
Gaming Market Analysis: Traditions at the Glen Johnson City, New York

Prepared for:
Walsh and Sons Construction

January 2014



Prepared by:
THE INNOVATION GROUP
7852 S. Elati Street, Suite 100
Littleton, CO 80120

Table of Contents

| | |
|--|-----------|
| INTRODUCTION..... | 1 |
| ECONOMIC AND DEMOGRAPHIC ANALYSIS | 2 |
| MARKET AREA POPULATION AND INCOME | 2 |
| EMPLOYMENT | 7 |
| <i>Regional Labor Force</i> | 7 |
| COMPETITIVE ENVIRONMENT..... | 9 |
| NEW YORK | 11 |
| PENNSYLVANIA..... | 14 |
| GAMING MARKET ANALYSIS..... | 16 |
| METHODOLOGY | 16 |
| MODEL CALIBRATION..... | 19 |
| 2016 PROJECTIONS | 21 |
| PENNSYLVANIA VISITATION ANALYSIS | 22 |
| IMPACT OF HOTEL ON GAMING REVENUES | 25 |
| NON-CASINO HOTEL GAMING REVENUES | 26 |
| TRAFFIC INTERCEPT | 26 |
| TRADITIONS GAMING SUMMARY AND FIVE-YEAR FORECAST | 27 |
| AMENITY ANALYSIS..... | 29 |
| INTRODUCTION | 29 |
| METHODOLOGY | 29 |
| HOTEL..... | 30 |
| <i>Occupancy</i> | 30 |
| <i>Revenue from Hotel Operations</i> | 30 |
| FOOD AND BEVERAGE METHODOLOGY | 31 |
| FOOD AND BEVERAGE OUTLETS | 31 |
| <i>Gourmet Steak</i> | 32 |
| <i>24-Hour Café</i> | 32 |
| <i>Sports Bar</i> | 33 |
| <i>Buffet</i> | 33 |
| <i>QSR (Food Court)</i> | 33 |
| RETAIL..... | 33 |
| PRO FORMA ASSUMPTIONS | 34 |
| <i>Revenues</i> | 34 |
| <i>Expenses</i> | 34 |
| <i>Traditions Ten Year Forecast</i> | 34 |
| DISCLAIMER..... | 36 |

INTRODUCTION

The following gaming market and amenity assessment reviews the potential gaming, hotel and other amenity revenues to be generated by the development of a casino facility at the “Traditions on the Glen” resort located in Johnson City, New York near Binghamton, for New York State’s Central-Southern Tier Permit. This report evaluates the potential market position and makes projections for visits and revenues based on the program developed within this report and the expected competitive environment in the region.

Traditions at the Glen: Proposed Development Site



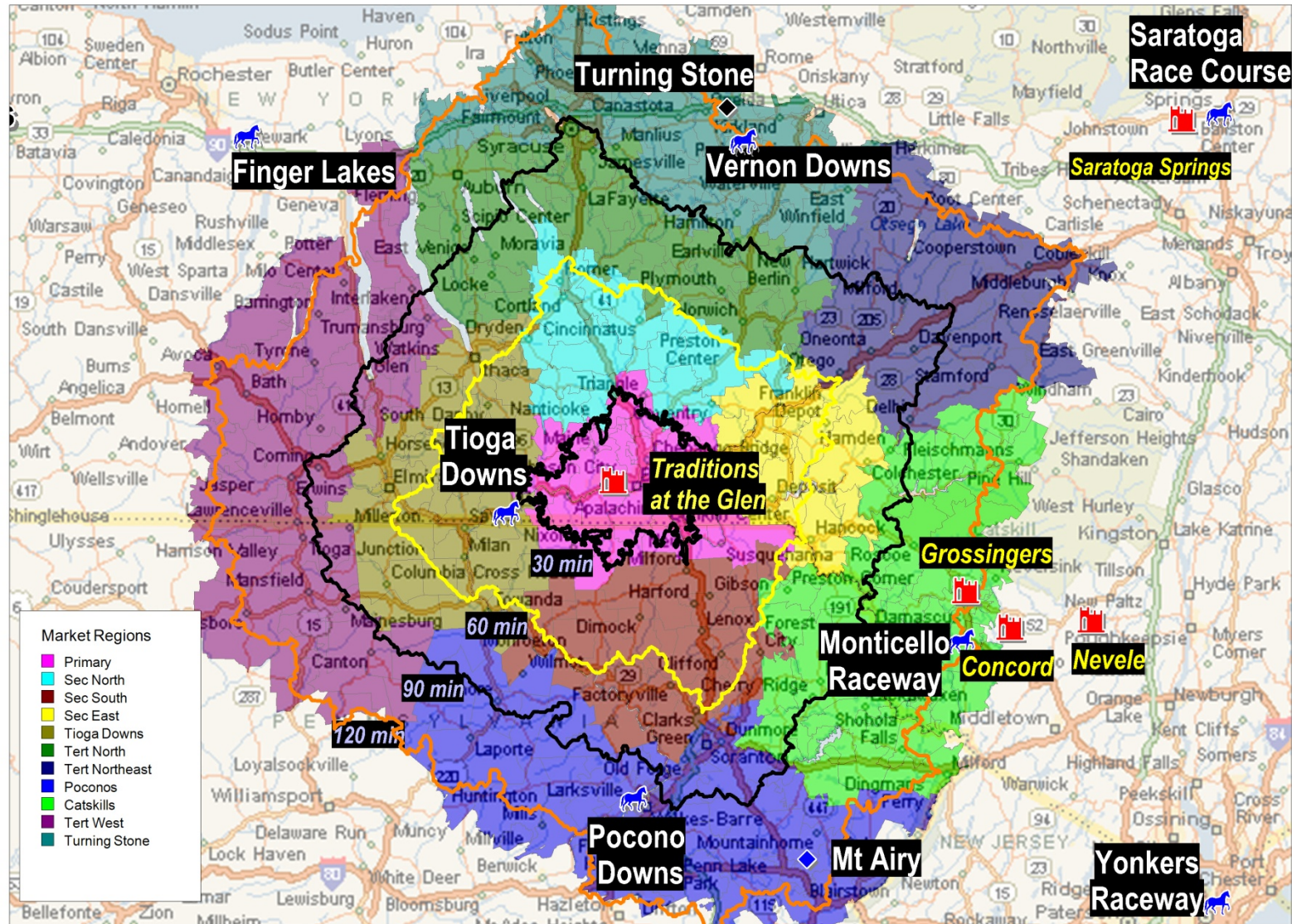
ECONOMIC AND DEMOGRAPHIC ANALYSIS

An area's economic health and growth potential is indicative of its ability to support the local lodging and gaming markets. In this section, population and average annual household income (AAHI) by market area is analyzed. Also employment at the local, state, and national level is addressed.

Market Area Population and Income

For the purpose of the gaming market assessment, the Binghamton market has been carved into 11 distinct market areas, from which it could be expected that different participation rates may be expected depending on the level and location of competition that is present in the market currently and in the future. The following map and table show the market areas and their respective adult population (21 and over) and average household income.

Traditions at the Glen Market Regions with Competitive Sites



The gaming-age population (21 and over) in the Binghamton market area is projected to grow by 0.17% annually through 2018, well below the national average (A.A.G: Average Annual Growth). The gamer population in the Primary market area and three other market areas is forecast to decline. Average household income (A.H.I) is generally below the national average, although the forecasted rate of growth is higher than the national rate.

