

PENNSYLVANIA GAMING MARKET ASSESSMENT & COMPETITIVE ANALYSIS:



Prepared by:

THE INNOVATION GROUP
400 N. Peters St., Suite 206
New Orleans, LA 70130

September 2011

Pennsylvania Statewide Gaming Market Assessment

Table of Contents

INTRODUCTION.....	1
ECONOMIC AND DEMOGRAPHIC ANALYSIS	3
POPULATION	4
<i>Total Population</i>	<i>4</i>
<i>Gamer Population.....</i>	<i>5</i>
INCOME.....	5
<i>National and Regional Trends.....</i>	<i>6</i>
<i>Regional Income</i>	<i>7</i>
EMPLOYMENT	9
<i>National Trends</i>	<i>9</i>
<i>Regional Labor Force.....</i>	<i>10</i>
<i>Major Employers</i>	<i>12</i>
TOURISM.....	13
PENNSYLVANIA GAMING	17
OPERATORS	18
<i>Eastern Region.....</i>	<i>18</i>
<i>Western Region.....</i>	<i>27</i>
HISTORICAL SLOTS TRENDS AND SATURATION ANALYSIS	31
STATEWIDE	31
EASTERN REGION	34
<i>Philadelphia Submarket.....</i>	<i>36</i>
<i>Poconos.....</i>	<i>38</i>
WESTERN REGION	41
<i>Pittsburgh Market.....</i>	<i>43</i>
PENETRATION COMPARISON	44
PERFORMANCE COMPARISON WITH PROJECTIONS FROM 2003 STUDY	46
<i>Statewide.....</i>	<i>46</i>
<i>Eastern Region.....</i>	<i>48</i>
<i>Western Region.....</i>	<i>51</i>
COMPETITIVE ENVIRONMENT.....	54
<i>New Jersey.....</i>	<i>54</i>
<i>Delaware.....</i>	<i>56</i>
<i>New York.....</i>	<i>60</i>
<i>Maryland.....</i>	<i>62</i>

<i>West Virginia</i>	64
GAMING MARKET ANALYSIS	68
METHODOLOGY	68
MARKET CARVE-OUT	70
MODEL CALIBRATION.....	72
LOCATION ALTERNATIVES.....	81
<i>Eastern Region</i>	81
<i>Western Region</i>	82
<i>Central Region</i>	82
FINANCIAL ANALYSIS	84
METHODOLOGY AND RESULTS	84
IMPLICATIONS	88
DISCLAIMER	1089
APPENDIX A – PROPERTY TRENDS	ATTACHED
APPENDIX B: ALTERNATIVE RESULTS BY MARKET AREA	ATTACHED

INTRODUCTION

The Innovation Group was retained by the Pennsylvania Treasury to assess the past and future performance of the Pennsylvania gaming market, taking into consideration the gaming and net statewide tax revenue potential for the two undeveloped Pennsylvania gaming licenses—the proposed Valley View location and the former Foxwoods site in Philadelphia. Alternative locations throughout the Commonwealth were also assessed, keeping within the parameters of the exclusion zones as defined by existing Pennsylvania legislation. The analysis assesses the gaming revenue potential for each location as well as its net impact to state gaming revenues, that is, after impacts to existing Pennsylvania casinos are deducted.

Proposed new competition in surrounding states is also included in the analysis, most significantly slot machine development in Baltimore and Anne Arundel, Maryland and casino and racino development in Ohio.

The following table summarizes the results of the analysis, on the basis of net gain to statewide gaming revenues.

Alternatives: Net Gain to PA Gaming Revenues (MMs)

South York	\$153.99
Reading	\$124.75
Valley View	\$122.65
Chambersburg	\$106.59
W. Philly/City Line	\$98.43
Beaver Valley	\$98.27
Altoona	\$96.11
Port Jervis	\$95.56
Foxwoods Site	\$89.96
Valley View w/ Youngstown Impact	\$83.39
Johnstown	\$76.85
Williamsport	\$54.82

In the Eastern region, South York or Reading offers the largest net impact to the commonwealth. A western Philadelphia location would add approximately 10% or \$10 million more in revenues than the Foxwoods site, but would still be considerably lower than developing in a less competitive location like South York or Reading.

In the Western region, Valley View at the current time ranks high in net impact at \$122.65 million. However, if a racino is developed in Youngstown, Ohio, the net impact from Valley View is diminished to \$83.39 million. Racino development in Ohio has received legislative

approval, which would place two slot-machine casinos in Cleveland's southeast suburbs. However, the proposed re-location of Toledo's Raceway Park to Youngstown has not been finalized.¹

In Central Pennsylvania, Altoona has the largest market potential. Although the facility's market potential is limited, it would have a very small impact on existing Pennsylvania casinos, and thus the vast majority of its gaming revenues would be a net gain to the commonwealth. However, its financial viability is questionable given the \$66.5 million license fee and effective gaming tax rate.

¹ With state approval, racetrack owners can apply to move their tracks to either Dayton or Youngstown. However, it is expected that approval would entail significant re-location fees.

ECONOMIC AND DEMOGRAPHIC ANALYSIS

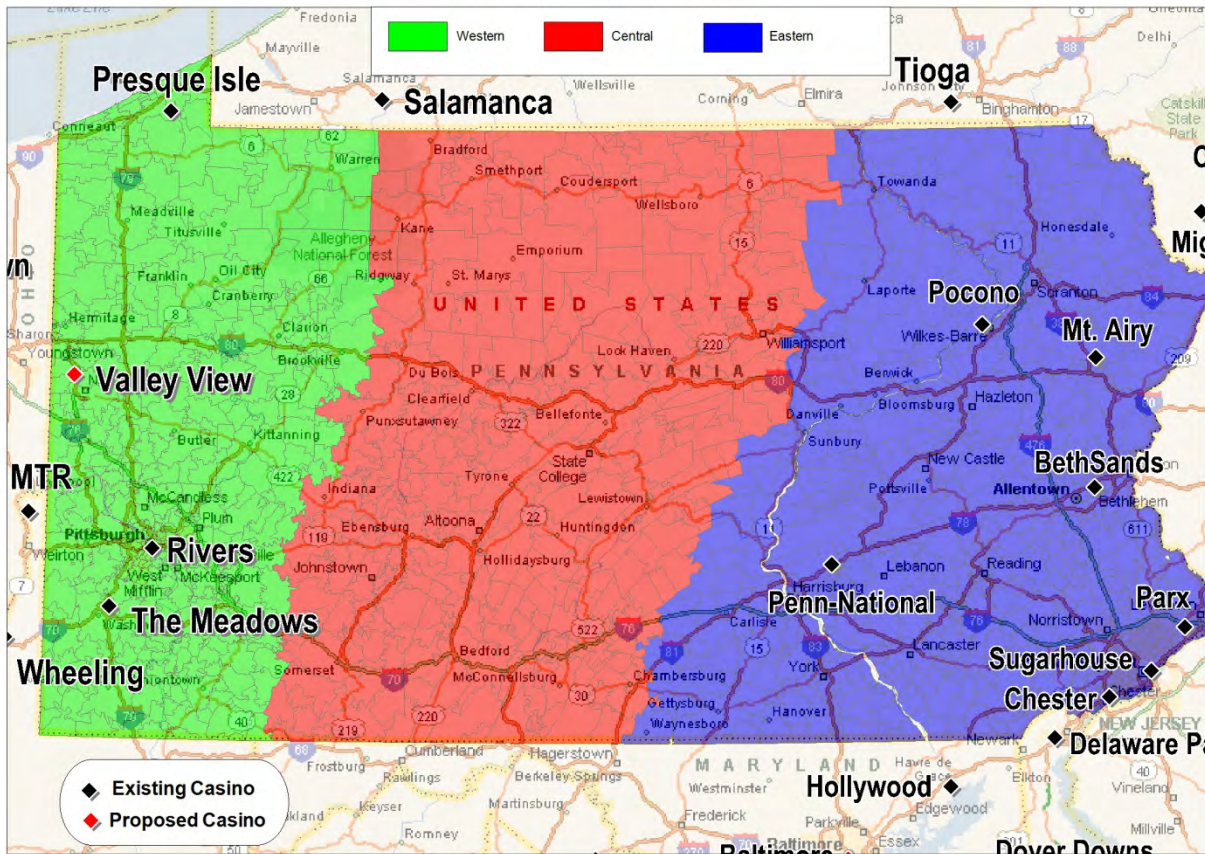
An area's economic health and growth potential is indicative of its ability to support the local lodging and gaming markets. In this section, some of the specific economic and demographic characteristics of the hotel and casino market area that will affect future demand for hotel rooms and expanded gaming in the area are analyzed. The purpose of such an analysis is to evaluate the area's ability to:

- Support existing and expanded hotel and gaming facilities in the area; and
- Attract new sources of lodging and leisure demand.

Some of the factors we analyzed, including population trends and average household income trends, are included in tables and text in this section of the report.

For the purposes of this analysis we have segmented the state of Pennsylvania into three regions, Western, Central and Eastern. Below is a map showing the region distinctions with existing gaming properties.

Pennsylvania Market



Population

The following section presents the population figures segmented by region, as explained above. The population is addressed both from a total population and gamer (21+) population standpoint. For comparison purposes who have included the statewide and national statistics.

Total Population

Population growth or decline is often described by using an average annual growth rate (A.A.G.). Positive average annual growth rates can be seen in the Eastern Region, while the other two regions are showing negative growth. The Eastern Region represents the majority of the population in Pennsylvania with over 70% residing in the region. The Western and Central region have shown declines in population both between 2000 and 2010 and continuing during the projected period of 2010 to 2015. In comparison, both the Pennsylvania Statewide and United State, populations are expected to increase between 2010 and 2015, albeit slightly at 0.07% and 0.8%, respectively. The chart below outlines the population for the three regions of Pennsylvania, the statewide totals and the aggregate for the United States to serve as a comparison in terms of both actual and projected average annual growth rates.

Pennsylvania Total Population

Region	2000	2010	2015	A.A.G. 2000-2010	AAG (2009-2015)
Western Region	3,208,865	3,096,427	3,023,375	-0.36%	-0.48%
Central Region	1,323,843	1,312,082	1,297,595	-0.09%	-0.22%
Eastern Region	7,747,059	8,123,973	8,257,788	0.48%	0.33%
Pennsylvania	12,279,767	12,532,482	12,578,758	0.20%	0.07%
The United States	281,421,906	309,038,974	321,675,005	0.94%	0.80%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

Gamer Population

In 2010, the gamer population, defined as 21 years of age or older, represented nearly 74% of the total population in Pennsylvania. The Eastern region skewed slightly lower with only 73% of population above the age of 21 and both the Western and Central regions showing older populations with 75% of the population age 21 or above. The 21+ proportion is projected to increase in all three regions, but the number of adults is projected to decrease in both the Western and Central regions. This trend is similar to the overall population decreases which are projected for those two regions. Compared to the national average, the Commonwealth of Pennsylvania is projected to have a higher proportion of people at 21 and older. The chart below further shows gamer population and related projected growth.

Population Over 21 Yrs.

Region	2010	% of Total Population	2015	% of Total Population	AAG (2009-2015)
Western Region	2,323,843	75.05%	2,297,998	76.01%	-0.22%
Central Region	984,088	75.00%	981,516	75.64%	-0.05%
Eastern Region	5,902,151	72.65%	6,049,770	73.26%	0.50%
Pennsylvania	9,210,082	73.49%	9,329,284	74.17%	0.26%
The United States	220,820,181	71.45%	231,083,594	71.84%	0.91%

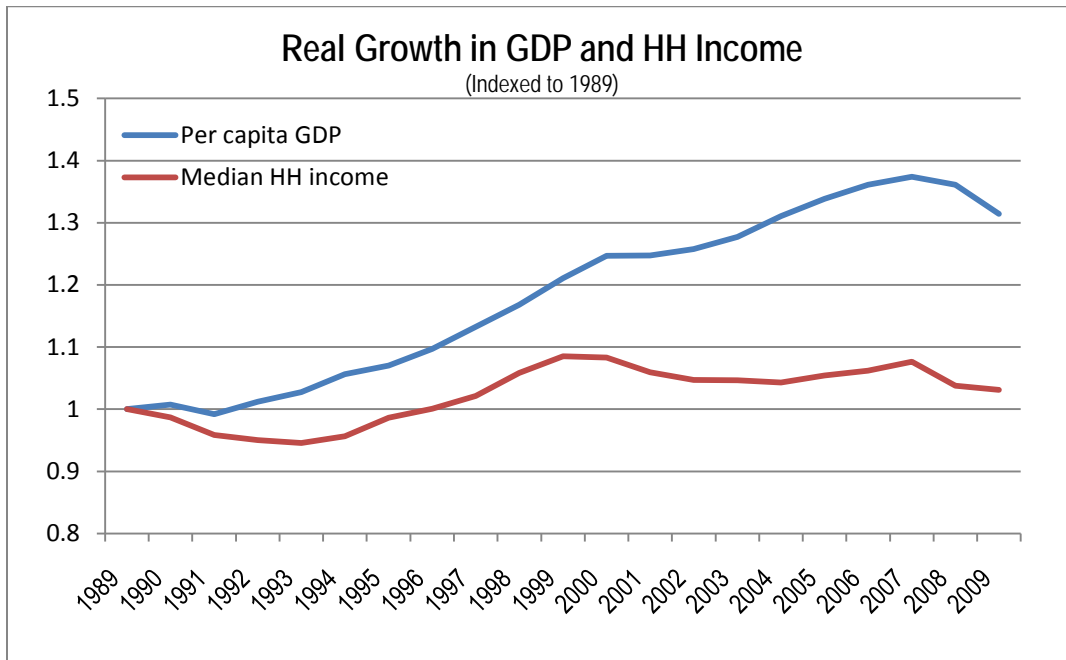
Source: IXPRESS/Nielsen Claritas, The Innovation Group

Income

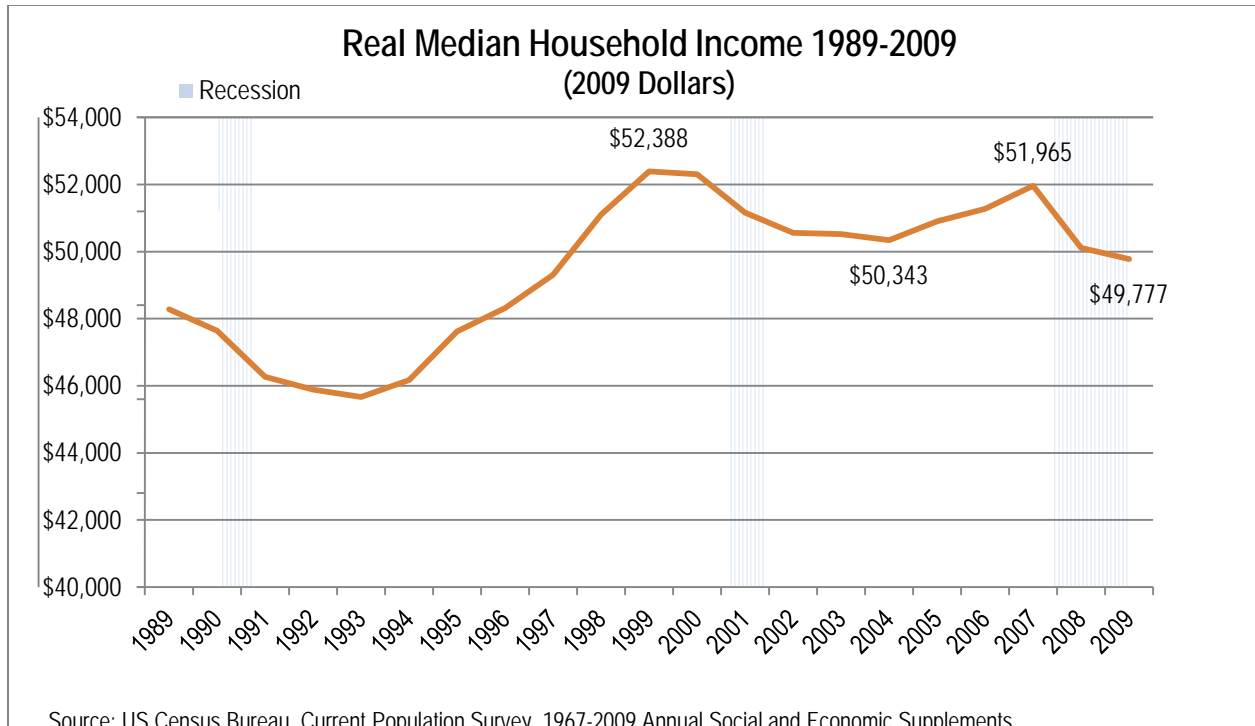
Income level is a significant factor for gaming revenue. In general, individuals with a higher income, tend to have more disposable income, which may represent a larger gaming budget. A larger gaming budget, whether in terms of more frequent trips or a higher spend per trip, equates to higher gaming revenue. The Innovation Group has analyzed national and regional trends for median household income, average household income and effective buying income, each of which helps to determine potential gaming revenue within a market.

National and Regional Trends

During the past decade national household income lagged far behind gains in productivity. The widening gap in the following chart illustrates that American households effectively have not been earning enough to purchase the goods and services they have been producing. Although consumer expenditures on gaming and other leisure activities remained strong into 2007 (largely on the basis of rising home values), gaming revenues started a steady and pronounced decline once the housing bubble burst and the financial sector collapsed.



In fact, national median household income has actually declined over the last decade (in constant 2009 dollars). Even before the recession hit in 2008, real median income was lower than it was ten years earlier, as income declined from 2000 through 2004.



Resort destination markets such as Las Vegas and Atlantic City led the national trend of declining gaming revenue while the Pennsylvania market felt less effect. This is due to the fact that it is a relatively new market which draws more of its customers from local play. Based on the latest available Census data (2009), Pennsylvania has fared slightly better than the nation in terms of the recession's impact on household income. In current dollars, Pennsylvania has shown a slight decrease of 0.55%, compared to the national decline of 0.91%. In real dollars, Pennsylvania has declined 3.86%, which is less than the national average of 4.21%. Pennsylvania gaming markets coped better due in part to both the decreased household income trend and the fact that the market was still ramping up. It is important to note that this market may have performed stronger had it not been for the economic recession.

	2009	2007	% change
Current Dollars (inflated)			
US	\$49,777	\$50,233	-0.91%
Pennsylvania	\$48,172	\$48,437	-0.55%
Real Dollars (2009)			
US	\$49,777	\$51,965	-4.21%
Pennsylvania	\$48,172	\$50,107	-3.86%

Source: US Census Bureau

Regional Income

Unfortunately, the full impact of the recession has not yet been processed into Nielsen Claritas income data, which continues to show growth from 2007-2010. Therefore, the following income data should be compared only to itself and not to income data from other sources such as the

Census Bureau or Bureau of Economic Research. Average household income and effective buying income are two statistics that help to get a general feel for specific markets in terms of potential gaming revenue.

Average Household Income

The Eastern Region has the highest average household income of the three regions at \$72,772 in 2010, outpacing the state average of \$67,154, and the national average of \$71,071. The Western Region, Eastern Region, and Pennsylvania statewide household incomes grew faster than the United States household income from 2000-2010. That trend is expected to continue through 2015 as the Eastern Region and Pennsylvania statewide household incomes are expected to grow at an average rate of 1.82% and the Western Region is expected to grow at 1.79%, while the US household income is only expected to grow at 1.74% per year. The table below shows average household income for Pennsylvania and the United States

Region	2000	2010	2015	A.A.G. 2000-2010	A.A.G. 2010-2015
Western Region	\$48,783	\$61,506	\$67,216	2.34%	1.79%
Central Region	\$42,036	\$52,725	\$57,387	2.29%	1.71%
Eastern Region	\$57,265	\$72,772	\$79,641	2.43%	1.82%
Pennsylvania	\$52,682	\$67,154	\$73,496	2.46%	1.82%
The United States	\$56,644	\$71,071	\$77,465	2.29%	1.74%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

Effective Buying Income

Effective buying income is average household income after state and federal taxes are deducted. This shows a more precise income that is disposable. In 2010, only the Eastern Region had a higher effective buying income than the US, with both topping more than \$56,500. The effective buying income is expected to grow the most in the Western Region at a rate of 1.76% per year and the least in the Central region at 1.70% per year. Each region in Pennsylvania is expected to outpace the national average of 1.69% per year. Effective buying income is summarized below.

Region	2010	2015	A.A.G. 2010-2015	\$ Growth 2010-2015
Western Region	\$45,420	\$49,558	1.76%	\$4,138
Central Region	\$41,091	\$44,710	1.70%	\$3,619
Eastern Region	\$56,724	\$61,808	1.73%	\$5,084
Pennsylvania	\$53,775	\$58,678	1.76%	\$4,903
The United States	\$56,585	\$61,517	1.69%	\$4,932

Source: IXPRESS/Nielsen Claritas, The Innovation Group

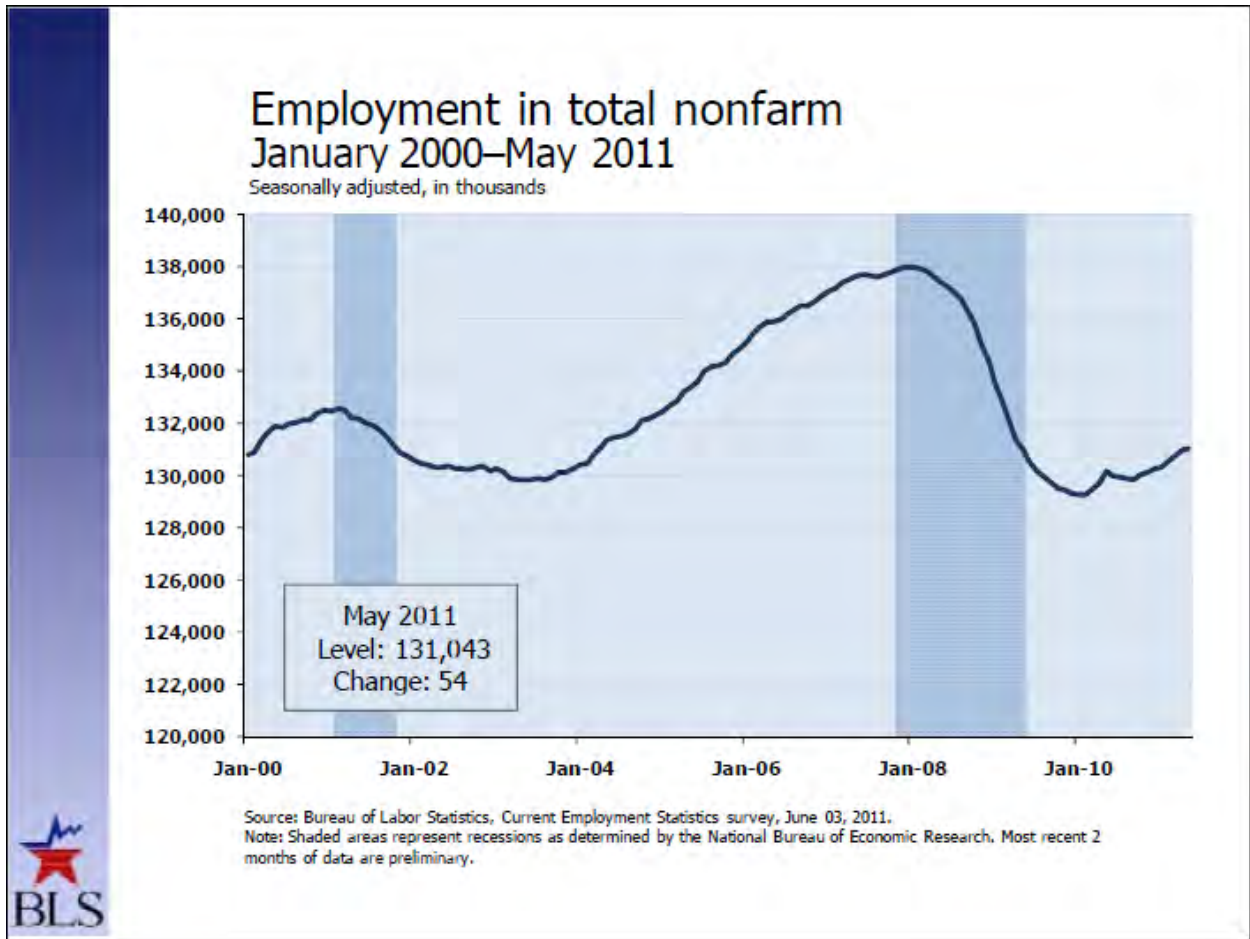
Employment

Employment is a significant, if not the single-most significant, factor in terms of gaming revenue declines during the recession. High employment usually signals a healthy economy which creates a more profitable market, capable of sustaining a gaming industry. As the global economy has weakened, layoffs have occurred causing employment levels to decline, and with that, gaming revenues have declined as well. This section summarizes both national and regional employment trends with a focus on the actual number of people employed as a signal for a potential economic recovery.

National Trends

In a white paper assessment of the impact that the Great Recession has had on the gaming industry nationwide, the Innovation Group concluded that employment decline is the single greatest factor impacting gaming revenues. Therefore it is critical to evaluate the employment and income trends in the regional market to assess the prospects for gaming spending in the market area.

Nationally, the Great Recession's impact on employment began in January 2008. Employment peaked in December 2007 at 137,951,000. Over the next two years the U.S. shed nearly 8.4 million jobs before bottoming out in December 2009 at 129,588,000, a decline of 6.1%. In 2010, over 1.1 million jobs were added, an increase of 0.9%. In summary, employment stands at 130,712,000, 5.2% below its pre-recession level. The following chart shows trends for the decade:



Regional Labor Force

The recession has caused a decline in state and national economies. Seasonally adjusted employment figures, which calculate an adjustment for normal fluctuations in employment due to the time of year, were gathered for Pennsylvania and the US to compare month over month trends. The peak month of employment was April 2008, when over 6.1 million people were employed in Pennsylvania. Employment declined steadily thereafter, bottoming out in August 2010 at 5.78 million. This represents a significant drop of 5.36%, which is less than a drop than the US which saw a decrease of 6.06%. As of April 2011, the number of employed in Pennsylvania had increased to nearly 5.9 million. This is still a decline of 3.75% since April 2008, but it represents a 1.70% increase since August 2010. The US has only recovered by 1.12%, which puts the overall decline at 5.01%. The following table compares the regional employment picture with national trends:

Impact of Recession: Regional vs. National Employment (000s)

	National	Pennsylvania
Pre-recession	137,951	6,108
Trough	129,588	5,781
% decline	-6.06%	-5.36%
Current	130,989	5,879
% decline over pre-recession	-5.01%	-3.75%
% growth since trough	1.12%	1.70%

Source: Bureau of Labor Statistics, CES series, The Innovation Group

The following discussion breaks down Pennsylvania employment into 6 MSA's (Metropolitan Statistical Areas): Allentown-Bethlehem, Erie, Harrisburg, Philadelphia, Pittsburgh, and Wilkes Barre-Scranton. These are the major population centers across Pennsylvania, which also host gaming facilities already. The data is not seasonally adjusted and therefore is compared on a year-over-year basis. Employment data was collected for each year from 2008 through 2010. Overall, Pennsylvania has seen employment in 2010 decline 4.3% from its high levels in 2007. The only market to decline less than the statewide rate was Pittsburgh, which only fell 3.3%. Each of the other markets decreased more than the statewide rate with employment in Erie decreasing the most at 6.1% since 2007. The largest year-over-year decline in each MSA occurred from 2009 to 2010, echoing the effects of the financial crisis.

Average Annual Unemployment Statistics

	Civilian labor force	Employment	Unemployment	Unemployment rate (%)	Absolute Change (Employment)	% Change (Employment)
Pennsylvania						
2008	6,438,632	6,095,678	342,954	5.30%		
2009	6,383,115	5,869,594	513,521	8.00%	-226,084	-3.70%
2010	6,340,034	5,791,061	548,973	8.70%	-304,617	-5.00%
Allentown – Bethlehem MSA						
2008	422,770	399,144	23,626	5.60%		
2009	421,864	385,223	36,641	8.70%	-13,921	-3.50%
2010	418,712	379,388	39,324	9.40%	-19,756	-4.90%
Erie MSA						
2008	141,633	133,628	8,005	5.70%		
2009	139,522	127,091	12,431	8.90%	-6,537	-4.90%
2010	138,388	125,445	12,943	9.40%	-8,183	-6.10%
Harrisburg MSA						
2008	288,335	275,199	13,136	4.60%		
2009	285,938	265,544	20,394	7.10%	-9,655	-3.50%
2010	281,634	259,609	22,025	7.80%	-15,590	-5.70%
Philadelphia MSA						
2008	2,999,691	2,839,410	160,281	5.30%		
2009	2,986,036	2,739,108	246,928	8.30%	-100,302	-3.50%
2010	2,955,610	2,689,375	266,235	9.00%	-150,035	-5.30%
Pittsburgh MSA						
2008	1,226,257	1,163,676	62,581	5.10%		
2009	1,220,033	1,130,669	89,364	7.30%	-33,007	-2.80%
2010	1,212,591	1,115,195	97,396	8.00%	-48,481	-4.20%
Wilkes Barre – Scranton MSA						
2008	284,265	266,934	17,331	6.10%		
2009	282,173	257,705	24,468	8.70%	-9,229	-3.50%
2010	279,518	252,455	27,063	9.70%	-14,479	-5.40%

Source: Bureau of Labor Statistics, The Innovation Group

Major Employers

The following list includes the top 50 employers in the state of Pennsylvania. The top 10 includes 5 government employers and 3 education employers. Wal-Mart and Giant Food Stores

are the only private companies in the top 10. The remainder of the list is a mix of government, education, retail, financial services, utilities, health care and other sectors.

Top 50 Pennsylvania Employers

Number	Name of Employer	Number	Name of Employer
1	Wal Mart Associates	26	K Mart
2	US Postal Service	27	GMRI Inc
3	City of Philadelphia	28	Heartland Employment Services
4	University of Pennsylvania	29	Western Pennsylvania Hospital
5	School District of Philadelphia	30	US Airways
6	Pennsylvania State university	31	Comcast Cablevision Corp
7	Giant Food Stores	32	Temple University
8	Department of Defense	33	Pennsylvania Blue Shield
9	Department of Public Welfare	34	SE PA Transportation Authority
10	PA Department of Corrections	35	Thomas Jefferson University Hospital
11	University of Pittsburgh	36	Allegheny County Human Resources
12	United Parcel Service	37	Milton S Hershey Medical Center
13	PNC Bank	38	Eat'n Park Restaurants
14	UPMC Presbyterian	39	Pennsylvania CVS Pharmacy
15	US Department of Veteran Affairs	40	Sheetz Inco
16	State System of Higher Education	41	Acme Markets Inc
17	Weis Markets	42	US Department of Treasury
18	Giant Eagle	43	Wawa Inc
19	Lowe's Home Centers	44	Sears Roebuck & Co
20	Pa Department of Transportation	45	Wegmans Food Markets
21	Merck & Co	46	MBNA Institutional PA Services
22	The Home Depot	47	University of Pittsburgh Physicians
23	Target Stores	48	Department Of Labor and Industry
24	The Children's Hospital of Philadelphia	49	Rite Aid of Pennsylvania
25	Vanguard Group	50	Verizon Pennsylvania

Source: Pennsylvania Center for Workforce Information and Analysis

Tourism

Pennsylvania received 172.7 million visitors in 2009, 60 million of which were overnights.

Pennsylvania Tourism 2009 (millions of Visitors)

Day	112.9
Overnight	59.8
Total	172.7

Source: <http://www.visitpa.com/annual-traveler-profile-report>

Visiting friends or relatives constitutes nearly half of visitors, with pure leisure travelers constituting 38%.

Pennsylvania Tourism 2009 Purpose of Visit

Visiting Friends or Relatives	49%
Business	10%
Business and Leisure	4%
Leisure, not visiting friends or relatives	38%

Source: <http://www.visitpa.com/annual-traveler-profile-report>

The following table shows tourism volume by region. The Philadelphia and Pittsburgh regions receive the largest number of overnight visitors, followed by Dutch Country Roads and the Poconos.

Pennsylvania Tourism Visits Grouped by Region, 2009 (millions of Visitors)

	Overnight Volume	Daytrip Volume
Pittsburgh and its Countryside	10.3	16.9
Laurel Highlands	2.6	4.7
Pennsylvania Wilds	3.5	4.9
The Alleghenies	3.8	5.2
Valleys of the Susquehanna	3.6	6.5
Dutch Country Roads	9.6	14.8
UPSTATEPA	5.7	8.2
Philadelphia & the Countryside	13.3	22.9
Lehigh Valley	3.9	10
Pocono Mountains	8.2	14.7
Pennsylvania's Great Lakes Region	3.9	7.6

Source: <http://www.visitpa.com/annual-traveler-profile-report>, regional reports

The following section describes some of the significant attractions for regions relevant to the existing or potential gaming market.

Pittsburgh and its Countryside

Visitors come to nearby Pittsburgh to see the city, with its Carnegie Museums, zoo, and aquarium. The surrounding region attracts tourists with covered bridges, Amish farm country, and the Jimmy Stewart Museum. The Laurel Highlands sub-region to the east boasts Ohiopyle State Park, homes designed by Frank Lloyd Wright (including Fallingwater), and the Fort Necessity Battlefield.

Pennsylvania Wilds

Vineyards, the Little League World Series, and Millionaire's Row attract visitors to Williamsport and the surrounding Lycoming County. The rest of the region draws tourists with natural attractions, such as the Clarion River, and Kinzua State Park.

The Alleghenies Region

Altoona and Johnstown are both located among the Allegheny Mountains of Pennsylvania, known for their natural beauty and outdoor recreation opportunities. Both cities are also home to famous engineering feats designed to deal with the dramatic local terrain. Johnstown is home to the Johnstown Inclined Plane, a funicular built in 1889 that is reported to be the world's steepest vehicular incline. Altoona, a former hub on the Pennsylvania Railroad, is home to the Allegheny Portage Railroad National Historic Site, and the Horseshoe Curve National Historic Site, which celebrates a tight railway turn along the mountains that was an engineering marvel when it opened in 1854. State College, home to Pennsylvania State University, draws in the friends and family of students. Alumni also pack the schools stadiums for sporting events, especially football. Around the city, the Pennsylvania countryside, with its covered bridges, also attracts visitors.

Dutch Country Roads

Tourists flock to Pennsylvania Dutch Country to see Amish farm country and various Civil War battlefields, making this region the largest recipient of tourist dollars in the state behind the Philadelphia area. Besides local handicrafts, visitors also shop for bargains at the region's outlet malls, as well as at a local Cabella's outlet. The pretzel company, Snyder's of Hanover, attracts visitors to its facility in the town of Hanover, as do other food companies with operations in the area. Finally, the town of Hershey, with its amusement park and chocolate factory, is located to the north, near Harrisburg.

Berks County

Reading and surrounding Berks County is included in Dutch Country Roads region for the purposes of collecting tourist data. Berks country receives a much smaller amount of tourist spending than neighboring Lancaster County. Every year, Reading hosts what promoters call the largest jazz festival on the east coast, contributing to the city's reputation for quality offerings in the arts. In the surrounding countryside, the Hawk Mountain Sanctuary provides access to natural beauty, as do other State and County parks.

UPSTATEPA

The Pocono Mountains region of Pennsylvania is an all-season vacation and honeymoon destination for people along the Mid-Atlantic coast for decades. The mountains host hiking, biking, fishing, and canoeing in the warmer months, while eight ski resorts provide winter recreation. Outlet shopping is an additional draw.

Philadelphia and the Countryside

Philadelphia and its surrounding counties draw the largest share of tourist dollars to Pennsylvania. Historic sites, such as the Liberty Bell and Liberty Bell Center, Independence Hall, the Philadelphia Zoo, historic homes, and various arts institutions are major draws within the city. In the counties that surround the city, Fort Mifflin (site of a Revolutionary War battle),

and multiple museums celebrating the history of various immigrant groups and early settlers attract visitors.

West Philadelphia

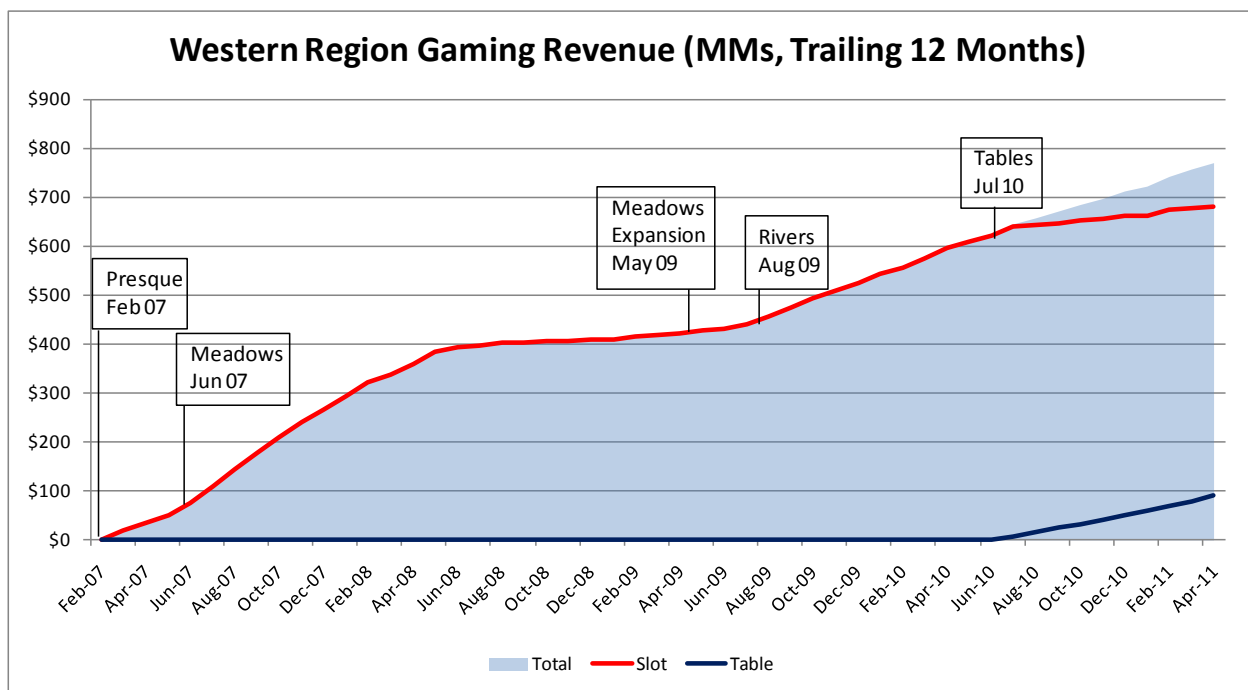
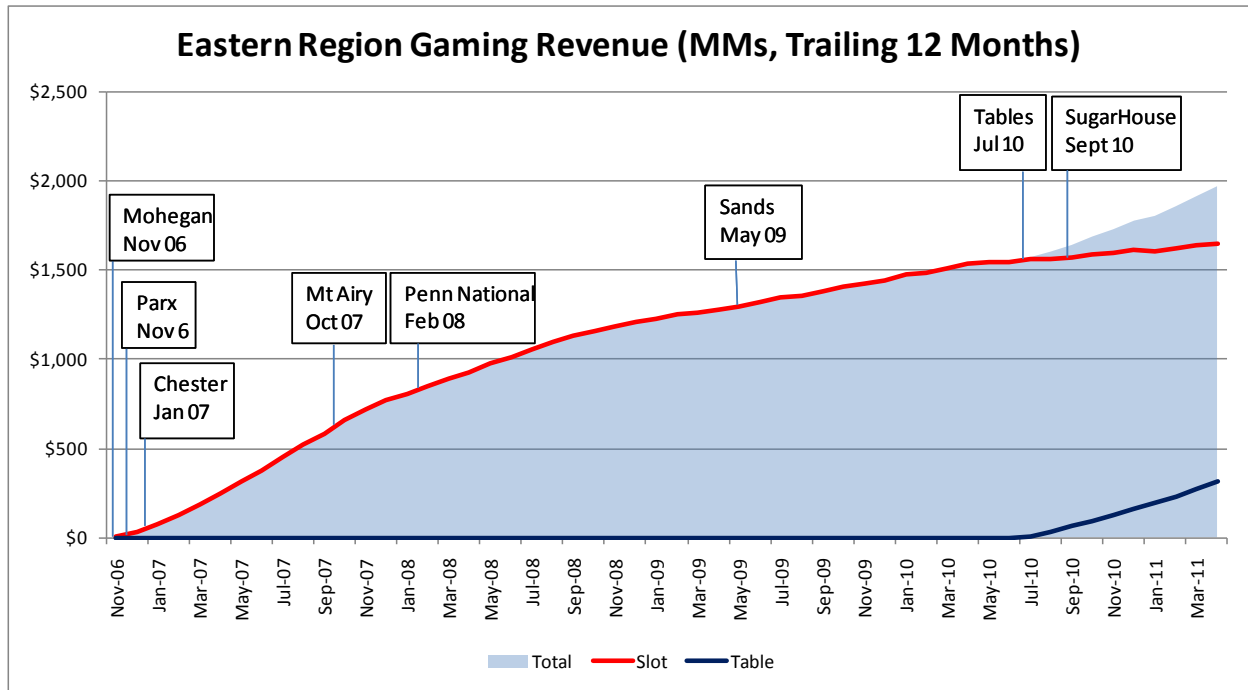
West Philadelphia is home to the University of Pennsylvania and its many museums, including the Institute of Contemporary Art and the Museum of Archaeology and Anthropology. West Philadelphia is also home to Bartram's Garden and Friends of the Japanese House and Garden. The Woodlands, a National Historic Landmark District, features an early federal-style mansion, a cemetery, and Victorian sculpture monuments.

Pennsylvania's Great Lakes Region

The Great Lakes Region, centered on the Erie County lakefront, is known for its outdoor recreation especially fishing and boating, camping, hiking, and hunting. Presque Isle State Park, Crawford Lakelands and tax-free shopping in Mercer County are some of the region's major attractions.

PENNSYLVANIA GAMING

This section summarizes the current gaming structure and facilities in Pennsylvania. The following charts show regional gaming revenue trends and opening dates for facilities in Pennsylvania.



Pennsylvania has seen an increase of 26% in revenue from 2009 to 2010. This large increase is the result of newer facilities ramping up operations and the introduction of table games. The average year-over-year change among the other facilities, which had full year operations in 2009 and 2010, was 7%, with PARX experiencing the most growth at 20% and The Meadows experiencing the largest drop at 5%. The addition of table games at the casinos in July 2010 is also a key factor in the growth of the overall market, as it may show inflated revenue. As these changes took place, Pennsylvania saw its gaming positions rise almost 28% from 2009 to 2010. The western part of the state has seen an increase in revenue of 36% as the Pittsburgh market surged after the addition of The Rivers facility.

Pennsylvania Total Gaming Market Performance (Revenue in millions)

	2009 Rev	2010 Rev	% Change	2009 Positions	2010 Positions	% Change	2009 Win/Pos.	2010 Win/Pos.	% Change
Mohegan Sun	\$220.8	\$243.2	10.1%	2,466	2,820	14.3%	\$245	\$236	-3.7%
PARX	\$359.3	\$432.6	20.4%	2,904	3,799	30.9%	\$339	\$312	-8.0%
Harrah's Chester	\$315.9	\$326.5	3.3%	2,915	3,550	21.7%	\$297	\$252	-15.1%
Mt Airy	\$164.6	\$163.3	-0.8%	2,506	2,865	14.3%	\$180	\$156	-13.3%
Meadows	\$278.5	\$264.1	-5.1%	3,128	3,929	25.6%	\$244	\$184	-24.5%
Presque Isle	\$166.7	\$180.2	8.1%	1,995	2,286	14.6%	\$229	\$216	-5.7%
Penn National	\$237.7	\$268.5	12.9%	2,318	2,758	19.0%	\$281	\$281	0.0%
Rivers	\$78.8	\$267.7	239.9%	2,999	3,433	14.5%	\$179	\$214	19.6%
Sands Bethlehem	\$142.3	\$286.1	101.1%	2,964	3,636	22.7%	\$212	\$216	1.5%
Sugar House	N/A	\$54.2	N/A	N/A	1,844	N/A	N/A	\$288	N/A
Eastern	\$1,440.6	\$1,774.4	23.2%	15,084	20,123	33.4%	\$262	\$242	-7.7%
Western	\$523.9	\$712.0	35.9%	6,372	9,648	51.4%	\$225	\$202	-10.2%
Pennsylvania	\$1,964.6	\$2,478.7	26.2%	24,194	30,919	27.8%	\$222	\$220	-1.3%

Source: Pennsylvania Gaming Control Board; Innovation Group. 2010 includes table revenues which became operational in July 2010.

Operators

The following section presents an introduction to the regional market segmentations, sub markets within the regions, operators in each market. For the purposes of this analysis we have split the state into two regions, The Eastern and Western Region. Within each region, we have segmented markets to better define the competitive landscape. Only data for full years of operation are presented in the tables so that accurate market share can be calculated.

Eastern Region

The Eastern Region of Pennsylvania includes the Philadelphia, Poconos, Harrisburg, and Bethlehem-Allentown Markets. The Eastern Region still represents more than 70% of the state's gaming revenue, consistent with 70% of the population as well, which is to be expected as it has seven facilities, compared to three in the Western Region. The total revenue for the Eastern Region has grown to just over \$1.7 billion in 2010 as Mohegan Sun, PARX, and Chester have sharing approximately to 58% of the total revenue, with PARX holding the largest share at 25%.

