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
Regional Labor Force 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
Occupancy 30
Revenue from Hotel Operations 30
FOOD AND BEVERAGE METHODOLOGY 31
FOOD AND BEVERAGE OUTLETS 31
Gourmet Steak 32
24-Hour Café 32
Sports Bar 33
Buffet 33
QSR (Food Court) 33
RETAIL 33
PRO FORMA ASSUMPTIONS 34
Revenues 34
Expenses 34
Traditions Ten Year Forecast 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

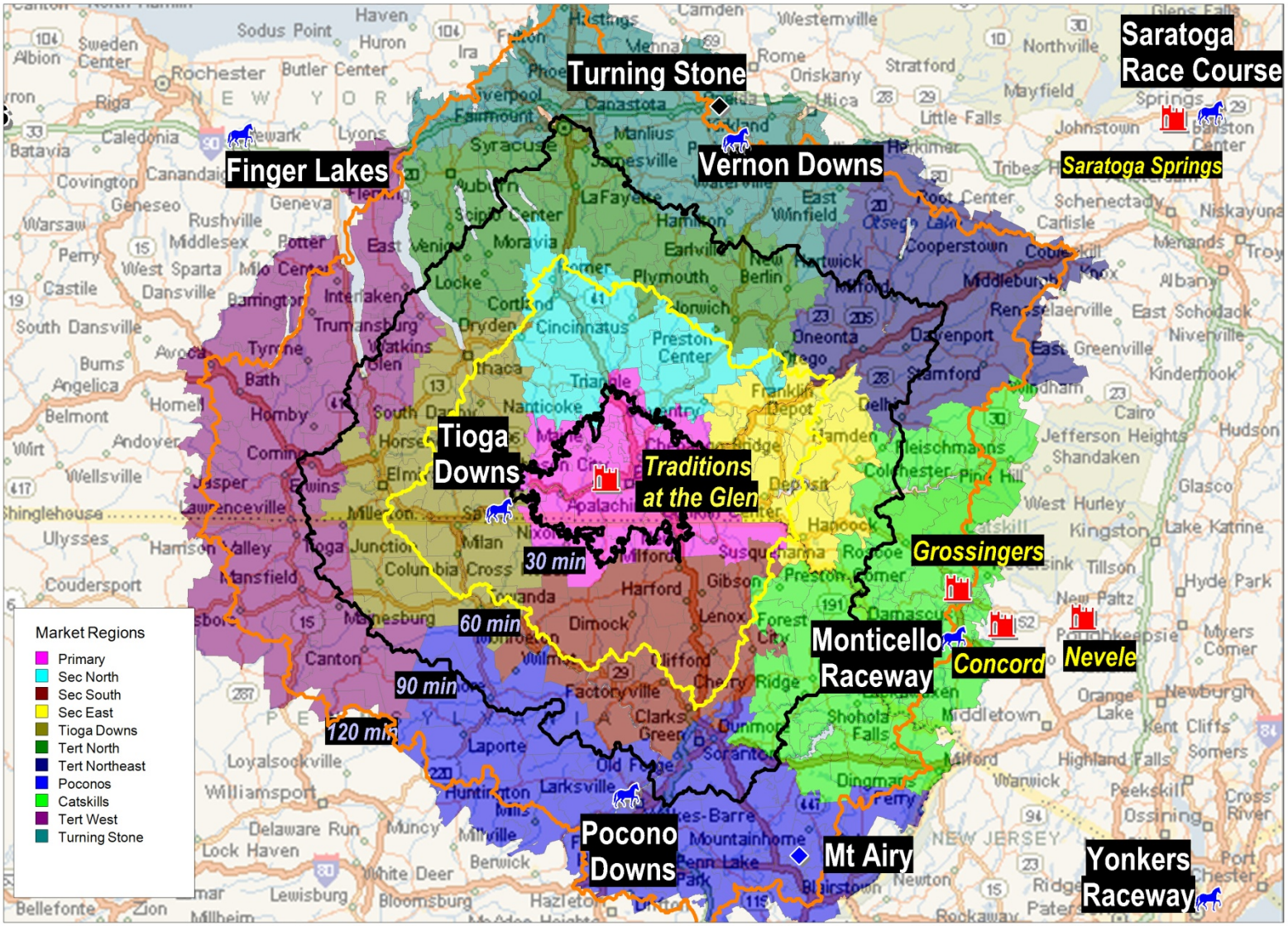
ECONOMIC AND DEMOGRAPHIC ANALYSIS

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

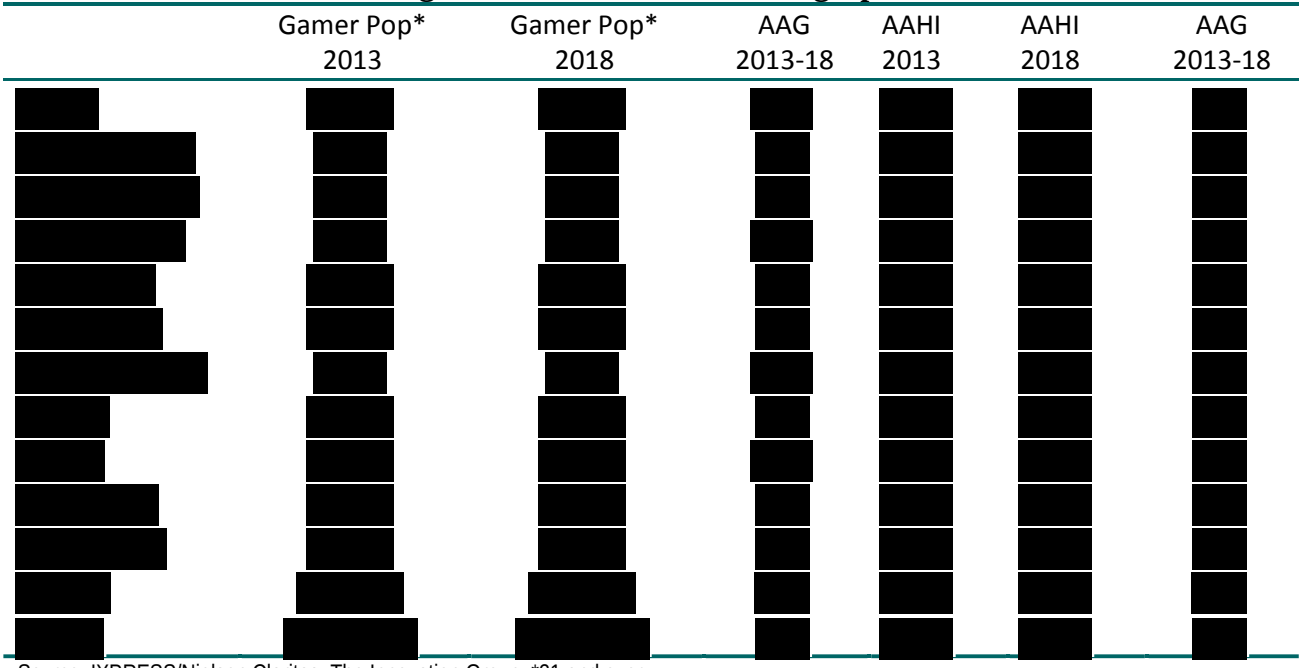
For the purpose of the gaming market assessment, the Binghamton market has been carved into 11 distinct market areas, from which it could be expected that different participation rates may be expected depending on the level and location of competition that is present in the market currently and in the 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.

