
Impacts of the Nevele Resort, Casino and Spa on Entertainment Venues, the Arts and Cultural Institutions

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IMPACTS ON ENTERTAINMENT VENUES, THE ARTS AND CULTURAL INSTITUTIONS.....	1
INTRODUCTION	1
THE UPSTATE NEW YORK GAMING ECONOMIC DEVELOPMENT ACT OF 2013.....	1
LITERATURE REVIEW	2
RESEARCH ON THE IMPACT OF CASINO GAMING ON CULTURAL INSTITUTIONS.....	4
NATIONAL MUSEUM INDUSTRY	4
MUSEUM PERFORMANCE IN CASINO LOCATIONS.....	6
CONCLUSION	10
CASINO IMPACT ON ENTERTAINMENT VENUES.....	11
EFFECTS OF CASINOS ON ENTERTAINMENT VENUES IN PENNSYLVANIA.....	11
CONCLUSION	13
HOW OPERATOR HAS ADDRESSED ENTERTAINMENT AND CULTURAL ISSUES	15
CONCLUSION AND RECOMMENDATIONS.....	15
APPENDIX A	16
DIFFERING MOTIVATIONS.....	16

IMPACTS ON ENTERTAINMENT VENUES, THE ARTS AND CULTURAL INSTITUTIONS

Introduction

The impacts of casinos on entertainment venues, the arts, and cultural institutions is relatively unstudied and undocumented. To our knowledge, impacts on entertainment venues and arts and cultural institutions were first raised as part of the licensing process in Massachusetts and are also reflected in the Upstate New York Gaming Economic Development Act.

In Massachusetts State Senator Stan Rosenberg explained why this potential issue arose during an interview:

“We decided to be very aggressive on the subject,” Rosenberg says. “We included more provisions on this subject than I’ve seen in any legislation. Most states ignore the cultural impacts. I’m pretty sure it’s \$4.5 million set aside each year to be used for major cultural venues in order to mitigate negative impacts.”¹

Why would this lack of impact or concern in other states be the case? Some reasons may be:

- There is substantial experiential difference between visiting cultural institutions, particularly museums, and casinos, negating a possible substitution effect.^{2,3} Despite the recreational character of both activities, research has indicated that there are distinctly different motivations for visiting casinos and attending museums.⁴
- By bringing more out-of-area visitors into the region and increasing tourism, the casino is more likely to have a positive impact on visitation to cultural institutions and entertainment venues than a negative one.⁵
- The size and number of acts in a casino venue are generally only a small fraction of the overall demand for entertainment in an urban market, as indicated in the case studies presented below.

The Upstate New York Gaming Economic Development Act of 2013

A major goal of the Act is to enhance the State’s live entertainment venues and to protect existing venues against competition from major entertainment venues developed at casinos. The Nevele Resort, Casino and Spa does not plan to operate a major entertainment venue. The primary entertainment on site will be in the form of local bands and entertainers performing in a cabaret-type setting on or adjacent to the casino floor. It is not expected that this will provide

¹ Heflin, James “Attack of the Killer Casinos”, *The Valley Advocate News*, Thursday, December 22, 2011

² WMS Gaming, pg. 79

³ Prentice R., Davies A., Beeho, A. (1994). “Seeking generic motivations for visiting and not visiting museums and like cultural attractions.” *Museum Management and Curatorship* 16:45-70.

⁴ Thyne, M. (2001). “The importance of values research for nonprofit organizations: The motivation-based values of museum visitors.” *International Journal of Nonprofit and Voluntary Sector Marketing* 6(2):116–130.

⁵ Cotti, C. (2008). The effect of casinos on local labor markets: A county level analysis. *The Journal of Gambling Business and Economics*, 2(2): 17-41, pg. 38.

competition to existing venues in the regional market since the appeal of these acts is complimentary, and secondary to the gaming experience. It is gaming that will drive these trips, not entertainment; therefore, the market segment being attracted would not naturally be attracted to other entertainment venues in the absence of gaming. As a result the impact of the Nevele Resort, Casino and Spa on other entertainment venues will be negligible.

Despite this finding we have provided below a literature review on the topic to the extent that it exists.

Literature Review

As noted previously there has been little published research on this topic. What little we have been able to locate has generally been qualitative in nature and is presented below.

A study in the *Journal of Gambling Business and Economics* also found casinos to have a positive impact on a variety of local recreational activities.⁶ Using a national sample of county-level data, Cotti analyzes growth as a function of casino presence across a wide range of economic sectors and sub-sectors, as indicated by employment. He summarizes his relevant findings as follows:

“Estimates from analysis of both the museum, zoos, and parks sector, as well as the other recreational centers sector (which includes golf courses, skiing resorts, marinas, fitness centers, and bowling alleys) do not show the presence of a strong casino effect, as estimates are insignificantly different from zero. That said, it is noteworthy that in both cases they have non-trivial positive coefficients. So one can conclude that there is stronger evidence of a complementary casino effect present than there is of any business-stealing effect within the entertainment industry.”⁷

The following are quotes derived from two markets .

Mississippi Gulf Coast

Commenting on the effect of casinos on non-casino businesses Steven Richter, Executive Director of the Mississippi Gulf Coast Convention and Visitors Bureau stated that:

“Wherever there is an already established tourism product, a casino facility creates an added amenity that enhances the attractiveness of the area and gives people another reason to visit. It invariably results in more business for everyone...restaurants, hotels, shops...you name it. It’s a catalyst for development, not a deterrent [emphasis added]”⁸.

Horseshoe Casino Cleveland

Rock Ohio Caesars Casino is a joint venture between Caesars and Cavaliers majority owner Dan Gilbert. In an article in the Cleveland Plain Dealer the following positive benefits to small local businesses were noted from its first full month of operation in June 2012:

⁶ Cotti, C. (2008). The effect of casinos on local labor markets: A county level analysis. *The Journal of Gambling Business and Economics*, 2(2): 17-41.