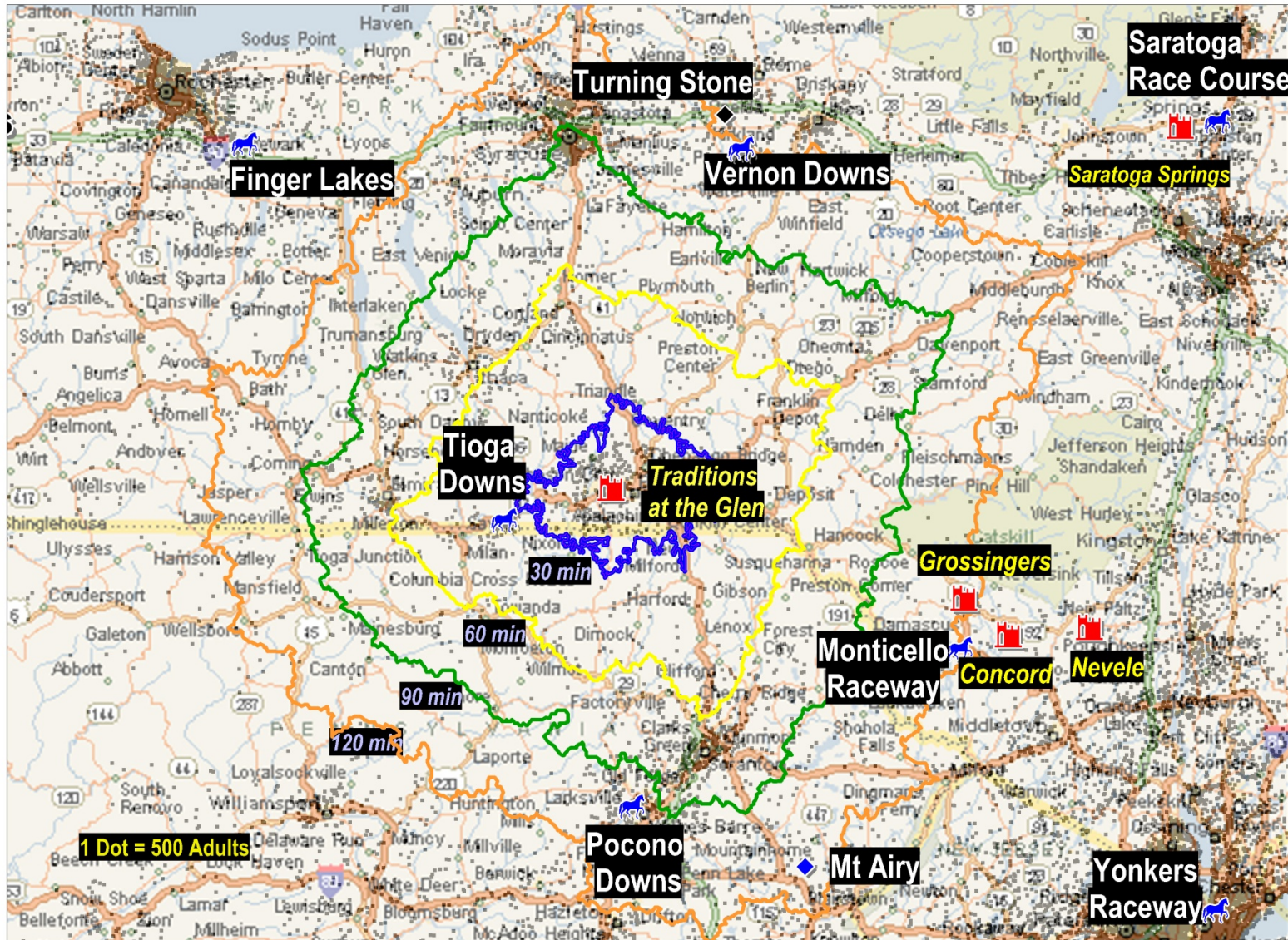
Binghamton Market Area Demographics

| | Gamer Pop* | Gamer Pop* | AAG | AAHI | AAHI | AAG |
|--------------------|------------------|------------------|-------------|---------------|---------------|-------------|
| | 2013 | 2018 | 2013-18 | 2013 | 2018 | 2013-18 |
| Primary | 173,595 | 171,789 | -0.2% | 61,095 | 65,531 | 1.4% |
| Secondary North | 52,652 | 53,528 | 0.3% | 57,779 | 61,755 | 1.3% |
| Secondary South | 93,520 | 94,552 | 0.2% | 66,258 | 72,141 | 1.7% |
| Secondary East | 25,819 | 25,247 | -0.5% | 52,103 | 53,592 | 0.6% |
| Tioga Downs | 168,307 | 170,054 | 0.2% | 61,040 | 68,342 | 2.3% |
| Tertiary North | 229,813 | 231,693 | 0.2% | 63,148 | 68,815 | 1.7% |
| Tertiary Northeast | 72,236 | 72,060 | -0.1% | 58,642 | 63,556 | 1.6% |
| Poconos | 453,763 | 460,383 | 0.3% | 59,967 | 64,490 | 1.5% |
| Catskills | 110,542 | 110,286 | -0.1% | 62,111 | 65,509 | 1.1% |
| Tertiary West | 144,563 | 147,140 | 0.4% | 57,962 | 61,433 | 1.2% |
| Turning Stone | 367,524 | 371,620 | 0.2% | 67,960 | 74,264 | 1.8% |
| Average | 1,892,334 | 1,908,352 | 0.2% | 62,169 | 67,302 | 1.6% |
| National | 226,454,062 | 235,471,232 | 0.8% | 69,637 | 71,917 | 0.7% |

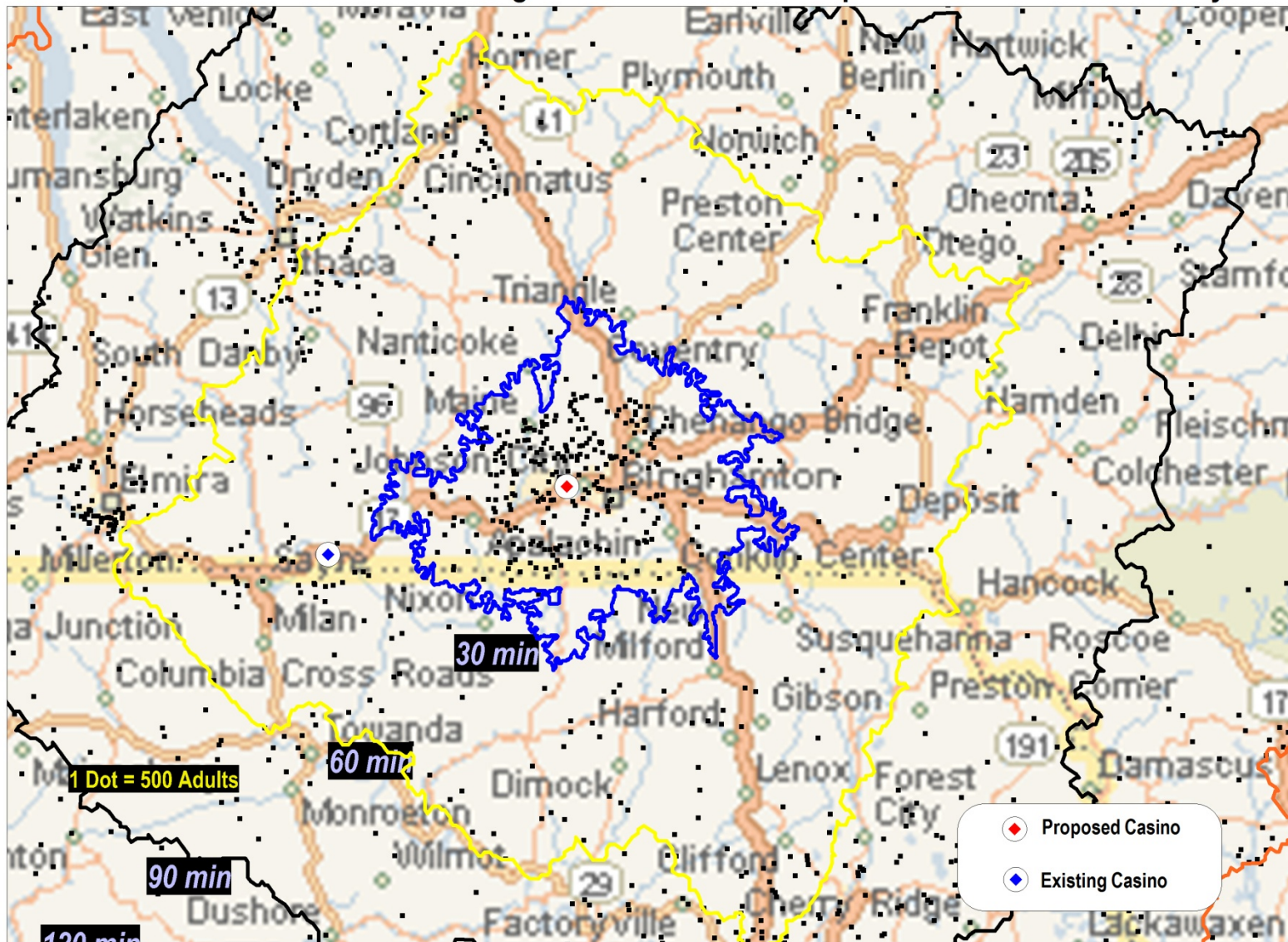
Source: IXPRESS/Nielsen Claritas, The Innovation Group; *21 and over

The following maps show the population density in the broad region as well as a close up of the 60-minute area. As the second map shows, the Binghamton-Johnson City metropolitan area is the largest population base in the 60-minute region, with smaller population clusters in Elmira, Ithaca, and Cortland.

Traditions at the Glen Drive Time Regions with 2013 Adult Population 21 and Over Density



Traditions at the Glen Drive Time Regions with 2013 Adult Population 21 and Over Density



Employment

Employment is a significant if not the single-most significant factor in terms of gaming revenue declines during the recession; therefore it is useful to look at recent month-over-month trends to see if local and state employment has started to stabilize.

The unemployment rate is useful in comparing a state with the national average. However, a declining unemployment rate can result from workers dropping out of the labor force altogether, so it does not necessarily equal economic recovery. Employment is the better measure of recovery.

Regional Labor Force

The recession hit distinct geographic areas at different times, and recovery has not been consistent in terms of scope or timing. In New York and Binghamton, the recession began in August 2008, six months after it began at the national level. The table below compares employment trends at the national, state, and regional level. Although the state fared better than the national average, the recession hit Binghamton harder, with a decline in employment of 7.36%. Employment in Binghamton began to climb in November 2012, reaching 108,200 in February 2013. However, it has declined again and stood at 107,000 in June 2013.

Impact of Recession: Regional vs. National Seasonally Adjusted Employment (000s)

| | National | Binghamton, NY | New York |
|-----------------------------|----------|----------------|----------|
| Pre-recession | 138,023 | 115.5 | 8,824 |
| Trough | 129,244 | 107.0 | 8,498 |
| % decline | 0 | -0.1 | 0 |
| Current* | 135,964 | 107.0 | 8,889 |
| % change over pre-recession | 0 | -0.1 | 0 |
| % change since trough | 0 | 0.0 | 0 |

Source: Bureau of Labor Statistics, CES series, The Innovation Group; Current Data is for June 2013

Below is an in-depth table addressing the average unemployment statistics for the Binghamton MSA and New York as a whole. Binghamton has unemployment only 0.5% higher than that of New York that is currently resting at 8%. These are slightly higher unemployment rates compared to the national average of 7.3%; historically New York and Binghamton have followed the national unemployment rates.

Average Annual Unemployment Statistics (Not Seasonally Adjusted)

| Area | Year | Civilian labor force | Employment | Unemployment | Unemployment Rate (%) |
|--------------------|-------|----------------------|------------|--------------|-----------------------|
| New York | 2006 | 9,499,872 | 9,062,464 | 437,408 | 4.6% |
| | 2007 | 9,532,054 | 9,097,751 | 434,303 | 4.6% |
| | 2008 | 9,629,239 | 9,111,277 | 517,962 | 5.4% |
| | 2009 | 9,637,810 | 8,832,592 | 805,218 | 8.4% |
| | 2010 | 9,588,594 | 8,760,743 | 827,851 | 8.6% |
| | 2011 | 9,528,250 | 8,740,642 | 787,608 | 8.3% |
| | 2012 | 9,587,184 | 8,772,539 | 814,645 | 8.5% |
| | 2013* | 9,593,296 | 8,825,130 | 768,166 | 8.0% |
| Binghamton, NY MSA | 2006 | 123,200 | 117,468 | 5,732 | 4.7% |
| | 2007 | 123,148 | 117,508 | 5,640 | 4.6% |
| | 2008 | 124,077 | 117,233 | 6,844 | 5.5% |
| | 2009 | 123,370 | 113,191 | 10,179 | 8.3% |
| | 2010 | 121,293 | 110,600 | 10,693 | 8.8% |
| | 2011 | 118,411 | 108,326 | 10,085 | 8.5% |
| | 2012 | 117,147 | 106,889 | 10,258 | 8.8% |
| | 2013* | 116,189 | 106,355 | 9,834 | 8.5% |

Source: Bureau of Labor Statistics, CPS series, The Innovation Group; *data through July 2013

COMPETITIVE ENVIRONMENT

The major existing competitors include Turning Stone, and the local New York racinos which includes Vernon Downs, Monticello, Pocono Downs, Tioga Downs, Finger Lakes, and Saratoga Springs. Tioga Downs is the closest to Johnson City, approximately 35 minutes to the west on Highway 17. Monticello is located approximately 2 hours to the south east of the proposed development site. Turning Stone and Vernon Downs are located north about 2 hours. Finger Lakes is more than 2 hours northwest of the proposed site, while the Pennsylvania properties, Pocono Downs and Mt. Airy, are 1.5 hours and 2 hours to the south, respectively.

