

VIII. ECONOMIC ACTIVITY AND BUSINESS DEVELOPMENT

B. ECONOMICS

1. MARKET ANALYSIS

One of the principal objectives of the Act is to recapture gaming--related spending by New York residents at out--of--state gaming facilities. Submit as Exhibit VIII. B.1. a market analysis showing the benefits of the site location of the Applicant's Gaming Facility and the estimated recapture rate of gaming--related spending by New York residents travelling to out--of--state gaming facilities. In addition, such market analysis must describe:

- a. the components of the Applicant's marketing plan that focus on out--of--state visitors and the anticipated gaming and non--gaming gross revenues the Applicant anticipates from out--of--state visitors during each of the first five (5) years of the Gaming Facility's operations on a low-- , average-- and high-- case scenario and clearly explain how this recapture rate was determined;*
- b. how the Applicant plans to compete with other nearby gaming facilities in New York and other jurisdictions; and*
- c. the Applicant's overall perspective and strategy for broadening the appeal of the Region and the Host Municipality in which its Gaming Facility is located and the State to travelers inside and outside of New York.*

EXHIBIT VIII.B.1.a

Live! Hotel & Casino New York gaming revenues will come from New York residents currently traveling to Pennsylvania, New Jersey, Connecticut casinos **and** from Non-New York residents within a 2-hour drive time that currently frequent casinos in other states.

New York Resident Revenue in Other States

Based on various sources cited in the independent parties Market Study, anywhere from 10% to 30% of NJ, CT, and PA casinos revenues are coming from New York residents. Exhibit #13 in the Market Study illustrates the estimated amount of New York resident gaming revenue realized at these out-of-state casinos. Overall, these casinos generate a greater percentage of their table revenues (vs. slot revenue) from New York residents since live table games currently don't exist in New York. Bethlehem Sands percentage of New York resident revenue is based on them having the shortest distance and drive time, along with fewer traffic tolls from Manhattan than other casinos. Parx New York resident percentages are lower than Sands despite being the same distance from Manhattan due to higher tolls and much heavier traffic on the NJ turnpike, which adds approximately 30 additional minutes to the drive. Atlantic City casinos, while further from

downtown Manhattan, experience similar percentages of their total revenues coming from New York residents as Sands due to the resort nature of Atlantic City and the variety of 11 different casinos. The two CT casinos generate a slightly smaller % of their total revenues from New York residents solely because of the large, competitor free market in Massachusetts.

In total, we estimate casinos in PA, NJ, and CT generate almost \$1.0 billion in gaming revenue annually from New York residents. We conservatively estimate LIVE! will recapture 37%, or \$362.8 million of the New York resident gaming revenue that is currently leaving the State for the expected (average) scenario. The 5-Year projection for New York resident, recaptured gaming and non-gaming revenues are:

	\$millions	Y1	Y2	Y3	Y4	Y5
High	Slot	\$242.5	\$269.4	\$274.8	\$280.3	\$285.9
	Table	\$123.0	\$136.7	\$139.4	\$142.2	\$145.0
	Poker	\$16.9	\$18.8	\$19.2	\$19.6	\$20.0
	Total	\$382.4	\$424.9	\$433.4	\$442.1	\$450.9

Non-Gaming	\$62.8	\$69.7	\$71.1	\$72.6	\$74.0
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	\$millions	Y1	Y2	Y3	Y4	Y5
Average	Slot	\$211.0	\$234.4	\$239.1	\$243.9	\$248.8
	Table	\$102.5	\$113.9	\$116.2	\$118.5	\$120.9
	Poker	\$13.0	\$14.5	\$14.8	\$15.1	\$15.4
	Total	\$326.5	\$362.8	\$370.1	\$377.5	\$385.0

Non-Gaming	\$53.6	\$59.6	\$60.7	\$62.0	\$63.2
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	\$millions	Y1	Y2	Y3	Y4	Y5
Low	Slot	\$204.2	\$226.9	\$231.4	\$236.1	\$240.8
	Table	\$76.9	\$85.4	\$87.1	\$88.9	\$90.6
	Poker	\$10.4	\$11.6	\$11.8	\$12.1	\$12.3
	Total	\$291.5	\$323.9	\$330.4	\$337.0	\$343.7

