



Spectrum Gaming Group

Experience. Integrity. Independence.

EASTERN SOUTHERN TIER, NEW YORK:

Market Overview - Gaming Revenue and Market Potential Projections

Prepared for American Racing & Entertainment
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Executive Summary

American Racing & Entertainment (“Client”) engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) to prepare gaming revenue, employment, and other related projections (including related gaming taxes, fees and/or distributions) regarding gaming expansion in the Eastern Southern Tier of New York, based on the following set of assumptions:

- 1) If Tioga Downs operated a full casino resort without competition within the region.
- 2) If both Tioga Downs and Traditions at the Glen (“Traditions”) were to both operate full casinos.
- 3) If a casino at the Traditions site were to operate concurrently with the existing Tioga Downs VGM-only¹ facility.
- 4) If Traditions operated a full casino and Tioga Downs ceased operations.

Additionally, our report includes an assessment of the competitive landscape and overview of New York VGM-only facility operations, as well as key facts and figures centric to Tioga Downs’s operations.

In our analysis, we aim to be transparent in our revenue modeling process and show our gaming revenue projections on both a gross and net basis.

During the course of this engagement, we analyzed the demographics of the region and performed gravity modeling to determine reasonable gaming revenue projections for the market area surrounding Tioga Downs, as well as the Binghamton MSA. A gravity model is an industry-standard forecasting technique that uses the actual adult population totals around a specified location, taking in to account competing locations from within a pre-defined catchment area (or distance to/from the subject location on drive-time basis) to project visitation and ultimately gaming revenue from the projected visitation. Simply, the farther away a population resides from the target, in this case a casino in the Eastern Southern Tier, the lower the probability that people will make a trip to gamble there. If given an opportunity, customers will tend to choose to gamble at the closest casino to their homes, particularly if the gaming product is similar. In addition to adult population totals surrounding the specified location, among other variables, the gravity model employed also considers population gaming propensity levels and the relative attractiveness of the gaming options/facilities when two or more viable gaming options/facilities are available to the population sets.

We relied upon publicly available data, as well as data sets provided by the Client, in addition to knowledge from our extensive expertise and experience working with and within the casino gaming industry and markets throughout Northeast. That experience offers a real-world perspective that needs to be considered in any such analysis.

¹ VGM = Video Gaming Machines, the formal term for slot-machine-like devices used in New York Lottery-authorized racetrack gaming facilities.

Policy Implications

The scenarios we detail in this report should be viewed through a real-world perspective, in which participants will seek to leverage – or overcome – any advantages or disadvantages. Such concerns would be particularly acute in the Binghamton MSA, which is a rather limited market. Notably, such intra-region competition would not take place on a level playing field, as one competitor – in this instance, Traditions – would enjoy a lower tax rate, have a superior location and have a greater variety of offerings than would a VGM-only facility, such as Tioga. An unlevel playing field within a small market gives one competitor – the full-service casino – a long-term edge, which could ultimately drive a smaller competitor out of business, thus reducing overall GGR, as well as employment in the region.

Such a marketing battle – in which participants are forced to struggle to maintain or grow their share of a limited revenue pie – is a quite distinct possibility, albeit one that will not grow overall revenue, nor would it advance any particular state public policies. While such a struggle cannot be effectively modeled, it should be considered.

Indeed, we respectfully suggest that the policy implications of two competitors battling on an unlevel playing field for a share of a small market must be considered under any scenario.

Impact of Casino Expansion at Tioga Downs Only

The following summarizes our gaming-revenue projections under the four scenarios. We provide our expected-case results, along with reasonable range of possible revenues, all for the year 2016.

We assume that if Tioga Downs were to receive the only gaming license for the Eastern Southern Tier, it would expand to include 1,000 slots and 50 table games (inclusive of poker) and would add a 138-room hotel. Our modeling indicates the following:

- GGR at a Tioga Downs casino would be \$102.9 million annually, within a range of \$92.4 million to \$113.4 million.
- In terms of net gaming revenue, Tioga Downs would generate \$95.5 million annually, within a range of \$85.8 million to \$105.3 million.

Under this scenario there would be an increase in net gaming revenue for New York from incremental visitation from Pennsylvania adults (compared to status quo), while there would also be a net gain in employment.

Impact of Casinos at both Tioga Downs and Traditions

We assume both Tioga Downs and Traditions receive casino licenses, resulting in a total of 2,200 slots and 100 table games. We assume that a Tioga Downs casino would have 1,000 slots and 50 table games (along with 138 hotel rooms and non-gaming gaming amenities), while

Traditions would have 1,200 slots and 50 table games (along with 201 hotel rooms and non-gaming gaming amenities). Our modeling – which does not account for the policy implications noted earlier – indicates the following:

- Combined GGR from both casinos would be \$173.8 million, within a range of \$153.5 million to \$194.1 million. Tioga Downs would generate 40 percent of this GGR, Traditions 60 percent:
 - Tioga Downs GGR of \$69.2 million, within a range of \$61.6 million to \$76.9 million.
 - Traditions GGR of \$104.6 million, within a range of \$91.9 million to \$117.3 million.
- In terms of net gaming revenue, both casinos would generate \$161 million annually, within a range of \$142.1 million to \$179.8 million:
 - Tioga Downs net gaming revenue of \$64.2 million, within a range of \$57.1 million to \$71.3 million.
 - Traditions net gaming revenue of \$96.8 million, within a range of \$85 million to \$108.5 million.

Under this scenario, there would be a significant increase in net gaming revenue for New York from incremental visitation from Pennsylvania adults (compared to status quo), and there would be a significant net gain in employment by having two full casinos in the Binghamton MSA. However, this model is limited in that it does not – and effectively cannot – predict the results of a marketing battle, as noted earlier, which could prove to be quite painful to the weaker competitor, thus rendering these numbers as less likely to be achieved

Impact of Traditions Casino with Only VGMs at Tioga

Under this scenario, we assume there is a full casino at Traditions, while Tioga Downs continues VGM-only operations (and with the existing 802 VGMs). We assume that a Traditions casino would have 1,200 slots and 50 table games (along with 201 hotel rooms and non-gaming gaming amenities). Our modeling – which, again, does not account for the policy implications as noted – indicates the following:

- GGR from both casinos would be approximately \$155.9 million annually, within a range of \$139 million to \$172.9 million. Tioga Downs would generate 26.9 percent (i.e., market share) of this GGR, while Traditions would generate 73.1 percent of the GGR:
 - VGM-only Tioga Downs GGR of \$42 million, within a range of \$40 million to \$44 million).
 - Traditions GGR of \$114 million, within a range of \$99 million to \$128.9 million.

- In terms of net gaming revenue, both casinos would generate \$143.6 million annually, within a range of \$127.9 million to \$159.2 million:
 - VGM-only Tioga Downs net gaming revenue of \$38.1 million, within a range of \$36.3 million to \$40 million.
 - Traditions net gaming revenue of \$105.4 million, within a range of \$91.6 million to \$119.3 million.

Under this scenario there would appear to be an increase in net gaming revenue for New York from incremental visitation from Pennsylvania adults (compared to status quo), while there would also appear to be a net gain in employment. However, these gains would be less than if there were two full casinos in the Binghamton MSA.

We caution again that this particular scenario highlights an unlevel playing field, in that a VGM-only facility, operating under a different cost structure with fewer amenities, would face an uphill battle in trying to meet its fair market share, and would clearly be at a disadvantage in the event of a marketing battle between competitors, thus reducing the likelihood of each competitor achieving its respective fair share. Indeed, this scenario may be temporary at best, as the disparity in revenue indicates a potentially even greater disparity in profitability, thus increasing the likelihood of a one-property market.

Impact of Traditions Casino without Tioga Downs

We assume that a Traditions casino would have 1,200 slots and 50 table games, along with 201 hotel rooms (i.e., an expansion of 160 hotel rooms from current capacity) and non-gaming amenities. We further assume the existing VGM-only Tioga Downs would cease operations, leaving Traditions as the only gaming operation in the Eastern Southern Tier. Our modeling indicates the following:

- GGR at Traditions would be \$130.5 million annually, within a range of \$114.6 million to \$146.4 million.
- In terms of net gaming revenue, Traditions would generate \$120.7 million annually, within a range of \$106 million to \$135.5 million.

Under this scenario, there could be an increase in net gaming revenue for New York from incremental visitation from Pennsylvania adults (compared to status quo), while there could also be a net gain in employment. However, these gains would not appear to be as great as if there were two gaming facilities in the Binghamton MSA.

Summary

Our modeling indicates a new casino in the Eastern Southern Tier and located in the Binghamton MSA would serve to increase both GGR and related gaming taxes, fees and/or distributions (resulting from net gaming revenue) for New York from incremental visitation from

New York adults, as well as from out-of-state (particularly Pennsylvania adults) when compared to status quo. Additionally, under any of the casino expansion scenarios presented herein there would also be a net gain in direct employment as a result of the casinos. Our modeling indicates the most robust GGR and related gaming taxes, fees and/or distributions, as well as employment gains, would occur as a result of two full casinos in the Binghamton MSA (i.e., both Tioga Downs and Traditions become full casinos).

We reiterate, however, that such modeling does not – and effectively cannot – take into account the potential of a marketing war that leverages inherent advantages (and disadvantages) that would effectively reduce overall profitability, while also reducing any discernible public-policy benefits and potentially put a disadvantaged competitor out of business.

Definition of Terms

AGR: Adjusted gaming revenue – this may include both slots and tables games revenue; excludes slot promotional credits.

Binghamton MSA: The combination of Broome and Tioga counties.

Class III gaming: Casino-style gaming that includes actual slot machines and/or table games.

Eastern Southern Tier: The State of New York’s casino-designated zone that includes Broome, Chemung (east of State Route 14), Schuyler (east of State Route 14), Seneca, Tioga, Tompkins and Wayne counties.

FTE: A full-time-equivalent employee.

Full casino: A casino with Class III gaming – both slots and table games.

GGR: Gross gaming revenue – this may include both slots and tables games revenue, as applicable, while this is inclusive of slot promotional credits.

Gross slot revenue: Slot or VGM revenue that includes promotional credits

MSA: Metropolitan Statistical Area as defined by the US Office of Management and Budget. The US Office of Management and Budget defines a MSA as one or more adjacent counties or county equivalents that have at least one urban core area of at least 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

Net slot revenue: Slot or VGM revenue that excludes promotional credits

Promotional credit: Promotional play issued to patrons and subsidized by operator for use in slot machines (i.e., not actual cash revenue).

VGM: Video Gaming Machine.

Introduction

American Racing & Entertainment (“Client”) engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) to prepare gaming revenue, employment, and other related projections (including related gaming taxes, fees and/or distributions) regarding gaming expansion in the Eastern Southern Tier of New York, based on the following four scenarios:

- 1) If Tioga Downs operated a full casino resort without competition within the region.
- 2) If both Tioga Downs and Traditions at the Glen (“Traditions”) were to both operate full casinos.
- 3) If the Traditions casino were to operate concurrently with the existing Tioga Downs VGM-only² facility.
- 4) If Traditions operated a full casino and Tioga Downs ceased operations.

Additionally, our report includes an assessment of the competitive landscape and overview of New York VGM-only facility operations, as well as key facts and figures centric to Tioga Downs’s operations. In our analysis, we aim to be transparent in our revenue modeling process and show our gaming revenue projections under both a gross and net basis.

Outside of expanded gaming in New York,³ under each scenario we assume the existing competitive landscape throughout the Northeast US remains status quo; that is, gaming revenue levels and gaming capacities, as well as competitive property sizing and scoping, remains as of December 31, 2013.

Our taxes/fees/distribution projections are principally based on net gaming revenue (i.e., net of slot promotional credits). As such, these include monies for:

- Distributions related to VGM revenue (under current distribution schedule):
 - Aid to Education
 - Horse racing purposes (purses and breeders)
 - Marketing allowance (redirected to operator to finance costs of advertising, marketing, and promotions)
 - Lottery Administration (to reimburse gaming floor vendors and/or to administer the VGM program)
 - Capital project investments (as outlined under each scenario)
 - VGM operators, or the amounts retained for the VGM operations (this is not profit but rather total monies that must cover all expenses of each facility)

² VGM = Video Gaming Machines, the formal term for slot-machine-like devices used in New York Lottery-authorized racetrack gaming facilities.

³ We assume that four new casinos authorized per the New York Gaming Economic Development Act of 2013 will be constructed.

- Aid to Municipalities with VGM facilities (these are allocations to towns/cities/counties where VGM facilities are located; however, the amounts are determined by the State Comptroller)
- Amount of Tax Reduction (to Tioga Downs) based on difference in Aid to Education amount (under current distribution schedule) less the amount resulting from effective tax rate at a new casino in the Eastern Southern Tier applied to VGM revenue.
- Taxes and Fees applicable to new gaming licenses (in Eastern Southern Tier) per auspices of the New York Gaming Economic Development Act of 2013. Specifically:
 - Tax on net slot revenue of 37 percent
 - Tax on table games revenue of 10 percent
 - Annual License Fee (for Problem Gambling) of \$500 for each slot machine and table game

We endeavor to provide other analysis and/or empirical evidence supporting our modeling techniques and/or offering additional insight to the Client regarding potential consequences of material changes to the casino landscape in the Eastern Southern Tier.

Overview

There are currently 12 other casinos⁴ within a reasonable three-hour drive of Tioga Downs – eight in New York and four in Pennsylvania. Of the nine in New York (including Tioga Downs), two are Native American casinos (Seneca Allegany and Turning Stone, both of which offer slots and table games) and seven are racetracks limited to VGMs. The Pennsylvania casinos all offer slots and table games.