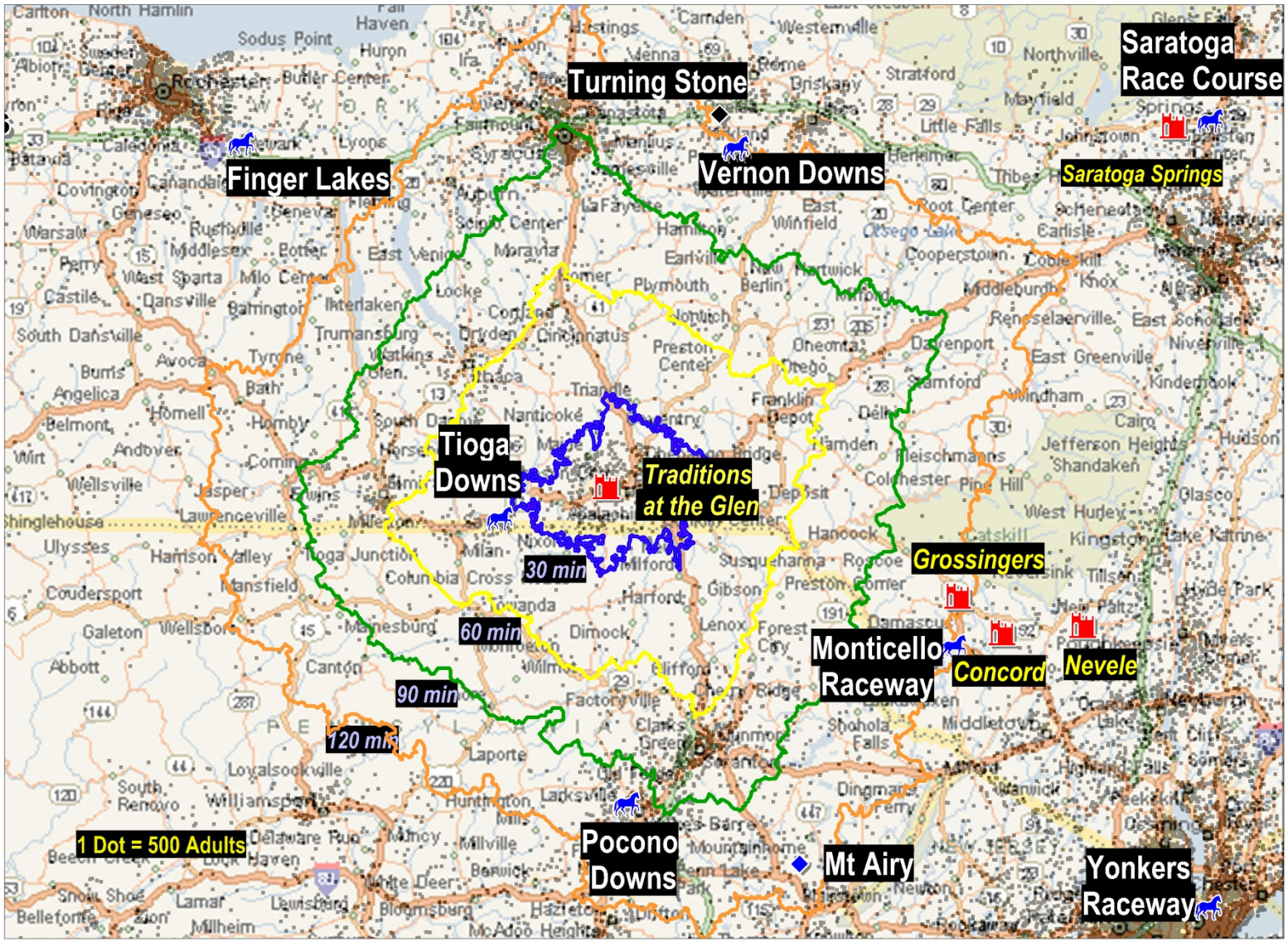
Binghamton Market Area Demographics



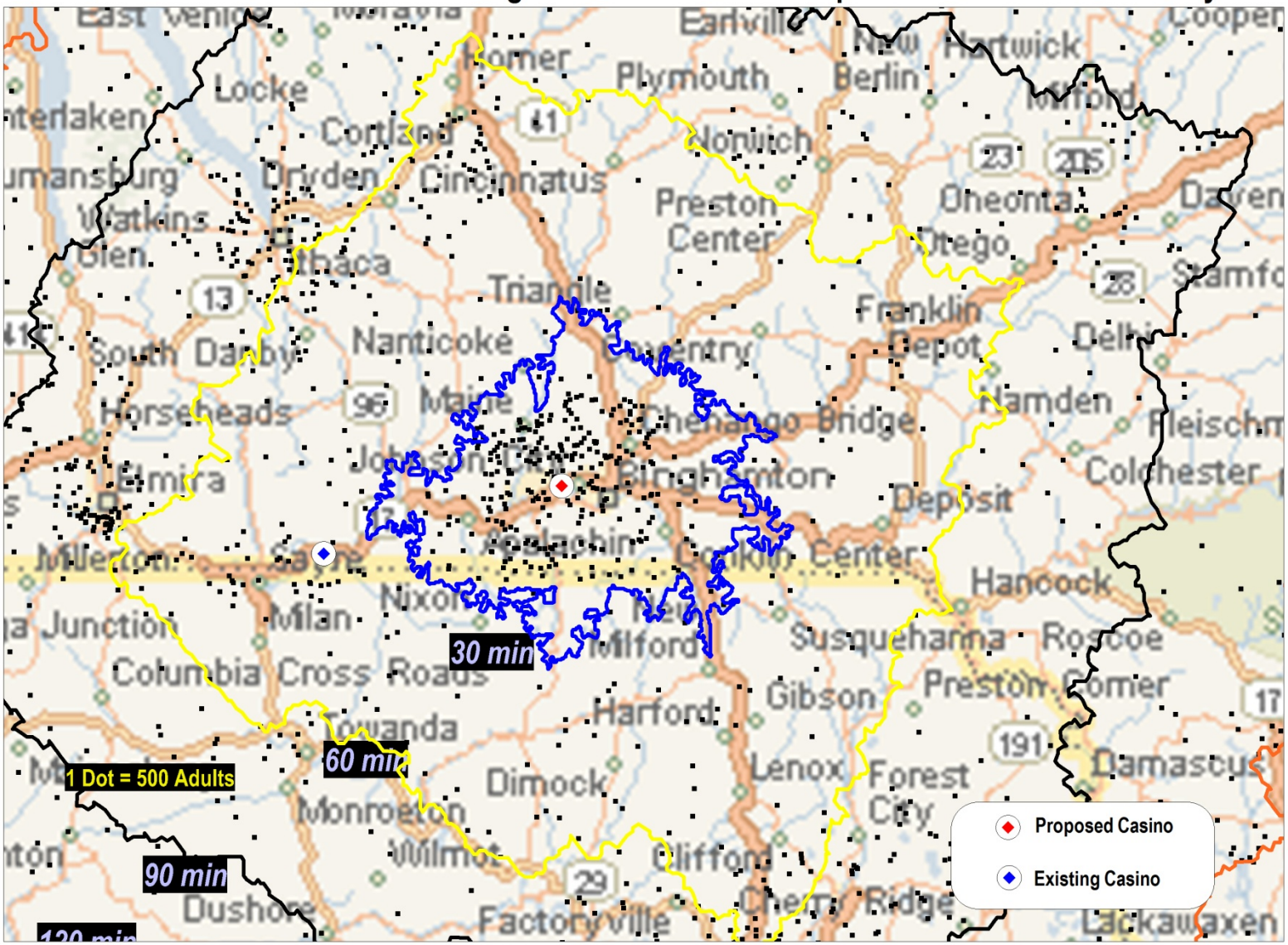
Source: IXPRESS/Nielsen Claritas, The Innovation Group; *21 and over

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

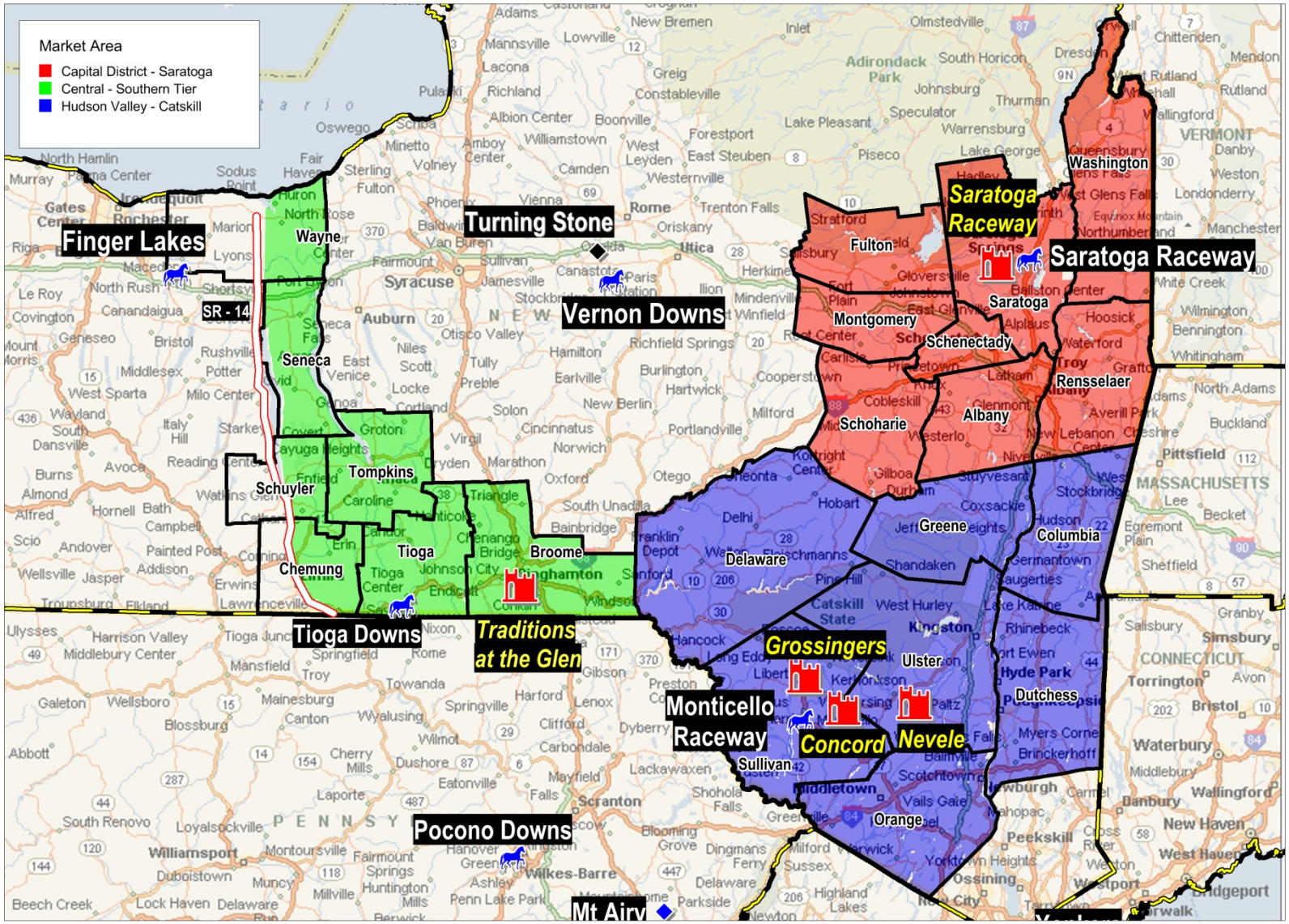
Location	Name	Machines	Tables	Positions
Monticello, NY	Mighty M Gaming	1,110	0	1,110
Nichols, NY	Tioga Downs	800	0	800
Saratoga Springs, NY	Saratoga Gaming and Raceway	1,782	0	1,782
Vernon, NY	Turning Stone Casino	2,162	117	2,864
Vernon, NY	Vernon Downs Casino & Hotel	767	0	767
Farmington, NY	Finger 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