Non-Gaming	\$47.8	\$53.2	\$54.2	\$55.3	\$56.4
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Non-New York Resident Revenue within 2 Hour Drive Time

Due to the proximity of the proposed LIVE! to significant NJ, CT, and PA populations, there will be an increased import of Non-New York resident gaming revenue to NY. The largest contribution of this import will be from Northern New Jersey residents. LIVE! will simply be the closest casino facility to their homes. Projected gaming demand for Non-New York residents with 2 hour drive time was modeled in the Market Study. Conservative capture rates of 11%, 4%, and 1% for NJ, CT, and PA residents, respectively were assumed. These rates yield \$206 million in gaming revenue at LIVE!. The 5-Year projection for New York Non-Resident, captured gaming and non-gaming revenues are:

	\$millions	Y1	Y2	Y3	Y4	Y5
High	Slot	\$94.7	\$105.3	\$107.4	\$109.5	\$111.7
	Table	\$107.7	\$119.6	\$122.0	\$124.5	\$126.9
	Poker	\$17.2	\$19.1	\$19.5	\$19.9	\$20.3
	Total	\$219.6	\$244.0	\$248.9	\$253.9	\$259.0

Non-Gami	\$36.0	\$39.3	\$40.1	\$40.9	\$41.7
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	\$millions	Y1	Y2	Y3	Y4	Y5
Average	Slot	\$82.4	\$91.6	\$93.4	\$95.3	\$97.2
	Table	\$89.7	\$99.7	\$101.7	\$103.7	\$105.8
	Poker	\$13.2	\$14.7	\$15.0	\$15.3	\$15.6
	Total	\$185.4	\$206.0	\$210.1	\$214.3	\$218.6

Non-Gami	\$30.4	\$33.2	\$33.8	\$34.5	\$35.2
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	\$millions	Y1	Y2	Y3	Y4	Y5
Low	Slot	\$79.8	\$88.7	\$90.4	\$92.2	\$94.1
	Table	\$67.3	\$74.8	\$76.3	\$77.8	\$79.3
	Poker	\$10.6	\$11.8	\$12.0	\$12.2	\$12.5
	Total	\$157.7	\$175.2	\$178.7	\$182.3	\$185.9

Non-Gami	\$25.9	\$28.2	\$28.8	\$29.4	\$29.9
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A key market segment for LIVE! will be destination gaming customers from outside the local market, the New York residents going to out-of-State casinos, and known customers through the owners' respective data bases.

Key strategies on attracting this group over the first several years of operation are outlined below:

Year 1

- The marketing focus for year one should be capturing and securing the local market, progressing outward in targeted, concentric circles, emphasizing casino table games and poker, and the Asian market.
- Special events calendar will be introduced.
- Entertainment programs calendar will be introduced.
- A Chinese New Year program will be established
- A tremendous amount of public media will be generated due to the novelty of being the newest gaming property in New York. This exposure can be leveraged to attract new destination visitation from both in-state gamers presently going to out-of-State casinos and out-of-state visitors. Capitalization here is key, as most advertising dollars will be funneled to the regional market.

- Line and charter bus programs will be initiated.
- The feasibility of train programs will be explored.
- Awareness will be promoted through electronic mail, website and social media.
- An outreach program will begin to develop line bus programs.
- Direct mail will be the primary contact with out-of-region known customers from the owners' data bases.
- Key psychographic and demographic profiles will be created and targeted using direct mail offers to drive first trip, overnight, and property visitation from these out-of-state customers.
- Use of the co-owners' databases and the availability of Stewart International Airport and Orange County Airport as a termini further allows LIVE! to cultivate out-of-state customers.
- The Projects Asian pit and special amenities will be contained in advertising directed at those ethnic communities. Bi lingual Asian marketing specialists will be hired both to host this market on property and to work within the ethnic communities to communicate the product offering.