⁷ Cotti, C. (2008). The effect of casinos on local labor markets: A county level analysis. *The Journal of Gambling Business and Economics*, 2(2): 17-41, pg. 36.

⁸ <http://www.mmtourismmarketing.com/email/2004/fall/>

“City tax collections have spiked since the Horseshoe Casino Cleveland opened, suggesting that the casino is bringing new life -- and money -- downtown.

Revenue from admissions, car rental, hotel and parking taxes was up 6 percent to 9 percent in June, the casino's first full month of operation, when compared with the same month in 2011. The increase totaled nearly \$1.2 million.

Finance Director Sharon Dumas said the numbers had been flat from year to year, so the increase seems to indicate that people are coming downtown, staying overnight and visiting the casino, restaurants and **other attractions**. [emphasis added]”⁹

⁹ *Cleveland Plain Dealer Tuesday, September 04, 2012*
http://www.cleveland.com/metro/index.ssf/2012/09/cleveland_tax_collections_rise.html

RESEARCH ON THE IMPACT OF CASINO GAMING ON CULTURAL INSTITUTIONS

Gaming has grown rapidly in recent years as jurisdictions around the world have looked to gaming as a source of revenue to governments and a source of economic development for the communities in which they operate. Concurrent with this growth has been an increase in scientific inquiry on the social impact of new gaming ventures.

This analysis focuses on the issue of impacts on cultural institutions in regards to new casino developments. In this context we have examined the following:

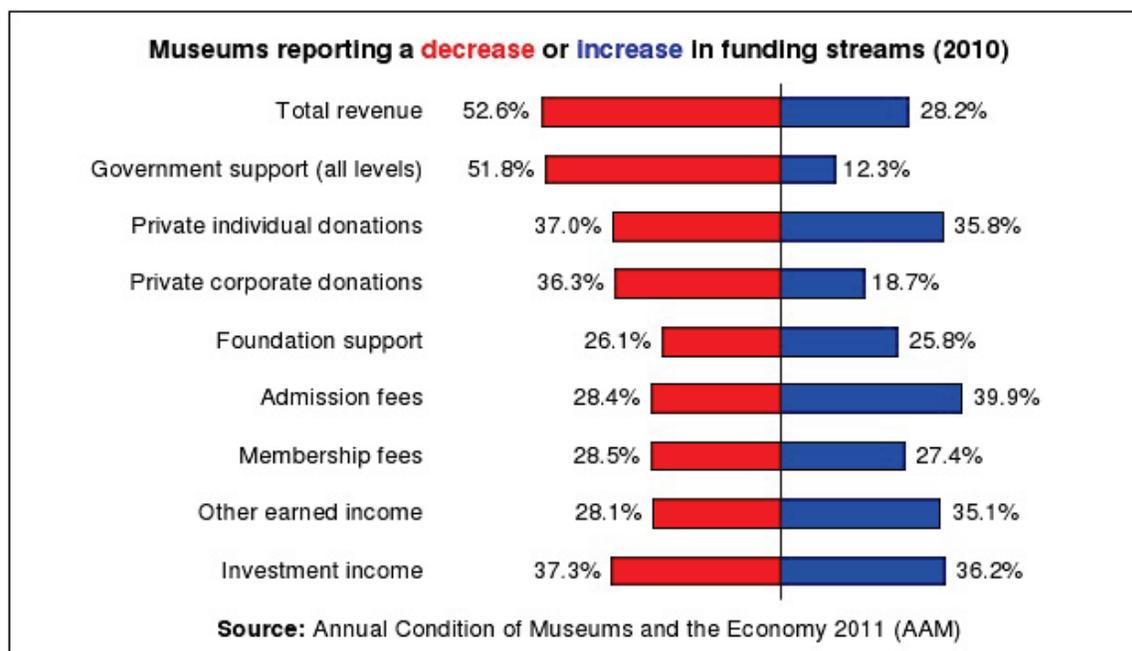
- Historical impacts on cultural institutions in states with casinos.
- Cultural institutions in states without casinos to attain a normative trend.
- Finally, empirical studies that allow for a comparison of casinos and cultural institutions' respective markets.

National Museum Industry

In order to gauge the impact of casinos on cultural institutions it is important to gain perspective on the overall strength of the museum industry in the United States and the current overall trends in attendance and revenues in the sector as a whole. To accomplish this we utilized the American Alliance of Museum (AAM) annual report. According to the AAM, U.S. museums attracted 902 million visitors in 2010. With the recession affecting discretionary income, museums realized a significant drop in attendance. For example, according to the National Endowment for the Arts (NEA), the U.S. attendance rate for art museums fell to 23 percent in 2008, down from a high of 26 percent between 1992 and 2002¹⁰. Additionally, those in the 45-54-year-old age cohort, typically the most consistent art museum attendees, showed the largest drop in attendance for art events, compared with other age groups.¹⁶

According to the AAM, 53% of museums realized a decline in revenues from 2009 to 2010, while just 23% saw an increase. Furthermore, government funding decreased at 52% of museums, while only 12% received an increase in funding. Over half of museums surveyed in the AAM 2010 report responded that there was some modest increase in attendance and 32% indicated at least a 5% increase in attendance. More than three quarters of museum management surveyed also indicated that they were able to hold the admission price level even with the lethargic economy, with the average general admission price holding at \$7 in 2010.¹⁶ The chart below provides additional information relative to the condition of museums in the United States.

¹⁰ National Endowments for the Arts. *Arts Participation 2008 Highlights from a National Survey*. Rep. N.p.: National Endowments for the Arts, 2008. Print.