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 Pi = the gaming positions in gaming venue i, Pj = the population in market area j, dij = 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 database[1], 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

[1]The 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.

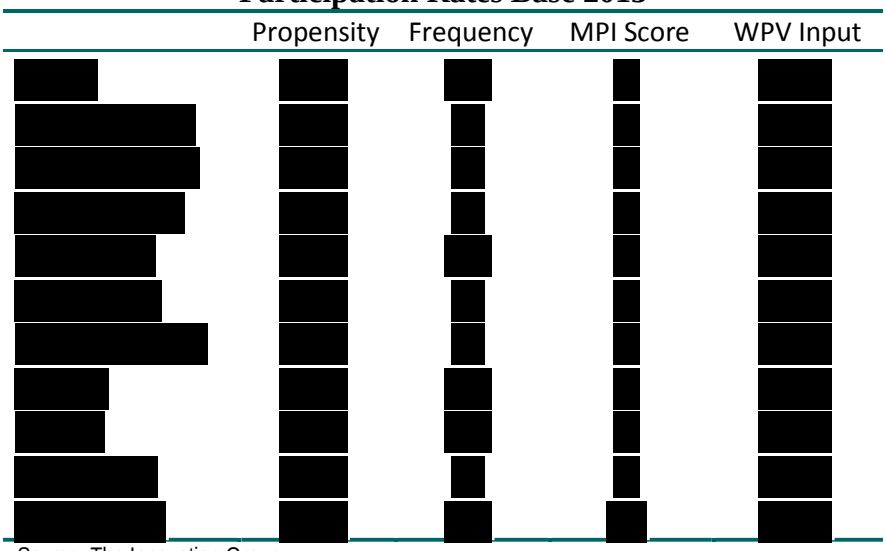
The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication. For example, a doubling of the attraction factor will not lead to a doubling of the gamer visits attracted to the site. It will however cause a doubling of the attractive power of the gaming venue, 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 then 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.

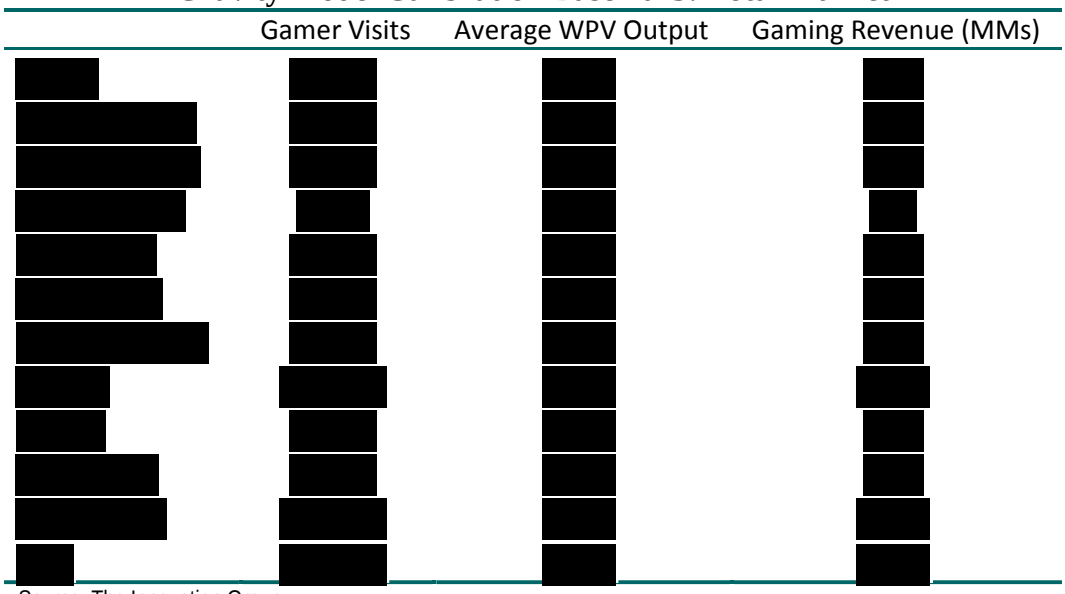
Participation Rates Base 2013



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.