Year 2

- LIVE! will continue with the first year's programs as outlined above.
- With the regional market secured and good word of mouth spreading about the incredible new property in New York, the marketing and advertising reach will expand, continuing to emphasize table games and poker, and the Asian market.
- Poker tournaments will be organized with LIVE!'s affiliated casino in other jurisdictions.
- Line bus programs will be expanded to facilitate the delivery of customers as an alternative to Connecticut and Pennsylvania casinos, with an emphasis on the Asian market.
- Train programs will be expanded with the feasibility of a dedicated LIVE! train(s) being implemented.
- Advertising will move from the local market to the outer regional market, with particular focus on New York City, Northern New Jersey, Southern Connecticut and other feeder markets.
- Continued targeted direct mail offers will be sent to gaming and resort prospective guests based upon joint database marketing for event marketing.
- An interactive feature will be introduced in LIVE!'s website and social media program.
- Electronic mail and social media programs will be expanded.
- An outreach program will begin with tour groups from the 60 to 120 mile radius to develop bus charter programs.
- An outreach program will begin with International tour representatives bring tourists in from other countries, with an emphasis on Asian groups.
- Market penetration, market share, and dollar share will be measured to ensure growth and assist in guiding which area to target next.

Year 3

- LIVE! will continue with the second year's programs as outlined above.
- Continued penetration into the outer regional markets will become more concentrated, continuing the emphasis on table games and poker
- Table Games and slot tournaments will be introduced.
- The poker tournament concept will be expanded beyond affiliated casinos to create satellite tournaments in other jurisdictions, with LIVE! hosting the finals of the tournament; attempts will be made to affiliate with a cable network provider to televise the finals.

- Advertising will move as necessary into additional outer feeder markets.
- The line and charter bus programs will be expanded.
- The train program will be expanded.
- Continued targeted direct mail offers will be sent to gaming and resort prospective guests through data base marketing; electronic mail and social media utilization will be expanded.
- Continued efforts will be made to secure LIVE! as a regular destination for International tour groups.
- Junket programs will be developed using public air carriers at Stewart International Airport and private air transportation at Orange County Airport based upon data base data.
- Market penetration, market share, and dollar share will be measured to ensure growth and assist in guiding which area to target next.

Year 4

- LIVE! will continue with the third year's programs as outlined above.
- As the outer regional markets become better defined, advertising and direct mail, including direct mail and social media, will be target directed.
- Table Games and slot tournaments will be expanded and used to generate patron traffic during times of smaller crowds.
- The poker tournament program will become a national event, having satellite tournaments throughout the country; LIVE! will host preliminary local sessions and the finals with participants from all over the country.
- The line and charter bus programs will be evaluated and a determination made as to the value of each based upon the incentives offered compared to the levels of play produced.
- Efforts will continue to secure International groups; through LIVE!'s international connection in China, identified Asian players will be referred to LIVE!.
- Junket programs will be expanded in terms of frequency; the feasibility of international junkets will be explored.
- Data base marketing from outer markets and cooperative marketing with LIVE!'s affiliated casinos will be based upon golf tournaments, special events and featured entertainment.
- Market penetration, market share, and dollar share will be measured to ensure growth and assist in guiding which area to target next.

Year 5

- LIVE! will continue with the fourth year's programs as outlined above.
- General advertising will be reduced, with more concentration on data base marketing through direct mail and electronic mail.
- Social Media and website marketing will be expanded, become more interactive and offer incentives to visit LIVE! Hotel & Casino NY, developing offers both for the gaming and non-gaming products.
- Established table games and slot tournaments will continue as incentives to fill slower times.
- The poker tournament has been established as an annual national event and will continue.
- Line and Charter bus programs will continue to be evaluated.
- International junkets will be expanded; additional air programs will be introduced.
- Expansion of cooperative marketing programs with affiliated casinos in other jurisdictions will be expanded.

EXHIBIT VIII.B.1.b: How the Applicant plans to compete with other nearby gaming facilities in New York and other jurisdictions

The Applicant's assessment of the unmet demand in the 120-minute market circle around the proposed sight is in excess of \$2 billion annually. Our research further demonstrates that some New Yorkers, primarily from the New York Metropolitan area, are spending nearly \$100 million per month and over \$1.0 billion annually in out-of-State gaming venues in Connecticut, New Jersey and Pennsylvania. The Applicant plans to focus first on these two lucrative markets, rather than to compete directly with other New York casinos for existing customers. Two aspects of the Applicant's Project facilitate its effort: casino table games and poker, neither of which are currently offered by existing New York gaming facilities.