Some museums have responded to the recession by cutting costs and reducing hours of operation. Others reduced staff members as reported by the Bureau of Labor Statistics from 2008 to 2009.¹¹ Additionally, two of the country's most prestigious museums, the Art Institute of Chicago and the Philadelphia Museum of Art, announced an increase in admission prices. In Chicago, the price of an adult ticket increased from \$12 to \$18, although the effectiveness of the move was questioned as only about 10 percent of the budget was supplied by admission revenues.⁴ In November 2009, an inability to raise sufficient funds led the University of California-Berkeley to abandon its plan to build a new Berkeley Art Museum and Pacific Film Archive. Between August and November 2009, the Fresno Art Museum sliced \$400,000 from its \$1.2 million budget in an effort to keep its doors open. The museum also cut its hours, reduced its staff from full-time to part-time, and announced pay cuts. In addition, fiscal concerns also prompted Fresno Metropolitan Museum to institute winter hours to cut costs.¹²

According to a 2013 report by research firm IBISWorld, U.S. museums garnered \$9 billion in revenues in 2012 and employed 81,368 people. The report noted an annual decline of 0.6% from 2008 to 2013.¹³

From this limited data we can surmise that museum attendance is closely linked to general economic conditions, the presence of discretionary income, and the availability of government or other sources of funding as well as that the sector has been contracting as it faces difficult economic conditions.

¹¹ Wang, Marian. "Officials OK Art Institute Admission Fees Increase." *Chi Town Daily News*. N.p., 12 Mar. 2009. Web. 6 Sept. 2012. <<http://www.chitowndailynews.org/2009/03/12/Officials-OK-Art-Institute-admission-fees-increase-23671.html>>.

¹² "Fresno Art Museum Cuts Jobs, Hours." *Bloulin ArtInfo*. N.p., 17 Aug. 2009. Web. 6 Sept. 2012. <<http://www.artinfo.com/news/story/32275/fresno-art-museum-cuts-jobs-hours>>.

¹³ IBISWorld. *Museums Market Research Report*. Rep. N.p.: IBISWorld, 2013. Print.

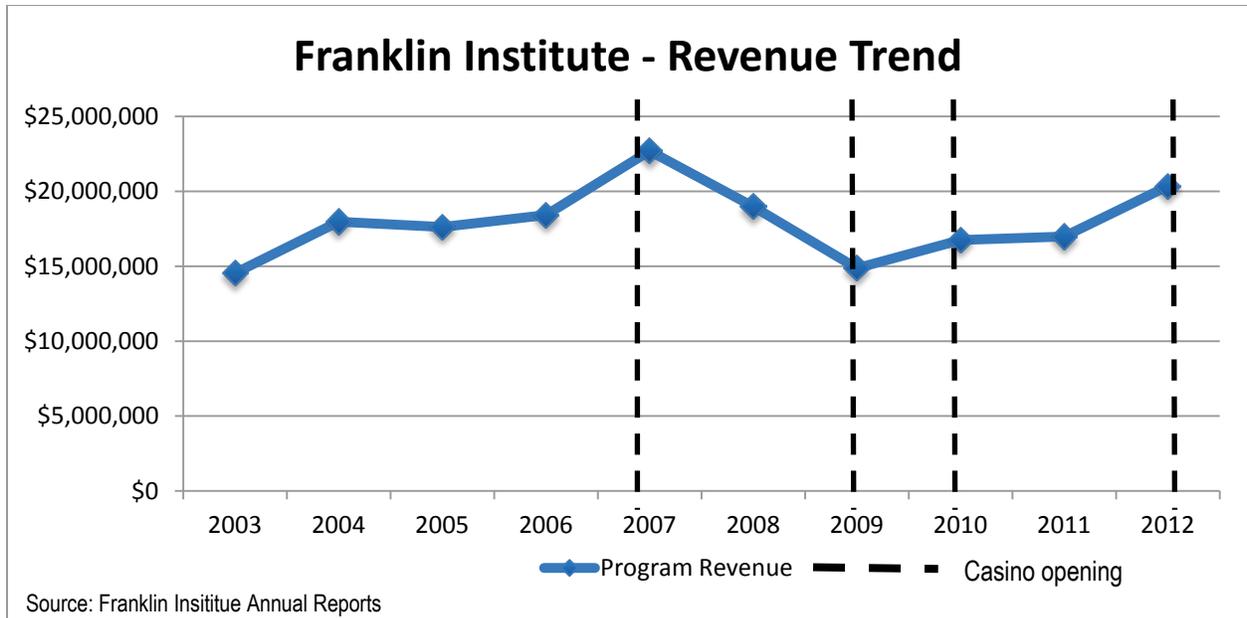
Museum Performance in Casino Locations

The aim of this section is to understand the trends in attendance and revenues associated with museums before and after the introduction of casinos into the market, which will inform estimates of impacts, if any, that may be attributable to development the Nevele Resort, Casino and Spa. The following sections look at the annual attendance or revenues in cultural institutions in a number of cities around the country that have instituted gaming facilities in the past two decades.

In addressing these markets we would point out that a variety of factors influence growth trends, in addition to casino gaming. Variations in visitation and revenue can also result from macroeconomic trends, new exhibits, construction, competitive factors from surrounding museums, funding levels and other influences. And as we indicated earlier, nothing in the literature suggests that the casino effect approaches the influence of the overall economy and other factors.

