



Tioga Downs – Gaming Market Study

Final Report

June 2014

PRIVATE AND CONFIDENTIAL



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Contents

Introduction.....	4
Methodology	4
About Union Gaming Group.....	4
Upstate NY Gaming Economic Development Act	5
New York Gaming Market Overview	7
New York Gaming Market.....	7
Competitive Landscape	8
Finger Lakes Gaming & Raceway	8
Vernon Downs.....	8
Oneida Turning Stone Resort Casino	9
Mohegan Sun at Pocono Downs	9
Mount Airy Casino Resort.....	9
Monticello Casino and Raceway.....	9
The Seneca Nation of Indians	9
Seneca Gaming Compact.....	10
U.S. Gaming Market Statistics	11
Tioga Downs Casino – Detailed Property Analysis	12
Market Demographics.....	12
Historical Gaming Revenues.....	16
Origination of Tioga Gaming Revenues and Win/Visitor	17
Carded Win by Metropolitan Area & Win/Visitor	17
Carded vs. Non-Carded Play	18
Project Induced Incremental Gaming Visitation and Revenues.....	19
Hotel Induced Gaming Visitation and Revenues	19
Parking Garage Induced Gaming Visitation and Revenues.....	21
Weather Impact	22
Hotel Scenario Summary.....	23
Expansion with Live Table Games Analysis.....	25
Results from Comparable Casino Markets.....	25
“Right Sizing” Tioga Downs VLT Market.....	27



June 26, 2014

The Addition of Supply and Historic Impact on Slot Win/Day in Various Markets	28
Changing of Slot Product.....	29
Organic Slot Revenue Growth – Post Live Table Games Implementation	29
Slot Win Per Day Impact from Additional Machines	29
Table Game Revenues as a Percentage of Total Revenue in Regional Jurisdictions	30
Presque Isle Downs and Casino as a proxy for Tioga Downs	32
Impact of Poker Games	33
Tioga Downs Proforma Assumptions	35
Average Case.....	35
High Case	39
Low Case	43
Revenue Sources	47
In-State and Out of State Revenue Source	47
Revenue Recapture.....	49
Overview of Table Games in Competitive Market.....	49
Revenue Recapture from Pennsylvania	49
Conclusion	51



June 26, 2014

Introduction

Union Gaming Analytics has been engaged by American Racing and Entertainment, LLC to perform an independent analysis of the gaming revenue opportunity driven by the construction of a three-star hotel, restaurant, spa, additional banquet/meeting space and parking garage at the existing site of its Tioga Downs Casino located in Nichols, NY. Such analysis seeks to determine the financial merits of Tioga's expansion plans and, if such plans are warranted, to obtain necessary bank financing for the project. Furthermore, we built a model and explored the possibility of Tioga Downs receiving necessary approvals to install live table games. Our analysis shows financial projections for Tioga Downs for three scenarios, including Status Quo (no change), Parking Garage only and Expansion with Live Table games.

Methodology

In order to forecast prospective gaming revenues at the potential Tioga Downs Hotel and Casino development, and at the other proposals for the Southern Tier we analyzed current Video Lottery Terminal (VLT) markets in New York, the surrounding competitive markets (Native American and commercial), and researched population and per capita income data for various New York metropolitan areas. Our process included visits to competing racinos in New York State, including meetings with property management, as well as trips to surrounding Native American casinos in New York and Pennsylvania, and further discussions with racino managements. We have further analyzed significant amounts of macro-economic data on a local and national level. To determine the expected gross gaming revenues for the proposals which may be submitted to the New York Gaming Commission, we examined the population and income demographics within a 30-minute, 60-minute and 120-minute drive time radius and forecasted the theoretical gross gaming revenue market potential for each feeder area. In addition, we tested our study results by applying traditional population and disposable income penetration rates to relevant market demographics with respect to gaming behavior. We also obtained carded play database information for Tioga Downs, Vernon Downs, Finger Lakes Gaming and Turning Stone Casino to further segregate the gaming revenues into local & regional visitor (carded and non-carded) segments in order to determine local and regional player capture rates by point of origin. We observed the mix of in-state and out-of-state play and found no property other than Tioga Downs earns over 10% of its revenues from players residing outside of the New York. We also utilized the carded player databases and overnight room guest reports from Turning Stone and Vernon Downs to analyze the geographical distribution of hotel casino guests.

About Union Gaming Group

Union Gaming Group is a portfolio of companies focused exclusively on the global gaming industry. The companies specialize in equity and credit research, sales and trading, investment banking, and gaming-related market and economic analyses. Through its Union Gaming Analytics subsidiary, the company conducts gaming studies, feasibility and various market analyses for corporate and government entities. The company also provides legislative and regulatory support for gaming related activities globally. Union Gaming Advisors focuses on mergers and acquisitions, private placements, equity and debt offerings, and strategic advisory. Union Gaming Research covers the largest universe of gaming equities among its competitive set, uniquely based in Las Vegas and Macau.



June 26, 2014

Upstate NY Gaming Economic Development Act

Governor Andrew M. Cuomo signed the Upstate NY Gaming Economic Development Act on July 31, 2013, a comprehensive new law which was approved by New York referendum on November 5, 2013. The Act establishes four destination gaming resorts in Upstate New York to boost tourism and economic development in communities across the region. Under the casino gaming plan outlined in the new law, all localities in the state will share in increased education aid, or lower property taxes, no matter where the casinos are located. The new law signed today by the Governor includes these key details:

Locations of Destination Gaming Resorts: The new law authorizes four upstate destination gaming resorts to enhance tourism development. Destination gaming resorts will be selected competitively based on the economic development impact of the resort. Destination gaming resorts are authorized in three regions of the state: the Hudson Valley–Catskill area, the Capital District-Saratoga area, and the Central-Southern Tier. One region may have up to two casinos if determined by the state siting board. No destination gaming resorts can be authorized in Westchester, Rockland, Putnam, New York City, or Long Island. There will be a 7-year exclusivity period during which no further destination gaming resorts will be licensed by the State.

Regulation and Selection: The State Gaming Commission will oversee regulation of destination gaming resorts. The Gaming Commission has appointed a siting board of individuals with expertise in finance and development, which has determined the required minimum amount of capital expenditures and license fee required of a destination gaming resort applicant in each region and will make the selections.

- The tax rate on slot machines will be equal to the tax rate of existing video lottery gaming facilities within each region which currently ranges from 37 percent to 45 percent depending on the region.
- The tax rate on table games will be 10 percent.
- Existing payments to the racing industry for purses and breeding will be maintained.
- There will be no destination gaming resorts in regions with tribal exclusivity agreements.

The board will be required to evaluate destination gaming resort applications based on specific criteria: 70 percent of the decision on siting a destination gaming resort will be based on economic activity and business development factors; 20 percent on local impact and siting factors; and 10 percent on workforce factors. Local support for the Resort application must be demonstrated as a threshold application requirement.

The Gaming Commission is authorized to investigate the suitability of the gaming license applicant, including character and financial stability, and sets criteria for licensing individuals and businesses employed by or doing business with the resort. Destination gaming resorts and all related service industries will be strictly and comprehensively regulated by the Gaming Commission. The minimum gambling age in destination gaming resorts will be 21, and no smoking will be authorized in the four destination gaming resorts.

All Localities Benefiting from Education Aid Increases: 10 percent of the State's tax revenues will be split equally between the host municipality and the host county. 10 percent of the State's tax revenues will go to



June 26, 2014

other counties in the region of the destination gaming resort to provide tax relief or educational assistance. 80 percent of the State's tax revenues will be used statewide for elementary and secondary education or property tax relief. The educational aid will be additive and will not be part of the State's existing education formulae. As part of the Act, 10 percent of the net gaming revenue retained by the State from Indian gaming facilities will be distributed to counties in each respective exclusivity zone that do not otherwise receive a share of exclusivity revenues.

Addressing Problem Gambling and Cheating: Funds for problem gambling will be added through the imposition of a \$500 annual fee on all slot machines and table games. Destination gaming resorts will be required to develop comprehensive problem gambling programs, and part of the decision for siting a destination gaming resort will be determined by the quality of the applicant's problem gambling program. All destination gaming resorts will be required to have exclusion policies, and the new law provides for individuals to exclude themselves from the destination gaming resorts. New categories of gaming specific crimes are included to prevent cheating at destination gaming resorts. Cyber sweepstakes cafes are specifically made criminal.

Preventing Corruption: A state gaming inspector general's position is authorized to prevent corruption at the Gaming Commission.

Agreements with Indian Gaming: The exclusivity of Indian gaming zones is affirmed.

Video Lottery Terminals: The new law authorizes Nassau and Suffolk OTB to establish one video lottery gaming facility each at an OTB site with a maximum of 1,000 machines at each site.



June 26, 2014

New York Gaming Market Overview

New York Gaming Market

The current New York gaming market is comprised of nine racinos with a total of 17,666 Video Lottery Terminals (VLTs) and 2013 net gaming revenues of \$1.9bn (Figure 1). Following the events of September 11th, 2001, New York legislators enacted a gaming bill that allowed VLTs to be placed in some of New York's thoroughbred and harness racetracks. In addition, the legislation approved a multi-state lottery game and allowed up to three Native American Class III casinos to open in Western New York (for the Seneca Nation of Indians) and three more in the Catskills region (Ulster and Sullivan counties). The bill was signed into law by Governor Pataki in late October 2001. However, in January 2002, anti-gaming advocates challenged the constitutionality of such law, including improper passage by the legislature and the New York Appellate Division deemed certain parts of the bill unconstitutional. On May 3, 2005, the New York State Court of Appeals overturned the decision and found all parts of the 2001 gaming expansion bill to be constitutional.

Figure 1: New York Gaming Market – Racetrack Casinos

Property	2013 Net Gaming		Avg. VLTs	VLT Win/Day
	Revenues (\$mm)	Market Share		
Batavia Downs Casino	\$46	2.4%	666	\$189
Empire City Casino at Yonkers Raceway	\$560	29.1%	5,327	\$288
Finger Lakes Gaming & Raceway	\$131	6.8%	1,268	\$283
Hamburg Casino at the Fairgrounds	\$77	4.0%	940	\$224
Monticello Casino and Raceway	\$63	3.3%	1,110	\$155
Resorts World Casino New York	\$785	40.8%	5,004	\$430
Saratoga Casino and Raceway	\$160	8.3%	1,782	\$246
Tioga Downs Casino	\$60	3.1%	802	\$205
Vernon Downs Casino & Hotel	\$44	2.3%	767	\$157
New York Total VLT Market	\$1,926	100.0%	17,666	\$299

Source: New York Lottery, Union Gaming Analytics

Saratoga Gaming & Raceway became the first racino in New York State when it installed VLTs in January 2004. Finger Lakes, Fairgrounds and Monticello soon followed. Batavia Downs opened in May 2005, while Tioga Downs, Vernon Downs and Yonkers all opened in mid-2006. In 2013, the nine racinos in New York generated a combined \$1.93bn in net gaming revenues (+6.9% versus \$1.80bn in 2012). In August 2010, in an effort to narrow the budget gap, New York allowed for expanded hours at all racinos in the state, which can now operate up to 19 hours per day (up from 16 previously). In addition, the New York Legislature passed a budget that included a statewide subsidized Free Play program for each facility. The program allows racinos to offer its customers Free Play credits (not to exceed 10% of adjusted net win) as a marketing tool in order to enable New York State racinos to better compete with surrounding Native American facilities and casino resorts in other states. Net gaming revenues are calculated by taking gross gaming revenues and subtracting free play credits.



June 26, 2014

Competitive Landscape

We used a 120-minute drive time radius to define Tioga Downs' true competitive market. In addition, we have also included Seneca Allegany Casino (158 miles away) as part of the competitive set, given that both Tioga and Seneca Allegany casino both share gaming customers. Tioga Downs competes with three other racetrack casinos in Upstate New York (Finger Lakes Gaming & Raceway, Vernon Downs Casino & Hotel and Monticello Casino and Raceway) as well as four other Native American and commercial casinos in New York and Pennsylvania (Oneida Turning Stone Resort Casino, Mohegan Sun at Pocono Downs, Mount Airy Casino Resort and Seneca Allegany Casino). The combined properties generated estimated 2013 gross gaming revenues of \$1.18bn with approximately 14,900 gaming positions. Looking at fair share by revenue and position, Oneida Turning Stone Resort Casino has the largest share (19.2% by position and 23.6% by revenue), while Tioga Downs holds a fair share of just over 5% (Figure 2). In addition, all of the Tribal casinos in the area have a hotel product and some are currently expanding their existing hotel supply. As a result, our view is that there is a defensive argument to be made for Tioga to add a hotel product in an increasingly competitive market. Descriptions of casinos in Tioga Downs' competitive set and a map of the locations are below (Figure 3).

Figure 2: Tioga Downs Casino Competitive Landscape

Property	Location	Distance to Tioga (miles)	2013 Gross Gaming Revs (\$mm)	Slots / VLTs	Tables	Total Gaming positions	Fair Share by Position	Fair Share by Revenue
Tioga Downs Casino	Nichols, NY	-	\$66	802	-	802	5.4%	5.6%
Finger Lakes Gaming & Raceway	Farmington, NY	110	\$144	1,199	-	1,199	8.1%	12.2%
Vernon Downs Casino & Hotel	Vernon, NY	117	\$48	767	-	767	5.2%	4.1%
Oneida Turning Stone Resort Casino ⁽¹⁾	Verona, NY	117	\$279	2,162	117	2,864	19.2%	23.6%
Mohegan Sun at Pocono Downs - Pennsylvania	Wilkes-Barre, PA	107	\$263	2,356	84	2,860	19.2%	22.3%
Mount Airy Casino Resort	Mount Pocono, PA	119	\$183	2,296	73	2,734	18.4%	15.5%
Monticello Casino and Raceway	Monticello, NY	123	\$70	1,110	-	1,110	7.5%	5.9%
Seneca Allegany Casino ⁽¹⁾	Salamanca, NY	158	\$129	2,280	46	2,556	17.2%	10.9%
Total			\$1,182	12,972	320	14,892	100.0%	100.0%

⁽¹⁾ UGG Estimate for revenues

Source: New York Lottery, Company Data, Union Gaming Analytics

Finger Lakes Gaming & Raceway

Founded in 1962 as a horse-racing venue in Western New York, Finger Lakes, owned by Delaware North Companies implemented 1,000 VLTs in 2004 and currently operate 1,199 VLTs. There are approximately 577,000 people that live within a half hour drive of Finger Lakes Casino and 1.2mm within an hour drive. Average household income is \$68,621, while per capita income is \$28,131. Finger Lakes is located ~100 miles west of Oneida Turning Stone Casino, ~85 miles east of Seneca Buffalo Creek Casino and ~97 miles east of Seneca Niagara Casino. Finger Lakes also competes with Batavia Downs (~47 miles east), Vernon Downs (~103 miles west) and Tioga Downs (~110 miles) racinos.

