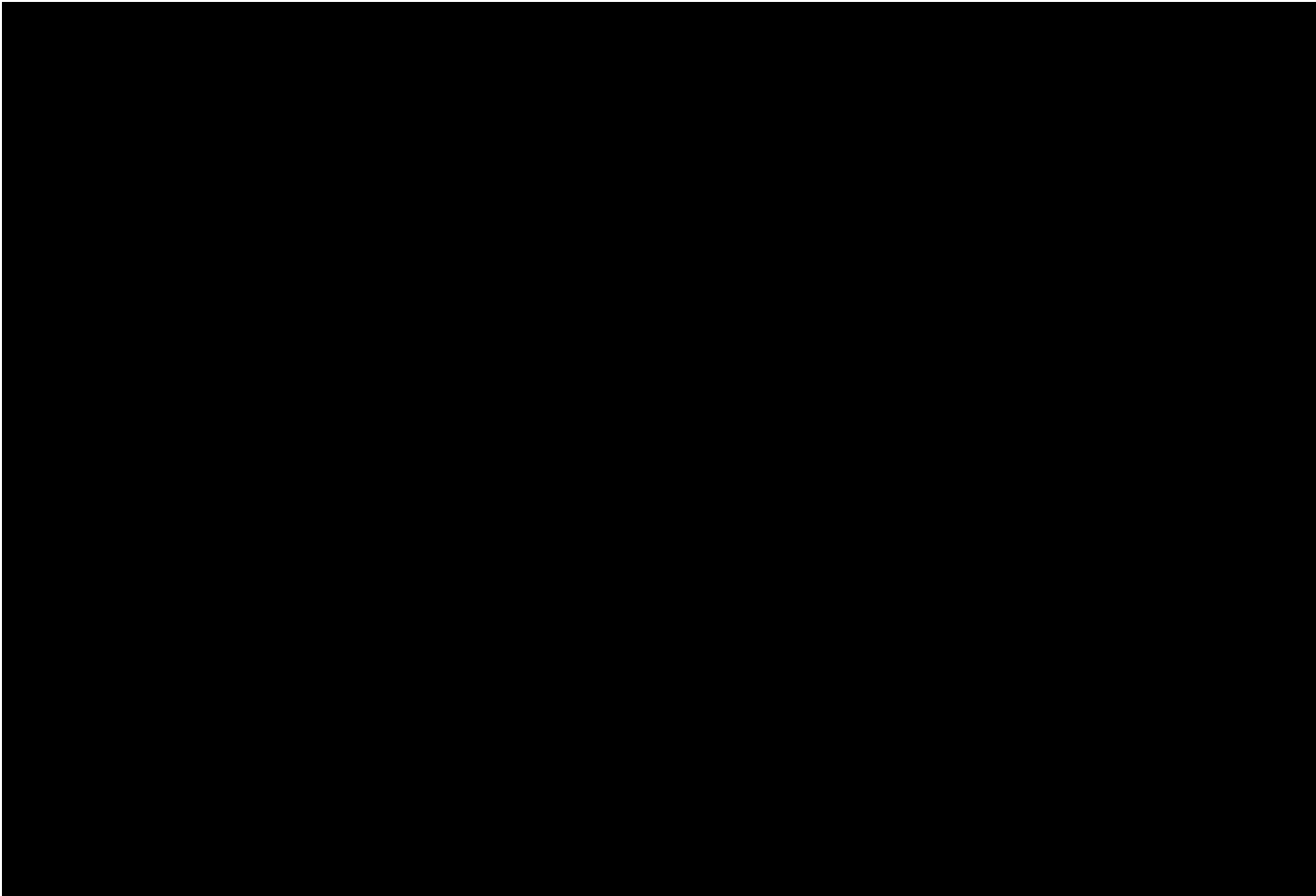












## Disclaimer

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Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

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