The total population within a three-hour drive of Tioga Downs was 10.59 million in 2013, of which 7.76 million were adults (age 21+).⁵ Within a two-hour drive of Tioga Downs, the total population was 2.7 million, of which 2 million were adults. Importantly to Tioga Downs, the total population within a one-hour drive was only 556,544 in 2013, of which 408,652 were adults.

When expanding the geography and adding the Traditions site, the total population within a three-hour drive of both locations was 24.19 million in 2013, of which 17.77 million were adults. The reason for this tremendous increase as compared to the same drive time around Tioga Downs is the inclusion of significant part of the New York City metropolitan area. However, within a two-hour drive of both locations the total population was 3.83 million, of which 2.83 million were adults. Importantly to both Tioga Downs and Traditions, the total population within a one-hour drive of both locations was only 721,617, of which 530,646 were adults.

Therefore, when adding the one-hour drive time boundary for Traditions to the one-hour drive time boundary for Tioga Downs the total population only increases by 165,073 or 29.7 percent, while the total adult population only increases by 121,994 or 29.9 percent.

The close-in, local adult population currently accounts for the vast majority of gaming revenue and visitation to Tioga Downs, based on data provided by the Client; this is confirmed by our empirical research and observations related to casinos in New York. Tioga Downs and other New York racetrack casinos do not offer an on-site hotel, nor do they provide live table games or actual slot machines. With limited gaming amenities and/or other restrictions, this supports our belief that at least 90 percent of gaming revenue and visitation at such facilities emanates from adults residing within their respective one-hour drive markets.

In our experience, casinos that have a significant mass of non-gaming amenities, along with full array of slots and table games, have the ability to draw visitation from beyond a one-hour drive-time boundary. However, the competitive landscape coupled with the number of

⁴ We use the term “casinos” in this usage to denote all gaming properties, whether they have only slots/VGMS or both slots and table games.

⁵ The legal gaming age at VGM facilities in New York is 18; however, other casinos in the Northeast US have a legal gaming age of 21. Expansion of new casinos in New York would have a legal gaming age of 21.

adults in the market area also contributes to the ability of a casino to draw meaningful visitation from beyond a one-hour drive-time.

Tioga Downs

Tioga Downs is one of nine VGM facilities operating through the New York Lottery. In 2013, they generated \$2.11 billion of gross VGM (or slot) revenue, of which \$1.93 billion was VGM net win. During this period Tioga Downs had \$65.6 million of gross slot revenue and \$59.6 million of VGM net win – or 3.1 percent of the statewide total. Net revenue is the amount of VGM revenue remaining after payouts of prizes to patrons (or credits played less credits won, less free-play allowance).

In addition to raising revenue to help support Aid to Education, a significant amount of VGM net revenue is redirected from each operator (“Agent Commissions”) to support horse racing operations (purses, breeders, and NYRA) and has other restrictions. For example, VGM net revenue from Tioga Downs is currently designated as follows:

Figure 1: VGM net revenue distribution schedule for Tioga Downs, 2013

Tioga Downs - Distribution of Net VGM Win	Education Contribution	Marketing Allowance	Gaming Floor & Admin	Capital Award	Purses/Breeders	Agent Commission (Operator)
First \$50 million Net Win	37.0%	10.0%	10.0%	4.0%	10.0%	29.0%
\$50 - \$62.5 million Net Win	48.0%	10.0%	10.0%	4.0%	10.0%	18.0%
\$62.5 - \$100 million Net Win	52.0%	10.0%	10.0%	0.0%	10.0%	18.0%
\$100 - \$150 million Net Win	54.0%	8.0%	10.0%	0.0%	10.0%	18.0%
Over \$150 million Net Win	57.0%	8.0%	10.0%	0.0%	10.0%	15.0%

Source: New York Lottery

Collectively, net of the amount designated for the operator, these designations/allocation of VGM net revenue amounted to \$43.4 million in 2013. This can be interpreted as the effective gaming tax rate. This amount was 72.8 percent of net VGM revenue – meaning, Tioga Downs retained 27.2 percent of net VGM revenue to conduct its operations (i.e., payroll and all other direct operating expenses). The largest distribution of VGM net revenue goes to Aid to Education.

Agent commissions represent the VGM net revenue distribution that is returned to the casino operator, including amounts redirected to horse racing operations. This category is not profit, but rather is relied on to pay day-to-day operating expenses, such as payroll and utility costs, that are incurred by Tioga Downs, along with monies utilized for horse racing operations, as well as profit.

Lottery Administration fees are used to reimburse casino vendors (i.e., central system and VGM providers) and administer the VGM program through the New York Lottery.

VGM net revenue directed toward Marketing Allowance is a mandated percentage of VGM net revenue – up to 10 percent annually – for Tioga Downs to utilize to finance the costs of advertising, marketing, and promotions.

Tioga Downs is also required to have VGM net revenue dedicated for a Capital Award (capped at \$2.5 million annually and is based on 4 percent of net VGM revenue). This is VGM net revenue that is redirected to, and restricted for, capital project investments that improves the facility and promotes increased visitation.

In addition to monies distributed per the VGM net revenue distribution schedule, Tioga Downs also provided Aid to Municipalities with VGM facilities (which are allocations to towns/cities/counties where VGM facilities are located; however, the amounts are determined by the State Comptroller). For fiscal year ended 2013, the Town of Nichols received \$104,000 and Tioga County received \$184,000. (These amounts represented 0.472 percent of net revenue over same period. We utilize this percentage for Tioga Downs throughout our projections.)

According to the Client, Tioga Downs has approximately 300 employees, or 220 FTEs. While the precise employment multiplier will vary from region to region, the US Department of Commerce, Bureau of Economic Analysis, provides a statewide multiplier applicable to New York State of 1.3 for the “amusements, gambling, and recreation” category of businesses, which would indicate nearly 400 jobs are dependent on the financial health of Tioga Downs (300 direct employees along with nearly 100 indirect and/or induced employees).

Additionally, Tioga Downs and all VGM facilities are vested partners in not only their host racetracks, but the overall, larger equine industry in New York, as a majority of the New York horse industry’s jobs and economic impact are directly tied to racing-related operations.⁶

Current Casino Landscape

Tioga Downs competes directly for patronage with other casinos that may have overlapping drive-time boundaries at one- or two-hour drives of their respective locations. Therefore, Tioga Downs is already competing against other casinos in nearby and neighboring jurisdictions. A new casino in the Eastern Southern Tier (and in the Binghamton MSA) would not only be a significant competitive threat to Tioga Downs, but could also dilute revenue from other casinos in New York, both existing and potential.

We estimate GGR for the 13 casinos within a three-hour drive of Tioga Downs at \$2.24 billion⁷ in 2013, with \$1.93 billion being slot revenue (86.1 percent) and \$310 million of table

⁶ According to a 2012 New York State Equine Industry Economic Impact Study, it was estimated the New York equine industry yielded approximately 33,000 full-time-equivalent jobs in 2011, while the industry had a total economic impact of \$4.2 billion. This report divided the New York horse industry into two divisions – racing and recreation – and estimated racing-related operations generated 17,400 full-time-equivalent jobs and total economic impact of \$2.13 billion, while recreational horse operations generated 15,591 full-time-equivalent jobs and total economic impact of \$2.07 billion last year

games revenue (13.9 percent). Net of results for Turning Stone (i.e., not publicly reported), slot revenue at the 12 casinos in 2013 was \$1.93 billion, down 0.6 percent from 2012 results.

The vast majority of the GGR was generated from casinos beyond a two-hour drive of Tioga Downs; only Mohegan Sun at Pocono Downs and Mount Airy Casino – both in Pennsylvania – are within a two-hour drive but beyond a one-hour drive. The following table shows 2013 GGR, AGR, and slot and table games revenue for the casinos within a three-hour drive of Tioga Downs.

Figure 2: Casino revenue from casinos within a three-hour drive of Tioga Downs, 2013

<u>Casino Revenue (2013, \$M)</u>	<u>GGR</u>	<u>AGR</u>	<u>Gross Slot Rev.</u>	<u>Net Slot Rev.</u>	<u>Table Games Rev.</u>
Tioga Downs	\$65.6	\$59.6	\$65.6	\$59.6	\$0.0
Mohegan Sun at Pocono Downs	\$336.2	\$263.4	\$292.5	\$219.7	\$43.8
Mount Airy	\$214.9	\$183.4	\$174.4	\$142.9	\$40.5
Batavia Downs	\$51.1	\$46.5	\$51.1	\$46.5	\$0.0
Finger Lakes	\$144.3	\$131.5	\$144.3	\$131.5	\$0.0
Hamburg	\$83.8	\$76.8	\$83.8	\$76.8	\$0.0
Hollywood at Penn National	\$291.0	\$266.8	\$254.6	\$230.3	\$36.4
Monticello	\$70.2	\$62.8	\$70.2	\$62.8	\$0.0
Sands Bethlehem	\$609.7	\$465.0	\$433.1	\$288.4	\$176.6
Saratoga	\$175.3	\$159.6	\$175.3	\$159.6	\$0.0
Seneca Allegany (LTM Sept. 2013)	\$146.2	n/a	\$133.6	n/a	\$12.6
Vernon Downs	\$48.1	\$43.7	\$48.1	\$43.7	\$0.0
Grand Total	\$2,236.4	\$1,759.0	\$1,926.4	\$1,461.7	\$309.9
<i>w/in 2-Hour Drive of Tioga Downs</i>	<i>\$551.1</i>	<i>\$446.8</i>	<i>\$466.8</i>	<i>\$362.5</i>	<i>\$84.3</i>
<i>w/in 3-Hour Drive of Tioga Downs</i>	<i>\$1,619.6</i>	<i>\$1,252.6</i>	<i>\$1,394.0</i>	<i>\$1,039.6</i>	<i>\$225.6</i>

Source: New York Lottery, Pennsylvania Gaming Control Board, Seneca Nation. NOTE: Totals exclude Turning Stone (and Seneca Allegany, as applicable) as data is not publicly reported.

Of the casinos within a three-hour drive of Tioga Downs, only those in Pennsylvania and both New York tribal casinos have table games.⁸

Casino Landscape and Tioga Downs Proximity

The following matrix illustrates estimated driving/travel time between existing casino locations for those within a three-hour drive of Tioga Downs; we also show the estimated driving/travel time between all existing locations and the Traditions site. These data were attained from our mapping software and are indicative of fastest route and assume no traffic delays.

⁷ This figure excludes GGR from Turning Stone, as this information is not publicly reported. Inclusive of Turning Stone, we estimate the 13 casinos generated just over \$2 billion of gross slot revenue in 2013.

⁸ Pennsylvania casinos, which had been limited to slots only, added table games in mid-2010.

Figure 3: Driving time between casinos within three-hours of Tioga Downs (hours:minutes)

Driving/Travel Time (Hours:Minutes)	Tioga Downs	Mohegan Sun (at PD)	Mount Airy	Batavia Downs	Finger Lakes	Hamburg	Hollywood at Penn Nat'l	Monticello	Sands Bethlehem	Saratoga	Seneca Allegany	Turning Stone	Vernon Downs	Traditions
Tioga Downs	0:00	1:39	1:51	2:17	1:58	2:51	2:53	1:55	2:30	2:52	2:20	2:01	2:03	0:31
Mohegan Sun at Pocono	1:40	0:00	0:49	3:50	3:13	4:24	1:24	1:37	1:11	3:26	3:53	2:42	2:44	1:18
Mount Airy	1:53	0:50	0:00	4:03	3:25	4:37	1:42	1:34	0:50	3:28	4:06	2:54	2:56	1:31
Batavia Downs	2:18	3:49	4:02	0:00	0:43	0:51	4:35	4:06	4:40	3:50	1:38	2:02	2:08	2:48
Finger Lakes	1:57	3:11	3:23	0:43	0:00	1:26	4:24	3:27	4:02	3:12	2:08	1:23	1:30	2:09
Hamburg	3:11	4:33	4:45	0:50	1:26	0:00	5:01	4:49	5:24	4:34	0:59	2:46	2:52	3:34
Hollywood Penn National	2:55	1:25	1:40	4:30	4:20	4:50	0:00	3:04	1:10	4:36	3:59	3:56	4:02	2:32
Monticello (Catskills)	1:56	1:37	1:33	4:06	3:29	4:40	3:03	0:00	2:05	2:25	4:09	2:42	2:39	1:34
Sands Bethlehem	2:32	1:12	0:51	4:42	4:04	5:16	1:20	2:06	0:00	3:36	4:44	3:33	3:40	2:10
Saratoga (Capitol)	2:51	3:25	3:26	3:50	3:12	4:33	4:38	2:22	3:33	0:00	5:04	1:52	1:54	2:29
Seneca Allegany	2:19	3:50	4:03	1:37	2:10	0:59	4:10	4:07	4:41	5:04	0:00	3:29	3:36	2:43
Turning Stone	2:01	2:40	2:53	2:02	1:25	2:46	3:55	2:40	3:32	1:51	3:28	0:00	0:09	1:39
Vernon Downs	2:03	2:42	2:55	2:09	1:31	2:52	4:02	2:38	3:38	1:54	3:34	0:09	0:00	1:41
Traditions	0:26	1:17	1:30	2:48	2:10	3:10	2:32	1:34	2:08	2:31	2:39	1:39	1:41	0:00

Source: Microsoft MapPoint 2010, Mile Charter, Spectrum Gaming Group

It is important to note that if a casino were to be located at Traditions, it would only be approximately a half-hour drive from Tioga Down and thus would be directly competing for visitation with Tioga Downs, as well as other regional casinos.