Vernon Downs

Vernon Downs is also wholly owned and operated by American Racing & Entertainment LLC that contains 767 VLTs. Horse racing events are run from April to November and can be observed from the 3,500-seat grandstand. There are approximately 244,000 people that live within a half hour drive of Vernon Downs and



June 26, 2014

890,000 within an hour drive. Average household income is \$65,523, while per capita income is \$26,957. The property competes with the Oneida Turning Stone casino (~6 miles northwest), which offers tables games, lodging and other amenities. Vernon downs is approximately 117 miles away from Tioga Downs.

Oneida Turning Stone Resort Casino

The Oneida Nation operates the Turning Stone Resort Casino in Verona, New York. The casino offers approximately 2,200 Class III games, 117 tables, and 709 hotel rooms. The property most directly competes with Vernon Downs racinos (~6 miles north), but also Tioga Downs (~117 miles away). However, unlike Vernon and Tioga Downs, Turning Stone is able to offer a resort-style atmosphere with larger gaming, lodging, entertainment and retail options.

Mohegan Sun at Pocono Downs

The Mohegan Sun at Pocono Downs is owned and operated by Downs Racing, L.P., which is a subsidiary of the Mohegan Tribe of Indians of Connecticut. The property is located on a 400-acre site in Plains Township, Pennsylvania. In July 2008, the property underwent a major expansion, which increased gaming, restaurant and retail space. The casino currently operates 2,356 slot machines and 84 table games, including blackjack, roulette and craps, and an 18-table poker room. In November 2013, the property opened a 238 room hotel and convention center. The Mohegan Sun at Pocono Downs is located approximately 107 miles from Tioga Downs.

Mount Airy Casino Resort

The Mount Airy Casino Resort is a casino and hotel located in Mount Pocono, Pennsylvania on the site of the former Mount Airy Lodge. The old resort was turned into a new \$412mm casino resort which currently has 188 hotel rooms, 2,296 slots and 73 table games. Like the Turning Stone casino, Mount Airy Casino Resort offers a wide variety of casino games as well as a nightclub and 18-hole golf course. The resort is located approximately 119 miles from Tioga Downs Casino.

Monticello Casino and Raceway

Monticello Casino and Raceway, owned by Empire Resorts is located on a 232 acre site in Monticello, New York (Sullivan County), 90 miles northwest of New York City. The site includes a 45,000 square foot VLT facility and a harness horse racing facility. The casino facility operates 1,110 VLTs. The harness portion includes a 3,000 seat grandstand, pari-mutuel wagering facilities and some related facilities for horses, jockeys and trainers. Monticello is located in the Catskills region and serves as a tourist destination for New York City area residents. There are approximately 824,000 people that live within an hour drive of Monticello Casino and 18.9mm within a two hour drive. Average household income is \$89,476, while per capita income is \$33,662. Monticello competes for customers with other properties such as Yonkers Raceway in New York (~87 miles southeast of Monticello), Mount Airy Casino Resort (~65 miles southwest), Mohegan Sun at Pocono Downs, PA (~85 miles southwest) and Tioga Downs (~123 miles away).

The Seneca Nation of Indians

The Seneca Nation of Indians operate the Seneca Niagara (Niagara Falls, New York), Seneca Allegany (Salamanca, New York) and Seneca Buffalo Creek (downtown Buffalo, New York) casinos. In addition, the Senecas operate Class II facilities in Salamanca and Irving, New York. The Seneca's temporary facility in Buffalo was much contested by casino opponents as it was not located on sovereign land. However, in January 2009, the Seneca's received an amended gaming ordinance approval from the federal government to



June 26, 2014

continue operating their facility. Seneca Allegany Casino operates approximately 2,300 slot machines and 46 table games and is located approximately 158 miles away from Tioga Downs.

Seneca Gaming Compact

In August 2002, the Seneca Nation of Indians entered into a compact with New York State to operate Class III gaming facilities in Western New York. Under the terms of the compact, the Senecas were given an exclusive right to operate specific gaming devices, including slots within a 10,500 square mile area in Western New York. The exclusivity begins 30 miles East of Rochester on Route 14 and extends west throughout New York State. In exchange for the exclusivity, the Senecas were to pay the State of New York 22% of slot machine net win through 2009 and 25% through 2016. In June 2013 Governor Cuomo and the Seneca Tribe resolved their multi-year dispute. The Seneca Tribe agreed to resume approximately \$135mm in annual payments to the State and pay a total of \$408mm in past payments.

Figure 3: New York State Racetrack Casinos



Source: New York Gaming Association



June 26, 2014

U.S. Gaming Market Statistics

We estimate the current U.S. gaming market at \$66.4bn. Our estimates include a \$31.7bn commercial casino gaming market, \$27.9bn tribal, \$5.6bn racino, and \$1.2bn card room market. In 2012, total U.S. population was estimated at approximately 313mm and the adult population at 225mm. On average, nearly 34% of the total U.S. adult population participates in gambling annually, which would indicate an annual gambling budget of \$867 in 2012. In 2012, the U.S. per capita income was \$27,567, resulting in roughly 3.1% of per capita income spent on gambling (Figure 4).

Figure 4: U.S. Gaming Market Statistics in 2012

U.S. Gaming Statistics in 2012

Gaming Revenues:

Commercial Casinos	\$31,714,000,000
Tribal Casinos	\$27,900,000,000
Total Racinos	\$5,626,000,000
Card Rooms	\$1,150,000,000
Total U.S. Gaming Revenues	\$66,390,000,000

Total U.S. Population	312,800,000
U.S. Adult Population	225,216,000
U.S. Adult Gaming Population	76,573,440

% of U.S. Adult Population participating in gaming	34.0%
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Annual Gaming Budget/Pop.	\$867
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U.S. per capita income	\$27,567
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% of per capita income spent on gaming	3.1%
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Source: Union Gaming Analytics, International Gaming & Wagering Business, American Gaming Association



June 26, 2014

Tioga Downs Casino – Detailed Property Analysis

Market Demographics

Tioga Downs is located in Nichols, NY and serves as a gaming destination for the southern tier, southern central and southern Finger Lakes regions of New York as well as the northern central regions of Pennsylvania.

Our projections are based on estimated drive times. As seen in the included maps estimated drive times incorporates a somewhat smaller area than using 30/60/120 mile rings (Figure 6&7). However, each of the top nine metro markets feeding into Tioga falls into the same corresponding category of local or regional market using both the drive time and mileage breakdowns. Total theoretical GGR is calculated using the adult gaming population and per capita income within a 2 hour drive of Tioga Downs.

In 2013, the total population within a 2 hour drive time of Tioga Downs was estimated at 2.6 million and the adult population was 1.9 million. As illustrated in Figure 4, on average 34% of the total U.S. adult population participates in gambling annually. Applying this 34% adult gaming participation rate to the 2 hour drive time of Tioga Downs adult population results in approximately 639,000 adults who game, which would indicate a theoretical gross gaming revenue market of \$508 million in 2013 (Figure 5).

When calculating Union Gaming's proprietary capture rate of each segment, we look at many different variables to determine the appropriate value. The variables that we analyzed included, but are not limited to, the function of competitive dynamics, competitive set, distance to the closest casino, asset quality, and other forms of legalized gaming. The two hour drive time area has numerous competing gaming options. Also note some of each gaming budget could be spent out of state (PA/Las Vegas/Atlantic City/etc.). In this region within the 120 minute range are six casinos: Tioga Downs, Turning Stone, Vernon Downs, Mohegan Sun at Pocono Downs, Mt. Airy and Bethlehem Sands.

Applying Union Gaming's proprietary capture rates to the three segments (local market, near local and regional market) based on the number of adult gaming customers results in projected GGR for the local market of \$16 million, near local of \$70 million, and regional market of \$18 million. Total GGR for Tioga Downs for these three segments is projected at \$104 million (Figure 5).



June 26, 2014

Figure 5: Projected Theoretical Gross Gaming Revenue (GGR) Market for Tioga Downs Casino

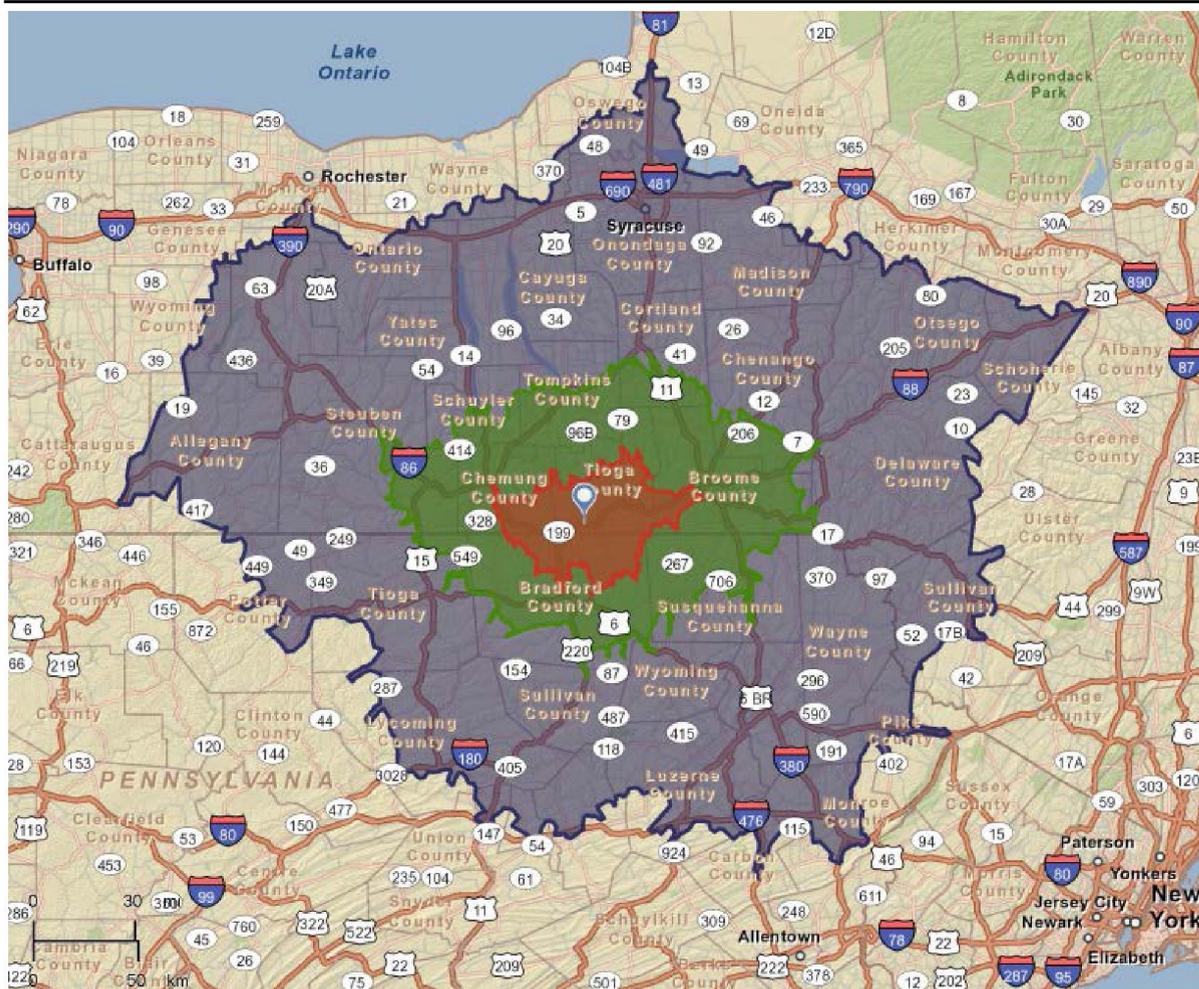
Local Market (0 to 30 minutes)		2013	Near Local Market (30 to 60 minutes)		2013	Regional Market (60 to 120 minutes)		2013
Population		102,192	Population		440,192	Population		2,066,908
Adult Population		73,578	Adult Population		316,938	Adult Population		1,488,174
Per Capita Income		\$ 25,734	Per Capita Income		\$ 25,396	Per Capita Income		\$ 25,716
% of Adult Gamers		34%	% of Adult Gamers		34%	% of Adult Gamers		34%
Number of Adult Gamers		25,017	Number of Adult Gamers		107,759	Number of Adult Gamers		505,979
% of Per Capita Income Allocated for Gaming		3.1%	% of Per Capita Income Allocated for Gaming		3.1%	% of Per Capita Income Allocated for Gaming		3.1%
Annual Gaming Budget		\$ 798	Annual Gaming Budget		\$ 787	Annual Gaming Budget		\$ 797
Local Gaming Market (mm)		\$ 20	Near Local Gaming Market (mm)		\$ 85	Regional Gaming Market (mm)		\$ 403
Theoretical 2013			Union Gaming Projections 2013					
Local Market (0 to 30 minutes)		\$ 20	Local Market (0 to 30 minutes)		\$ 16			
Near Local Market (30 to 60 minutes)		\$ 85	Near Local Market (30 to 60 min)		\$ 70			
Regional Market (60 to 120 minutes)		\$ 403	Regional Market (60 to 120 min)		\$ 18			
Total Theoretical GGR (mm)		\$ 508	Total Theoretical GGR (mm)		\$ 104			