The following table presents all of the existing competitive casinos in the immediate Johnson City market area:

Existing Competitive Casinos

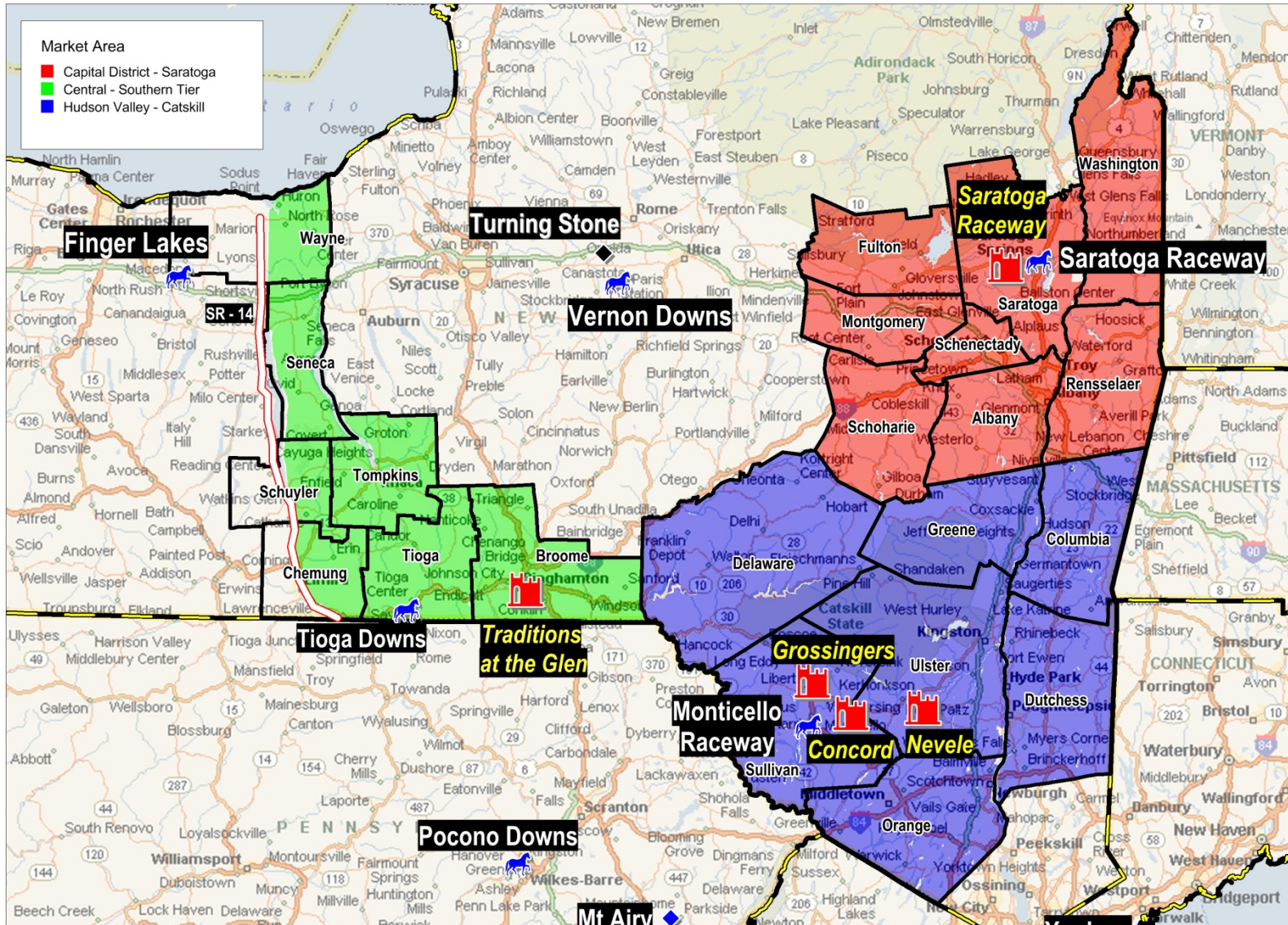
| Location | Name | Machines | Tables | Positions |
|----------------------|---------------------------------|---------------|------------|---------------|
| Monticello, NY | Mighty M Gaming | 1,110 | 0 | 1,110 |
| Nichols, NY | Tioga Downs | 800 | 0 | 800 |
| Saratoga Springs, NY | Saratoga Gaming and Raceway | 1,782 | 0 | 1,782 |
| Vernon, NY | Turning Stone Casino | 2,162 | 117 | 2,864 |
| Vernon, NY | Vernon Downs Casino & Hotel | 767 | 0 | 767 |
| Farmington, NY | Finger Lakes Casino & Racetrack | 1,200 | 0 | 12,576 |
| Wilkes-Barre, PA | Mohegan Sun at Poconos Downs | 2,332 | 84 | 2,836 |
| Mount Pocono, PA | Mt. Airy Resort | 1,985 | 72 | 2,417 |
| Total | | 12,138 | 273 | 25,152 |

Source: The Innovation Group, Various Gaming Boards and Commissions, CasinoCity.com

The state Legislature has passed legislation allowing a referendum on a constitutional amendment to legalize up to four commercial Class III casinos in upstate New York, followed by additional casinos in the New York City area after a period of seven years. For the purposes of this analysis, Class III casino locations were assumed for Traditions at the Glen, the Nevele, the Concord, and Saratoga Springs. In addition, the legislation allows for two 1,000-machine facilities in Nassau and Suffolk counties (one facility per county).

The following map shows the three regions that are to be awarded a total of four gaming licenses. Existing racetracks are eligible to bid for the Class III licenses but the legislation does not provide the racetracks any special advantage. The map shows sites that are known to have been proposed for casino development. Other competing sites may emerge.

Upstate New York Economic Development Act Destination Gaming Regions



New York

Monticello Raceway

The Monticello Gaming and Raceway originally opened in June 1958 featuring the “Mighty M” half mile track featuring standard bred horse races. The casino portion opened in June 2004 featuring 1,700 video lottery terminals. Empire Resorts has proposed to relocate the operation to the Concord Hotel and Resort in Monticello as a Class III casino which is assumed in this analysis to be operational within the same time period as the Nevele.

Monticello Raceway Historical Gaming Revenues

| | Gaming Revenue | Change | Machines | Change | Win per Position | Change |
|----------|----------------|--------|----------|--------|------------------|--------|
| 2005 | \$68,058,989 | | 1,693 | | \$110 | |
| 2006 | \$76,510,346 | 12.4% | 1,580 | -6.7% | \$133 | 20.5% |
| 2007 | \$64,290,240 | -16.0% | 1,587 | 0.4% | \$111 | -16.3% |
| 2008 | \$58,109,181 | -9.6% | 1,587 | 0.0% | \$100 | -9.6% |
| 2009 | \$53,751,367 | -7.5% | 1,401 | -11.7% | \$105 | 4.8% |
| 2010 | \$57,394,484 | 6.8% | 1,089 | -22.3% | \$144 | 37.3% |
| 2011 | \$60,918,062 | 6.1% | 1,110 | 1.9% | \$150 | 4.2% |
| 2012 | \$63,873,596 | 4.9% | 1,110 | 0.0% | \$158 | 4.9% |
| LTM 2012 | \$63,309,086 | | 1,110 | | \$156 | |
| LTM 2013 | \$63,447,410 | 0.2% | 1,110 | 0.0% | \$157 | 0.2% |
| 2013* | \$31,114,090 | | 1,110 | | \$155 | |

Source: New York Lottery; *revenues through June 2013

Tioga Downs

Tioga Downs is located in Nichols, New York and originally opened in 1976. The county fair themed racetrack closed after its third season of operations and reopened in June 2006 featuring approximately 800 video lottery terminals. The property now features 800 video lottery terminals.

Tioga Downs Historical Gaming Revenues

| | Gaming Revenue | Change | Machines | Change | Win per Position | Change |
|----------|----------------|--------|----------|--------|------------------|--------|
| 2006 | \$20,869,261 | | 750 | | \$152 | |
| 2007 | \$41,433,974 | 98.5% | 750 | 0.0% | \$151 | -0.5% |
| 2008 | \$47,240,210 | 14.0% | 751 | 0.2% | \$172 | 13.8% |
| 2009 | \$49,352,263 | 4.5% | 771 | 2.6% | \$175 | 1.9% |
| 2010 | \$53,036,886 | 7.5% | 782 | 1.5% | \$186 | 5.8% |
| 2011 | \$56,989,100 | 7.5% | 802 | 2.4% | \$195 | 4.9% |
| 2012 | \$61,701,011 | 8.3% | 802 | 0.1% | \$211 | 8.2% |
| LTM 2012 | \$61,103,852 | | 801 | | \$209 | |
| LTM 2013 | \$60,745,079 | -0.6% | 802 | 0.1% | \$208 | -0.7% |
| 2013* | \$31,044,987 | | 802 | | \$214 | |

Source: New York Lottery; *revenues through June 2013

Saratoga Springs

Saratoga Gaming and Raceway is a ½-mile standard bred harness racing dirt track located in Saratoga Springs, New York, just across Nelson Avenue from Saratoga Race Course which hosts thoroughbred racing each August. Saratoga Raceway aka The Saratoga Equine Sports Center – otherwise known as the Saratoga Gaming and Raceway – was opened in 1941 as a facility for American harness racing and was the third racetrack in the State of New York to feature pari-mutuel wagering. The casino opened in January 2004 featuring approximately 1,300 video lottery terminals. The casino now features over 1,780 video lottery terminals. For the purpose of this analysis it is assumed that the racino will be replaced by a Class III casino.