The Applicant has developed building and marketing plans to attract the unmet demand, repatriate the dollars currently being lost to out-of-State casinos; and, at the same time, create a facility that would complement a multi-faceted, extended stay, destination casino hotel resort in the Region.

It is anticipated that LIVE! will have nearly three million visitors annually based upon its contemplated program.

The Applicant's facility has been designed primarily for the single day visitor; that is, for persons whose primary interest is gaming, but who would be interested in fine food, world-class entertainment and a renowned Spa experience. The building plan contains over 300 rooms and suites, which are planned to be utilized by the Applicant for marketing purposes to support the casino, special events, entertainment, and banquet/exhibition components.

With this backdrop in mind, the Applicant has proposed a casino housing over 250 live action table games, including poker; and over 3,000 state-of-the-art slot machines. Significantly, there are three "special condition" casino areas for the higher limit players; one each for high limit tables and slots, and an area designed with games and amenities for the anticipated Asian demand. Each of these areas offers a "separation" from the main casino floor with dedicated restrooms, food service and localized cashiering. The planned poker room will be among the largest in the country; and, as such, will be a major draw both in the region and beyond.

Our research indicates that the casino table games and poker markets within the 120-minute market will be substantial and offer the greatest opportunity to capture unmet demand and repatriate the monies lost to out-of-State casinos. Significantly, in the areas of the largest population, Empire City and Resorts World do not currently offer table games or poker. These areas also include a significant number of Asian gamers, as our independent market study observes, who are currently seeking out-of-State gaming opportunities for table game play.

In order to broaden the appeal and the market, LIVE! will have six different dining experiences, including four gourmet rooms and a celebrity chef. The Event Center will offer world-class entertainment and seat 3,000 for concerts, but also serve as a multi-function room for special events, banquets and exhibitions. For the ultimate escape, LIVE! will offer a world-class Spa and an indoor pool experience.

In short, the Applicant plans to compete with out-of-State casinos by offering a full service, luxury experience; and to compete with in-State gaming facilities by targeting the market they currently cannot service.

VIII.B.1.c: The Applicant's overall perspective and strategy for broadening the appeal of the Region and the Host Municipality in which its Gaming Facility is located and the State to travelers inside and outside of New York

The Applicant, through its owner's affiliated casino operations, have extensive and positive experience working within the community and with local and regional businesses in partnering programs, cross marketing and tie-ins. Our unmatched experience in regional gaming has proven that customers look to enjoy more than the amenities provided at our facilities. We are proud of our strong history of promoting our broader communities across the country, and are working diligently to duplicate this success in the Catskills/Hudson Valley Region.

The design and location of the Project was determined based upon the rural nature of our Host Municipality in order to fit into the culture and landscape of that community, including the height of the hotel tower, the landscaping program and the shape and color of the overall Project.

The Applicant's facility was specifically designed to become part of the over Region's resources for the promotion of tourism. LIVE! will have over 300 rooms and suites, which are to be used primarily for casino marketing purposes; thereby enhancing the opportunities for other lodging facilities in their region to improve their occupancy. There are 10 lodging establishments within 20 miles of the site: three bed and breakfasts, a Holiday Inn Express, a Courtyard by Marriott, a very limited service Super 8, a Howard Johnson Inn, an Econo-Lodge, a Hilton Garden Inn and Bear Mountain Inn. There are currently no upscale hotels in the target market area that would compete with the luxury product LIVE! will offer.

LIVE!'s amenities are geared to the shorter term visitor who has an orientation toward casino gambling; thereby not supplanting other attractions and amenities, such as golf clubs, nature trails, National Parks, and the like. LIVE!'s Event Center has been designed so as not to compete with other entertainment outlets. At 3,000 seats, size alone will dictate entertainment offerings that could not be accommodated by area venues of much more limited size; it will also not realistically compete with the regional amphitheater.

The Applicant's intention is to join with local and regional businesses and attractions to combine the opportunities to market the overall region and attract visitors from downstate and out-of-state to the Catskills/Hudson Valley. The state's groundbreaking "Taste NY" program has gained attention for the plethora of New York State produced wine, beer, cider, and distilled spirits. The "Pride of New York" program similarly promotes New York State produced food products. Many of these producers are located in the Catskills/Hudson Valley region and are tremendous draws to the region. The Applicant has taken the "Pride of New York" pledge and initiated discussions with area producers about working closely with them to integrate their agri-tourism marketing efforts with our planned marketing activity.