Source: ESRI, Union Gaming Analytics



June 26, 2014

Figure 6: Tioga Downs Property Market Map - (30-minute drive time radius in red, 60-minute in green and 120-minute in blue)

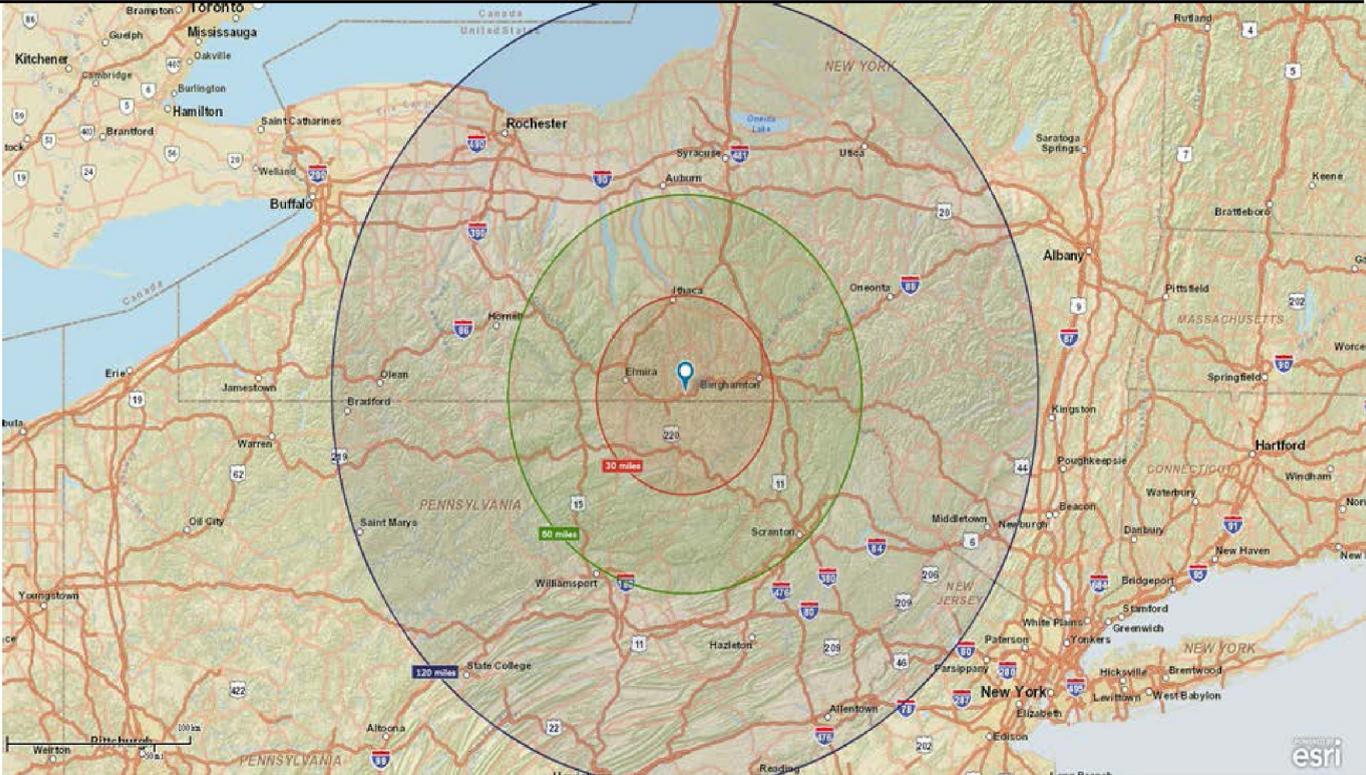


Source: ESRI, Union Gaming Analytics



June 26, 2014

Figure 7: Tioga Downs Property Market Map - (30 mile ring in red, 60 mile in green and 120 mile blue)



Source: ESRI, Union Gaming Analytics

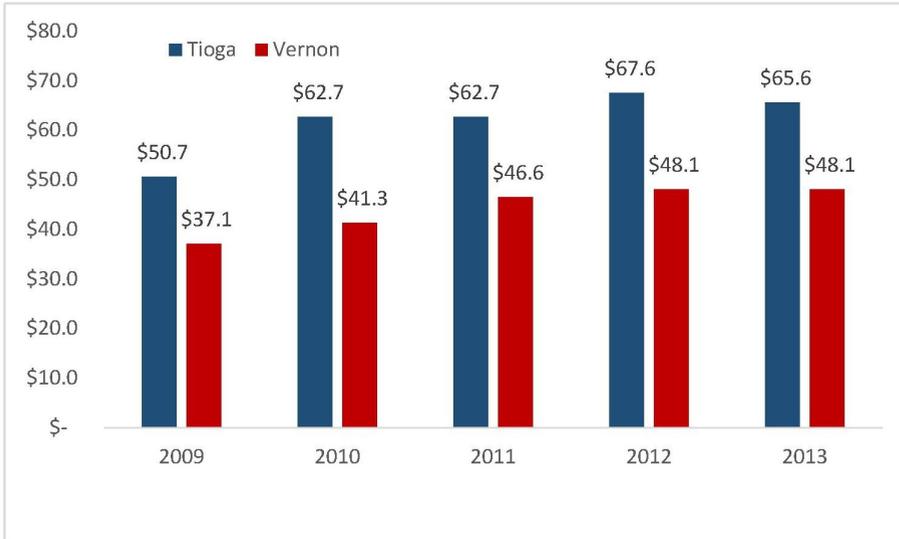


June 26, 2014

Historical Gaming Revenues

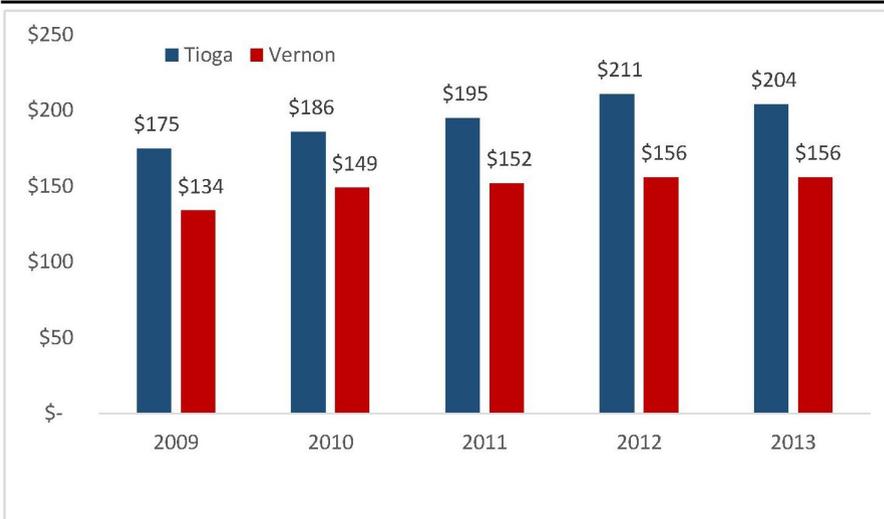
Along with Vernon Downs, Tioga Downs is wholly owned and operated by American Racing & Entertainment LLC and contains 802 VLTs. In 2013, Tioga Downs generated \$65.6mm in gross gaming revenues (down 3% versus \$67.6mm in 2012) (Figure 8). The VLT win/day has increased at both Tioga and Vernon Downs to \$204 and \$156, up 16.6% and 16.5% respectively since 2009 (Figure 9).

Figure 8: Historical Tioga and Vernon Downs Gross Gaming Revenues



Source: New York Lottery, Union Gaming Analytics

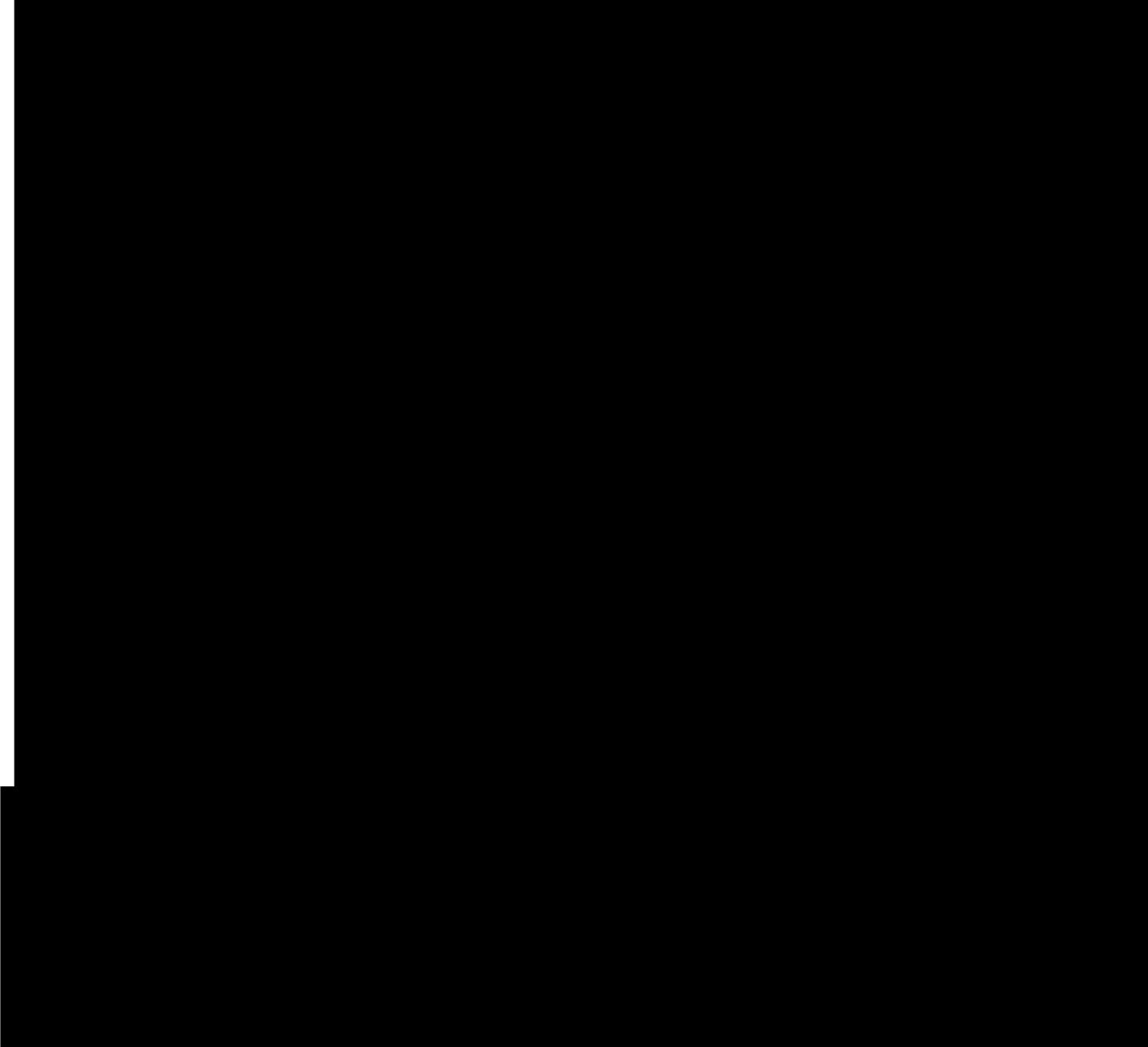
Figure 9: Historical Tioga and Vernon Downs VLT Win/Day



Source: New York Lottery, Union Gaming Analytics

June 26, 2014

Origination of Tioga Gaming Revenues and Win/Visitor



June 26, 2014

Carded vs. Non-Carded Play

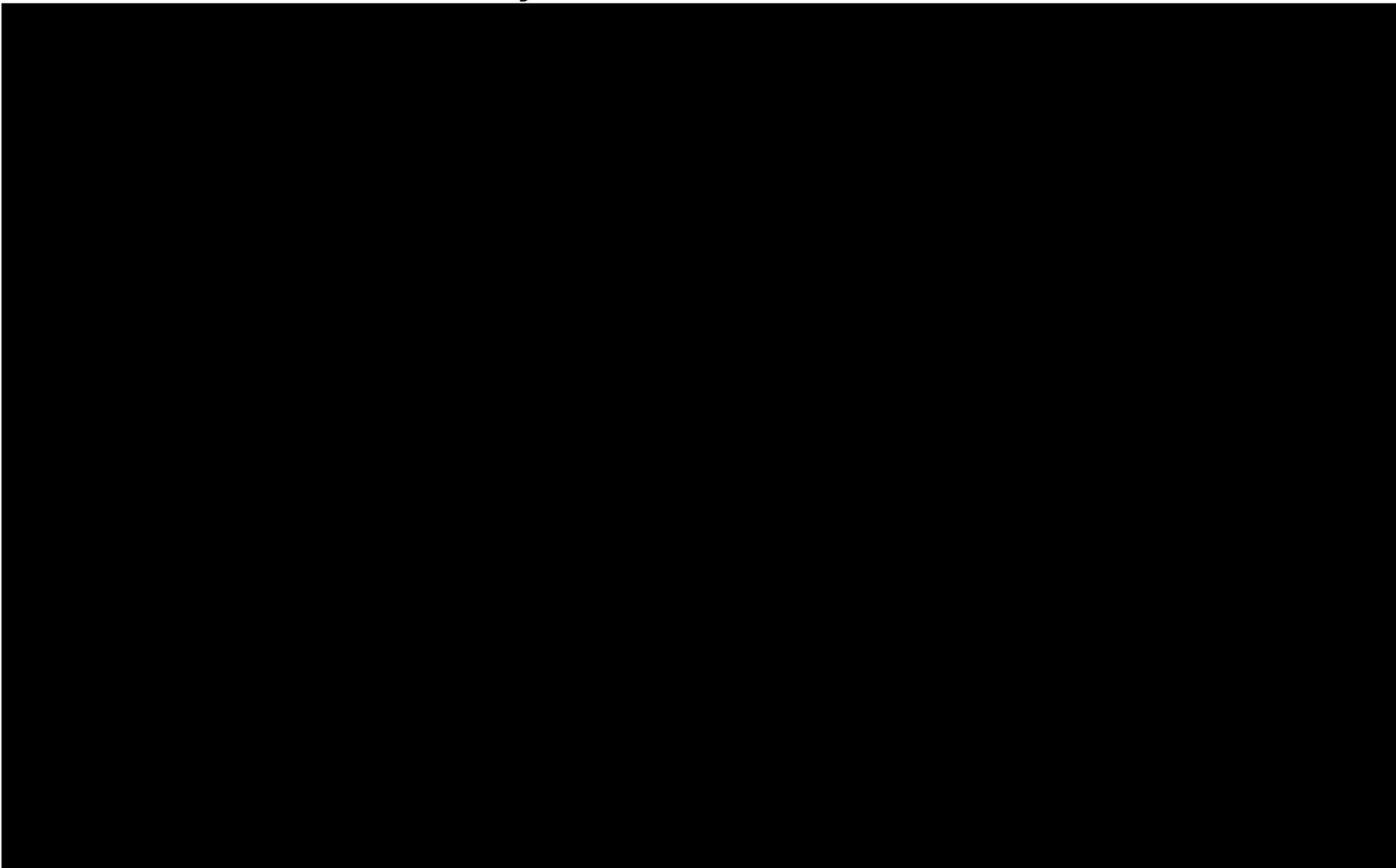


Figure 13: Total Revenue, Visitation and Average Revenue per Visit in 2013

Metropolitan Area	Distance	Total Casino Win
Sayre, PA	20	\$8,994,090
Elmira, NY	34	\$12,185,206
Binghamton, NY	41	\$32,240,720
Corning, NY	53	\$3,148,934
Ithaca, NY	60	\$2,252,640
Cortland, NY	70	\$723,250
Oneonta, NY	94	\$276,042
Scranton-Wilkes-Bar	105	\$797,312
Williamsport, PA	114	\$238,918
Other		\$4,742,822
Total		65,599,933