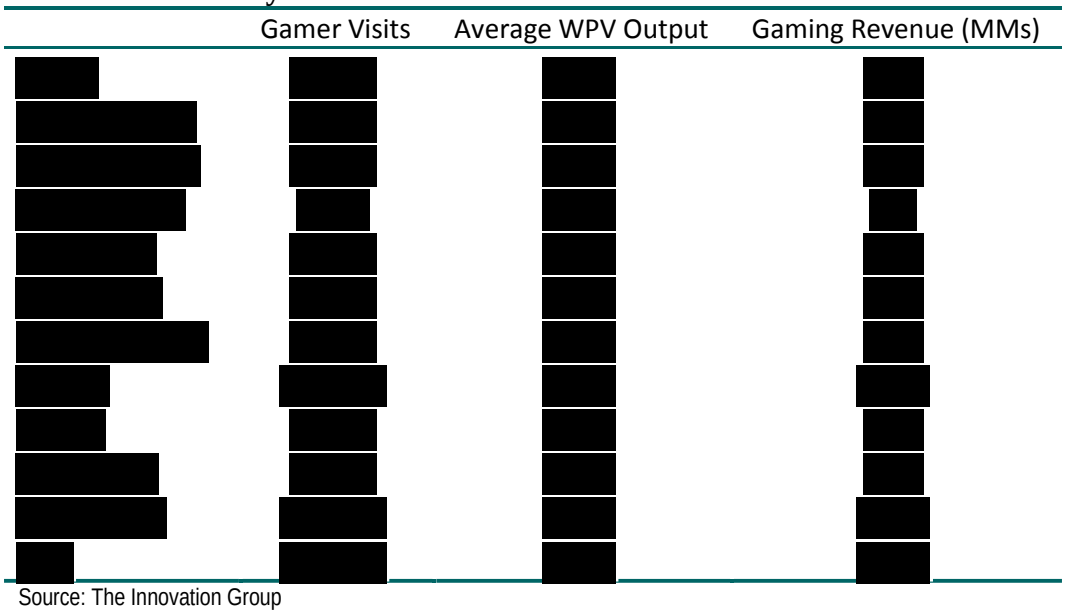
Gravity Model Calibration Base 2013: Total Market



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



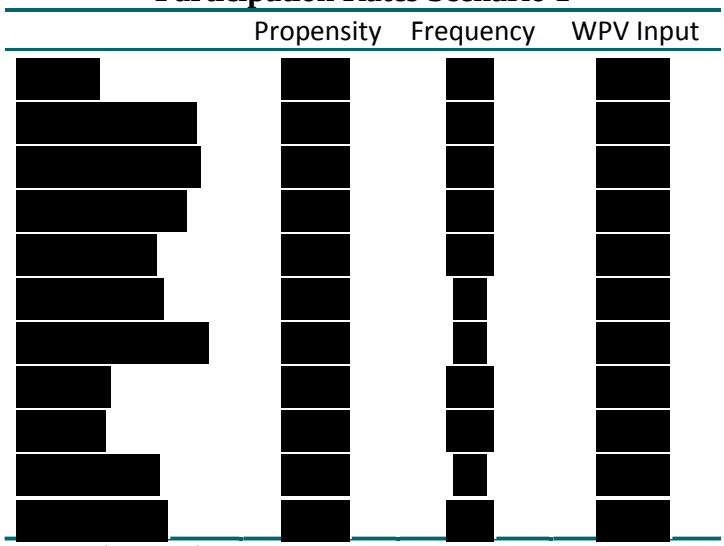
Source: The Innovation Group

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.