Harrah's Chester has become the second largest facility in the region with over \$326 million in 2010. Sands Bethlehem and Penn National are the fourth and fifth largest with over \$286 million and \$268 million, respectively. Mount Airy sits in sixth with \$163 million in revenue. Sugar House, which opened in September 2010, had revenue of \$54 million in 2010, but is not included in the table because it did not have a full year of operation. The table below shows the share of revenue for each property in the Eastern Region from 2007 to 2010.

Eastern Region Share of Revenue				
	2007	2008	2009	2010
Mohegan Sun	\$175,503,593	\$185,583,564	\$220,808,247	\$243,216,305
<i>Mkt Share</i>	23.51%	17.91%	17.01%	14.14%
PARX	\$285,032,169	\$345,502,693	\$359,274,246	\$432,602,118
<i>Mkt Share</i>	38.18%	33.35%	27.67%	25.15%
Harrah's Chester	\$285,978,663	\$328,443,772	\$315,938,366	\$326,511,489
<i>Mkt Share</i>	38.31%	31.71%	24.33%	18.98%
Mt. Airy		\$176,389,714	\$164,634,128	\$163,278,042
<i>Mkt Share</i>		17.03%	12.68%	9.49%
Penn National			\$237,721,830	\$268,466,104
<i>Mkt Share</i>			18.31%	15.61%
Sands Bethlehem				\$286,102,776
<i>Mkt Share</i>				16.63%
Total Eastern	\$746,514,425	\$1,035,919,743	\$1,298,376,818	\$1,720,176,834

Source: Pennsylvania Gaming Control Board; Innovation Group

Mohegan Sun, PARX, and Chester have seen their share of positions fall from 2007 to 2010 as well, while the total positions in the Eastern Region has grown from approximately 6,100 to over 19,000 positions. No single facility dominates the region in terms of positions, as the largest share of positions belongs to PARX, which only claims 19.6% of the region's positions. One thing to note is that Mt. Airy, unlike the other facilities, has not expanded its position offerings significantly since starting operations. Mt. Airy has only added approximately 300 positions between opening and 2010,² while Chester added 750 positions and Mohegan Sun and PARX have each added more than 1,500 positions. Even Penn National and Sands Bethlehem have increased their position count despite only being open for a few years. The regional breakdown of positions is shown below.

² Mount Airy currently has 250 fewer slot machines than it did at opening, but it has added 72 tables.

Eastern Region Share of Positions

	2007	2008	2009	2010
Mohegan Sun	1,170	1,798	2,466	2,820
<i>Mkt Share</i>	18.99%	18.07%	18.82%	14.52%
PARX	2,229	2,816	2,904	3,799
<i>Mkt Share</i>	36.16%	28.30%	22.15%	19.56%
Harrah's Chester	2,765	2,816	2,915	3,550
<i>Mkt Share</i>	44.85%	28.29%	22.24%	18.27%
Mt. Airy		2,521	2,506	2,865
<i>Mkt Share</i>		25.34%	19.11%	14.75%
Penn National			2,318	2,758
<i>Mkt Share</i>			17.68%	14.20%
Sands Bethlehem				3,636
<i>Mkt Share</i>				18.71%
Total Eastern	6,165	9,952	13,108	19,427

Source: Pennsylvania Gaming Control Board; Innovation Group

The market share ratio (MSR) measure whether a facility is getting its fair share of revenue based on the proportion of positions it has. If a facility is getting its fair share, then it has a ratio of 1.0. It is underperforming if its ratio is less than 1.0 and over performing if its ratio is greater than 1.0. As more competition has entered the region and it has expanded, Mohegan Sun has seen its market share ratio decline since 2007 when it had a ratio of 1.24. In 2010, Mohegan Sun is getting a little less than its fair share, with a ratio of 0.97, while PARX, Chester, and Penn National all over performed with each having a ratio higher than 1.0. Mount Airy has underperformed each year of operation with a ratio around 0.65 each year. The table below shows each facility's market share ratio from 2007 to 2010. In addition, a snapshot of current MSR is provided based on year-to-date (YTD) 2011 performance.

Eastern Region Market Share Ratio

	2007	2008	2009	2010	YTD* 2011
Mohegan Sun	1.24	0.99	0.90	0.97	0.94
PARX	1.06	1.18	1.25	1.29	1.13
Harrah's Chester	0.85	1.12	1.09	1.04	0.97
Mt Airy		0.67	0.66	0.64	0.67
Penn National			1.04	1.10	1.03
Sands Bethlehem				0.89	1.00
SugarHouse					1.29
Eastern	1.00	1.00	1.00	1.00	1.00

Source: Pennsylvania Gaming Control Board; Innovation Group; Through July

It should be noted that SugarHouse's high MSR is related to its Phase 1 sizing at only half (approximately) of the number of gaming positions as PARX and Chester. Its win per table is currently by far the highest in the state, but it only has 43 tables compared to 172 at PARX and 121 at Chester. The 1,600 slot machines at SugarHouse have a WPU of \$291 compared to PARX's 3,400 machines doing \$308.

Philadelphia Market

The following submarket includes the casinos located either in or adjacent to the Philadelphia metropolitan area. This includes PARX Casino in Bensalem, Harrah's Chester Downs in Chester and The Sugarhouse in Philadelphia. Each facility's performance is measured in the tables below since 2006 through the first four months of 2011, with a comparison to the first four months of 2010 as well.

PARX

PARX Casino is located in Bensalem, PA, 15 minutes northeast of Downtown Philadelphia. The casino is part of the Philadelphia Park Racetrack complex, which includes the horse track and stables. In January 2010, the development opened its new casino with 3,200 slot machines, three restaurants and two bars. The casino is a single floor facility with a modern design. The facility now has just under 3,400 slots, over 160 table games, 6 restaurants, 2 bars, and a night club. PARX also offers live racing and simulcast throughout the year. There is a parking garage and a surface parking lot that is vast enough to require a parking lot shuttle service. PARX is performing well in 2011 as its revenue for the first four months of the year is up nearly 18%. This is mainly due to table revenue as slot revenue is down 8% from the previous year, a reflection of the impact of SugarHouse. The table below shows the historical performance of PARX.

PARX Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2006	\$9,912,892	2,076	\$298.44	0	\$0	\$0	\$9,912,892	\$298.44
2007	\$285,032,169	2,229	\$350.30	0	\$0	\$0	\$285,032,169	\$350.30
2008	\$345,502,693	2,816	\$335.21	0	\$0	\$0	\$345,502,693	\$335.21
2009	\$359,274,246	2,904	\$339.01	0	\$0	\$0	\$359,274,246	\$339.01
2010	\$398,155,075	3,385	\$322.24	69	\$34,447,042	\$3,261.38	\$432,602,118	\$311.95
Jan 2011	\$29,055,856	3,384	\$277.01	152	\$7,632,095	\$1,619.71	\$36,687,951	\$275.51
Feb 2011	\$31,429,989	3,391	\$331.02	150	\$8,204,005	\$1,948.14	\$39,633,994	\$329.69
Mar 2011	\$34,294,736	3,391	\$326.24	150	\$9,975,829	\$2,145.34	\$44,270,566	\$332.81
Apr 2011	\$32,879,018	3,397	\$322.63	162	\$10,360,023	\$2,126.44	\$43,239,040	\$329.72
Jan-Apr 2010	\$139,110,151	3,314	\$349.70	0	\$0	\$0.00	\$139,110,151	\$349.70
Jan-Apr 2011	\$127,659,599	3,391	\$314.23	154	\$36,171,952	\$1,959.91	\$163,831,551	\$316.93
% Change 10-11	-8.23%	2.30%	-10.14%	N/A	N/A	N/A	17.77%	-9.37%

Source: Pennsylvania Gaming Control Board; Innovation Group

Chester

Harrah's Chester Downs is located in Chester, 17 miles south of downtown Philadelphia. The facility is located 3 miles from Interstate 95 on the Delaware River. The casino includes a 5/8's mile harness horse track, live and simulcast racing facilities, six food outlets, one bar, a small

retail outlet and a parking garage with capacity for 2,600 cars. The live racing season runs from March through December, with a small simulcast room which is open year round. The casino offers 2,900 slot machines and 120 table games. Chester Downs, like PARX, has seen an increase in total revenue despite a decrease in slot revenue. Although slot revenue fell nearly 10.5% over the first 4 months of 2011 compared to 2010, total revenue increased more than 16.5% thanks to table revenue. The table below shows Chester Downs historical performance.

Chester Downs Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2007	\$285,978,663	2,765	\$298.94	0	\$0	\$0	\$285,978,663	\$298.94
2008	\$328,443,772	2,816	\$318.72	0	\$0	\$0	\$328,443,772	\$318.72
2009	\$315,938,366	2,915	\$296.89	0	\$0	\$0	\$315,938,366	\$296.89
2010	\$296,491,721	2,912	\$278.96	106	\$30,019,768	\$1,846.37	\$326,511,489	\$252.02
Jan 2011	\$21,608,525	2,956	\$235.81	122	\$5,616,750	\$1,489.20	\$27,225,275	\$238.26
Feb 2011	\$24,239,359	2,948	\$293.63	122	\$6,900,693	\$2,016.80	\$31,140,052	\$302.09
Mar 2011	\$25,613,661	2,953	\$279.80	122	\$7,426,257	\$1,966.80	\$33,039,918	\$289.32
Apr 2011	\$24,264,111	2,957	\$273.50	121	\$7,932,936	\$2,185.38	\$32,197,047	\$291.38
Jan-Apr 2010	\$106,845,194	2,932	\$304.06	0	\$0	\$0.00	\$106,845,194	\$304.06
Jan-Apr 2011	\$95,725,656	2,954	\$270.68	122	\$27,876,635	\$1,914.55	\$123,602,291	\$280.27
% Change 10-11	-10.41%	0.74%	-10.98%	N/A	N/A	N/A	15.68%	-7.82%

Source: Pennsylvania Gaming Control Board; Innovation Group

Valley Forge

In May 2009, the Pennsylvania Gaming Control Board approved a category three license for a resort casino at the Valley Forge Convention Center in King of Prussia, 30 minutes to the northwest of Philadelphia. This casino license, which permits the development of a resort style casino to include a hotel as well as up to 500 slot machines, was awarded to Valley Forge Convention Partners, which includes the Valley Forge Convention Center and multiple local partners. The casino was expected to open in May 2010, but an appeal of the gaming regulatory board decision stalled the development. The Pennsylvania Supreme Court approved the Valley Forge Casino in March 2011 and the Pennsylvania Gaming Control Board approved the financial plan in April 2011. The casino is nominally scheduled to open in spring 2012 with 600 slots, 50 table games, and a 488-room hotel. As of this date Valley Forge has submitted its patron of amenities plan but it has not received approval from the board. The plan is subject to challenge, which would result in further delays in developing and opening the facility. However, for the purpose of this analysis the facility has been included in the modeling.

Downtown Sub Market

Sugar House

Sugar House Casino opened in September 2010 on North Delaware Avenue, between Frankford and Shackamaxon Streets in Philadelphia. The casino is 2 miles from downtown Philadelphia. The casino opened with 1,600 slot machines, 43 table games and a parking garage with capacity

for 1,700 cars. The first phase opened with two restaurants and a bar in the property, with plans for phase two construction to expand the gaming area and build a parking garage. A hotel and entertainment center are planned in future phases but they have not been included in the analysis.

Sugar House received approval by the state in May 2011 to add an additional 10 table games and expects the tables to be operational Q4 2011. There is not a long history of performance since the facility only opened in September 2010, but through April 2011, the casino has had total revenue of \$132 million since inception. Sugar House's performance is shown in the table below.

Sugarhouse Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2010	\$37,076,304	1,601	\$227.06	41	\$17,118,033	\$2,762.53	\$54,194,337	\$288.15
Jan 2011	\$10,095,673	1,602	\$203.34	43	\$4,427,258	\$3,321.27	\$14,522,930	\$251.92
Feb 2011	\$13,365,212	1,602	\$297.96	43	\$5,220,463	\$4,335.93	\$18,585,674	\$356.87
Mar 2011	\$14,930,000	1,602	\$300.65	43	\$6,432,608	\$4,825.66	\$23,903,589	\$414.56
Apr 2011	\$14,540,310	1,602	\$302.54	43	\$6,218,937	\$4,820.88	\$20,759,247	\$372.03
Jan-Apr 2010	\$0	N/A	N/A	0	\$0	\$0.00	\$0	N/A
Jan-Apr 2011	\$55,472,176	1,602	\$288.91	43	\$22,299,265	\$4,325.94	\$77,771,441	\$348.85
% Change 10-11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Pennsylvania Gaming Control Board; Innovation Group

Foxwoods Philadelphia License Status

In Late 2010, The PGCB revoked the category one, Philadelphia based gaming license from Philadelphia Entertainment and Development Partners (PEDP). Originally, PEDP was a joint venture between a group of local developers and the Mashantucket Pequot Indians d.b.a. Foxwoods Development Corporation. After 24 months of dealings and discussions with multiple operating partners, including Wynn Resorts and Caesars Entertainment, the license was stripped from PEDP due to the lack of a cohesive operating and financing plan.

PEDP has since sued the PGCB in the Commonwealth Courts to force the board to return the license pending solvent financing plans. The viability of the license will now reside in the state courts instead of the binding decision by the PGCB.

In early 2011, the Pennsylvania State legislature started the process of considering legislation, which if enacted, would reopen the bidding process for the Philadelphia-based category two License. The House Gaming Oversight committees held hearings in late January 2010 to start drafting new legislation, which would include the following provisions:

1. The license can be located anywhere in the state with the caveat that does not break existing quotas of two casinos the Philadelphia Market and one in the Pittsburgh market.
2. The minimum starting price for the license will be \$66.5 million

- The bidder would have to provide information about the ownership structure, management structure, financing plans, master planning and economic impacts.

Currently this bill is still in committee and has not reached the House or Senate floor for a vote.

In addition, legislation has also been introduced in the Senate that would permit the Category 2 license that has not been issued in Philadelphia available for issuance in any other area of the Commonwealth. The Senate legislation does not contain the House bill's bidding process, subjecting the license to the existing statutory tax and fee structure.

Poconos Market

The Poconos market is part of the larger Eastern Region and includes The Mohegan Sun at Pocono Downs and Mt. Airy Casino and Resort. Each facility's performance is measured in the tables below since 2006 through the first four months of 2011, with a comparison to the first four months of 2010.

Mohegan Sun

Mohegan Sun is a horse track racino in Wilkes-Barre easily accessible from I-81. The racino is less than 15 minutes away from the Wilkes-Barre/Scranton International Airport. Mohegan Sun opened in November 2006 with approximately 1,100 slot machines. The facility now offers over 2,300 slot machines, over 80 table games, 11 dining options, 2 bars, retail, and a radio station. Mohegan also offers live music at each of its bars and an outdoor summer concert series. Mohegan saw an increase in total revenue in 2010 of nearly \$23 million over 2009. Unlike the other area facilities, Mohegan's slot revenue rose year-over-year, generating approximately \$225 million in 2010. Total revenue, through the first 4 months, is up 21.5% in 2010 as well. Mohegan's historical performance is shown in the table below.

Mohegan Sun Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2006	\$21,655,033	1,099	\$378.93	0	\$0	\$0	\$21,655,033	\$378.93
2007	\$175,503,593	1,170	\$410.82	0	\$0	\$0	\$175,503,593	\$410.82
2008	\$185,583,564	1,798	\$281.94	0	\$0	\$0	\$185,583,564	\$281.94
2009	\$220,808,247	2,466	\$245.28	0	\$0	\$0	\$220,808,247	\$245.28
2010	\$224,762,570	2,350	\$262.02	78	\$18,453,735	\$1,539.74	\$243,216,305	\$236.28
Jan 2011	\$18,059,542	2,466	\$236.26	84	\$3,293,804	\$1,264.90	\$21,353,346	\$231.94
Feb 2011	\$18,278,684	2,464	\$264.89	84	\$3,120,315	\$1,326.66	\$21,398,999	\$257.46
Mar 2011	\$20,191,117	2,356	\$276.45	84	\$3,446,784	\$1,323.65	\$23,637,900	\$266.61
Apr 2011	\$20,280,016	2,331	\$290.05	84	\$3,615,084	\$1,434.56	\$23,895,100	\$280.99
Jan-Apr 2010	\$74,273,426	2,370	\$262.20	0	\$0	\$0.00	\$74,273,426	\$262.20
Jan-Apr 2011	\$76,809,359	2,404	\$266.92	84	\$13,475,986	\$1,337.44	\$90,285,345	\$259.25
% Change 10-11	3.41%	1.46%	1.80%	N/A	N/A	N/A	21.56%	-1.12%

Source: Pennsylvania Gaming Control Board; Innovation Group

Mt. Airy

Mount Airy Casino Resort is located in Mount Pocono about 45 minutes from the Wilkes-Barre/Scranton International Airport. The resort offers over 2,250 slot machines and 74 tables. Mount Airy has a 188-room hotel, spa, entertainment center, nightclub, golf course, meeting space for up to 150 people, 8 restaurants, and 2 bars. The resort also offers snowmobiling in the winter time and shuttle services between the resort and the Mall at Steamtown on the weekends throughout the year. Mount Airy also partners with bus companies to provide transport for customers from New York City, Northern New Jersey, and several cities throughout Pennsylvania. Mount Airy opened in 2007, and unlike the other Eastern Region facilities, it has actually reduced its number of gaming positions since opening. The resort opened in 2007 with over 2,500 slots and has removed about 250 since then. Revenue has declined each year; however, through the first four months of 2011 revenue has increased nearly 27.5%. The increase in revenue, combined with the decrease in positions, means that win per position is at its highest level since 2008 reaching \$193.82 in April 2011. The table below shows Mount Airy's historical performance since opening.

Mt. Airy Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2007	\$25,745,832	2,524	\$139.75	0	\$0	\$0	\$25,745,832	\$139.75
2008	\$176,389,714	2,521	\$191.15	0	\$0	\$0	\$176,389,714	\$191.15
2009	\$164,634,128	2,506	\$180.02	0	\$0	\$0	\$164,634,128	\$180.02
2010	\$143,811,645	2,415	\$163.14	75	\$19,466,397	\$1,697.93	\$163,278,042	\$156.15
Jan 2011	\$10,522,147	2,450	\$138.55	80	\$2,969,761	\$1,199.98	\$13,491,907	\$148.60
Feb 2011	\$11,294,306	2,449	\$164.73	73	\$2,337,155	\$1,146.56	\$13,631,461	\$168.72
Mar 2011	\$12,230,889	2,327	\$169.55	72	\$3,482,472	\$1,560.25	\$15,713,361	\$183.72
Apr 2011	\$12,593,813	2,275	\$184.53	72	\$3,146,009	\$1,456.49	\$15,739,823	\$193.82
Jan-Apr 2010	\$45,963,721	2,453	\$156.04	0	\$0	\$0.00	\$45,963,721	\$156.04
Jan-Apr 2011	\$46,641,155	2,375	\$164.34	74	\$11,935,397	\$1,340.82	\$58,576,551	\$173.72
% Change 10-11	1.47%	-3.18%	5.32%	N/A	N/A	N/A	27.44%	11.33%

Source: Pennsylvania Gaming Control Board; Innovation Group

Bethlehem – Allentown Market

Sands Bethlehem

Sands Casino and Resort, located in Bethlehem, is owned and operated by Las Vegas Sands Corporation, which owns The Venetian and Palazzo in Las Vegas and multiple casinos in Macau. This stand-alone casino is located 60 minutes from downtown Philadelphia. The original plan for the casino called for multiple phases, with the first phase including a casino, 300- room hotel and convention center. The second phase included 1,200 residential units and a retail component. The casino opened in May 2009 with a limited program from the original plan, but an expansion on Memorial Day weekend 2011 included the 300-room hotel. The casino currently offers 3,000 slot machines, 100 table games, 7 restaurants including 2 operated by Emeril Lagasse, 2 bars, a night club, meeting space for up to 175 people, a 300-room hotel, and buses that run daily between the casino and New York, Philadelphia, and North Jersey. The casino also has a parking garage with capacity for 6,000 cars. Through the first four months of

2011, Sands has seen a 4.5% increase in slot revenue and nearly a 40% increase in total revenue over 2010. The table below shows Sands' performance since opening.

Sands Bethlehem Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2009	\$142,267,867	2,964	\$212.41	0	\$0	\$0	\$142,267,867	\$212.41
2010	\$258,735,860	3,099	\$228.71	89	\$27,366,916	\$2,001.52	\$286,102,776	\$215.60
Jan 2011	\$19,805,023	3,024	\$211.27	100	\$7,090,822	\$2,287.36	\$26,895,845	\$239.41
Feb 2011	\$21,658,644	3,024	\$255.78	100	\$6,574,739	\$2,348.12	\$28,233,383	\$278.22
Mar 2011	\$23,592,345	3,004	\$253.34	100	\$8,537,395	\$2,754.00	\$32,129,741	\$287.58
Apr 2011	\$23,706,581	3,025	\$261.26	100	\$7,832,242	\$2,610.75	\$31,538,823	\$290.04
Jan-Apr 2010	\$84,871,754	3,202	\$220.98	0	\$0	\$0.00	\$84,871,754	\$220.98
Jan-Apr 2011	\$88,762,593	3,019	\$245.41	100	\$30,035,198	\$2,500.06	\$118,797,792	\$273.81
% Change 10-11	4.58%	-5.71%	11.06%	N/A	N/A	N/A	39.97%	23.91%

Source: Pennsylvania Gaming Control Board; Innovation Group

Harrisburg Market

Penn National

Hollywood Casino at Penn National Race Course is a horse track located in Grantville near Interstate 81, which runs between the Wilkes-Barre/Scranton area and Harrisburg. Penn National offers live racing and simulcast throughout the year, as well as nearly 2,500 slots and 60 table games. The racino has a live music rooftop venue, 5 restaurant options, a bar, meeting space for up to 800 people, a gift shop and a Hollywood cinema museum. Penn National partners with bus companies to provide transport for customers from 13 Pennsylvania cities, as well as Baltimore and Washington, DC. Penn National's slot revenue through the first four months of 2011 has declined more than 2.5%, but total revenue has increased more than 12.7%, due to table revenue. Penn National's historical performance is shown in the table below.

Penn National Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2008	\$171,117,626	2,120	\$246.82	0	\$0	\$0	\$171,117,626	\$246.82
2009	\$237,721,830	2,318	\$281.03	0	\$0	\$0	\$237,721,830	\$281.03
2010	\$253,403,976	2,433	\$285.38	54	\$15,062,128	\$1,817.08	\$268,466,104	\$266.71
Jan 2011	\$18,427,085	2,485	\$239.24	58	\$3,022,143	\$1,680.84	\$21,449,228	\$244.27
Feb 2011	\$20,758,363	2,484	\$298.46	58	\$3,134,634	\$1,936.87	\$23,892,997	\$301.45
Mar 2011	\$22,615,717	2,471	\$295.24	61	\$3,483,132	\$1,841.95	\$26,098,849	\$296.76
Apr 2011	\$22,411,051	2,471	\$302.36	61	\$3,647,504	\$1,993.17	\$26,058,555	\$306.21
Jan-Apr 2010	\$86,492,518	2,373	\$303.54	0	\$0	\$0.00	\$86,492,518	\$303.54
Jan-Apr 2011	\$84,212,216	2,478	\$283.83	59	\$13,287,412	\$1,863.21	\$97,499,628	\$287.17
% Change 10-11	-2.64%	4.41%	-6.49%	N/A	N/A	N/A	12.73%	-5.39%

Source: Pennsylvania Gaming Control Board; Innovation Group

Western Region

The Western Region consists of the Pittsburgh, Erie, and Newcastle markets. In 2010, Presque Isle has the lowest share of the total Western Region revenue, at 25%, while The Meadows and The Rivers each capture close to 37% of the market. The overall market has grown substantially since 2008, reaching total revenue above \$700 million in the first year that all three facilities were operational. The table below shows the share of revenue in the Western Region.

	2008	2009	2010
Meadows	\$244,052,451	\$278,474,209	\$264,145,428
<i>Mkt Share</i>	59.74%	62.55%	37.10%
Presque Isle	\$164,475,937	\$166,701,204	\$180,217,430
<i>Mkt Share</i>	40.26%	37.45%	25.31%
Rivers			\$267,654,973
<i>Mkt Share</i>			37.59%
Total Western	\$408,528,388	\$445,175,413	\$712,017,831

Source: Pennsylvania Gaming Control Board; Innovation Group

In 2008, the market share of positions was split between the Meadows temporary structure and Presque Isle. In 2009, when The Meadows opened its permanent facility, the market share shifted and The Meadows controlled close to two-thirds the market. In 2010, The Rivers entered the market and shifted the market share and The Meadows now has the greatest share of positions with more than 40% of the region's positions. The Western Region's share of positions is shown below.

	2008	2009	2010
Meadows	1,821	3,128	3,929
<i>Mkt Share</i>	47.69%	61.05%	40.72%
Presque Isle	1,997	1,995	2,286
<i>Mkt Share</i>	52.31%	38.95%	23.70%
Rivers			3,433
<i>Mkt Share</i>			35.58%
Total Western	3,818	5,123	9,648

Source: Pennsylvania Gaming Control Board; Innovation Group

In terms of market share ratio, in 2008 The Meadows was over performing with a ratio of 1.25 while Presque Isle was underperforming with a ratio of 0.77. In 2010, The Meadows underperformed with a ratio of 0.91, while Presque Isle and The Rivers over performed with ratios of 1.07 and 1.06 respectively. The table below shows each facility's market share ratio since 2007. In April 2011, The Rivers continued to outperform the market and drove a market share ratio of 1.14, followed by Presque Isle at 1.05. The Meadows continues to lose ground and underperformed the market at 0.86.

Western Region Market Share Ratio

	2007	2008	2009	2010	YTD* 2011
Meadows	1.25	1.25	1.08	0.91	0.88
Presque Isle	0.83	0.77	1.02	1.07	0.97
Rivers				1.06	1.15
Western	1	1	1	1	1

Source: Pennsylvania Gaming Control Board; Innovation Group; Through July

Pittsburgh Market

The Pittsburgh market includes The Meadows and The Rivers, which make up 75% of the region's revenue. Pittsburgh is the second largest city in Pennsylvania, behind Philadelphia. Each facility's performance in the market is measured in the table below from 2006 through the first four months of 2011, with a comparison to the first four months of 2010 as well.

The Meadows

The Meadows Racetrack and Casino is located in Washington off Interstate 79, 35 minutes from downtown Pittsburgh and 45 minutes from the Pittsburgh International Airport. The Meadows offers live racing and simulcast year round, as well as 3,500 slots and 70 table games. The facility includes 4 restaurants, 1 bar, 2 music lounges, a bowling alley, and meeting space for up to 110 people. Through the first four months of 2011, slot revenue is up 5% and total revenue is up 19%. Win per Slot and Win per Position have also both increased over 10%. The table below shows The Meadows performance since 2007.

The Meadows Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2007	\$124,587,912	1,748	\$347.68	0	\$0	\$0	\$124,587,912	\$347.68
2008	\$244,052,451	1,821	\$366.22	0	\$0	\$0	\$244,052,451	\$366.22
2009	\$278,474,209	3,128	\$243.95	0	\$0	\$0	\$278,474,209	\$243.95
2010	\$249,148,627	3,549	\$192.34	63	\$14,996,801	\$1,549.29	\$264,145,428	\$184.21
Jan 2011	\$18,094,002	3,506	\$166.48	68	\$2,885,453	\$1,368.81	\$20,979,455	\$172.91
Feb 2011	\$21,019,269	3,504	\$214.25	68	\$1,108,587	\$582.24	\$22,127,856	\$202.03
Mar 2011	\$22,438,093	3,506	\$206.45	70	\$4,476,088	\$2,050.99	\$26,914,181	\$221.01
Apr 2011	\$21,492,454	3,499	\$204.76	71	\$2,616,253	\$1,228.29	\$24,108,707	\$204.76
Jan-Apr 2010	\$79,022,297	3,662	\$179.71	0	\$0	\$0.00	\$79,022,297	\$179.71
Jan-Apr 2011	\$83,043,818	3,504	\$197.99	69	\$11,086,381	\$1,307.58	\$94,130,199	\$200.17
% Change 10-11	5.09%	-4.33%	10.17%	N/A	N/A	N/A	19.12%	11.39%

Source: Pennsylvania Gaming Control Board; Innovation Group

The Rivers

The Rivers Casino is located near downtown Pittsburgh. It lies along the riverbank, within a few minutes of Heinz Field and PNC Park. The Rivers offers nearly 3,000 slots and over 100 table games, as well as 5 restaurants, 3 bars, and live music across 3 venues. The Rivers offers a bus program to transport customers from 16 cities in Ohio and 14 cities in Pennsylvania. The Rivers has seen tremendous growth in the first four months of 2011. Slot revenue is up nearly 18.5% over 2010, while total revenue is up more than 46%, which can be attributed to the ramp up period and management changes the facility experienced through 2010. Win per Slot and Win per Position have increased more than 20% over 2010. The Rivers performance is summarized in the table below.

The Rivers Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2009	\$78,750,383	2,999	\$178.61	0	\$0	\$0	\$78,750,383	\$178.61
2010	\$241,961,164	2,920	\$227.04	86	\$25,693,809	\$1,964.13	\$267,654,973	\$213.62
Jan 2011	\$20,173,212	2,941	\$221.26	86	\$4,646,280	\$1,742.79	\$24,819,492	\$231.59
Feb 2011	\$22,722,427	2,893	\$280.50	96	\$5,540,439	\$2,069.80	\$28,262,866	\$291.17
Mar 2011	\$24,311,676	2,953	\$265.58	104	\$5,548,123	\$1,717.58	\$29,859,799	\$269.19
Apr 2011	\$24,168,710	2,954	\$272.70	107	\$5,773,592	\$1,798.63	\$29,942,302	\$277.54
Jan-Apr 2010	\$77,169,824	2,998	\$214.39	0	\$0	\$0.00	\$77,169,824	\$214.39
Jan-Apr 2011	\$91,376,025	2,935	\$260.01	98	\$21,508,434	\$1,832.20	\$112,884,459	\$267.37
% Change 10-11	18.41%	-2.09%	21.28%	N/A	N/A	N/A	46.28%	24.71%

Source: Pennsylvania Gaming Control Board; Innovation Group

Nemacolin Woods

Isle of Capri is not scheduled to open the Nemacolin Woods casino prior to January 1, 2013. This is a category 3 license, which is limited to a maximum of 600 slot machines. Nemacolin Woods is approximately 90 minutes southeast of Pittsburgh. As of this date Nemacolin has yet to submit its patron of amenities plan. It is considered likely that the plan will be subject to challenge, resulting in delays in developing and opening the facility. Moreover, the Gaming Control Board's decision to award the license to Isle of Capri/Nemacolin has been appealed to the state supreme court, thus creating legal uncertainty about the status of the license. However, for the purpose of this analysis the facility has been included in the modeling.

Erie Market

Presque Isle Downs

Presque Isle Downs and Casino is located in Erie off Interstate 90, 20 minutes from the Erie International Airport and 15 minutes from downtown Erie. There is live racing at the facility from May through September and simulcast throughout the year. Presque Isle has offered 2,000 slots since opening in 2007 and now has nearly 50 table games. The facility also includes 4 restaurants, 2 bars, and offers live music each weekend. Presque Isle has partnered with 16 bus companies to provide transportation for customers from major cities such as Cleveland, Toronto

and Pittsburgh. Presque Isle has seen total revenue increase nearly 13% through the first four months of 2011. Presque Isle's performance is shown below.

Presque Isle Historical Performance

Year	Slot Revenue	Slots	Win Per Slot	Tables	Table Revenue	Win Per Table	Total Revenue	WPP
2007	\$142,182,554	1,996	\$230.49	0	\$0	\$0	\$142,182,554	\$230.49
2008	\$164,475,937	1,997	\$225.03	0	\$0	\$0	\$164,475,937	\$225.03
2009	\$166,701,204	1,995	\$228.92	0	\$0	\$0	\$166,701,204	\$228.92
2010	\$170,387,248	1,998	\$233.61	48	\$9,830,182	\$1,338.53	\$180,217,430	\$215.97
Jan 2011	\$11,476,857	2,028	\$182.56	48	\$1,726,388	\$1,160.21	\$13,203,245	\$183.90
Feb 2011	\$13,159,289	2,030	\$231.53	48	\$1,485,535	\$1,105.31	\$14,644,824	\$225.65
Mar 2011	\$14,707,915	2,029	\$233.83	48	\$1,797,930	\$1,208.29	\$16,505,845	\$229.80
Apr 2011	\$15,054,165	2,006	\$250.16	48	\$1,744,301	\$1,211.32	\$16,798,465	\$244.10
Jan-Apr 2010	\$54,161,589	1,997	\$225.92	0	\$0	\$0.00	\$54,161,589	\$225.92
Jan-Apr 2011	\$54,398,226	2,023	\$224.52	48	\$6,754,153	\$1,171.28	\$61,152,379	\$220.86
% Change 10-11	0.44%	1.29%	-0.62%	N/A	N/A	N/A	12.91%	-2.24%

Source: Pennsylvania Gaming Control Board; Innovation Group

New Castle Market

Valley View Downs

In October 2010, American Harness Tracks of Pittsburgh won the bid to purchase Valley View Downs from Indiana based Centaur, through a bankruptcy auction. American Harness is in the application process to the state racing commission for the racing license, which was held by Centaur since 2007, and is in negotiations to finance the project, but does not have a timetable in place to open the facility or even start construction. The Pennsylvania Harness Racing Commission has created a deadline of September 12, 2011 for the developers to raise \$150 million in financing for the racetrack in order to keep their racing license.

HISTORICAL SLOTS TRENDS AND SATURATION ANALYSIS

The following section will present the historical slot machine performance and trends for the Pennsylvania casinos. The performance of the casinos is broken down into the regional markets and presented on a property by property basis. For each market and property, we have presented the total slot revenue and win per unit on a trailing 12 month basis for the first stabilized month of operations. In some cases properties opened in the middle of the month. Also, we have shown the inventory or number of machines compared to the win per unit. For each section The Innovation Group highlighted any relevant trends and observations.

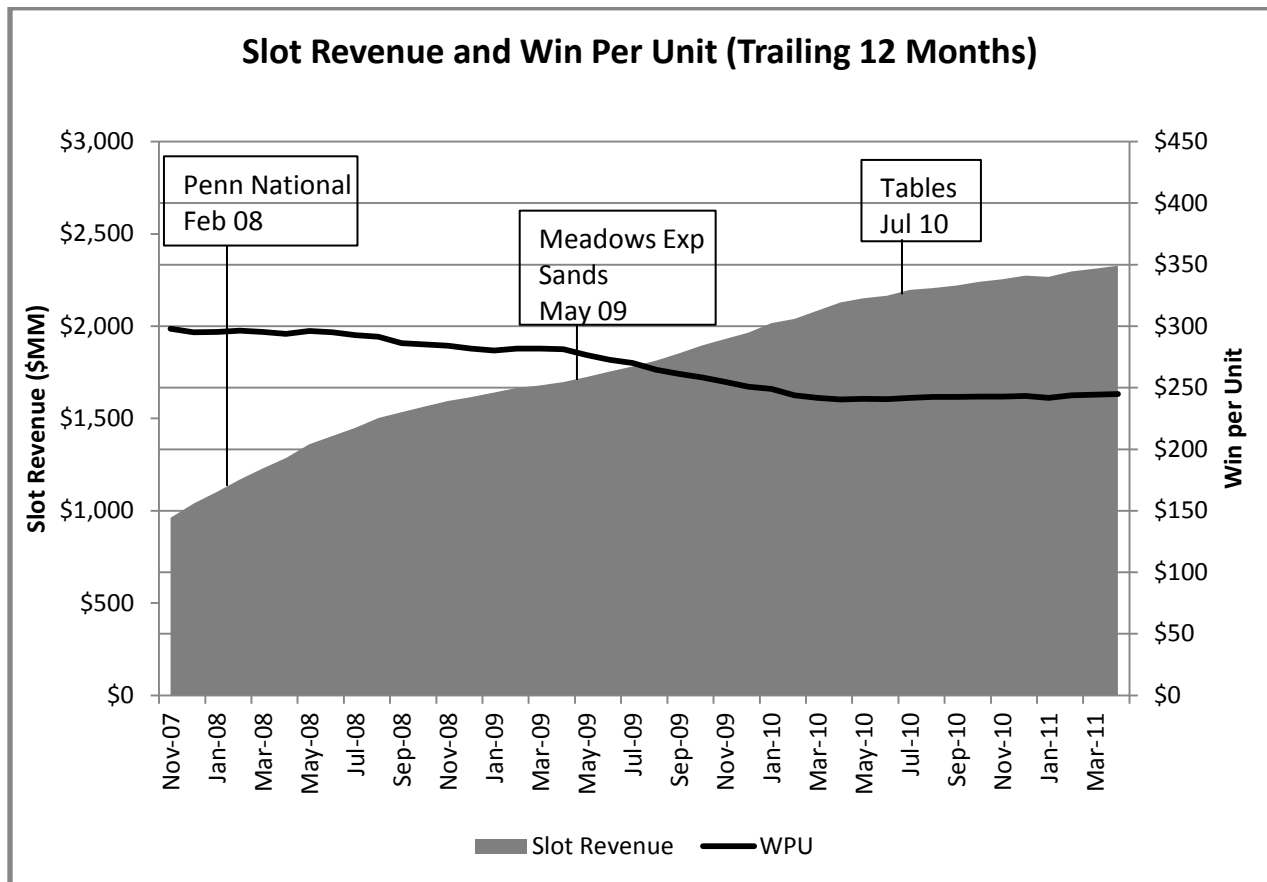
In the first few years of operation, gaming markets typically are highly elastic—that is, as new gaming positions are added there is little impact on existing supply or on overall WPP. However, as supply comes into balance with demand for gaming, adding new gaming positions causes WPP in a market to decrease, as a portion of revenues generated by new positions comes at the expense of the existing supply. The size of that portion (i.e., the ratio of cannibalization versus new revenues) depends upon the level of saturation in any particular market.

The Pennsylvania markets have until recently been characterized as emerging markets with steep growth trends. As the markets have ramped up, new supply has been readily absorbed by latent demand. However, recent trends show greater market maturation, and the introduction of new supply into markets has resulted in lower WPP and cannibalization of existing supply.

Statewide

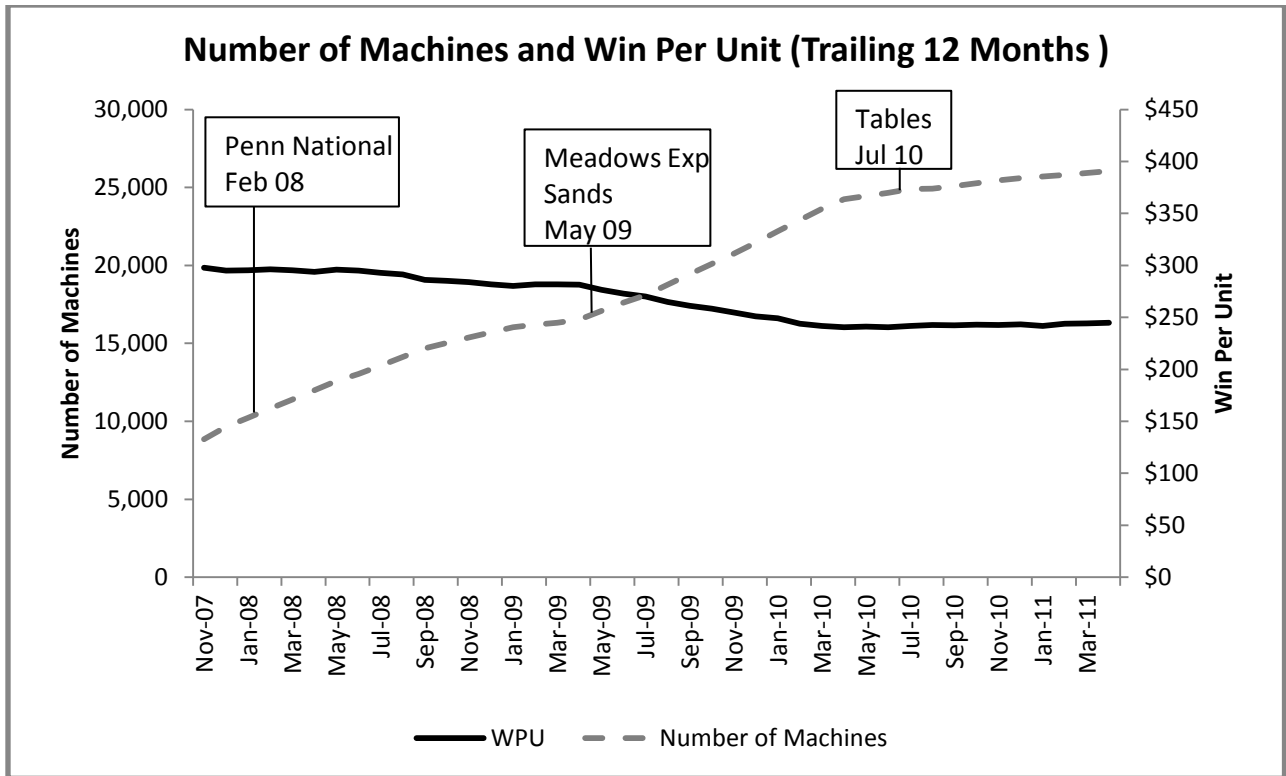
The Commonwealth of Pennsylvania has demonstrated positive trailing 12 month slot revenue growth since November 2007. This indicates that the market is still maturing and should continue its growth as the casinos in the market begin to stabilize. The steeper slope of revenue growth from November 2007 through November 2008 was fueled by the introduction of gaming at Philadelphia Park (Parx) and Harrah's Chester Downs. The continued growth from January 2009 through January 2011 was explained by new entrants into the market and the absorption of latent demand in the market.

The slot machine Win per Unit (WPU) for the state peaked at \$300 in November of 2007 and has declined year-over-year through March 2010. From March 2010 to current, WPU has stabilized at approximately \$250, which indicates the start of a saturated market. Below is a chart showing the trailing 12 months of total slot revenue and WPU over the same period for the State of Pennsylvania



Source: PGCB, The Innovation Group

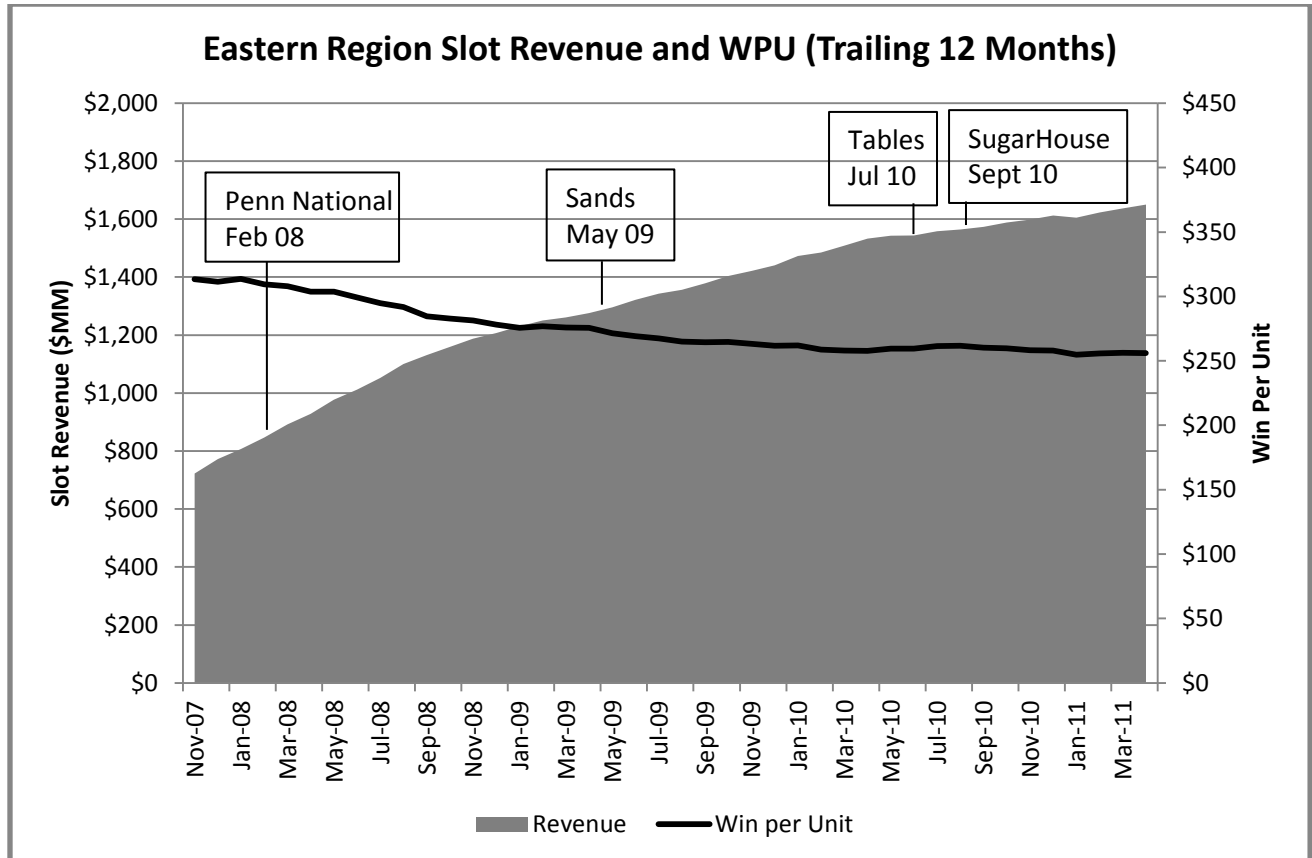
The state has continually added machines from November 2006 through current with the introduction of new properties. Within the past six months the number of machines has started to stabilize with the exception of the addition of machines due to the opening of Sugarhouse in September 2010. As the number of machines has increased in the state, WPU has continued to decrease and begun to stabilize in September 2010.