Source: Company Data, Union Gaming Analytics

June 26, 2014

Project Induced Incremental Gaming Visitation and Revenues

In order to capture the economic benefits of the proposed project and the corresponding increase in gaming revenues, we have forecasted a number of drivers that in our opinion capture the incremental dollars associated with a capital investment project of this magnitude. We first segregated gaming visitation and revenues by Metropolitan Area and then further categorized each segment into local (within 60 minutes driving time) and regional (over 60 minutes) segments to estimate induced demand. In formulating our estimates, we focused on the two primary aspects of the project: the construction of a 136 room, three-star hotel and the addition of a 308-space, 105,552 square foot parking garage.

Hotel Induced Gaming Visitation and Revenues

We have concluded that the addition of a hotel, while marginally relevant to local players, will drive visitation growth in the regional market. Accordingly, we assigned a lower rate of hotel induced visitation growth to local players and a higher rate of hotel-induced visitation growth to regional players. Although the 60 minute mark was used as a line of demarcation between local and regional players, we further adjusted hotel-induced gaming visitation based on the distance between the property and each metropolitan area. Since hotel accommodations are more relevant to outlying areas, significantly higher growth rates were assigned to metropolitan areas in excess of 60 minutes from the property. In addition we estimated additional visitation from the "Other" geographical grouping (Figure 13). We are forecasting that the addition of the hotel will result in the generation of an incremental 60,475 gaming visitors to the Tioga Downs Casino (Figure 14).

For hotel induced gaming revenues, we are forecasting a \$5.0mm increase in pro forma gross gaming revenues under our base case scenario (Figure 15). To confirm our forecasted benefit of a hotel on gaming revenues, we analyzed three markets where a hotel was added to an existing casino. In those markets, the incremental gaming revenue/room from a hotel averaged between \$161 and \$255 per night. However, in these markets, the gaming product offering was comparable, unlike in Upstate New York, where racetrack casinos have to compete against properties that offer Class III slots and table games. To adjust for an increasingly competitive market, we applied a 25% discount on incremental gaming revenue/room/night metrics. Thus, triangulating our results, our secondary method confirmed between \$4.2mm and \$6.6mm benefit on gaming revenues from a hotel (Figure 16– base case scenario).

June 26, 2014

Figure 14: Incremental Visitation Growth by Market from a Hotel

Metropolitan Area	Distance	
Sayre, PA	20	
Elmira, NY	34	
Binghamton, NY	41	
Corning, NY	53	
Ithaca, NY	60	
Cortland, NY	70	
Oneonta, NY	94	
Scranton-Wilkes-Barre, PA	105	
Williamsport, PA	114	
Other		
Total Visits		

Source: Company Data, Union Gaming Analytics

Figure 15: Incremental Gaming Revenues from a Hotel by Market

Metropolitan Area	Distance	
Sayre, PA	20	
Elmira, NY	34	
Binghamton, NY	41	
Corning, NY	53	
Ithaca, NY	60	
Cortland, NY	70	
Oneonta, NY	94	
Scranton-Wilkes-Barre, PA	105	
Williamsport, PA	114	
Other		
Total Win		

Source: Company Data, Union Gaming Analytics

Figure 16: Incremental Gaming Revenues from a Hotel (Secondary Analysis)

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June 26, 2014

Parking Garage Induced Gaming Visitation and Revenues

We determined that the addition of a parking garage to the property will be more meaningful to local players than it is to regional players. We are forecasting that the construction of a 105,552 square foot parking garage with 308 parking spaces will result in [REDACTED]

Figure 17: Incremental Visitation Growth by Market from a Parking Garage

Metropolitan Area	Distance	
Sayre, PA	20	
Elmira, NY	34	
Binghamton, NY	41	
Corning, NY	53	
Ithaca, NY	60	
Cortland, NY	70	
Oneonta, NY	94	
Scranton-Wilkes-Barre, PA	105	
Williamsport, PA	114	
Other		
Total Visits		

Source: Company Data, Union Gaming Analytics

Figure 18: Incremental Gaming Revenues from a Parking Garage by Market

Metropolitan Area	Distance	
Sayre, PA	20	
Elmira, NY	34	
Binghamton, NY	41	
Corning, NY	53	
Ithaca, NY	60	
Cortland, NY	70	
Oneonta, NY	94	
Scranton-Wilkes-Barre, PA	105	
Williamsport, PA	114	
Other		
Total Win		

Source: Company Data, Union Gaming Analytics

June 26, 2014

Weather Impact

In addition to travel distance to the property, seasonal weather patterns affect visitation to the property. The convenience of the parking garage will allow for greater capture of players who may otherwise be dissuaded from visiting the property during times of extreme inclement weather. We examined 30 years of historical weather data for the Southern Tier of New York and determined that the area experiences 153 days of precipitation on average each year, including 57 days of snow and 95 days of rain. Additionally, we determined that on average the area experiences a combination of 26 days of extreme cold (daily high temperature less than 32 degrees) and precipitation each year. We incorporated this historical weather data into our analysis and adjusted our visitation estimates according to the trends observed in the weather affecting the area. The addition of a parking garage will help to drive greater visitation to the property during these times, particularly as it relates to the players who reside within 60 minutes of the property.

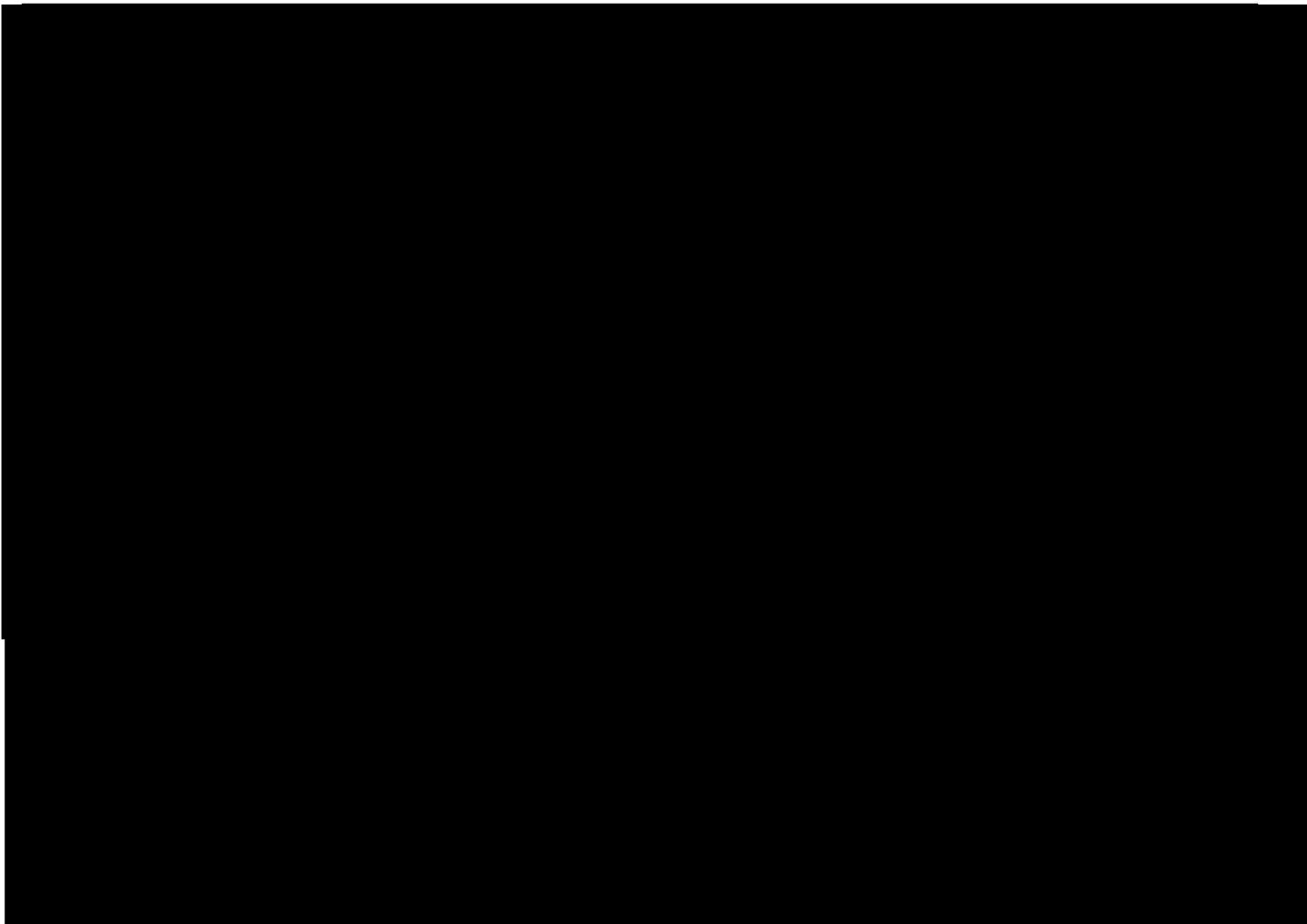
June 26, 2014

Hotel Scenario Summary

Our analysis concludes that should Tioga Downs Casino invest towards property improvements, including the construction of a three-star hotel with 136 hotel rooms, a 105,552 square foot parking garage with 308 parking spaces and additional non-gaming amenities, gross gaming revenues will



Figure 19: Financial Analysis Summary by Case (\$mm)





June 26, 2014

Figure 21: Tioga Downs Current and Pro Forma GGR Summary by Market (Base Case)

Item	Sayre, PA 20 Miles	Elmira, NY 34 Miles	Binghamton, NY 41 Miles	Corning, NY 53 Miles	Ithaca, NY 60 Miles	Cortland, NY 70 Miles	Oneonta, NY 94 Miles	Scranton-W.B. PA 105 Miles	Williamsport, PA 114 Miles	Other	Total
Population	62,978	88,875	249,038	99,434	101,408	49,191	62,436	562,955	116,104		\$509.0
Adult Population	45,344	63,990	179,307	71,592	73,014	35,418	44,954	405,328	83,595		\$50.0
% of Adult Gamers (34% Adult Population)	15,417	21,757	60,965	24,341	24,825	12,042	15,284	137,811	28,422		\$5.0
Per Capita Income in 2012 (Adjusted for Unemplo	\$22,194	\$24,709	\$26,340	\$22,632	\$30,955	\$22,898	\$23,864	\$24,495	\$23,302		\$1.2
% of Per Capita Income Allocated for Gaming (3.1	\$688	\$766	\$817	\$702	\$960	\$710	\$740	\$759	\$722		\$0.5
Theoretical GGR Market (Base Case)	\$0.5	\$16.7	\$0.8	\$17.4	\$22.8	\$4.5	\$14.3	\$10.6	\$20.5	\$215.0	\$509.0
Incremental GGR - Hotel	\$0.2	\$0.2	\$1.0	\$0.1	\$1.1	\$0.7	\$0.3	\$0.8	\$0.2	\$0.4	\$5.0
Incremental GGR - Parking Garage	\$0.2	\$0.3	\$0.6	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2
\$ difference	\$0.4	\$0.5	\$1.6	\$0.2	\$1.1	\$0.7	\$0.3	\$0.8	\$0.2	\$0.4	\$6.2
% change	4.4%	4.1%	5.0%	6.4%	48.8%	96.8%	108.7%	100.3%	83.7%	8.4%	9.5%
GGR Capture - % change	3.8%	3.0%	3.2%	1.2%	4.6%	8.2%	2.7%	0.8%	1.0%	0.2%	1.2%

Source: Company Data, Union Gaming Analytics

Figure 22: Tioga Downs Current and Pro Forma Visitation Summary by Market (Base Case)

Item	Sayre, PA 20 Miles	Elmira, NY 34 Miles	Binghamton, NY 41 Miles	Corning, NY 53 Miles	Ithaca, NY 60 Miles	Cortland, NY 70 Miles	Oneonta, NY 94 Miles	Scranton-W.B. PA 105 Miles	Williamsport, PA 114 Miles	Other	Total
Population	62,978	88,875	249,038	99,434	101,408	49,191	62,436	562,955	116,104		\$509.0
Adult Population	45,344	63,990	179,307	71,592	73,014	35,418	44,954	405,328	83,595		\$50.0
% of Adult Gamers (34% Adult Population)	15,417	21,757	60,965	24,341	24,825	12,042	15,284	137,811	28,422		\$5.0
Per Capita Income in 2012 (Adjusted for Unemplo	\$22,194	\$24,709	\$26,340	\$22,632	\$30,955	\$22,898	\$23,864	\$24,495	\$23,302		\$1.2
% of Per Capita Income Allocated for Gaming (3.1	\$688	\$766	\$817	\$702	\$960	\$710	\$740	\$759	\$722		\$0.5
Theoretical GGR Market (Base Case)	\$0.5	\$16.7	\$0.8	\$17.4	\$22.8	\$4.5	\$14.3	\$10.6	\$20.5	\$215.0	\$509.0
Incremental GGR - Hotel	\$0.2	\$0.2	\$1.0	\$0.1	\$1.1	\$0.7	\$0.3	\$0.8	\$0.2	\$0.4	\$5.0
Incremental GGR - Parking Garage	\$0.2	\$0.3	\$0.6	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2
\$ difference	\$0.4	\$0.5	\$1.6	\$0.2	\$1.1	\$0.7	\$0.3	\$0.8	\$0.2	\$0.4	\$6.2
% change	4.4%	4.1%	5.0%	6.4%	48.8%	96.8%	108.7%	100.3%	83.7%	8.4%	9.5%
GGR Capture - % change	3.8%	3.0%	3.2%	1.2%	4.6%	8.2%	2.7%	0.8%	1.0%	0.2%	1.2%

Source: Company Data, Union Gaming Analytics



June 26, 2014

Expansion with Live Table Games Analysis

In order to fully analyze the economic impact of incremental VLTs and the implementation of table games, we took into account several variables including 1) the impact of additional VLTs on existing slot win/day, 2) organic growth for VLTs, post – live table games and 3) incremental revenues from table games.