The following matrix illustrates driving distances between existing casino locations for all casinos within a three-hour drive of Tioga Downs, while we also show the driving miles between all existing locations and the Traditions site. These data were attained from our mapping software and are indicative of fastest route.

Figure 4: Driving distances between casinos within three-hours of Tioga Downs (miles)

Driving/Travel Time (H:MM)	Tioga Downs	Mohegan Sun (at PD)	Mount Airy	Batavia Downs	Finger Lakes	Hamburg	Hollywood at Penn Nat'l	Monticello	Sands Bethlehem	Saratoga	Seneca Allegany	Turning Stone	Vernon Downs	Traditions
Tioga Downs	0	106	121	141	112	170	197	124	164	192	159	136	117	30
Mohegan Sun at Pocono	107	0	43	258	213	273	93	87	70	225	262	179	159	80
Mount Airy	122	43	0	273	228	288	113	70	45	208	277	194	174	94
Batavia Downs	139	257	273	0	46	49	301	275	315	249	97	140	145	188
Finger Lakes	112	213	228	47	0	92	289	230	270	204	144	95	101	143
Hamburg	203	303	318	49	92	0	294	321	361	295	50	186	191	228
Hollywood Penn National	198	94	112	290	279	282	0	209	75	312	238	269	275	170
Monticello (Catskills)	125	87	70	276	231	291	208	0	103	137	280	138	136	97
Sands Bethlehem	164	71	45	315	270	330	77	104	0	240	319	236	242	137
Saratoga (Capitol)	191	225	208	249	204	295	316	136	239	0	346	110	111	164
Seneca Allegany	159	261	276	96	145	50	250	279	318	347	0	239	244	185
Turning Stone	137	179	194	141	96	186	270	138	236	110	238	0	7	110
Vernon Downs	117	159	174	146	101	192	275	136	242	110	244	7	0	90
Traditions	28	80	95	189	144	194	170	97	137	165	183	110	90	0

Source: Microsoft MapPoint 2010, Mile Charter, Spectrum Gaming Group

Consistent with our observation relative to driving/travel time, we believe it is important to note that a new casino at Traditions would be less than 30 miles from Tioga Downs, and both gaming properties would be directly competing for visitation from a relatively small Binghamton MSA (187,368 adults).

The following table provides the number of adults surrounding Tioga Downs and the Traditions site in 30-minute driving/travel time increments from each respective location. In addition to the respective adult population totals, on a travel/drive-time basis from each location, the following table provides the shared, or overlapping, adult population for each with respect to Tioga Downs, along with this shared adult population expressed as a percentage (i.e., number of adults by respective travel/drive time that would be shared, or overlap, with such adults from Tioga Downs).

Figure 5: Adult population surrounding Tioga Downs and the Traditions site (by travel/drive time)

Adult Population	Tioga Downs	Traditions
w/in 30-Minute Drive	78,328	163,704
w/in 1-Hour Drive	408,652	456,071
w/in 90-Minute Drive	826,364	1,418,833
w/in 2-Hour Drive	1,998,002	2,595,765
Adults (Shared w/ Tioga Downs)	Tioga Downs	Traditions
w/in 30-Minute Drive	78,328	49,657
w/in 1-Hour Drive	408,652	334,077
w/in 90-Minute Drive	826,364	742,892
w/in 2-Hour Drive	1,998,002	1,762,041
% Adults Shared w/ Tioga Downs	Tioga Downs	Traditions
w/in 30-Minute Drive	100.0%	30.3%
w/in 1-Hour Drive	100.0%	73.3%
w/in 90-Minute Drive	100.0%	52.4%
w/in 2-Hour Drive	100.0%	67.9%

Source: Nielsen SiteReports, Microsoft MapPoint 2010, Mile Charter, Spectrum Gaming Group

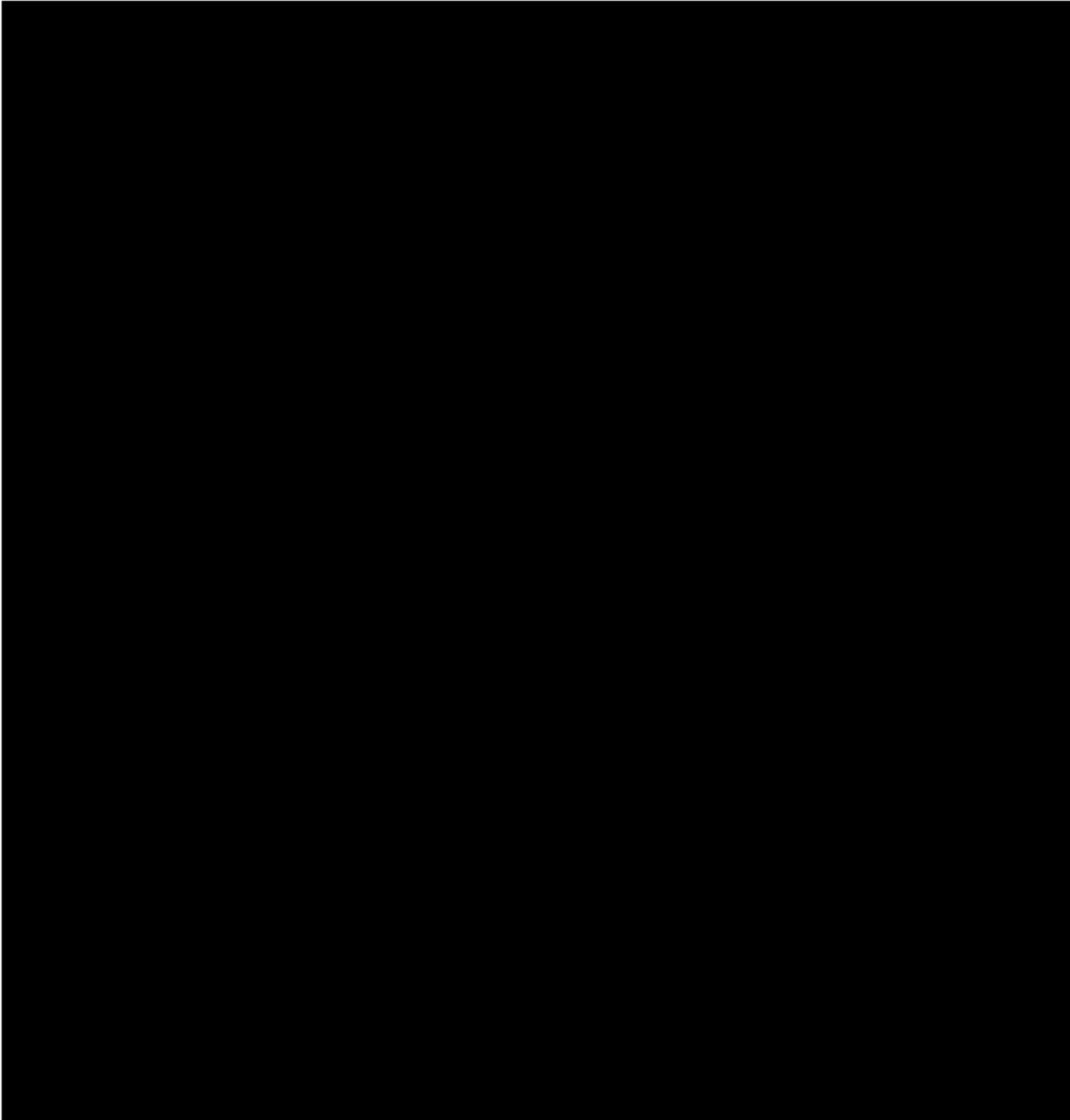
We note that 30.3 percent of adults residing within a 30-minute drive of Tioga Downs would also be within 30 minutes of a Traditions casino. Perhaps more importantly, of this very local and shared adult population, 79.2 percent reside closer to the Traditions site. This share of adult population increases to 73.3 percent when travel/drive time extends to one-hour from both locations, with 54.3 percent of this shared adult population residing closer to Traditions site

While the essence of this shared adult population is fully captured within our gravity modeling, it will bear little surprise that a potential casino at the Traditions location would have a profound negative impact on visitation and gaming revenue at Tioga Downs.

Select Database, Rated Patron Data: Tioga Downs

Per our request, the Client provided certain key 2013 database values – namely theoretical win, gaming days, and unique accounts – for rated casino patrons at Tioga Downs on a ZIP Code basis. We segregated the data according to drive time from within a one-hour drive of Tioga Downs, as well as from within a one hour drive-time of the Traditions site, and then consolidated, or from within a one-hour drive of either. These data are shown in the following table.

Figure 6: Database/demographic snapshot of rated patrons at Tioga Downs, 2013



Policy Implications of Competition in Small Market

As a market, the Binghamton MSA (in the Eastern Southern Tier) is quite limited in its population and in its ability to draw significant visitors from outside the market, and thus is not equipped to accommodate two competing gaming facilities – in relatively close proximity – within its boundaries. In our experience, two properties within such limited demographic confines would likely focus their competitive energies on gaining market share, rather than on growing the entire market. Any such gains in market share would come at the expense of profitability, as well as capital investment.

Notably, such intra-region competition would not take place on a level playing field, as one competitor would enjoy a lower tax rate, a geographic advantage, and have a greater variety of offerings than would a VGM-only facility, such as Tioga Downs. An unlevel playing field within a small market gives one competitor – the full-service casino – a long-term edge, which could ultimately drive a smaller competitor out of business, thus reducing overall GGR, as well as employment in the region.

As noted, a new casino at Traditions at the Glen would be less than 30 miles from the existing Tioga Downs, and would be much better situated geographically, as it sits in what is arguably the heart of the Binghamton MSA. These two casinos would then directly compete against each other for visitation from a relatively small Binghamton MSA (total population of 253,125 in 2013, with approximately 187,368 adults). Moreover, when analyzing the larger, shared one-hour drive-time boundary emanating from both of these casinos, the adult population would expand by only 121,994 adults (or 29.9 percent) with a new casino at Traditions at the Glen (and co-existing with VGM-only Tioga Downs). However, the vast majority of adults within the Binghamton MSA, as well as within a one-hour drive of either location, would be much closer to the Traditions at the Glen location while the current Tioga Downs would be further disadvantaged by being unable to offer live table games or bona fide slot machines.

While the two gaming facilities in the Binghamton MSA would serve to increase net gaming revenue for New York by attracting incremental visitation from Pennsylvania adults (compared to status-quo, or from the existing VGM-only Tioga Downs), that does not tell the entire story.

In certain instances, competition among casinos can prove to be beneficial to both the competitors and to the region and state. Connecticut offered an example of that when the two casinos in that market competed by leap-frogging each other with new attractions, more hotel rooms and other tools that helped grow the overall market. The two Connecticut properties, however, enjoyed the mutual benefit of low tax rates – the state shares 25 percent of slot revenue and takes nothing from table games. Moreover, the two Connecticut casinos have enjoyed largely unimpeded access to major markets ranging from New York to Boston.

That would certainly not be the case in the Eastern Southern Tier, where future market growth is severely constrained by a ring of competitors, and where the tax rates are clearly uneven, and higher – particularly for Tioga Downs, which would also have limited offerings, as noted earlier.

In this instance, competition would focus on market share, not market growth. A full-service casino in the Binghamton MSA could leverage its inherent advantages – lower tax rates, broader offerings and, in this instance, a more accessible location – to squeeze its competitor, largely through increased promotional spending. Tioga Downs, in this instance, would be forced to respond with increased promotional spending as well.

The result would be a situation in which both competitors are essentially “buying” market share: spending more per customer, with such spending taking forms ranging from increased free play to other offers that increase hard costs. Profit margins would inevitably decline, and potentially disappear, while the overall market would not grow.

In such a scenario, which we would characterize as inevitable, the ultimate result could be the closing of the weaker competitor, leaving the market with only one property, which would have little incentive at that point to invest significant capital in the facility, as it would have a captive market.

Modeling Assumptions, Methodologies and Considerations

Spectrum developed numerous assumptions, based on our experience and in consultation with the Client, that are the foundation for the analyses throughout this report. It is critical that stakeholders understand these assumptions and the methodologies used in developing the results. We provide and discuss these below.

The Client provided Spectrum with the salient assumption that a new casino in the Eastern Southern Tier would be located in the Binghamton MSA, either at the existing Tioga Downs facility or at Traditions, or at both.

We assume the following (as provided by the Client):

- A casino at Traditions (in Johnson City) would have 1,200 slots and 50 table games, along with 201 associated hotel rooms and other non-gaming amenities.
- A casino at Tioga Downs (in Nichols) would have 1,000 slots and 50 table games, along with 138 associated hotel rooms and other non-gaming amenities. However, if only the Traditions site were to be developed into a casino, we assume the Client’s existing property (Tioga Downs) would continue to operate as a VGM facility and with same number of VGM units, unless otherwise noted.

Projecting GGR, Methodologies Employed

The Gravity Model

The principal tool Spectrum uses in projecting gaming revenue (or related impact) is our gravity model. The gravity model is an industry-standard forecasting technique that uses the actual adult population totals around a specified casino, taking into account competing locations from within a predefined catchment area (quantified by reasonable drive times, expressed in minutes, surrounding each casino – not actual driving or straight-line miles) to project visitation and, ultimately, gaming revenue from the projected visitation. Simply, the farther away an adult resides from a casino (and/or respective casinos throughout New York and/or in nearby states), the lower the probability that that person will make a trip to gamble there. If given an opportunity, adults with propensity to gamble will tend to choose to patronize the closest casino to their homes, particularly if the gaming product is similar amongst competing casinos. In addition to adult population totals surrounding the specified location, among other variables, the gravity model employed also considers casino participation rates, gaming revenue per adult, and has the ability to adjust each location for the relative attractiveness of the gaming options/facilities when two or more viable gaming options/facilities are available to the population sets (i.e., adjust for number and/or offering of slots, table games, etc.).