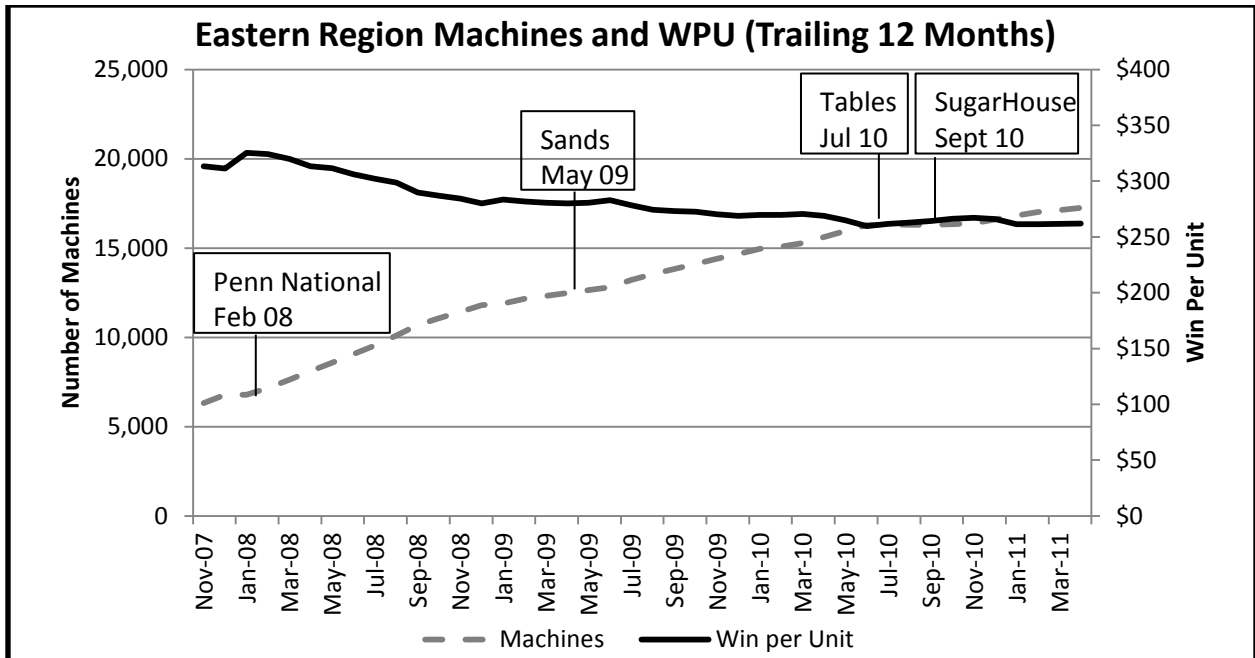
Source: PGCB, The Innovation Group

Eastern Region

The Eastern Region includes the majority of the revenue and supply for the total Pennsylvania market. In April 2011, the Eastern region represented 71% of the revenue and 68% of the supply for the entire state. The trends in the Eastern region have mimicked the state trends in terms of both total slot revenue and WPU. The significant slope increase from September 2010 through April 2011 is attributable to the opening of Sugarhouse in Philadelphia.

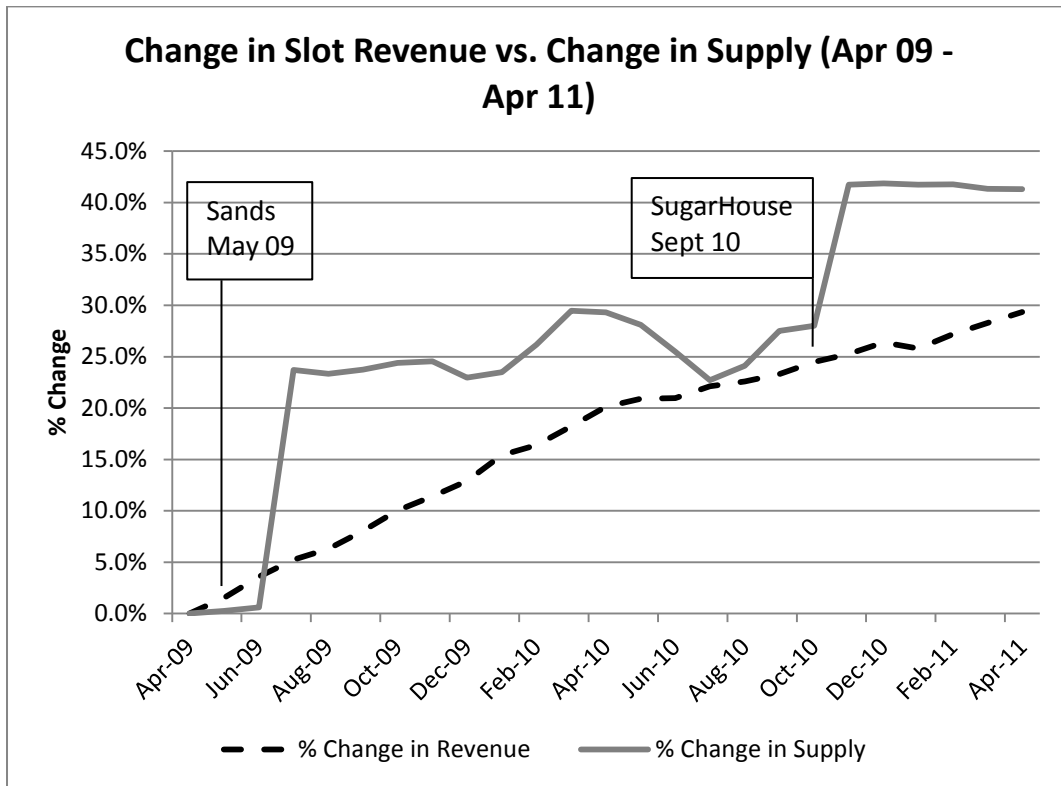


Source: PGCB, The Innovation Group



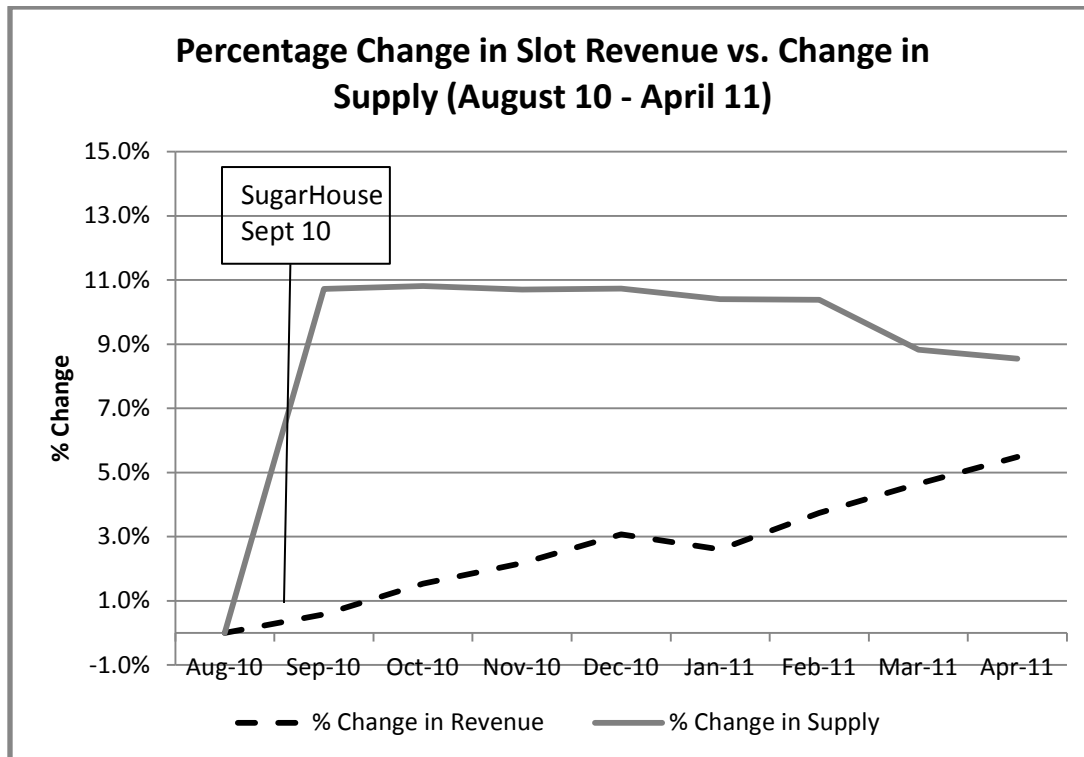
Source: PGCB, The Innovation Group

In addition to the overall changes in revenue, WPU and supply, we presented the percentage increases in revenue and supply relative to April 2009. The lines' drawing closer together indicates demand catching up to increases in supply. This is evident in May 2010, and the supply increase in September 2010 has nearly been absorbed as of April 2011.



Source: PGCB, The Innovation Group

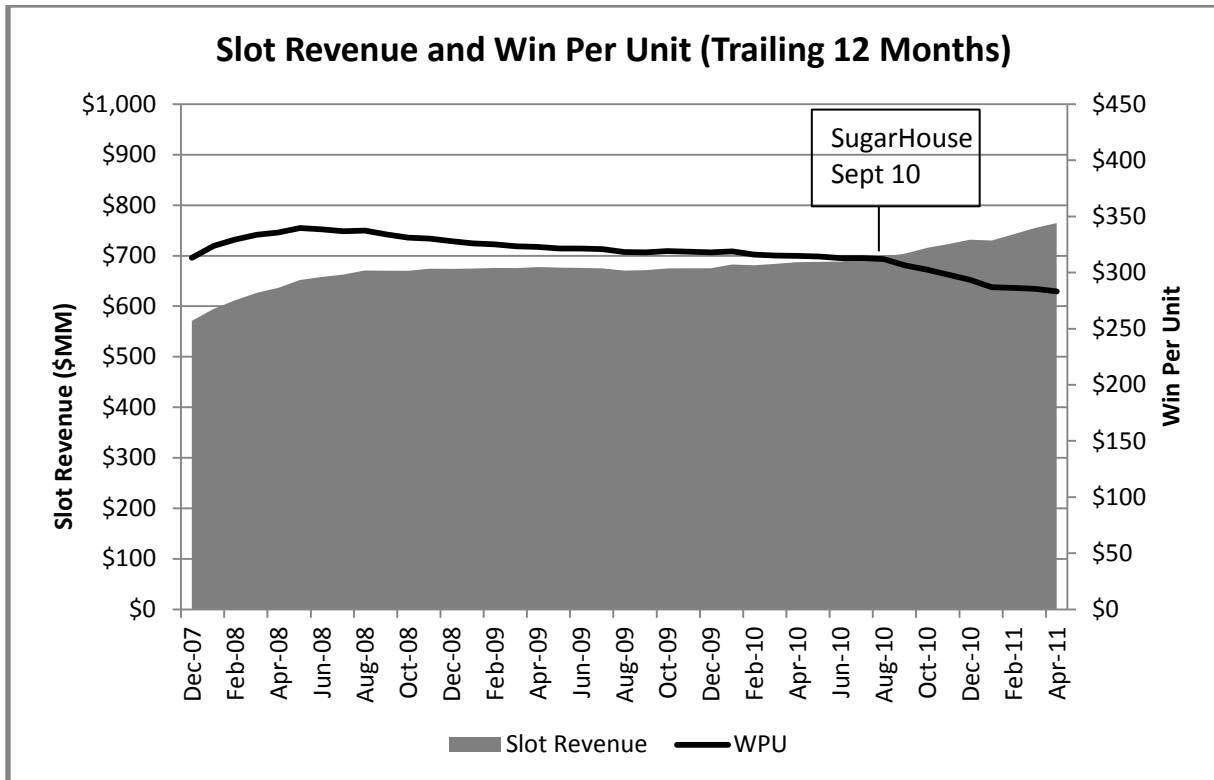
The following chart zooms in on the effects of the 2010 introduction of SugarHouse on the Eastern market and recent adjustments in supply. The sharp increase in September marks the opening of the casino. Demand shows a steady growth line (with the exception of heavy snow storms in December and January), indicating that SugarHouse was being absorbed. Some Eastern facilities took slot machines off the floor beginning in February, in response to SugarHouse and to make room for table games, resulting in a dip in supply. The growth in demand and the dip in supply have brought the two lines close together as of April.



Source: PGCB, The Innovation Group

Philadelphia Submarket

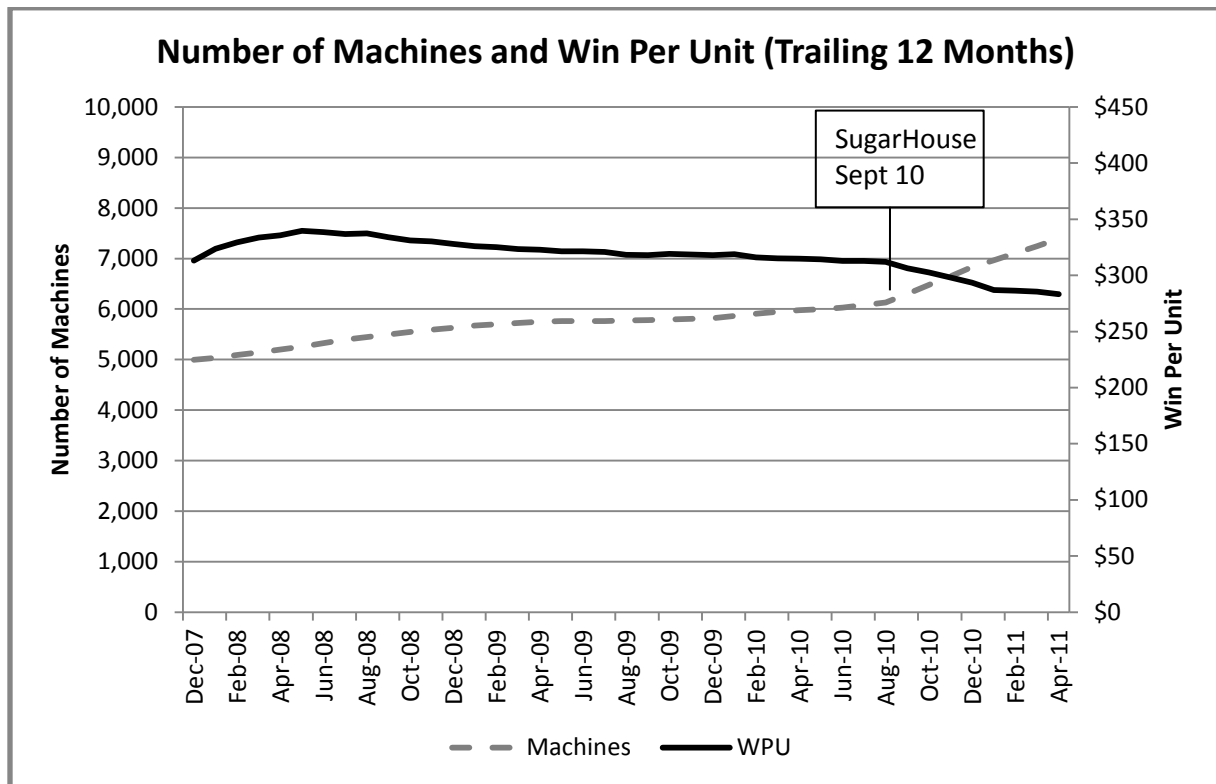
The Philadelphia submarket is represented by Parx Casino, Harrah’s Chester Downs and the recently opened Sugar House Casino. The Philadelphia market is generates the most revenue and has the second largest supply of machines. The Philadelphia market, because of its mainly urban locations has the highest WPU in the state. Both Park and Chester Downs opened in a month of each other and showed relatively flat, but still positive revenue growth. The increase in revenue shown beginning in September 2010 is explained by the opening of Sugarhouse which grew the overall market but also cannibalized Parx and Chester, diluting the WPU.



Source: PGCB, The Innovation Group

SugarHouse has generated \$98.6 million in slot revenues YTD 2011 (through July), while Parx and Chester have seen their slot revenues decline by nearly \$42 million compared to the same period in 2010. This effectively means that 42.6% of SugarHouse’s slot revenues represent cannibalization and 57.4% market growth.

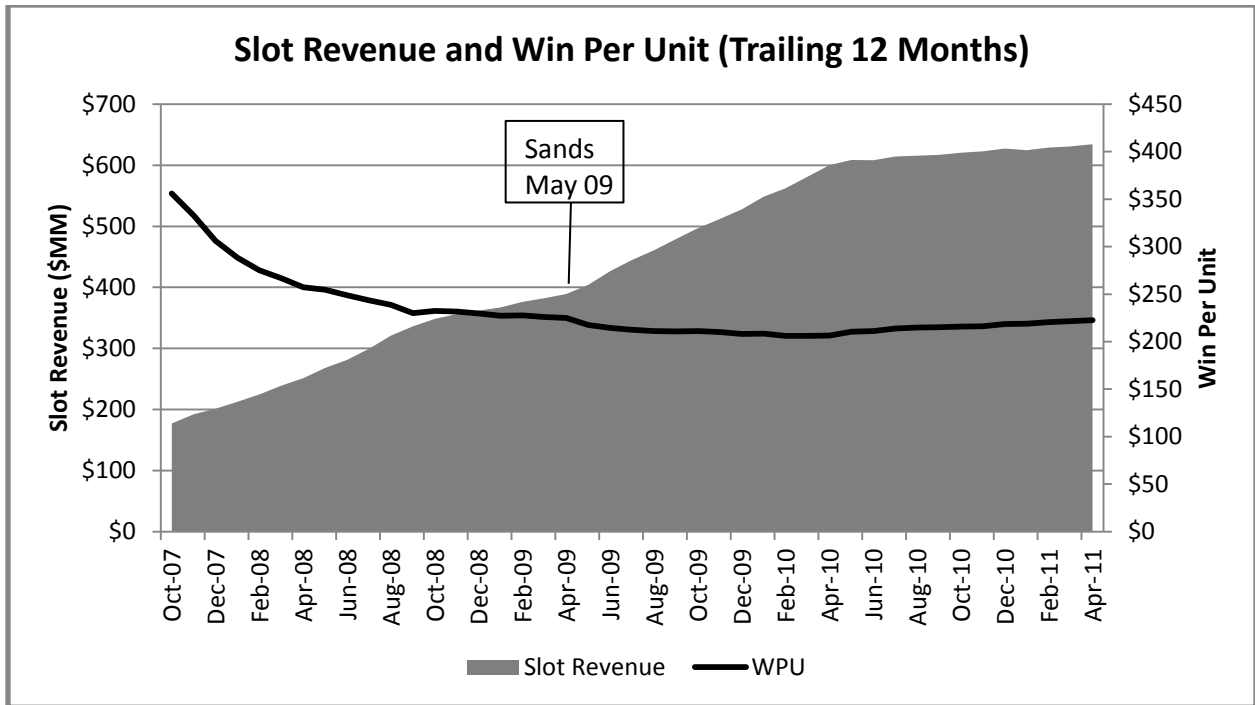
SugarHouse	\$98,564,440
Decline at PARX	\$21,435,556
Decline at Chester	\$20,521,310
Total Cannibalized	\$41,956,867
% Cannibalized	42.6%
% Growth	57.4%



Source: PGCB, The Innovation Group

Poconos

The Poconos market includes three properties, Mohegan Sun, Mt. Airy and Sands Bethlehem. This market recently moved into second place in terms of revenue generation, but has the largest amount of supply. Because of the rural nature of the market, the WPU for the market is lower than both Philadelphia and Pittsburgh submarkets. For the first year, the market was represented solely by Mohegan Sun and showed a strong WPU indicated an under saturated sub region. As both Mt. Airy and Sand Bethlehem have entered the market, overall revenues have increased, but the WPU has continued to decline. Currently, the market is generating over \$625 million, but because of the large amount of supply, the WPU is below \$225.

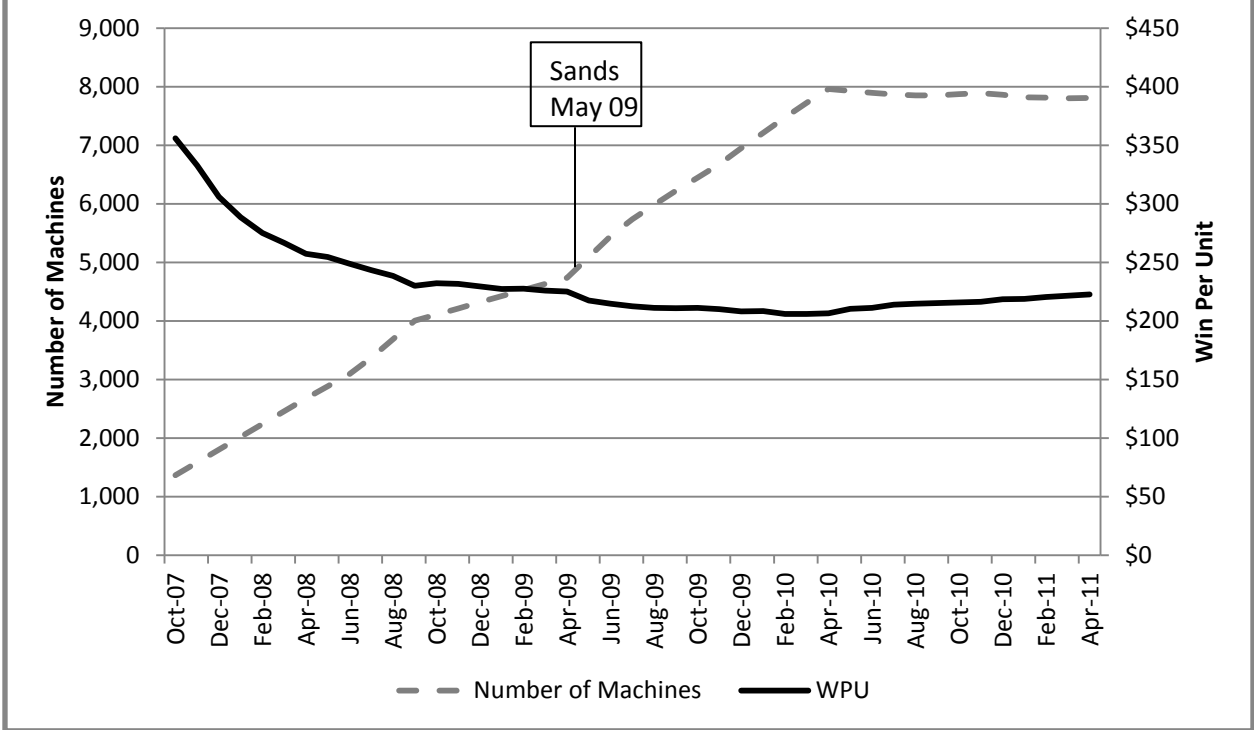


Source: PGCB, The Innovation Group

Similar to other markets, as the supply increased, the WPU has decreased. Based on the continual decline of the WPU, the market has indicated that it is starting to reach a saturation point.

The Innovation Group completed a graphical analysis of each property to show its relative growth in revenue and supply in machines. These charts are displayed in appendix of the report.

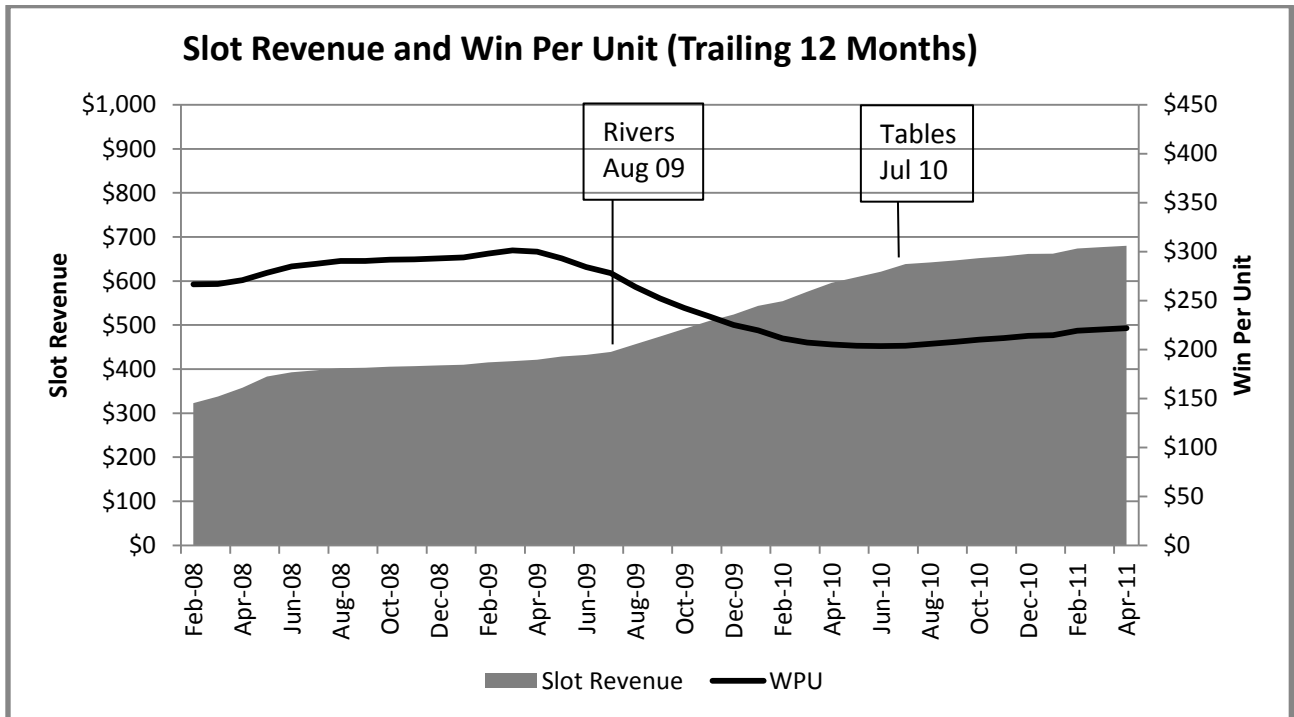
Slot Revenue and Win Per Unit (Trailing 12 Months)



Source: PGCB, The Innovation Group

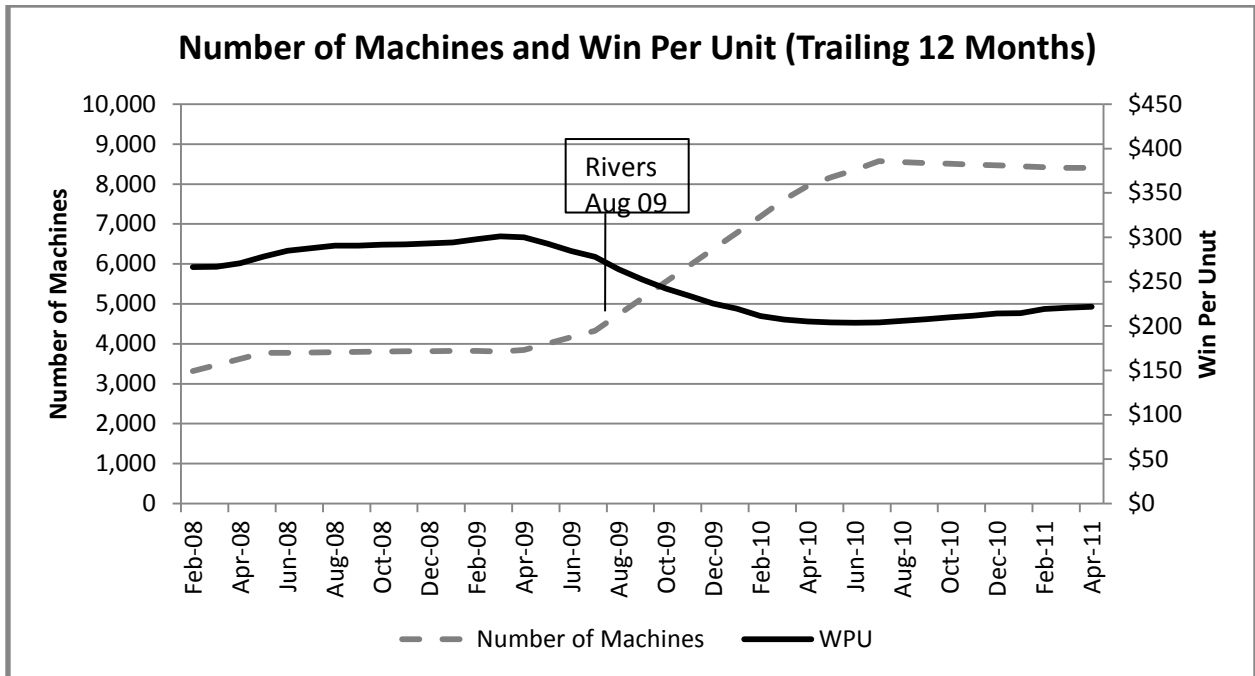
Western Region

Presque Isle was the first to open in the region, February 2007, followed by the Meadows (temporary) in June 2007. The Rivers opened in August 2009, shortly after the Meadows opened its permanent facility in late April 2009. From June 2008 through August 2009, revenue and supply were relatively stable, but the large supply increase has led to a steeper revenue growth trend but a declining WPU trend.



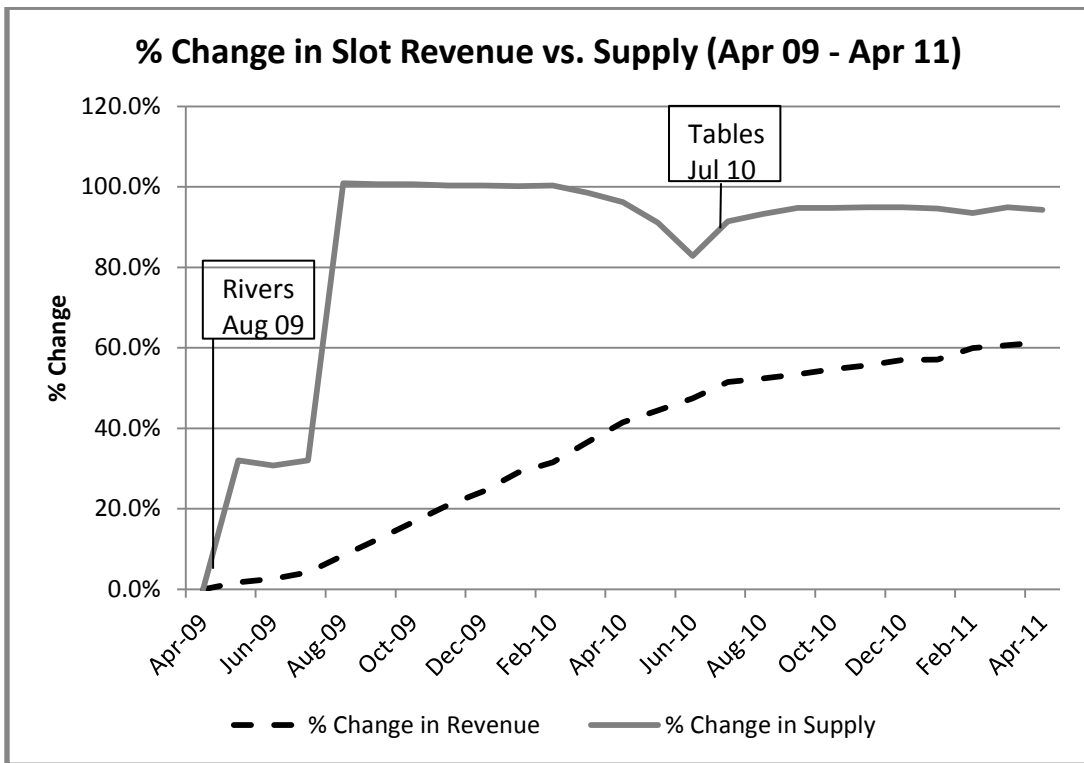
Source: PGCB, The Innovation Group

WPU experienced positive growth from April 2008 through June 2009. During this period, only Presque Isle and The Meadows were operating in the market. This would indicate there was a limited saturation. The WPU started to decline after June 2009 as both The Meadows increased supply with its permanent facility and The Rivers opened. The declining WPU would start to indicate that the sub-market has started to reach a saturation point. The uptick in WPU growth seen from November 2010 through the current period is evident that the Rivers is continuing its ramp-up period and that the market has some small room for growth in supply.



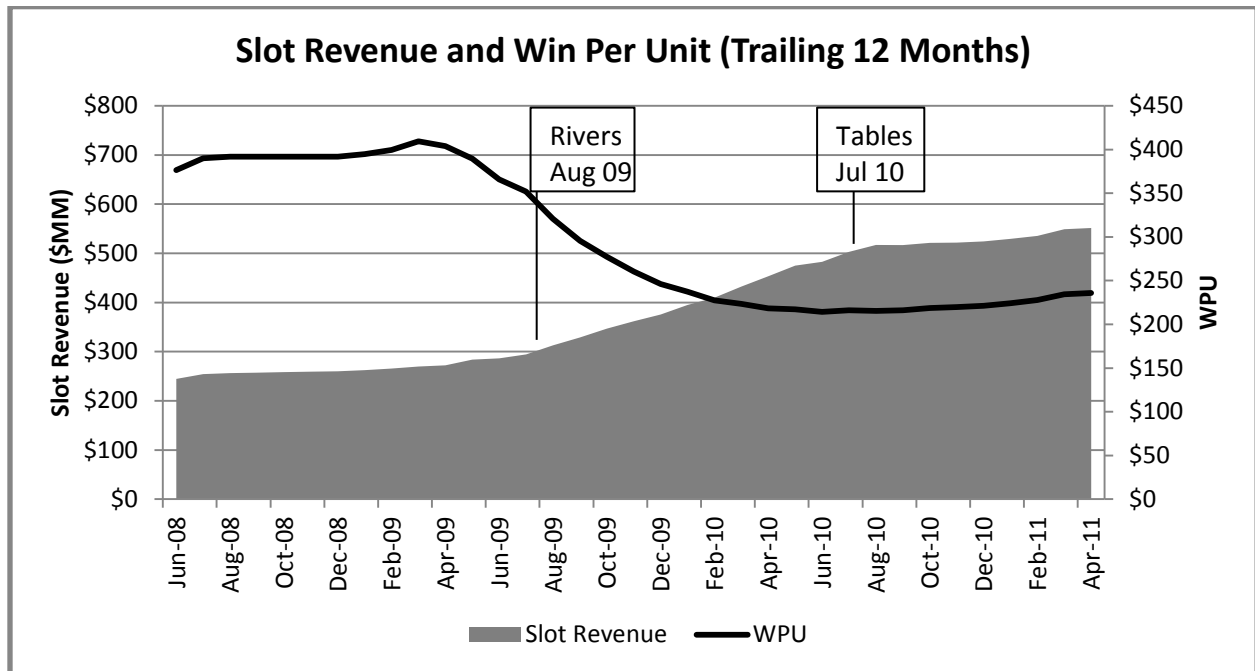
Source: PGCB, The Innovation Group

The addition of the Rivers and the Meadows expansion added close to 100% increase in supply, while revenue growth remained somewhat constant. As a result, the supply increase has still not been absorbed nearly two years later, even with a recent drawdown at the Meadows. In recent months the two lines are only slowly drawing closer together, indicating a level of saturation at the current time.

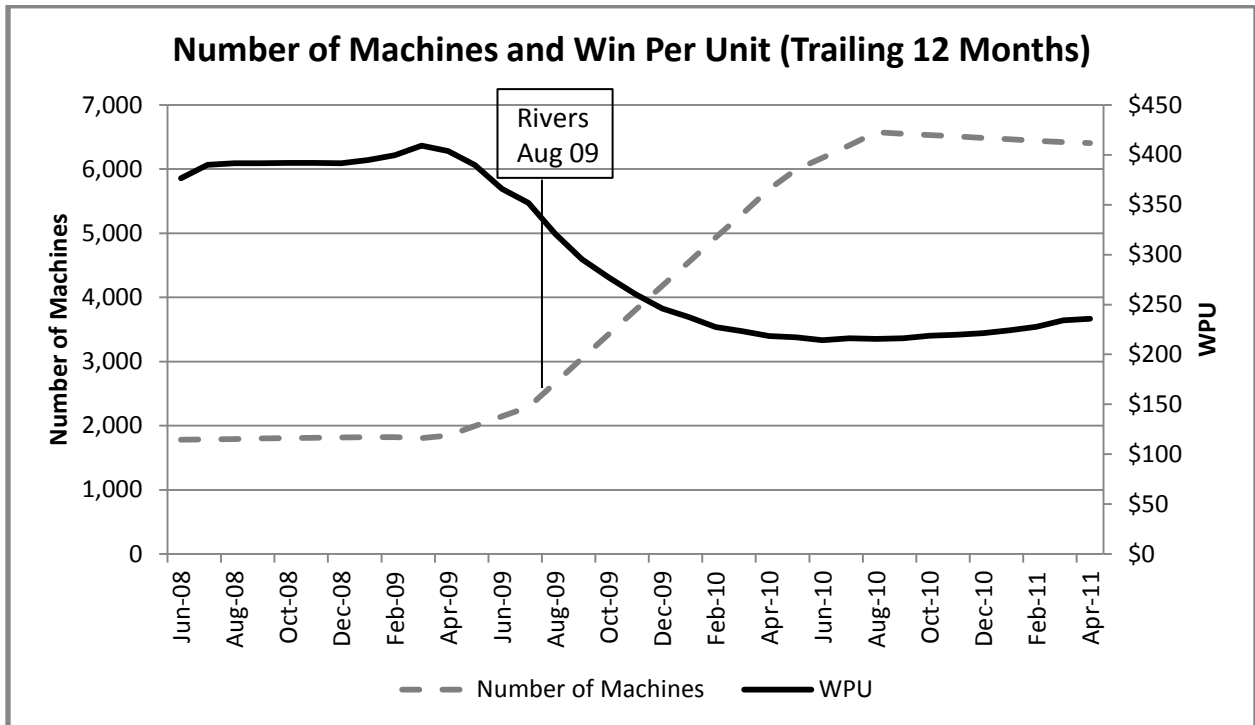


Pittsburgh Market

The Pittsburgh Market includes the Meadows and The Rivers casinos. The market was represented solely by the Meadows until August 2009. This submarket generated below \$300 million until August 2009. From there, the market has experienced strong revenue growth attributable to the increase in machines and opening of permanent and new facilities. As the Rivers has continued its ramp up, it has grown both its market share and its relative share of total market growth. The increase positive slope of the trailing 12 month revenue growth seen from January 2011 through April 2011 is attributable to the Rivers continued ramp up and absorption into the market.



Source: PGCB, The Innovation Group



Source: PGCB, The Innovation Group

Penetration Comparison

In addition to supply and demand trends, population/supply ratios are useful metrics. The adult population (21+) for the Eastern and Western Regions and sub-markets is provided along with market revenues and slot positions. From this two key ratios are derived: Adults per Gaming Position and Win per Adult (WPA). Win per Adult measures the level of projected expenditure per adult to achieve the revenue totals in the market. Adults per gaming position measures the supply of gaming in reference to the available local population. Generally as the number of adults per position declines, suggesting greater access to casinos and supply more in line with demand, the win per adult will increase.

The Western region has a greater supply relative to the population, at only 274 adults per slot machine compared to 327 in the East. As would be expected given the greater level of supply, win per unit (WPU) is lower in the West. Among the sub-markets, the Poconos has the greatest supply and the highest WPU. Pittsburgh has the second highest supply but trails Harrisburg in WPA. Philadelphia has the lowest supply and the lowest WPA.

Population/Slot Supply Ratios

	Adult Pop 2010	Adult/slot	Win/adult	# of slots	Slot Revenues	WPU
Eastern Region	5,902,151	327	\$290.96	18,057	\$1,717,286,341	\$261
Western Region	2,323,843	274	\$298.50	8,467	\$693,663,949	\$224
Philadelphia (30-mile ring)	2,585,801	327	\$323.53	7,898	\$836,572,290	\$290
Lehigh (25-mile ring)	695,880	225	\$371.81	3,099	\$258,735,860	\$229
Poconos (regional)	821,682	172	\$448.56	4,765	\$368,574,215	\$212
Harrisburg (25-mile ring)	584,781	240	\$433.33	2,433	\$253,403,976	\$285
Pittsburgh (25-mile ring)	1,350,822	209	\$387.38	6,469	\$523,276,701	\$222

Source: PGCB, The Innovation Group

By themselves, these ratios would suggest that of existing markets, Philadelphia is the least saturated. However, the ratios should be considered in conjunction with the revenue trend analysis above, which shows sensitivity in Philadelphia to increases in supply. Moreover, external factors also need to be considered, with Philadelphia facing by far the greatest level of external competition. For years Philadelphia has been a prime feeder market for Atlantic City, and the AC casinos continue to have a strong marketing presence in the area. The Pittsburgh casinos also face external competition, in West Virginia, which is reflected in their lower WPA relative to Harrisburg, which is largely insulated from direct competition in its primary market.

The Western Region in general and Presque Isle in particular are set to receive increased external competition in Ohio. Although legal challenges may be forthcoming, approval has been granted to develop racetrack slot casinos in Youngstown, Columbus, and the southeast Cleveland suburbs to go along with full landbased casinos in downtown Cleveland and Columbus (not to mention additional gaming development in southwest Ohio and Toledo).

New slot machine casinos are slated for Baltimore and Anne Arundel, Maryland, which would be expected affect southeast Pennsylvania markets to varying degrees.

Performance Comparison with Projections from 2003 Study

Statewide

In 2003, the Innovation Group assessed the revenue potential for slot machines in Pennsylvania in a number of development scenarios. The following development scenario from the 2003 study is the closest to what has actually transpired:

Statewide Projections: 2003 Report

	# of Machines	Win per Machine	2006 Revenues
Philadelphia Park	3,000	\$281.06	\$307,763,421
Chester	2,500	\$255.91	\$233,514,145
Penn National	2,500	\$199.69	\$182,214,268
Pocono Downs	1,500	\$164.66	\$90,151,538
Meadows	2,000	\$210.04	\$153,329,630
Presque Isle	1,500	\$207.84	\$113,790,574
Philadelphia (2)	6,000	\$299.57	\$656,058,607
Long Pond	1,500	\$169.34	\$92,715,175
Pittsburgh	4,000	\$252.87	\$369,184,791
Allentown	3,000	\$220.82	\$241,797,391
Shrewsbury	3,000	\$299.70	\$328,173,298
Total	30,500	\$248.70	\$2,768,692,839

Source: Pennsylvania Gaming Control Board; Innovation Group

Of these assumed developments, all but two—Shrewsbury and the second Philadelphia casino—have been developed in some form. Although Long Pond was not developed, the Mt. Airy Casino is a proximate location, and a casino was developed in Bethlehem instead of Allentown. The following table compares the development assumptions in the 2003 report with the current level of build-out.

Statewide Machine Development: 2003 Report vs. 2010 Actuals

Name/Location		# of Machines		
<i>2003 Report</i>	<i>Current</i>	<i>2003 Report</i>	<i>2010 Avg</i>	<i>Difference</i>
Philadelphia Park	PARX	3,000	3,385	385
Chester	Chester	2,500	2,912	412
Philadelphia (2)	SugarHouse	6,000	1,601	-4,399
<i>Philadelphia Area Subtotal</i>		<i>11,500</i>	<i>7,898</i>	<i>-3,602</i>
Penn National	Penn National	2,500	2,433	-67
Pocono Downs	Mohegan @ Pocono	1,500	2,350	850
Long Pond	Mt Airy	1,500	2,415	915
Allentown	BethSands	3,000	3,099	99
<i>Eastern Region Subtotal</i>		<i>20,000</i>	<i>18,195</i>	<i>-1,805</i>
Meadows	The Meadows	2,000	3,549	1,549
Pittsburgh	The Rivers	4,000	2,920	-1,080
Presque Isle	Presque Isle	1,500	1,998	498
<i>Western Region Subtotal</i>		<i>7,500</i>	<i>8,467</i>	<i>967</i>
Total		27,500	26,662	-838

Source: Pennsylvania Gaming Control Board; Innovation Group

The number of machines in place in 2010 is 838 less than the 27,500 projected in the 2003 report (excluding Shrewsbury). The largest discrepancy is in Philadelphia, which has only 1,600 machines in one facility compared to the projected 6,000 machines in two casinos. However, the suburban casinos, PARX and Chester, combined have approximately 800 more machines than projected, meaning that the Philadelphia area has approximately 3,600 fewer machines than projected. Development in the Poconos has exceeded projections, with Mt. Airy and Mohegan at Pocono Downs combined having 1,765 more machines than projected. However, as discussed previously, Mt. Airy has the lowest WPU and MSR in the commonwealth and could be considered overbuilt. BethSands and Penn National both have developed very close to projections. In the West, the downtown casino is 1,080 machines smaller than projected while the Meadows is over 1,500 machines larger.