Results from Comparable Casino Markets

Due to its location in an area with a smaller metropolitan area population and no competing gaming facilities within its local market, Tioga Downs fits into a unique category of gaming facilities. With its dependence on local market customers, it is illustrative to compare gaming revenues and investment/project sizes of a comparable group of casinos with similar market characteristics. We reviewed gaming locations in other jurisdictions and have listed casinos with fairly similar demographic profiles in (Figure 23 & 24).

Figure 23: Existing gaming operations in markets similar to Tioga Downs

(\$ in millions)											
Property	Location	Type	Total Investment Amount	Slot Revenue	Table Revenue	FY 13			Hotel Rooms	Gaming Floor (sq. ft.)	Total Property (sq. ft.)
						Gaming Revenue ⁽¹⁾	Slots	Tables ⁽²⁾			
Tioga Downs	Nichols, NY	Racino	\$92.5 ⁽³⁾	\$85.5	\$18.2	\$103.7	1,000	50	137	32,544	278,646
Par-a-Dice	E. Peoria, IL	Casino	\$0.0	\$92.0	\$15.3	\$107.3	1,100	24	202	26,116	
Tropicana Evansville	Evansville, IN	Casino	\$121.0 ⁽⁴⁾	\$8.1	\$1.4	\$9.5	894	40	347	38,360	841,848
French Lick Resort Casino	French Lick, IN	Casino	\$0.0	\$5.4	\$1.0	\$6.4	993	37	686	49,719	
Riverside Casino	Riverside, IA	Casino	\$69.0 ⁽⁵⁾	\$80.0	\$8.6	\$88.7	1,137	46	201	56,400	310,000
Isle Waterloo	Waterloo, IA	Casino	\$101.7 ⁽⁵⁾	\$78.2	\$7.9	\$86.0	952	28	195	43,142	165,000
Diamond Jo (Worth)	Northwood, IA	Casino	\$51.5 ⁽⁵⁾	\$82.4	\$6.6	\$89.0	1,002	30	102	38,721	107,013
Kansas Star	Mulvane, KS	Casino	\$0.0	\$77.8	\$12.6	\$90.3	1,854	50	NA	71,854	
Evangeline Downs	Opelousas, LA	Racino	\$0.0	\$94.0	\$0.0	\$94.0	1,424	NA	NA	41,235	80,000
Isle of Capri Boonville	Boonville, MO	Casino	\$75.0	\$75.8	\$6.3	\$82.1	935	20	140	28,000	72,000 ⁽⁶⁾
Zia Park Casino	Hobbs, NM	Racino	\$0.0	\$75.8	\$0.0	\$90.2 ⁽⁷⁾	750	NA	NA	18,460	109,067
Wheeling Island Casino	Wheeling, WV	Racino	\$0.0	NA	NA	\$98.9	1,407	37	151	90,000	

Source: Gaming Control Boards and SEC filings

(1) Fiscal year based on the Gaming Control Board(s) 2013 fiscal year end.

(2) Includes house banked and poker tables.

(3) Investment consists of gaming floor expansion, 1,000 slot machines, 53 table games, and a 136 room hotel with additional non-gaming amenities.

(4) Original development cost. Data from Center for Urban Policy and the Environment.

(5) Original development cost excluding land. Data from Iowa Racing and Gaming Commission.

(6) Does not include the hotel square footage.

(7) Assumes FY10 revenues of \$84.9 growing at an annual growth rate of 2.0%.

Source: Union Gaming Analytics, State Gaming Agencies, SEC Filings



June 26, 2014

Figure 24: Demographic comparisons to Tioga Downs market

	Tioga Downs 2013	Par-a-Dice 2013	Tropicana Evansville 2013	French Lick Resort Casino 2013	Riverside Casino 2013	Isle Waterloo 2013
30-minute Drive						
Population	102,192	349,320	306,122	30,180	152,424	157,253
Per Capita Income	\$26,519	\$27,841	\$25,526	\$19,851	\$28,754	\$23,770
30 to 60-minute Drive						
Population	440,192	695,391	583,279	244,070	510,987	485,986
Per Capita Income	\$25,559	\$27,045	\$23,833	\$21,222	\$28,340	\$26,082
60 to 120-minute Drive						
Population	2,066,908	2,421,904	2,226,541	2,783,221	1,990,851	1,522,918
Per Capita Income	\$25,595	\$26,280	\$21,691	\$24,808	\$25,529	\$26,262
	Diamond Jo 2013	Kansas Star 2013	Evangeline Downs 2013	Isle Boonville 2013	Zia Park 2013	Wheeling Island 2013
30-minute Drive						
Population	68,509	503,176	228,958	63,750	60,492	164,000
Per Capita Income	\$25,185	\$24,777	\$19,756	\$24,081	\$19,124	\$22,149
30 to 60-minute Drive						
Population	266,016	698,874	667,203	372,205	90,966	578,842
Per Capita Income	\$24,579	\$24,484	\$22,580	\$22,874	\$19,675	\$25,876
60 to 120-minute Drive						
Population	3,863,524	1,264,074	2,290,499	2,766,057	848,538	4,796,193
Per Capita Income	\$31,155	\$24,129	\$23,252	\$27,275	\$23,625	\$25,484

Source: Union Gaming Analytics, ESRI



June 26, 2014

“Right Sizing” Tioga Downs VLT Market

In order to contemplate the change of the gaming floor at Tioga Downs where post-expansion the current 802 VLTs will be replaced by 1,000 slot machines, we wanted to analyze the potential impact the additional 198 machines would have on existing slot win/day. While it is hard to isolate the true impact of additional supply on slot win/day metrics due to various factors such as market demographics, existing supply and general economic conditions, we analyzed all of the regional markets where new supply was added and attempted to quantify the potential effect for Tioga Downs.

Due to the varying degrees of existing supply, competition, overall consumer demographics and tax rate, we looked to each market from a revenue/position/day in an attempt to identify the markets that could support more supply and those that could not. As demonstrated in the chart below, we believe the most desirable markets are the ones with revenue/position per day closer to \$300. In addition, markets with a high tourist base and high per capita income such as NY Metro, Philadelphia and Chicagoland tend to have more favorable demographics than some of the smaller regional markets. Looking at Tioga Downs (Nichols), revenue/position/day tends to be closer to the bottom of the range at \$240 and we tend to compare it to Delaware and Ohio markets. In our view, the analysis indicates that an addition in supply in the Tioga market could have a dilutive effect on existing slot win/day (Figure 25).

Figure 25: Demographics Overview from a Revenue/Position/Day Standpoint

City	Gaming Market	Population	Per Capita Income	2013 Gaming Revenues (mm) ⁽¹⁾	Market Slot / VLT Count	Table Count	Total Gaming Positions	Revenue / Position / Day
Lake Charles (Louisiana)	Lake Charles	6,689,391	\$23,457	\$665	4,370	117	5,072	\$359
NY Metro (New York)	NY Metro	15,747,879	\$29,904	\$1,345	10,331	0	10,331	\$357
New England (Massachusetts)	New England	10,577,938	\$29,904	\$4,961	30,338	1,345	38,408	\$354
Chicagoland (Illinois/Indiana)(2)	Chicagoland	8,796,003	\$27,949	\$2,184	14,482	496	17,458	\$343
Detroit (Michigan)	Detroit	4,944,320	\$25,265	\$1,629	11,829	324	13,773	\$324
Toledo (Ohio)	Toledo/Detroit	2,677,687	\$24,038	\$2,055	15,675	512	18,747	\$300
Philadelphia (Pennsylvania)	Philadelphia	6,747,973	\$27,392	\$1,173	8,369	395	10,739	\$299
Wilmington (Delaware)	Wilmington/Philly	5,478,061	\$29,347	\$1,792	16,464	514	19,548	\$251
Nichols (New York)	Upstate NY	2,609,292	\$25,716	971	9,499	266	11,094	\$240
Cleveland (Ohio)	Cleveland	3,141,164	\$26,122	\$325	3,281	119	3,995	\$223
Columbus (Ohio)	Columbus/Cincinnati	2,593,738	\$27,049	\$770	8,234	357	10,376	\$203
Cincinnati (Ohio)	Cincinnati/Southern Indiana	2,723,698	\$26,752	\$1,015	11,927	333	13,925	\$200
Broward/Miami-Dade (Florida)	Southern Florida	4,277,070	\$23,146	\$435	6,407	-	6,407	\$186

Notes:
⁽¹⁾ Gaming revenues are 2013 where available, otherwise estimated for the theoretical market
⁽²⁾ Chicagoland market includes casinos on both Illinois and Indiana sides

Source: Union Gaming Analytics, State Gaming Agencies, ESRI



June 26, 2014

The Addition of Supply and Historic Impact on Slot Win/Day in Various Markets

As noted above, slot win/day is influenced by many factors, including existing supply, consumer demographics, income and tax rate among others. In our analysis, we explored six different markets and corresponding impact that the additional supply had on existing slot win/day at various points in time (Figure 26). Our analysis concludes that on average, the addition of supply resulted in a 3.3% drop in slot win/day. However, using a weighted average (based on market supply increase percentage), the corresponding impact was much higher at 5.7%. Due to similarities in demographics, we tend to compare the Upstate New York market to Delaware and Southern Florida markets, more specifically two points in time (September 2010 and January 2012 – highlighted in yellow). In those instances, the slot win/day fell 9.7% and 5.7%, respectively, in the year following the addition of slot machines.

Figure 26: Historic Supply Addition and Impact on Slot Win/Day

Jurisdiction	Date	# of Slots Added	Market Supply Increase %	Slot Win/Day Previous Year	Slot Win/Day Year After	Y/Y Change %
Pennsylvania	May-09	7,720	46.7%	\$281	\$241	-14.5%
Charles Town, WV ⁽¹⁾	Jun-12	4,277	122.2%	\$290	\$258	-10.9%
Delaware ⁽²⁾	Sep-10	2,250	29.9%	\$198	\$179	-9.7%
Delaware ⁽²⁾	Jun-12	4,277	46.9%	\$180	\$165	-8.1%
Florida	Jan-12	1,018	18.9%	\$194	\$183	-5.7%
Pennsylvania	Sep-10	1,733	7.0%	\$243	\$242	-0.1%
Pennsylvania	Apr-12	140	0.5%	\$250	\$251	0.3%
Florida	Oct-09	1,535	40.9%	\$149	\$159	7.0%
Atlantic City ⁽³⁾	Feb-07	10,221	27.3%	\$278	\$265	-5.0%
Atlantic City ⁽³⁾	Jan-08	5,493	12.4%	\$264	\$246	-6.9%
Atlantic City ⁽³⁾	May-09	7,720	12.7%	\$238	\$236	-0.5%
New York	Oct-11	4,173	32.7%	\$251	\$287	14.5%
Average		4,213	33.2%			-3.3%
Weighted Average						-5.7%

Notes:

⁽¹⁾ For Charles Town, West Virginia, the resulting drop in slot win/day is a result of the opening of Maryland Live! in Hanover, Maryland

⁽²⁾ For Delaware, we are contemplating the impact on slot win/day due to addition of slot machines at neighboring Maryland

⁽³⁾ For Atlantic City, slot win/day was impacted by the addition of slot machines in Pennsylvania. In addition to Pennsylvania's slots, Atlantic City casinos reduced their own machines in order to mitigate the overall impact on slot win/day

Source: Union Gaming Analytics, State Gaming Agencies



June 26, 2014

Changing of Slot Product

We expect players interest in the slot products offered by Tioga Downs to increase if a full casino license is issued. If issued a license, Tioga Downs will remove its current floor of 802 VLTs and replace them with 1,000 new purchased slot machines. VLTs have a limitation in that the NY Lottery owns them and effectively limits the game content allowed on the machines. With new slot machines, Tioga Downs will be allowed to purchase the “latest and greatest” slot games found in casinos nationwide. We expect this to modestly grow win per day on each machine, although it is difficult to quantify as no NY Lottery racino has switched to a slot floor in the past.