Saratoga Springs Historical Gaming Revenues

| | Gaming Revenue | Change | Machines | Change | Win per Position | Change |
|----------|----------------|--------|----------|--------|------------------|--------|
| 2005 | \$103,569,578 | | 1,324 | | \$214 | |
| 2006 | \$119,318,771 | 15.2% | 1,326 | 0.2% | \$246 | 15.0% |
| 2007 | \$129,784,671 | 8.8% | 1,593 | 20.1% | \$223 | -9.4% |
| 2008 | \$134,373,560 | 3.5% | 1,770 | 11.1% | \$208 | -6.8% |
| 2009 | \$136,038,290 | 1.2% | 1,770 | 0.0% | \$211 | 1.2% |
| 2010 | \$139,721,687 | 2.7% | 1,775 | 0.3% | \$216 | 2.4% |
| 2011 | \$150,420,830 | 7.7% | 1,782 | 0.3% | \$231 | 7.3% |
| 2012 | \$159,751,975 | 6.2% | 1,780 | -0.1% | \$246 | 6.3% |
| LTM 2012 | \$158,455,700 | | 1,776 | | \$244 | |
| LTM 2013 | \$159,526,579 | 0.7% | 1,782 | 0.3% | \$245 | 0.4% |
| 2013* | \$80,077,523 | | 1,780 | | \$249 | |

Source: New York Lottery; *revenues through June 2013

Turning Stone Resort and Casino

Turning Stone Casino is located in Verona, New York approximately 105 miles north of the proposed site along Interstate 90. Opening in 1993, it is owned and operated by the Oneida Indian Nation. The facility offers a golf course and indoor golf dome, RV Park, arcade,

confectionary shop, and 13 dining options that range from high end steak houses to quick 24-hour dining venues Turning Stone offers over 2,400 class III slots and approximately 115 table games. Since Turning Stone is operated by an Indian Tribe they do not have to report gaming revenues publically.

Vernon Downs Casino and Hotel

Vernon Downs is located in Vernon, New York approximately 110 miles north of the proposed Traditions at the Glen site. It is in close proximity to the Turning Stone Resort and Casino. The property opened in 1953 as a racetrack features harness racing, and after suffering through financial difficulties was purchased out of bankruptcy in 2006. The facility features an adjoining hotel and eight dining options. The casino has 767 video lottery terminals.

Vernon Downs Historical Gaming Revenues

| | Gaming Revenue | Change | Machines | Change | Win per Position | Change |
|----------|----------------|--------|----------|--------|------------------|--------|
| 2006 | \$7,193,457 | | 777 | | \$130 | |
| 2007 | \$32,054,785 | 345.6% | 767 | -1.3% | \$115 | -12.2% |
| 2008 | \$37,259,520 | 16.2% | 761 | -0.8% | \$134 | 17.1% |
| 2009 | \$37,149,183 | -0.3% | 761 | 0.0% | \$134 | -0.3% |
| 2010 | \$41,279,444 | 11.1% | 761 | 0.0% | \$149 | 11.1% |
| 2011 | \$42,337,320 | 2.6% | 764 | 0.3% | \$152 | 2.2% |
| 2012 | \$43,684,082 | 3.2% | 767 | 0.5% | \$156 | 2.7% |
| LTM 2012 | \$43,414,901 | | 767 | | \$155 | |
| LTM 2013 | \$44,102,741 | 1.6% | 767 | 0.0% | \$158 | 1.6% |
| 2013* | \$21,961,790 | | 767 | | \$158 | |

Source: New York Lottery; *revenues through June 2013

Finger Lakes Casino and Racetrack

Finger Lakes casino is located in Farmington, New York in the western portion of New York. It opened in 1962 as a thoroughbred horse track and in 2004 Finger Lakes opened a casino as part of \$10.5 million renovation and introduced gaming in 2005. It is the home to the New York Derby, a 1 1/16 mile race for three year old horses bred in the state of New York. Currently the casino offers more than six dining options and nearly 1,200 video lottery terminals.

Finger Lakes Casino Historical Gaming Revenues

| | Gaming Revenue | Change | Machines | Change | Win per Position | Change |
|----------|----------------|--------|----------|--------|------------------|--------|
| 2005 | \$71,030,754 | | 1,010 | | \$193 | |
| 2006 | \$86,612,598 | 21.9% | 1,048 | 3.8% | \$226 | 17.5% |
| 2007 | \$93,213,533 | 7.6% | 1,199 | 14.4% | \$213 | -6.0% |
| 2008 | \$101,370,718 | 8.8% | 1,199 | -0.1% | \$232 | 8.8% |
| 2009 | \$111,066,222 | 9.6% | 1,199 | 0.0% | \$254 | 9.6% |
| 2010 | \$115,743,471 | 4.2% | 1,199 | 0.0% | \$264 | 4.2% |
| 2011 | \$122,007,879 | 5.4% | 1,195 | -0.3% | \$280 | 5.8% |
| 2012 | \$129,612,318 | 6.2% | 1,192 | -0.2% | \$298 | 6.5% |
| LTM 2012 | \$127,229,869 | | 1,191 | | \$293 | |
| LTM 2013 | \$130,431,740 | 2.5% | 1,196 | 0.4% | \$299 | 2.1% |
| 2013* | \$66,933,982 | | 1,201 | | \$308 | |

Source: New York Lottery; *revenues through June 2013

Pennsylvania

The Johnson City market will also be impacted by casinos at racetracks and land-based facilities in Pennsylvania. The legislation allowed up to 5,000 gaming devices. Locations that will likely affect gaming in the Johnson City area in the north eastern portion of Pennsylvania and include Mohegan Sun's Pocono Downs in Wilkes Barre and the Mt. Airy Resort in the Poconos.

Mohegan Sun at Poconos Downs

The Mohegan Sun at Poconos Downs was the first casino to open in Pennsylvania. The Mohegan Sun Casino is located at the Poconos Downs in Wilkes-Barre, Pennsylvania. The temporary casino opened in November 2006. The property completed their Project Sunrise expansion in July 2008 featuring a 300-seat buffet, a food court featuring national outlets like Wolfgang Puck, Johnny Rockets, and Bar Louie. The property also features a Ruth's Chris Steakhouse, and major retailers such as Brookstone. It currently has 2,300 slot machines and 84 table games.

During the summer of 2012, the Mohegan Sun broke ground on a \$55 million hotel and convention center expansion which is scheduled to open November 30, 2013. The expansion includes a seven story 238-room hotel and a 20,000-sq.-ft. convention center that can accommodate banquets of up to 800 people and concert seating for as many as 1,500 people.

Mohegan Sun Historical Gaming Revenue

| | Gaming Revenue | Change | Machines | Change | Win per Position | Change |
|----------|----------------|--------|----------|--------|------------------|--------|
| 2006 | \$21,655,033 | | 1,099 | | \$379 | |
| 2007 | \$175,503,593 | 710.5% | 1,170 | 6.5% | \$411 | 8.4% |
| 2008 | \$185,583,564 | 5.7% | 1,798 | 53.7% | \$283 | -31.2% |
| 2009 | \$220,808,247 | 19.0% | 2,466 | 37.1% | \$245 | -13.2% |
| 2010 | \$243,216,305 | 10.1% | 2,820 | 14.3% | \$236 | -3.7% |
| 2011 | \$274,835,909 | 13.0% | 2,860 | 1.4% | \$263 | 11.4% |
| 2012 | \$274,923,844 | 0.0% | 2,836 | -0.8% | \$266 | 0.9% |
| LTM 2012 | \$281,395,522 | | 2,835 | | \$272 | |
| LTM 2013 | \$265,869,783 | -5.5% | 2,836 | 0.0% | \$257 | -5.5% |
| 2013* | \$155,917,628 | | 2,836 | | \$259 | |

Source: Pennsylvania Gaming Control Board; *revenues through July 2013

Mt. Airy Casino Resort

The Mount Airy Casino Resort is located in Mount Pocono, Pennsylvania on the site of the former Mount Airy Lodge. The original lodge was constructed in 1898 and featured 8 rooms. The property was redeveloped in the 1950s as the Poconos' largest resort with over 890 rooms and featuring national acts such as Bob Hope, Milton Berle, and Tony Bennett. The resort was completely demolished and replaced in November 2007 with a \$412 million casino resort complex featuring 188-rooms. The casino currently hosts approximately 2,000 slots and 72 table games. The casino is one of five Category 2 (non-racino) gaming licenses.

Mt. Airy Casino Historical Gaming Revenues

| | Gaming Revenue | Change | Positions | Change | Win per Position | Change |
|----------|----------------|--------|-----------|--------|------------------|--------|
| 2007 | \$25,745,832 | | 2,524 | | \$140 | |
| 2008 | \$176,389,714 | 585.1% | 2,521 | -0.1% | \$192 | 37.2% |
| 2009 | \$164,634,128 | -6.7% | 2,506 | -0.6% | \$180 | -6.1% |
| 2010 | \$163,278,042 | -0.8% | 2,865 | 14.3% | \$156 | -13.3% |
| 2011 | \$185,383,967 | 13.5% | 2,733 | -4.6% | \$186 | 19.0% |
| 2012 | \$189,513,113 | 2.2% | 2,507 | -8.3% | \$207 | 11.4% |
| LTM 2012 | \$188,641,836 | | 2,578 | | \$200 | |
| LTM 2013 | \$185,386,672 | -1.7% | 2,446 | -5.1% | \$208 | 3.6% |
| 2013* | \$107,774,214 | | 2,403 | | \$212 | |

Source: Pennsylvania Gaming Control Board; *revenues through July 2013

GAMING MARKET ANALYSIS

Methodology

In developing this analysis a gravity model was employed. Gravity models are commonly used in location studies for commercial developments, public facilities and residential developments. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of a population based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet and inversely related to the square of the travel distance. Thus the gravity model quantifies the effect of distance on the behavior of a potential patron, and considers the impact of competing venues.

The basic formulation is that the interaction between two or more gaming venues is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their masses and inversely as the square distance between them. Thus, expected interaction between gaming venue *i* and market area *j* is shown as:

$$k \times \frac{P_i \times P_j}{d_{ij}^2}$$

where P_i = the gaming positions in gaming venue *i*, P_j = the population in market area *j*, d_{ij} = the distance between them, and k = an attraction factor relating to the quality and amenities to be found at each gaming venue in comparison to the competing set of venues. When this formulation is applied to each gaming venue gaming trips generated from any given zip code are then distributed among all the competing venues.