Philadelphia

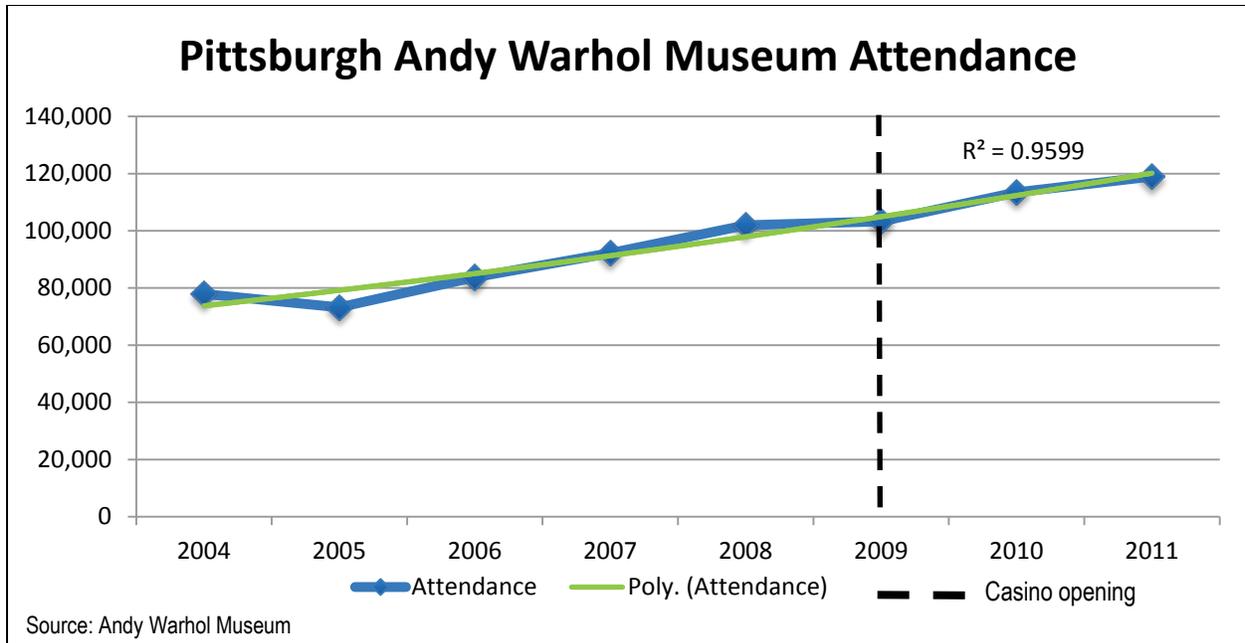
The Franklin Institute is an interactive science museum as well as Pennsylvania's most visited museum. Prior to casinos entering the Philadelphia market, the revenue trend for the Franklin Institute was positive with an average annual growth of 11.8% from 2003 to 2007. With the opening of the Harrah's Chester Casino (now Harrah's Philadelphia), which is approximately 14.5 miles southwest of the cultural institution, in January of 2007, the revenue for the Franklin Institute realized a dramatic 23.2% increase. The second casino to open was the Parx Casino and Racetrack in December of 2009 located more than 20 miles north of the Franklin Institute. The Sugar House Casino is approximately 4.7 miles east of the Franklin and was opened in September of 2010. In that same year the Franklin Institute realized a 12.6% increase in revenue following previous declines in 2008 and 2009. Revenue continued to grow through 2012 as Valley Forge Casino Resort (approx 20 miles northwest of the Franklin Institute) came online in March of 2012. It is difficult to draw causal relationships between casino development and museum demand in Philadelphia (or elsewhere, from before- and-after attendance data alone), and it is likely that these variations are due more to macroeconomic trends and factors specific to the Franklin than to the advent of casino gaming. However, it does not appear that casinos have hindered museum demand; to the contrary, the data available suggest the introduction of casinos may be related to increased museum attendance.



The Andy Warhol Museum

The Andy Warhol Museum celebrates the artistic creations of Andy Warhol and features over 900 paintings approximately 100 sculptures; nearly 2,000 works on paper; more than 1,000 published and unique prints; and 4,000 photographs. The Andy Warhol Museum is one of four Carnegie Museums in the Pittsburgh area and is one of the closest cultural institutions to the Rivers Casino that opened in August of 2009 approximately 1.2 miles east of the museum.

Attendance at the Andy Warhol Museum between 2006 and 2008, prior to the opening of the casino, grew by 21.8%. In the two years following the opening of the Rivers Casino in 2009, the growth in attendance was 15.2%. By plotting a regression trend line (polynomial trend line to the second order), as in the following chart, it can be seen that the overall growth trend in attendance at the Andy Warhol Museum has remained consistent for the periods before and after the introduction of casinos. This suggests that the advent of casino gaming had little or no impact on attendance.