Organic Slot Revenue Growth – Post Live Table Games Implementation

To analyze the impact of table game installation on organic slot growth, we looked at four proxy markets that have transitioned to table games from previously being slots-only. Three of these markets have begun table game operations within the last few years and are located in the Northeast U.S.: Delaware, Pennsylvania and West Virginia. The fourth market is Iowa, where the state’s three racetrack casinos received table game approval in the mid 2000’s. The implementation of table game operations at Iowa and Pennsylvania racetrack casinos had the biggest impact on slot machine revenues during the first year. In Iowa, the three racetrack casinos recorded growth in slot machines of 18.1% in the year following the installation of table games while the racetrack casinos in Pennsylvania reported 7.2% growth. Delaware and West Virginia (Charles Town only) both reported contractions in revenues after the introduction of table games although we estimate that competition from surrounding states played a major role in the decline of slot revenues. For Delaware, the incremental supply resulted from table game additions at all Pennsylvania casinos (July 2010), the opening of SugarHouse Casino in Philadelphia (1,602 slots and 40 table games) as well as various expansions at Delaware Park which contributed an additional 650 slot machines and 100 table games. For West Virginia, slot revenues were impacted by the opening of two casinos in Maryland (Hollywood Perryville and Ocean Downs that added roughly 2,300 slot machines. We estimate the weighted average growth in slot revenues for the four markets was 5% (Figure 27).

Figure 27: Impact of Table Games on Existing Slots/VLTs in Various Markets

State	Table Game Installation	Slot Revenues (\$mm)			1-Yr. Table Game Revs	Total Post-Tables Gaming Revs.	% Change
		Pre-Tables	Post-Tables	% Change			
Delaware	May-10	\$548	\$507	-8%	\$71	\$577	5%
Iowa Racetracks ⁽¹⁾	2004 - 2006	\$342	\$404	18%	\$45	\$449	31%
Pennsylvania	July-10	\$2,197	\$2,354	7%	\$547	\$2,901	32%
West Virginia ⁽²⁾	June-10	\$400	\$397	-1%	\$130	\$527	32%
Weighted Avg.				5%			28%

Notes:

⁽¹⁾ For IA, Prairie Meadows received a table game license in Dec. 2004, while Dubuque Greyhound and Horseshoe Council Bluffs was in Mar. 2006. Casinos already had table games.

⁽²⁾ Impact at Charles Town when table games were introduced in June 2010.

Source: Union Gaming Analytics, New York Lottery

Slot Win Per Day Impact from Additional Machines

As noted above, adding machines to a gaming floor can result in a dilution of the win/unit per day. However, if issued a casino license Tioga Downs will purchase 1,000 of the “latest and greatest” slots which should drive higher play levels compared to the existing VLT product provided by the NY Lottery. Tioga Downs will also add table games to its gaming offering which has generated an approximately 5% increase in slot win per day



June 26, 2014

(Figure 27). We also note our previous studies have shown adding a hotel and non-gaming amenities to a property have generally boosted the average gaming spend of customers as these upgrades tend to draw better customers and lengthen their stay on property. **As a result we expect slot win per day to stay level despite the incremental addition of 198 slot machines.**

Table Game Revenues as a Percentage of Total Revenue in Regional Jurisdictions

For our analysis on implementation of live table games at Tioga Downs, we examined the table game mix (as a percentage of total gaming revenues) in regional jurisdictions. Furthermore, we analyzed table game data in eight jurisdictions and calculated that the average table game mix was 15.2%. The table game mix ranged from 9.4% in Iowa to 22.7% in Pennsylvania (Figure 28). Based on the current customer demographics, we believe the appropriate mix is closer to the middle of the band and we used 17.6% for our model. **Using a table mix of 17.6%, we are forecasting a contribution of \$18.4mm in table game revenues during its first full year of operations in 2016.** Our forecasted table game revenue implies a table win/day of \$943 with 50 tables at the property (discounted back to 2013 dollars), excluding the impact of hotel and garage induced visitation, which is in range with other table win/day metrics of surrounding casinos in Delaware and Pennsylvania. The table win for the properties in the two states ranges from \$720 at Harrington Raceway and Casino to \$4,010 at SugarHouse Casino (Figure 29). We believe that the table win/day at Tioga will be closer to Dover Downs and Delaware Park.

Figure 28: Table Game Revenues as a Percentage of Total Revenue in Regional Jurisdictions

(\$mm)	2013 Table Game Revs	2013 Total Casino Revs.	% of Total Casino Revs.
Delaware	\$58	\$432	13.4%
Illinois	\$206	\$1,595	12.9%
Indiana	\$328	\$2,563	12.8%
Iowa	\$135	\$1,443	9.4%
Las Vegas Locals	\$296	\$2,130	13.9%
Missouri	\$204	\$1,744	11.7%
Pennsylvania	\$713	\$3,142	22.7%
West Virginia	\$201	\$1,032	19.5%
Total Revenues	\$2,141	\$14,081	15.2%

Source: Union Gaming Analytics, State Gaming Agencies



June 26, 2014

Figure 29: Table Game Win/Day in Delaware and Pennsylvania

Operator	2013 Table	
	Win/Day	Table Count
SugarHouse Casino	\$4,010	58
Sands Bethworks	\$2,669	181
Philadelphia Park	\$1,983	302
Valley Forge	\$1,811	165
West Virginia (Statewide)	\$1,797	262
Chester Downs	\$1,725	50
The Rivers	\$1,628	123
Mt Airy	\$1,523	114
Hollywood at Penn National	\$1,446	73
Mohegan Sun	\$1,427	69
The Meadows	\$1,207	84
Dover Downs Hotel & Casino	\$973	78
Delaware Park	\$809	59
Presque Isle Downs	\$784	46
Harrington Raceway & Casino	\$720	42
Average	\$1,634	114
Tioga Downs 2016E	\$1,000	50
Tioga Downs Discounted to 2013	\$943	50

Source: Union Gaming Analytics, State Gaming Agencies

Figure 30: Slot and Table Tax Rates in Various Jurisdictions

Jurisdiction	Tax on Slot Revenues	Tax on Table Games	License Fee
Connecticut	25.0%	0.0%	-
Kansas	27.0%	27.0%	\$25.0
Maryland ⁽¹⁾	67.0%	20.0%	\$28.5
Massachusetts	25.0%	25.0%	\$85.0
Ohio	33.0%	33.0%	\$50.0
Pennsylvania ⁽²⁾	55.0%	14.0%	\$66.0
Average	38.7%	19.8%	\$42.4

Notes:

⁽¹⁾ Maryland's voters have recently approved Question 7, which will allow racinos to add table games

⁽²⁾ \$50mm license fee for VLTs and \$16mm fee for table games

Source: Union Gaming Analytics, State Gaming Agencies



June 26, 2014

Presque Isle Downs and Casino as a proxy for Tioga Downs

Presque Isle Downs and Casino, located in Erie, PA, has among the most comparable demographics for a local market and also shares a similar geographical isolation from the competition as Tioga Downs (Figure 31). Presque Isle is 76 miles from its nearest competing gaming location at Seneca Allegany and 100 miles from Horseshoe Cleveland. For reference, Horseshoe Cleveland opened in May 2012 which was near the end of FY12 for Presque Isle. The impact on revenues in FY13 are evident in the results. Horseshoe Cleveland won \$2,219 per table over 119 total tables in calendar 2013 demonstrating how deep the table market is in what previously was the key feeder market for Presque Isle.

We believe once a full resort offering is completed at Tioga Downs the financial results at Presque Isle should serve as an additional comparable of what win/ table amounts potentially could be (Figure 32). In our full casino operation model for 2016 we used \$1,226 per day per banked table and \$283 per day per poker table, including the impact of hotel and garage induced visitation. Our poker revenue per day is lower due to the higher number of poker tables planned for Tioga Downs at 12, compared to 9 poker tables operating at Presque Isle. We note Presque Isle does not have a hotel which we believe was a key factor leading to their significant drop in table revenues. We believe if they had built their table games business and supported it with a hotel, as Tioga Downs would undertake should it receive a casino license, Presque Isle’s current table revenues per day would be close to the level we project for Tioga Downs in 2016.

Figure 31: Tioga Downs and Presque Isle Demographics

	Tioga Downs 2013	Presque Isle 2013
30-minute Drive		
Population	102,192	276,269
Median Household Income	\$ 47,877	\$ 43,526
30 to 60-minute Drive		
Population	440,192	584,631
Median Household Income	\$ 44,675	\$ 40,446
60 to 120-minute Drive		
Population	2,066,908	4,709,823
Median Household Income	\$ 46,117	\$ 45,035

Source: Union Gaming Analytics, ESRI

Figure 32: Presque Isle FY 2012/2013 Results

	Unit count	FY12 Rev (\$mm)	Win Per Day	FY 13 Rev (\$mm)	Win Per Day
Banked Tables	37	\$ 20.0	\$ 1,485	\$ 13.6	\$ 1,009
Poker Tables	9	\$ 1.5	\$ 449	\$ 1.3	\$ 404

Source: PA Gaming Control Board



June 26, 2014

Impact of Poker Games

While a standard offering at most destination or integrated resort casinos, poker rooms are typically not a meaningful contributor to casino profits. Rather, they are positioned as an additional amenity that may drive some incremental slot or table gaming revenues (i.e. by the spouse and/or partner of the poker player) and non-gaming revenues (hotel, F&B, etc.). While poker table win per day varies in many jurisdictions, we are estimating a win/table/day of \$283 in 2016, contributing to roughly \$1.2mm in poker revenues each year. We also note except for very limited periods of high demand poker rooms do not operate at full capacity, so changing the number of tables to meet demand would likely yield a fairly similar level of poker revenue. Furthermore given high labor cost, poker expenses could reach in excess of 100% of revenues. For our analysis, we used a cost of 95%, thus resulting in a very minimal contribution to departmental profit.



June 26, 2014

Figure 33: Incremental Revenue Distribution by Region

Item	Sayre, PA 20 Miles	Elmira, NY 34 Miles	Binghamton, NY 41 Miles	Corning, NY 53 Miles	Ithaca, NY 60 Miles	Corland, NY 70 Miles	Oneonta, NY 94 Miles	Scranton-W-B, PA 105 Miles	Williamsport, PA 114 Miles	Other	Total
Population	62,978	88,875	249,038	99,434	101,408	49,191	62,436	562,955	116,104		
Adult Population	45,344	63,990	179,307	71,592	73,014	35,418	44,954	405,328	83,595		
% of Adult Gamers (84% Adult Population)	15,417	21,757	60,965	24,341	24,825	12,042	15,284	137,811	28,422		
Per Capita Income in 2012 (Adjusted for Unemployment)	\$22,194	\$24,709	\$26,340	\$22,632	\$30,955	\$22,898	\$23,864	\$24,495	\$23,302		
% of Per Capita Income Allocated for Gaming (3.1%)	\$688	\$766	\$817	\$702	\$960	\$710	\$740	\$759	\$722		



Source: Union Gaming Analytics, ESRI



June 26, 2014

Tioga Downs Proforma Assumptions

Average Case Gaming Assumptions

Assumes expanded casino floor opens July 1, 2015. Projections include a ramp-up in revenue levels over the second half of 2015 accounting for the transition to new slot machines from Video Lottery Terminals familiar to the customer base, training of new pit and dealer personnel, and potential construction disruption to the facility.

Remove 802 VLTs and replace with 1,000 slot machines. Assume win per day stays level with 2014 projection of \$234 per day per machine due to more attractive slot offering compared to current Video Lottery Terminals and expected incremental gaming win per customer as seen at other properties with a hotel and non-gaming amenities. These gains are expected to offset potential dilution with the addition of machines. Win per day up 1% in 2017 and increases 1.5% in 2018-2025.

Assume spend per visit is flat at \$75.87 from 2013 through 2015 (Figure 10), increases to \$77.46 in 2016 due to hotel and table games. Assume 1% increase per year 2017-2025.

Assume 38 banked table games and 12 poker tables. Assume banked table games win \$1,235 per banked table per day and \$283 per poker table per day in 2016 after the ramp-up period in 2015 is completed. Win per day increase of 1% in 2017 from 2016 projection and 1.5% increase in 2018-2025.

Free Play expected to continue at current levels of 9% of gross gaming revenue, except for poker revenues. Assume no free play issued for poker.

Racing revenue expected to be decline 1.2% each year in line with recent year results. Expect margin of 2% on racing revenue throughout the 10 year period.

Non-Gaming Amenities

Adding a 136-room hotel opening on January 1, 2016. Based on projections of hotel consultant HVS, average daily rate (ADR) in 2016 of \$137 and 75% occupancy rate. Use a 2% growth projection for ADR beginning in 2017. Project 1% growth in occupancy rate beginning in 2018.

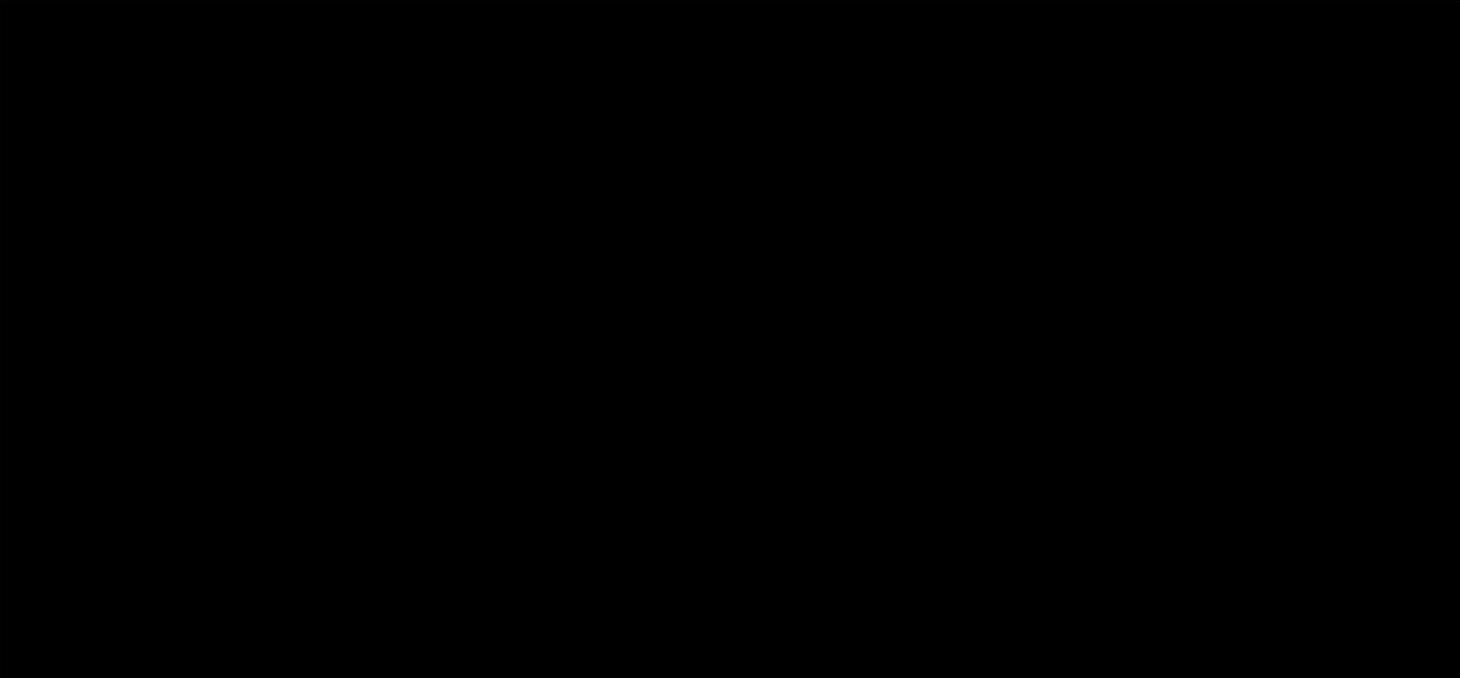
Addition of dining outlets in conjunction with hotel with some outlets opening beginning July 1, 2015. Project revenues in 2015 at 35% of full year expected revenue level in 2016 of \$70 per occupied room per day. Project revenues to increase 2.7% per year per HVS study.