Statewide Machine Revenues: 2003 Report vs. 2010 Actuals

	2006 Projection	2010	Difference	Difference %
PARX	\$307,763,421	\$382,978,796*	\$75,215,375	24.4%
Chester	\$233,514,145	\$287,176,968*	\$53,662,823	23.0%
SugarHouse	\$656,058,607	\$166,416,527*	-\$489,642,080	-74.6%
Philadelphia Area Subtotal	\$1,197,336,173	\$836,572,290*	-\$360,763,883	-30.1%
Penn National	\$182,214,268	\$253,403,976	\$71,189,708	39.1%
Mohegan @ Pocono	\$90,151,538	\$224,762,570	\$134,611,032	149.3%
Mt Airy	\$92,715,175	\$143,811,645	\$51,096,470	55.1%
BethSands	\$241,797,391	\$258,735,860	\$16,938,469	7.0%
Eastern Region Subtotal	\$1,804,214,545	\$1,717,286,341	-\$86,928,204	-4.8%
The Meadows	\$153,329,630	\$249,131,455*	\$95,801,825	62.5%
The Rivers	\$369,184,791	\$274,128,075*	-\$95,056,716	-25.7%
Pittsburgh Area Subtotal	\$522,514,421	\$523,259,530	\$745,109	0.1%
Presque Isle	\$113,790,574	\$170,387,248	\$56,596,674	49.7%
Western Region Subtotal	\$636,304,995	\$693,646,778	\$57,341,783	9.0%
Total	\$2,440,519,540	\$2,410,933,119	(\$29,586,421)	-1.2%

Source: Pennsylvania Gaming Control Board; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

With the second Philadelphia casino undeveloped, statewide revenues are 1.2% lower than projected. The 2003 report assumed that all casinos would be open by 2006. However, with development slower than projected, and given the effects of the recession on gaming trends in the 2007-2010 time period, it is reasonable to compare the original projections for 2006 with current results.

One noteworthy trend that emerges in the data is that the earlier developments generally exceed their projections, whereas the three casinos to open most recently (BethSands, The Rivers, and SugarHouse) are below or very close to projections (BethSands being 7% higher). In the case of Pittsburgh and Philadelphia, the suburban casinos opened well before the downtown casinos, and thus were able to capture greater market share. In Pittsburgh, The Meadows, which opened more than two years ahead of The Rivers, generates \$95.8 million more than projected, nearly identical to the deficit at the downtown casino. However, the \$129 million more generated by PARX and Chester is not enough to counteract the lack of development of the second Philadelphia casino, resulting in a deficit of \$361 million for the market area.

The following tables show comparisons by market area.

Eastern Region

The Eastern Region is 4.8% below projected revenues, based on an annualized adjustment for the Philadelphia area (January-April 2011). SugarHouse—which opened in September 2010—has seen its slot performance stabilize in recent months at over \$300 WPU. In the region overall, there are approximately 2,000 fewer slot machines than projected, but WPU is 5.4% higher.

Eastern Region Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Adjusted**	Difference
Slot Revenues	\$1,804,214,546	\$1,575,360,848	\$1,717,286,341	-4.8%
# of Slots	20,000	16,595	18,057	-9.7%
# of Facilities	8	6	7	-12.5%
WPU	\$247	\$260	\$261	5.4%

Source: Pennsylvania Gaming Control Board; Innovation Group. Notes: *Without SugarHouse; **With SugarHouse, PARX, and Chester annualized based on most recent performance (Jan-April).

The Philadelphia area has approximately 3,500 fewer machines than projected, and a resulting 30% gap in revenues.

Philadelphia Area Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Adjusted**	Difference
Slot Revenues	\$1,197,336,173	\$694,646,797	\$836,572,290	-30.1%
# of Slots	11,500	6,297	7,898	-31.3%
# of Facilities	4	2	3	-25.0%
WPU	\$285	\$302	\$290	1.7%

Source: Pennsylvania Gaming Control Board; Innovation Group. Notes: *Without SugarHouse; **With SugarHouse, PARX, and Chester annualized based on most recent performance (Jan-April).

As discussed, only one casino has been developed in Philadelphia, and at a smaller size than the 3,000 projected. However, on a WPU basis, SugarHouse is now hitting the mark, with win per slot machine of \$317 in the past three months.

Central Philadelphia Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Adjusted*	Difference
Slot Revenues	\$656,058,607	\$166,416,527	-74.6%
# of Slots	6,000	1,601	-73.3%
# of Facilities	2	1	-50.0%
WPU	\$300	\$285	-4.9%

Source: PGCB; Innovation Group. *Annualized based on most recent performance (Jan-April).

With the annualized impact of SugarHouse, the suburban Philadelphia casinos are generating \$670 million in slot revenues, \$129 million or 24% higher than projected.

Suburban Philadelphia Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Adjusted*	Difference
Slot Revenues	\$541,277,566	\$694,646,797	\$670,155,763	23.8%
# of Slots	5,500	6,297	6,297	14.5%
# of Facilities	2	2	2	0.0%
WPU	\$270	\$302	\$292	8.1%

Source: PGCB; Innovation Group. *Annualized most recent performance (Jan-April) to account for impact of SugarHouse

With early starts at Mohegan, Penn National, and Mt. Airy, and a higher level of development in the Poconos, the remainder of the Eastern Region has been able to ramp up significantly. As a result, revenues are 45% higher than projected.

Eastern Region Excluding Philadelphia Area: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$606,878,373	\$880,714,051	45.1%
# of Slots	8,500	10,297	21.1%
# of Facilities	4	4	0.0%
WPU	\$196	\$234	19.8%

Source: PGCB; Innovation Group.

Revenues in the Poconos are double the projections, with development nearly 60% higher. The regional operating experience of Mohegan Sun has enabled Pocono Downs to reach into the northern New Jersey and New York, with a heavy busing program into those markets. As shown previously, Pocono Downs is enjoying revenues 2.5 times higher than projected.

Poconos (Mohegan and Mt. Airy): 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$182,866,713	\$368,574,215	101.6%
# of Slots	3,000	4,765	58.8%
# of Facilities	2	2	0.0%
WPU	\$167	\$212	26.9%

Source: PGCB; Innovation Group.

The overlapping markets of the Poconos and Bethlehem have revenues 48% higher and a level of supply 31% higher.

Poconos+BethSands: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$424,664,104	\$627,310,075	47.7%
# of Slots	6,000	7,865	31.1%
# of Facilities	3	3	0.0%
WPU	\$194	\$219	12.7%

Source: PGCB; Innovation Group.

Supply and performance at BethSands are highly consistent with projections.

BethSands: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$241,797,391	\$258,735,860	7.0%
# of Slots	3,000	3,099	3.3%
# of Facilities	1	1	0.0%
WPU	\$221	\$229	3.6%

Source: PGCB; Innovation Group.

Supply at Penn National is highly consistent with projections; however, having opened in February 2008, the facility has been able to ramp up its revenues well above the \$198 million it generated in its first full 12 months of operation.

BethSands: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$182,214,269	\$253,403,976	39.1%
# of Slots	2,500	2,433	-2.7%
# of Facilities	1	1	0.0%
WPU	\$200	\$285	42.9%

Source: PGCB; Innovation Group.

Western Region

The Western Region is 9.0% above projected revenues, based on an annualized adjustment for the Pittsburgh market reflecting recent improved performance at the Rivers (January-April 2011). Supply is also higher by nearly 1,000 machines or 12.9%.

Western Region Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$636,304,995	\$693,663,949	9.0%
# of Slots	7,500	8,467	12.9%
# of Facilities	3	3	0.0%
WPU	\$232	\$224	-3.4%

Source: PGCB; Innovation Group. *Note: Pittsburgh annualized based on most recent performance (Jan-April)

The Pittsburgh market is within 0.1% of projected revenues, based on an annualized adjustment reflecting recent improved performance at the Rivers (January-April 2011). Supply is higher by nearly 500 machines or 7.8%.

Pittsburgh Area Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$522,514,421	\$523,276,701	0.1%
# of Slots	6,000	6,469	7.8%
# of Facilities	2	2	0.0%
WPU	\$239	\$222	-7.1%

Source: PGCB; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

Within the Pittsburgh market, the Meadows as a result of its earlier opening and larger build-out has grabbed control of a larger market share than projected, leading to larger revenues at The Meadows and smaller revenues in downtown Pittsburgh than projected.

The Meadows Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$153,329,630	\$249,148,627	62.5%
# of Slots	2,000	3,549	77.4%
# of Facilities	1	1	0.0%
WPU	\$210	\$192	-8.4%

Source: PGCB; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

The Rivers Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$369,184,791	\$274,128,075	-25.7%
# of Slots	4,000	2,920	-27.0%
# of Facilities	1	1	0.0%
WPU	\$253	\$257	1.7%

Source: PGCB; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

With an aggressive marketing and busing program in Cleveland, Presque Isle Downs (PID) has achieved revenues nearly 50% than projected. PID has nearly 500 more slot machines than projected.

Presque Isle Downs Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$113,790,574	\$170,387,248	49.7%
# of Slots	1,500	1,998	33.2%
# of Facilities	1	1	0.0%
WPU	\$208	\$234	12.4%

Source: PGCB; Innovation Group.

COMPETITIVE ENVIRONMENT

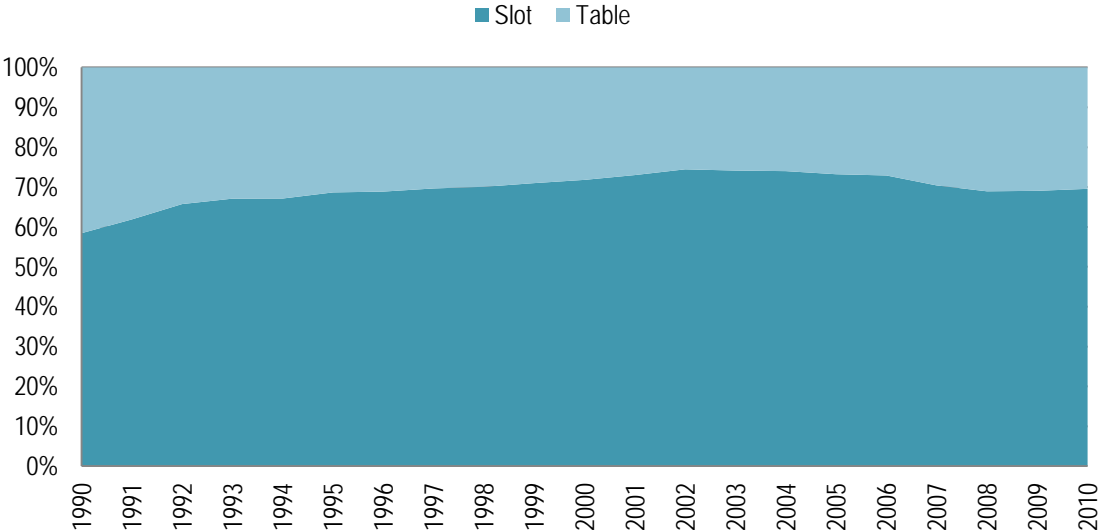
The following section describes the competitive environment for Pennsylvania facilities. Neighboring states such as New Jersey, Delaware, New York, Maryland and West Virginia all represent competition due to their proximity to Pennsylvania facilities and population centers. The Innovation Group has determined which properties in each state represent competition and summarized them below.

New Jersey

Atlantic City

Although Atlantic City’s dominance as the largest and most mature gaming market on the East Coast has dwindled, it still remains as stiff competition to Pennsylvania facilities, given its proximity and attractiveness. Revenues for the market in 2010 totaled \$3.5 billion, down from \$3.9 billion in 2009. Revenue declined each year since 2005, largely due to increased competition in Pennsylvania and the economic slowdown. Slots accounted for \$2.5 billion of the \$3.5 billion in 2010 gaming revenue, or 69.5%. Slot win as a percentage of total revenue increased annually from 1990 to 2004, but then began to fall until 2009 when it saw a slight increase. Table win was relatively flat for the market from 1990 to 2003, averaging about \$1.16 billion each year, but has experienced a spur in market revenue growth through 2008, averaging about \$1.38 billion, possibly due to the introduction of Borgata to the market. This run up in table game revenue halted in 2009, when table revenue dropped 14% to \$1.2 billion and then fell an additional 11% to \$1.09 million in 2010. The current tax rate in New Jersey is 8% of gross gaming revenues as well as a community investment tax of 1.25% of gross gaming revenues, bringing the net tax rate to 9.25%. The graph below illustrates the trend in slot and table revenue as a percent of total revenue.

Atlantic City Gaming Win Breakdown



Source: New Jersey Casino Control Commission

Atlantic City currently offers approximately 29,000 slots and 1,600 gaming tables. Atlantic City casinos run substantial busing programs from the Philadelphia, northern New Jersey and New York markets, and offer full-scale gaming, but drive times from these markets are all at least one hour.

There have been a number of proposed projects that have been postponed, since 2008, due to the economic downturn and increasing competition. Many companies have cited their suspensions as a necessary move in order to pursue long-term financing options. These include the following:

- After announcing plans for a new casino in the Marina District, MGM Mirage halted the project in October 2008. The decision came only days after the company reported a 67% decline in 3rd quarter earnings. Recently, the company has decided to cease its investments in Atlantic City because of both the declines in the market and pressure from the gaming control board due to the company's relationship with Pansy Ho, the casino developer in Macau.
- MGM Grand announced, in February 2010, its intention of selling its 40% stake in Borgata. MGM found a buyer in October 2010, but details about the buyer and the deal were not made public.
- In January 2009, Revel Entertainment announced that it would delay the construction of its \$2 billion casino development project with plans to continue work over the next 12 to 15 months. It wasn't until February 2011, however, that Revel secured financing through JP Morgan thanks to New Jersey Governor Chris Christie helping to push the deal through by providing tax rebates totaling \$260 million over 20 years. Construction has continued on Revel's casino and the facility is scheduled to open in May 2012 which will include a 1,100 room hotel.
- In March 2009, Pinnacle postponed construction indefinitely on its \$1.5 billion beachfront casino resort. In February 2010, the company announced that it is pulling out of the Atlantic City market and will attempt to sell its stake in the land. The most recent reports suggest that Pinnacle will have to sell at a 70% discount.

The decline in slot win in 2007 is primarily due to the impact of PARX and Chester Downs openings, resulting in a near 9% decline in 2007 in slot revenue in Atlantic City. This increased competition for Atlantic City has caused this trend to continue as slot revenue fell in each consecutive year through 2010 when slot revenue only reached \$2.5 billion. Table revenue has declined each year since 2008 as well, reaching only \$1.1 billion in 2010, contributing to the negative trend occurring in total revenue. In 2009, Atlantic City took another battering due to increased competition in the northeast corridor including the addition of Sands Casino and Resort in Bethlehem, PA. Atlantic City wasn't hit as hard in 2010 as it was in 2009, despite the addition of table games at Pennsylvania facilities and the opening of SugarHouse in downtown Philadelphia in Q4 2010, but slot revenue, table revenue, and total revenue all fell more than 8.5%. Since its peak in 2006, Atlantic City revenue has seen a near 35% decrease in slot win, 23% decrease in table win, and a 31.5% decrease in total win. Through the first three months of 2011, slot revenue is down nearly 6% from the first three months in 2010, table revenue is down

more than 10%, and total revenue is down more than 7%. Atlantic City is projected to continue experiencing declines in gaming revenue as Pennsylvania’s introduction of table games to all existing casinos takes full effect and as another Philadelphia casino is set to open in 2012. The following table presents the slot, table and total win for Atlantic City for 2001 through Q1 2011.

Atlantic City Gaming Revenue 2001-2010 (Revenues in Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Jan-Mar 2011
Slot Win	\$3,141	\$3,262	\$3,328	\$3,557	\$3,674	\$3,804	\$3,464	\$3,133	\$2,723	\$2,485	\$545
% Change		3.8%	2.0%	6.9%	3.3%	3.5%	-8.9%	-9.6%	-13.1%	-8.7%	-5.8%
Slot Win Per Day	\$232	\$237	\$225	\$232	\$243	\$272	\$264	\$247	\$235	\$234	\$216
% Change		1.9%	-5.1%	3.3%	4.8%	11.9%	-3.0%	-6.7%	-4.5%	-0.6%	2.7%
Table Win	\$1,162	\$1,120	\$1,161	\$1,250	\$1,344	\$1,414	\$1,456	\$1,412	\$1,221	\$1,088	\$249
% Change		-3.6%	3.7%	7.7%	7.5%	5.2%	3.0%	-3.0%	-13.5%	-10.9%	-10.4%
Table Win Per Day	\$2,479	\$2,484	\$2,443	\$2,451	\$2,386	\$2,316	\$2,406	\$2,347	\$2,056	\$1,847	\$1,723
% Change		0.2%	-1.7%	0.3%	-2.6%	-3.0%	3.9%	-2.4%	-12.4%	-10.2%	-8.7%
Total Gaming Win	\$4,303	\$4,381	\$4,489	\$4,807	\$5,018	\$5,218	\$4,921	\$4,545	\$3,943	\$3,573	\$794
% Change		1.82%	2.45%	7.09%	4.40%	3.97%	-5.69%	-7.63%	-13.25%	-9.39%	-7.31%

Source: New Jersey Casino Control Commission

In May 2011, Governor Christie signed an agreement to privatize state-run tracks. This agreement essentially saved the horse racing industry in New Jersey as Christie was prepared to shut down the tracks. Under the agreement, private owners will manage both the Meadowlands Racetrack and Monmouth Park. The horse racing community believe that introducing slots at tracks is the next step to saving the sport, but Christie is completely opposed to the suggestion. Recent legislative change allows for the building of smaller “boutique” casinos which only require a hotel to have 250 rooms, as opposed to the old requirement of at least 500 rooms. Hard Rock has been the first company to announce plans to develop a boutique casino in Atlantic City. Hard Rock has not released plans or a schedule for completion of the project.

Delaware

The Delaware market includes three facilities: Delaware Park, Dover Downs, and Harrington Raceway. The proximity of these facilities has represented competition to Pennsylvania since opening in 1996 as they attracted Pennsylvania residents who did not have a Pennsylvania option until late 2006. This competition has increased even more so now as table games were installed at Delaware facilities in May 2010.

From 1997 to 2010, slot revenues increased by an average of 3.5% annually while the number of gaming machines increased from 2,566 to over 7,200. In 2003, slot revenues dropped 11% from the previous year due to the imposition of a smoking ban. Since that time, the market has experienced an average annual decline of 2.8% to fall to \$466 million in 2010. The sharp decline since 2006 can be largely attributed to the expansion and legalization of gaming in Pennsylvania and the lasting effects of the global economic downturn. Win per unit peaked at \$356 in 1998 and has since decreased, with some fluctuation, down to only \$181 in 2010. A significant portion of the decline in win per unit is a result of the substantial increase in the

number of slots from 1998 to 2008, including an 11% increase in 2008 alone. The number of machines decreased nearly 11% in 2010 as each facility reduced their number of slots by more than 175 machines. In the first four months of 2011, slot revenue is down nearly 10% over 2010, while the number of machines is down 6%. The table below shows Delaware's slot revenue history since 1997.

Delaware State Slot Revenue

Year	Gross Revenues	% Change	Units	% Change	Win/Unit	% Change
1997	\$298,905,100		2,566		\$319.98	
1998	\$350,821,200	17.4%	2,709	5.6%	\$355.74	11.2%
1999	\$412,493,300	17.6%	3,616	33.5%	\$313.42	-11.9%
2000	\$485,104,300	17.6%	4,899	35.5%	\$272.06	-13.2%
2001	\$526,939,900	8.6%	5,200	6.2%	\$278.38	2.3%
2002	\$565,909,900	7.4%	5,339	2.7%	\$291.18	4.6%
2003	\$501,999,700	-11.3%	5,463	2.3%	\$252.46	-13.3%
2004	\$553,318,700	10.2%	6,337	16.0%	\$239.90	-5.0%
2005	\$579,546,000	4.7%	6,542	3.2%	\$243.39	1.5%
2006	\$651,733,800	12.5%	6,991	6.9%	\$256.11	5.2%
2007	\$612,407,100	-6.0%	7,225	3.3%	\$232.87	-9.1%
2008	\$588,923,000	-3.8%	8,069	11.7%	\$200.50	-13.9%
2009	\$564,239,300	-4.2%	8,077	0.1%	\$188.29	-6.1%
2010	\$466,572,110	-17.3%	7,210	-10.7%	\$181.27	-3.7%
Jan-Apr 2010	\$180,432,810		7,382		\$218.23	
Jan-Apr 2011	\$162,719,800	-9.8%	6,939	-6.0%	\$197.06	-9.7%
A.A.G. 1997-2010		3.5%		8.3%		-4.3%
A.A.G. 2004-2010		-2.8%		2.2%		-4.6%

Source: Delaware Lottery

Gaming revenue has historically been highest at Delaware Park, which had revenue of \$190 million in 2010. Dover Downs was second with \$174 million while Harrington was third with \$102 million. Dover Downs was the largest facility in 2010 with over 2,800 machines, followed by Delaware Park and Harrington which had approximately 2,500 and 1,875 machines, respectively. Gaming revenues have followed similar trends at each of the facilities over the last 10 years, with the exception of Delaware Park experiencing a more significant drop in revenue due its proximity to PARX and Chester Downs in Pennsylvania. Similar to Atlantic City, gaming revenue peaked in 2006 at each facility, but has declined each year since, seeing the largest one year drop come in 2010. Through the first four months of 2011, Delaware Park has seen revenue fall nearly 14% over 2010 with its number of terminals remaining relatively flat, falling less than 1%. Dover Downs has seen revenue fall more than 6% during the first four months of 2011, while reducing its number of terminals by nearly 10%. Harrington saw a decline in revenue of more than 8% through the first four months of 2011 over 2010, while its number of terminals fell about 7%. The table below shows each facilities performance since 2000.

Delaware State Gaming Performance By Property

Name	Year	Win	% Change	Terminals	% Change	Win/ Terminals	% Change
Delaware Park	2000	\$245,470,800	20.5%	1,924	35.2%	\$349.60	-10.9%
	2001	\$263,421,200	7.3%	2,000	4.0%	\$360.85	3.2%
	2002	\$268,209,000	1.8%	2,000	0.0%	\$367.41	1.8%
	2003	\$233,889,500	-12.8%	2,025	1.3%	\$316.43	-13.9%
	2004	\$261,596,000	11.8%	2,453	21.1%	\$292.23	-7.6%
	2005	\$272,026,200	4.0%	2,500	1.9%	\$298.11	2.0%
	2006	\$306,668,000	12.7%	2,785	11.4%	\$301.69	1.2%
	2007	\$272,615,900	-11.1%	3,070	10.2%	\$243.26	-19.4%
	2008	\$253,288,300	-7.1%	3,183	3.7%	\$218.02	-10.4%
	2009	\$235,034,600	-7.2%	2,989	-6.1%	\$215.46	-1.2%
	2010	\$190,327,363	-19.0%	2,496	-16.5%	\$208.91	-3.0%
	Jan-Apr 2011	\$63,935,700	-13.8%	2,478	-0.8%	\$217.88	-17.8%
Dover Downs	2000	\$156,999,600	11.1%	1,959	33.8%	\$219.62	-16.9%
	2001	\$168,373,700	7.2%	2,000	2.1%	\$230.65	5.0%
	2002	\$186,893,500	11.0%	2,000	0.0%	\$256.02	11.0%
	2003	\$167,411,100	-10.4%	2,005	0.3%	\$228.72	-10.7%
	2004	\$191,847,000	14.6%	2,449	22.1%	\$214.64	-6.2%
	2005	\$194,644,900	1.5%	2,500	2.1%	\$213.31	-0.6%
	2006	\$218,586,800	12.3%	2,617	4.7%	\$228.84	7.3%
	2007	\$216,892,300	-0.8%	2,712	3.6%	\$219.10	-4.3%
	2008	\$213,571,000	-1.5%	2,870	5.8%	\$203.88	-6.9%
	2009	\$207,738,200	-2.7%	3,039	5.9%	\$187.26	-8.2%
	2010	\$174,310,503	-16.1%	2,842	-6.5%	\$168.03	-10.3%
	Jan-Apr 2011	\$63,034,200	-6.3%	2,647	-9.7%	\$200.64	-2.1%
Harrington	2000	\$82,633,900	22.5%	1,016	39.6%	\$222.76	-12.2%
	2001	\$95,145,000	15.1%	1,200	18.1%	\$217.20	-2.5%
	2002	\$110,807,400	16.5%	1,339	11.6%	\$226.68	4.4%
	2003	\$100,699,100	-9.1%	1,432	6.9%	\$192.63	-15.0%
	2004	\$105,856,600	5.1%	1,435	0.2%	\$202.08	4.9%
	2005	\$112,874,900	6.6%	1,542	7.4%	\$200.60	-0.7%
	2006	\$126,479,000	12.1%	1,589	3.1%	\$218.05	8.7%
	2007	\$122,898,900	-2.8%	1,439	-9.4%	\$233.93	7.3%
	2008	\$122,063,700	-0.7%	2,016	40.1%	\$165.86	-29.1%
	2009	\$121,466,500	-0.5%	2,049	1.6%	\$162.38	-2.1%
	2010	\$101,934,244	-16.1%	1,872	-8.7%	\$149.21	-8.1%
	Jan-Apr 2011	\$35,749,900	-8.3%	1,815	-7.1%	\$166.21	-7.0%

Source: Delaware Gaming Control Board

Sports Betting

Effective May 14, 2009, sports betting was legalized in the state and facilities began offering wagers with the beginning of the 2009/2010 NFL season. However, a court ruled that properties could not offer single game bets, but had to limit wagering to so-called parlay bets (a bet needs

to include a minimum of three games at one time). Sports betting has continued in the state with the following restrictions:

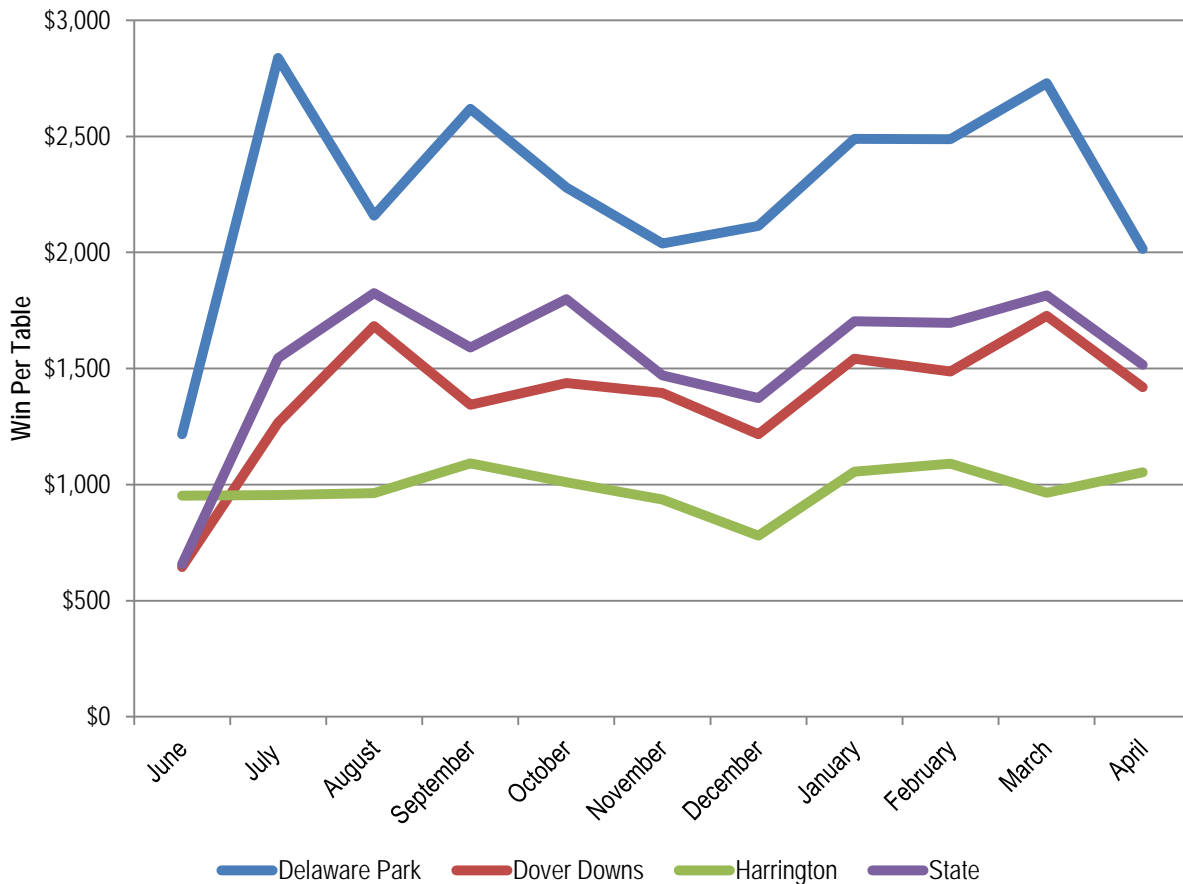
1. Betting is only available during NFL season and on NFL games
2. The minimum bet is \$2, and the maximum bet is \$100
3. The betting has to be made in person at one of the three registered facilities
4. There is not betting allowed on the over and/or under of the total score of the game

Table Games

While Delaware currently has electronic table games in its casinos, live table games were banned from the state until May 14, 2009. The legislation that went into effect on this date allowed for live table games, sports betting and the addition of three more casinos in the state.

After an extensive regulatory control period, table games were initiated at the three casinos in June 2010. The three casinos, Delaware Park, Dover Downs and Harrington raceway have 42, 40 and 37 tables, respectively. The state has averaged nearly \$1,550 win per table over the first eleven months of operations. Delaware Park has been the market leader in terms of both total revenue and win per table. Over the first eleven month period, Delaware Park has averaged \$2.85 million in win and just under \$2,275 win per table.

Win Per Table by Month by Property



New York

The New York market consists of 8 Indian casinos, 8 racinos, and 3 horse tracks. The racino industry has grown from a \$192 million in 2004 to over \$1 billion in 2010. During that time, the number of machines has more than tripled and win per machine has increased more than \$100 to \$240 per unit. This market has grown substantially over the past six years, thanks in large part to Yonkers Raceway, which has made up more than half of the state's revenue since 2008. The first four months of 2011 has seen the state has had an increase in revenue of nearly 9% over 2010, while only having an increase in number of machines of .5%. The table below shows New York's statewide gaming performance since 2004.

New York State Gaming Performance

Year	Revenues	% Change	Units	% Change	Win/Unit	% Change
2004	\$192,447,498		4,092		\$128.85	
2005	\$294,994,056	53.3%	5,408	32.2%	\$149.45	16.0%
2006	\$426,305,441	44.5%	6,650	23.0%	\$175.64	17.5%
2007	\$828,205,000	94.3%	12,653	90.3%	\$179.33	2.1%
2008	\$947,275,377	14.4%	12,961	2.4%	\$200.23	11.7%
2009	\$1,019,279,108	7.6%	12,785	-1.4%	\$218.43	9.1%
2010	\$1,089,049,283	6.8%	12,462	-2.5%	\$239.43	9.6%
Jan-Apr 2011	\$386,554,519	8.8%	12,519	0.5%	\$257.55	8.3%

Source: New York Lottery

The Innovation Group focused on Yonkers, Aqueduct, Tioga Downs and Seneca Allegany due to their proximity to Pennsylvania and their potential to draw Pennsylvania residents.

Yonkers

Empire City at Yonkers Raceway is home to the only current VLT facility in the New York metro area market, lying within 30 minutes of downtown Manhattan. Yonkers offers live harness racing throughout the year, with abbreviated schedules during the winter months, and racing six days a week during the summer months. In addition to its gaming facilities, Empire City Casino offers 3 restaurants, 2 bars, and an entertainment lounge with live music, comedy, and karaoke. The facility also offers a bus program to transport customers from Brooklyn, Long Island & Queens, Manhattan, and Northern New Jersey. The VLT facility currently offers 5,300 gaming devices, averaging approximately \$300 in win per device during 2010 driving revenues of \$582 million. Since opening in October 2006, Yonkers has seen annual increase in revenue each year. It has also more than doubled its slot offering since inception. In the first four months of 2011, Yonkers has increased revenue by 10% over 2010 without making any change to the number of machines offered. The table below shows Yonkers gaming performance since 2006.

Yonkers Gaming Performance

Year	Revenues	% Change	Units	% Change	Win/Unit	% Change
2006	\$49,933,132		2,264		\$262.56	
2007	\$394,326,303	689.7%	5,206	129.9%	\$207.53	-21.0%
2008	\$486,459,681	23.4%	5,339	2.6%	\$248.97	20.0%
2009	\$540,495,929	11.1%	5,320	-0.4%	\$278.37	11.8%
2010	\$582,229,271	7.7%	5,309	-0.2%	\$300.48	7.9%
Jan-Apr 2011	\$213,854,008	10.1%	5,312	0.0%	\$335.88	10.1%

Source: New York Lottery

Aqueduct

Aqueduct Racetrack is part of the NYRA network of New York racetracks, which collectively offer live thoroughbred racing year-round. Aqueduct's schedule is the longest of the 3 NYRA tracks, offering 2 seasons of live racing, one at the beginning of the year (January-March) and the other at the end (November-December).

Genting New York LLC, subsidiary of Genting Malaysia, won the bid to operate Aqueduct's gaming operations, Resorts World New York. Genting plans call for the introduction of 4,500 machines by the end of 2011, with an initial opening scheduled for the end of Summer 2011. Aside from the gaming machines, the facility will include 3 restaurants, a sports bar, and parking for 7,000 cars.

Tioga Downs

Tioga Downs Casino is located in Nichols, New York off of Interstate -86 in the central part of the state near the Pennsylvania border. The racino hosts live harness racing May through September and simulcast throughout the year. Tioga has operated about 800 slot machines since February 2011, while also offering a restaurant, buffet, and a bar. The facility also has the ability to host events with a capacity of 600 people. Tioga also offers live music and a flea market on the weekends. Tioga Downs has seen revenue increase from nearly \$41.5 million in 2007, which was its first full year of slot operations, to over \$53 million in 2010. The number of slots has increased about 50 machines since inception in mid 2006, but not at the cost of win per unit as win per unit has grown to over \$185 in 2010. Tioga Downs has increased revenue by more than 6% through the first four months of 2011, compared to 2010, while also increasing its number of machines by 3%. Tioga Downs performance since 2006 is shown below.

Tioga Downs Gaming Performance

Year	Revenues	% Change	Units	% Change	Win/Unit	% Change
2006	\$20,869,261		750		\$152.05	
2007	\$41,433,974	98.5%	750	0.0%	\$151.36	-0.5%
2008	\$47,240,210	14.0%	751	0.2%	\$171.81	13.5%
2009	\$49,352,263	4.5%	771	2.6%	\$175.49	2.1%
2010	\$53,036,886	7.5%	782	1.5%	\$185.73	5.8%
Jan-Apr 2011	\$18,268,018	6.6%	801	3.3%	\$190.15	3.2%

Source: New York Lottery

Seneca Allegany

Seneca Allegany Casino and Hotel is located in Salamanca, New York off of Interstate -86 in the western region of the state. Seneca Allegany is an hour and a half from the Presque Isle facility in Erie, PA. The facility offers more than 2,000 gaming machines and 30 tables. Seneca Allegany also includes 2 restaurants, a buffet, 3 cafes, 2 bars, a 212 room hotel, a spa, meeting space for up to 2,000 people, and an entertainment venue that hosts major music and comedy acts. Allegany also offers two retail stores at the property as well as bus transportation for customers in Ontario, New York, Ohio and Pennsylvania. Seneca Allegany had gaming revenue of \$142 million in 2010, down from \$147 million in 2009. These figures are estimates based on second quarter revenue.

Seneca Allegany Gaming Performance

	2010	2009
Seneca Allegany	\$142,185,255	\$147,660,048

Source: Securities & Exchange Commission

Maryland

Maryland shares a border with Pennsylvania and although its gaming market is relatively new, with only 2 facilities currently open, there is potential for more facilities to enter the market and compete for revenue from Pennsylvania residents.

Hollywood Casino and Ocean Downs

Currently, there are two slot only facilities operating in Maryland. One slot only casino located in Perryville, and a racino in Berlin. Among the State's five racetracks is Pimlico Racecourse in Baltimore, which has been made famous for the annual Preakness Stakes.

In November 2007, Maryland passed House Bill 4 (HB4), allowing a referendum on the legalization of Video Lottery Terminals (VLTs) with the primary purpose for providing funds for public education. The referendum was passed by a large percentage of residents in November 2008. The amendment permits the issuance of five video lottery licenses and the operation of 15,000 slot video lottery terminals in predetermined locations. The current tax structure allows for the operators to keep 33% of revenue to cover both operating expenses and profits. Currently, three of the five licenses have been awarded: Cecil, Ann Arundel and Worchester Counties. In Allegany County no qualified bidders have yet been chosen. Baltimore City license was held by Baltimore City Entertainment Group until December 2009, when the bid was nullified due to lack of clarity and the firm's inability to meet fee deadline.

Penn National opened the Hollywood Casino Perryville in late September 2010. The \$89 million casino has 1,500 slot machines, one food and beverage outlet and parking for 1,600 spaces. Revenue figures for the first full month of operations reached more than \$11 million and the facility has had revenue of more than \$64 million since opening.

The Casino at Ocean Downs in Berlin, Maryland begun operations in January 2011. The facility hosts live racing June through August and simulcast year round. The racino offers 750 slot machines and 2 restaurants. Ocean Downs has averaged more than \$3.2 million in revenue each of its first four months of operations and has seen total revenue of nearly \$13 million since opening.

A summary of the current and prospective license holders and their plans are outlined in the table below.

Maryland Operator License Locations

County/City	# Units	Location	Operator	License Fee/ Investment costs	Expected Opening
Anne Arundel County	4,750	Arundel Mills Mall	Cordish Co.	\$28.5 million licensing fee	1st QTR 2012 Pending zoning approval
Baltimore City	3,750	TBD	TBD	Total investment costs \$212.5 million	Pending a successful bid, construction could start in 2012
Cecile County	1,500	I-95 & Route 222, Perryville	Penn National Gaming	\$9.0 million/ Total investment costs \$77.6 million	The 75,000 s.f. VLT facility and 29,950 s.f. support building opened in October 2010
Worchester County	750	Ocean Downs Racetrack	Ocean Enterprises, LLC	\$4.8 million/Total investment costs \$45 million	The 34,000 s.f. gaming area opened in January 2011
Allegany County	1,500		No qualified bidders		

West Virginia

There is one casino and four racinos in West Virginia, but only two facilities are located in the northern panhandle which represent the main competition to southwestern Pennsylvania facilities. A third facility, located near the West Virginia capital of Charles Town, would attract gamers as well.

West Virginia racinos experienced rapidly increasing revenues from inception through 2006, due largely to continued changes in legislation to remove gaming position and game type limitations, as well as to increase betting limits. Additionally, it took nearly a decade for the market to reach a level of maturity with respect to having gaming participation rates being more typical of national averages. Legislation to permit slots in Pennsylvania resulted in the first notable year-over-year revenue decline in 2007, though this is being partially offset by the recent legislation that has permitted table gaming at the West Virginia racinos.

With four racetrack casinos hosting a total of more than 11,250 lottery terminals, West Virginia gaming revenues approached the \$1 billion mark in 2006. Revenue began to fall in 2007 and has continued through 2010, when the state's slot revenue only totaled \$723 million. The number of machines has decreased since 2008 to a total of just over 10,300 in 2010. Through the first four months of 2011, slot revenue is down 1% from 2010, while the number of slots is down almost 10%. The table shows the West Virginia statewide slot revenue performance since 2003.

West Virginia Statewide Slot Performance

	Gross Terminal Revenue	Change	Units	Change	Win/Unit	% Change
2003	\$781,544,242	18.75%	9,583	27.75%	\$224.05	-7.05%
2004	\$874,193,223	11.85%	10,590	10.51%	\$226.77	1.21%
2005	\$931,670,726	6.57%	11,209	5.84%	\$224.04	-1.20%
2006	\$970,840,194	4.20%	11,349	1.25%	\$235.01	4.89%
2007	\$929,252,788	-4.28%	11,846	4.38%	\$215.50	-8.30%
2008	\$882,891,300	-4.99%	11,749	-0.82%	\$202.55	-6.01%
2009	\$805,246,659	-8.79%	11,253	-4.22%	\$196.58	-2.95%
2010	\$723,038,912	-10.21%	10,308	-8.40%	\$194.85	-0.88%
Jan-Apr 2011	\$236,863,692	-1.06%	9,702	-9.72%	\$204.09	9.98%

Source: West Virginia Lottery

Table games were introduced in late December 2007 at Mountaineer and Wheeling. Tri-state added tables in October 2008 and Charles Town added them in July 2010. Table revenue has grown from \$77.6 million in 2008 to more than \$133 million in 2010. This figure is expected to grow in 2011 as all four facilities operate table games for a full year for the first time. West Virginia tables have collected more than \$68 million in revenue in the first four months of 2011, representing an increase of 128% from 2010. This increase is inflated, however, as Charles Town didn't add tables till July 2010, and Charles Town represents more than \$45 million of the state's total, attributable to its 112 tables. Table revenue since 2007 is shown below.

West Virginia Statewide Table Performance

	Gross Table Revenue	% Change
2007	\$4,430,263	
2008	\$77,604,583	N/A
2009	\$96,006,870	23.71%
2010	\$133,073,834	38.61%
Jan-Apr 2011	\$68,195,020	128.56%

Source: West Virginia Lottery

Mountaineer has historically been the market leader for the northern panhandle of West Virginia, offering the most games and the broadest amenity mix. The two casinos in the area attract gamers from Cleveland, Pittsburgh and Columbus. Both Mountaineer and Wheeling have seen declining revenue in the past few years, likely due to the expansion of competition in Pennsylvania. In 2010, Mountaineer saw revenue hit a six year low at about \$202 million while wheeling saw its revenue fall to just \$145 million. Charles Town on the other hand, has fared well, being further away from competitors in other states, seeing revenue over \$465 million in 2010. Through the first four months of 2011, Charles Town has seen revenue of almost \$220 million while Mountaineer had a little less than \$73 millions and Wheeling had about \$49.5 million. The table below shows each facilities' performance since 2005.

West Virginia Overall Performance by Property

	2005	2006	2007	2008	2009	2010	Jan-Apr 2011
Mountaineer							
Win	\$257,353,300	\$257,832,502	\$223,841,390	\$257,803,391	\$232,966,453	\$202,379,557	\$72,768,864
Positions	3,159	3,178	3,629	3,755	3,417	3,097	2,893
Win/Position	\$223.18	\$222.31	\$168.97	\$188.11	\$186.77	\$179.01	\$211.35
Wheeling Island							
Win	\$194,715,355	\$201,730,442	\$174,922,503	\$193,008,289	\$176,885,276	\$145,137,140	\$49,592,142
Positions	2,265	2,310	2,485	2,426	2,246	2,137	2,184
Win/Position	\$235.54	\$239.25	\$192.87	\$217.93	\$215.80	\$186.05	\$190.83
Charles Town							
Win	\$414,124,376	\$448,022,619	\$463,367,841	\$454,010,812	\$424,334,013	\$465,166,483	\$219,961,008
Positions	4,028	4,120	4,739	5,012	4,976	5,317	5,100
Win/Position	\$281.66	\$297.92	\$267.91	\$248.15	\$233.64	\$239.67	\$362.44

Source: West Virginia Lottery; The Innovation Group

Charles Town is the largest facility in terms of slot positions with more than 4,600, while Mountaineer is in second with more than 2,600 and Wheeling is third with more than 1,800 positions in 2010. Slot revenue follows the same pattern as Charles Town had revenue higher than the other two combined, with a total of \$397 million in 2010. The first four months of 2011 have seen Charles Town Slot collect more than \$128.8 million in slot revenue, while Mountaineer collected about \$52.5 million and Wheeling collected \$38.5 million. West Virginia's slot performance since 2005 at each property is shown below.

West Virginia Slot Performance by Property

	Slot Revenue	Slots	Win per Slot
Mountaineer			
2005	\$257,353,300	3,159	\$223
2006	\$257,832,502	3,178	\$222
2007	\$226,025,207	3,197	\$194
2008	\$209,273,933	3,185	\$180
2009	\$187,482,675	2,847	\$180
2010	\$164,926,453	2,665	\$170
Jan-Apr 2011	\$52,526,927	2,461	\$179
Wheeling Island			
2005	\$194,715,355	2,265	\$236
2006	\$201,730,442	2,310	\$239
2007	\$172,676,057	2,191	\$216
2008	\$160,444,114	2,048	\$215
2009	\$145,987,570	1,874	\$213
2010	\$123,564,313	1,843	\$184
Jan-Apr 2011	\$38,537,915	1,890	\$171
Charles Town			
2005	\$414,124,376	4,028	\$282
2006	\$448,022,619	4,120	\$298
2007	\$463,367,841	4,739	\$268
2008	\$454,010,812	5,012	\$248
2009	\$424,334,013	4,976	\$234
2010	\$397,124,594	4,645	\$234
Jan-Apr 2011	\$128,854,529	4,428	\$245

Source: West Virginia Lottery

Beginning in October 2007, Mountaineer and Wheeling installed poker table games, followed by a full spread of table games beginning in December. The host county referendum for Charles Town Races was defeated at that time, but Charles Town later installed tables in July 2010. Mountaineer had 109 tables, including 40 poker tables in 2010. Wheeling Island had 64 tables, including 20 poker tables and Charles Town had 134 tables, including 30 poker tables. Mountaineer and Wheeling have since decreased their offerings in 2011.