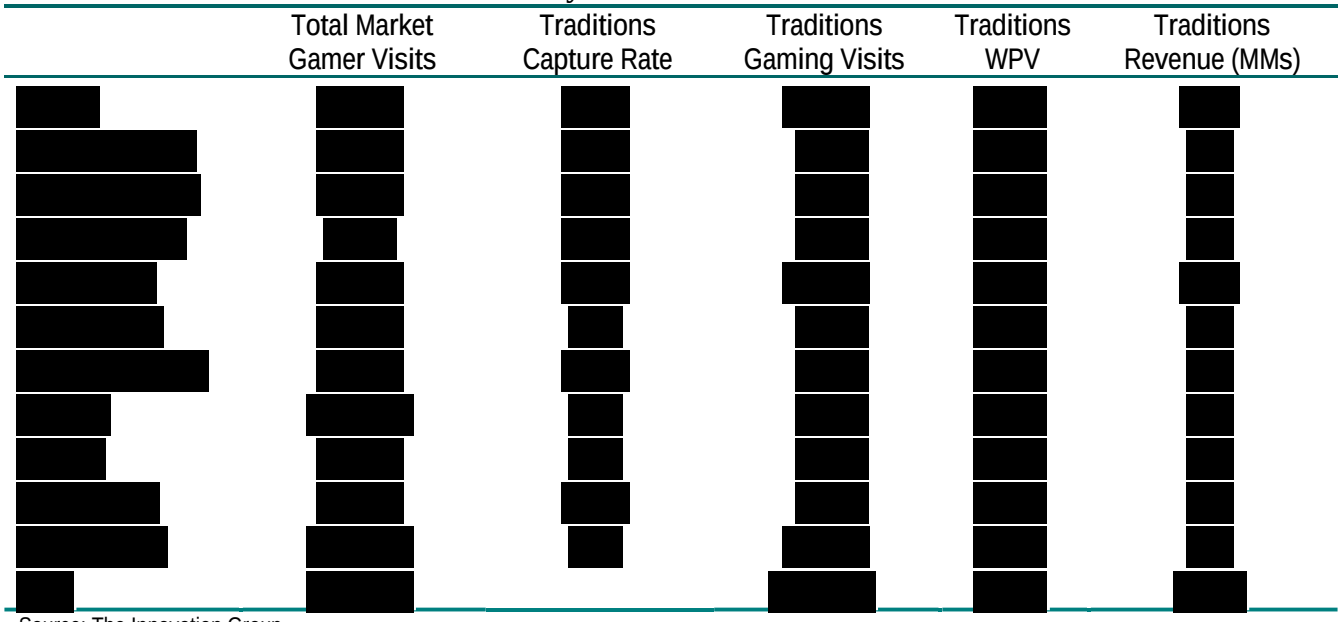
Participation Rates Scenario 1



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



Source: The Innovation Group

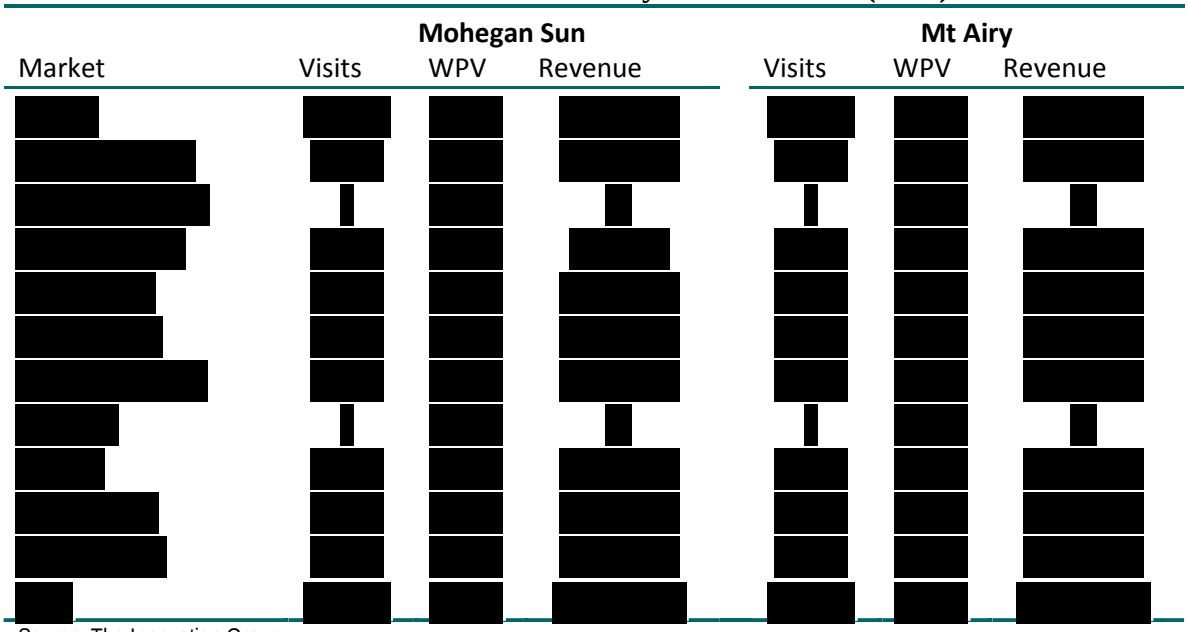
Pennsylvania Visitation Analysis

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. [redacted]

New York Visitation to Pennsylvania Casinos (2013)

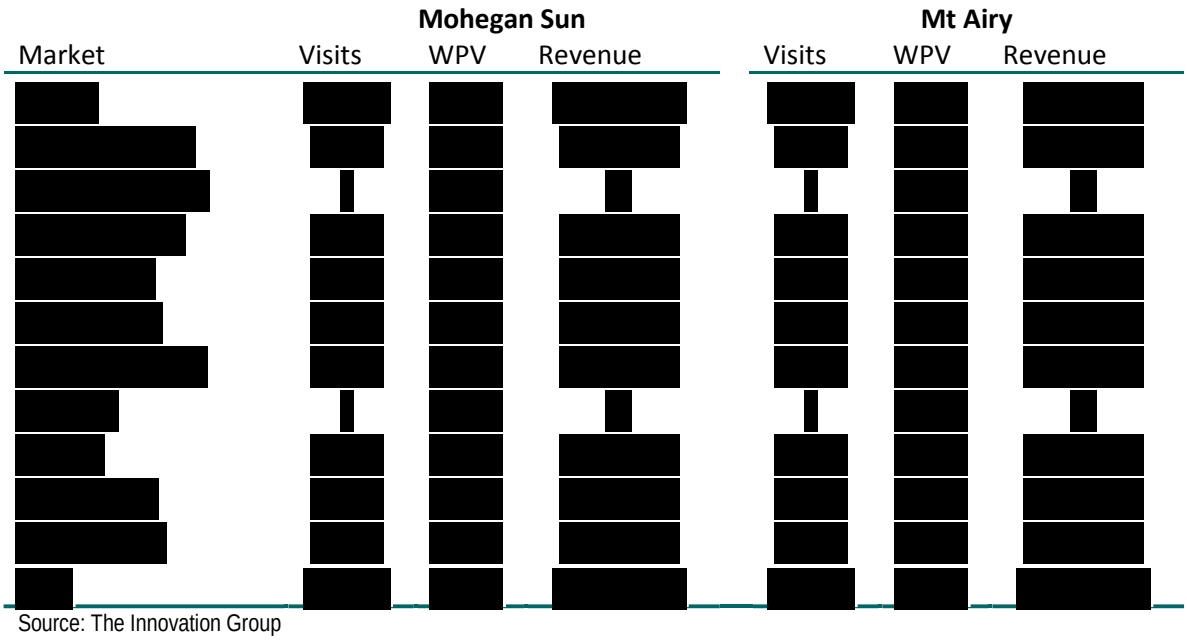


Source: The Innovation Group
*Full market segment located in Pennsylvania

2016 Base

The next stage of our model projects to year 2016 before any new facilities are introduced into the market.