Spectrum built a comprehensive, constrained gravity model. We incorporated estimated population data for 2013, as well as projected population data through 2018, covering 3,340 areas in seven states (i.e., New York, Pennsylvania, Connecticut, Massachusetts, New Hampshire, New Jersey, and Vermont) that were approximated by ZIP Code, including all areas within a reasonable three- to four-hour drive of the Binghamton area. The data included population data (both total and estimated for gaming-age adults) and median household income by ZIP Code (to adjust relative estimated gaming revenue budgets accordingly).

Our estimated population and median household income data were obtained from Nielsen SiteReports and is principally based on US Census Bureau data. Nielsen SiteReports indicates this data is further refined at the ZIP Code level based on sources including trends in US Postal Service deliverable address counts, counts from the Nielsen Master Address File, and Valassis counts of new housing units.

Our gravity model accounts for all existing casinos in New York (along with a provision for new casinos – in the Eastern Southern Tier, as well as in Catskills and Capitol regions), as well as all other existing casinos in other states that are within a four-hour drive of the Binghamton area. We further assume these aforementioned casino locations are the only valid locations for casino gaming facilities in New York and in neighboring states (this ensures we adequately capture and quantify shared visitation amongst multiple casino locations throughout the region).

With regard to annual gaming revenue per adult values, the basis for the material assumptions is from extensive experience and working knowledge in many domestic gaming markets by Spectrum professionals assigned to this project, and supported by public data presented within this report (where applicable) – while this was reinforced based on data provided by the Client related to Tioga Downs operations. The material assumptions (aside from adult population by ZIP Code and relative distance calculations, gravity effect) are:

- Gaming age of 21 (i.e., the adult population). As the Client indicated, the visitation and revenue contribution from adults age 18-20 is minimal.
- Drive-in adults, or local market gamers:
 - One-hour drive boundary surrounding each racino and/or casino(s) limited to slots-only (i.e., no table games, no significant non-gaming amenities).
 - Two-hour drive boundary surrounding all casinos having both slots and table games.
- Casino participation rates up to 40 percent of adult population by ZIP Code:
 - Adult population within a five-minute drive-time to any casino has an estimated casino participation rate of 40 percent.
 - Adult population beyond a five-minute drive-time to any casino has an estimated casino participation rate at or below 40 percent (while this rate decreases for the adult population, according to ZIP Code, as distance from a casino increases).
- Specific to casinos with integrated hotels:
 - Annual hotel occupancy of 90 percent.
 - Gaming revenue contribution per occupied room night of \$250, while we further assume one-half of this revenue is incremental to local market gamers (or that which is already quantified in gravity model).
- Specific to new casinos in Eastern Southern Tier we incorporate a probabilistic modeling technique over our gravity model, where 5,000 iterations of model were run and two variables were randomly changed in each iteration:
 - Drive boundary surrounding each new casino ranging between a one- and two-hour drive (in one-minute increments).
 - Gaming revenue contribution per gamer having a premium (over calibrated model) ranging from 10 percent to 20 percent (to account for expected lift in gaming revenue potential of market from having table games and/or Class III gaming/slots).

It is this last material assumption that effectively determines the low- and high-case boundaries in our revenue projections; while the expected-case is determined by the mid-point of the 5,000 iterations. Essentially, of the 5,000 iterations, the low-case and high-case boundaries reflect one standard deviation from the expected-case result. Ultimately, the drive-time boundary weighs heavily into the differentiation between low- and high-case results (i.e., will a new casino

in the Binghamton MSA be able to attract patrons from up to a two-hour drive or will this drive-time boundary skew toward a one-hour drive-time?).

Casino Participation Rate

According to the American Gaming Association's 2013 *State of the States* survey, 34 percent of the US adult population visited a casino during 2012, while 32 percent of the US adult population gambled during a casino visit (i.e., of all US adults visiting a casino, ± 5 percent did not gamble).

Further, according to the *Harrah's Survey, Profile of the American Casino Gambler*,⁹ New York was the second highest feeder state (behind California) to US casinos in 2005, having generated more than 2 million casino visits that year.

We believe that this rate has grown since the 2006 *Harrah's Survey* was conducted due to continuing expansion of gaming facilities in New York and in nearby states (such as Pennsylvania after 2006), as well as the proliferation of casinos nationwide. We believe the casino participation rate for adults that live nearby to a casino, or casinos, may reasonably approach 40 percent, annually. Therefore, in our modeling we assume a casino participation rate up to 40 percent by ZIP Code (albeit adjusted downward by gravity effect as the relative distance to a casino increases).

This casino participation rate (with a ceiling of 40 percent) is supported by past studies. As an example, and we believe as applicable to the Eastern Southern Tier region:

- In February 2011, Richard Stockton College of New Jersey, in conjunction with Zogby International, surveyed 3,003 individuals residing in the Northeast US. Of the 16 DMAs that were surveyed, casino participation for the Wilkes-Barre-Scranton DMA (closest to the Binghamton MSA) was between 25 percent and 35 percent. We do not believe this figure would have decreased in the three years since this survey was performed.
- According to Spectrum's June 2009 report *Gambling in Connecticut: Analyzing the Economic and Social Impacts*, 35.6 percent of Connecticut adult residents surveyed indicated casino participation (again, we do not believe this figure would have decreased since that time).¹⁰ Additionally, at the time, only 40 percent of Connecticut adults resided within a reasonable one-hour drive of a casino (Foxwoods and/or Mohegan Sun in Connecticut, or those in neighboring/nearby states). However, all Connecticut adults resided within a reasonable two-hour drive of a casino.

⁹ The 2006 *Harrah's Survey* was the last report detailing these participation rates by market and, to our knowledge, is the most recently publicly available report addressing such.

¹⁰ Spectrum Gaming Group, "Gambling in Connecticut: Analyzing the Social and Economic Impacts," June 22, 2009; http://www.spectrumgaming.com/dl/june_24_2009_spectrum_final_final_report_to_the_state_of_connecticut.pdf.

Importantly, in the context of this analysis, the aforementioned figures are applicable to legal casinos throughout the United States and, as such, do not include wagers on illegal gaming activities, nor lotteries, horse racing or charitable gaming. Therefore, we believe these figures may be directly applicable to activities at existing and/or potential casinos that New Yorkers may patronize within the local market, regional market(s), and/or throughout the United States.

Annual GGR per Casino Gambler

Our modeling indicates an annual GGR per casino gambler of \$816 for the adult population within a reasonable three- to four-hour drive of Tioga Downs. We believe this value is a reasonable estimate, as compared to the average derived US value in recent years. Per data assembled by Spectrum from various state and federal agencies, as well as the American Gaming Association, we have assembled nationwide casino GGR, as well as participants, over the most recent five-year period available:

Figure 7: US casino GGR, visitation and annual GGR per casino gambler (2008-12)

<u>Year</u>	<u>GGR (\$B)</u>			<u>Casino Gamblers (millions)</u>	<u>Participation Rate</u>	<u>GGR / Gamer</u>
	<u>Commercial</u>	<u>Native American</u>	<u>Total</u>			
2008	\$36.2	\$26.7	\$62.9	54.6	25.0%	\$1,152
2009	\$34.3	\$26.5	\$60.8	61.7	28.0%	\$985
2010	\$34.6	\$26.5	\$61.1	54.8	25.0%	\$1,115
2011	\$35.6	\$27.2	\$62.8	59.7	27.1%	\$1,053
2012	\$37.3	\$27.9	\$65.2	71.6	32.0%	\$911
5-Year Avg.	\$35.6	\$27.0	\$62.6	60.5	27.6%	\$1,035

Source: American Gaming Association, National Indian Gaming Commission, state agencies

As illustrated, over the last five years nationwide, commercial and Native American casino GGR averaged over \$62 billion annually, while there were an average of 60.5 million casino gamblers (casino participation) annually. This yields an average GGR per gamer, per year, of \$1,035 over the five-year period.

Our derived GGR per casino gambler (for the regional market surrounding Tioga Downs) of \$816 is 78.8 percent of the national average result between 2008 and 2012. The difference may reflect GGR leakage to other jurisdictions that are beyond the boundaries utilized in our modeling (such as GGR from these adults destined for Las Vegas, Atlantic City or elsewhere outside of the regional market surrounding Tioga Downs). Or the value may be suppressed due to the types and availability of casino offerings currently existing in New York and/or in nearby states; that is, many casinos throughout the region may have limited gaming and non-gaming offerings, thus relying extensively on lower-spending day-trip players.

The 2006 *Harrah's Survey* estimated the average number of visits annually to a casino was 6.1. Spectrum has no reason to believe that this figure would have declined since then, given the continued proliferation of casino gaming throughout the United States. Additionally, per the 2009 report that Spectrum prepared for the State of Connecticut, a comprehensive survey of 1,427 Connecticut residents found that the average number of casino visits per resident exceeded

12 annually at a time when every Connecticut adult resided within a two-hour drive of a casino and 40 percent resided within a one-hour drive.¹¹

Therefore, we believe that our assumption of GGR per casino gambler (and by establishing reasonableness to number of casino visits that correspond to this value) is reasonable.

Ramp-Up Period

Our gaming revenue projections do not include adjustments for a ramp-up (nor ramp-down) of operations. In our experience, many new casinos experience some degree of revenue ramp-up during at least their first two years of operations, when marketing initiatives and customer trial and retention contribute to early growth in the business. Such a ramp-up should not be considered inevitable, as some properties open strongly.

Calculating Gross Gaming Revenue

In terms of calculating gross gaming revenue (or “GGR”), we factor up our net slot revenue projections by utilizing the existing ratios of promotional credits to gross slot revenue, where reported and as applicable. We assume table games revenue is at a 1:1 ratio of net table games revenue to gross table games revenue. For example, the following were the actual rates of promotional credits to gross slot (i.e., VGM) revenue for 2013 for selected casinos nearby, and including, Tioga Downs:

Figure 8: Gross slot revenue vs. net slot revenue, 2013

<u>2013 Slot Rev. & Promo Credits</u> <u>(\$M)</u>	<u>Gross</u>	<u>Net</u>	<u>Promo Credits</u>	<u>as % of Gross</u>
Tioga Downs	\$65.6	\$59.6	\$6.0	9.2%
Batavia Downs	\$51.1	\$46.5	\$4.6	9.0%
Finger Lakes	\$144.3	\$131.5	\$12.8	8.9%
Hamburg	\$83.8	\$76.8	\$7.0	8.3%
Monticello	\$70.2	\$62.8	\$7.4	10.5%
Saratoga	\$175.3	\$159.6	\$15.7	8.9%
Vernon Downs	\$48.1	\$43.7	\$4.4	9.2%
Hollywood at Penn Nat'l	\$254.6	\$230.3	\$24.2	9.5%
Sands Bethlehem	\$433.1	\$288.4	\$144.7	33.4%
Mohegan Sun at Pocono Downs	\$292.5	\$219.7	\$72.8	24.9%
Mount Airy	\$174.4	\$142.9	\$31.5	18.1%
Total	\$1,727.3	\$1,402.1	\$325.1	18.8%
<i>New York facilities</i>	<i>\$572.8</i>	<i>\$520.9</i>	<i>\$51.9</i>	<i>9.1%</i>
<i>Pennsylvania facilities</i>	<i>\$1,154.5</i>	<i>\$881.2</i>	<i>\$273.2</i>	<i>23.7%</i>

Source: New York Lottery, Pennsylvania Gaming Control Board. NOTE: Excludes both Seneca Allegany and Turning Stone casinos, as this data not publicly available.

For comparative purposes, we assume any new casino in the Eastern Southern Tier would have slot promotional credits at 9.2 percent of gross slot revenue (which is consistent with the

¹¹ “Gambling in Connecticut”

figure reported for Tioga Downs in 2013, as well as consistent with the average for all other Upstate New York VGM facilities, collectively at 9.1 percent).

Projecting Employment and/or FTEs

In our experience, reduced visitation and gaming revenue levels would also lead to associated decreases in employment levels. However, in our experience, a percentage decline (or improvement) in revenue may not have a 1:1 impact in the percentage decrease (or increase) in associated employment levels.¹² Therefore, in our illustrative presentation, where gaming revenue to a VGM-only Tioga Downs decreases (i.e., in the scenario with a casino at Traditions) we assume the direct employment level at Tioga Downs would decrease by one-half the amount of the respective percentage decrease in gaming revenue (or net gaming revenue).

Our direct-employment and FTE (full-time equivalent) projections for new casino developments (including Tioga Downs if were to become a full casino) are based on ratios and metrics derived by us from the New Jersey casino industry for 2012. The 12 Atlantic City casinos have integrated hotels, food and beverage outlets, as well as other non-gaming amenities and activities. The New Jersey Division of Gaming Enforcement and New Jersey Casino Control Commission publish various reports with data that we deem appropriate for estimating employment levels for full-casino developments in neighboring New York State.

We project new, direct employment, or FTEs, for any new full-casino in New York as follows:

- 0.03 slot-related employees per slot machine
- 5.3 table games-related employees per table game
- 0.045 other casino-related employees per gaming position¹³
- 0.75 non-gaming (hotel and/or food & beverage) employees per hotel room
- 0.175 all other employees (i.e., general & administrative, support services, etc.) per combined total of gaming positions plus hotel rooms

Under this methodology, and as an example, a casino having 2,500 slots and 75 table games, along with 500 hotel rooms, restaurants and bars would yield 1,584 direct employees. We

¹² For example, while GGR at Atlantic City's casinos decreased by 41.5 percent since between 2006 and 2012 (where 2006 was historical peak of GGR), direct employment levels have fallen by 21.3 percent when comparing these periods (or by nearly one-half of the GGR decrease).