The table games have performed well, though revenues have declined in 2009 and 2010 at Mountaineer and Wheeling. In 2010 daily win per table was \$1,324 at Mountaineer, \$1,135 at Wheeling Island and \$1,436 at Charles Town. The performance of the poker tables has varied widely, due possibly to having an over-supply of tables, and the increasing competition from neighboring states. In 2011, each facility has seen win per poker table and win per other table increase during the first four months. The increase in these figures can largely be attributed to the fact that each facility has reduced the number of tables offered. Charles Town has been the clear leader with a win per poker table of \$1,800 and a win per other table of almost \$3,900. West Virginia's table performance by property is shown below.

West Virginia Table Performance by Property

	Poker Revenue	Poker Tables	Win per Table Poker	Other Table Revenue	Other Tables	Win per Other Table	Total Table Revenue
Mountaineer							
2008	\$7,311,382	44	\$455	\$41,218,076	51	\$2,214	\$48,529,458
2009	\$6,196,117	40	\$424	\$39,287,661	55	\$1,957	\$45,483,778
2010	\$4,120,746	40	\$282	\$33,332,358	69	\$1,324	\$37,453,104
Jan-Apr 2011	\$1,001,704	24	\$351	\$9,507,396	48	\$1,664	\$10,509,100
Wheeling Island							
2008	\$5,476,792	20	\$750	\$27,070,803	43	\$1,725	\$32,547,595
2009	\$4,800,292	20	\$658	\$25,430,252	44	\$1,583	\$30,230,544
2010	\$3,302,340	20	\$452	\$18,220,337	44	\$1,135	\$21,522,677
Jan-Apr 2011	\$721,327	12	\$505	\$5,172,278	36	\$1,207	\$5,893,604
Charles Town							
2010	\$7,202,337	30	\$658	\$54,497,819	104	\$1,436	\$61,700,155
Jan-Apr 2011	\$5,797,502	27	\$1,804	\$39,237,873	85	\$3,879	\$45,035,375

Source: West Virginia Lottery

GAMING MARKET ANALYSIS

Methodology

In developing this analysis a gravity model was employed. Gravity models are commonly used in location studies for commercial developments, public facilities and residential developments. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of a population based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet and inversely related to the square of the travel distance. Thus the gravity model quantifies the effect of distance on the behavior of a potential patron, and considers the impact of competing venues.

The basic formulation is that the interaction between two or more gaming venues is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their masses and inversely as the square distance between them. Thus, expected interaction between gaming venue *i* and market area *j* is shown as:

$$k \times \frac{P_i \times P_j}{d_{ij}^2}$$

where P_i = the gaming positions in gaming venue *i*, P_j = the population in market area *j*, d_{ij} = the distance between them, and k = an attraction factor relating to the quality and amenities to be found at each gaming venue in comparison to the competing set of venues. When this formulation is applied to each gaming venue gaming trips generated from any given zip code are then distributed among all the competing venues.

The gravity model included the identification of 27 discrete market areas based on drive times and other geographic features and the competitive environment. Using our GIS software and CLARITAS database³, the adult population (21 and over), latitude and longitude, and average household income is collected for each zip code.

Each of these market areas is assigned a unique set of propensity and frequency factors. Gamer visits are then generated from zip codes within each of the areas based on these factors. The

³The GIS software used was MapInfo. This software allows for custom data generally in a tabular format with a geographic identification code (census tract, zip code, latitude and longitude, or similar identifier) to be mapped or displayed and integrated with other geographic census based information such as location of specific population or roadways. MapInfo is one of the most widely used programs in the geographic information systems industry. Nielsen Claritas is a vendor of demographic information located in the United States. Nielsen Claritas provides census demographic and psychographic data on a variety of geographic levels of detail ranging from census block groups and counties to postal zip codes. Their information is updated every six months and includes a current year estimate and provides a five year forecast for the future. The Innovation Group has utilized this data for inputs to its models for the last six years and has purchased full access to their demographic database for the entire United States.

gamer visits thus generated are then distributed among the competitors based upon the size of each facility, its attractiveness and the relative distance from the zip code in question. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market.

Each travel distance/time is evaluated to determine the likely alternative gaming choices for residents of the region. The model is constructed to include only those alternative venues that are considered to be within a reasonable travel time. These include competing casinos that have the potential to attract patrons, or siphon off visits from the market. Travel distances and time have been developed through use of our GIS system.

The following section provides a description and definition of the various components of the model.

Gamer Visits

This measure is used to specify the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. In order to estimate the gamer visits, market penetration rates, made up of the separate measures of propensity and frequency, are applied to the adult population in each zip code. A gamer visit can include more than one visit to a casino.

Propensity

Propensity measures the percentage of adults who will participate in casino gaming within the zip code. This varies based upon a number of factors, which includes the number of gaming venues, their type (i.e. landbased versus cruising riverboat versus dockside riverboat), games permitted, availability of other entertainment and leisure options, and most importantly distance from a gaming venue. Propensity in the inner market areas from 0-50 miles can vary between the high thirty per cent range in a single cruising riverboat market to the fifty percent range, or more, for multiple land based casinos with a well developed array of amenities.

Frequency

This measures the average number of visits that an adult will make annually to casinos in the subject market. Frequency is a function of annual gaming budget as indicated by income variations, the number of venues in the market, the type of gaming facility and most importantly distance from a gaming venue.

Win per Visit

Win per visit varies not only by gaming jurisdiction, but also in some cases by individual facilities. Normatively, win per visit is a function of distance and income. Gamers traveling greater distances tend to spend more per visit, typically making fewer gamer visits on average.

Attraction Factors

Attraction factors measure the relative attraction of one gaming venue in relation to others in the market. Attraction factors are applied to the size of the gaming venue as measured by the number of positions it has in the market. Positions are defined as the number of gaming machines plus the number of seats at gaming tables. A normative attraction factor would be one.

When this is applied to the number of positions in a gaming venue there is no change in the size of the gaming venue as calculated by the model and hence its attraction to potential patrons. A value of less than one adjusts the size of the gaming venue downwards and conversely a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attraction factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality and amenities of a facility. Attraction factors are also adjusted to model the presence of natural and man-made boundaries which impact ease of access and convenience of travel in the market area.

The sensitivity of the model to changes in these factors is not in the nature of a direct multiplication. For example, a doubling of the attraction factor will not lead to a doubling of the gamer visits attracted to the site. It will however cause a doubling of the attractive power of the gaming venue, which is then translated via non-linear equations into an increase in the number of gamer visits attracted to the gaming venue. This is based upon the location, size and number of competing gaming venues and their relationship to the market area to which the equation is applied. The variation of these factors is based upon The Innovation Group's experience in developing and applying these models, and consideration of the existing visitation and revenues. The latter represents the calibration of the model and has been accomplished by adjusting attraction factors to force the model to recreate the existing revenues and patron counts. In this case attraction factors have been adjusted for each casino for each market area. This is based upon known visitation patterns.

Market Carve-out

The Pennsylvania market has been carved into 27 distinct market areas, from which it could be expected that different participation rates may be expected depending on the level and location of competition that is present in the market currently and in the future. The following map and table show the market areas and their respective adult population (21 and over) and average household income.

Market Area Demographics

	Adult Pop 2010	Adult Pop 2015	AAG 2010-15	Average HHI 2010	Average HHI 2015	AAG 2010-15
Philadelphia	3,172,742	3,211,688	0.24%	\$79,198	\$86,551	1.79%
Atlantic City	905,986	932,908	0.59%	\$74,376	\$82,191	2.02%
Bethlehem	645,981	674,990	0.88%	\$73,623	\$80,994	1.93%
Central NJ	1,017,261	1,060,189	0.83%	\$109,610	\$120,724	1.95%
Newark	3,924,608	3,969,157	0.23%	\$95,587	\$104,346	1.77%
New York	6,356,498	6,478,209	0.38%	\$75,107	\$82,651	1.93%
Reading	717,397	747,504	0.83%	\$84,626	\$93,825	2.09%
Chambersburg-York	661,112	689,703	0.85%	\$65,086	\$70,811	1.70%
DelMar	1,153,506	1,221,243	1.15%	\$79,238	\$87,215	1.94%
Maryland	5,361,567	5,561,528	0.74%	\$101,758	\$114,574	2.40%
Harrisburg	686,985	702,401	0.44%	\$67,117	\$73,540	1.84%
Central South	85,546	85,186	-0.08%	\$50,775	\$54,991	1.61%
Poconos	743,034	762,159	0.51%	\$58,227	\$63,819	1.85%
Catskills	552,811	568,636	0.57%	\$71,747	\$80,034	2.21%
Williamsport	275,653	274,499	-0.08%	\$54,710	\$59,413	1.66%
Central North	190,891	188,236	-0.28%	\$49,593	\$53,346	1.47%
Altoona	472,773	470,353	-0.10%	\$51,904	\$56,625	1.76%
Pittsburgh Sec East	590,045	589,741	-0.01%	\$55,167	\$60,978	2.02%
Pittsburgh	1,260,626	1,243,465	-0.27%	\$67,562	\$74,162	1.88%
WV Primary	223,557	215,912	-0.69%	\$49,871	\$53,944	1.58%
WV Secondary	188,273	186,226	-0.22%	\$49,304	\$53,864	1.79%
Erie	279,025	278,569	-0.03%	\$54,346	\$58,082	1.34%
Erie Secondary	262,697	263,598	0.07%	\$58,842	\$62,575	1.24%
Ohio Tertiary	938,059	937,770	-0.01%	\$60,410	\$63,934	1.14%
Cleveland	1,154,784	1,117,434	-0.66%	\$67,287	\$71,416	1.20%
Newcastle	425,030	412,435	-0.60%	\$54,300	\$57,998	1.33%
Salamanca	202,634	199,215	-0.34%	\$55,015	\$59,758	1.67%
Total	28,998,579	33,042,954	2.65%			
Pennsylvania	9,210,082	9,329,284	0.26%	\$67,154	\$73,496	1.8%
National	220,820,181	231,083,594	0.9%	\$71,071	\$77,465	1.7%

Source: iXPRESS, Nielsen Claritas, Inc.; MapInfo: The Innovation Group; AAG=Average Annual Growth

Model Calibration

The gravity model was calibrated for 2010 using operating data as described above. Existing competitive casinos were input into the model as discussed in the Competitive Environment section above.

The following table shows the rates for propensity, frequency, and win per visit by market area that were used to re-create the actual conditions in the Base 2010 model. Win has been varied based on differences between market areas in average household income and travel time. Not reflected in the following table are adjustments to average WPV for individual facilities to reflect such differences in WPV resulting at slot-only casinos, which tend to have lower-than-average WPV and destination resorts which tend to have higher WPV.

Participation Rates Base 2010

	Propensity	Frequency	Win per Visit
Philadelphia	36.5%	12.3	\$70.00
Atlantic City	42.0%	14.0	\$66.00
Bethlehem	35.0%	12.0	\$68.00
Central NJ	34.0%	10.3	\$84.00
Newark	33.0%	9.5	\$85.00
New York	29.5%	7.0	\$80.00
Reading	32.0%	10.0	\$74.00
Chambersburg-York	30.0%	9.2	\$63.00
DelMar	37.0%	13.0	\$70.00
Maryland	28.5%	7.0	\$83.00
Harrisburg	35.0%	12.0	\$63.00
Central South	29.0%	9.0	\$61.00
Poconos	40.0%	13.5	\$62.00
Catskills	30.0%	12.0	\$68.00
Williamsport	28.0%	8.0	\$62.00
Central North	24.0%	6.0	\$62.00
Altoona	24.0%	6.0	\$62.00
Pittsburgh Sec East	29.0%	9.0	\$63.00
Pittsburgh	38.0%	12.0	\$68.00
WV Primary	37.0%	12.0	\$58.00
WV Secondary	32.0%	10.5	\$60.00
Erie	40.0%	13.5	\$61.00
Erie Secondary	35.0%	11.0	\$63.00
Ohio Tertiary	28.5%	8.0	\$72.00
Cleveland	27.0%	7.8	\$78.00
Newcastle	30.0%	10.0	\$66.00
Salamanca	40.0%	13.5	\$61.00

The following table shows gravity model gaming visits and revenues for the base calibration:

Gravity Model Calibration Base 2010

	Gamer Visits	Win per Visit	Gaming Revenue (MMs)
Philadelphia	16,011,781	\$72.26	\$1,156.9
Atlantic City	5,522,107	\$71.29	\$393.7
Bethlehem	2,866,332	\$69.55	\$199.4
Central NJ	4,042,455	\$89.13	\$360.3
Newark	13,720,764	\$88.49	\$1,214.2
New York	13,173,150	\$83.52	\$1,100.3
Reading	2,474,250	\$75.97	\$188.0
Chambersburg-York	1,830,263	\$64.33	\$117.7
DelMar	5,788,938	\$70.86	\$410.2
Maryland	11,961,922	\$85.29	\$1,020.2
Harrisburg	2,883,189	\$63.29	\$182.5
Central South	192,324	\$62.73	\$12.1
Poconos	3,816,974	\$61.88	\$236.2
Catskills	2,013,757	\$68.52	\$138.0
Williamsport	543,737	\$64.39	\$35.0
Central North	227,356	\$62.11	\$14.1
Altoona	585,063	\$62.36	\$36.5
Pittsburgh Sec East	1,354,605	\$64.01	\$86.7
Pittsburgh	5,912,223	\$69.67	\$411.9
WV Primary	855,212	\$58.12	\$49.7
WV Secondary	531,060	\$60.37	\$32.1
Erie	1,394,176	\$61.05	\$85.1
Erie Secondary	944,391	\$63.32	\$59.8
Ohio Tertiary	2,107,824	\$72.14	\$152.1
Cleveland	2,608,077	\$78.04	\$203.5
Newcastle	1,188,862	\$66.58	\$79.1
Salamanca	1,006,400	\$60.55	\$60.9
Total	105,557,192	\$76.13	\$8,036.1

The table on the following page shows gravity model revenues by market area and out-of-market revenues for Pennsylvania facilities for the base calibration 2010:

Baseline 2010 (\$MMs)	Eastern Alt.	Sugar House	PARX	Chester	Penn National	Beth Sands	Mt. Airy	Pocono	Western Alt.	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	Total
Philadelphia	0.00	185.81	276.88	194.57	1.56	40.22	6.92	5.21	0.00	0.00	0.00	0.00	0.00	0.00	711.17
Atlantic City	0.00	10.95	20.96	18.39	0.19	3.91	1.41	0.13	0.00	0.00	0.00	0.00	0.00	0.00	55.96
Bethlehem	0.00	4.68	11.85	5.78	3.36	92.97	13.72	9.03	0.00	0.00	0.00	0.00	0.00	0.00	141.38
Central NJ	0.00	11.51	45.50	6.83	0.97	22.70	9.35	7.23	0.00	0.00	0.00	0.00	0.00	0.00	104.08
Newark	0.00	11.44	50.11	11.75	0.99	53.59	32.78	30.65	0.00	0.00	0.00	0.00	0.00	0.00	191.31
New York	0.00	1.63	4.77	2.56	0.91	28.27	16.49	19.08	0.00	0.00	0.00	0.00	0.00	0.00	73.72
Reading	0.00	5.59	18.50	28.02	21.16	27.95	7.06	5.71	0.00	0.00	0.00	0.00	0.00	0.00	113.98
Chambers.-York	0.00	1.05	1.93	5.61	27.64	3.18	2.63	2.66	0.00	0.00	0.00	0.00	0.00	0.00	44.70
DelMar	0.00	3.71	5.27	34.22	8.22	4.00	3.28	1.92	0.00	0.00	0.00	0.00	0.00	0.00	60.62
Maryland	0.00	3.38	3.10	21.72	51.52	2.74	1.55	2.11	0.00	0.00	0.00	0.00	0.00	0.00	86.12
Harrisburg	0.00	0.60	2.22	3.20	135.67	5.24	3.52	6.23	0.00	0.00	0.00	0.00	0.00	0.00	156.67
Central South	0.00	0.10	0.40	0.45	2.48	0.25	0.39	0.21	0.00	0.04	0.05	0.02	0.00	0.00	4.39
Poconos	0.00	0.64	3.53	0.92	3.53	11.83	53.19	135.73	0.00	0.00	0.00	0.00	0.00	0.00	209.36
Catskills	0.00	0.25	0.71	0.40	0.23	4.76	5.06	9.78	0.00	0.00	0.00	0.00	0.00	0.00	21.20
Williamsport	0.00	0.09	0.37	0.19	4.71	2.76	2.62	5.76	0.00	0.00	0.00	0.00	0.00	0.00	16.49
Central North	0.00	0.00	0.00	0.00	0.68	0.00	0.31	0.54	0.00	1.96	1.83	0.59	0.00	0.00	5.90
Altoona	0.00	0.00	0.00	0.00	4.11	0.01	0.85	1.41	0.00	5.65	7.14	0.36	0.00	0.00	19.52
Pitts. Sec East	0.00	0.00	0.00	0.00	0.76	0.00	0.00	0.00	0.00	29.50	34.14	2.46	0.00	0.00	66.85
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	209.43	147.88	2.96	0.00	0.00	360.28
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.14	5.67	0.09	0.00	0.00	7.90
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.45	9.99	0.38	0.00	0.00	14.82
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.51	2.85	69.95	0.00	0.00	75.30
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.03	9.35	16.67	0.00	0.00	34.05
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.77	17.11	15.24	0.00	0.00	41.11
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.02	8.76	59.76	0.00	0.00	71.55
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.26	16.12	5.27	0.00	0.00	36.66
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.29	1.39	3.91	0.00	0.00	6.60
Subtotal Gravity	0.00	241.42	446.09	334.61	268.67	304.40	161.12	243.37	0.00	292.05	262.28	177.66	0.00	0.00	2,731.67
Out-of-Market	0.00	11.57	11.23	8.65	10.80	15.63	14.77	15.86	0.00	11.32	16.98	9.55	0.00	0.00	126.37
Total	0.00	252.99	457.32	343.27	279.47	320.03	175.89	259.23	0.00	303.37	279.25	187.21	0.00	0.00	2,858.04

These gaming visits and revenues were generated using 2010 population and household income estimates. The next step in the analysis is to create a base model for 2014 using projected population and income growth and considering historical revenue trends and accounting for expansions of existing casinos. 2014 is considered to be the earliest that new casinos in Pennsylvania would be operating; for the purpose of assessing alternative locations there is no material difference in using 2014 or 2015 as the baseline. The following table shows 2014 in a status quo scenario (no new competition).

2014 Status Quo (\$MMs)	Eastern Alt.	Sugar House	PARX	Chester	Penn National	Beth Sands	Mt. Airy	Pocono	Western Alt.	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	Total
Philadelphia	0.00	256.24	264.66	184.30	1.48	40.55	6.56	4.94	0.00	0.00	0.00	0.00	0.00	0.00	758.72
Atlantic City	0.00	17.80	20.29	17.94	0.18	4.01	1.36	0.13	0.00	0.00	0.00	0.00	0.00	0.00	61.72
Bethlehem	0.00	7.96	12.00	5.86	3.41	99.59	14.02	9.18	0.00	0.00	0.00	0.00	0.00	0.00	152.01
Central NJ	0.00	18.94	44.66	6.70	0.95	23.69	9.22	7.10	0.00	0.00	0.00	0.00	0.00	0.00	111.26
Newark	0.00	18.76	48.91	11.48	0.97	55.49	32.10	30.02	0.00	0.00	0.00	0.00	0.00	0.00	197.72
New York	0.00	2.72	4.72	2.54	0.90	29.65	16.35	18.92	0.00	0.00	0.00	0.00	0.00	0.00	75.79
Reading	0.00	9.48	18.66	28.48	21.63	29.98	7.18	5.81	0.00	0.00	0.00	0.00	0.00	0.00	121.22
Chambers.-York	0.00	1.85	2.01	5.86	28.97	3.52	2.75	2.78	0.00	0.00	0.00	0.00	0.00	0.00	47.73
DelMar	0.00	6.55	5.54	35.81	8.63	4.46	3.45	2.01	0.00	0.00	0.00	0.00	0.00	0.00	66.46
Maryland	0.00	5.77	3.16	22.11	52.62	2.96	1.58	2.15	0.00	0.00	0.00	0.00	0.00	0.00	90.35
Harrisburg	0.00	1.06	2.33	3.37	143.85	5.80	3.66	6.45	0.00	0.00	0.00	0.00	0.00	0.00	166.51
Central South	0.00	0.17	0.40	0.45	2.50	0.27	0.40	0.21	0.00	0.04	0.05	0.02	0.00	0.00	4.51
Poconos	0.00	1.15	3.83	0.98	3.68	13.58	58.04	141.89	0.00	0.00	0.00	0.00	0.00	0.00	223.14
Catskills	0.00	0.43	0.73	0.41	0.23	5.18	5.20	9.99	0.00	0.00	0.00	0.00	0.00	0.00	22.18
Williamsport	0.00	0.14	0.37	0.19	4.69	2.92	2.61	5.74	0.00	0.00	0.00	0.00	0.00	0.00	16.66
Central North	0.00	0.00	0.00	0.00	0.69	0.00	0.31	0.55	0.00	2.25	1.86	0.60	0.00	0.00	6.26
Altoona	0.00	0.00	0.00	0.00	4.26	0.01	0.88	1.46	0.00	6.46	7.26	0.37	0.00	0.00	20.70
Pitts. Sec East	0.00	0.00	0.00	0.00	0.77	0.00	0.00	0.00	0.00	33.20	34.47	2.46	0.00	0.00	70.90
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	225.19	146.90	2.92	0.00	0.00	375.01
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.45	5.78	0.10	0.00	0.00	8.32
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.14	10.25	0.39	0.00	0.00	15.78
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.90	2.92	73.27	0.00	0.00	79.09
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.34	9.71	17.20	0.00	0.00	36.25
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.21	17.71	15.78	0.00	0.00	43.71
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.44	8.86	60.41	0.00	0.00	72.71
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.14	16.08	5.26	0.00	0.00	38.49
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.50	1.43	4.04	0.00	0.00	6.97
Subtotal Gravity	0.00	349.01	432.26	326.47	280.42	321.67	165.66	249.33	0.00	319.26	263.29	182.81	0.00	0.00	2,890.17
Out-of-Market	0.00	14.46	11.79	9.09	11.34	23.44	15.51	16.65	0.00	11.89	17.82	10.03	0.00	0.00	142.03
Total	0.00	363.47	444.05	335.56	291.76	345.11	181.17	265.98	0.00	331.15	281.11	192.84	0.00	0.00	3,032.20

Finally, new competition that has received legislative approval is inserted into the model for a baseline 2014 scenario. This baseline 2014 model is the basis of comparison for evaluating the impact of alternative locations for the remaining two Pennsylvania licenses.

The new competition included in this baseline 2014 model includes Nemaquin, Valley Forge, Aqueduct, AC Revel, Ohio landbased casinos in Cleveland, Columbus, Toledo and Cincinnati, and Baltimore and Anne Arundel, Maryland. The following table shows baseline 2014 gaming revenues for the entire market:

Gravity Model Baseline 2014

	Gamer Visits	Win per Visit	Gaming Revenue (MMs)
Philadelphia	16,170,855	\$75.27	\$1,217.2
Atlantic City	5,658,969	\$74.49	\$421.5
Bethlehem	2,972,012	\$72.59	\$215.7
Central NJ	4,179,115	\$92.23	\$385.4
Newark	14,128,888	\$91.26	\$1,289.3
New York	14,997,879	\$82.88	\$1,243.0
Reading	2,611,161	\$78.75	\$205.6
Chambersburg-York	1,894,269	\$66.06	\$125.1
DelMar	6,058,910	\$74.07	\$448.8
Maryland	21,289,604	\$79.00	\$1,681.8
Harrisburg	2,940,001	\$66.01	\$194.1
Central South	191,815	\$65.03	\$12.5
Poconos	3,904,356	\$64.90	\$253.4
Catskills	2,065,022	\$71.76	\$148.2
Williamsport	542,106	\$67.65	\$36.7
Central North	224,684	\$65.16	\$14.6
Altoona	582,694	\$65.41	\$38.1
Pittsburgh Sec East	1,381,474	\$67.08	\$92.7
Pittsburgh	5,850,457	\$72.80	\$425.9
WV Primary	832,058	\$61.13	\$50.9
WV Secondary	558,770	\$63.36	\$35.4
Erie	1,392,820	\$64.04	\$89.2
Erie Secondary	948,805	\$66.24	\$62.8
Ohio Tertiary	2,668,054	\$75.09	\$200.3
Cleveland	4,764,959	\$81.01	\$386.0
Newcastle	1,160,355	\$69.59	\$80.8
Salamanca	993,928	\$63.54	\$63.2
Total	120,964,020	\$77.86	\$9,418.4

The table on the following page shows gravity model revenues by market area and out-of-market revenues for Pennsylvania facilities for the baseline 2014. On a statewide basis, market growth in Pennsylvania is projected to be counteracted by new competition in Atlantic City, New York, Maryland, and Ohio. At this point, only the Ohio landbased casinos have been introduced into the model. The Ohio racinos have not yet received final approval; therefore their impact on western Pennsylvania is provided in a separate scenario. No out-of-market revenue has been projected for Valley Forge or Nemaquin since that is not material to this analysis. Participation of Valley Forge and Nemaquin in the gravity model is assumed to be muted by the de minimis purchase requirement.

As the table shows, Penn National is expected to take a 13% hit from Maryland (over status quo 2014), and Presque Isle Downs is projected to take a 30% hit from the downtown landbased casino in Cleveland, Ohio. At the other Pennsylvania casinos, impacts from new competition range from 2.6% at Parx to 8.5% at the Meadows (impact of Ohio and Nemaquin).

Baseline 2014 (\$MMs)	Eastern Alt.	Sugar House	PARX	Chester	Penn National	Beth Sands	Mt. Airy	Pocono	Western Alt.	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	Total
Philadelphia	0.00	252.23	260.87	180.70	1.44	39.60	6.41	4.82	0.00	0.00	0.00	0.00	0.00	18.93	765.01
Atlantic City	0.00	17.73	20.21	17.85	0.18	3.99	1.36	0.13	0.00	0.00	0.00	0.00	0.00	0.13	61.58
Bethlehem	0.00	7.82	11.80	5.76	3.35	98.45	13.80	9.02	0.00	0.00	0.00	0.00	0.00	1.20	151.20
Central NJ	0.00	18.73	44.19	6.62	0.94	23.45	9.13	7.03	0.00	0.00	0.00	0.00	0.00	0.23	110.32
Newark	0.00	18.33	47.83	11.21	0.94	54.39	31.46	29.38	0.00	0.00	0.00	0.00	0.00	0.65	194.18
New York	0.00	2.05	3.56	1.92	0.69	22.60	12.54	14.53	0.00	0.00	0.00	0.00	0.00	0.32	58.21
Reading	0.00	8.15	16.34	24.22	20.42	26.98	6.58	5.37	0.00	0.00	0.00	0.00	0.00	21.69	129.72
Chambers.-York	0.00	1.51	1.65	4.81	23.72	2.90	2.25	2.28	0.00	0.00	0.00	0.00	0.00	0.49	39.61
DelMar	0.00	6.06	5.08	33.79	7.51	4.05	3.10	1.80	0.00	0.00	0.00	0.00	0.00	0.44	61.83
Maryland	0.00	3.04	1.69	11.41	28.97	1.60	0.87	1.21	0.00	0.00	0.00	0.00	0.16	0.37	49.33
Harrisburg	0.00	1.00	2.19	3.16	137.83	5.50	3.47	6.12	0.00	0.00	0.00	0.00	0.00	0.45	159.72
Central South	0.00	0.15	0.36	0.40	2.24	0.24	0.35	0.19	0.00	0.04	0.04	0.02	0.00	0.01	4.04
Poconos	0.00	1.15	3.83	0.98	3.67	13.57	58.02	141.86	0.00	0.00	0.00	0.00	0.00	0.07	223.15
Catskills	0.00	0.43	0.73	0.41	0.23	5.18	5.19	9.99	0.00	0.00	0.00	0.00	0.00	0.00	22.16
Williamsport	0.00	0.14	0.37	0.19	4.69	2.92	2.61	5.74	0.00	0.00	0.00	0.00	0.00	0.00	16.66
Central North	0.00	0.00	0.00	0.00	0.67	0.00	0.30	0.53	0.00	2.18	1.81	0.58	0.00	0.00	6.09
Altoona	0.00	0.00	0.00	0.00	4.17	0.01	0.86	1.42	0.00	6.20	6.97	0.36	1.21	0.00	21.20
Pitts. Sec East	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	31.91	32.41	2.38	6.28	0.00	73.69
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	223.95	145.95	2.89	1.58	0.00	374.37
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.39	5.65	0.09	0.08	0.00	8.21
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.47	9.06	0.33	0.81	0.00	14.67
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.37	70.47	0.00	0.00	75.22
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.81	5.68	11.74	0.00	0.00	23.23
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.58	11.46	9.62	0.00	0.00	27.66
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.37	17.52	0.00	0.00	20.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.21	14.16	4.56	0.00	0.00	33.92
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.47	1.40	3.95	0.00	0.00	6.82
Subtotal Gravity	0.00	338.52	420.68	303.45	242.40	305.43	158.31	241.41	0.00	303.53	239.32	124.50	10.11	44.96	2,732.61
Total	0.00	352.98	432.47	312.53	253.74	328.88	173.82	258.06	0.00	315.41	257.14	134.53	10.11	44.96	2,874.64
Change		-2.9%	-2.6%	-6.9%	-13.0%	-4.7%	-4.1%	-3.0%		-4.8%	-8.5%	-30.2%			-5.2%

Location Alternatives

As shown on the market area map, the following locations were assessed for gross gaming revenue potential as well as net increase to statewide gaming revenues. The results are mutually exclusive among the alternative locations within each region.

Eastern Region Options

- Foxwoods Site
- City Line
- Port Jervis
- Reading
- South York
- Chambersburg

Western Region Options

- Valley View Site
- Beaver Valley

Central Region Options

- Altoona
- Johnstown
- Williamsport

Eastern Region

In the Eastern Region, the location with the greatest potential to increase statewide revenues is South York, followed by Reading and Chambersburg. Although the two Philadelphia locations have the highest potential for facility revenue, a large part of that individual potential would come at the expense of existing Philadelphia area casinos, therefore resulting in a smaller net gain statewide.

Eastern Region Alternatives

	Foxwoods Site	W. Philadelphia/ City Line	Chambersburg	Port Jervis	Reading	South York
Facility Gaming Revenue Potential	\$269,055,615	\$290,963,358	\$128,230,277	\$130,129,344	\$191,965,764	\$219,967,105
Net Gain to Statewide Gaming Revs	\$89,962,999	\$98,426,896	\$106,590,390	\$95,559,531	\$124,753,207	\$153,986,599

Western Region

In the Western Region, the location with the greatest potential to increase statewide revenues is Valley View. Beaver Valley would face more competition from the Rivers and the Meadows.

Western Region Alternatives: Ohio Stand-alone Casinos Only

	Valley View	Beaver Valley
Facility Gaming Revenue Potential	\$160,166,350	\$144,656,335
Net Gain to Statewide Gaming Revs	\$122,654,551	\$98,267,161

However, the Western Region faces the threat of additional competition in Ohio, particularly the possibility of a racino in Youngstown, which would be Valley View's primary feeder market. A racino in Youngstown⁴ would reduce Valley View's net contribution to the Commonwealth by approximately one-third.

Valley View Impact of Ohio Racinos (Youngstown Scenario)

	Valley View
Facility Gaming Revenue Potential	\$109,340,669
Net Gain to Statewide Gaming Revs	\$83,394,882

Central Region

In the Central Region, the location with the greatest potential to increase statewide revenues is Altoona. Johnstown's greater proximity to the Meadows and the Rivers limits its revenue and impact potential, and Williamsport has a very small local market in addition to facing competition by Mohegan Sun and Penn National for more distant markets. Although Altoona has

⁴ The re-location of Toledo's Raceway Park to Youngstown still requires approval by the Ohio racing commission, and a yet-to-be-determined transfer fee may limit the viability of the move. Regardless, two racetracks in the southeastern suburbs of Cleveland would also have significant impact on Valley View in the absence of Youngstown.

limited individual potential, its insulation from other Pennsylvania casinos means that the large majority of its revenue potential would be a net gain to the Commonwealth.

Central Region Alternatives			
	Altoona	Johnstown	Williamsport
Facility Gaming Revenue Potential	\$112,148,162	\$97,643,835	\$68,981,390
Net Gain to Statewide Gaming Revs	\$96,106,790	\$76,850,412	\$54,816,356

FINANCIAL ANALYSIS

To determine if the locations identified can generate enough revenue to be viable and attract prospective developers to invest significant capital a top level financial analysis was prepared. To make this determination, we utilized several industry standard return metrics including Net Present Value (“NPV”), Internal Rate of Return (“IRR”), EBITDA Return on Investment and Payback Period.

Methodology and Results

Discounted Cash Flows (Net Present Value or NPV)

The present value of future cash flows discounted at an estimated cost of capital and offset by the capital investments required by the project.

- Finance experts widely agree that net present value is the correct measure in assessing mutually exclusive projects.
- Projects with negative net present value do not offer an economic return. Projects with positive net present value are opportunities to consider. The greater the magnitude in either direction indicates the greater value of the project.
- Net Present Value is generally sensitive to terminal values and the associated multiples.

Internal Rate of Return (IRR)

The discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero. Generally speaking, the higher a project's internal rate of return, the more desirable it is to undertake the project.

Pay Back Period

The time period in which the positive cash flows of the project equal the cost or investment into the project.

- Pay Back does not consider the time value of money, it does not discount any cash flows.
- Pay Back literally indicates when you get your money back.

For purposes of this analysis, the proposed locations were categorized according to five levels of revenue and size potential as follows:

- **LARGE**
 - \$250.0 million + in gaming revenue
 - 3,000 to 4,000 gaming positions
- **MEDIUM**
 - \$175.0 TO \$250.0 million in gaming revenue
 - 2,500 to 3,000 gaming positions
- **MEDIUM/SMALL**
 - \$135.0 to \$175.0 million in gaming revenue
 - 1,800 to 2,100 gaming positions
- **SMALL**
 - \$100.0 to \$125.0 million in gaming revenue
 - 1,500 to 1,800 gaming positions
- **OUTLIER**
 - \$75.0 to \$100.0 million in gaming revenue
 - Under 1,500 gaming positions

The financial assumptions used in the preparation of the return analysis are presented in the following table.

Financial Assumptions					
	Large	Medium	Medium/ Small	Small	Outlier
Year 1 Gaming Revenues (\$M)	\$280.0	\$206.0	\$140.8	\$106.4	\$69.0
Growth	2.0%	2.0%	2.0%	2.0%	2.0%
Effective Tax Rate	46.5%	46.5%	46.5%	46.5%	46.5%
EBITDA Margin	22.0%	22.0%	19.5%	19.0%	18.0%
Gaming License	\$66.5	\$66.5	\$66.5	\$66.5	\$66.5
Construction & Development Costs	\$275.1	\$179.9	\$125.8	\$105.8	\$83.8
Total Project Costs (excluding Financing costs)	\$341.6	\$246.4	\$192.3	\$172.3	\$150.3
# of Gaming Positions	3,540	2,675	1,970	1,710	2,100
Cap/Ex as percentage of revenues	2.5%	2.5%	2.5%	2.5%	2.5%
Exit Multiple of EBITDA	4.5	4.5	4.5	4.5	4.5
Discount Rate	12%	12%	12%	12%	12%

Source: The Innovation Group

As a basis for this analysis, Earnings before Interest, Taxes, Depreciation, and Amortization, (“EBITDA”) were estimated for each category. The effective gaming tax rate, competitive pressures and operating costs for Pennsylvania properties were considered in this estimation. The larger facilities that generate a higher win per gaming position will likely be more efficient and therefore have a slightly higher EBITDA margin.

The assumptions used to determine the estimated construction and development costs are outlined in the following table.

Construction & Development Costs

	Large	Medium	Small
License Fee	\$66.5	\$66.5	\$66.5
Land Cost estimated as a % of Building Costs	20.0%	10.0%	10.0%
Development, Construction & Fees			
Design/Architectural Fees (% of building)	8.5%	8.5%	8.5%
Other/Pre-Open (% of gaming rev)	5.0%	5.0%	5.0%
Bank Cash (% of gaming rev)	2.0%	2.0%	2.0%
Slot Machine Purchases *	\$22,000	\$22,000	\$22,000
Square Foot Allocation/Gaming Position			
Casino	35	35	35
Back of House as a % of casino	50.0%	50.0%	50.0%
Other (including F&B) as a % of casino	50.0%	50.0%	50.0%
TOTAL Estimated Square Feet			
Cost per Square Foot	Large	Medium	Small
Casino	\$600	\$525	\$450
Back of House	\$250	\$250	\$250
Other (including F&B)	\$500	\$450	\$400
Parking Garage:			
Space / Position Count	70.0%	50.0%	50.0%
Cost per space/ Garage Costs	\$15,000	\$15,000	\$15,000
Surface Parking:			
Spaces / Position Count	30.0%	50.0%	50.0%
Cost per space/Surface Lot Costs	\$4,000	\$4,000	\$4,000
Contingency	7.0%	6.5%	6.0%

* 92% of machines purchased; 8% assumed to be leased participation games.
Unit price includes player tracking system

At this level of cost per square foot the resulting facilities would be competitive with any currently existing in the Pennsylvania market. Sufficient space is included to provided for back-of-house functions and for restaurant, bar and limited retail developments. Assumptions for depreciation of assets are as follows:

Depreciation Assumptions

	Large	Medium	Small
Building as a % of Constructions costs	70.0%	70.0%	70.0%
Furniture, Fixtures & Equipment as a % of Construction Costs	30.0%	30.0%	30.0%
Depreciation Schedule			
License	20	20	20
Building & Other Long Term Costs	20	20	20
FF&E	10	10	10
Slot Machines	5	5	5

These were then input into a financial analysis which calculated the net present value (NPV) of the project, the internal rate of return (IRR) and the payback period. These IRRs are the before-tax, before-debt-service rates that investors and bankers will look for the project to achieve before financing will be considered. As such this provides a useful practical real world criterion to determine the minimum feasible size of a market that could realistically be developed in today's competitive environment

Valuation and Indicators

	Large	Medium	Medium/ Small	Small	Outlier
Total Revenues	\$299.6	\$220.4	\$150.7	\$113.8	\$73.8
EBITDA	\$66.0	\$48.5	\$29.4	\$21.6	\$13.3
Adjusted Net Present Value (\$M)	\$105.4	\$69.2	\$4.3	(\$23.1)	(\$51.8)
Internal Rate of Return	17.9%	17.4%	12.5%	9.1%	3.7%
Payback Period (in years)	5.3	5.5	7.0	8.5	10 +

Source: The Innovation Group

Implications

The assumptions for development costs and EBITDA in the financial analysis are not project-specific but general terms based on industry norms. The purpose of the financial analysis was to provide a range wherein ease of feasibility could be compared across the alternative locations. It is possible that developers of projects in the Small category could obtain better financing terms or construction costs than assumed, and that management could obtain better EBITDA margins than assumed.

The \$66.5 million license fee and Pennsylvania's effective gaming tax rate would challenge the feasibility of the locations falling into the Small category, including Altoona and Valley View,* which were the two leading locations outside the Eastern region in terms of net revenue gain to the Commonwealth.

The leading locations in the East in terms of net revenue gain—South York and Reading—are toward the higher end of the range for feasibility. It should be again noted that the analysis is based on only one development in each region; therefore the revenue forecast and net revenue gain would be less if both Reading and South York were developed given their proximity.

* In the Youngstown scenario.