The gravity model included the identification of 11 discrete market areas based on drive times and other geographic features and the competitive environment. Using our GIS software and CLARITAS database¹, the adult population (21 and over), latitude and longitude, and average household income is collected for each zip code.

Each of these market areas is assigned a unique set of propensity and frequency factors. Gamer visits are then generated from zip codes within each of the areas based on these factors. The gamer visits thus generated are then distributed among the competitors based upon the size of each facility, its attractiveness and the relative distance from the zip code in question. The

¹The GIS software used was MapInfo. This software allows for custom data generally in a tabular format with a geographic identification code (census tract, zip code, latitude and longitude, or similar identifier) to be mapped or displayed and integrated with other geographic census based information such as location of specific population or roadways. MapInfo is one of the most widely used programs in the geographic information systems industry. Nielsen Claritas is a vendor of demographic information located in the United States. Nielsen Claritas provides census demographic and psychographic data on a variety of geographic levels of detail ranging from census block groups and counties to postal zip codes. Their information is updated every six months and includes a current year estimate and provides a five year forecast for the future. The Innovation Group has utilized this data for inputs to its models for the last six years and has purchased full access to their demographic database for the entire United States.

gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market.

Each travel distance/time is evaluated to determine the likely alternative gaming choices for residents of the region. The model is constructed to include only those alternative venues that are considered to be within a reasonable travel time. These include competing casinos that have the potential to attract patrons, or siphon off visits from the market. Travel distances and time have been developed through use of our GIS system.

The following section provides a description and definition of the various components of the model.

Gamer Visits

This measure is used to specify the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. In order to estimate the gamer visits, market penetration rates, made up of the separate measures of propensity and frequency, are applied to the adult population in each zip code. A gamer visit can include more than one visit to a casino.

Propensity

Propensity measures the percentage of adults who will participate in casino gaming within the zip code. This varies based upon a number of factors, which includes the number of gaming venues, their type (i.e. land based versus cruising riverboat versus dockside riverboat), games permitted, availability of other entertainment and leisure options, and most importantly distance from a gaming venue. Propensity in the inner market areas from 0-50 miles can vary between the high thirty per cent range in a single cruising riverboat market to the fifty percent range, or more, for multiple land based casinos with a well developed array of amenities.

Frequency

This measures the average number of visits that an adult will make annually to casinos in the subject market. Frequency is a function of annual gaming budget as indicated by income variations, the number of venues in the market, the type of gaming facility and most importantly distance from a gaming venue.

MPI (Market Potential Index)

Propensity also varies as a function of each market's average market potential index (MPI) score. MPI scores are generated by Simmons Survey, a respected consumer research firm that conducts a nationwide survey of consumer behavior, including propensity to gamble at a casino. This score is an indication of the degree of likelihood that a person will participate in gaming based upon their lifestyle type. The MPI score inflates or discounts the participation rate of each zip code. For example, if a market area has an overall participation rate of 4.0 (propensity of 40% times frequency of 10), an MPI score of 120 for a particular zip code would effectively inflate the participation rate of that zip code to 4.8 (4.0 times 120%). The overall MPI score for the market area is a weighted average of all the zip codes within the area.

Win per Visit

Win per visit varies not only by gaming jurisdiction, but also in some cases by individual facilities. Normatively, win per visit is a function of distance and income. Gamers traveling greater distances tend to spend more per visit, typically making fewer gamer visits on average.

Attraction Factors

Attraction factors measure the relative attraction of one gaming venue in relation to others in the market. Attraction factors are applied to the size of the gaming venue as measured by the number of positions it has in the market. Positions are defined as the number of gaming machines plus the number of seats at gaming tables. A normative attraction factor would be one. When this is applied to the number of positions in a gaming venue there is no change in the size of the gaming venue as calculated by the model and hence its attraction to potential patrons. A value of less than one adjusts the size of the gaming venue downwards and conversely a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attraction factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality and amenities of a facility. Attraction factors are also adjusted to model the presence of natural and man-made boundaries which impact ease of access and convenience of travel in the market area.

The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication. For example, a doubling of the attraction factor will not lead to a doubling of the gamer visits attracted to the site. It will however cause a doubling of the attractive power of the gaming venue, which is then translated via non-linear equations into an increase in the number of gamer visits attracted to the gaming venue. This is based upon the location, size and number of competing gaming venues and their relationship to the market area to which the equation is applied. The variation of these factors is based upon The Innovation Group's experience in developing and applying these models, and consideration of the existing visitation and revenues. The latter represents the calibration of the model and has been accomplished by adjusting attraction factors to force the model to recreate the existing revenues and patron counts. In this case attraction factors have been adjusted for each casino for each market area. This is based upon known visitation patterns.

Model Calibration

The gravity model was calibrated for FY 2013 (through June) using operating data as described above. The existing competitive casino's slot and table counts as well as non-gaming amenities were factored into the model. Properties with hotel rooms and other non-gaming amenities were assigned higher attraction values than standalone casinos.

The following table shows the rates for propensity, frequency, and win per visit by market area that were used to re-create the actual conditions in the Base 2013 model. Win has been varied based on differences between market areas in average household income and travel time.

| Participation Rates Base 2013 | | | | |
|--------------------------------------|------------|-----------|-----------|-----------|
| | Propensity | Frequency | MPI Score | WPV Input |
| Primary | 36.0% | 12.0 | 96 | \$72.00 |
| Secondary North | 33.0% | 9.6 | 86 | \$72.85 |
| Secondary South | 33.0% | 9.6 | 93 | \$78.04 |
| Secondary East | 33.0% | 9.6 | 84 | \$69.37 |
| Tioga Downs | 34.0% | 13.0 | 90 | \$70.77 |
| Tertiary North | 30.3% | 8.7 | 94 | \$77.30 |
| Tertiary Northeast | 30.3% | 8.7 | 86 | \$74.49 |
| Poconos | 40.0% | 15.0 | 99 | \$67.77 |
| Catskills | 37.5% | 13.0 | 86 | \$71.39 |
| Tertiary West | 30.3% | 8.7 | 85 | \$74.07 |
| Turning Stone | 40.0% | 15.0 | 100 | \$72.24 |

Source: The Innovation Group

WPV is further adjusted by facility depending upon the level of hotel and other amenity development. Machine-only casinos and locals-oriented casinos without hotels tend to have lower WPV full Class III resorts. The following table shows gravity model gaming visits and revenues for the base calibration. These revenues reflect the total potential gaming revenue from the defined market area in FY 2013.

Gravity Model Calibration Base 2013: Total Market

| | Gamer Visits | Average WPV Output | Gaming Revenue (MMs) |
|--------------------|------------------|--------------------|----------------------|
| Primary | 717,702 | \$75.65 | \$54.3 |
| Secondary North | 143,603 | \$77.94 | \$11.2 |
| Secondary South | 275,594 | \$84.97 | \$23.4 |
| Secondary East | 68,477 | \$74.16 | \$5.1 |
| Tioga Downs | 669,382 | \$73.62 | \$49.3 |
| Tertiary North | 568,516 | \$83.25 | \$47.3 |
| Tertiary Northeast | 162,196 | \$79.53 | \$12.9 |
| Poconos | 2,692,825 | \$74.38 | \$200.3 |
| Catskills | 465,582 | \$75.72 | \$35.3 |
| Tertiary West | 321,663 | \$77.85 | \$25.0 |
| Turning Stone | 2,205,886 | \$78.30 | \$172.7 |
| Total | 8,291,426 | \$76.80 | \$636.8 |

Source: The Innovation Group

The next step in the analysis is to create a future base model for 2016 before introducing new developments as described above in the Competitive Environment section. For modeling purposes, 2016 is estimated to be the first full year of stabilized operation but the second year of operation to account for the ramp up period between the first and second years of operation as the facility's marketing takes effect. In the future baseline model, the competitive environment remains stable but the model accounts for changes in population and average household income. As previous data has indicated, population growth is low, and recent gaming revenue trends have been flat to declining at area casinos; therefore we are projecting limited annual revenue growth.

Gravity Model Calibration Base 2016: Total Market

| | Gamer Visits | Average WPV Output | Gaming Revenue (MMs) |
|--------------------|------------------|--------------------|----------------------|
| Primary | 711,997 | \$78.80 | \$56.1 |
| Secondary North | 145,696 | \$81.15 | \$11.8 |
| Secondary South | 278,018 | \$88.23 | \$24.5 |
| Secondary East | 67,270 | \$77.37 | \$5.2 |
| Tioga Downs | 674,924 | \$76.74 | \$51.8 |
| Tertiary North | 572,868 | \$86.49 | \$49.5 |
| Tertiary Northeast | 161,861 | \$82.73 | \$13.4 |
| Poconos | 2,723,679 | \$77.67 | \$211.5 |
| Catskills | 464,858 | \$78.95 | \$36.7 |
| Tertiary West | 326,286 | \$81.01 | \$26.4 |
| Turning Stone | 2,225,988 | \$81.55 | \$181.5 |
| Total | 8,353,445 | \$80.04 | \$668.6 |

Source: The Innovation Group

2016 Projections

Finally, new gaming facilities are introduced into the model as described in the Competitive Environment section above. For the purpose of this analysis, it is assumed that the Concord and the Nevele will be the two license holders for the Catskill-Hudson Valley Tier. Propensity and frequency are increased in market areas affected by the introduction of expanded gaming facilities bringing greater proximity and selection to gamers.

All projections in this document are under a scenario which assumes that Traditions at the Glen shares the Central-Southern Tier market with Tioga Downs remaining as a VLT facility. The table below shows the propensity and frequency rates for this scenario.

| Participation Rates Scenario 1 | | | |
|---------------------------------------|------------|-----------|-----------|
| | Propensity | Frequency | WPV Input |
| Primary | 39.0% | 14.0 | \$75.00 |
| Secondary North | 33.5% | 10.1 | \$75.85 |
| Secondary South | 33.5% | 10.1 | \$81.04 |
| Secondary East | 33.5% | 10.1 | \$72.37 |
| Tioga Downs | 37.0% | 13.0 | \$73.77 |
| Tertiary North | 30.8% | 9.2 | \$80.30 |
| Tertiary Northeast | 30.8% | 9.2 | \$77.49 |
| Poconos | 40.5% | 15.5 | \$70.77 |
| Catskills | 39.5% | 15.0 | \$74.39 |
| Tertiary West | 30.6% | 8.9 | \$77.07 |
| Turning Stone | 40.0% | 15.0 | \$75.24 |

Source: The Innovation Group

The following table shows the projected capture of gaming visits and gaming revenue for Traditions. As a full scale resort, WPV at Traditions is expected to be higher than the market average, which includes standalone VLT facilities.