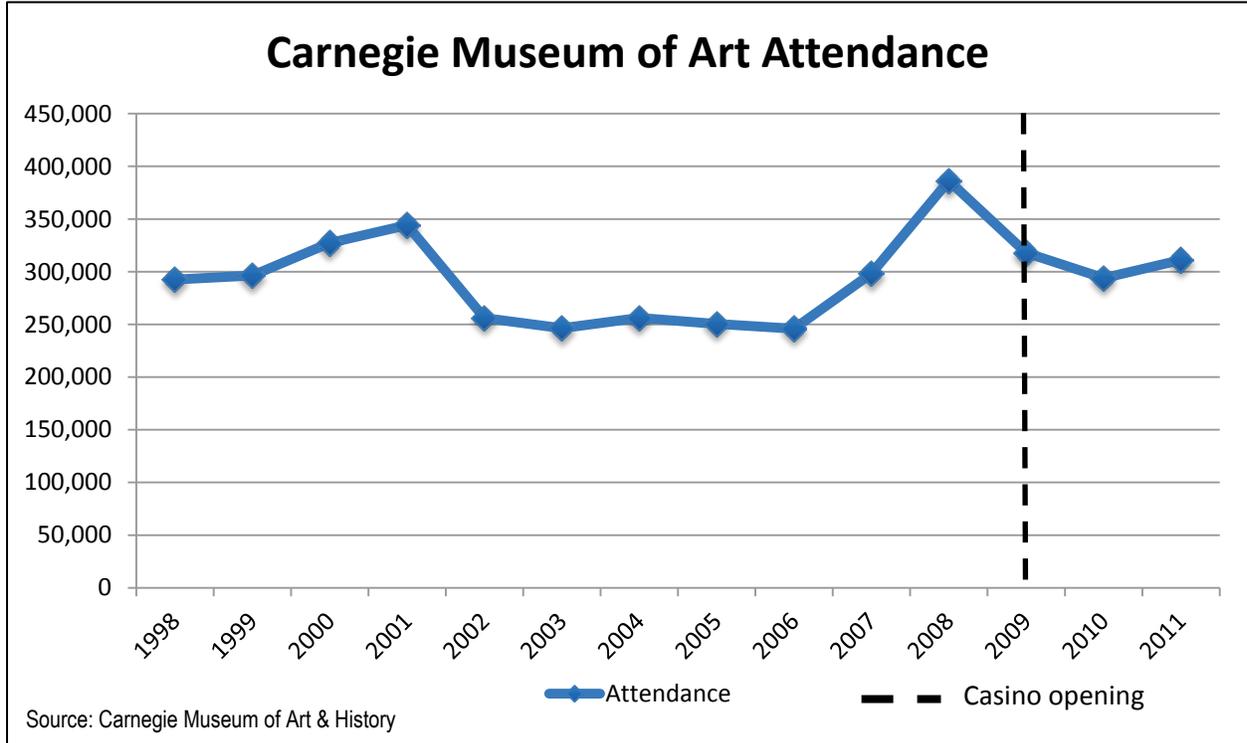
Carnegie Museum of Art

Pittsburgh is also home to the Carnegie Museum of Art, which is approximately 5.1 miles east of the Rivers Casino. Purchase of an admission entitles a patron access to not only the Museum of Art but also the Museum of Natural History which is adjacent. As a result, the attendance numbers provided represent some overflow from both venues and also special event attendance.

According to the Communications and Media Relations Manager, Leigh Kish, of the Carnegie Museum of Art, the main driver of attendance at the facility is the occurrence of new exhibits and large events.¹⁴ For example, the Carnegie International, which is the largest museum event that showcases the new art and artists from around the globe, is hosted at the Pittsburgh Museum of Art with events currently being held and past events in 2000, 2004 and 2008. Therefore, these large events have coincided with large escalations in visitor attendance. Additionally, with the institution of the Dinosaur display at the Natural History Museum coinciding with the Carnegie International event in 2008, the Carnegie Museum of Art & History saw its highest attendance in that year.

With the opening of the Rivers Casino in August 2009, annual attendance has leveled off at approximately 300,000, which is 50,000 visits greater than the level it had attained in the period 2002-2006.

¹⁴ Telephone interview with and Media Relations Manager, Leigh Kish, of the Carnegie Museum of Art, September 2012.



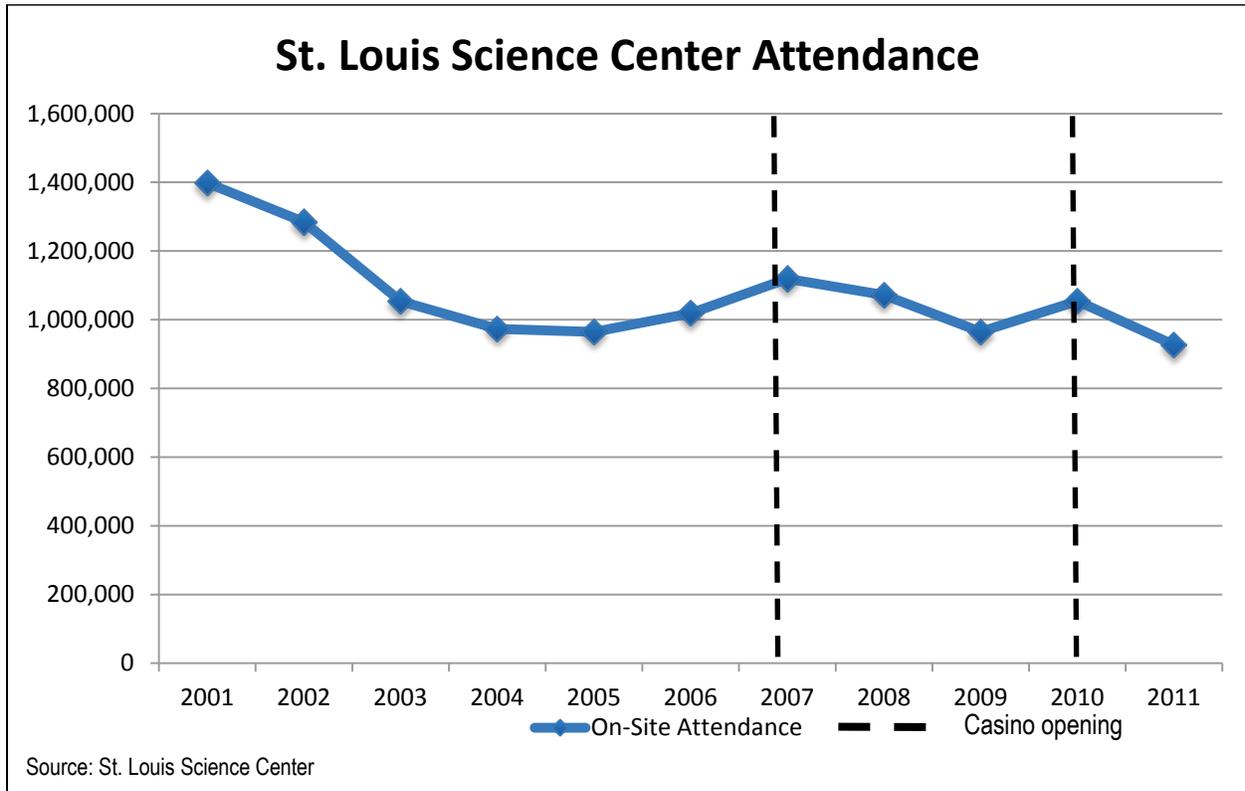
St. Louis

St. Louis has a highly developed casino market with five casinos within twenty miles of St. Louis. However, the additions of the Lumiere Palace Casino in 2007 and the River Casino in 2010 are the specific developments that were utilized to gauge any impact on cultural institutions in the St. Louis market area. The St. Louis Science Center was utilized as a test case given its central location and proximity to the aforementioned casino developments.