PENNSYLVANIA GAMING MARKET ASSESSMENT & COMPETITIVE ANALYSIS: APPENDIX A

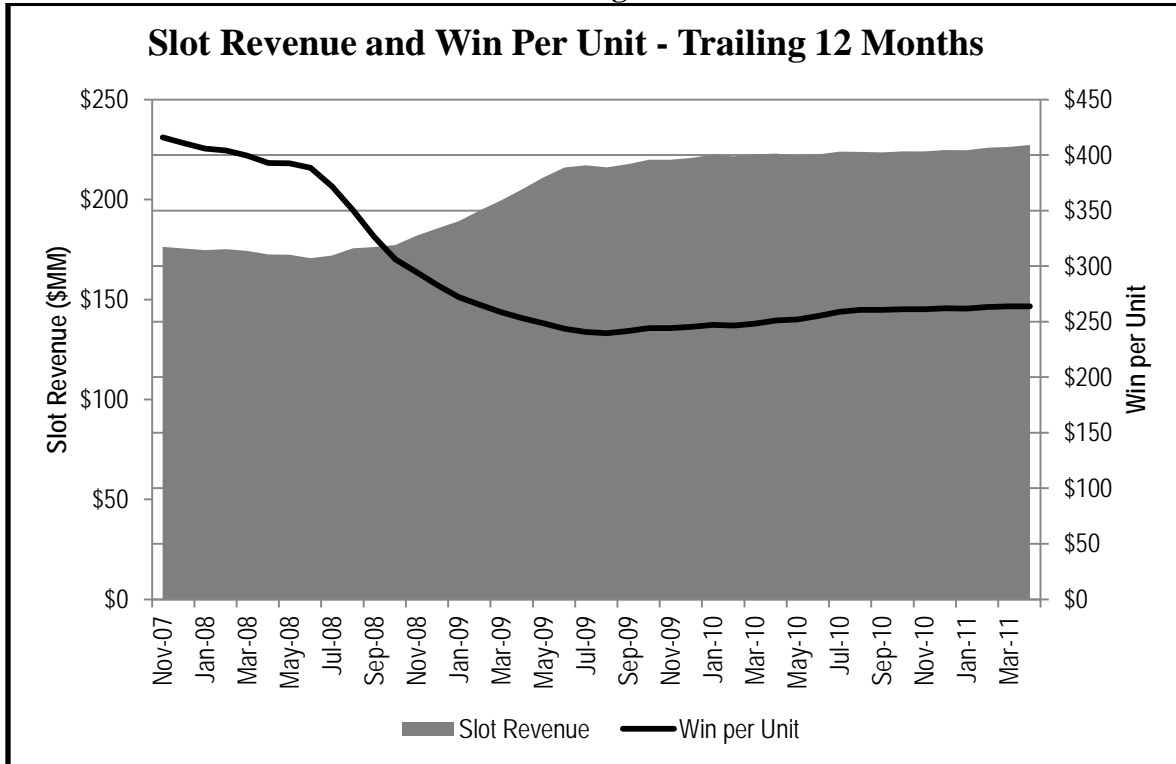


Prepared by:
THE INNOVATION GROUP
400 N. Peters St., Suite 206
New Orleans, LA 70130

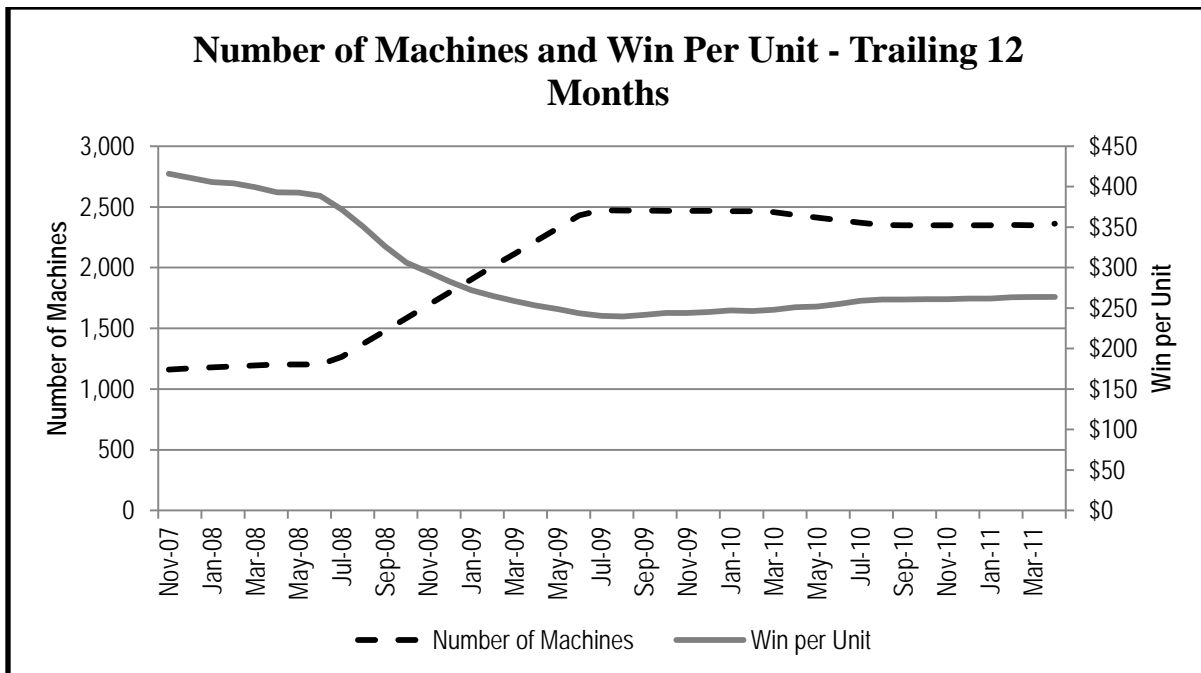
September 2011

APPENDIX A – PROPERTY TRENDS

Mohegan Sun

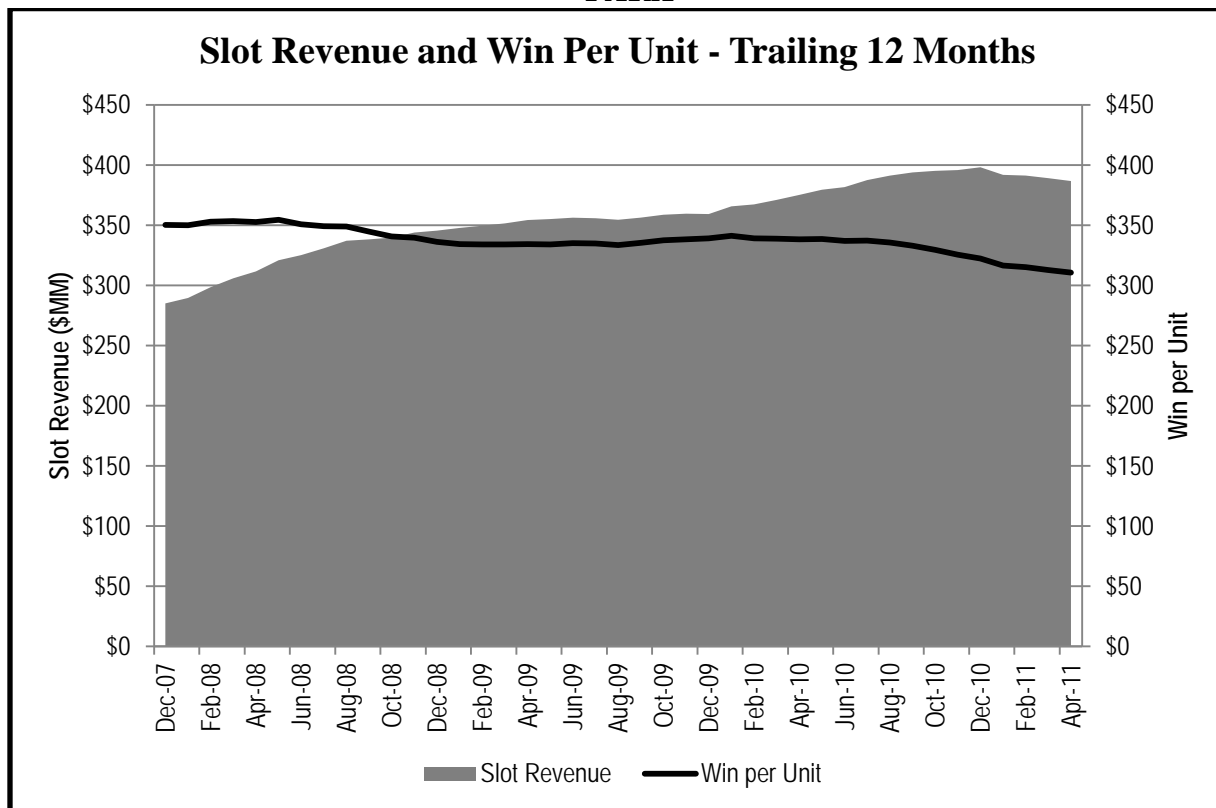


Source: PGCB, The Innovation Group

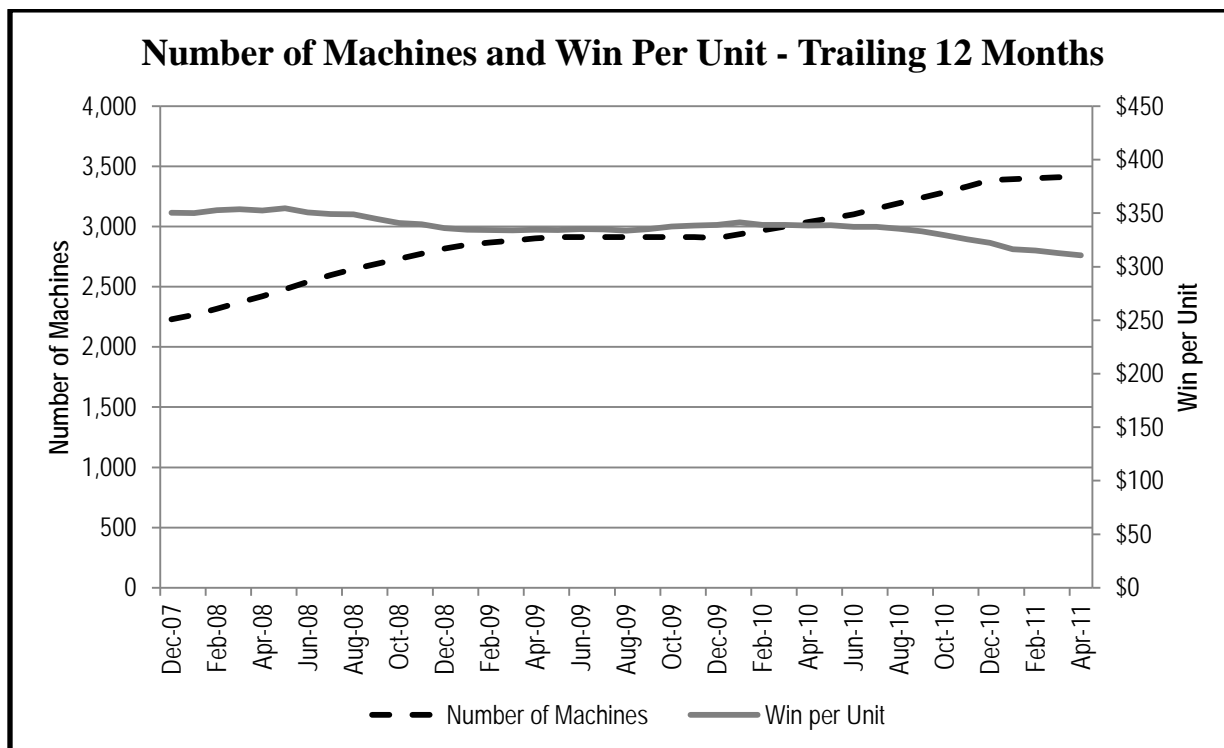


Source: PGCB, The Innovation Group

PARX

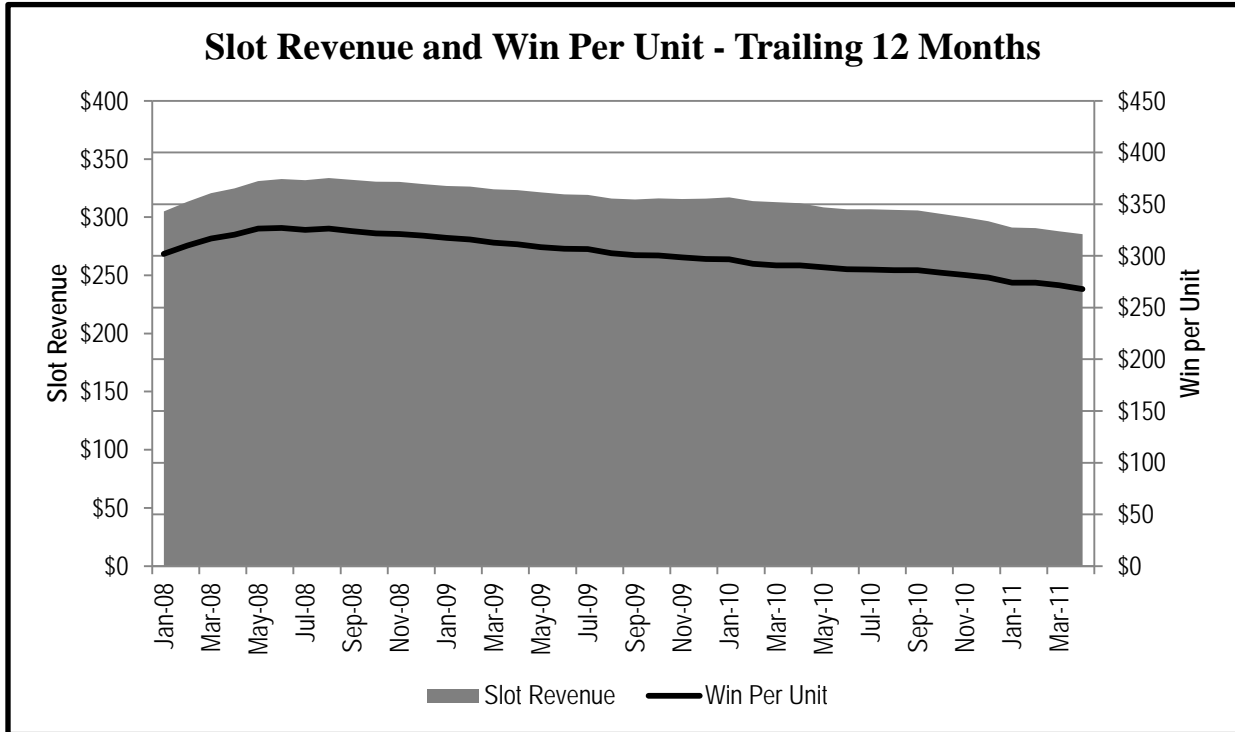


Source: PGCB, The Innovation Group

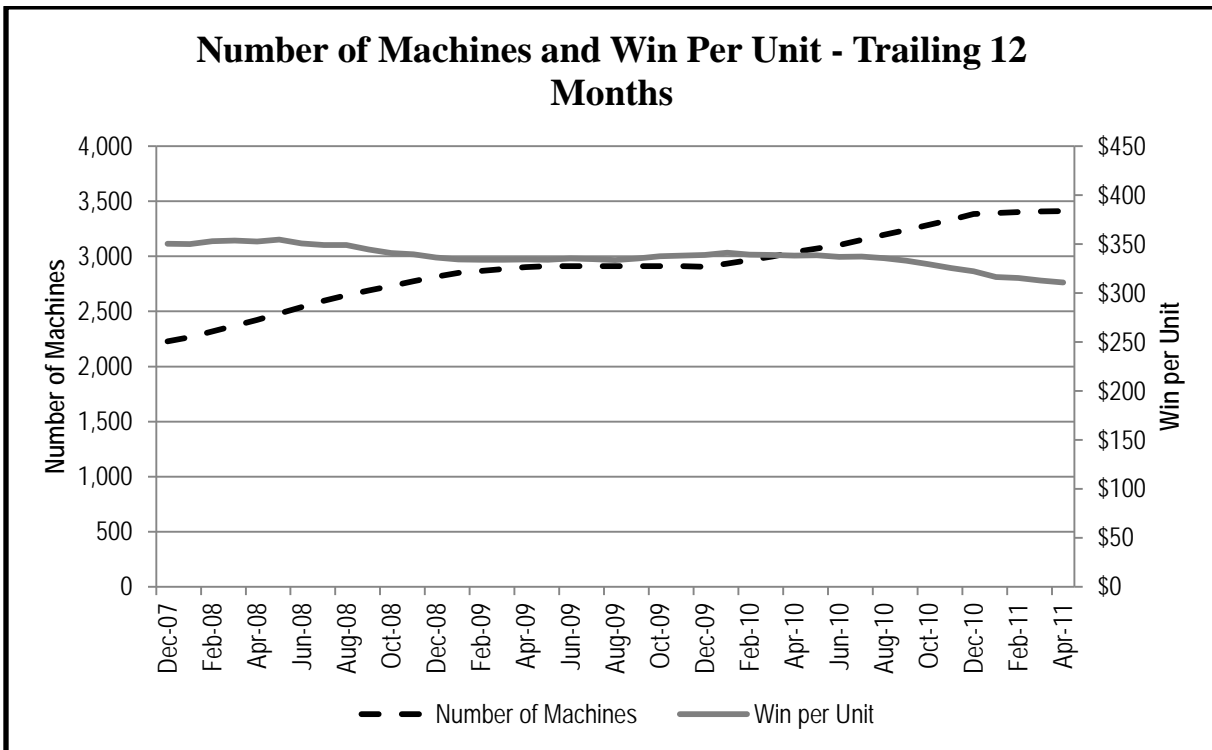


Source: PGCB, The Innovation Group

Harrah's Chester Downs

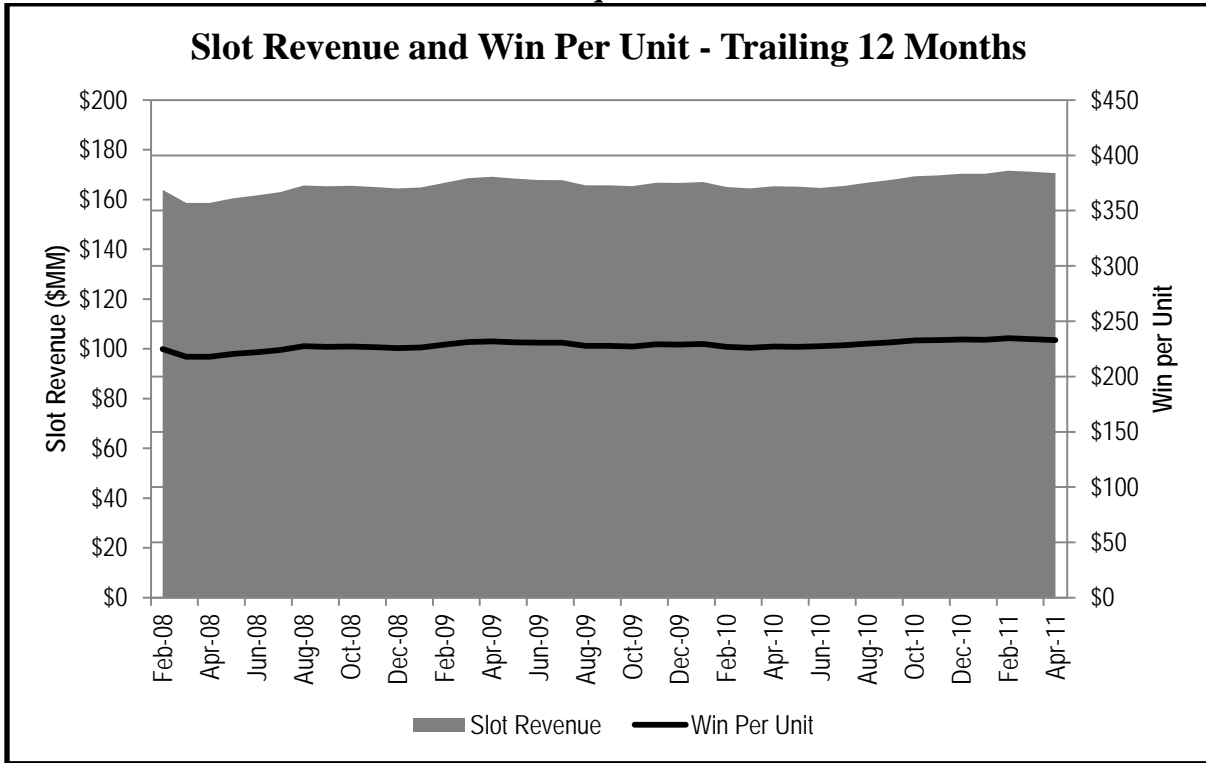


Source: PGCB, The Innovation Group

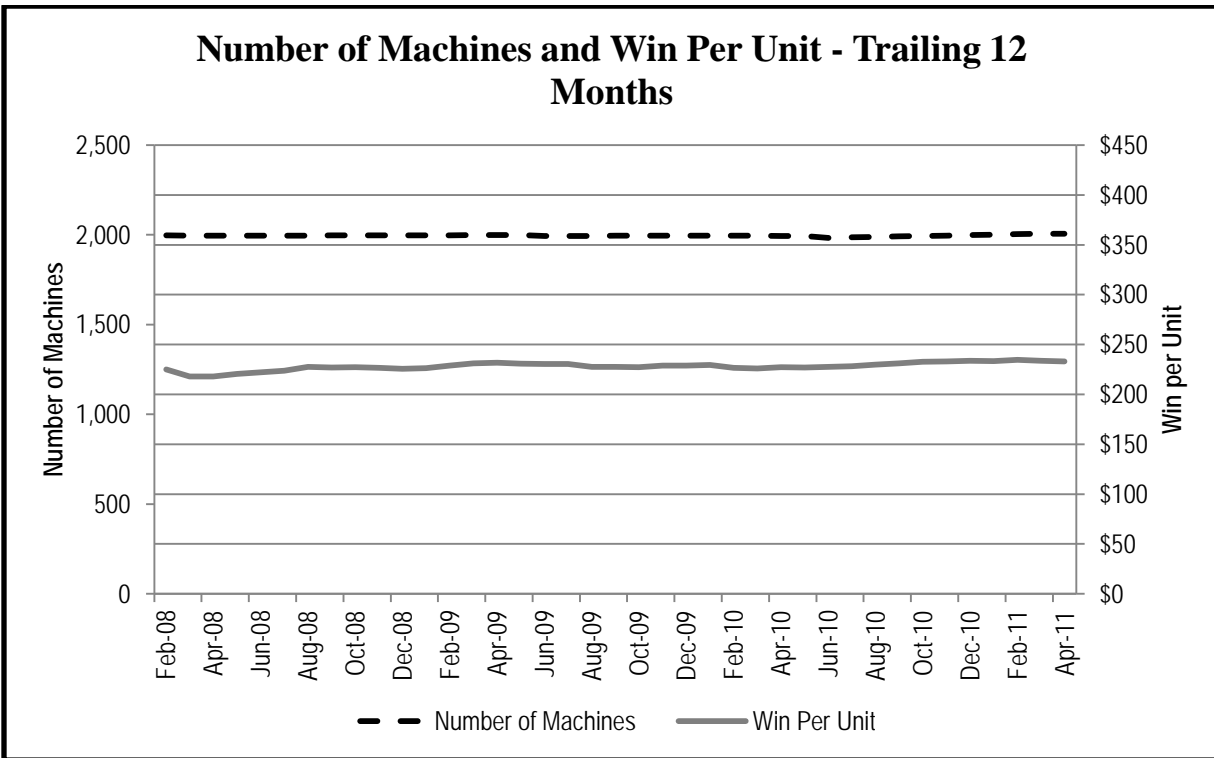


Source: PGCB, The Innovation Group

Presque Isle

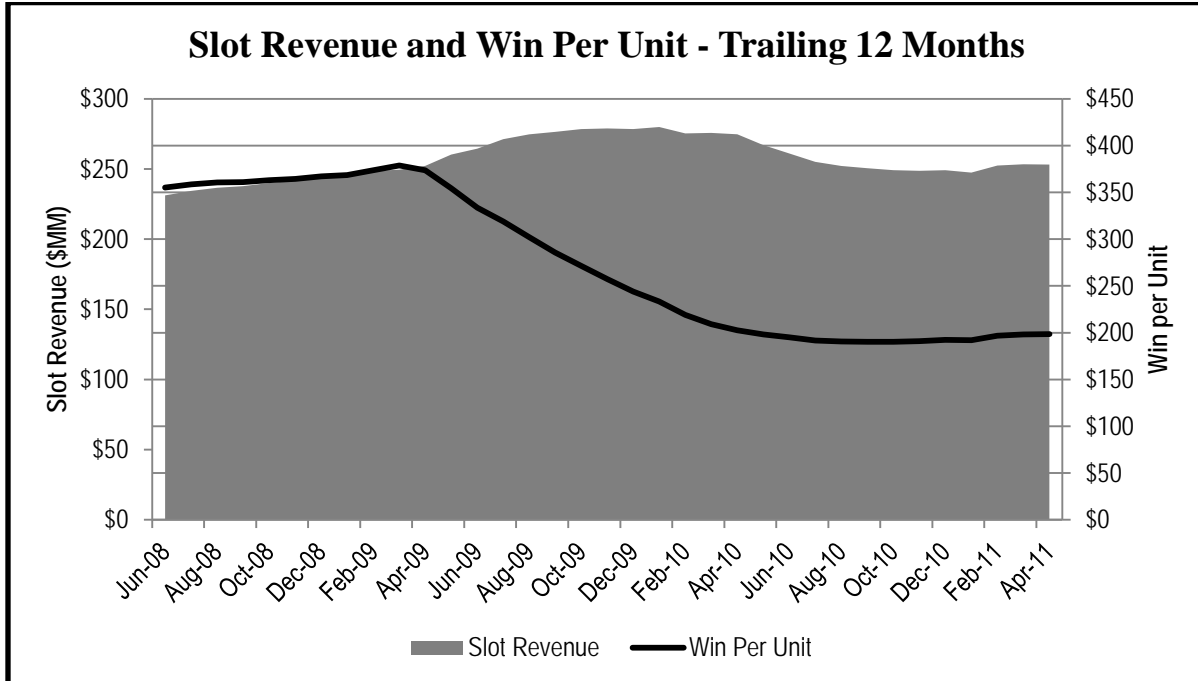


Source: PGCB, The Innovation Group

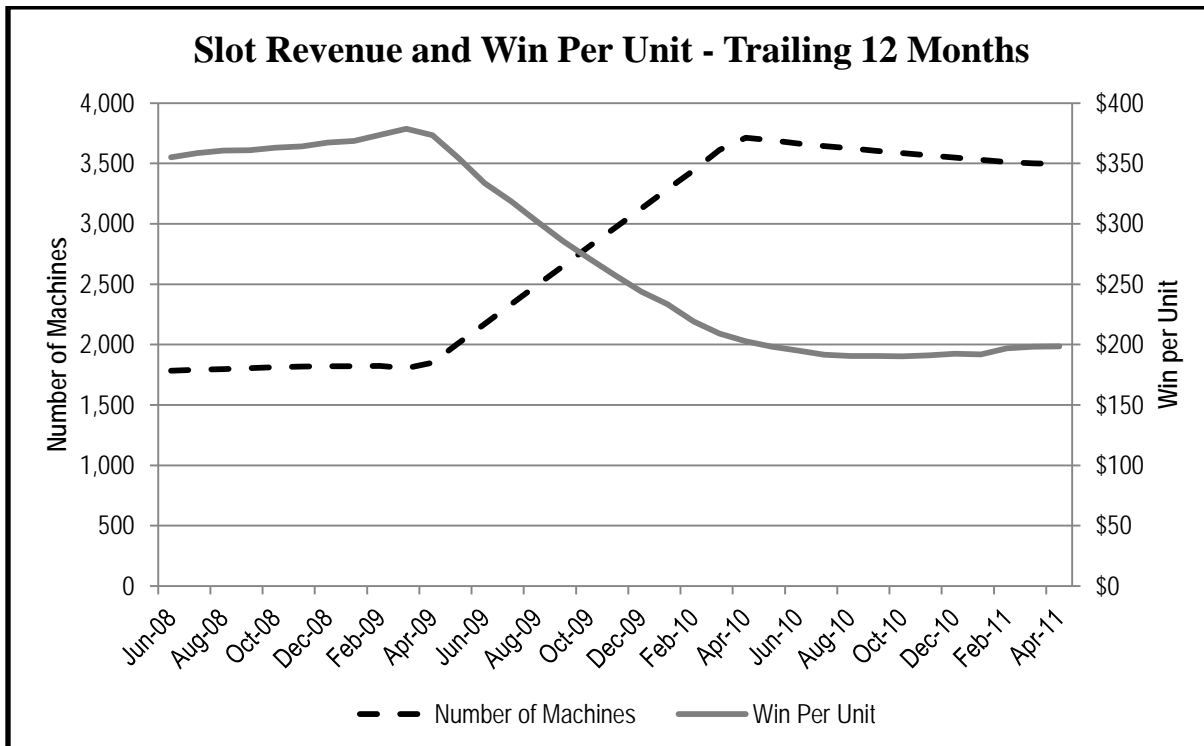


Source: PGCB, The Innovation Group

The Meadows

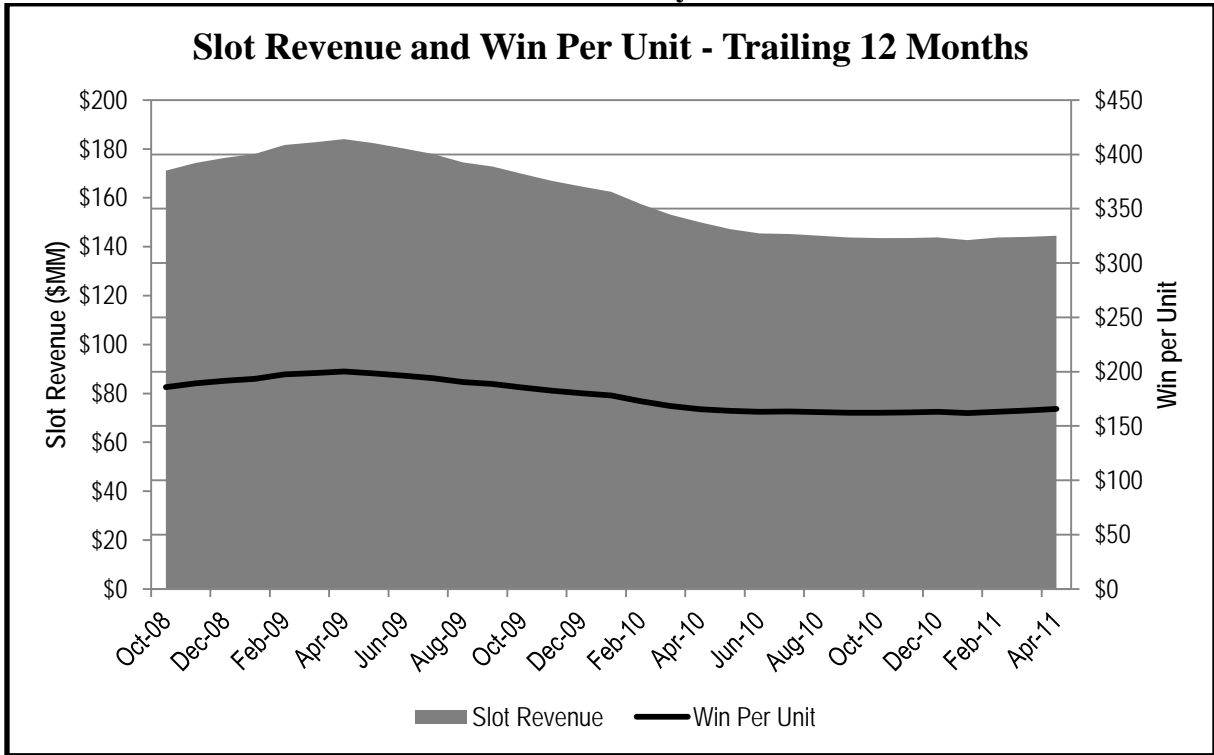


Source: PGCB, The Innovation Group

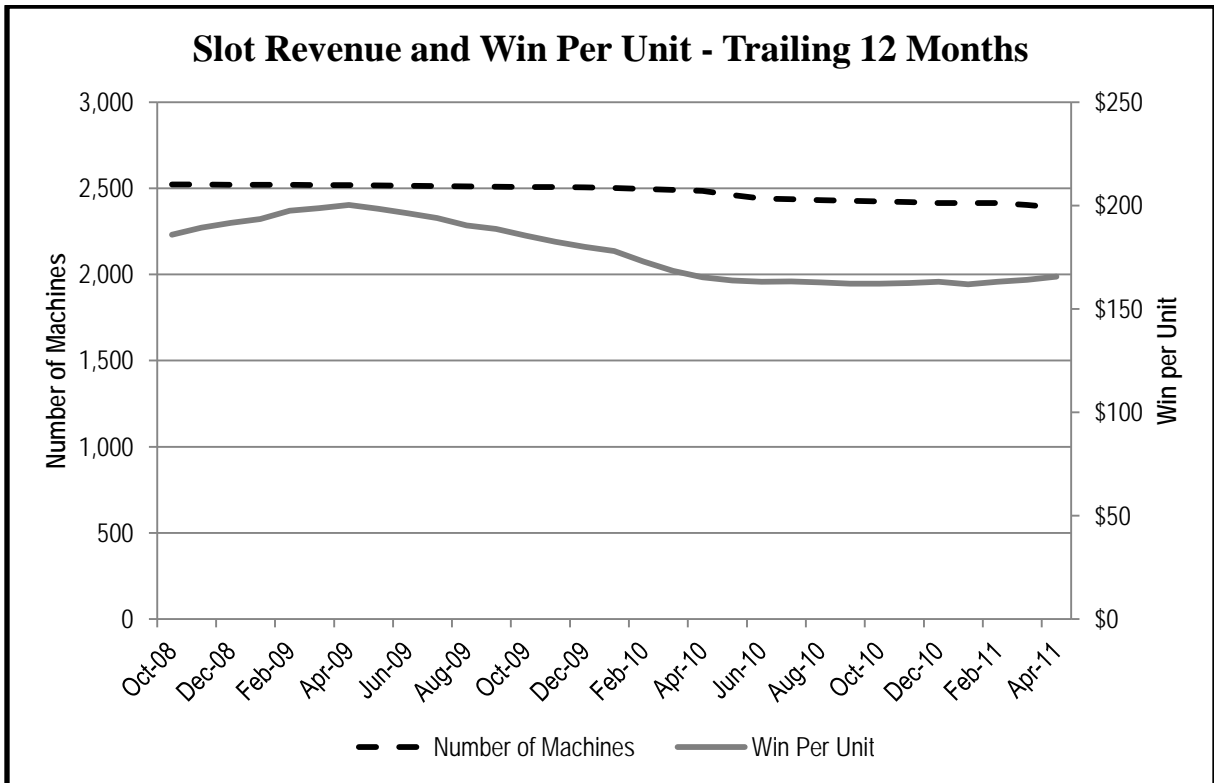


Source: PGCB, The Innovation Group

Mount Airy

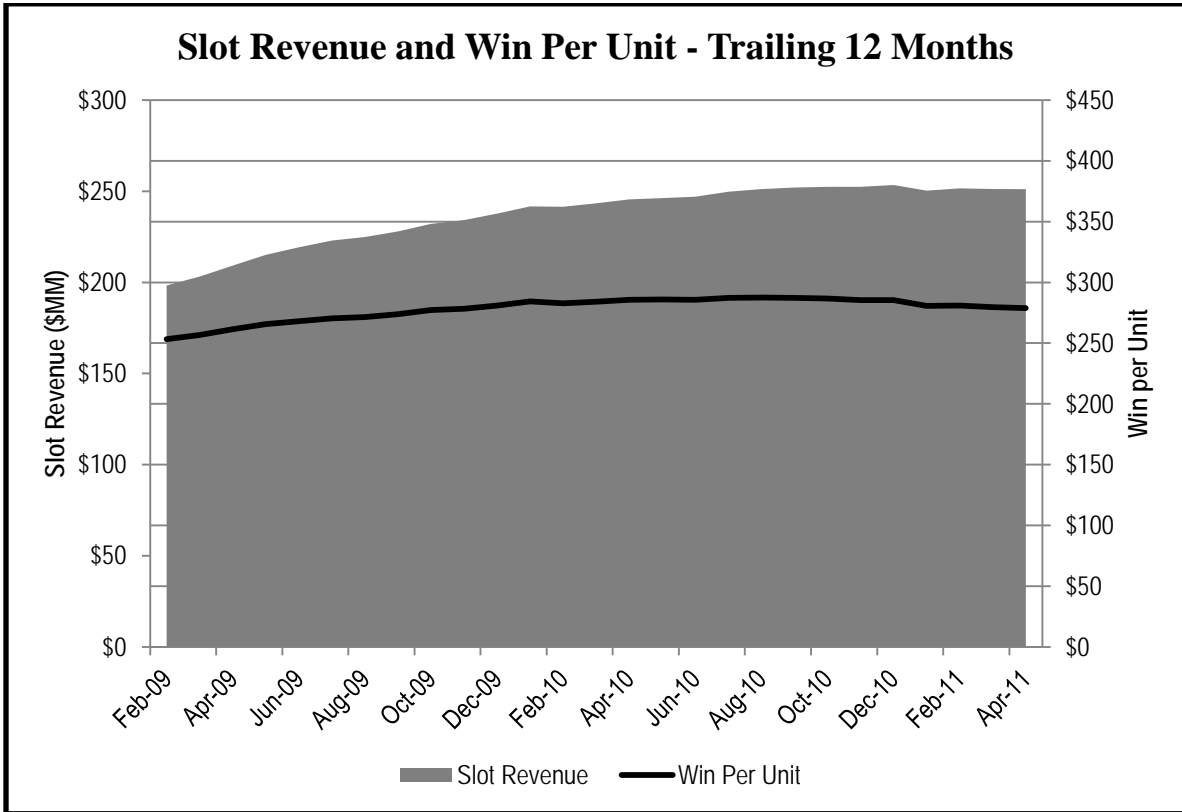


Source: PGCB, The Innovation Group

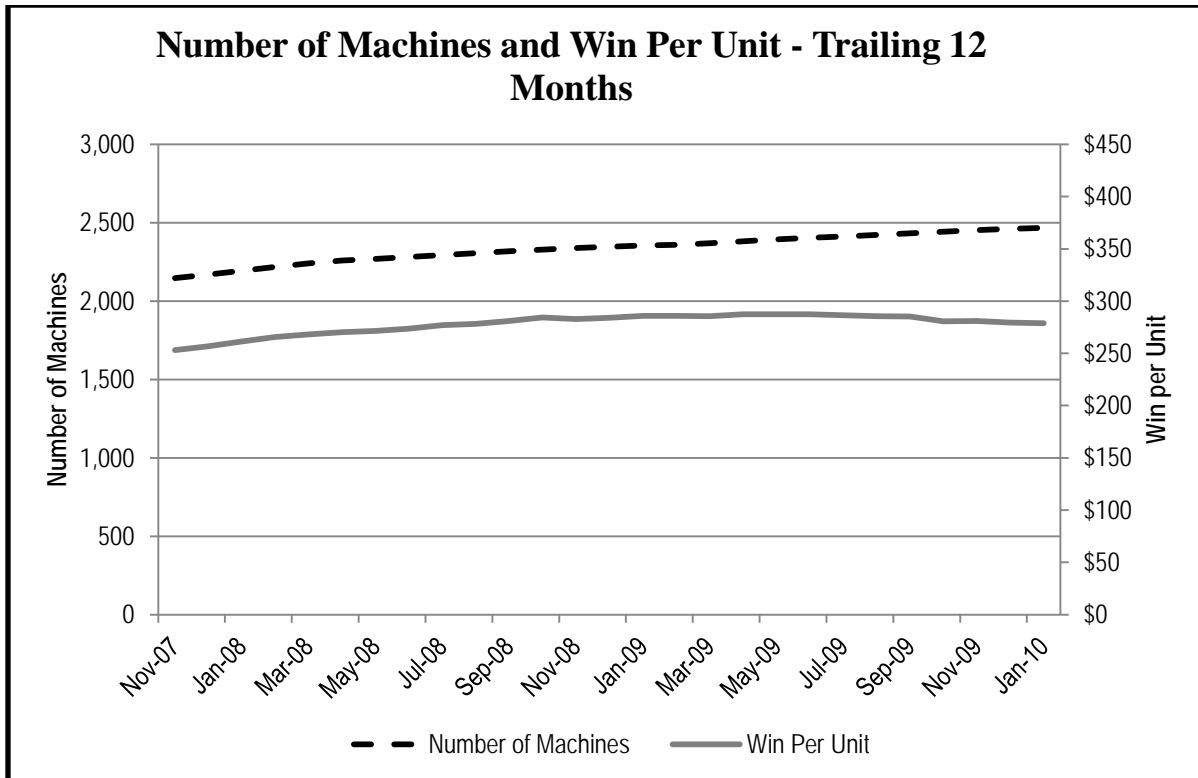


Source: PGCB, The Innovation Group

Penn National

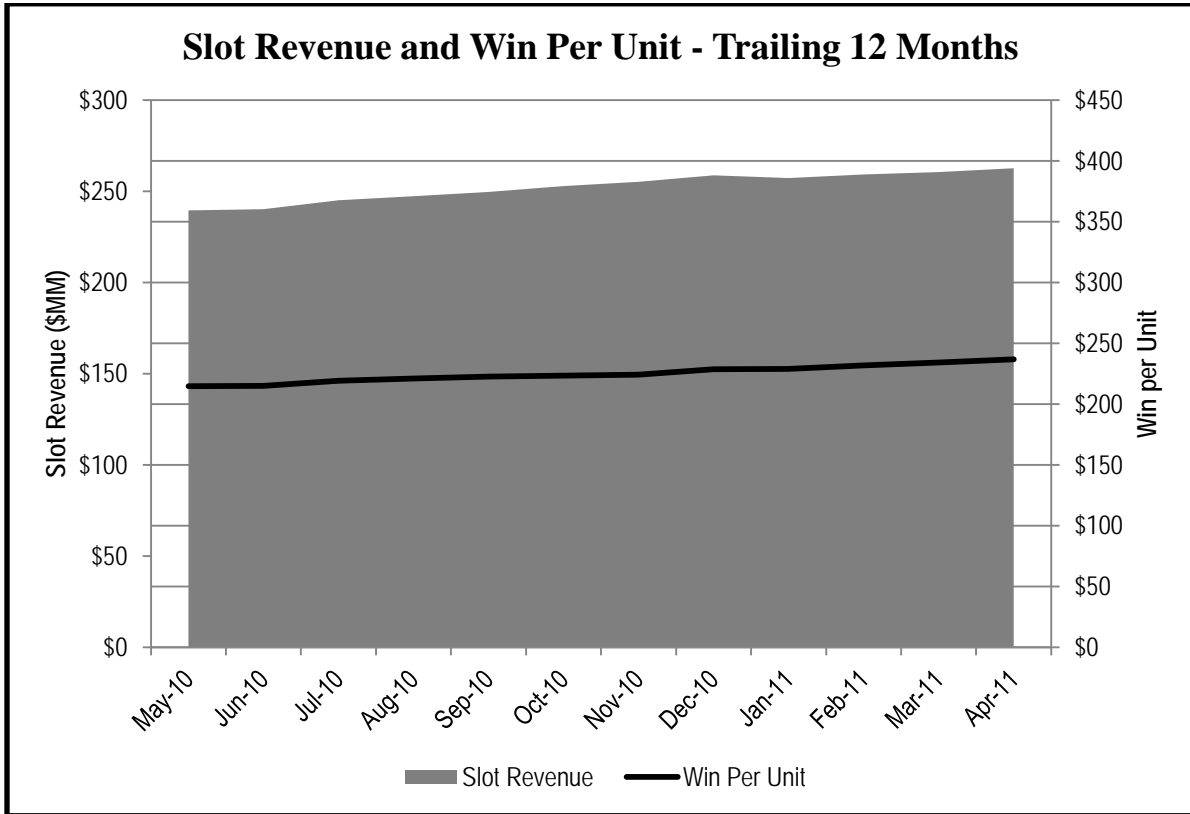


Source: PGCB, The Innovation Group

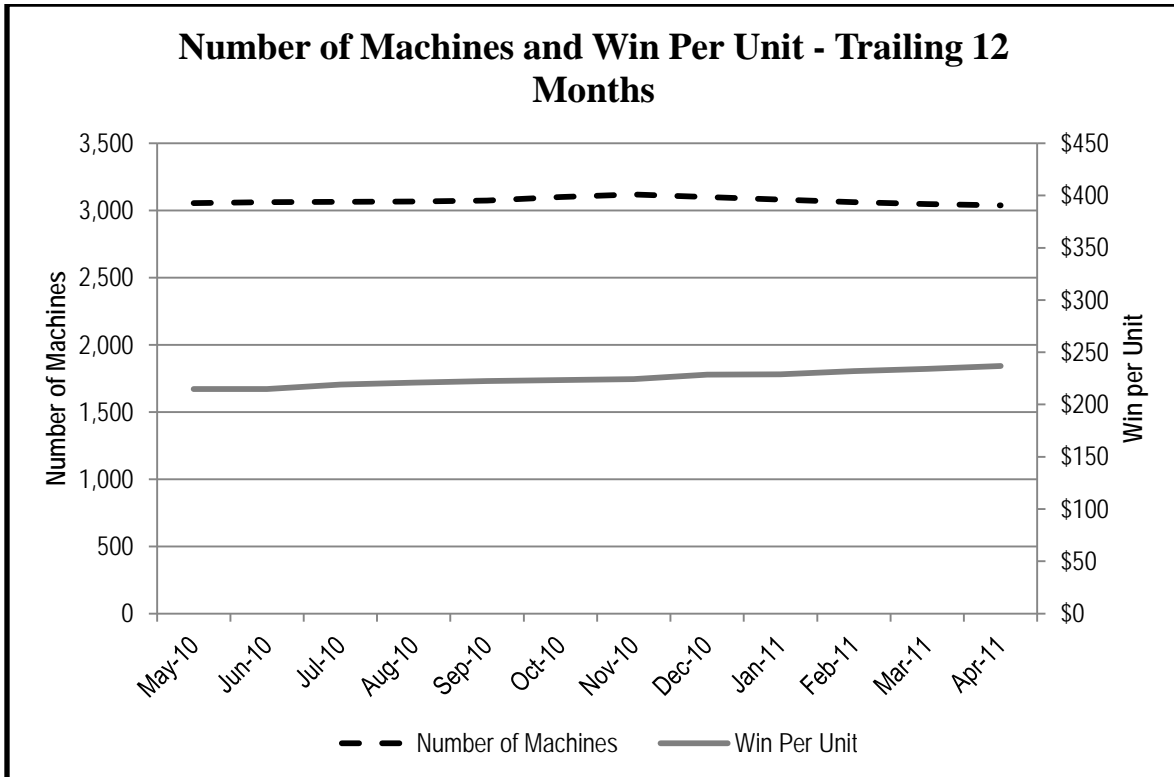


Source: PGCB, The Innovation Group

Sands Bethlehem

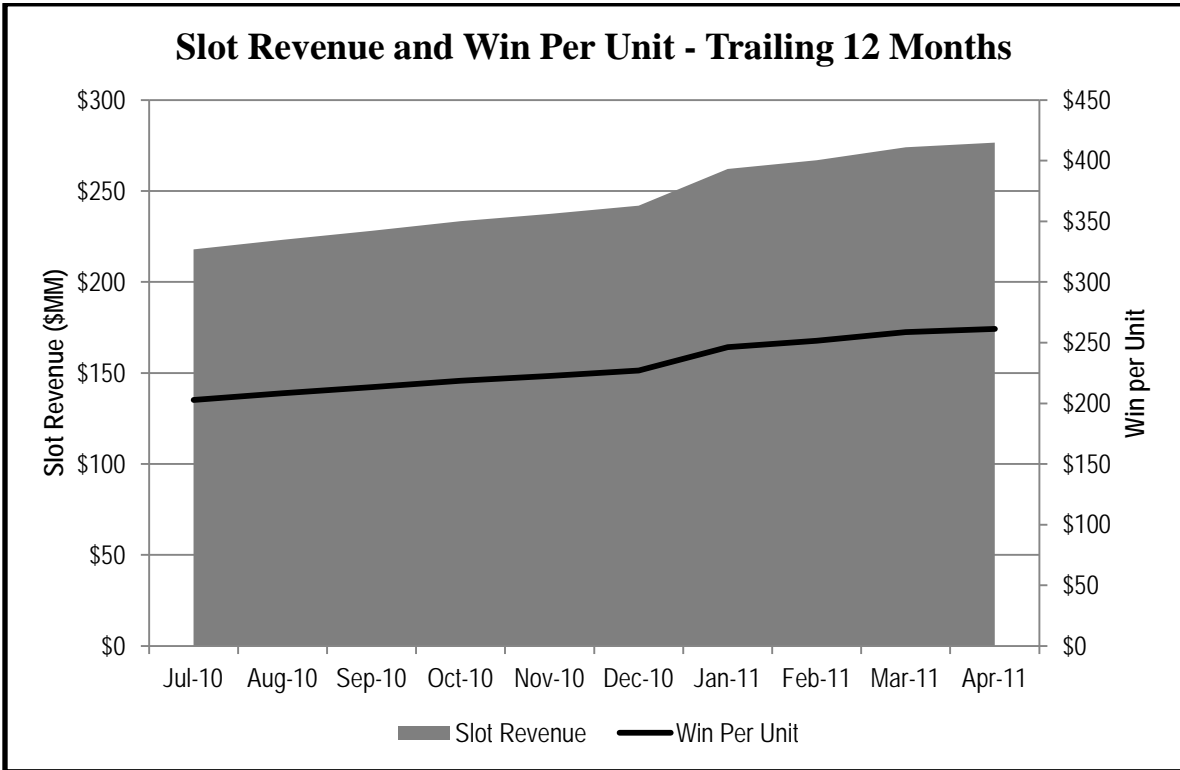


Source: PGCB, The Innovation Group

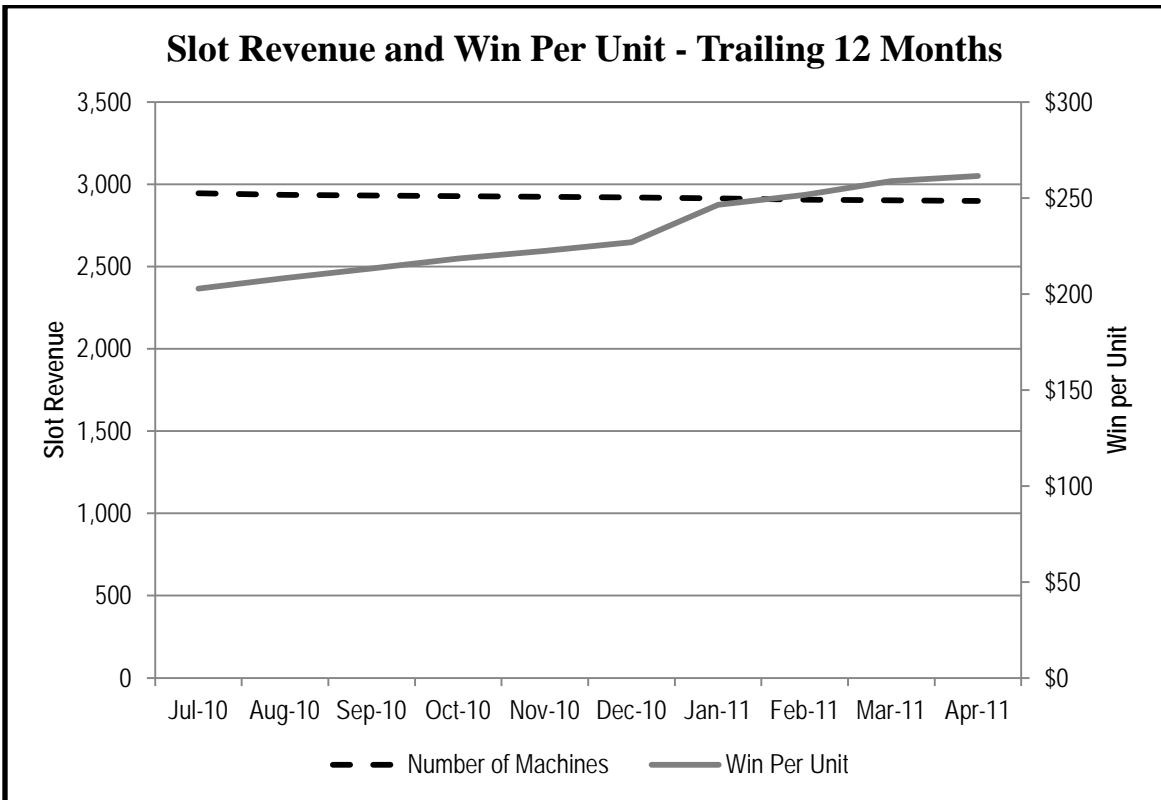


Source: PGCB, The Innovation Group

The Rivers



Source: PGCB, The Innovation Group



Source: PGCB, The Innovation Group

PENNSYLVANIA GAMING MARKET ASSESSMENT & COMPETITIVE ANALYSIS: APPENDIX B



Prepared by:
THE INNOVATION GROUP
400 N. Peters St., Suite 206
New Orleans, LA 70130