Traditions Gravity Model Results 2016: Scenario 1

| | Total Market Gamer Visits | Traditions Capture Rate | Traditions Gaming Visits | Traditions WPV | Traditions Revenue (MMs) |
|--------------------|------------------------------|----------------------------|-----------------------------|-------------------|-----------------------------|
| Primary | | | | | |
| Secondary North | | | | | |
| Secondary South | | | | | |
| Secondary East | | | | | |
| Tioga Downs | | | | | |
| Tertiary North | | | | | |
| Tertiary Northeast | | | | | |
| Poconos | | | | | |
| Catskills | | | | | |
| Tertiary West | | | | | |
| Turning Stone | | | | | |
| Total | 8,927,873 | | 1,323,837 | \$82.66 | \$109.4 |

Source: The Innovation Group

Pennsylvania Visitation Analysis

Being so close to the border, a major feeder market for the proposed Traditions Casino will be Pennsylvania. Major local competitors in the Pennsylvania region include Mohegan Sun at Pocono Downs and the Mt. Airy Casino Resort. To gain a better understanding of the market, The Innovation Group utilized a gravity model to determine what proportion of New York residents are leaving the state to gamble at these locations, and the impact of the newly developed casino on these visits. Additionally, we project the number of visitors from the Pennsylvania market that will be captured by the Traditions facility.

2013 Base

As discussed, our gravity model consists of three major stages. The first stage looks at the current market as-is, during 2013. In 2013, we estimate that nearly 841,000 visits to Mohegan Sun and Mt. Airy come from the New York market. These visits account for approximately \$67 million in revenue to these facilities.

New York Visitation to Pennsylvania Casinos (2013)

| Market | Mohegan Sun | | | Mt Airy | | |
|--------------------|----------------|----------------|---------------------|----------------|----------------|---------------------|
| | Visits | WPV | Revenue | Visits | WPV | Revenue |
| Primary | 122,393 | \$79.20 | \$9,693,490 | 115,809 | \$79.20 | \$9,172,055 |
| Secondary North | 19,484 | \$80.13 | \$1,561,307 | 19,012 | \$80.13 | \$1,523,499 |
| Secondary South* | 0 | \$85.85 | \$0 | 0 | \$85.85 | \$0 |
| Secondary East | 12,826 | \$76.31 | \$978,690 | 15,455 | \$76.31 | \$1,179,326 |
| Tioga Downs | 68,084 | \$77.84 | \$5,300,011 | 56,914 | \$77.84 | \$4,430,465 |
| Tertiary North | 31,462 | \$85.03 | \$2,675,080 | 31,082 | \$85.03 | \$2,642,792 |
| Tertiary Northeast | 19,207 | \$81.94 | \$1,573,848 | 21,709 | \$81.94 | \$1,778,888 |
| Poconos* | 0 | \$74.55 | \$0 | 0 | \$74.55 | \$0 |
| Catskills | 45,437 | \$78.53 | \$3,568,044 | 59,996 | \$78.53 | \$4,711,340 |
| Tertiary West | 46,078 | \$81.48 | \$3,754,287 | 35,985 | \$81.48 | \$2,932,003 |
| Turning Stone | 60,055 | \$79.47 | \$4,772,379 | 59,904 | \$79.47 | \$4,760,372 |
| Total | 425,025 | \$79.71 | \$33,877,136 | 415,867 | \$79.67 | \$33,130,740 |

Source: The Innovation Group

*Full market segment located in Pennsylvania

2016 Base

The next stage of our model projects to year 2016 before any new facilities are introduced into the market. We estimate that visits from the New York market will grow to nearly 843,000, which will account for approximately \$70 million in revenue.

New York Visitation to Pennsylvania Casinos (2016)

| Market | Mohegan Sun | | | Mt Airy | | |
|--------------------|----------------|----------------|---------------------|----------------|----------------|---------------------|
| | Visits | WPV | Revenue | Visits | WPV | Revenue |
| Primary | 121,333 | \$82.50 | \$10,010,013 | 114,790 | \$82.50 | \$9,470,176 |
| Secondary North | 19,747 | \$83.43 | \$1,647,568 | 19,269 | \$83.43 | \$1,607,634 |
| Secondary South* | 0 | \$89.15 | \$0 | 0 | \$89.15 | \$0 |
| Secondary East | 12,605 | \$79.61 | \$1,003,412 | 15,172 | \$79.61 | \$1,207,803 |
| Tioga Downs | 68,638 | \$81.14 | \$5,569,575 | 57,426 | \$81.14 | \$4,659,828 |
| Tertiary North | 31,689 | \$88.33 | \$2,798,973 | 31,306 | \$88.33 | \$2,765,135 |
| Tertiary Northeast | 19,185 | \$85.24 | \$1,635,411 | 21,676 | \$85.24 | \$1,847,733 |
| Poconos* | 0 | \$77.85 | \$0 | 0 | \$77.85 | \$0 |
| Catskills | 45,201 | \$81.83 | \$3,698,664 | 59,917 | \$81.83 | \$4,902,859 |
| Tertiary West | 46,870 | \$84.78 | \$3,973,489 | 36,567 | \$84.78 | \$3,100,040 |
| Turning Stone | 60,694 | \$82.77 | \$5,023,408 | 60,538 | \$82.77 | \$5,010,501 |
| Total | 425,961 | \$83.01 | \$35,360,514 | 416,660 | \$82.97 | \$34,571,710 |

Source: The Innovation Group

*Full market segment located in Pennsylvania

2016 Projection

The final stage of our modeling process layers in the additional casinos being proposed in the region. For the purposes of our analysis, we assume Traditions, Concord, Nevele, and Saratoga

will receive class III licenses and open full scale casinos on their properties. Additionally, we have assumed that the Monticello Raceway will be relocated to the Concord Property. With these adjustments made to the market, visitation from New York to the Pennsylvania markets drops significantly to 418,000 visits, generating under \$35 million in revenue.

New York Visitation to Pennsylvania Casinos (2016)

| Market | Mohegan Sun | | | Mt Airy | | |
|--------------------|----------------|----------------|---------------------|----------------|----------------|---------------------|
| | Visits | WPV | Revenue | Visits | WPV | Revenue |
| Primary | 16,289 | \$82.50 | \$1,343,868 | 15,201 | \$82.50 | \$1,254,121 |
| Secondary North | 11,317 | \$83.43 | \$944,178 | 11,046 | \$83.43 | \$921,627 |
| Secondary South* | 0 | \$89.15 | \$0 | 0 | \$89.15 | \$0 |
| Secondary East | 5,426 | \$79.61 | \$431,941 | 6,520 | \$79.61 | \$519,006 |
| Tioga Downs | 36,113 | \$81.14 | \$2,930,378 | 30,145 | \$81.14 | \$2,446,129 |
| Tertiary North | 26,176 | \$88.33 | \$2,311,991 | 25,854 | \$88.33 | \$2,283,571 |
| Tertiary Northeast | 10,171 | \$85.24 | \$867,052 | 11,399 | \$85.24 | \$971,705 |
| Poconos* | 0 | \$77.85 | \$0 | 0 | \$77.85 | \$0 |
| Catskills | 20,724 | \$81.83 | \$1,695,824 | 29,781 | \$81.83 | \$2,436,890 |
| Tertiary West | 32,096 | \$84.78 | \$2,721,037 | 25,195 | \$84.78 | \$2,135,960 |
| Turning Stone | 52,499 | \$82.77 | \$4,345,159 | 52,359 | \$82.77 | \$4,333,616 |
| Total | 210,811 | \$83.45 | \$17,591,428 | 207,501 | \$83.39 | \$17,302,626 |

Source: The Innovation Group

*Full market segment located in Pennsylvania

In addition to the decreased visitation from the New York market, we expect that the proposed Traditions Casino will attract a significant number of visits from the Pennsylvania markets currently being captured by Mohegan Sun and Mt. Airy. In 2016, we estimate approximately 165,000 visits from the Pennsylvania market to be captured by the Traditions Casino and account for over \$13.5 million in revenue.

Pennsylvania Visitation to New York (2016)

| Market | Visits | Traditions | |
|---------------------|----------------|----------------|---------------------|
| | | WPV | Revenue |
| Primary | | | |
| Secondary North* | | | |
| Secondary South | | | |
| Secondary East | | | |
| Tioga Downs | | | |
| Tertiary North* | | | |
| Tertiary Northeast* | | | |
| Poconos | | | |
| Catskills | | | |
| Tertiary West | | | |
| Turning Stone* | | | |
| Total | 165,276 | \$81.95 | \$13,544,527 |

Source: The Innovation Group

*Full market segment located in New York

In summary, the establishment of the Traditions casino resort will have a positive impact in A) keeping border living New Yorkers to stay in their home state to gamble as opposed to crossing the border to Pennsylvania, and B) will encourage those Pennsylvanians living on the border to cross over and gamble at the Traditions facility. This will be a positive for the state, as the chart below illustrates.