Financial Assumptions

The first year of 2015 reflects a half year of the existing Video Lottery Terminal only operation and a half year of the ramping up of an expanded casino operation. The year 2016 reflects the expanded property at its full operation as the hotel and non-gaming amenities will be online at the start of 2016. [REDACTED]



June 26, 2014





June 26, 2014

Figure 34: Average Case Model

(\$000s)	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue											
Gross Gaming	\$78,779	\$103,701	\$104,738	\$106,201	\$107,664	\$109,190	\$110,716	\$112,264	\$113,835	\$115,428	\$117,043
Racing	1,131	1,118	1,104	1,091	1,077	1,064	1,052	1,039	1,026	1,014	1,002
Food & Beverage	7,003	8,818	9,013	9,239	9,498	9,737	9,982	10,234	10,492	10,725	10,996
Hotel	0	5,866	5,983	6,162	6,408	6,598	6,794	6,994	7,200	7,344	7,560
Retail	149	186	188	190	192	194	196	198	200	202	204
Other	2,069	2,587	2,612	2,639	2,665	2,692	2,719	2,746	2,773	2,801	2,829
Gross revenue	\$89,131	\$122,275	\$123,638	\$125,521	\$127,525	\$129,475	\$131,458	\$133,475	\$135,526	\$137,514	\$139,634
Less: Subsidized free play	7,090	9,222	9,314	9,444	9,577	9,711	9,847	9,986	10,126	10,268	10,412
Net revenue	\$82,041	\$113,053	\$114,324	\$116,077	\$117,948	\$119,764	\$121,611	\$123,489	\$125,400	\$127,246	\$129,222
Expenses											
Gaming	38,752	35,743	36,047	36,495	36,949	37,409	37,877	38,351	38,832	39,321	39,816
Racing	1,109	1,095	1,082	1,069	1,056	1,043	1,031	1,018	1,006	994	982
Food & Beverage	2,945	3,708	3,790	3,885	3,994	4,095	4,198	4,304	4,412	4,510	4,624
Hotel	0	3,524	3,595	3,713	3,883	4,009	4,138	4,272	4,409	4,497	4,640
Retail	85	106	107	108	109	110	111	113	114	115	116
Other	-	-	-	-	-	-	-	-	-	-	-
Payroll	17,298	24,082	24,564	25,055	25,556	26,067	26,588	27,120	27,663	28,216	28,780
Marketing	3,500	7,948	8,036	8,159	8,289	8,416	8,545	8,676	8,809	8,938	9,076
Other	5,972	8,559	8,655	8,786	8,927	9,063	9,202	9,343	9,487	9,626	9,774
Total expenses	\$69,660	\$84,766	\$85,876	\$87,270	\$88,763	\$90,213	\$91,691	\$93,197	\$94,732	\$96,217	\$97,810
EBITDA	\$12,381	\$28,288	\$28,448	\$28,806	\$29,185	\$29,551	\$29,920	\$30,293	\$30,669	\$31,029	\$31,412
% margin	15.1%	25.0%	24.9%	24.8%	24.7%	24.7%	24.6%	24.5%	24.5%	24.4%	24.3%
Less: Depreciation & amortization	2,261	12,991	13,105	13,231	13,357	13,481	13,506	9,413	9,374	9,236	9,190
EBIT	\$10,120	\$15,296	\$15,344	\$15,576	\$15,829	\$16,070	\$16,414	\$20,880	\$21,295	\$21,793	\$22,222
Gaming Visits	1,038,336	1,338,762	1,338,762	1,344,023	1,349,309	1,354,622	1,359,960	1,365,325	1,370,717	1,376,136	1,381,581
Per Visit Spend	\$ 75.87	\$ 77.46	\$ 78.23	\$ 79.02	\$ 79.81	\$ 80.61	\$ 81.41	\$ 82.23	\$ 83.05	\$ 83.88	\$ 84.72



June 26, 2014



June 26, 2014

**High Case
Gaming Assumptions**

Gaming revenues up 9.4% in 2016 compared to average case. Win per slot and per table up 10% from projected 2015 levels. Growth in win per day of 1% in 2017 and 1.5% in 2018-2025.

Free play remains at 9% of gaming revenue except for poker.

Non-Gaming Amenities

No changes assumed.

Financial Assumptions

No changes assumed.



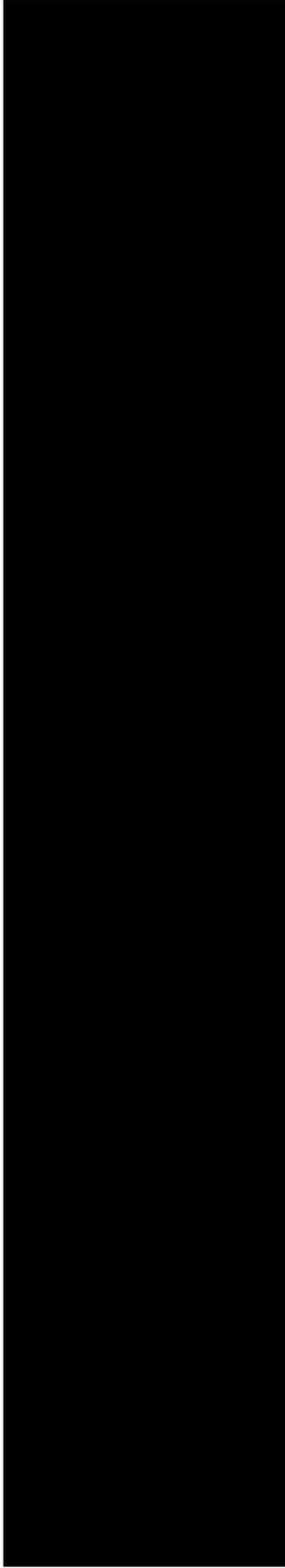
June 26, 2014

Figure 36: High Case Model

(\$000s)	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue											
Gross Gaming	\$78,779	\$113,442	\$114,576	\$116,179	\$117,805	\$119,454	\$121,127	\$122,823	\$124,544	\$126,290	\$128,060
Racing	1,131	1,118	1,104	1,091	1,077	1,064	1,052	1,039	1,026	1,014	1,002
Food & Beverage	7,003	8,818	9,013	9,239	9,498	9,737	9,982	10,234	10,492	10,725	10,996
Hotel	0	5,866	5,983	6,162	6,408	6,598	6,794	6,994	7,200	7,344	7,560
Retail	149	186	188	190	192	194	196	198	200	202	204
Other	2,069	2,587	2,612	2,639	2,665	2,692	2,719	2,746	2,773	2,801	2,829
Gross revenue	\$89,131	\$132,016	\$133,477	\$135,500	\$137,646	\$139,740	\$141,869	\$144,034	\$146,236	\$148,376	\$150,651
Less: Subsidized free play	7,090	10,087	10,188	10,331	10,476	10,623	10,773	10,924	11,078	11,233	11,391
Net revenue	\$82,041	\$121,929	\$123,289	\$125,169	\$127,170	\$129,116	\$131,096	\$133,110	\$135,158	\$137,142	\$139,259
Expenses											
Gaming	38,752	38,653	38,986	39,477	39,975	40,481	40,993	41,514	42,042	42,577	43,121
Racing	1,109	1,095	1,082	1,069	1,056	1,043	1,031	1,018	1,006	994	982
Food & Beverage	2,945	3,708	3,790	3,885	3,994	4,095	4,198	4,304	4,412	4,510	4,624
Hotel	0	3,524	3,595	3,713	3,883	4,009	4,138	4,272	4,409	4,497	4,640
Retail	85	106	107	108	109	110	111	113	114	115	116
Other	-	-	-	-	-	-	-	-	-	-	-
Payroll	17,298	24,082	24,564	25,055	25,556	26,067	26,588	27,120	27,663	28,216	28,780
Marketing	3,500	8,581	8,676	8,808	8,947	9,083	9,221	9,362	9,505	9,644	9,792
Other	5,972	9,241	9,343	9,485	9,635	9,782	9,931	10,082	10,236	10,386	10,546
Total expenses	\$69,660	\$88,991	\$90,143	\$91,600	\$93,156	\$94,670	\$96,212	\$97,784	\$99,386	\$100,940	\$102,601
EBITDA	\$12,381	\$32,939	\$33,146	\$33,569	\$34,014	\$34,447	\$34,884	\$35,325	\$35,772	\$36,203	\$36,658
% margin	15.1%	27.0%	26.9%	26.8%	26.7%	26.7%	26.6%	26.5%	26.5%	26.4%	26.3%
Less: Depreciation & amortization	2,261	13,242	13,364	13,499	13,635	13,768	13,803	9,719	9,677	9,528	9,479
EBIT	\$10,120	\$19,697	\$19,782	\$20,070	\$20,379	\$20,678	\$21,081	\$25,606	\$26,094	\$26,675	\$27,179
Gaming Visits	1,038,336	1,464,523	1,464,523	1,470,309	1,476,124	1,481,968	1,487,841	1,493,742	1,499,673	1,505,633	1,511,623
Per Visit Spend	\$ 75.87	\$ 77.46	\$ 78.23	\$ 79.02	\$ 79.81	\$ 80.61	\$ 81.41	\$ 82.23	\$ 83.05	\$ 83.88	\$ 84.72



June 26, 2014



June 26, 2014

Figure 37: Five Year Revenues by Location - High Case

(\$000s)	2016E	2017E	2018E	2019E	2020E
Gross Gaming Revenues					
<i>New York Residents</i>	\$89,562	\$90,458	\$91,724	\$93,007	\$94,309
<i>Out of State Residents</i>	\$23,880	\$24,118	\$24,456	\$24,798	\$25,145
Gross Gaming Revenues	\$113,442	\$114,576	\$116,179	\$117,805	\$119,454
Non-Gaming Revenue					
<i>New York Residents</i>	\$14,655	\$14,913	\$15,244	\$15,654	\$16,005
<i>Out of State Residents</i>	\$3,919	\$3,988	\$4,077	\$4,186	\$4,280
Non-Gaming Revenue	18,575	18,901	19,321	19,841	20,285
Gross revenue					
<i>New York Residents</i>	104,218	105,371	106,968	108,662	110,314
<i>Out of State Residents</i>	27,799	28,106	28,532	28,984	29,425
Gross revenue	\$132,016	\$133,477	\$135,500	\$137,646	\$139,740

June 26, 2014

Low Case

Gaming Assumptions

Gaming revenues down 9.4% in 2016 compared to average case. Win per slot and per table down 10% from projected 2015 levels. Growth in win per day of 1% in 2017 and 1.5% in 2018-2025.

Free play remains at 9% of gaming revenue except for poker. Margins stay consistent with average case through strategic cost cuts taken to keep margins stable.

Non-Gaming Amenities

No changes assumed.

Financial Assumptions

No changes assumed.