¹³ One slot machine is equivalent to one gaming position and one table games is equivalent to six gaming positions.

further assume total FTEs are 80 percent, meaning in this illustrative example a casino resort having 1,584 direct employees would have 1,267 FTEs.¹⁴

Disclaimer

It should be noted that despite our drive-in (or local) market gaming revenue projections resulting from our gravity modeling exercise, actual market and property performance can be subject to industry internal and external factors. From an internal industry perspective, competitive marketing and operational strategies, targeted and timely capital reinvestment, and customer perceptions all influence potential performance. From an external point of view, competition for patron discretionary income from other leisure and recreational activities and the general state of the economy may influence spending habits of gaming patrons. In essence, our gaming revenue projections herein are illustrative and may be influenced by a variety of factors (aside from gravity modeling, or quantification of adults by drive-time calculations alone).

Some of these factors may include, but are certainly not limited to, the following:

- Demographic considerations:
 - Differences in age, affluence and other demographic factors
 - Locating a casino or casinos in close or closer proximity to gamblers and/or areas where casino participation can be induced/increased
 - Saturation issues
- Traffic considerations (real or perceived):
 - Ease of access and parking
 - Traffic conditions, such as rush-hour impacts
 - Bridge and tunnel crossing, tolls and related issues
- Difference(s) in product offerings, appeal, and/or size and scope of competing casinos within the market and/or region (i.e., need to compete with resort-style casinos in Atlantic City and/or Connecticut among others)
- Deviations in marketing programming, advertising campaigns, and/or promotional allowances, etc. among casinos in a market
- Branding, brand recognition, loyalty programs, etc.
- Proximity to, or synergies with, complementary attractions
- Level of comfort, safety, and security associated with a casino and/or nearby area(s) – whether real or perceived
- Level of capital investment
- Macro-economic conditions

¹⁴ We assume 80 percent, which is consistent with our analyses of reported employment counts and derived FTEs for the New Jersey casino industry.

Revenue and Related Projections

This section shows our gaming revenue projections/impacts, resulting from our modeling under the four scenarios noted earlier. Our projections are expressed in dollar values for 2016 (while comparisons are presented against actual results for 2013). In each scenario we show our expected-case, along with our low and high ranges of projections resulting from our modeling. Additionally, we show the resultant distributions/taxes/fees.

Impact of Casino Expansion at Tioga Downs Only

We assume that if Tioga Downs were to receive the only gaming license for the Eastern Southern Tier, it would expand to include 1,000 slots and 50 table games and a 138-room hotel. The Client advised this would be a \$90-plus million capital investment project to enhance and expand the facility.

Our modeling indicates that GGR at a Tioga Downs casino would be \$102.9 million annually, within a range of \$92.4 million to \$113.4 million.

In terms of net gaming revenue, our modeling indicates Tioga Downs would generate \$95.5 million annually, within a range of \$85.8 million to \$105.3 million. Our modeling indicates net slot revenue would grow to \$73.5 million annually, which would be a 23.3 percent increase over the 2013 level for Tioga Downs, while \$22 million of the net gaming revenue would be from table games (and new to the market).

The results of our modeling, along with applicable distributions/taxes/fees stemming from our revenue projections, are shown in the following sections and tables.

Expected Case

Figure 9: Projected revenue from a Tioga Downs casino (expected case)

Tioga Downs casino (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Gross Gaming Rev. (\$M)	\$102.9	\$65.6	\$37.3	56.9%
Net Gaming Rev. (\$M)	\$95.5	\$59.6	\$35.9	60.3%
Net Slot Rev. (\$M)	\$73.5	\$59.6	\$13.9	23.3%
Table Games Rev. (\$M)	\$22.0	\$0.0	\$22.0	n/a

Source: Spectrum Gaming Group

Figure 10: Projected direct gaming taxes/fees from a Tioga Downs casino (expected case)

Direct Gaming Taxes/Fees for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$27.18	\$0.00	\$27.18	n/a
Tax (Tables @ 10%)	\$2.20	\$0.00	\$2.20	n/a
License Fees (for Problem Gambling)	<u>\$0.53</u>	<u>\$0.00</u>	<u>\$0.53</u>	n/a
Total	\$29.91	\$0.00	\$29.91	n/a

Source: Spectrum Gaming Group

Low Case

Figure 11: Projected revenue from a Tioga Downs casino (low case)

Tioga Downs casino (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Gross Gaming Rev. (\$M)	\$92.4	\$65.6	\$26.8	40.9%
Net Gaming Rev. (\$M)	\$85.8	\$59.6	\$26.2	43.9%
Net Slot Rev. (\$M)	\$66.0	\$59.6	\$6.4	10.7%
Table Games Rev. (\$M)	\$19.8	\$0.0	\$19.8	n/a

Source: Spectrum Gaming Group

Figure 12: Projected direct gaming taxes/fees from a Tioga Downs casino (low case)

Direct Gaming Taxes/Fees for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$24.41	\$0.00	\$24.41	n/a
Tax (Tables @ 10%)	\$1.98	\$0.00	\$1.98	n/a
License Fees (for Problem Gambling)	<u>\$0.53</u>	<u>\$0.00</u>	<u>\$0.53</u>	n/a
Total	\$26.91	\$0.00	\$26.91	n/a

Source: Spectrum Gaming Group

High Case

Figure 13: Projected revenue from a Tioga Downs casino (high case)

Tioga Downs casino (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Gross Gaming Rev. (\$M)	\$113.4	\$65.6	\$47.8	72.9%
Net Gaming Rev. (\$M)	\$105.3	\$59.6	\$45.7	76.6%
Net Slot Rev. (\$M)	\$81.0	\$59.6	\$21.4	35.9%
Table Games Rev. (\$M)	\$24.3	\$0.0	\$24.3	n/a

Source: Spectrum Gaming Group

Figure 14: Projected direct gaming taxes/fees from a Tioga Downs casino (high case)

Direct Gaming Taxes/Fees for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$29.96	\$0.00	\$29.96	n/a
Tax (Tables @ 10%)	\$2.43	\$0.00	\$2.43	n/a
License Fees (for Problem Gambling)	<u>\$0.53</u>	<u>\$0.00</u>	<u>\$0.53</u>	n/a
Total	\$32.91	\$0.00	\$32.91	n/a

Source: Spectrum Gaming Group

Impact on Net Slot Revenue Distribution from VGM-only Tioga Downs

Under this scenario, with a full-casino expansion at Tioga Downs, the current net slot revenue distribution (i.e., on VGM-only net revenue) would cease. The following table shows the net slot revenue distribution for VGM-only Tioga Downs based on 2013 results of operations.

Figure 15: Projected net slot revenue distribution from a Tioga Downs casino

Net Slot Rev. Distributions for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Education Contribution	\$0.00	\$23.10	(\$23.10)	(100.0%)
Marketing Allowance	\$0.00	\$5.96	(\$5.96)	(100.0%)
Gaming Floor & Admin	\$0.00	\$5.96	(\$5.96)	(100.0%)
Capital Award	\$0.00	\$2.38	(\$2.38)	(100.0%)
Purses/Breeders	\$0.00	\$5.96	(\$5.96)	(100.0%)
VGM Operator	<u>\$0.00</u>	<u>\$16.23</u>	<u>(\$16.23)</u>	(100.0%)
Total Distribution	\$0.00	\$59.59	(\$59.59)	(100.0%)
<i>Total Distribution - Non Op.</i>	<i>\$0.00</i>	<i>\$43.37</i>	<i>(\$43.37)</i>	<i>(100.0%)</i>
<i>Est. Aid to Municipalities</i>	<i>\$0.00</i>	<i>\$0.28</i>	<i>(\$0.28)</i>	<i>(100.0%)</i>

Source: Spectrum Gaming Group

Out-of-State vs. In-State Impact

Under this scenario, a full-casino expansion at Tioga Downs would serve to increase net gaming revenue for New York by attracting incremental visitation from Pennsylvania adults (compared to the status quo). Under our expected case, our modeling indicates net revenue from Pennsylvania adults would increase by 63 percent, or an increase of \$7.2 million annually by Pennsylvania adults.¹⁵

Projected Employment Impacts

The following table illustrates what we believe is a reasonable scenario of the direct employment and FTE impact under this scenario. The projected employment figure for the Tioga Downs casino with related hotel and amenities is based on benchmarking and ratios discussed earlier.

Figure 16: Projected employment and FTE impact (expected case)

Projected Employment & FTE Impact		Tioga Downs (Existing)	Tioga Downs (Casino-Hotel)	Total
Employees	Current	300	0	300
	Proj. w/ Expansion	300	508	808
	Variance	0	508	508
	Variance %	0.0%	n/a	169.4%
FTEs	Current	220	0	220
	Proj. w/ Expansion	220	407	627
	Variance	0	407	407
	Variance %	0.0%	n/a	184.8%

Source: Spectrum Gaming Group

As illustrated, we believe it is reasonable a Tioga Downs casino could yield direct 808 jobs, or 627 FTEs. This would be a 184.8 percent increase in FTEs over the existing annualized level.

¹⁵ Based on estimated \$11.4 million in VGM net revenue to Tioga Downs in 2013 (or 19.2 percent of total VGM net revenue at Tioga Downs) per database metrics received from Client.

Impact of Casinos at both Tioga Downs and Traditions

Under this scenario we assume both Tioga Downs and Traditions receive gaming licenses and each has Class III slots and table games (i.e., there would be two full casinos in the Binghamton MSA). We further assume Tioga Downs would have 1,000 slots and 50 table games, along with 138 hotel rooms and non-gaming gaming amenities, while a casino at the Traditions site would have 1,200 slots and 50 table games, along with 201 hotel rooms and non-gaming gaming amenities.

Our modeling indicates that total GGR from the two casinos would be approximately \$173.8 million annually, within a range of \$153.5 million to \$194.1 million. Of this GGR, our modeling indicates Tioga Downs would generate 40 percent Traditions would generate 60 percent.

In terms of net gaming revenue, our modeling indicates these two casinos in the Binghamton MSA would generate \$161 million annually, within a range of \$142.1 million to \$179.8 million. Our modeling indicates net slot revenue would grow to \$126.8 million annually, which would be a 112.8 percent increase over the 2013 level for Tioga Downs, while \$34.2 million of the net gaming revenue would be from table games.

The results of our modeling, along with applicable distributions/taxes/fees stemming from our revenue projections, are shown in the following subsections and tables.

Expected Case

Figure 17: Projected revenue with casinos at both Tioga Downs and Traditions (expected case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$69.2	\$65.6	\$3.6	5.5%
Traditions	<u>\$104.6</u>	<u>\$0.0</u>	<u>\$104.6</u>	n/a
Eastern Southern Tier	\$173.8	\$65.6	\$108.2	164.9%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$64.2	\$59.6	\$4.6	7.8%
Traditions	<u>\$96.8</u>	<u>\$0.0</u>	<u>\$96.8</u>	n/a
Eastern Southern Tier	\$161.0	\$59.6	\$101.4	170.1%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$49.4	\$59.6	(\$10.2)	(17.1%)
Traditions	<u>\$77.4</u>	<u>\$0.0</u>	<u>\$77.4</u>	n/a
Eastern Southern Tier	\$126.8	\$59.6	\$67.2	112.8%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$14.8	\$0.0	\$14.8	n/a
Traditions	<u>\$19.4</u>	<u>\$0.0</u>	<u>\$19.4</u>	n/a
Eastern Southern Tier	\$34.2	\$0.0	\$34.2	n/a

Source: Spectrum Gaming Group

Figure 18: Projected direct gaming taxes/fees from casinos at both Tioga Downs and Traditions (expected case)

Direct Gaming Taxes/Fees for Tioga Downs & Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$46.92	\$0.00	\$46.92	n/a
Tax (Tables @ 10%)	\$3.42	\$0.00	\$3.42	n/a
License Fees (for Problem Gambling)	<u>\$1.15</u>	<u>\$0.00</u>	<u>\$1.15</u>	n/a
Total	\$51.49	\$0.00	\$51.49	n/a

Source: Spectrum Gaming Group

Low Case

Figure 19: Projected revenue with casinos at both Tioga Downs and Traditions (low case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$61.6	\$65.6	(\$4.0)	(6.2%)
Traditions	<u>\$91.9</u>	<u>\$0.0</u>	<u>\$91.9</u>	n/a
Eastern Southern Tier	\$153.5	\$65.6	\$87.8	133.9%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$57.1	\$59.6	(\$2.5)	(4.1%)
Traditions	<u>\$85.0</u>	<u>\$0.0</u>	<u>\$85.0</u>	n/a
Eastern Southern Tier	\$142.1	\$59.6	\$82.5	138.5%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$43.9	\$59.6	(\$15.6)	(26.3%)
Traditions	<u>\$68.0</u>	<u>\$0.0</u>	<u>\$68.0</u>	n/a
Eastern Southern Tier	\$112.0	\$59.6	\$52.4	87.9%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$13.2	\$0.0	\$13.2	n/a
Traditions	<u>\$17.0</u>	<u>\$0.0</u>	<u>\$17.0</u>	n/a
Eastern Southern Tier	\$30.2	\$0.0	\$30.2	n/a

Source: Spectrum Gaming Group

Figure 20: Projected direct gaming taxes/fees from casinos at both Tioga Downs and Traditions (low case)

Direct Gaming Taxes/Fees for Tioga Downs & Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$41.42	\$0.00	\$41.42	n/a
Tax (Tables @ 10%)	\$3.02	\$0.00	\$3.02	n/a
License Fees (for Problem Gambling)	<u>\$1.15</u>	<u>\$0.00</u>	<u>\$1.15</u>	n/a
Total	\$45.59	\$0.00	\$45.59	n/a