New York Visitation to Pennsylvania Casinos (2016)



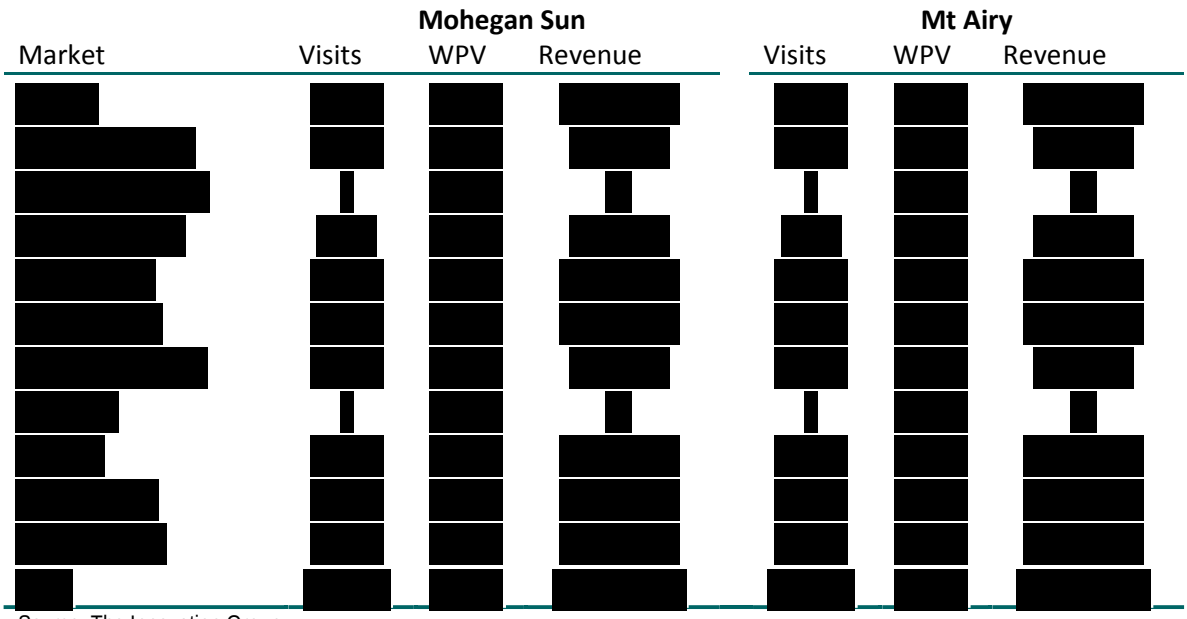
Source: The Innovation Group
*Full market segment located in Pennsylvania

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. [redacted]

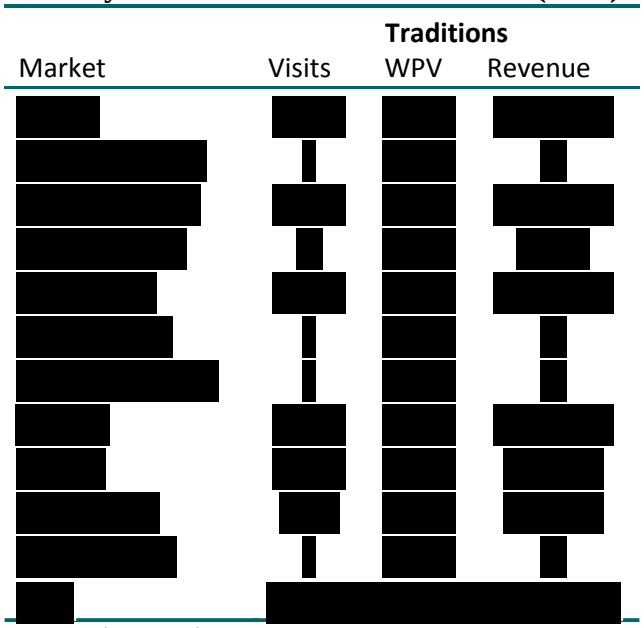
New York Visitation to Pennsylvania Casinos (2016)



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. [redacted]

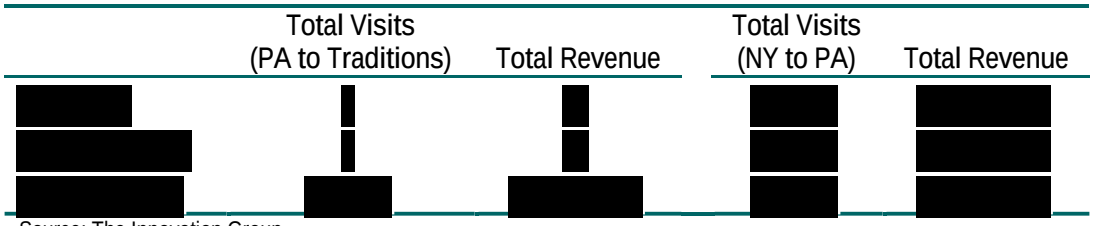
Pennsylvania Visitation to New York (2016)



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.

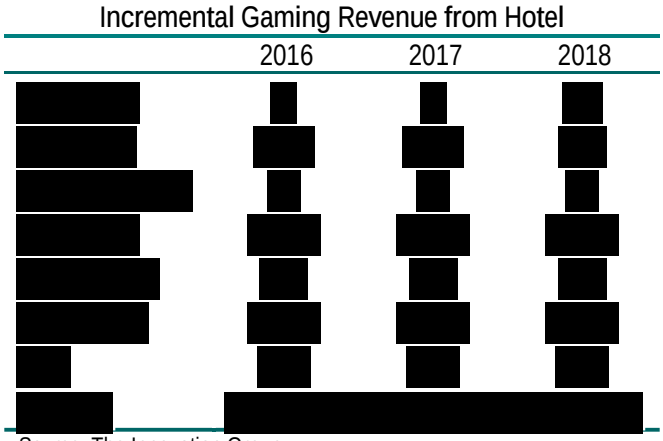
Interstate Visitation Summarized



Source: The Innovation Group

Impact of Hotel on Gaming Revenues

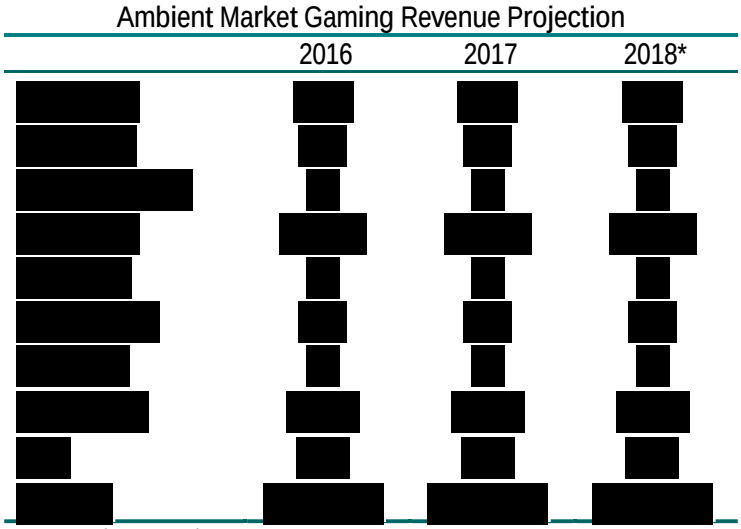
As discussed in the Hotel Market Assessment (Hotel Market Section follows later in this document), incremental gaming revenue of the resort is [redacted] during the first year of operation rising to [redacted] by year three which represents the first full year of operations with the expanded hotel.