Contrary to the analysis of the previous markets, attendance at the St. Louis Science Center has been declining from a high of 1.4 million visitors in 2001 with a 3.6% average annual decline in visitor volume from 2001 until 2007. It was not until 2006 that attendance volumes began a modest increase. As the Lumiere Palace Casino, which is approximately 5.8 miles east of the Science Center, opened in December of 2007 any impact would be realized in 2008. Attendance at the Science Center did decline by 4.2% between 2007 and 2008. However, since this coincided with the recession, it is more than likely that this was the causal factor rather than the advent of the casino.

The River Casino, which is located 10.8 miles south east of the Science Center, opened in March 2010, and the Science Center realized a 9.3% year over year increase in attendance. A one of a kind exhibit was also debuted in May of 2010 called Real Pirates that features ship wreck artifacts off of Cape Cod. This is a more likely cause of the increase in attendance than the

advent of the casino. The chart below illustrates attendance at the St. Louis Science Center in relation to when casinos in the area opened.



Conclusion

Given the modest projected growth of 1.6% annual growth until 2016, the overall museum industry is apparently stable although individual properties are subject to significant year over year variations based on the opening or closure of travelling exhibits. Overall there is evidence to suggest that museum attendance is also affected by macro-economic trends. However, in comparing the relation of historical museum performance to the development of new casinos in multiple jurisdictions, in terms of attendance and operational revenue, there was no direct statistical correlation that indicates a cultural institution is impacted by casino development.

The cultural institutions analyzed did show strong positive correlation of attendance to new exhibits, events and building expansions. It would seem based on this evidence, and the diversity of motivations between the two segments, that there would be no major negative impact on cultural institutions from casino development.

However, one clear avenue available to the casino operator to allay fears of negative impact, even though there is no evidence to suggest that would be the case, would be to create a partnership with the local cultural institutions to help sponsor new pieces, collections or events, assist in fundraising, and to provide volunteers and donations.

CASINO IMPACT ON ENTERTAINMENT VENUES

The following section provides an analysis of the potential impact of casinos on entertainment venues.

It is worth noting that there is some overlap between entertainment venues and cultural institutions.

Effects of Casinos on Entertainment Venues in Pennsylvania

Casinos were legalized in Pennsylvania in 2004 and as mentioned in the previous section, they were not developed in the Philadelphia or Pittsburgh areas until January 2007 and August 2009 respectively. Given the relatively recent introduction of casinos into these markets, Pennsylvania offers a relevant case study regarding the impact casinos have on local entertainment venues.

The chart below depicts the number of concert venues within 10, 25, and 50 miles of each city.

Concert Venues per City			
	10 miles	25 miles	50 miles
Pittsburgh	20	28	36
Philadelphia	31	41	64

Source: Pollstar Pro Custom Research, April 2014

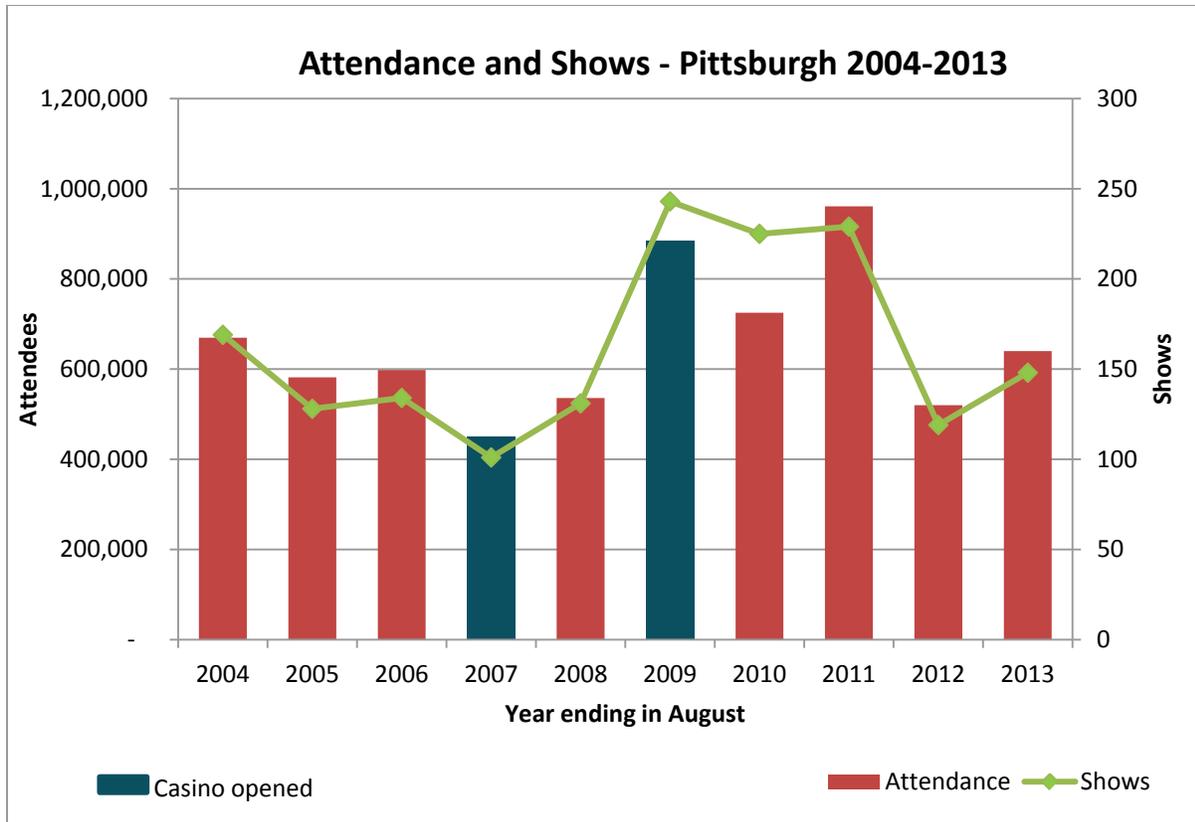
An entertainment venue is defined as any of the following:

- Amphitheater
- Arena
- Auditorium/Theatre Complex
- Convention Center
- Outdoor Venues
- Stadium

The charts in the sections below present annual trends in attendance and number of shows for a representative sample of venues in Pittsburgh and Philadelphia, ranging in capacity from 500 up to 65,000. These particular venues were chosen because they had the most historical data available and also because they represent a range of venue sizes.

Pittsburgh

In Pittsburgh we collected data on attendance and annual number of shows from 2004 to 2013 a period which encompasses the development of casinos from Stage AE (seats 500 at its Rock Club venue; 1,600 downstairs; 2,300 indoors; and 5,000 at its ‘Shed’ venue), The Benedum (seats 2881), Heinz Hall (seats 2,702), Consol Energy Center (seats 18,500), and Heinz Field (65,000). These venues host a variety of entertainment ranging from Indie musicians to classic rock artists, comedians and other miscellaneous entertainment acts.

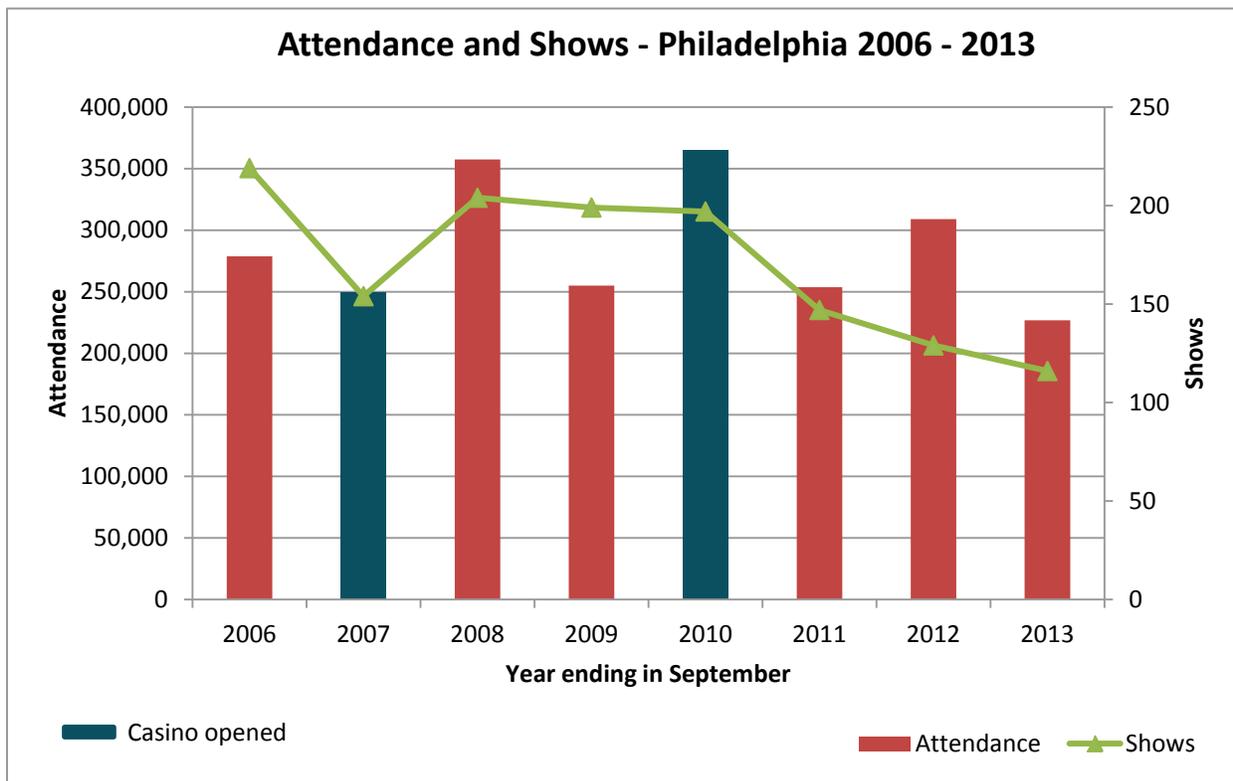


Source: Pollstar Pro, Custom Research, March 2014

As mentioned in the previous section, Pittsburgh’s downtown casino, the Rivers, opened in August 2009. The Rivers does not have a showroom but it sponsors a summer music night series at the public venue—The Rivers Amphitheater—in which it reserves some seating. For the purposes of analyzing casino impact on entertainment venue attendance, we have also highlighted the year 2007 in the chart above; The Meadows casino, which hosts a small entertainment lounge, opened in Washington, PA about 25 miles south of Pittsburgh in June 2007. The chart above depicts a fluctuating market in which the annual number of shows and attendance actually increased (on average) in the two years following The Rivers’ opening. It is also apparent that there is, not surprisingly, a strong correlation between the number of shows and the level of attendance. This would suggest that entertainment in this market is supply driven rather than being limited by demand.