Source: Spectrum Gaming Group

High Case

Figure 21: Projected revenue with casinos at both Tioga Downs and Traditions (high case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$76.9	\$65.6	\$11.3	17.2%
Traditions	<u>\$117.3</u>	<u>\$0.0</u>	<u>\$117.3</u>	n/a
Eastern Southern Tier	\$194.1	\$65.6	\$128.5	195.9%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$71.3	\$59.6	\$11.7	19.7%
Traditions	<u>\$108.5</u>	<u>\$0.0</u>	<u>\$108.5</u>	n/a
Eastern Southern Tier	\$179.8	\$59.6	\$120.2	201.8%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$54.9	\$59.6	(\$4.7)	(7.9%)
Traditions	<u>\$86.8</u>	<u>\$0.0</u>	<u>\$86.8</u>	n/a
Eastern Southern Tier	\$141.7	\$59.6	\$82.1	137.7%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$16.5	\$0.0	\$16.5	n/a
Traditions	<u>\$21.7</u>	<u>\$0.0</u>	<u>\$21.7</u>	n/a
Eastern Southern Tier	\$38.2	\$0.0	\$38.2	n/a

Source: Spectrum Gaming Group

Figure 22: Projected direct gaming taxes/fees from casinos at both Tioga Downs and Traditions (high case)

Direct Gaming Taxes/Fees for Tioga Downs & Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$52.41	\$0.00	\$52.41	n/a
Tax (Tables @ 10%)	\$3.82	\$0.00	\$3.82	n/a
License Fees (for Problem Gambling)	<u>\$1.15</u>	<u>\$0.00</u>	<u>\$1.15</u>	n/a
Total	\$57.38	\$0.00	\$57.38	n/a

Source: Spectrum Gaming Group

Impact on Net Slot Revenue Distribution from VGM-only Tioga Downs

Under this scenario, with a full-casino expansion at Tioga Downs, the current net slot revenue distribution (i.e., on VGM-only net revenue) would cease. The following table shows the net slot revenue distribution for VGM-only Tioga Downs based on 2013 results of operations.

Figure 23: Projected net slot revenue distribution from casinos at both Tioga Downs and Traditions

Net Slot Rev. Distributions for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Education Contribution	\$0.00	\$23.10	(\$23.10)	(100.0%)
Marketing Allowance	\$0.00	\$5.96	(\$5.96)	(100.0%)
Gaming Floor & Admin	\$0.00	\$5.96	(\$5.96)	(100.0%)
Capital Award	\$0.00	\$2.38	(\$2.38)	(100.0%)
Purses/Breeders	\$0.00	\$5.96	(\$5.96)	(100.0%)
VGM Operator	\$0.00	\$16.23	(\$16.23)	(100.0%)
Total Distribution	\$0.00	\$59.59	(\$59.59)	(100.0%)
<i>Total Distribution - Non Op.</i>	<i>\$0.00</i>	<i>\$43.37</i>	<i>(\$43.37)</i>	<i>(100.0%)</i>
<i>Est. Aid to Municipalities</i>	<i>\$0.00</i>	<i>\$0.28</i>	<i>(\$0.28)</i>	<i>(100.0%)</i>

Source: Spectrum Gaming Group

Out-of-State vs. In-State Impact

Under this scenario, two casinos in the Binghamton MSA would serve to increase net gaming revenue for New York by attracting incremental visitation from Pennsylvania adults (compared to the status quo). Under our expected case, our modeling indicates net revenue from Pennsylvania adults would increase by 146.3 percent – an increase of \$16.7 million annually by Pennsylvania adults.¹⁶

Projected Employment Impacts

The following table illustrates what we believe is a reasonable scenario of the direct employment and FTE impact under this scenario, using the benchmarking and ratios discussed earlier.

Figure 24: Projected employment and FTE impact (expected case)

Projected Employment & FTE Impact		Tioga Downs	Traditions	Total
Employees	Current	300	0	300
	Proj. w/ Expansion	808	817	1,625
	Variance	508	817	1,325
	Variance %	169.4%	n/a	441.7%
FTEs	Current	220	0	220
	Proj. w/ Expansion	593	654	1,246
	Variance	373	654	1,026
	Variance %	169.4%	n/a	466.4%

Source: Spectrum Gaming Group

As illustrated, we believe it is reasonable the combination of two casinos with both slots and table games, along with each having a hotel and non-gaming amenities, could employ approximately 1,625, or 1,246 FTEs. As a result, net employment in the Binghamton MSA (direct at the two casinos) could increase by 1,325 people, or 1,026 FTEs.

¹⁶ Based on estimated \$11.4 million in VGM net revenue to Tioga Downs in 2013 (or 19.2 percent of total VGM net revenue at Tioga Downs) per database metrics received from Client.

Impact of Traditions Casino with Only VGMs at Tioga Downs

We assume that a Traditions casino would have 1,200 slots and 50 table games, along with 201 hotel rooms (i.e., an expansion of 160 hotel rooms from current capacity) and non-gaming gaming amenities while Tioga Downs would remain a VGM-only gaming facility.

Our modeling indicates that Traditions GGR would be \$114 million annually, within a range of \$99 million to \$128.9 million. As a result, GGR at Tioga Downs would be \$42 million annually, within a range of \$40 million to \$44 million – a decline of between 33 percent and 39.1 percent over 2013 levels. Overall, these two casinos in the Binghamton MSA would combine for \$155.9 million of GGR annually, within a range of \$139 million to \$172.9 million annually.

In terms of net gaming revenue, our modeling indicates these two casinos would generate \$143.6 million annually, within a range of \$127.9 million to \$159.2 million. Our modeling indicates net slot revenue would grow to \$122.5 million annually, a 105.5 percent increase over the 2013 level for Tioga Downs alone, while \$21.1 million of the net gaming revenue would be from table games.

The results of our modeling, along with applicable distributions/taxes/fees, are shown in the following subsections and tables.

Expected Case

Figure 25: Projected Tioga Downs VGM revenue with Traditions casino (expected case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$42.0	\$65.6	(\$23.6)	(36.0%)
Traditions	<u>\$114.0</u>	<u>\$0.0</u>	<u>\$114.0</u>	n/a
Eastern Southern Tier	\$155.9	\$65.6	\$90.3	137.7%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$38.1	\$59.6	(\$21.5)	(36.0%)
Traditions	<u>\$105.4</u>	<u>\$0.0</u>	<u>\$105.4</u>	n/a
Eastern Southern Tier	\$143.6	\$59.6	\$84.0	140.9%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$38.1	\$59.6	(\$21.5)	(36.0%)
Traditions	<u>\$84.3</u>	<u>\$0.0</u>	<u>\$84.3</u>	n/a
Eastern Southern Tier	\$122.5	\$59.6	\$62.9	105.5%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$0.0	\$0.0	n/a
Traditions	<u>\$21.1</u>	<u>\$0.0</u>	<u>\$21.1</u>	n/a
Eastern Southern Tier	\$21.1	\$0.0	\$21.1	n/a

Source: Spectrum Gaming Group

Figure 26: Projected net slot revenue distribution from Tioga Downs with Traditions casino (expected case)

Net Slot Rev. Distributions for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Education Contribution	\$14.11	\$23.10	(\$9.00)	(38.9%)
Marketing Allowance	\$3.81	\$5.96	(\$2.15)	(36.0%)
Gaming Floor & Admin	\$3.81	\$5.96	(\$2.15)	(36.0%)
Capital Award	\$1.53	\$2.38	(\$0.86)	(36.0%)
Purses/Breeders	\$3.81	\$5.96	(\$2.15)	(36.0%)
VGM Operator	<u>\$11.06</u>	<u>\$16.23</u>	<u>(\$5.17)</u>	(31.9%)
Total Distribution	\$38.13	\$59.59	(\$21.46)	(36.0%)
Total Distribution - Non Op.	\$27.07	\$43.37	(\$16.29)	(37.6%)
Est. Aid to Municipalities	\$0.18	\$0.28	(\$0.10)	(36.0%)
[Amount of Tax Reduction per S. 27]	(\$2.06)	n/a	n/a	n/a

Source: Spectrum Gaming Group

Figure 27: Projected direct gaming taxes/fees from Traditions casino (expected case)

Direct Gaming Taxes/Fees for Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$31.21	\$0.00	\$31.21	n/a
Tax (Tables @ 10%)	\$2.11	\$0.00	\$2.11	n/a
License Fees (for Problem Gambling)	<u>\$0.63</u>	<u>\$0.00</u>	<u>\$0.63</u>	n/a
Total	\$33.94	\$0.00	\$33.94	n/a

Source: Spectrum Gaming Group

Low Case

Figure 28: Projected Tioga Downs VGM revenue with Traditions casino (low case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$40.0	\$65.6	(\$25.6)	(39.1%)
Traditions	<u>\$99.0</u>	<u>\$0.0</u>	<u>\$99.0</u>	n/a
Eastern Southern Tier	\$139.0	\$65.6	\$73.4	111.8%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$36.3	\$59.6	(\$23.3)	(39.1%)
Traditions	<u>\$91.6</u>	<u>\$0.0</u>	<u>\$91.6</u>	n/a
Eastern Southern Tier	\$127.9	\$59.6	\$68.3	114.6%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$36.3	\$59.6	(\$23.3)	(39.1%)
Traditions	<u>\$73.3</u>	<u>\$0.0</u>	<u>\$73.3</u>	n/a
Eastern Southern Tier	\$109.6	\$59.6	\$50.0	83.9%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$0.0	\$0.0	n/a
Traditions	<u>\$18.3</u>	<u>\$0.0</u>	<u>\$18.3</u>	n/a
Eastern Southern Tier	\$18.3	\$0.0	\$18.3	n/a

Source: Spectrum Gaming Group

Figure 29: Projected net slot revenue distribution from Tioga Downs with Traditions casino (low case)

Net Slot Rev. Distributions for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Education Contribution	\$13.44	\$23.10	(\$9.67)	(41.8%)
Marketing Allowance	\$3.63	\$5.96	(\$2.33)	(39.1%)
Gaming Floor & Admin	\$3.63	\$5.96	(\$2.33)	(39.1%)
Capital Award	\$1.45	\$2.38	(\$0.93)	(39.1%)
Purses/Breeders	\$3.63	\$5.96	(\$2.33)	(39.1%)
VGM Operator	<u>\$10.53</u>	<u>\$16.23</u>	<u>(\$5.70)</u>	(35.1%)
Total Distribution	\$36.31	\$59.59	(\$23.28)	(39.1%)
<i>Total Distribution - Non Op.</i>	<i>\$25.78</i>	<i>\$43.37</i>	<i>(\$17.58)</i>	<i>(40.5%)</i>
<i>Est. Aid to Municipalities</i>	<i>\$0.17</i>	<i>\$0.28</i>	<i>(\$0.11)</i>	<i>(39.1%)</i>
<i>[Amount of Tax Reduction per S. 27]</i>	<i>(\$1.96)</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

Source: Spectrum Gaming Group

Figure 30: Projected direct gaming taxes/fees from Traditions casino (low case)

Direct Gaming Taxes/Fees for Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$27.11	\$0.00	\$27.11	n/a
Tax (Tables @ 10%)	\$1.83	\$0.00	\$1.83	n/a
License Fees (for Problem Gambling)	<u>\$0.63</u>	<u>\$0.00</u>	<u>\$0.63</u>	n/a
Total	\$29.57	\$0.00	\$29.57	n/a

Source: Spectrum Gaming Group

High Case

Figure 31: Projected Tioga Downs VGM revenue with Traditions casino (high case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$44.0	\$65.6	(\$21.6)	(33.0%)
Traditions	<u>\$128.9</u>	<u>\$0.0</u>	<u>\$128.9</u>	n/a
Eastern Southern Tier	\$172.9	\$65.6	\$107.3	163.5%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$40.0	\$59.6	(\$19.6)	(33.0%)
Traditions	<u>\$119.3</u>	<u>\$0.0</u>	<u>\$119.3</u>	n/a
Eastern Southern Tier	\$159.2	\$59.6	\$99.6	167.2%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$40.0	\$59.6	(\$19.6)	(33.0%)
Traditions	<u>\$95.4</u>	<u>\$0.0</u>	<u>\$95.4</u>	n/a
Eastern Southern Tier	\$135.4	\$59.6	\$75.8	127.1%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$0.0	\$0.0	n/a
Traditions	<u>\$23.9</u>	<u>\$0.0</u>	<u>\$23.9</u>	n/a
Eastern Southern Tier	\$23.9	\$0.0	\$23.9	n/a

Source: Spectrum Gaming Group

Figure 32: Projected net slot revenue distribution from Tioga Downs with Traditions (high case)

Net Slot Rev. Distributions for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Education Contribution	\$14.78	\$23.10	(\$8.32)	(36.0%)
Marketing Allowance	\$4.00	\$5.96	(\$1.96)	(33.0%)
Gaming Floor & Admin	\$4.00	\$5.96	(\$1.96)	(33.0%)
Capital Award	\$1.60	\$2.38	(\$0.79)	(33.0%)
Purses/Breeders	\$4.00	\$5.96	(\$1.96)	(33.0%)
VGM Operator	<u>\$11.59</u>	<u>\$16.23</u>	<u>(\$4.64)</u>	(28.6%)
Total Distribution	\$39.95	\$59.59	(\$19.64)	(33.0%)
<i>Total Distribution - Non Op.</i>	<i>\$28.37</i>	<i>\$43.37</i>	<i>(\$15.00)</i>	<i>(34.6%)</i>
<i>Est. Aid to Municipalities</i>	<i>\$0.19</i>	<i>\$0.28</i>	<i>(\$0.09)</i>	<i>(33.0%)</i>
<i>[Amount of Tax Reduction per S. 27]</i>	<i>(\$2.16)</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

Source: Spectrum Gaming Group

Figure 33: Projected direct gaming taxes/fees from Traditions (high case)

Direct Gaming Taxes/Fees for Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$35.30	\$0.00	\$35.30	n/a
Tax (Tables @ 10%)	\$2.39	\$0.00	\$2.39	n/a
License Fees (for Problem Gambling)	<u>\$0.63</u>	<u>\$0.00</u>	<u>\$0.63</u>	n/a
Total	\$38.31	\$0.00	\$38.31	n/a

Source: Spectrum Gaming Group

Out-of-State vs. In-State Impact

Under this scenario, two gaming facilities in the Binghamton MSA would serve to increase net gaming revenue for New York by attracting incremental visitation from Pennsylvania adults (compared to status quo). Under our expected case, our modeling indicates net revenue from Pennsylvania adults to two gaming facilities in the Binghamton MSA would increase by 80.2 percent – an increase of \$9.1 million in net gaming revenue annually from Pennsylvania adults.¹⁷

Projected Employment Impacts

The following table illustrates what we believe is a reasonable scenario of the direct employment and FTE impact under this scenario. The change in employment for Tioga Downs is projected at one-half the rate of the net revenue change (resulting from a new casino in the market), while the projected employment figure for the new casino in the market is based on benchmarking and ratios discussed earlier.