Interstate Visitation Summarized

| | Total Visits (PA to Traditions) | | Total Visits (NY to PA) | |
|------------------|---------------------------------|---------------|-------------------------|---------------|
| | Total Revenue | Total Revenue | Total Revenue | Total Revenue |
| 2013 Base | | | | |
| 2016 Calibration | | | | |
| 2016 Projection | 165,276 | \$13,544,527 | 418,312 | \$34,894,054 |

Source: The Innovation Group

Impact of Hotel on Gaming Revenues

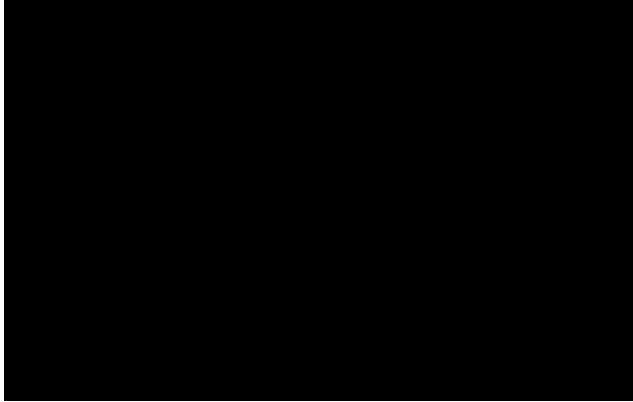
As discussed in the Hotel Market Assessment (Hotel Market Section follows later in this document), incremental gaming revenue of the resort is estimated at \$1.4 million during the first year of operation rising to \$7.9 million by year three which represents the first full year of operations with the expanded hotel.

| Incremental Gaming Revenue from Hotel | | | |
|---------------------------------------|--|-------------|-------------|
| | 2016 | 2017 | 2018 |
| # of Rooms | 41 | 41 | 200 |
| Occupancy |  | | |
| Guest per Room | | | |
| # of Guests | | | |
| Capture Rate | | | |
| # of Gamers | | | |
| WPV | | | |
| Revenue | \$3,071,446 | \$3,132,875 | \$7,947,946 |

Source: The Innovation Group

Non-Casino Hotel Gaming Revenues

The non-casino hotel market, while limited, contributes to overall gaming revenue as well. While propensities aren't as high for these guests as the Casino Hotel guests, we estimated gaming revenue impacted by this group. To determine the overall Non-Casino Hotel market, we included the 2,443 rooms in the Binghamton MSA market. We have estimated the Traditions property will capture about 15% of the market.

| Ambient Market Gaming Revenue Projection | | | |
|--|--|-------------|-------------|
| | 2016 | 2017 | 2018* |
| # of Rooms |  | | |
| Occupancy | | | |
| Guest per Room | | | |
| # of Guests | | | |
| # of Nights | | | |
| Capture Rate | | | |
| Frequency | | | |
| # of Gamers | | | |
| WPV | | | |
| Revenue | \$5,502,186 | \$6,234,174 | \$8,129,607 |

Source: The Innovation Group

*First year of expanded hotel

Traffic Intercept

The traffic intercept segment reflects potential customers that are passing through Johnson City in close proximity to the proposed casino on major area highways. The key variable in assessing this customer segment is the pass-through vehicle count on the relevant highways. The vehicle count estimates were based on information obtained from the New York Department of Transportation ("NYDOT"). We first estimated the pass-through percentage, so as not to double count in relation to the local market analysis. Then we applied an appropriate set of factors to the pass-through count in order to calculate the gamer visits.

Average Annual Daily Traffic (AADT) for the three sites was obtained from the NYDOT. The table below shows the estimated gamer visits and gaming revenues from the traffic intercept. We anticipate the traffic coming South on NY201 to have a higher pass-through rate due to the close proximity to the Oakdale Mall.

| Traffic Intercept Gaming Revenue Projection | | | | | | | |
|---|---------------|----------------|----------------|--------------|---------------|-------------|--------------------|
| | AADT | Pass Through % | Adults/Vehicle | Capture Rate | Gamer Visits | WPV | Gaming Revenue |
| NY201 N to NY17 W | 6,414 | 25% | 1.4 | | | | |
| NY201 S to NY17 W | 3,172 | 15% | 1.4 | | | | |
| NY17E to NY17C | 1,756 | 25% | 1.4 | | | | |
| Total | 11,342 | | | | 27,704 | \$65 | \$1,800,765 |

Source: The Innovation Group

Traditions Gaming Summary and Five-Year Forecast

Gravity model revenue is derived by residents from within the defined market carve. Casinos also receive patronage and revenue from out-of-market sources including traffic intercept, tourism/non-casino hotel capture, visits to friends and family, and long-distant gamers who travel to experience different casino products. Based on dozens of player databases the Innovation Group has analyzed from existing casinos, out-of-market sources can account for between 3% and 12% of a regional casino's gaming revenue, depending upon location, level of amenity development, positioning, and depth of local population. Given its location and the current 41-room resort, we estimate that out-of-market sources will add 8% to gaming revenue at Traditions in Phase 1.

| Traditions Gaming Revenue 2016 | | | |
|--------------------------------|------------------|---------------|----------------------|
| | Gamer Visits | Win per Visit | Gaming Revenue (MMs) |
| Local Market | 1,323,837 | | |
| Out-of-Market | 102,792 | | |
| Total | 1,426,629 | | |

Source: The Innovation Group

The following forecast assumes that Phase 1 will open in 2016 allowing for marketing to take effect and a client base to be established. Revenue growth of approximately 3% is forecast for 2018, diminishing to 2.5% in year three and 2% in years four and five.

Traditions Five-Year Forecast

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------|------|------|------|------|------|
| Gaming Revenue (MMs) | | | | | |
| Visitation (MMs) | | | | | |
| Win per Visit | | | | | |
| Number of Units | | | | | |
| Win/Unit/Day | | | | | |

Source: The Innovation Group

Based on this preliminary forecast, we would recommend a casino hosting 1,200 slot machines and 50 table games.

AMENITY ANALYSIS

Introduction

As part of our analysis, The Innovation Group is tasked with providing an amenities program for the Traditions Casino. This assessment will include items such as an expanded hotel, food and beverage outlets, meeting/conference space, entertainment venues, and retail. In addition to the introduction of additional amenities, Traditions will also leverage their current amenities. Amenities at the resort include a full spa salon, an 18-hole championship golf course with pro shop, and indoor facilities such as the 300 person ballroom to host events such as weddings.

When determining the scope of the proposed Traditions property, The Innovation Group used an approach of competitive analysis. However, in some cases we used a high-level demand analysis as a triangulation point to ensure that the sizing was appropriate and that the revenue forecasts were in line with visitation.

Methodology

The main approach used to determine the scope of the proposed property was an analysis of competitive casinos. From a product perspective, The Innovation Group determined that the most comparative properties for this task, although they vary from amenity to amenity, are Turning Stone, Vernon Downs, Mohegan Sun at Pocono Downs, and Mt. Airy. By selecting a competitive set, we were able to see what types of offerings were currently available within the market, and how Traditions would need to present themselves in order to hold a competitive position.

The potential drawback in using a competitive set of properties that are all within the region is that you may only get a perspective that is limited. However, we surveyed other similar areas around the United States and found that the current upstate New York market is well established, mature and has a very diverse set of casino products. This allowed us to focus on the region for our competitive set, understanding that the sample was large enough, diverse enough, and representative of the target market. The table below summarizes our competitive research.

| Casino | Existing Casino Amenities | | | | | | |
|---|---------------------------|--------------|------------|-------------|-----------|--------------|-----|
| | Hotel Rooms | Rooms | Suites | Restaurants | Retail | On-Site Golf | Spa |
| Mighty M Gaming | 0 | 0 | 0 | 4 | 1 | No | No |
| Tioga Downs | 0 | 0 | 0 | 4 | 1 | No | No |
| Mohegan Sun at Poconos Downs | 238 | 218 | 20 | 12 | 5 | No | Yes |
| Mt. Airy Resort | 188 | 163 | 25 | 5 | 1 | Yes | Yes |
| Finger Lakes Gaming & Racetrack | 0 | 0 | 0 | 7 | 1 | No | No |
| Saratoga Gaming and Raceway | 0 | 0 | 0 | 3 | 0 | No | No |
| Turning Stone Casino | 709 | 567 | 142 | 11 | 10 | Yes | Yes |
| Vernon Downs & Miracle Isle Gaming Resort | 147 | 124 | 23 | 6 | 1 | No | No |
| Total | 1,282 | 1,072 | 210 | 52 | 20 | | |

Source: The Innovation Group, Various Gaming Boards and Commissions, Casino Sites

Hotel

Many casinos develop nearby or adjoining hotels in order to encourage more visitation with longer lengths of stay and provide the casino with an opportunity to compensate regular visitors. The Traditions at the Glen Resort and Conference Center, located in Johnson City, NY, currently offers a 41-room hotel at the resort. In addition to the proposed casino development, the property is expected to expand its hotel offering to 200 rooms to accommodate the additional visitation derived from gaming activities. The room count was based on the average room counts of the main competitors in the market, which includes Mohegan Sun at Pocono Downs, Mt. Airy, and Vernon Downs & Miracle Isle Gaming Resort. The average number of rooms per facility is approximately 191. The following section further describes the occupancy calculation.

Occupancy

According to STR, there are approximately 40 properties consisting of 3,000 rooms in the Binghamton MSA. Of these, a sample of 27 properties (2,443 rooms) report statistics to STR. These properties have a running 12 month occupancy rate of approximately 52.6%. The current property is operating at occupancy slightly below that of the market at 52%.

Casino hotels that are not constrained generally have occupancy at about 25% higher than that of the surrounding market. This high rate can be attributed to the high quality amenities provided by a full casino resort, as well as the comping of rooms by the casino to attract and retain quality patrons. Due to the major constraint of the 41 room facility, there will be more demand than supply at this facility and therefore we assumed an occupancy rate at almost 100%. In year 3, the first year of operation of the new hotel expansion, the rate is anticipated to come down to approximately 73%.

Revenue from Hotel Operations

To determine the average daily rate (“ADR”) for the proposed hotel, The Innovation Group first looked at the ADR within the local market. Of our sample of 27 properties within the Binghamton MSA, the average ADR is approximately \$85. This is well below the current ADR of the Traditions property, which stands at \$118. The anomaly in the calculation of ADR is in year 1 and 2 as the property has a constraint on rooms and is therefore able to command a higher premium. In some markets with casino hotel room constraint, we have experienced premiums as high as 25%. In 2019, when the expanded hotel opens, we estimate that the ADR will drop as the constraint is lifted and the property normalizes to market rates with a smaller premium. Based on these assumptions, we project the hotel to generate nearly \$2.4 million in room revenue during the first year of operation, climbing to over \$7.7 million by year five. Additionally, other non-room hotel revenue, which represents room service, minibar, and other charges, has been added as per a comparative analysis with other properties around the nation.

Casino Hotel Room Revenue

| | 2016 | 2017 | 2018* | 2019 | 2020 |
|------------------|------|------|-------|------|------|
| # of Rooms | | | | | |
| Occupancy | | | | | |
| Annual RND | | | | | |
| ADR | | | | | |
| Room Revenue | | | | | |
| Other Hotel Rev. | | | | | |
| Total Hotel Rev. | | | | | |

Source: The Innovation Group

*First year of expanded hotel

Food and Beverage Methodology

Our selection of outlets and meal period operations is based on the competitive market surrounding Traditions. Although our competitive set for restaurant counts would suggest a higher number of outlets, many of the competitors include each separate quick service restraint (QSR)/Food Court option as a separate restaurant with a number of them having 4-5 options per food court. In taking that into consideration, and removing the outlier (Mohegan Sun at Pocono Downs), we note that the average comes in close to 5 restaurant outlets per comparable facility. Of our competitive set, every location had some type of buffet offering, with the majority of locations offering multiple casual and QSR options. While only two of the local competitors offer a fine dining option, we still feel it is critical that Traditions has a similar in-house offering. As discussed in the following section, fine dining establishments can be utilized to attract and retain high value patrons within the facility.