LIVE! plans to work closely with these organizations and the many other local businesses to develop and execute cross marketing strategies to drive business and further promote the area. Local partners will be encouraged to add to the list of potential marketing opportunities that will be mutually beneficial:

- Promotional Partnerships
 - LIVE! is projecting to hold quarterly mass market brand programs that will range in value from \$500,000 to \$1,000,000 in cash and merchandise prizes.

- Local Business Partners will be included for such programs, including car dealerships, electronics, jewelry, spas, vacation destinations, etc.
- Mass market programs will employ the full arsenal of LIVE!'s media and communication reach, including, but not limited to:
 - TV, Radio, Print, Outdoor, Viral, Social, Digital, Web, On-Property, Direct Mail, Electronic Mail, Events, Promotions, Merchandising and Employee Branding.
 - Local Business Partners will be featured in all applicable mediums.
- Player Discounts
 - LIVE!'s database will be substantial. The Applicant expects to join with various local businesses to provide valuable discounts and awards to our card holders in an effort to enhance the features of our card program and to leverage our database power to drive business to and for the partners.
- Employee Discounts
 - Much like the player database, we also hope to partner with local business to provide our large employee base with exclusive offers to enhance our benefit package and drive business to and for partner businesses.
- Website
 - LIVE! will have an extremely robust and cutting edge website. Local partners will be afforded access on the LIVE! site through the:
 - Partner Page
- Database Marketing Reach
 - The reach of the LIVE! database will become one of the largest of any company, if not the largest, in the greater New York market. The total LIVE! database is estimated to reach 2,000,000 unique names over the age of 21 by the end of year one.
 - The frequency and volume of the LIVE! database marketing program is estimated to a minimum of 3 touches per month to a database of near 500,000 unique customers each touch.
- Database Marketing Offerings
 - Direct Mail/Electronic Mail
 - LIVE! will include Local Business Partners in its applicable Direct Mail programing in the form of offers, specials and general marketing.
- Social
 - LIVE!'s social media program will be designed to be cutting edge and the most effective gaming social media program on the East Coast. LIVE! will have a separate media program for key social sites and will utilize them as a main means of advertising and customer communication.
 - LIVE! can work with Local Business Partners on scheduled programming, messaging and announcements.
- Entertainment Partnership
 - LIVE! can provide Local Business Partners with concert tickets and VIP access to select concerts and events in the venue. Tickets, shows and details will be mutually agreed upon.
- Buffet Comp package
 - LIVE! can also provide a certain number of food certificates for use by Local Business Partners as part of the marketing package. Details will be mutually agreed upon.

- Merchandise Acquisition
 - LIVE! will work directly with local businesses to provide the merchandise or related products for giveaways.
- In-Store Cross Promotion
 - Local businesses would work with LIVE! on in-store cross promotion of the brand program, including, but not limited to:
 - In-Store Merchandising Display
 - POS Collateral
 - In-Store Video Display
 - Employee Buttons
- Merchandise Display
 - Local Business Partners would be allowed to create a large merchandising display(s) to be placed on LIVE! property as a key marketing tool for the promotional activation.

Progress to Date

Cross Marketing Partnerships: We have implemented a “Local Business Partnership Program” for businesses throughout the Catskills/Hudson Valley. At no cost to the local business, we are committing to develop customized cross-marketing plans with each business, utilizing a redemption of “loyalty points” earned at our facility at their business, promotion and patron discount programs, and advertising partnerships.

- Gift Card Program: LIVE! will institute a gift card program, which will be used to incentivize visits and allow patrons to purchase goods at nearby businesses.
- Stay, Play, and Shop Program: We will partner with local attractions, such as area wineries, organic farms, entertainment venues, bed & breakfast establishments, area historical organizations, and more, to develop specific packages to attract visitors for unique excursions in the region.

To date, we have reached out to the following businesses and organizations and are in discussions with many more on formalizing agreements in advance of the gaming license award. We will continue to reach out to additional area establishments. We have already signed cross-marketing agreements with several local establishments. A complete list is attached.