¹⁷ Based on estimated \$11.4 million in VGM net revenue to Tioga Downs in 2013 (or 19.2 percent of total VGM net revenue at Tioga Downs) per database metrics received from Client.

Figure 34: Projected employment and FTE impact (expected case)

Projected Employment & FTE Impact		Tioga Downs	Traditions	Total
Employees	Current	300	0	300
	Proj. w/ Expansion	246	779	1,025
	Variance	(54)	779	725
	Variance %	(18.0%)	n/a	241.7%
FTEs	Current	220	0	220
	Proj. w/ Expansion	180	623	804
	Variance	(40)	623	584
	Variance %	(18.0%)	n/a	265.3%

Source: Spectrum Gaming Group

As illustrated, we believe it is reasonable a Traditions casino could employ 779 people, or 623 FTEs. As a result, net employment in the Binghamton MSA (direct at the two gaming facilities) could increase by 725 people, or 584 FTEs.

Policy implications of this scenario

This particular scenario highlights an unlevel playing field, in that a VGM-only facility, operating under a different cost structure with fewer amenities, would face an uphill battle in trying to meet its fair market share, and would clearly be at a disadvantage in the event of a marketing battle between competitors, thus reducing the likelihood of each competitor achieving its respective fair share. Indeed, this scenario may be temporary at best, as the disparity in revenue indicates a potentially even greater disparity in profitability, thus increasing the likelihood of a one-property market.

Impact of a Traditions Casino without Tioga Downs

We assume the Traditions casino would have 1,200 slots and 50 table games, along with 201 hotel rooms (i.e., an expansion of 160 hotel rooms from current capacity) and non-gaming gaming amenities. We further assume the existing VGM-only Tioga Downs would cease operations effective upon opening of a Traditions casino, and that Traditions would be the only gaming facility in the Eastern Southern Tier).

Our modeling indicates that GGR at a new casino at Traditions would be \$130.5 million annually, within a range of \$114.6 million to \$146.4 million.

In terms of net gaming revenue, our modeling indicates this one casino in the Binghamton MSA would generate \$120.7 million annually, within a range of \$106 million to \$135.5 million. The results of our modeling, along with applicable distributions/taxes/fees, are shown in the following sections and tables.

Expected Case

Figure 35: Projected revenue with Traditions and no Tioga Downs (expected case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$65.6	(\$65.6)	(100.0%)
Traditions	<u>\$130.5</u>	<u>\$0.0</u>	<u>\$130.5</u>	n/a
Eastern Southern Tier	\$130.5	\$65.6	\$64.9	98.9%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$59.6	(\$59.6)	(100.0%)
Traditions	<u>\$120.7</u>	<u>\$0.0</u>	<u>\$120.7</u>	n/a
Eastern Southern Tier	\$120.7	\$59.6	\$61.2	102.6%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$59.6	(\$59.6)	(100.0%)
Traditions	<u>\$96.6</u>	<u>\$0.0</u>	<u>\$96.6</u>	n/a
Eastern Southern Tier	\$96.6	\$59.6	\$37.0	62.1%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$0.0	\$0.0	n/a
Traditions	<u>\$24.1</u>	<u>\$0.0</u>	<u>\$24.1</u>	n/a
Eastern Southern Tier	\$24.1	\$0.0	\$24.1	n/a

Source: Spectrum Gaming Group

Figure 36: Projected direct gaming taxes/fees from Traditions and no Tioga Downs (expected case)

Direct Gaming Taxes/Fees for Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$35.74	\$0.00	\$35.74	n/a
Tax (Tables @ 10%)	\$2.41	\$0.00	\$2.41	n/a
License Fees (for Problem Gambling)	<u>\$0.63</u>	<u>\$0.00</u>	<u>\$0.63</u>	n/a
Total	\$38.78	\$0.00	\$38.78	n/a

Source: Spectrum Gaming Group

Low Case

Figure 37: Projected revenue with Traditions and no Tioga Downs (low case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$65.6	(\$65.6)	(100.0%)
Traditions	<u>\$114.6</u>	<u>\$0.0</u>	<u>\$114.6</u>	n/a
Eastern Southern Tier	\$114.6	\$65.6	\$49.0	74.7%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$59.6	(\$59.6)	(100.0%)
Traditions	<u>\$106.0</u>	<u>\$0.0</u>	<u>\$106.0</u>	n/a
Eastern Southern Tier	\$106.0	\$59.6	\$46.4	77.9%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$59.6	(\$59.6)	(100.0%)
Traditions	<u>\$84.8</u>	<u>\$0.0</u>	<u>\$84.8</u>	n/a
Eastern Southern Tier	\$84.8	\$59.6	\$25.2	42.4%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$0.0	\$0.0	n/a
Traditions	<u>\$21.2</u>	<u>\$0.0</u>	<u>\$21.2</u>	n/a
Eastern Southern Tier	\$21.2	\$0.0	\$21.2	n/a

Source: Spectrum Gaming Group

Figure 38: Projected direct gaming taxes/fees from Traditions and no Tioga Downs (low case)

Direct Gaming Taxes/Fees for Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$31.39	\$0.00	\$31.39	n/a
Tax (Tables @ 10%)	\$2.12	\$0.00	\$2.12	n/a
License Fees (for Problem Gambling)	<u>\$0.63</u>	<u>\$0.00</u>	<u>\$0.63</u>	n/a
Total	\$34.13	\$0.00	\$34.13	n/a

Source: Spectrum Gaming Group

High Case

Figure 39: Projected revenue with Traditions and no Tioga Downs (high case)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$65.6	(\$65.6)	(100.0%)
Traditions	<u>\$146.4</u>	<u>\$0.0</u>	<u>\$146.4</u>	n/a
Eastern Southern Tier	\$146.4	\$65.6	\$80.8	123.1%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$59.6	(\$59.6)	(100.0%)
Traditions	<u>\$135.5</u>	<u>\$0.0</u>	<u>\$135.5</u>	n/a
Eastern Southern Tier	\$135.5	\$59.6	\$75.9	127.3%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$59.6	(\$59.6)	(100.0%)
Traditions	<u>\$108.4</u>	<u>\$0.0</u>	<u>\$108.4</u>	n/a
Eastern Southern Tier	\$108.4	\$59.6	\$48.8	81.8%
Table Games Rev. (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tioga Downs	\$0.0	\$0.0	\$0.0	n/a
Traditions	<u>\$27.1</u>	<u>\$0.0</u>	<u>\$27.1</u>	n/a
Eastern Southern Tier	\$27.1	\$0.0	\$27.1	n/a

Source: Spectrum Gaming Group

Figure 40: Projected direct gaming taxes/fees from Traditions and no Tioga Downs (high case)

Direct Gaming Taxes/Fees for Traditions (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Tax (Slots @ 37%)	\$40.09	\$0.00	\$40.09	n/a
Tax (Tables @ 10%)	\$2.71	\$0.00	\$2.71	n/a
License Fees (for Problem Gambling)	<u>\$0.63</u>	<u>\$0.00</u>	<u>\$0.63</u>	n/a
Total	\$43.43	\$0.00	\$43.43	n/a

Source: Spectrum Gaming Group

Impact on Net Slot Revenue Distribution from VGM-only Tioga Downs

Under this scenario, with discontinued VGM operations at Tioga Downs, the current net slot revenue distribution structure (i.e., on VGM-only net revenue) would not be applicable. The following table shows the net slot revenue distribution for VGM-only Tioga Downs based on 2013 results of operations.

Figure 41: Projected net slot revenue distribution from Traditions and no Tioga Downs

Net Slot Rev. Distributions for Tioga Downs (\$M)	Proj. w/ Expansion	Actual (2013)	Var. \$	Var. %
Education Contribution	\$0.00	\$23.10	(\$23.10)	(100.0%)
Marketing Allowance	\$0.00	\$5.96	(\$5.96)	(100.0%)
Gaming Floor & Admin	\$0.00	\$5.96	(\$5.96)	(100.0%)
Capital Award	\$0.00	\$2.38	(\$2.38)	(100.0%)
Purses/Breeders	\$0.00	\$5.96	(\$5.96)	(100.0%)
VGM Operator	\$0.00	\$16.23	(\$16.23)	(100.0%)
Total Distribution	\$0.00	\$59.59	(\$59.59)	(100.0%)
<i>Total Distribution - Non Op.</i>	<i>\$0.00</i>	<i>\$43.37</i>	<i>(\$43.37)</i>	<i>(100.0%)</i>
<i>Est. Aid to Municipalities</i>	<i>\$0.00</i>	<i>\$0.28</i>	<i>(\$0.28)</i>	<i>(100.0%)</i>
<i>[Amount of Tax Reduction per S. 27]</i>	<i>\$0.00</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

Source: Spectrum Gaming Group

Out-of-State vs. In-State Impact

Under this scenario, a Traditions casino absent VGM-only Tioga Downs would serve to increase net gaming revenue for New York by attracting incremental visitation from Pennsylvania adults (compared to status quo). Under our expected case, our modeling indicates net revenue from Pennsylvania adults would increase by 39.1 percent, an increase of \$4.5 million in net gaming revenue annually from Pennsylvania adults.¹⁸

Projected Employment Impacts

The following table illustrates what we believe is a reasonable scenario of the direct employment and FTE impact under this scenario. Since Tioga Downs would cease operations we assume no employment at the facility, while the projected employment figure for the new casino in the market is based on benchmarking and ratios discussed earlier.

Figure 42: Projected employment and FTE impact (expected case)

Projected Employment & FTE Impact		Tioga Downs	Traditions	Total
Employees	Current	300	0	300
	Proj. w/ Expansion	0	779	779
	Variance	(300)	779	479
	Variance %	(100.0%)	n/a	159.7%
FTEs	Current	220	0	220
	Proj. w/ Expansion	0	623	623
	Variance	(220)	623	403
	Variance %	(100.0%)	n/a	183.3%

Source: Spectrum Gaming Group

As illustrated, we believe it is reasonable a new Traditions casino could employ approximately 779 people, or 623 FTEs. Net employment in the Binghamton MSA could increase by 479, or 403 FTEs.

¹⁸ Based on estimated \$11.4 million in VGM net revenue to Tioga Downs in 2013 (or 19.2 percent of total VGM net revenue at Tioga Downs) per database metrics received from Client.

Illustrative Market Sizing

Using a 26 percent to 40 percent casino participation rate and a range of \$800 to \$1,200 in average GGR per gambler as benchmarks, we illustrate the GGR potential from the 408,652 adults residing within a reasonable one-hour drive of Tioga Downs only, as well as the 530,646 adults residing within a reasonable one-hour drive of either Tioga Downs and/or the Traditions site.¹⁹

Importantly, in the context of this analysis, the aforementioned figures are applicable to legal casinos throughout the United States and, as such, do not include wagers on illegal gaming activities, nor lotteries, horse racing or charitable gaming. Therefore, we believe these figures may be directly applicable to activities at existing and/or potential casinos in the Eastern Southern Tier, as well as throughout the regional market and/or throughout the United States.

Our illustrative GGR potential figures are shown in the following tables resulting from the intersecting points of casino participation rates and average GGR per gambler. The results shaded in gray indicate GGR. Additionally, the figures in red indicate the GGR potential at the US average GGR per gambler value (from 2008-2012).

Figure 43: Tioga Downs – illustrative size of market, one-hour drive Tioga Downs only (total GGR)

GGR (\$M)	Illustrative Range of GGR/ Gambler, \$100 increments					US Avg.
Casino Part. %	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,035
25.0%	\$81.7	\$91.9	\$102.2	\$112.4	\$122.6	\$105.7
27.5%	\$89.9	\$101.1	\$112.4	\$123.6	\$134.9	\$116.3
30.0%	\$98.1	\$110.3	\$122.6	\$134.9	\$147.1	\$126.9
32.5%	\$106.2	\$119.5	\$132.8	\$146.1	\$159.4	\$137.5
35.0%	\$114.4	\$128.7	\$143.0	\$157.3	\$171.6	\$148.0
37.5%	\$122.6	\$137.9	\$153.2	\$168.6	\$183.9	\$158.6
40.0%	\$130.8	\$147.1	\$163.5	\$179.8	\$196.2	\$169.2

Source: Spectrum Gaming Group

If adults residing within a one-hour drive of Tioga Downs were to have the same gaming attributes as US adults in general, the size of this market area would range between \$105.7 million and \$137.5 million in GGR annually (between 25 percent and 32.5 percent casino participation, which was the range of US adults from 2008-2012). However, if the actual casino participation rate for these adults exceeds 32.5 percent, then the size of this market area exceeds \$137.5 million of GGR annually and would exceed \$150 million if the casino participation rate were to exceed 35.5 percent.