Food and Beverage Outlets

A strong food and beverage program is a cornerstone for any successful gaming facility. As part of the expanded facility, the Traditions Casino is expected to provide an assortment of food and beverage outlets for guests to the property. Our analysis surveyed similar casino properties within the market to determine their food and beverage composition and statistics. As part of our recommendation, we propose that the facility should have a buffet, gourmet steakhouse, 24-hour café, sports bar, and a quick service “food court” venue. The tables below provide an advised breakdown of the seating capacity and meal periods for each outlet.

| <u>Recommended F&B Offering</u> | |
|-------------------------------------|-------------------------|
| <u>Restaurant</u> | <u>Seating Capacity</u> |
| Gourmet Steak | 80 |
| 24-Hour Café | 120 |
| Sports Bar | 150 |
| Buffet | 200 |
| QSR (Food Court) | 70-100 |

Source: The Innovation Group

Restaurant Meal Period operations

| | Breakfast | Lunch | Dinner | Late-Night |
|------------------|-----------|-------|--------|------------|
| Gourmet Steak | | | X | |
| 24-Hour Café | X | X | X | X |
| Sports Bar | | X | X | X |
| Buffet | X | X | X | |
| QSR (Food Court) | X | X | X | |

Source: The Innovation Group

Food and Beverage

| Casino | F&B | Fine | Casual | QSR | Buffet | Bar/Nightclub |
|---|-----------|----------|-----------|-----------|----------|---------------|
| Mighty M Gaming | 4 | 0 | 2 | 1 | 1 | 0 |
| Tioga Downs | 5 | 0 | 1 | 2 | 1 | 1 |
| Mohegan Sun at Poconos Downs | 15 | 2 | 4 | 5 | 1 | 3 |
| Mt. Airy Resort | 8 | 2 | 1 | 1 | 1 | 3 |
| Finger Lakes Gaming & Racetrack | 9 | 0 | 1 | 5 | 1 | 2 |
| Saratoga Gaming and Raceway | 4 | 0 | 1 | 1 | 1 | 1 |
| Turning Stone Casino | 17 | 0 | 7 | 3 | 1 | 6 |
| Vernon Downs & Miracle Isle Gaming Resort | 7 | 0 | 2 | 2 | 2 | 1 |
| Total | 69 | 4 | 19 | 20 | 9 | 17 |

Source: The Innovation Group, Various Gaming Boards and Commissions, Casino Site

Based on the current offering and schedule, the entire facility provides approximately 800,000 covers in year 1 to 1 million covers by year 5. This was established through reviewing comparable facility and their ratio of food covers to visits. Below is a general description of recommended food and beverage venues at the Traditions casino.

Gourmet Steak

Steakhouses are very common in gaming establishments and can be leveraged, through comps and other arrangements, to attract and retain high value patrons. Noteworthy steakhouses in comparable casinos include the Western Door at the Seneca Niagara Casino & Resort, TS Steakhouse at the Turning Stone Casino, and Ruth's Chris at the Mohegan at Pocono Downs. These venues are open for dinner, generally between 5pm and 10pm each day, with slightly later hours in the weekends. Menus are usually priced à la Carte allowing patrons to customize their dining experience. The proposed steakhouse at the Traditions Casino will follow this model by being open for dinner, with a capacity of approximately 80 people.

24-Hour Café

A 24 hour café (as the name implies), provides guests with quick service style offerings at any time of the day. These venues are casual dining options providing guests with a sit-down atmosphere of traditional American fare dining when they need a break from the action of the gaming floor. The proposed venue will have a capacity of approximately 120 people.

Sports Bar

Sports bars are casual venues where guests can sit down and have a meal, or grab a seat at the bar for a few drinks. Sports bars generally open in the late afternoon, and remain open until later in the night, especially during sport seasons when patrons can go to watch the games. A concept that may work is Chickie's and Pete's Crab House and Sports Bar which was rated America's #1 sports bar by ESPN. The proposed sports bar at the Traditions Casino will have a seating capacity of 150 people.

Buffet

Buffets can be found at nearly every casino offering a variety of food to casino patrons. These buffets are generally open for breakfast, lunch and dinner while offering weekly specials on the menu. A frequent staple seen on buffet menus are all you can eat steak or seafood days. Specials like this can be found at the Season Harvest at Turning Stone, The Buffet at Mt. Airy, and Champions Buffet at Vernon Downs. The proposed buffet at the Traditions Casino has a seating capacity of 200 people and should have similar offerings.

QSR (Food Court)

Food courts provide guests with a wide variety of vendors while providing a common dining area. Food courts generally provide quick service "grab and go" style meals for patrons to grab a quick bite and return to the gaming floor. The concept proposed is similar to the Buffalo Savors Grill at Seneca Buffalo, which brings local known menus to the facility in these quick service food court formats. The proposed venue is will have a seating capacity of between 70 and 100 people.

Retail

Over the history of casino development, retail stores maintain a presence, both small and large, in the casino industry. Depending on size and location of a casino, retail space varies from convenience-oriented sundries stores to large shopping centers. Retailers are typically drawn to locations adjacent to casinos given the significant amount of foot traffic that pass through the doors of these establishments. Conversely, a well-fit retail outlet can help increase the amount of time that casino patrons spend on site and potentially increase the overall attractiveness of a gaming facility.

While nearly every competitor in the region offers a gift shop or some other type of retail, only two offer multiple retail options to casino guests. As such, The Innovation Group does not believe a large shopping center would be a large contributor to visitation and is only recommending a single retail location at the Traditions Resort. This outlet will offer sundries and other miscellaneous items to guests of the facility.

| Casino | Retail | | | | | | |
|---|-----------|----------|-------------|-----------|-------------|----------|------------------|
| | Total | Clothing | Accessories | Household | Electronics | Sundries | Gift shop /Other |
| Mighty M Gaming | 1 | | | | | | 1 |
| Tioga Downs | 1 | | | | | | 1 |
| Mohegan Sun at Poconos Downs | 5 | 1 | 1 | | 1 | | 2 |
| Mt. Airy Resort | 1 | | | | | | 1 |
| Finger Lakes Gaming & Racetrack | 1 | | | | | | 1 |
| Saratoga Gaming and Raceway | 0 | | | | | | |
| Turning Stone Casino | 10 | | 1 | | | 5 | 4 |
| Vernon Downs & Miracle Isle Gaming Resort | 1 | | | | | | 1 |
| Total | 20 | 1 | 2 | 0 | 1 | 5 | 11 |

Source: The Innovation Group, Casino Sites

Pro Forma Assumptions

Based on the program noted above, The Innovation Group created assumptions which were utilized when projecting expected revenue and expenses for the Traditions facility.

Revenues

Revenue consists of gaming, hotel, food and beverage, retail, and other revenue sources. Assumptions for gaming and hotel revenue are provided and discussed in the preceding sections. Other revenues are based on the following:

- Food & Beverage – [REDACTED]
- Retail and Other – used a ratio of retail and other revenue to total revenue as calculated from comparable facilities.

Expenses

There are two types of expenses covered within the pro forma: departmental and undistributed expenses. Departmental expenses are operating expenses derived by each department, and are labeled in the pro forma by said departments. Undistributed expenses are those that cannot be associated with departments such as marketing, property operations and maintenance, utilities, general and administrative, and other similar expenses.

With the exception of gaming taxes, which is set at 37% for slots and 10% for tables plus fees per unit, we utilized expense ratios based on our competitive set when developing expenses.

Traditions Ten Year Forecast

With the proposed program, and assumptions noted above, The Innovation Group has projected the Traditions facility to produce nearly \$30.9 million in EBITDARM during its first year of operations. Following a ramp up period, and the addition of the new hotel product in 2018, the facility will produce an estimated \$41.4 million in EBITDARM by year 5 and \$48.6 million by year 10.

Traditions Pro Forma, 10-year Forecast

| (in millions) | 2016 | 2017 | 2018 * | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|------|------|--------|------|------|------|------|------|------|------|
| DEPARTMENTAL REVENUE | | | | | | | | | | |
| Slots | | | | | | | | | | |
| Tables | | | | | | | | | | |
| Rooms | | | | | | | | | | |
| F&B | | | | | | | | | | |
| Retail & Other | | | | | | | | | | |
| <i>Gross Revenues</i> | | | | | | | | | | |
| <i>Promotional Credits & Allow.</i> | | | | | | | | | | |
| <i>Net Revenues</i> | | | | | | | | | | |
| DEPARTMENTAL LABOR | | | | | | | | | | |
| Slots | | | | | | | | | | |
| Tables | | | | | | | | | | |
| Unallocated Gaming | | | | | | | | | | |
| Rooms | | | | | | | | | | |
| F&B | | | | | | | | | | |
| Retail and Other | | | | | | | | | | |
| DEPARTMENTAL EXPENSES | | | | | | | | | | |
| Gaming | | | | | | | | | | |
| Gaming Taxes | | | | | | | | | | |
| Horseman Fees | | | | | | | | | | |
| Rooms | | | | | | | | | | |
| F&B | | | | | | | | | | |
| Retail & Other | | | | | | | | | | |
| <i>Total Departmental Expenses</i> | | | | | | | | | | |
| DEPARTMENTAL INCOME | | | | | | | | | | |
| UNDISTRIBUTED EXPENSES | | | | | | | | | | |
| General and Administration | | | | | | | | | | |
| Property Ops & Maintenance | | | | | | | | | | |
| Marketing: Other | | | | | | | | | | |
| Security/Surveillance | | | | | | | | | | |
| <i>Total Undistributed Expenses</i> | | | | | | | | | | |
| EBITDARM | | | | | | | | | | |
| EBITDARM MARGIN | | | | | | | | | | |

Source: The Innovation Group

* Adds another 159 rooms for a total of 200 rooms

Disclaimer

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

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.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.