September 2011

APPENDIX B: ALTERNATIVE RESULTS BY MARKET AREA

Foxwoods & Valley View	Foxwoods Site	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Valley View	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	Total
Philadelphia	180.54	180.47	237.06	153.10	1.29	35.63	5.74	4.31	0.00	0.00	0.00	0.00	0.00	16.93	815.08
Atlantic City	16.71	14.87	17.26	15.12	0.18	3.82	1.30	0.12	0.00	0.00	0.00	0.00	0.00	0.12	69.50
Bethlehem	5.85	6.22	9.38	4.90	3.32	97.98	13.71	8.96	0.00	0.00	0.00	0.00	0.00	1.19	151.51
Central NJ	13.79	14.80	38.81	5.23	0.93	23.16	9.01	6.94	0.00	0.00	0.00	0.00	0.00	0.23	112.90
Newark	15.16	15.93	42.76	9.28	0.94	54.03	31.26	29.19	0.00	0.00	0.00	0.00	0.00	0.64	199.20
New York	1.99	2.04	3.55	1.91	0.69	22.55	12.51	14.49	0.00	0.00	0.00	0.00	0.00	0.32	60.06
Reading	7.35	7.80	15.63	23.25	19.86	25.94	6.35	5.19	0.00	0.00	0.00	0.00	0.00	20.79	132.17
Chambersburg-York	1.51	1.49	1.63	4.75	23.41	2.86	2.22	2.25	0.00	0.00	0.00	0.00	0.00	0.48	40.60
DelMar	6.26	5.93	4.97	33.05	7.37	3.97	3.04	1.77	0.00	0.00	0.00	0.00	0.00	0.43	66.80
Maryland	3.11	3.04	1.69	11.39	28.90	1.60	0.87	1.21	0.00	0.00	0.00	0.00	0.16	0.37	52.32
Harrisburg	0.98	0.99	2.17	3.13	137.33	5.43	3.43	6.06	0.00	0.00	0.00	0.00	0.00	0.45	159.95
Central South	0.15	0.15	0.36	0.40	2.21	0.24	0.35	0.19	0.00	0.04	0.04	0.02	0.00	0.01	4.14
Poconos	1.07	1.14	3.79	0.97	3.64	13.46	57.73	141.50	0.00	0.00	0.00	0.00	0.00	0.07	223.37
Catskills	0.41	0.42	0.73	0.41	0.23	5.16	5.17	9.95	0.00	0.00	0.00	0.00	0.00	0.00	22.48
WilliamSPORT	0.14	0.14	0.37	0.19	4.67	2.90	2.60	5.71	0.00	0.00	0.00	0.00	0.00	0.00	16.72
Central North	0.00	0.00	0.00	0.00	0.63	0.00	0.29	0.50	1.06	1.98	1.65	0.53	0.00	0.00	6.64
Altoona	0.00	0.00	0.00	0.00	3.99	0.01	0.82	1.36	1.86	5.87	6.60	0.34	1.14	0.00	21.99
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.68	0.00	0.00	0.00	5.36	29.80	30.74	2.18	6.07	0.00	74.82
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.30	219.14	141.67	2.73	1.51	0.00	385.35
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.23	2.30	5.46	0.09	0.08	0.00	9.15
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.78	4.26	8.63	0.31	0.78	0.00	15.74
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.75	2.14	2.12	68.52	0.00	0.00	76.52
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.23	4.68	4.61	9.68	0.00	0.00	30.19
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.56	6.14	10.75	8.93	0.00	0.00	49.39
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.67	0.81	2.07	15.28	0.00	0.00	28.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	69.18	10.52	9.90	3.04	0.00	0.00	92.63
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.16	1.43	1.37	3.85	0.00	0.00	7.82
Subtotal Gravity	255.03	255.43	380.14	267.08	240.27	298.74	156.41	239.70	151.10	289.11	225.61	115.49	9.74	42.02	2,925.86
Out-of-Market	14.03	11.57	11.32	8.72	11.34	23.44	15.51	16.65	9.07	11.89	17.82	10.03	0.00	0.00	5,036.65
Total	269.06	267.00	391.46	275.80	251.62	322.18	171.93	256.36	160.17	301.00	243.43	125.52	9.74	42.02	10,003.79

City Line & Beaver Valley	City Line	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Beaver Valley	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	Total
Philadelphia	205.61	178.88	234.48	148.51	1.24	34.01	5.49	4.13	0.00	0.00	0.00	0.00	0.00	15.60	827.94
Atlantic City	10.93	15.49	17.79	15.60	0.18	3.91	1.33	0.13	0.00	0.00	0.00	0.00	0.00	0.12	65.48
Bethlehem	7.23	6.16	9.29	4.86	3.30	97.43	13.62	8.90	0.00	0.00	0.00	0.00	0.00	1.18	151.98
Central NJ	13.17	14.83	38.86	5.24	0.93	23.14	9.01	6.94	0.00	0.00	0.00	0.00	0.00	0.23	112.34
Newark	14.72	15.94	42.78	9.29	0.94	54.04	31.26	29.19	0.00	0.00	0.00	0.00	0.00	0.65	198.80
New York	1.93	2.04	3.55	1.91	0.69	22.55	12.51	14.49	0.00	0.00	0.00	0.00	0.00	0.32	59.99
Reading	11.73	7.55	15.15	22.63	19.67	25.33	6.25	5.11	0.00	0.00	0.00	0.00	0.00	20.09	133.52
Chambersburg-York	1.71	1.49	1.62	4.74	23.37	2.85	2.22	2.24	0.00	0.00	0.00	0.00	0.00	0.48	40.73
DelMar	6.44	5.90	4.96	32.95	7.37	3.96	3.04	1.76	0.00	0.00	0.00	0.00	0.00	0.43	66.80
Maryland	3.17	3.04	1.69	11.39	28.90	1.60	0.87	1.21	0.00	0.00	0.00	0.00	0.16	0.37	52.38
Harrisburg	1.22	0.98	2.16	3.12	137.22	5.41	3.42	6.04	0.00	0.00	0.00	0.00	0.00	0.44	160.02
Central South	0.16	0.15	0.36	0.40	2.21	0.24	0.35	0.19	0.00	0.04	0.04	0.02	0.00	0.01	4.14
Poconos	1.18	1.14	3.79	0.97	3.63	13.45	57.70	141.46	0.00	0.00	0.00	0.00	0.00	0.07	223.39
Catskills	0.42	0.42	0.73	0.41	0.23	5.16	5.17	9.95	0.00	0.00	0.00	0.00	0.00	0.00	22.50
Williamsport	0.16	0.14	0.37	0.19	4.67	2.90	2.59	5.71	0.00	0.00	0.00	0.00	0.00	0.00	16.73
Central North	0.00	0.00	0.00	0.00	0.63	0.00	0.29	0.50	1.03	1.99	1.65	0.53	0.00	0.00	6.63
Altoona	0.00	0.00	0.00	0.00	3.95	0.01	0.81	1.35	2.32	5.78	6.50	0.33	1.12	0.00	22.17
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00	8.50	28.58	29.66	2.10	5.90	0.00	75.40
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.68	213.34	133.98	2.43	1.44	0.00	412.87
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.30	2.10	5.11	0.08	0.07	0.00	10.67
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.45	4.16	8.42	0.30	0.76	0.00	16.09
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.99	2.25	2.24	69.44	0.00	0.00	75.91
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.18	5.22	5.13	10.64	0.00	0.00	26.16
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.89	6.15	10.72	9.01	0.00	0.00	42.78
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.54	0.82	2.10	15.52	0.00	0.00	25.99
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.97	12.50	11.92	4.10	0.00	0.00	54.49
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.92	1.44	1.38	3.87	0.00	0.00	7.62
Subtotal Gravity	279.77	254.15	377.56	262.20	239.78	295.99	155.94	239.30	137.77	284.37	218.86	118.38	9.45	39.98	2,913.51
Out-of-Market	11.19	13.02	11.32	8.72	11.34	23.44	15.51	16.65	6.89	11.89	17.82	10.03	0.00	0.00	4,999.07
Total	290.96	267.17	388.88	270.93	251.12	319.43	171.45	255.95	144.66	296.26	236.69	128.41	9.45	39.98	9,932.66

Port Jervis	Port Jervis	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Beaver Valley	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	0.43	252.16	260.76	180.65	1.44	39.58	6.40	4.82	0.00	0.00	0.00	0.00	0.00	18.92	765.17
Atlantic City	0.14	17.72	20.20	17.84	0.18	3.99	1.36	0.13	0.00	0.00	0.00	0.00	0.00	0.13	61.69
Bethlehem	1.96	7.74	11.67	5.70	3.31	97.69	13.64	8.93	0.00	0.00	0.00	0.00	0.00	1.19	151.84
Central NJ	4.93	18.25	43.07	6.45	0.91	22.74	8.84	6.81	0.00	0.00	0.00	0.00	0.00	0.22	112.23
Newark	47.93	16.92	44.17	10.34	0.87	49.70	28.60	26.79	0.00	0.00	0.00	0.00	0.00	0.60	225.91
New York	12.33	2.03	3.52	1.90	0.68	22.35	12.40	14.37	0.00	0.00	0.00	0.00	0.00	0.31	69.88
Reading	0.44	8.13	16.30	24.17	20.37	26.91	6.56	5.35	0.00	0.00	0.00	0.00	0.00	21.65	129.89
Chambersburg-York	0.00	1.51	1.65	4.81	23.72	2.90	2.25	2.28	0.00	0.00	0.00	0.00	0.00	0.49	39.61
DelMar	0.00	6.06	5.08	33.79	7.51	4.05	3.10	1.80	0.00	0.00	0.00	0.00	0.00	0.44	61.83
Maryland	0.00	3.04	1.69	11.41	28.97	1.60	0.87	1.21	0.00	0.00	0.00	0.00	0.16	0.37	49.33
Harrisburg	0.07	1.00	2.19	3.16	137.80	5.50	3.47	6.12	0.00	0.00	0.00	0.00	0.00	0.45	159.74
Central South	0.00	0.15	0.36	0.40	2.24	0.24	0.35	0.19	0.00	0.04	0.04	0.02	0.00	0.01	4.04
Poconos	18.60	0.95	3.04	0.85	3.59	11.92	54.43	139.65	0.00	0.00	0.00	0.00	0.00	0.06	233.10
Catskills	33.09	0.32	0.54	0.31	0.20	3.86	4.61	8.51	0.00	0.00	0.00	0.00	0.00	0.00	51.43
WilliamSPORT	0.56	0.14	0.36	0.18	4.62	2.87	2.57	5.64	0.00	0.00	0.00	0.00	0.00	0.00	16.96
Central North	0.00	0.00	0.00	0.00	0.67	0.00	0.30	0.53	0.00	2.18	1.81	0.58	0.00	0.00	6.09
Altoona	0.00	0.00	0.00	0.00	4.17	0.01	0.86	1.42	0.00	6.20	6.97	0.36	1.21	0.00	21.20
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	31.91	32.41	2.38	6.28	0.00	73.69
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	223.95	145.95	2.89	1.58	0.00	374.37
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.28	5.52	0.09	0.08	0.00	7.97
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.47	9.06	0.33	0.81	0.00	14.67
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.37	70.47	0.00	0.00	75.22
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.81	5.68	11.74	0.00	0.00	23.23
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.62	11.52	9.63	0.00	0.00	27.77
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.37	17.52	0.00	0.00	20.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.21	14.16	4.56	0.00	0.00	33.92
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.47	1.40	3.95	0.00	0.00	6.82
Subtotal Gravity	120.49	336.11	414.61	301.97	241.97	295.93	150.61	234.55	0.00	303.45	239.25	124.50	10.11	44.83	2,818.39
Out-of-Market	9.64	14.46	11.79	9.09	11.34	23.44	15.51	16.65	0.00	11.89	17.82	10.03	0.00	0.00	151.67
Total	130.13	350.58	426.40	311.06	253.31	319.37	166.12	251.20	0.00	315.34	257.07	134.53	10.11	44.83	2,970.06

Reading	Reading	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Beaver Valley	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	18.89	248.70	257.10	177.63	1.41	38.80	6.28	4.73	0.00	0.00	0.00	0.00	0.00	18.43	771.99
Atlantic City	1.99	17.59	20.07	17.69	0.18	3.96	1.35	0.13	0.00	0.00	0.00	0.00	0.00	0.12	63.10
Bethlehem	9.52	7.41	11.23	5.43	3.09	95.20	13.07	8.46	0.00	0.00	0.00	0.00	0.00	1.13	154.53
Central NJ	2.91	18.57	43.80	6.57	0.93	23.18	9.02	6.95	0.00	0.00	0.00	0.00	0.00	0.23	112.17
Newark	6.02	18.23	47.57	11.15	0.94	54.08	31.28	29.21	0.00	0.00	0.00	0.00	0.00	0.65	199.13
New York	1.15	2.05	3.55	1.92	0.69	22.58	12.53	14.51	0.00	0.00	0.00	0.00	0.00	0.32	59.30
Reading	93.30	7.99	15.74	22.99	13.07	23.31	4.49	3.39	0.00	0.00	0.00	0.00	0.00	17.96	202.24
Chambersburg-York	10.13	1.37	1.49	4.33	21.63	2.61	2.05	2.07	0.00	0.00	0.00	0.00	0.00	0.44	46.13
DelMar	7.95	5.89	4.93	33.00	7.23	3.91	3.00	1.74	0.00	0.00	0.00	0.00	0.00	0.43	68.07
Maryland	4.50	3.03	1.68	11.38	28.87	1.59	0.87	1.21	0.00	0.00	0.00	0.00	0.16	0.37	53.67
Harrisburg	21.59	0.71	1.57	2.26	128.68	3.40	2.33	4.35	0.00	0.00	0.00	0.00	0.00	0.29	165.18
Central South	0.33	0.14	0.35	0.39	2.17	0.23	0.34	0.18	0.00	0.04	0.04	0.02	0.00	0.01	4.26
Poconos	3.79	1.11	3.73	0.94	3.40	13.26	57.29	140.17	0.00	0.00	0.00	0.00	0.00	0.07	223.75
Catskills	0.36	0.42	0.73	0.41	0.23	5.16	5.18	9.95	0.00	0.00	0.00	0.00	0.00	0.00	22.46
WilliamSPORT	0.37	0.14	0.36	0.19	4.64	2.89	2.58	5.68	0.00	0.00	0.00	0.00	0.00	0.00	16.85
Central North	0.00	0.00	0.00	0.00	0.63	0.00	0.29	0.50	1.03	1.99	1.65	0.53	0.00	0.00	6.63
Altoona	0.00	0.00	0.00	0.00	3.95	0.01	0.81	1.35	2.32	5.78	6.50	0.33	1.12	0.00	22.17
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00	8.50	28.58	29.66	2.10	5.90	0.00	75.40
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.68	213.34	133.98	2.43	1.44	0.00	412.87
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.91	2.05	5.05	0.08	0.07	0.00	10.17
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.45	4.16	8.42	0.30	0.76	0.00	16.09
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.99	2.25	2.24	69.44	0.00	0.00	75.91
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.18	5.22	5.13	10.64	0.00	0.00	26.16
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.24	6.17	10.75	9.01	0.00	0.00	43.17
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.54	0.82	2.10	15.52	0.00	0.00	25.99
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.97	12.50	11.92	4.10	0.00	0.00	54.49
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.92	1.44	1.38	3.87	0.00	0.00	7.62
Subtotal Gravity	182.82	333.37	413.91	296.28	222.43	294.18	152.76	234.59	137.72	284.34	218.83	118.38	9.45	40.44	2,939.48
Out-of-Market	9.14	14.46	11.79	9.09	11.34	23.44	15.51	16.65	0.00	11.89	17.82	10.03	0.00	0.00	151.18
Total	191.97	347.84	425.70	305.36	233.77	317.62	168.27	251.24	137.72	296.22	236.65	128.41	9.45	40.44	3,090.66

South York	South York	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Beaver Valley	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	7.27	250.88	259.35	179.56	1.43	39.30	6.36	4.79	0.00	0.00	0.00	0.00	0.00	18.76	767.70
Atlantic City	0.98	17.67	20.15	17.78	0.18	3.98	1.35	0.13	0.00	0.00	0.00	0.00	0.00	0.12	62.33
Bethlehem	2.17	7.73	11.66	5.69	3.30	97.66	13.63	8.90	0.00	0.00	0.00	0.00	0.00	1.18	151.93
Central NJ	1.13	18.67	44.04	6.60	0.94	23.36	9.09	7.00	0.00	0.00	0.00	0.00	0.00	0.23	111.07
Newark	2.69	18.29	47.71	11.19	0.94	54.26	31.38	29.31	0.00	0.00	0.00	0.00	0.00	0.65	196.41
New York	0.69	2.05	3.55	1.92	0.69	22.59	12.54	14.52	0.00	0.00	0.00	0.00	0.00	0.32	58.86
Reading	8.00	7.82	15.68	23.18	18.61	25.81	6.20	5.03	0.00	0.00	0.00	0.00	0.00	21.10	131.44
Chambersburg-York	62.60	0.96	1.04	3.05	12.49	1.84	1.43	1.44	0.00	0.00	0.00	0.00	0.00	0.31	85.15
DelMar	12.55	5.80	4.84	32.68	6.89	3.83	2.92	1.69	0.00	0.00	0.00	0.00	0.00	0.42	71.60
Maryland	69.48	2.87	1.60	10.77	27.00	1.51	0.82	1.14	0.00	0.00	0.00	0.00	0.15	0.35	115.69
Harrisburg	35.93	0.83	1.83	2.62	112.85	4.80	3.03	5.36	0.00	0.00	0.00	0.00	0.00	0.38	167.63
Central South	0.68	0.14	0.34	0.38	2.11	0.23	0.33	0.18	0.00	0.04	0.04	0.02	0.00	0.01	4.49
Poconos	0.82	1.14	3.80	0.97	3.60	13.51	57.89	141.50	0.00	0.00	0.00	0.00	0.00	0.07	223.29
Catskills	0.19	0.43	0.73	0.41	0.23	5.17	5.18	9.97	0.00	0.00	0.00	0.00	0.00	0.00	22.31
WilliamSPORT	0.40	0.14	0.36	0.19	4.64	2.88	2.58	5.68	0.00	0.00	0.00	0.00	0.00	0.00	16.87
Central North	0.00	0.00	0.00	0.00	0.63	0.00	0.29	0.50	1.03	1.99	1.65	0.53	0.00	0.00	6.63
Altoona	0.00	0.00	0.00	0.00	3.95	0.01	0.81	1.35	2.32	5.78	6.50	0.33	1.12	0.00	22.17
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00	8.50	28.58	29.66	2.10	5.90	0.00	75.40
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.68	213.34	133.98	2.43	1.44	0.00	412.87
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.91	2.05	5.05	0.08	0.07	0.00	10.17
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.45	4.16	8.42	0.30	0.76	0.00	16.09
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.99	2.25	2.24	69.44	0.00	0.00	75.91
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.18	5.22	5.13	10.64	0.00	0.00	26.16
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.24	6.17	10.75	9.01	0.00	0.00	43.17
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.54	0.82	2.10	15.52	0.00	0.00	25.99
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.97	12.50	11.92	4.10	0.00	0.00	54.49
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.92	1.44	1.38	3.87	0.00	0.00	7.62
Subtotal Gravity	205.58	335.41	416.69	296.97	201.13	300.75	155.84	238.47	137.72	284.34	218.83	118.38	9.45	43.91	2,963.46
Out-of-Market	14.39	14.46	11.79	9.09	11.34	23.44	15.51	16.65	0.00	11.89	17.82	10.03	0.00	0.00	156.42
Total	219.97	349.87	428.49	306.06	212.47	324.19	171.35	255.13	137.72	296.22	236.65	128.41	9.45	43.91	3,119.88

Chambersburg	Chambersburg	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono		Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	3.92	251.50	260.02	180.11	1.44	39.44	6.38	4.81	0.00	0.00	0.00	0.00	0.00	18.84	766.46
Atlantic City	0.43	17.70	20.18	17.82	0.18	3.98	1.36	0.13	0.00	0.00	0.00	0.00	0.00	0.13	61.92
Bethlehem	1.06	7.78	11.73	5.73	3.32	98.06	13.71	8.96	0.00	0.00	0.00	0.00	0.00	1.19	151.55
Central NJ	0.56	18.70	44.12	6.61	0.94	23.41	9.11	7.01	0.00	0.00	0.00	0.00	0.00	0.23	110.70
Newark	1.47	18.31	47.77	11.20	0.94	54.32	31.42	29.34	0.00	0.00	0.00	0.00	0.00	0.65	195.40
New York	0.45	2.05	3.56	1.92	0.69	22.59	12.54	14.52	0.00	0.00	0.00	0.00	0.00	0.32	58.64
Reading	1.82	8.07	16.18	23.97	20.07	26.70	6.49	5.29	0.00	0.00	0.00	0.00	0.00	21.54	130.13
Chambersburg-York	26.01	1.36	1.47	4.39	22.13	2.61	1.99	1.99	0.00	0.00	0.00	0.00	0.00	0.45	62.40
DelMar	2.78	6.02	5.04	33.62	7.40	4.02	3.07	1.78	0.00	0.00	0.00	0.00	0.00	0.44	64.15
Maryland	58.08	2.91	1.61	10.92	27.40	1.52	0.83	1.15	0.00	0.00	0.00	0.00	0.15	0.35	104.93
Harrisburg	12.58	0.92	2.03	2.94	131.12	5.23	3.29	5.81	0.00	0.00	0.00	0.00	0.00	0.43	164.35
Central South	1.98	0.13	0.31	0.34	1.95	0.21	0.30	0.16	0.00	0.03	0.03	0.02	0.00	0.01	5.47
Poconos	0.27	1.14	3.82	0.98	3.65	13.55	57.98	141.74	0.00	0.00	0.00	0.00	0.00	0.07	223.20
Catskills	0.12	0.43	0.73	0.41	0.23	5.17	5.19	9.97	0.00	0.00	0.00	0.00	0.00	0.00	22.26
WilliamSPORT	0.40	0.14	0.36	0.19	4.64	2.88	2.58	5.68	0.00	0.00	0.00	0.00	0.00	0.00	16.88
Central North	0.00	0.00	0.00	0.00	0.67	0.00	0.30	0.53	0.00	2.18	1.81	0.58	0.00	0.00	6.09
Altoona	7.06	0.00	0.00	0.00	3.23	0.01	0.67	1.12	0.00	5.25	5.87	0.29	1.04	0.00	24.54
Pittsburgh Sec East	0.83	0.00	0.00	0.00	0.71	0.00	0.00	0.00	0.00	31.63	32.12	2.35	6.22	0.00	73.87
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	223.95	145.95	2.89	1.58	0.00	374.37
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.28	5.52	0.09	0.08	0.00	7.97
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.47	9.06	0.33	0.81	0.00	14.67
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.37	70.47	0.00	0.00	75.22
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.81	5.68	11.74	0.00	0.00	23.23
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.62	11.52	9.63	0.00	0.00	27.77
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.37	17.52	0.00	0.00	20.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.21	14.16	4.56	0.00	0.00	33.92
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.47	1.40	3.95	0.00	0.00	6.82
Subtotal Gravity	119.84	337.16	418.93	301.14	230.72	303.71	157.22	240.00	0.00	302.21	237.85	124.41	9.88	44.64	2,827.71
Out-of-Market	8.39	14.46	11.79	9.09	11.34	23.44	15.51	16.65	0.00	11.89	17.82	10.03	0.00	0.00	150.42
Total	128.23	351.62	430.72	310.23	242.06	327.16	172.74	256.65	0.00	314.10	255.68	134.44	9.88	44.64	2,978.14

Altoona	York	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Altoona	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	7.27	250.88	259.35	179.56	1.43	39.30	6.36	4.79	0.00	0.00	0.00	0.00	0.00	18.76	767.70
Atlantic City	0.98	17.67	20.15	17.78	0.18	3.98	1.35	0.13	0.00	0.00	0.00	0.00	0.00	0.12	62.33
Bethlehem	2.17	7.73	11.66	5.69	3.30	97.66	13.63	8.90	0.00	0.00	0.00	0.00	0.00	1.18	151.93
Central NJ	1.13	18.67	44.04	6.60	0.94	23.36	9.09	7.00	0.00	0.00	0.00	0.00	0.00	0.23	111.07
Newark	2.69	18.29	47.71	11.19	0.94	54.26	31.38	29.31	0.00	0.00	0.00	0.00	0.00	0.65	196.41
New York	0.69	2.05	3.55	1.92	0.69	22.59	12.54	14.52	0.00	0.00	0.00	0.00	0.00	0.32	58.86
Reading	8.00	7.82	15.68	23.18	18.61	25.81	6.20	5.03	0.00	0.00	0.00	0.00	0.00	21.10	131.44
Chambersburg-York	62.10	0.94	1.02	2.99	12.26	1.80	1.39	1.40	2.93	0.00	0.00	0.00	0.00	0.31	87.13
DelMar	12.55	5.80	4.84	32.68	6.89	3.83	2.92	1.69	0.00	0.00	0.00	0.00	0.00	0.42	71.60
Maryland	68.92	2.85	1.58	10.69	26.75	1.49	0.82	1.13	12.26	0.00	0.00	0.00	0.15	0.35	126.99
Harrisburg	35.58	0.82	1.81	2.60	112.23	4.77	3.01	5.32	1.47	0.00	0.00	0.00	0.00	0.38	167.99
Central South	0.59	0.12	0.29	0.33	1.86	0.20	0.29	0.15	1.75	0.03	0.03	0.02	0.00	0.01	5.67
Poconos	0.82	1.14	3.80	0.97	3.60	13.51	57.89	141.50	0.00	0.00	0.00	0.00	0.00	0.07	223.29
Catskills	0.19	0.43	0.73	0.41	0.23	5.17	5.18	9.97	0.00	0.00	0.00	0.00	0.00	0.00	22.31
Williamsport	0.39	0.14	0.35	0.18	4.53	2.80	2.52	5.58	3.23	0.00	0.00	0.00	0.00	0.00	19.72
Central North	0.00	0.00	0.00	0.00	0.72	0.00	0.33	0.58	3.90	2.40	1.98	0.66	0.00	0.00	10.58
Altoona	0.00	0.00	0.00	0.00	2.33	0.01	0.37	0.64	70.18	5.61	6.26	0.20	1.02	0.00	86.59
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.69	0.00	0.00	0.00	3.25	30.76	31.34	2.27	6.09	0.00	74.40
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.03	221.02	143.80	2.83	1.54	0.00	375.21
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.39	5.65	0.09	0.08	0.00	8.21
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.47	9.06	0.33	0.81	0.00	14.67
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.37	70.47	0.00	0.00	75.22
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.10	5.68	5.57	11.48	0.00	0.00	23.83
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.58	11.46	9.62	0.00	0.00	27.66
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.37	17.52	0.00	0.00	20.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12	15.18	14.13	4.55	0.00	0.00	33.99
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.58	1.45	1.39	3.91	0.00	0.00	7.33
Subtotal Gravity	204.05	335.33	416.58	296.75	198.18	300.55	155.27	237.64	106.81	298.89	235.40	123.95	9.69	43.90	2,962.97
Out-of-Market	14.39	14.46	11.79	9.09	11.34	23.44	15.51	16.65	5.34	11.89	17.82	10.03	0.00	0.00	161.76
Total	218.44	349.80	428.38	305.83	209.52	323.99	170.78	254.29	112.15	310.78	253.22	133.98	9.69	43.90	3,124.74

Johnstown	York	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Johnstown	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	7.27	250.88	259.35	179.56	1.43	39.30	6.36	4.79	0.00	0.00	0.00	0.00	0.00	18.76	767.70
Atlantic City	0.98	17.67	20.15	17.78	0.18	3.98	1.35	0.13	0.00	0.00	0.00	0.00	0.00	0.12	62.33
Bethlehem	2.17	7.73	11.66	5.69	3.30	97.66	13.63	8.90	0.00	0.00	0.00	0.00	0.00	1.18	151.93
Central NJ	1.13	18.67	44.04	6.60	0.94	23.36	9.09	7.00	0.00	0.00	0.00	0.00	0.00	0.23	111.07
Newark	2.69	18.29	47.71	11.19	0.94	54.26	31.38	29.31	0.00	0.00	0.00	0.00	0.00	0.65	196.41
New York	0.69	2.05	3.55	1.92	0.69	22.59	12.54	14.52	0.00	0.00	0.00	0.00	0.00	0.32	58.86
Reading	8.00	7.82	15.68	23.18	18.61	25.81	6.20	5.03	0.00	0.00	0.00	0.00	0.00	21.10	131.44
Chambersburg-York	62.30	0.95	1.03	3.01	12.36	1.82	1.41	1.42	1.71	0.00	0.00	0.00	0.00	0.31	86.30
DelMar	12.55	5.80	4.84	32.68	6.89	3.83	2.92	1.69	0.00	0.00	0.00	0.00	0.00	0.42	71.60
Maryland	69.05	2.86	1.59	10.70	26.81	1.50	0.82	1.13	9.66	0.00	0.00	0.00	0.15	0.35	124.61
Harrisburg	35.78	0.83	1.82	2.61	112.58	4.78	3.02	5.34	0.63	0.00	0.00	0.00	0.00	0.38	167.78
Central South	0.65	0.13	0.32	0.36	2.01	0.22	0.32	0.17	0.71	0.03	0.04	0.02	0.00	0.01	4.97
Poconos	0.82	1.14	3.80	0.97	3.60	13.51	57.89	141.50	0.00	0.00	0.00	0.00	0.00	0.07	223.29
Catskills	0.19	0.43	0.73	0.41	0.23	5.17	5.18	9.97	0.00	0.00	0.00	0.00	0.00	0.00	22.31
WilliamSPORT	0.38	0.14	0.35	0.18	4.45	2.76	2.47	5.46	1.56	0.00	0.00	0.00	0.00	0.00	17.74
Central North	0.00	0.00	0.00	0.00	0.62	0.00	0.28	0.50	2.71	1.95	1.62	0.54	0.00	0.00	8.23
Altoona	0.00	0.00	0.00	0.00	2.55	0.01	0.76	1.27	54.40	4.47	5.13	0.28	0.49	0.00	69.37
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00	8.25	29.93	30.70	2.19	5.96	0.00	77.69
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.77	220.15	143.18	2.81	1.53	0.00	375.44
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.39	5.65	0.09	0.08	0.00	8.21
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.47	9.06	0.33	0.81	0.00	14.67
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.37	70.47	0.00	0.00	75.22
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.48	5.64	5.52	11.39	0.00	0.00	24.04
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.58	11.46	9.62	0.00	0.00	27.66
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.37	17.52	0.00	0.00	20.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	15.17	14.12	4.55	0.00	0.00	34.03
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	1.45	1.39	3.91	0.00	0.00	7.28
Subtotal Gravity	204.65	335.36	416.63	296.83	198.84	300.56	155.63	238.12	89.58	295.55	232.60	123.72	9.03	43.90	2,940.99
Out-of-Market	14.39	14.46	11.79	9.09	11.34	23.44	15.51	16.65	8.06	11.89	17.82	10.03	0.00	0.00	164.49
Total	219.04	349.82	428.42	305.92	210.18	324.01	171.14	254.77	97.64	307.43	250.43	133.75	9.03	43.90	3,105.48

Williamsport	York	Sugar House	PARX	Chester	Penn National	BethSands	Mt. Airy	Pocono	Williamsport	Rivers	Meadows	Presque Isle	Nemacolin	Valley Forge	TOTAL
Philadelphia	7.27	250.88	259.35	179.56	1.43	39.30	6.36	4.79	0.00	0.00	0.00	0.00	0.00	18.76	767.70
Atlantic City	0.98	17.67	20.15	17.78	0.18	3.98	1.35	0.13	0.00	0.00	0.00	0.00	0.00	0.12	62.33
Bethlehem	2.16	7.70	11.61	5.66	3.28	97.35	13.55	8.85	0.88	0.00	0.00	0.00	0.00	1.18	152.22
Central NJ	1.13	18.67	44.04	6.60	0.94	23.36	9.09	7.00	0.00	0.00	0.00	0.00	0.00	0.23	111.07
Newark	2.69	18.29	47.71	11.19	0.94	54.26	31.38	29.31	0.00	0.00	0.00	0.00	0.00	0.65	196.41
New York	0.69	2.05	3.55	1.92	0.69	22.59	12.54	14.52	0.00	0.00	0.00	0.00	0.00	0.32	58.86
Reading	7.99	7.82	15.67	23.16	18.58	25.79	6.20	5.03	0.20	0.00	0.00	0.00	0.00	21.09	131.52
Chambersburg-York	62.31	0.95	1.03	3.02	12.38	1.82	1.41	1.43	1.09	0.00	0.00	0.00	0.00	0.31	85.76
DelMar	12.55	5.80	4.84	32.68	6.89	3.83	2.92	1.69	0.00	0.00	0.00	0.00	0.00	0.42	71.60
Maryland	69.43	2.87	1.59	10.77	26.98	1.51	0.82	1.14	1.09	0.00	0.00	0.00	0.15	0.35	116.70
Harrisburg	35.50	0.81	1.79	2.58	111.58	4.71	2.97	5.23	2.60	0.00	0.00	0.00	0.00	0.38	168.14
Central South	0.60	0.12	0.30	0.33	1.82	0.20	0.29	0.15	2.05	0.03	0.04	0.02	0.00	0.01	5.96
Poconos	0.72	1.09	3.68	0.92	3.08	13.21	57.21	139.06	5.21	0.00	0.00	0.00	0.00	0.07	224.24
Catskills	0.18	0.42	0.72	0.40	0.23	5.06	5.06	9.61	2.82	0.00	0.00	0.00	0.00	0.00	24.50
Williamsport	0.33	0.12	0.29	0.15	3.95	2.33	2.09	4.62	39.79	0.00	0.00	0.00	0.00	0.00	53.67
Central North	0.00	0.00	0.00	0.00	0.61	0.00	0.27	0.48	1.17	2.12	1.75	0.57	0.00	0.00	6.96
Altoona	0.00	0.00	0.00	0.00	3.40	0.01	0.54	0.94	5.84	5.86	6.69	0.27	1.12	0.00	24.68
Pittsburgh Sec East	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.07	31.88	32.38	2.37	6.27	0.00	73.71
Pittsburgh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	223.95	145.95	2.89	1.58	0.00	374.37
WV Primary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.39	5.65	0.09	0.08	0.00	8.21
WV Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.47	9.06	0.33	0.81	0.00	14.67
Erie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.37	70.47	0.00	0.00	75.22
Erie Secondary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	5.80	5.68	11.73	0.00	0.00	23.26
Ohio Tertiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.58	11.46	9.62	0.00	0.00	27.66
Cleveland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.37	17.52	0.00	0.00	20.82
Newcastle	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.21	14.16	4.56	0.00	0.00	33.92
Salamanca	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.42	1.46	1.39	3.92	0.00	0.00	7.19
Subtotal Gravity	204.53	335.24	416.33	296.71	197.67	299.30	154.05	233.96	63.29	303.07	238.93	124.35	10.02	43.88	2,921.33
Out-of-Market	14.39	14.46	11.79	9.09	11.34	23.44	15.51	16.65	5.70	11.89	17.82	10.03	0.00	0.00	162.12
Total	218.92	349.70	428.13	305.79	209.02	322.74	169.56	250.61	68.98	314.96	256.75	134.38	10.02	43.88	3,083.45

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

PENNSYLVANIA GAMING MARKET ASSESSMENT & COMPETITIVE ANALYSIS: EXECUTIVE SUMMARY



Prepared by:

THE INNOVATION GROUP
400 N. Peters St., Suite 206
New Orleans, LA 70130

September 2011

Pennsylvania Statewide Gaming Market Assessment

Table of Contents

INTRODUCTION.....	1
REGIONAL DEMOGRAPHIC ANALYSIS	3
CURRENT PENNSYLVANIA MARKET & HISTORICAL TRENDS.....	5
STATEWIDE SLOT TRENDS	7
EASTERN REGION SLOT TRENDS.....	13
WESTERN REGION SLOT TRENDS.....	18
GAMING MARKET ANALYSIS.....	22
METHODOLOGY	22
MODEL CALIBRATION.....	24
LOCATION ALTERNATIVES.....	27
<i>Eastern Region.....</i>	<i>27</i>
<i>Western Region.....</i>	<i>28</i>
<i>Central Region.....</i>	<i>28</i>
FINANCIAL ANALYSIS.....	30
DISCLAIMER.....	32

INTRODUCTION

The Innovation Group was retained by the Pennsylvania Treasury to assess the gaming revenue potential for the two undeveloped Pennsylvania gaming licenses. The proposed Valley View location and the former Foxwoods site in Philadelphia were assessed. Alternative locations throughout the Commonwealth were also assessed, keeping within the parameters of the exclusion zones as defined by existing Pennsylvania legislation. The analysis assesses the gaming revenue potential for each location as well as its net impact to state gaming revenues, that is, after impacts to existing Pennsylvania casinos are deducted.

Proposed new competition in surrounding states is also included in the analysis, most significantly slot machine development in Baltimore and Anne Arundel, Maryland and casino and racino development in Ohio.

The following table summarizes the results of the analysis, on the basis of net gain to statewide gaming revenues.

Alternatives: Net Gain to PA Gaming Revenues (MMs)

South York	\$153.99
Reading	\$124.75
Valley View	\$122.65
Chambersburg	\$106.59
W. Philly/City Line	\$98.43
Beaver Valley	\$98.27
Altoona	\$96.11
Port Jervis	\$95.56
Foxwoods Site	\$89.96
Valley View w/ Youngstown Impact	\$83.39
Johnstown	\$76.85
Williamsport	\$54.82

In the Eastern region, South York or Reading offers the largest net impact to the commonwealth. A western Philadelphia location would add approximately 10% or \$10 million more in revenues than the Foxwoods site, but would still be considerably lower than developing in a less competitive location like South York or Reading.

In the Western region, Valley View at the current time ranks high in net impact at \$122.65 million. However, if a racino is developed in Youngstown, Ohio, the net impact from Valley View is diminished to \$83.39 million. Racino development in Ohio has received legislative approval, which would place two slot-machine casinos in Cleveland's southeast suburbs.

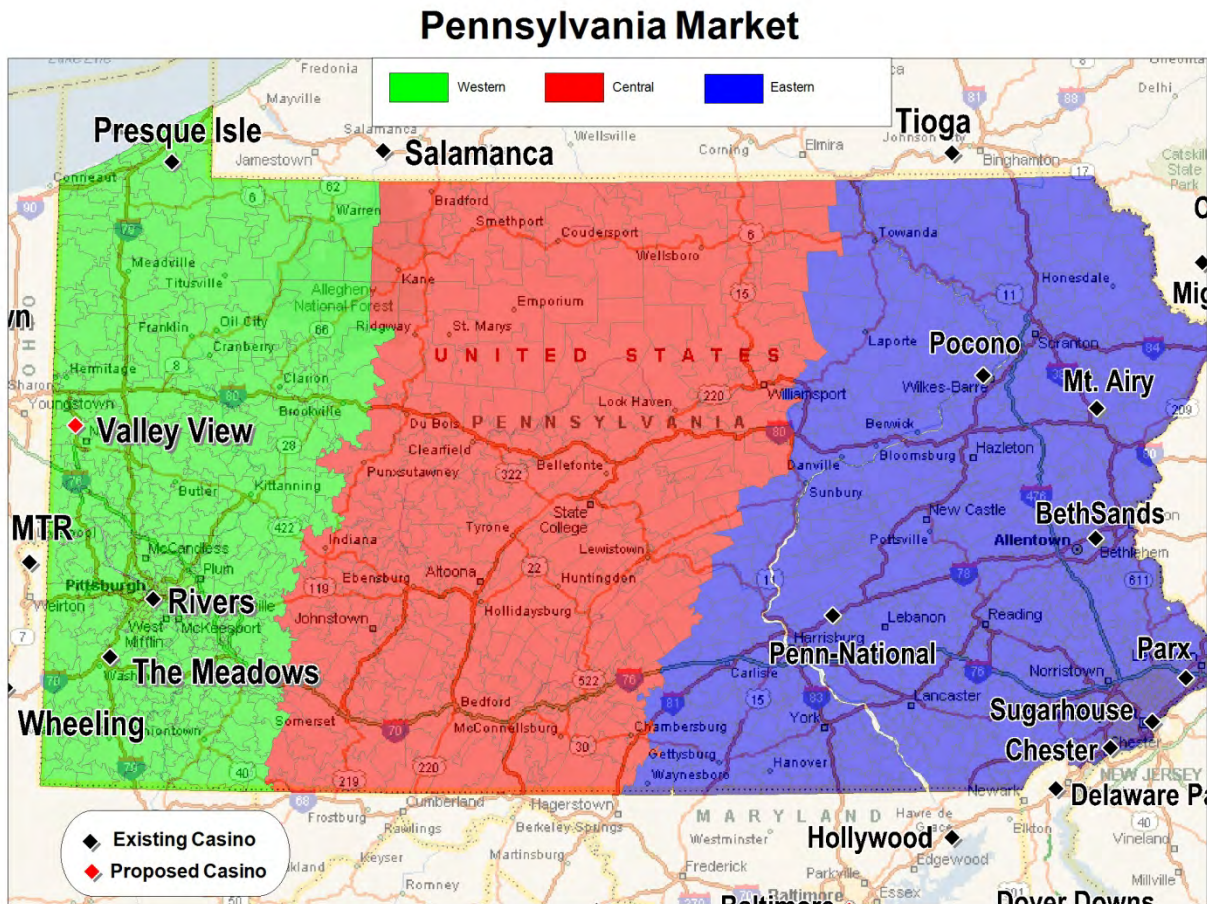
However, the proposed re-location of Toledo's Raceway Park to Youngstown has not been finalized.¹

In Central Pennsylvania, Altoona has the largest market potential. Although the facility's market potential is limited, it would have a very small impact on existing Pennsylvania casinos, and thus the vast majority of its gaming revenues would be a net gain to the commonwealth. However, its financial viability is questionable given the \$66.5 million license fee and effective gaming tax rate.

¹ With state approval, racetrack owners can apply to move their tracks to either Dayton or Youngstown. However, it is expected that approval would entail significant re-location fees.

REGIONAL DEMOGRAPHIC ANALYSIS

For the purposes of this analysis we have segmented the state of Pennsylvania into three regions, Western, Central and Eastern. Below is a map showing the region distinctions with existing gaming properties.