June 26, 2014

Figure 38: Low Case Model

(\$000s)	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue											
Gross Gaming	\$78,779	\$93,959	\$94,899	\$96,222	\$97,564	\$98,925	\$100,305	\$101,705	\$103,125	\$104,566	\$106,026
Racing	1,131	1,118	1,104	1,091	1,077	1,064	1,052	1,039	1,026	1,014	1,002
Food & Beverage	7,003	8,818	9,013	9,239	9,498	9,737	9,982	10,234	10,492	10,725	10,996
Hotel	0	5,866	5,983	6,162	6,408	6,598	6,794	6,994	7,200	7,344	7,560
Retail	149	186	188	190	192	194	196	198	200	202	204
Other	2,069	2,587	2,612	2,639	2,665	2,692	2,719	2,746	2,773	2,801	2,829
Gross revenue	\$89,131	\$112,534	\$113,799	\$115,543	\$117,404	\$119,210	\$121,047	\$122,916	\$124,817	\$126,652	\$128,617
Less: Subsidized free play	7,090	8,356	8,440	8,558	8,677	8,799	8,922	9,047	9,174	9,302	9,433
Net revenue	\$82,041	\$104,178	\$105,360	\$106,985	\$108,727	\$110,411	\$112,125	\$113,869	\$115,643	\$117,349	\$119,184
Expenses											
Gaming	38,752	32,833	33,108	33,512	33,922	34,338	34,760	35,189	35,623	36,064	36,512
Racing	1,109	1,095	1,082	1,069	1,056	1,043	1,031	1,018	1,006	994	982
Food & Beverage	2,945	3,708	3,790	3,885	3,994	4,095	4,198	4,304	4,412	4,510	4,624
Hotel	0	3,524	3,595	3,713	3,883	4,009	4,138	4,272	4,409	4,497	4,640
Retail	85	106	107	108	109	110	111	113	114	115	116
Other	-	-	-	-	-	-	-	-	-	-	-
Payroll	17,298	22,296	22,742	23,197	23,661	24,134	24,616	25,109	25,611	26,123	26,646
Marketing	3,500	7,202	7,283	7,395	7,514	7,629	7,747	7,867	7,988	8,106	8,231
Other	5,972	7,540	7,625	7,741	7,866	7,987	8,110	8,235	8,363	8,486	8,617
Total expenses	\$69,660	\$78,304	\$79,332	\$80,621	\$82,005	\$83,346	\$84,712	\$86,106	\$87,526	\$88,995	\$90,369
EBITDA	\$12,381	\$25,873	\$26,028	\$26,364	\$26,722	\$27,065	\$27,413	\$27,763	\$28,117	\$28,455	\$28,816
% margin	15.1%	24.8%	24.7%	24.6%	24.6%	24.5%	24.4%	24.4%	24.3%	24.2%	24.2%
Less: Depreciation & amortization	2,261	12,741	12,845	12,962	13,078	13,193	13,209	13,226	13,243	13,260	13,277
EBIT	\$10,120	\$13,132	\$13,183	\$13,403	\$13,644	\$13,873	\$14,204	\$18,657	\$19,046	\$19,512	\$19,914
Gaming Visits	1,038,336	1,213,002	1,213,002	1,217,736	1,222,494	1,227,275	1,232,080	1,236,909	1,241,761	1,246,638	1,251,539
Per Visit Spend	\$ 75.87	\$ 77.46	\$ 78.23	\$ 79.02	\$ 79.81	\$ 80.61	\$ 81.41	\$ 82.23	\$ 83.05	\$ 83.88	\$ 84.72



June 26, 2014





June 26, 2014

Figure 39: Five Year Revenues by Location - Low Case

(\$000s)	2016E	2017E	2018E	2019E	2020E
Gross Gaming Revenues					
<i>New York Residents</i>	\$74,181	\$74,923	\$75,967	\$77,027	\$78,101
<i>Out of State Residents</i>	\$19,778	\$19,976	\$20,255	\$20,537	\$20,824
Gross Gaming Revenues	\$93,959	\$94,899	\$96,222	\$97,564	\$98,925
Non-Gaming Revenue					
<i>New York Residents</i>	\$14,655	\$14,913	\$15,244	\$15,654	\$16,005
<i>Out of State Residents</i>	\$3,919	\$3,988	\$4,077	\$4,186	\$4,280
Non-Gaming Revenue	18,575	18,901	19,321	19,841	20,285
Gross revenue					
<i>New York Residents</i>	88,836	89,835	91,211	92,681	94,106
<i>Out of State Residents</i>	23,698	23,964	24,331	24,724	25,104
Gross revenue	\$112,534	\$113,799	\$115,543	\$117,404	\$119,210



June 26, 2014

Revenue Sources

In-State and Out of State Revenue Source

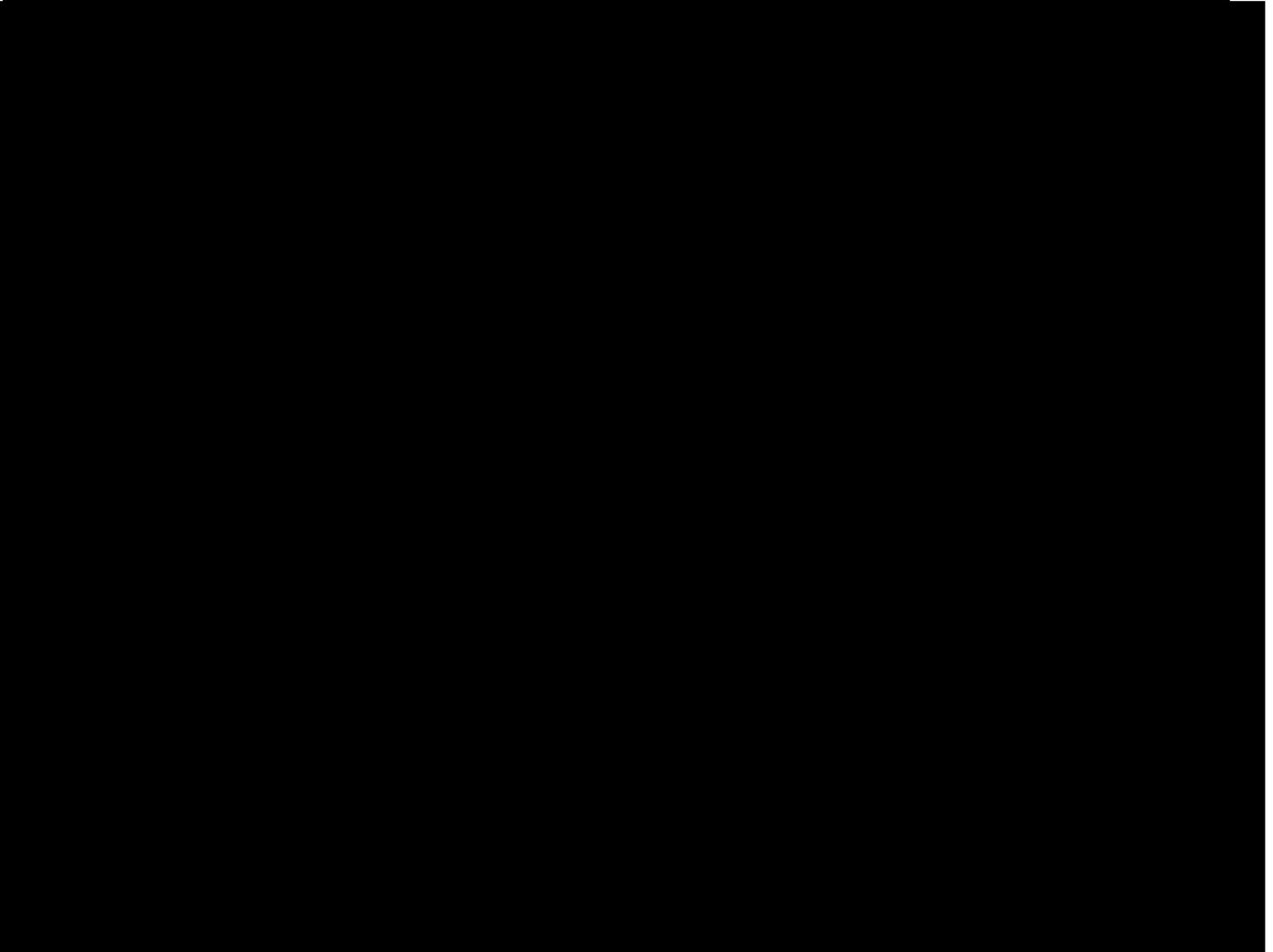
Tioga Downs location 2 miles from the Pennsylvania border is a key differentiator for its proposed expanded casino operation. Currently Tioga Downs generates approximately 20.0% or \$13.0 million in gaming revenues from out of state residents based on Tioga Downs's carded player database. Our review of carded player databases from Vernon Downs and other nearby competitive casinos (which were shared with Union Gaming Analytics in confidence) shows no competing gaming location generates more than 10.0% of its gaming revenues from out of state residents.

By adding a hotel and table games, we believe Tioga Downs will be more effective at drawing out of area players and as such we anticipate a larger share of the gaming revenue increase should Tioga Downs win a casino license. Our estimates break down gaming revenues by metropolitan area and based on our Average Case projections for 2016 gross gaming revenue, approximately 21.0% or \$21.8mm will come from outside of New York. (Figures 40, 41 & 42)



June 26, 2014

Figure 40/41/42: Projected Gross Gaming Revenue (GGR) Market by Geography



Source: *Union Gaming Analytics*



June 26, 2014

Revenue Recapture

We project Tioga Downs will see an increase of \$38mm in gross gaming revenues in 2016 compared to 2013, but our belief is that the majority of the increase will come from Tioga Downs gaining wallet share from existing gamers in its local, near local and regional markets. We believe this gain will come from offering better slot product, a full array of live table games, a hotel and expanded non-gaming amenities. These features will generate business both by recapturing revenues spent by local and near local market residents at other competing casinos which already offer these features and by attracting more visitation from regional market residents who will have a place to stay overnight and will have a more compelling reason to visit the facility.

Overview of Table Games in Competitive Market

Of the \$38mm increase, we project \$18mm will come from table games revenue in 2016. We note the depth of the table games market in the region coming from just four of the competing choices area gamers currently have. If Tioga Downs is given the opportunity to offer table games, we anticipate it will generate only about 11% of the current table game market detailed below. (Figure 43)

Figure 43: Regional Table Game Market

Regional Table Game Market	2013 Table	
	Tables	Revenues (\$mm)
Mohegan Sun at Pocono	84	44
Mt Airy	73	41
Turning Stone ⁽¹⁾	117	50
Seneca Allegany ⁽¹⁾	46	26
Total	320	161

(1) Union Gaming Analytics Estimates

Source: Union Gaming Analytics

Revenue Recapture from Pennsylvania

One of the aims of the Upstate NY Gaming Economic Development Act is to “recapture” revenues currently spent by New York residents in casinos in other states, most notably Pennsylvania. In our meetings with management at Tioga Downs, Turning Stone and Vernon Downs, each mentioned Mohegan Sun at Pocono Downs as their most aggressive competitor. Further we reviewed survey data gathered from current Tioga Downs customers and observed the casino they most patronized and preferred to visit outside of Tioga Downs is Mohegan Sun. An interesting side note to the survey is these current Tioga Downs customers didn’t appear to be utilizing Mohegan Sun’s new hotel very often, which leads us to the conclusion the availability of better slot product and table games is the driver of these gaming visits.

Therefore, we expect the addition of table games and more compelling slot product at Tioga Downs to lead to material recapture of revenues from Pennsylvania. To determine where the revenues would likely come from, we compared the distance in miles for each identified New York metropolitan market and the three closest competing casinos in the region which have a hotel and table games, and assigned an estimated PA recapture to each. (Figure 44)



June 26, 2014

Figure 44: NY Identified Markets and Distance to Competing Casinos (in Miles)

Metropolitan Area	Mohegan Pocono	Turning Stone	Seneca Allegany	Estimated PA Recapture
Elmira, NY	130	122	133	40%
Binghamton, NY	76	106	188	60%
Corning, NY	147	131	114	35%
Ithaca, NY	122	89	145	20%
Cortland, NY	114	66	168	10%
Oneonta, NY	132	74	245	10%

Source: Union Gaming Analytics

Continuing with our expectation Tioga Downs will not materially grow the overall gaming market, but instead gain wallet share from existing gaming customers, we assume any revenues not recaptured from PA would come from revenues at other existing NY casinos which offer table games and a hotel (Turning Stone and Seneca) (Figure 45). We do note while revenues shifted to Tioga Downs at Turning Stone or Seneca's expense are not a revenue growth for the State, they will generate higher gaming tax due to the higher tax rates under the Act compared to the current Tribal revenue share of 25% from gaming machines only. While \$17.1mm coming from competing NY Tribal casinos is a material amount, we note our estimates for Turning Stone and Seneca Allegany revenues are over \$400mm combined per year, so the amount shifted to Tioga Downs represents just 4% of their estimated revenue.

Figure 45: PA Recapture and NY Revenue Shift by NY metro market

Metropolitan Area	Gaming Growth 2016 v. 2013	PA Rate	NY Rate	PA Recapture	NY Shift
Elmira, NY	4,489	40%	60%	1,796	2,693
Binghamton, NY	11,947	60%	40%	7,168	4,779
Corning, NY	3,807	35%	65%	1,332	2,474
Ithaca, NY	3,922	20%	80%	784	3,138
Cortland, NY	1,615	10%	90%	161	1,453
Oneonta, NY	692	10%	90%	69	623
Other NY	2,769	30%	70%	831	1,938
Total	29,241			12,142	17,099

Source: Union Gaming Analytics



June 26, 2014

Figure 46: GGR growth in 2016 by Source

Tioga Downs Average Case	GGR (\$000s)
2013 GGR	\$ 65,600
Add:	
PA Recapture	12,142
NY Revenue Shift	17,099
Growth from non-NY residents	8,860
2106 GGR	\$ 103,701

Source: Union Gaming Analytics

Conclusion

Based on our assumptions for location of gaming revenues if Tioga Downs is granted a casino license and the potential for New York to recapture gaming revenues and more importantly gaming taxes currently being spent out of state, Tioga Downs offers two strategic advantages to increase New York gaming taxes. First, we believe Tioga Downs is the only applicant bidding for a casino license than can say with any credibility that the casino can generate over 20% of its revenues from gamers residing outside New York, resulting in \$21.8mm in gross gaming revenue that we believe the majority of which would otherwise be spent outside of New York. Second, we project approximately 42%, or \$12.1mm of the revenue growth in 2016 coming from an expanded Tioga Downs compared to current levels will be due to recapturing revenues currently being spent by New York residents in Pennsylvania.

Assuming our expectations of 82% slot revenues and 18% table revenues in an expanded Tioga Downs, this could generate \$5.9mm in incremental gaming tax revenues from recapturing revenues currently spent in Pennsylvania (Figure 47) and from an increase in gaming tax generated by shifting revenues from the lower tax rate at Tribal casinos to Tioga Downs (Figure 48, assumes all New York shift in revenues comes from Turning Stone and Seneca).

Figure 47/48: Tax Benefit to NY from PA Recapture and NY Revenue Shift

PA Recapture (\$000s)		NY Revenue Shift (\$000s)	
PA Recapture	\$ 12,142	NY Shift	\$ 17,099
Slots -82% of revenues	9,956	Slots -82% of revenues	14,021
Tax - 37%	3,684	Tax - 12% (37% rate less 25% tribal rate)	1,683
Tables - 18% of revenues	2,186	Tables - 18% of revenues	3,078
Tax - 10%	219	Tax - 10%	308
Total Tax Benefit to NY	\$ 3,902	Total Tax Benefit to NY	\$ 1,990

Source: Union Gaming Analytics