In 2013, Tioga Downs reported total GGR of \$65.6 million. Therefore, at the minimum 25 percent casino participation rate, and an average of \$1,035 per gambler (i.e., the US average),

¹⁹ This casino participation rate (with a ceiling of 40 percent), along with average GGR per gambler is supported by past studies and presented elsewhere in this report.

at least \$40.1 million in GGR was either exported from this market area – or existed as untapped GGR potential. However, if the actual casino participation rate for these adults exceeds 30 percent (which we believe is likely), at least \$61.3 million in GGR from these aforementioned adults was either exported or existed as potential GGR.

If a casino were to exist at the Traditions site and we expand the pool of adults to those residing within a one-hour drive of both the Tioga Downs and/or the Traditions site, there are 530,646 adults (or 29.9 percent more adults than in the one-hour drive area surrounding Tioga Downs alone). These illustrative GGR potential figures are shown in the following table (and in same format as the previous table).

Figure 44: Illustrative size of market, one-hour drive of Tioga Downs and/or Traditions site (total GGR)

GGR (\$M)	Illustrative Range of GGR/ Gambler, \$100 increments					US Avg.
Casino Part. %	\$800	\$900	\$1,000	\$1,100	\$1,200	
25.0%	\$106.1	\$119.4	\$132.7	\$145.9	\$159.2	\$137.3
27.5%	\$116.7	\$131.3	\$145.9	\$160.5	\$175.1	\$151.0
30.0%	\$127.4	\$143.3	\$159.2	\$175.1	\$191.0	\$164.8
32.5%	\$138.0	\$155.2	\$172.5	\$189.7	\$207.0	\$178.5
35.0%	\$148.6	\$167.2	\$185.7	\$204.3	\$222.9	\$192.2
37.5%	\$159.2	\$179.1	\$199.0	\$218.9	\$238.8	\$206.0
40.0%	\$169.8	\$191.0	\$212.3	\$233.5	\$254.7	\$219.7

Source: Spectrum Gaming Group

As illustrated, if adults residing within a one-hour drive of either Tioga Downs and/or the Traditions site were to have the same gaming attributes as US adults in general, the size of this market area (i.e., largely the Binghamton MSA) would range between \$137 million and \$178.5 million in GGR annually. If the actual casino participation rate for these adults exceeds 32.5 percent, then the size of this market area exceeds \$178.5 million of GGR annually and would exceed \$200 million annually if the casino participation rate were to exceed 36.4 percent.

New Casino Competition – Other Market Examples

The casino industry, much like retail operators, is not immune to competition. The bottom line is that when competitive threats materialize, the consequences can be staggering (while even the threat of imminent competition can be detrimental). We provide three examples, in other markets/jurisdictions, that show impacts on existing casinos when a new casino opens (or multiple casinos) in closer proximity to the bulk of the adult population and/or nearby to, or within, major feeder markets.

Cincinnati, OH MSA

Prior to March 2013, there were two casinos (Hollywood and Rising Star) operating in the Cincinnati metropolitan statistical area (which includes parts of Indiana, Kentucky and Ohio), with a third casino (Belterra) just beyond the technical boundary but for all intents and purposes is considered as a part of the Cincinnati area. All three casinos are located in Indiana and are considered as suburban to Cincinnati. All three are riverboat casinos and are separated by approximately 30 miles in total, or by about 15 miles each. All three have small hotels as part of their gaming complex.

Hollywood Casino was the closest, or most easily accessible, to the heart of the Cincinnati market (i.e., Cincinnati proper), a 30-minute drive (27 driving miles). Rising Star and Belterra are just beyond a reasonable 45-minute drive time from Cincinnati proper (at 40 and 52 driving miles, respectively).²⁰

Horseshoe Cincinnati Casino opened in downtown Cincinnati in March 2013, offering both slots and table games – the same casino offerings as their competitors. Since Horseshoe opened, the number of admissions to the aforementioned outlying casinos in the Cincinnati area has decreased by 26.8 percent (April through December period [nine-months], on a year-over-year basis), as follows (and sorted by distance from Cincinnati proper):

- Hollywood Casino admissions down 33.2 percent, a loss of 2,815 average daily admissions;
- Rising Star admissions down 25.2 percent, a loss of 812 average daily admissions;
- Belterra admissions down 15.8 percent, a loss of 691 average daily admissions.

²⁰ Importantly, each of the aforementioned casinos has different offerings, as well as differences in size and scope. It must be noted that this analysis does not factor in externalities that may materially impact GGR at any of these casinos, where examples of some externalities may be deviations in promotional allowances, traffic congestion considerations (including bridge crossings between Indiana and Ohio/Kentucky), advertising and marketing campaigns, ramp-up in operations, changes in operating conditions, facility enhancements, capital investment, gaming initiatives and existing competition farther outside of the Cincinnati metropolitan statistical area (i.e., casinos elsewhere in the region).

Importantly, the admissions to the other eight casinos throughout Indiana (where admissions are reported) were down 10.2 percent collectively – implying that the new casino in Cincinnati has had (and is having) a material, negative impact on direct competitors in the Cincinnati market (and the greatest impact on the existing casino that is located closest to the new casino, as well as bulk of population).

As this may apply to Tioga Downs moving forward (and in context of our report findings), data from the Cincinnati market demonstrates that the closest casino to the new casino is negatively impacted the most among others in the market. This example supports our finding that Tioga Downs would be impacted significantly from a casino at Traditions (as the latter location in the Binghamton MSA is much closer to the bulk of adults residing there than is Tioga Downs).

Greater Baltimore, MD

Hollywood Casino in Perryville, MD, opened in September 2010 and is approximately a 45-minute drive northeast of downtown Baltimore. Perryville is not technically within the Baltimore MSA, but is located one mile beyond its border and, for all intents and purposes, is a part to the greater Baltimore market. When Hollywood Casino opened it was the only casino operating within a reasonable one-hour drive (in all directions) from downtown Baltimore and from the bulk of the Baltimore MSA.

Maryland Live! Casino opened in June 2012 in Hanover, MD. This casino is within the Baltimore MSA and is easily within a 30-minute drive of downtown Baltimore, and is much larger than Hollywood Perryville (in terms of gaming supply and non-gaming amenities). Succinctly, this casino has a greater amenity set than does Hollywood Perryville, while it is located much closer to the bulk of adults comprising the Baltimore MSA.

In the first year following its opening (i.e., LTM June 2013), GGR at Hollywood Perryville decreased by 30.6 percent.

As this may apply to Tioga Downs moving forward (and in context of our report findings), data from the Baltimore market demonstrates that the closest casino to the bulk of the adult population (or closest and/or within the main feeder market) can negatively impact a more distant casino that relies on same market. This example supports our finding that Tioga Downs would be impacted significantly from another casino located in the Binghamton MSA (and at the Traditions site).

Atlantic City, NJ

The expansion of casino gaming in the Northeast US over the past three decades, since the opening of the first casino in Atlantic City, NJ, in May 1978, has brought casinos closer and closer to more and more adults throughout the Northeast US. Although the competition for casino gamblers amongst the dozens of casinos in the heavily populated Northeast US is fierce, overall GGR continues to grow (as it has grown by billions of dollars over the last decade).

Through most of 2006, there were only three casinos within a reasonable three-hour drive of Atlantic City (all in Delaware); today there are 17 casinos (in Delaware, Maryland, Pennsylvania, along with both Aqueduct and Yonkers in New York).²¹ As a whole, GGR in this region (i.e., within a three-hour drive of Atlantic City) between 2006 and 2013 grew by 40.5 percent; however, GGR to Atlantic City's casinos has eroded by 45.2 percent (or a loss of \$2.4 billion) while the 17 non-Atlantic City casinos have grown GGR by over \$4.7 billion.

As this may apply to Tioga Downs moving forward (and in context of our report findings), data from the Northeast US, and within a three-hour drive of Atlantic City, demonstrates that the proliferation of casinos, and expansion of casinos into major feeder markets, can negatively impact a more distant casino (that relies on same market). This example supports our finding that Tioga Downs would be significantly impacted by the presence of a casino in the heart of the Binghamton MSA (and at the Traditions site).

Increasing GGR via Addition of Table Games

Spectrum believes the addition of table games to a casino in the Eastern Southern Tier (and elsewhere in New York) would increase overall GGR, and can also serve to increase slot revenue. While the latter point may seem counter-intuitive (the natural assumption is that new table games would simply cannibalize existing slot play), experience in markets that have added tables to casinos that previously offered only slot machines shows otherwise. This phenomenon can be attributed to two major factors:

- Some new table-game customers (who previously had no incentive to visit a slots-only casino) can be expected to apportion some of their own spending to slots.
- Some of these new customers would be accompanied by other guests – such as a spouse or a friend – who would play slots during these visits.

In our experience, we find slots and table games in a casino are complementary assets.

By way of example, casinos in both Delaware and Pennsylvania had been limited to slots-only prior to May 2010, but then table games were added to all 12 casinos in these states between May and July 2010. Based on the collective results there was an overall increase in GGR of 22.1 percent in the first full year of having table games versus the prior full year, absent table games.

Through the 12-month period ending April 2010 (pre-table games), the 12 casinos generated \$3.09 billion in slot revenue (or total GGR at the time). Through the 12-month period ended July 2011 (the first full annualized period when all 12 casinos had table games for the full

²¹ Empire City at Yonkers Raceway in New York, along with Mohegan Sun at Pocono Downs and Philadelphia Park in Pennsylvania, all commenced operations between October and December of 2006.

duration of period), the same 12 casinos generated \$3.26 billion in slot revenue (an increase of 5.6 percent over the period without having table games). Table games revenue at these 12 casinos amounted to \$508 million through the 12-month period ended July 2011.

The overall increase in GGR for both tables and slots between the two periods was 22.1 percent, while table games revenue accounted for 74.5 percent of the GGR growth and slot revenue accounted for 25.5 percent of the GGR growth. Importantly, this growth occurred at a time when other casinos were opening in the region (SugarHouse in Philadelphia and Hollywood in Perryville, MD, in September 2010, along with Ocean Downs in Worcester, MD, in January 2011).

About This Report

This report was prepared by Spectrum Gaming Group, an independent research and professional services firm founded in 1993 that serves private- and public-sector clients worldwide. Our principals have backgrounds in operations, economic analysis, law enforcement, regulation and journalism.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potentially future clients.

Each Spectrum project is customized to our client's specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Our public-sector clients have included the Atlantic City Convention and Visitors Authority, the Connecticut Division of Special Revenue, Delaware Lottery, Georgia Lottery, Maryland Lottery, Commonwealth of Massachusetts, Massachusetts Lottery, the New Jersey Casino Reinvestment Development Authority, Ohio Casino Control Commission, Ohio Lottery, West Virginia Lottery, the Puerto Rico Tourism Company, and the Singapore Ministry of Home Affairs.

Private-sector clients have included Caesars Entertainment, Carnival Corp., Casino Association of Indiana, Casino Association of New Jersey, Hard Rock International, Genting, National Indian Gaming Association, New York Gaming Association, Revel Entertainment, Seneca Gaming, and Wynn Resorts.

Our principals have testified before the following government bodies:

- British Columbia Lottery Corporation
- Florida House Select Committee on Gaming
- Florida Senate Gaming Committee
- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Indiana Gaming Study Commission
- Indiana Horse Racing Commission
- International Tribunal, The Hague
- Louisiana House and Senate Joint Criminal Justice Committee
- Massachusetts Gaming Commission

- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets New Jersey Assembly Tourism and Gaming Committee
- National Gambling Impact Study Commission
- New Hampshire Gaming Study Commission
- New Jersey Assembly Regulatory Oversight and Gaming Committee
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania House Gaming Oversight Committee
- Pennsylvania Gaming Control Board
- Puerto Rico Racing Board
- U.S. House Congressional Gaming Caucus
- US Senate Permanent Subcommittee on Investigations
- U.S. Senate Indian Affairs Committee
- U.S. Senate Select Committee on Indian Gaming
- U.S. Senate Subcommittee on Organized Crime
- World Bank, Washington, DC

Spectrum and its sister company, Spectrum OSO Asia, maintain a network of leading experts in all disciplines relating to the gaming industry, and we do this through our offices in Atlantic City, Bangkok, Guangzhou, Hong Kong, New York, Miami and Tokyo.

Disclaimer

Spectrum Gaming Group (“Spectrum,” “we” or “our”) has made every reasonable effort to ensure that the data and information contained in this study reflect the most accurate and timely information possible. The data are believed to be generally reliable. This study is based on estimates, assumptions, and other information developed by Spectrum from its independent research effort, general knowledge of the gaming industry, and consultations with the Client and its representatives. Spectrum shall not be responsible for any inaccuracies in reporting by the Client or its agents and representatives, or any other data source used in preparing or presenting this study. The data presented in this study were collected through the cover date of this report. Spectrum has not undertaken any effort to update this information since this time.

Some significant factors that are unquantifiable and unpredictable – including, but not limited to, economic, governmental, managerial and regulatory changes; and acts of nature – are qualitative by nature, and cannot be readily used in any quantitative projections.

No warranty or representation is made by Spectrum that any of the projected values or results contained in this study will actually be achieved. We shall not be responsible for any deviations in

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