Philadelphia

In Philadelphia we looked at five venues, ranging in types of entertainment from theatre to high profile headliners to low profile college-rock. Specifically, we aggregated historical data from the Trocadero Theatre (seats 1,200), Keswick Theatre (seats 1,300), Festival Pier (seats 5,500), the Liacouras Center (seats 10,000), and the Mann Center for Performing Arts (seats 14,000).



Source: Pollstar Pro, Custom Research, October 16th, 2012

Harrah’s Chester Casino (now Harrah’s Philadelphia), which is approximately 15 miles south of downtown Philadelphia in the town of Chester, opened in January 2007, while Sugar House Casino opened in September 2010.

The chart above indicates that apart from two years—one of which being the year that Sugar House Casino opened in downtown Philadelphia (September 2010), attendance at Philadelphia shows has been relatively stable at around 250,000 – 300,000. In 2008 and then again in 2010 it shot up above 350,000. However, this cannot be attributed to the casinos and is likely due to the number, type and quality of the shows in those years.

Conclusion

A review of case studies from Pennsylvania indicates that casinos are unlikely to have a negative effect on the local entertainment venues. This is even more assured in the case of the Nevele Resort, Casino and Spa which does not plan to build a major entertainment venue.

The case study of historical data from Pittsburgh and Philadelphia suggests that casinos may be more a boon than a bane for local entertainment venues, if they have any impact on the regional entertainment market at all. In both of these cities attendance related more significantly to the number of shows than to the introduction of a casino, and fluctuations in the number of shows occurred both before and after the advent of casinos. If the casino had any impact, it appeared to be positive, as the number of shows actually increased in Pittsburgh after The Rivers opened in August 2009. What is most likely is that in these cities with tens and thousands of live-

entertainment seats available, the opening of a casino is akin to a “drop in a bucket,” without any material impact on attendance overall.

The fact that the Nevele Resort, Casino and Spa is not planning to construct a major entertainment venue makes this issue largely moot.

HOW OPERATOR HAS ADDRESSED ENTERTAINMENT AND CULTURAL ISSUES

CONCLUSION AND RECOMMENDATIONS

Overall there is no evidence to suggest that local entertainment or cultural institutions will suffer declines in visitation as a result of the advent of casinos. However, it is recommended that the casino take an active role in integrating itself into the community through positive actions to support local entertainment and cultural intuitions.

There are certain steps that the local community and the developer can take to ensure that the introduction of a casino benefits local cultural institutions and entertainment venues. The following recommendations should be considered.

- Work to actively promote area amenities via an on-site concierge.
- Provide on-property advertising and refer customers directly to these and other attractions.
- Provide funding to the arts through donations and grants.
- Provide expertise to non-profit organizations through casino executive participation on governing bodies or as requested.
- Encourage employee volunteerism.
- Purchase tickets to local non-casino entertainment venues for valued casino customers.

APPENDIX A

Differing Motivations

While there is no existing literature regarding competition between museums and casinos, both industries and academics have produced demographic and motivational research regarding who visits casinos and museums respectively, and why. A short review of this literature provides the basis of a comparison between the two markets segments.

Casinos

WMS Gaming's 2009 Active Gambler Profile found that the top 10 leisure activities for gamers are:

Top Ten Leisure Activities of Active Gamblers	
Activity	Percent
Gone shopping at the mall	85
Bought something online	81
Gone to the movies	68
Played video games	47
Gone to a concert	37
Visited a museum	36
Attended a professional sporting event	35
Watched a pay-er-view movie or special event on TV	28
Gone fishing	21
Visited a spa	20

*Data from WMS Gaming Active Gambler Profile Report 2009, pg. 71

Through surveys and focus groups with individuals who visit casinos regularly, WMS found that gamblers go to casinos primarily in order to experience “me time” and are looking for a highly personalized experience.¹⁵ WMS calls this phenomenon “iTime” and advises casinos to capitalize on this motivation among their clients.

Concordant with the idea that individuals visit casinos as a personal indulgence, casino-goers ranked “Family Attractions” well within the bottom half of important attributes when asked to choose the casino attributes that are most important in deciding where to gamble,. Likewise, Productions Shows and concerts were also ranked in the bottom half, while Art Exhibits were nowhere to be found on the list.¹⁶

¹⁵ WMS Gaming. *2009 Active Gambler Profile Report*. pg. 129

¹⁶ WMS Gaming, pg. 79

While 36 percent of regular gamblers also rank visiting a museum in their top activities as indicated in the table above, gamblers have very specific motivations for visiting a casino. The section below indicates that these motivations are distinct from those involved in museum-going.

Museums

Aside from a small group of highly educated individuals who view museum-going as a personalized form of recreation, most people who visit museums do so with the expectation that they are educating themselves and importantly, their children¹⁷

One study has found that museum-goers often have family based motivational values for visiting museums; in other words, many consider it something that “the family can do together” and feel a “sense of accomplishment,” for having taken their children to a museum¹⁸.

The occasional museum visitor lists “zoos, picnic areas, outdoor art, festivals and museums when special exhibitions or events were scheduled,” but not casinos, as places he or she is likely to visit.¹⁹

¹⁷ Prentice R., Davies A., Beeho, A. (1994). “Seeking generic motivations for visiting and not visiting museums and like cultural attractions.” *Museum Management and Curatorship* 16:45-70.

¹⁸ Thyne, M. (2001). “The importance of values research for nonprofit organizations: The motivation-based values of museum visitors.” *International Journal of Nonprofit and Voluntary Sector Marketing* 6(2):116–130.

¹⁹ Slater, A. (2007). “‘Escaping to the gallery’: understanding the motivations of visitors to galleries.” *Int. J. Nonprofit Volunt. Sect. Mark.* 12:149-162.

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