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.



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-though 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
[redacted]							

Source: The Innovation Group

Traditions Gaming Summary and Five-Year Forecast

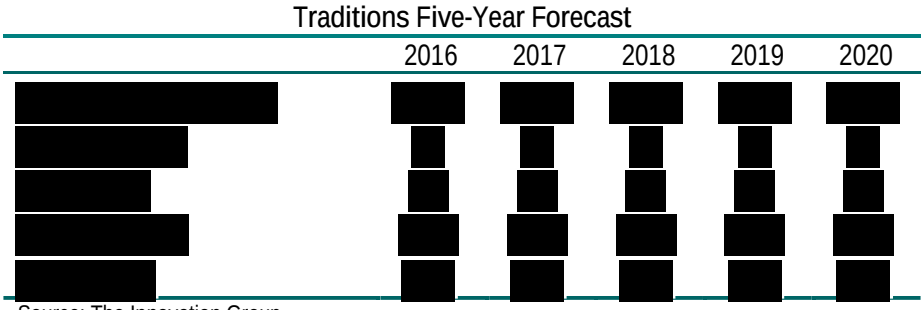
Gravity model revenue is derived by residents from within the defined market carve. Casinos also receive patronage and revenue from out-of-market sources including traffic intercept, tourism/non-casino hotel capture, visits to friends and family, and long-distant gamers who travel to experience different casino products. Based on dozens of player databases the Innovation Group has analyzed from existing casinos, [redacted]

Traditions Gaming Revenue 2016

	Gamer Visits	Win per Visit	Gaming Revenue (MMs)
[redacted]			

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. [redacted]



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.

Existing Casino Amenities

Casino	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.

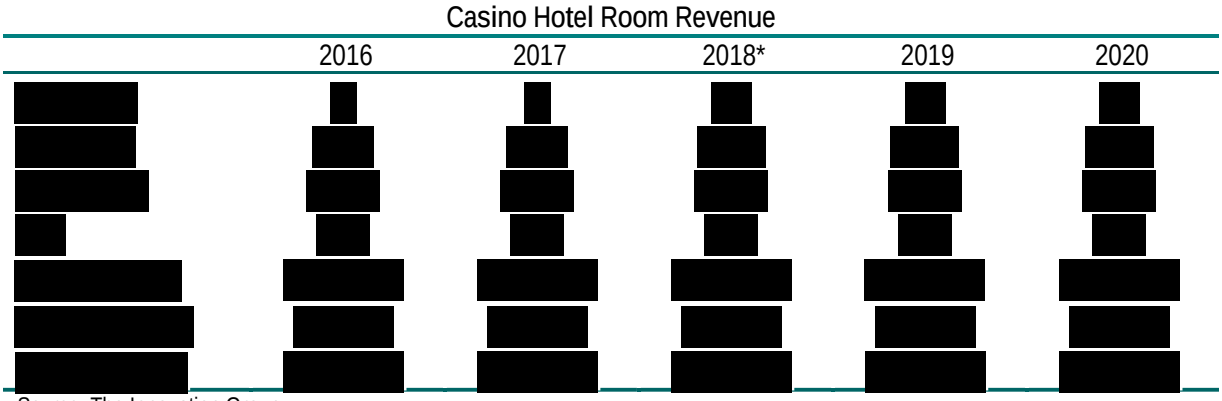
Occupancy

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%. [redacted]

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. [redacted] 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.



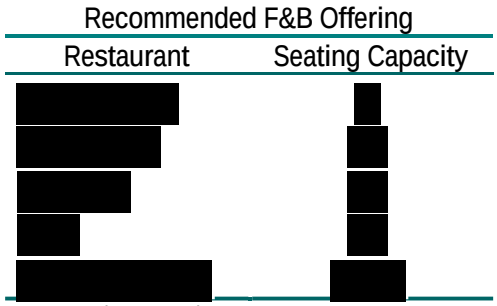
Source: The Innovation Group
*First year of expanded hotel

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 s 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.

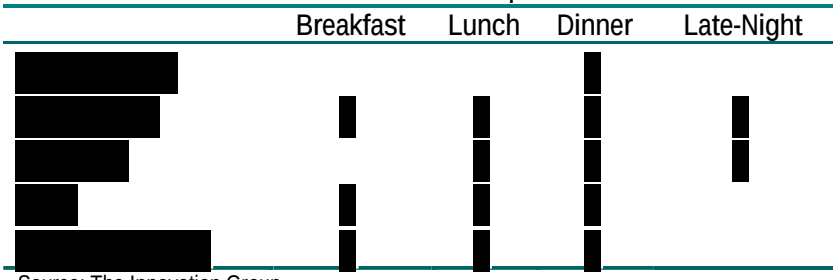
Food and Beverage Outlets

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,



Source: The Innovation Group

Restaurant Meal Period operations



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

[redacted] Below is a general description of recommended food and beverage venues at the Traditions casino.

[redacted]

[redacted]

[redacted]

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.

Retail							
Casino	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:

- [redacted]

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.

[redacted]

Traditions Ten Year Forecast

With the proposed program, and assumptions noted above, [redacted]

Traditions Pro Forma, 10-year Forecast

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