The Eastern Region represents the majority of the population in Pennsylvania with over 70% residing in the region. Positive average annual growth rates (A.A.G.) can be seen in the Eastern Region, while the other two regions are showing declining population. The Western and Central region have shown declines in population both between 2000 and 2010 and continuing during the projected period of 2010 to 2015.

Pennsylvania Total Population

Region	2000	2010	2015	A.A.G. 2000-2010	AAG (2009-2015)
Western Region	3,208,865	3,096,427	3,023,375	-0.36%	-0.48%
Central Region	1,323,843	1,312,082	1,297,595	-0.09%	-0.22%
Eastern Region	7,747,059	8,123,973	8,257,788	0.48%	0.33%
Pennsylvania	12,279,767	12,532,482	12,578,758	0.20%	0.07%
The United States	281,421,906	309,038,974	321,675,005	0.94%	0.80%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

In 2010, the gamer population, defined as 21 years of age or older, represented nearly 74% of the total population in Pennsylvania. The Eastern region skewed slightly lower with only 73% of population above the age of 21 and both the Western and Central regions showing older populations with 75% of the population age 21 or above. The 21+ proportion is projected to increase in all three regions, but the number of adults is projected to decrease in both the Western and Central regions.

Population Over 21 Yrs.

Region	2010	% of Total Population	2015	% of Total Population	AAG (2009-2015)
Western Region	2,323,843	75.05%	2,297,998	76.01%	-0.22%
Central Region	984,088	75.00%	981,516	75.64%	-0.05%
Eastern Region	5,902,151	72.65%	6,049,770	73.26%	0.50%
Pennsylvania	9,210,082	73.49%	9,329,284	74.17%	0.26%
The United States	220,820,181	71.45%	231,083,594	71.84%	0.91%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

The Eastern Region has the highest average household income of the three regions at \$72,772 in 2010, outpacing the state average of \$67,154, and the national average of \$71,071.

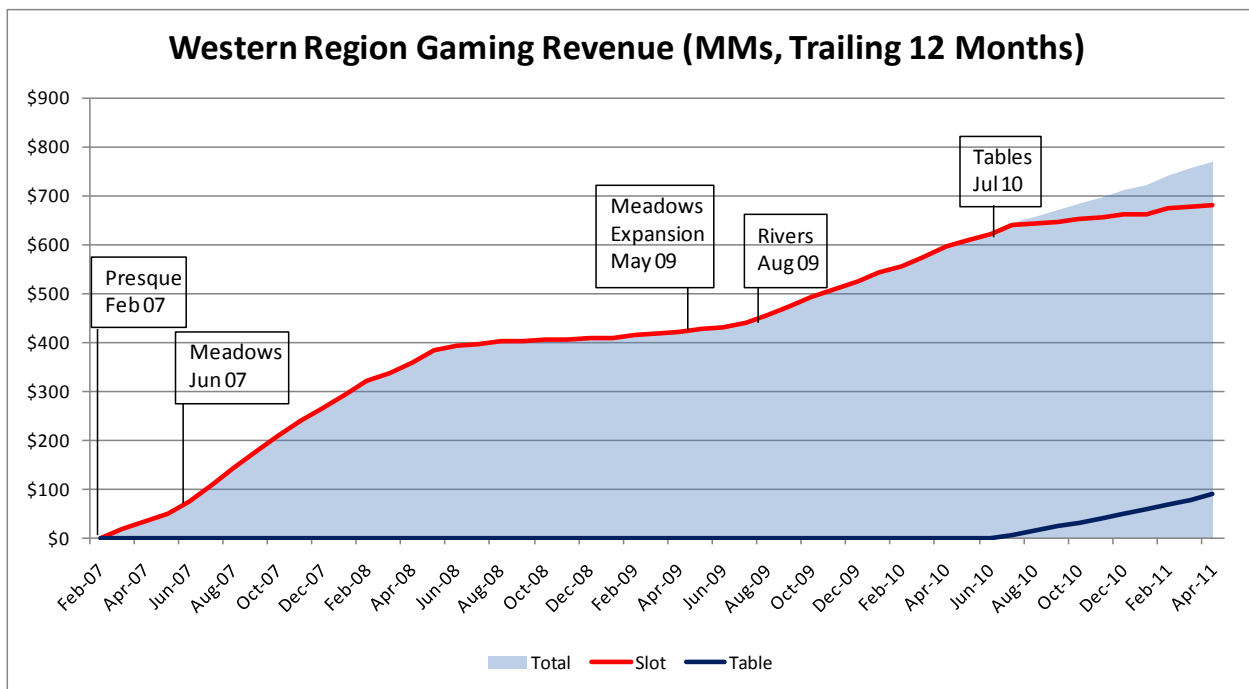
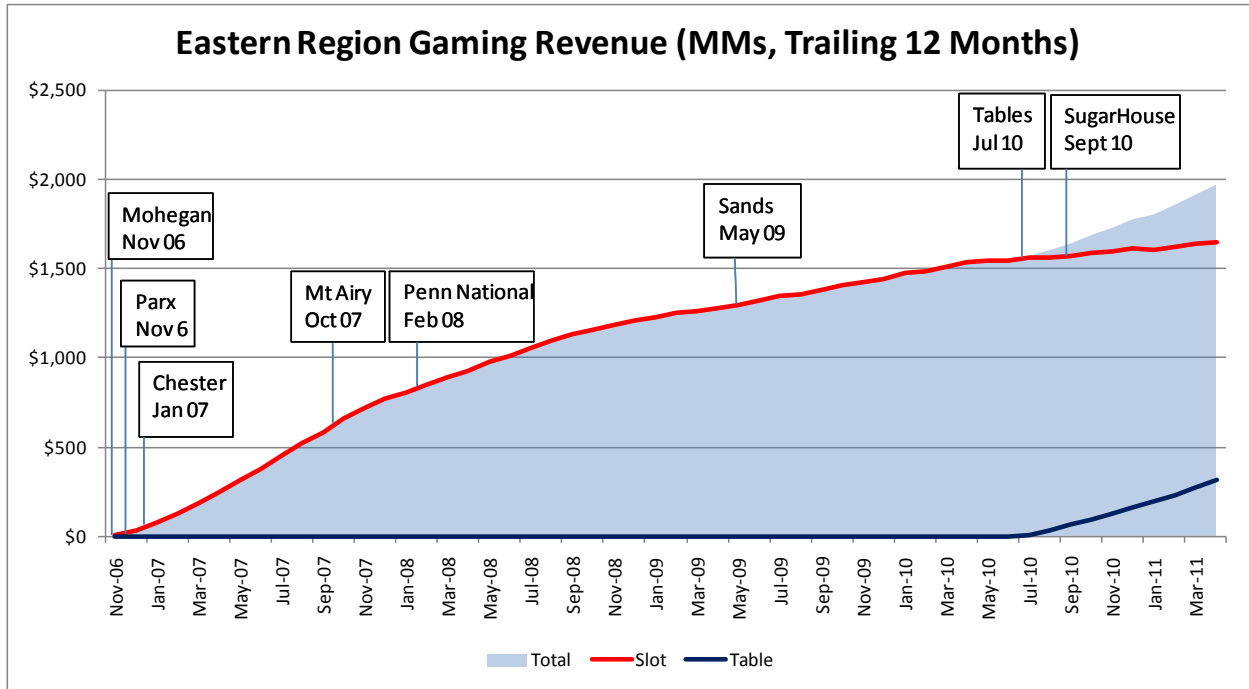
Average Household Income

Region	2000	2010	2015	A.A.G. 2000-2010	A.A.G. 2010-2015
Western Region	\$48,783	\$61,506	\$67,216	2.34%	1.79%
Central Region	\$42,036	\$52,725	\$57,387	2.29%	1.71%
Eastern Region	\$57,265	\$72,772	\$79,641	2.43%	1.82%
Pennsylvania	\$52,682	\$67,154	\$73,496	2.46%	1.82%
The United States	\$56,644	\$71,071	\$77,465	2.29%	1.74%

Source: IXPRESS/Nielsen Claritas, The Innovation Group

CURRENT PENNSYLVANIA MARKET & HISTORICAL TRENDS

The following charts show regional gaming revenue trends and opening dates for facilities in Pennsylvania.



Pennsylvania has seen an increase of 26% in revenue from 2009 to 2010. This large increase is the result of newer facilities ramping up operations and the introduction of table games. The average year-over-year change among the other facilities, which had full year operations in 2009 and 2010, was 7%, with PARX experiencing the most growth at 20% and The Meadows experiencing the largest drop at 5%. The addition of table games at the casinos in July 2010 is also a key factor in the growth of the overall market, as it may show inflated revenue. As these changes took place, Pennsylvania saw its gaming positions rise almost 28% from 2009 to 2010. The western part of the state has seen an increase in revenue of 36% as the Pittsburgh market surged after the addition of The Rivers facility.

Pennsylvania Market Performance (Revenue in millions)

	2010 Rev	% Change	2010 Positions	% Change	2010 Win/Pos.	% Change
Mohegan Sun	\$243.2	10.1%	2,820	14.3%	\$236	-3.7%
PARX	\$432.6	20.4%	3,799	30.9%	\$312	-8.0%
Harrah's Chester	\$326.5	3.3%	3,550	21.7%	\$252	-15.1%
Mt Airy	\$163.3	-0.8%	2,865	14.3%	\$156	-13.3%
Meadows	\$264.1	-5.1%	3,929	25.6%	\$184	-24.5%
Presque Isle	\$180.2	8.1%	2,286	14.6%	\$216	-5.7%
Penn National	\$268.5	12.9%	2,758	19.0%	\$281	0.0%
Rivers	\$267.7	239.9%	3,433	14.5%	\$214	19.6%
Sands Bethlehem	\$286.1	101.1%	3,636	22.7%	\$216	1.5%
Sugar House	\$54.2	N/A	1,844	N/A	\$288	N/A
Eastern	\$1,774.4	23.2%	20,123	33.4%	\$242	-7.7%
Western	\$712.0	35.9%	9,648	51.4%	\$202	-10.2%
Pennsylvania	\$2,478.7	26.2%	30,919	27.8%	\$220	-1.3%

Source: Pennsylvania Gaming Control Board; Innovation Group

Statewide Slot Trends

In the first few years of operation, gaming markets typically are highly elastic—that is, as new gaming positions are added there is little impact on existing supply or on overall WPP. However, as supply comes into balance with demand for gaming, adding new gaming positions causes WPP in a market to decrease, as a portion of revenues generated by new positions comes at the expense of the existing supply. The size of that portion (i.e., the ratio of cannibalization versus new revenues) depends upon the level of saturation in any particular market.

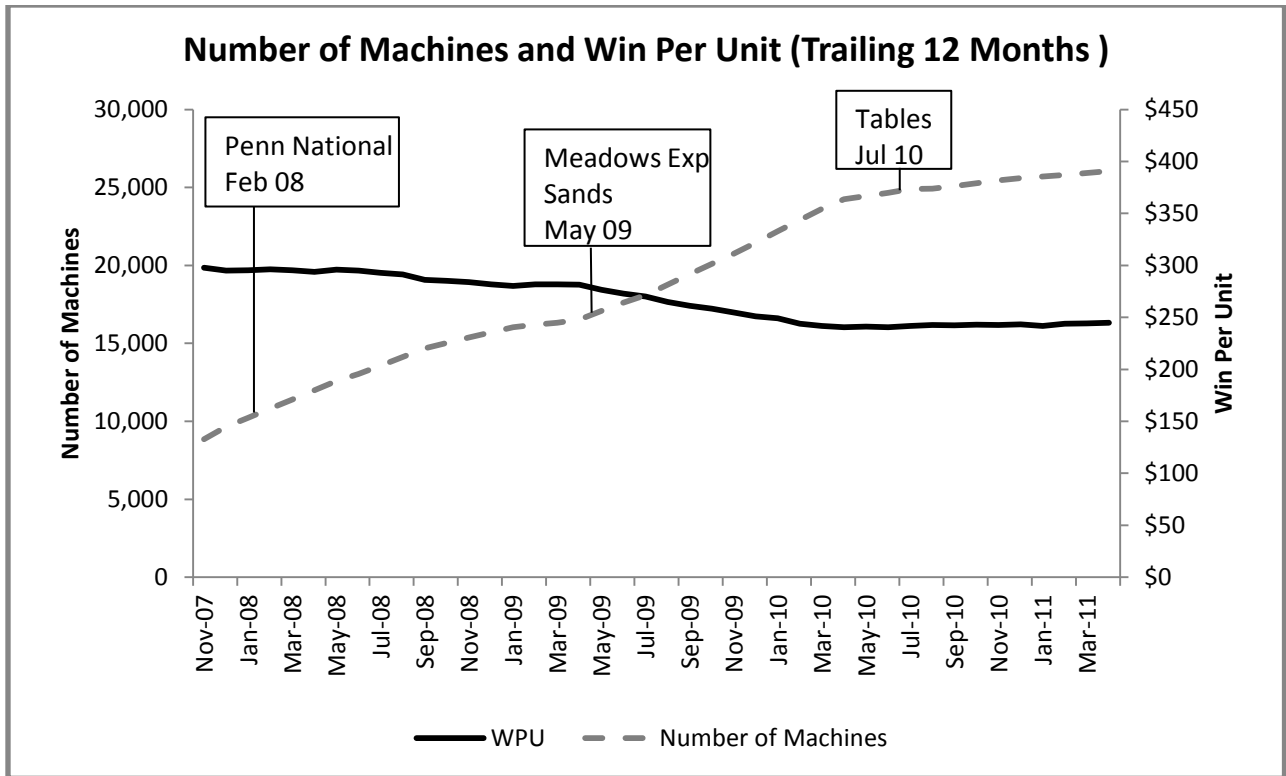
The Pennsylvania markets have until recently been characterized as emerging markets with steep growth trends. As the markets have ramped up, new supply has been readily absorbed by latent demand. However, recent trends show greater market maturation, and the introduction of new supply into markets has resulted in lower WPP and cannibalization of existing supply.

The Commonwealth of Pennsylvania has demonstrated positive trailing 12 month slot revenue growth since November 2007. This indicates that the market is still maturing and should continue its growth as the casinos in the market begin to stabilize. The steeper slope of revenue growth from November 2007 through November 2008 was fueled by the introduction of gaming at Philadelphia Park (Parx) and Harrah's Chester Downs. The continued growth from January 2009 through January 2011 was explained by new entrants into the market and the absorption of latent demand in the market.

The slot machine Win per Unit (WPU) for the state peaked at \$300 in November of 2007 and has declined year-over-year through March 2010. From March 2010 to current, WPU has stabilized at approximately \$250, which indicates the start of a saturated market. Below is a chart showing the trailing 12 months of total slot revenue and WPU over the same period for the State of Pennsylvania

Source: PGCB, The Innovation Group

The state has continually added machines from November 2006 through current with the introduction of new properties. Within the past six months the number of machines has started to stabilize with the exception of the addition of machines due to the opening of Sugarhouse in September 2010. As the number of machines has increased in the state, WPU has continued to decrease and begun to stabilize in September 2010.



In 2003, the Innovation Group assessed the revenue potential for slot machines in Pennsylvania in a number of development scenarios. The following development scenario from the 2003 study is the closest to what has actually transpired:

Statewide Projections: 2003 Report

	# of Machines	Win per Machine	2006 Revenues
Philadelphia Park	3,000	\$281.06	\$307,763,421
Chester	2,500	\$255.91	\$233,514,145
Penn National	2,500	\$199.69	\$182,214,268
Pocono Downs	1,500	\$164.66	\$90,151,538
Meadows	2,000	\$210.04	\$153,329,630
Presque Isle	1,500	\$207.84	\$113,790,574
Philadelphia (2)	6,000	\$299.57	\$656,058,607
Long Pond	1,500	\$169.34	\$92,715,175
Pittsburgh	4,000	\$252.87	\$369,184,791
Allentown	3,000	\$220.82	\$241,797,391
Shrewsbury	3,000	\$299.70	\$328,173,298
Total	30,500	\$248.70	\$2,768,692,839

Source: Pennsylvania Gaming Control Board; Innovation Group

Of these assumed developments, all but two—Shrewsbury and the second Philadelphia casino—have been developed in some form. Although Long Pond was not developed, the Mt. Airy Casino is a proximate location, and a casino was developed in Bethlehem instead of Allentown. The following table compares the development assumptions in the 2003 report with the current level of build-out.

Statewide Machine Development: 2003 Report vs. 2010 Actuals

Name/Location		# of Machines		
<i>2003 Report</i>	<i>Current</i>	<i>2003 Report</i>	<i>2010 Avg</i>	<i>Difference</i>
Philadelphia Park	PARX	3,000	3,385	385
Chester	Chester	2,500	2,912	412
Philadelphia (2)	SugarHouse	6,000	1,601	-4,399
<i>Philadelphia Area Subtotal</i>		11,500	7,898	-3,602
Penn National	Penn National	2,500	2,433	-67
Pocono Downs	Mohegan @ Pocono	1,500	2,350	850
Long Pond	Mt Airy	1,500	2,415	915
Allentown	BethSands	3,000	3,099	99
<i>Eastern Region Subtotal</i>		20,000	18,195	-1,805
Meadows	The Meadows	2,000	3,549	1,549
Pittsburgh	The Rivers	4,000	2,920	-1,080
Presque Isle	Presque Isle	1,500	1,998	498
<i>Western Region Subtotal</i>		7,500	8,467	967
Total		27,500	26,662	-838

Source: Pennsylvania Gaming Control Board; Innovation Group

The number of machines in place in 2010 is 838 less than the 27,500 projected in the 2003 report (excluding Shrewsbury). The largest discrepancy is in Philadelphia, which has only 1,600 machines in one facility compared to the projected 6,000 machines in two casinos. However, the suburban casinos, PARX and Chester, combined have approximately 800 more machines than projected, meaning that the Philadelphia area has approximately 3,600 fewer machines than projected. Development in the Poconos has exceeded projections, with Mt. Airy and Mohegan at Pocono Downs combined having 1,765 more machines than projected. However, as discussed previously, Mt. Airy has the lowest WPU and MSR in the commonwealth and could be considered overbuilt. BethSands and Penn National both have developed very close to projections. In the West, the downtown casino is 1,080 machines smaller than projected while the Meadows is over 1,500 machines larger.

Statewide Machine Revenues: 2003 Report vs. 2010 Actuals

	2006 Projection	2010	Difference	Difference %
PARX	\$307,763,421	\$382,978,796*	\$75,215,375	24.4%
Chester	\$233,514,145	\$287,176,968*	\$53,662,823	23.0%
SugarHouse	\$656,058,607	\$166,416,527*	-\$489,642,080	-74.6%
Philadelphia Area Subtotal	\$1,197,336,173	\$836,572,290*	-\$360,763,883	-30.1%
Penn National	\$182,214,268	\$253,403,976	\$71,189,708	39.1%
Mohegan @ Pocono	\$90,151,538	\$224,762,570	\$134,611,032	149.3%
Mt Airy	\$92,715,175	\$143,811,645	\$51,096,470	55.1%
BethSands	\$241,797,391	\$258,735,860	\$16,938,469	7.0%
Eastern Region Subtotal	\$1,804,214,545	\$1,717,286,341	-\$86,928,204	-4.8%
The Meadows	\$153,329,630	\$249,131,455*	\$95,801,825	62.5%
The Rivers	\$369,184,791	\$274,128,075*	-\$95,056,716	-25.7%
Pittsburgh Area Subtotal	\$522,514,421	\$523,259,530	\$745,109	0.1%
Presque Isle	\$113,790,574	\$170,387,248	\$56,596,674	49.7%
Western Region Subtotal	\$636,304,995	\$693,646,778	\$57,341,783	9.0%
Total	\$2,440,519,540	\$2,410,933,119	(\$29,586,421)	-1.2%

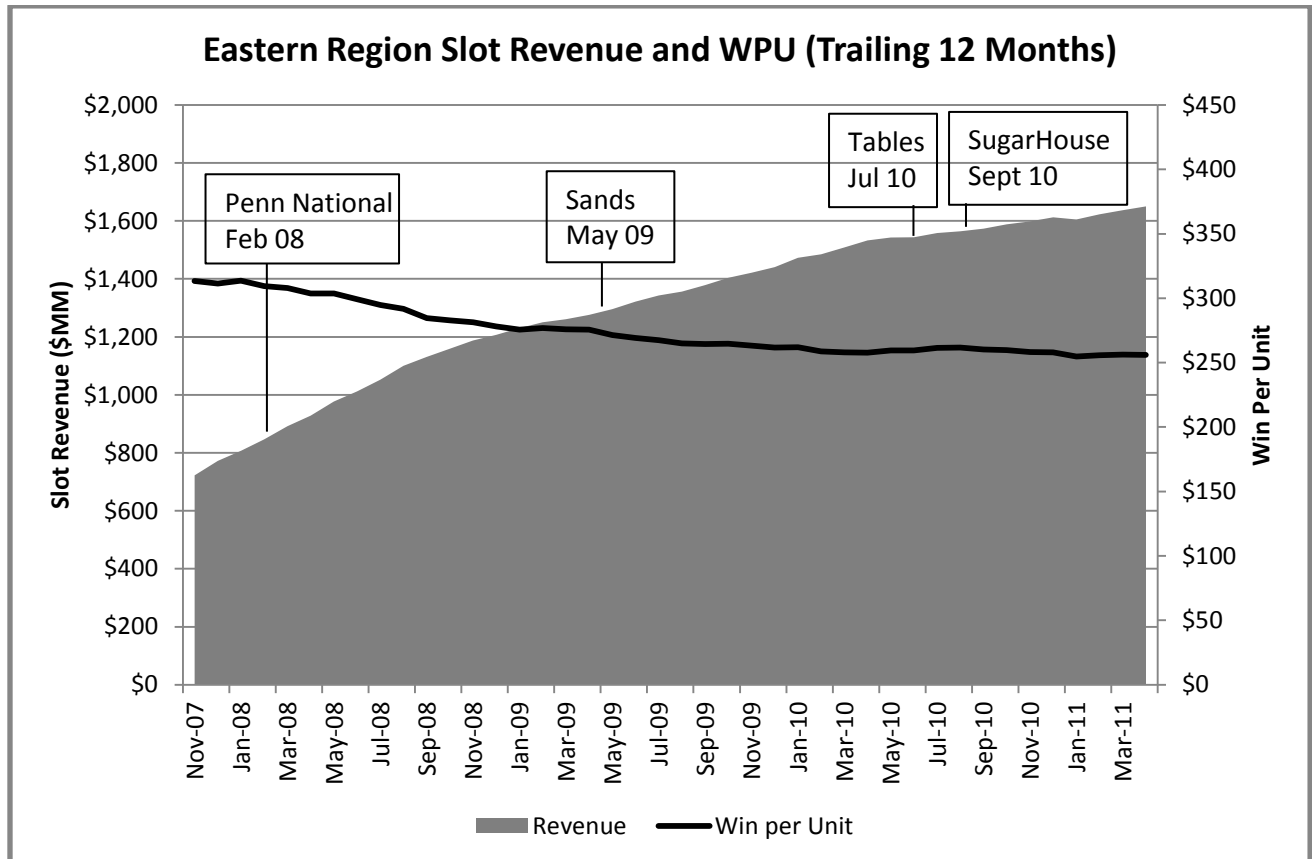
Source: Pennsylvania Gaming Control Board; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

With the second Philadelphia casino undeveloped, statewide revenues are 1.2% lower than projected. The 2003 report assumed that all casinos would be open by 2006. However, with development slower than projected, and given the effects of the recession on gaming trends in the 2007-2010 time period, it is reasonable to compare the original projections for 2006 with current results.

One noteworthy trend that emerges in the data is that the earlier developments generally exceed their projections, whereas the three casinos to open most recently (BethSands, The Rivers, and SugarHouse) are below or very close to projections (BethSands being 7% higher). In the case of Pittsburgh and Philadelphia, the suburban casinos opened well before the downtown casinos, and thus were able to capture greater market share. In Pittsburgh, The Meadows, which opened more than two years ahead of The Rivers, generates \$95.8 million more than projected, nearly identical to the deficit at the downtown casino. However, the \$129 million more generated by PARX and Chester is not enough to counteract the lack of development of the second Philadelphia casino, resulting in a deficit of \$361 million for the market area.

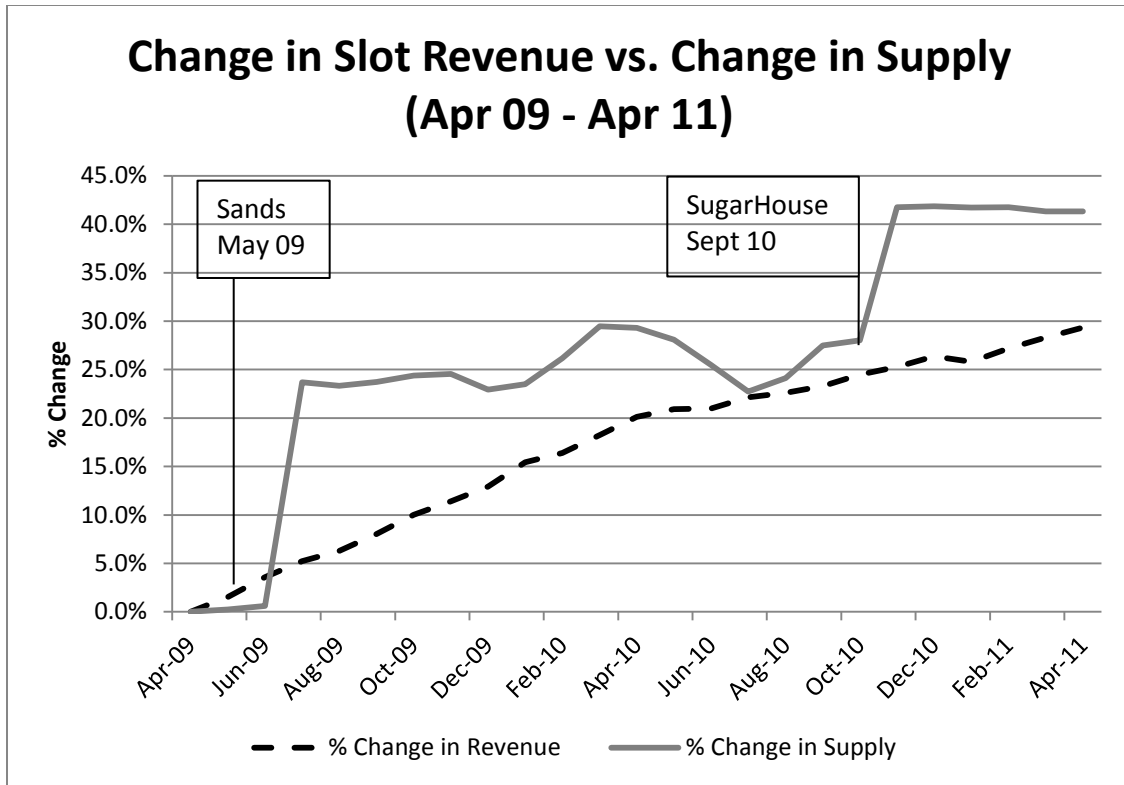
Eastern Region Slot Trends

The Eastern Region includes the majority of the revenue and supply for the total Pennsylvania market. In April 2011, the Eastern region represented 71% of the revenue and 68% of the supply for the entire state. The trends in the Eastern region have mimicked the state trends in terms of both total slot revenue and WPU. The significant slope increase from September 2010 through April 2011 is attributable to the opening of Sugarhouse in Philadelphia.



Source: PGCB, The Innovation Group

Increase in supply has generally been absorbed within one year, as shown in the following chart (indexed to April 2009).



In comparison with our original projections in 2003, The Eastern Region is 4.8% below projected revenues, based on an annualized adjustment for the Philadelphia area (January-April 2011). SugarHouse—which opened in September 2010—has seen its slot performance stabilize in recent months at over \$300 WPU. In the region overall, there are approximately 2,000 fewer slot machines than projected, but WPU is 5.4% higher.

Eastern Region Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Adjusted**	Difference
Slot Revenues	\$1,804,214,546	\$1,575,360,848	\$1,717,286,341	-4.8%
# of Slots	20,000	16,595	18,057	-9.7%
# of Facilities	8	6	7	-12.5%
WPU	\$247	\$260	\$261	5.4%

Source: Pennsylvania Gaming Control Board; Innovation Group. Notes: *Without SugarHouse; **With SugarHouse, PARX, and Chester annualized based on most recent performance (Jan-April).

The Philadelphia area has approximately 3,500 fewer machines than projected, and a resulting 30% gap in revenues.

Philadelphia Area Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Adjusted**	Difference
Slot Revenues	\$1,197,336,173	\$694,646,797	\$836,572,290	-30.1%
# of Slots	11,500	6,297	7,898	-31.3%
# of Facilities	4	2	3	-25.0%
WPU	\$285	\$302	\$290	1.7%

Source: Pennsylvania Gaming Control Board; Innovation Group. Notes: *Without SugarHouse; **With SugarHouse, PARX, and Chester annualized based on most recent performance (Jan-April).

Only one casino has been developed in Philadelphia, and at a smaller size than the 3,000 projected. However, on a WPU basis, SugarHouse is now hitting the mark, with win per slot machine of \$317 in the past three months.

Central Philadelphia Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Adjusted*	Difference
Slot Revenues	\$656,058,607	\$166,416,527	-74.6%
# of Slots	6,000	1,601	-73.3%
# of Facilities	2	1	-50.0%
WPU	\$300	\$285	-4.9%

Source: PGCB; Innovation Group. *Annualized based on most recent performance (Jan-April).

With the annualized impact of SugarHouse, the suburban Philadelphia casinos are generating \$670 million in slot revenues, \$129 million or 24% higher than projected.

Suburban Philadelphia Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Adjusted*	Difference
Slot Revenues	\$541,277,566	\$694,646,797	\$670,155,763	23.8%
# of Slots	5,500	6,297	6,297	14.5%
# of Facilities	2	2	2	0.0%
WPU	\$270	\$302	\$292	8.1%

Source: PGCB; Innovation Group. *Annualized most recent performance (Jan-April) to account for impact of SugarHouse

With early starts at Mohegan, Penn National, and Mt. Airy, and a higher level of development in the Poconos, the remainder of the Eastern Region has been able to ramp up significantly. As a result, revenues are 45% higher than projected.

Eastern Region Excluding Philadelphia Area: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$606,878,373	\$880,714,051	45.1%
# of Slots	8,500	10,297	21.1%
# of Facilities	4	4	0.0%
WPU	\$196	\$234	19.8%

Source: PGCB; Innovation Group.

Revenues in the Poconos are double the projections, with development nearly 60% higher. The regional operating experience of Mohegan Sun has enabled Pocono Downs to reach into the northern New Jersey and New York, with a heavy busing program into those markets. As shown previously, Pocono Downs is enjoying revenues 2.5 times higher than projected.

Poconos (Mohegan and Mt. Airy): 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$182,866,713	\$368,574,215	101.6%
# of Slots	3,000	4,765	58.8%
# of Facilities	2	2	0.0%
WPU	\$167	\$212	26.9%

Source: PGCB; Innovation Group.

The overlapping markets of the Poconos and Bethlehem have revenues 48% higher and a level of supply 31% higher.

Poconos+BethSands: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$424,664,104	\$627,310,075	47.7%
# of Slots	6,000	7,865	31.1%
# of Facilities	3	3	0.0%
WPU	\$194	\$219	12.7%

Source: PGCB; Innovation Group.

Supply and performance at BethSands are highly consistent with projections.

BethSands: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$241,797,391	\$258,735,860	7.0%
# of Slots	3,000	3,099	3.3%
# of Facilities	1	1	0.0%
WPU	\$221	\$229	3.6%

Source: PGCB; Innovation Group.

Supply at Penn National is highly consistent with projections; however, having opened in February 2008, the facility has been able to ramp up its revenues well above the \$198 million it generated in its first full 12 months of operation.

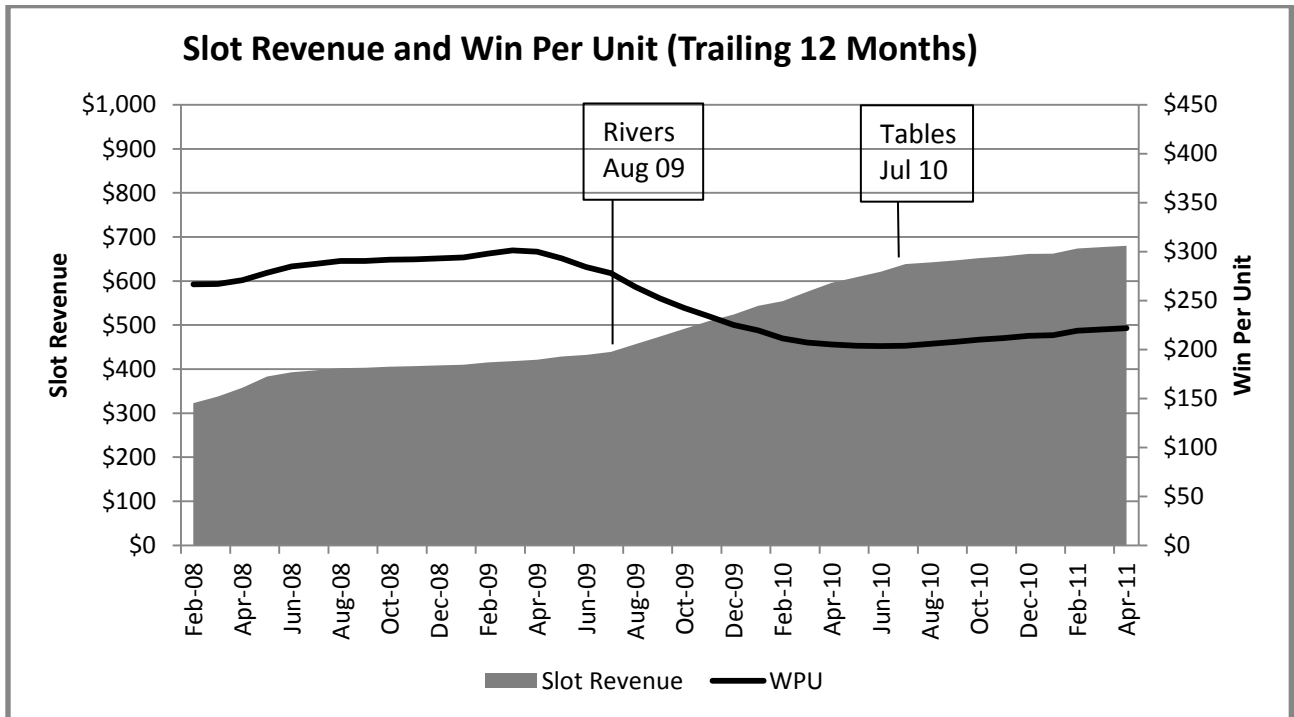
BethSands: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$182,214,269	\$253,403,976	39.1%
# of Slots	2,500	2,433	-2.7%
# of Facilities	1	1	0.0%
WPU	\$200	\$285	42.9%

Source: PGCB; Innovation Group.

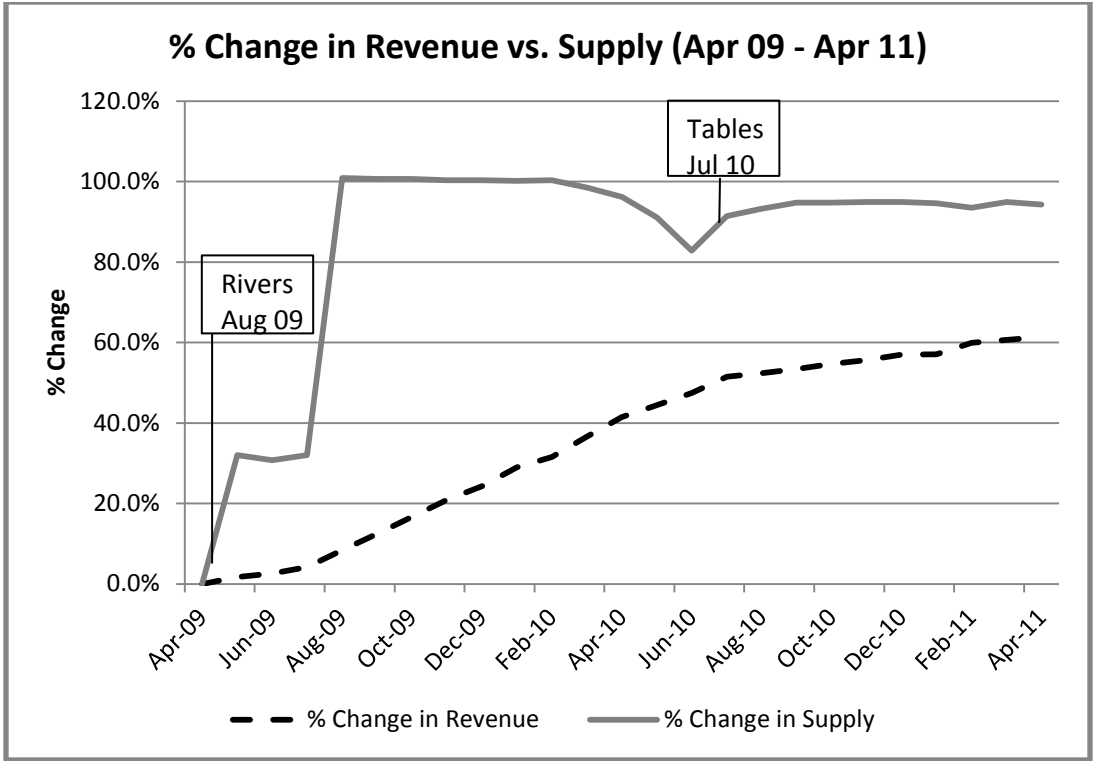
Western Region Slot Trends

Presque Isle was the first to open in the region, February 2007, followed by the Meadows (temporary) in June 2007. The Rivers opened in August 2009, shortly after the Meadows opened its permanent facility in late April 2009. From June 2008 through August 2009, revenue and supply were relatively stable, but the large supply increase has led to a steeper revenue growth trend but a declining WPU trend.



Source: PGCB, The Innovation Group

The addition of the Rivers and the Meadows expansion added close to 100% increase in supply, while revenue growth remained somewhat constant. As a result, the supply increase has still not been absorbed nearly two years later, even with a recent drawdown at the Meadows. In recent months the two lines are only slowly drawing closer together, indicating a level of saturation at the current time.



In comparison with our original projections in 2003, the Western Region is 9.0% above projected revenues, based on an annualized adjustment for the Pittsburgh market reflecting recent improved performance at the Rivers (January-April 2011). Supply is also higher by nearly 1,000 machines or 12.9%.

Western Region Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$636,304,995	\$693,663,949	9.0%
# of Slots	7,500	8,467	12.9%
# of Facilities	3	3	0.0%
WPU	\$232	\$224	-3.4%

Source: PGCB; Innovation Group. *Note: Pittsburgh annualized based on most recent performance (Jan-April)

The Pittsburgh market is within 0.1% of projected revenues, based on an annualized adjustment reflecting recent improved performance at the Rivers (January-April 2011). Supply is higher by nearly 500 machines or 7.8%.

Pittsburgh Area Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$522,514,421	\$523,276,701	0.1%
# of Slots	6,000	6,469	7.8%
# of Facilities	2	2	0.0%
WPU	\$239	\$222	-7.1%

Source: PGCB; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

Within the Pittsburgh market, the Meadows as a result of its earlier opening and larger build-out has grabbed control of a larger market share than projected, leading to larger revenues at The Meadows and smaller revenues in downtown Pittsburgh than projected.

The Meadows Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$153,329,630	\$249,148,627	62.5%
# of Slots	2,000	3,549	77.4%
# of Facilities	1	1	0.0%
WPU	\$210	\$192	-8.4%

Source: PGCB; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

The Rivers Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010*	Difference
Slot Revenues	\$369,184,791	\$274,128,075	-25.7%
# of Slots	4,000	2,920	-27.0%
# of Facilities	1	1	0.0%
WPU	\$253	\$257	1.7%

Source: PGCB; Innovation Group. *Note: Annualized based on most recent performance (Jan-April)

With an aggressive marketing and busing program in Cleveland, Presque Isle Downs (PID) has achieved revenues nearly 50% than projected. PID has nearly 500 more slot machines than projected.

Presque Isle Downs Performance: 2003 Report vs. 2010 Actuals

	Projected 2006	Actual 2010	Difference
Slot Revenues	\$113,790,574	\$170,387,248	49.7%
# of Slots	1,500	1,998	33.2%
# of Facilities	1	1	0.0%
WPU	\$208	\$234	12.4%

Source: PGCB; Innovation Group.

GAMING MARKET ANALYSIS

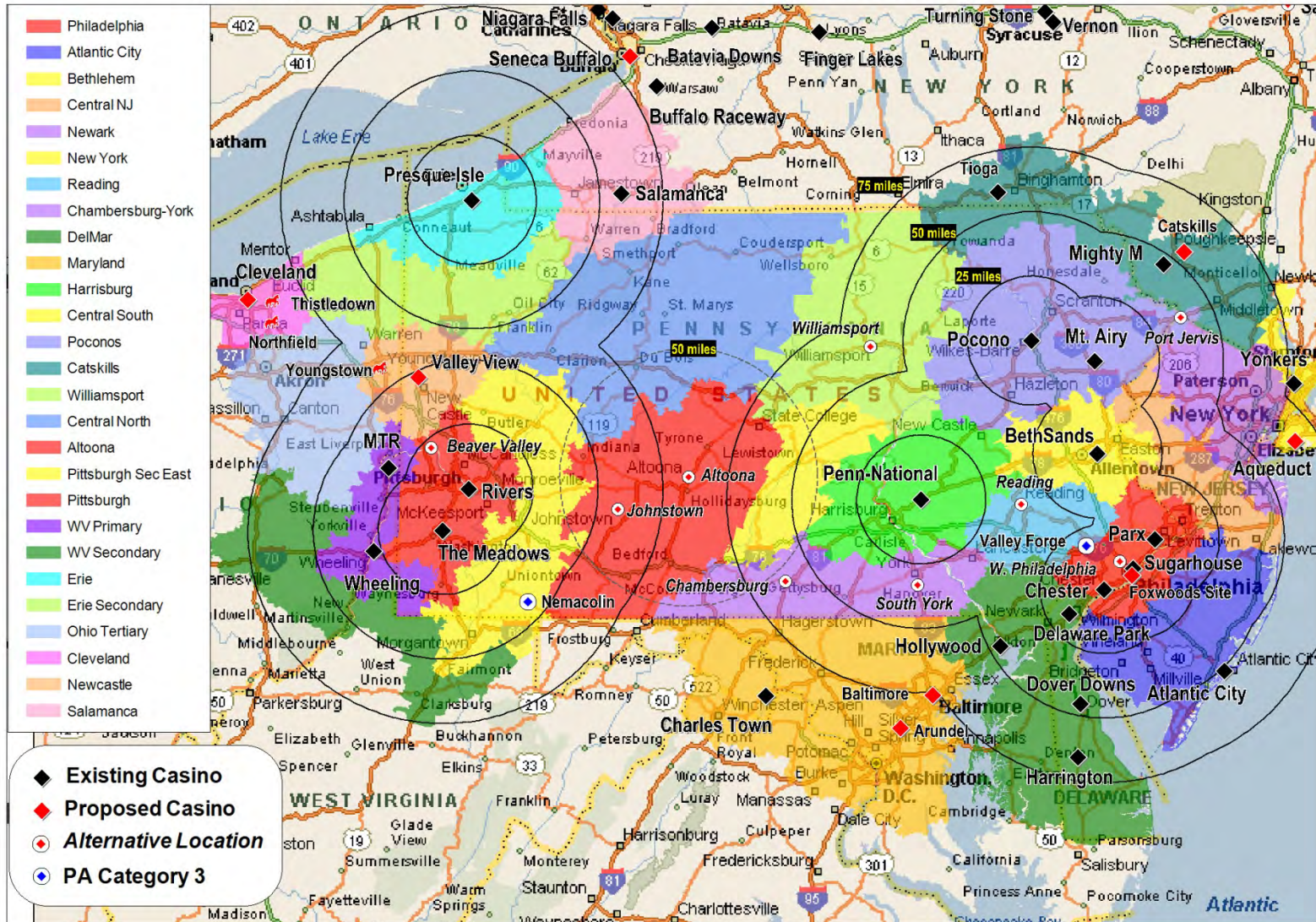
Methodology

In developing this analysis a gravity model was employed. Gravity models are commonly used in location studies for commercial developments, public facilities and residential developments. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of a population based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet and inversely related to the square of the travel distance. Thus the gravity model quantifies the effect of distance on the behavior of a potential patron, and considers the impact of competing venues.

The Pennsylvania market has been carved into 27 distinct market areas, from which it could be expected that different participation rates may be expected depending on the level and location of competition that is present in the market currently and in the future. The following map and table show the market areas and their respective adult population (21 and over) and average household income.

Neighboring states such as New Jersey, Delaware, New York, Maryland and West Virginia all represent competition due to their proximity to Pennsylvania facilities and population centers. New facilities are also scheduled to be developed in Baltimore and Anne Arundel, Maryland Aqueduct, New York, and Atlantic City. In addition, four standalone casinos (slots and tables) have been approved in Ohio, and Ohio's seven racetracks have been given preliminary approval to install video lottery terminals.

Pennsylvania Casino Market Areas with Alternative Locations



Market Area Demographics

	Adult Pop 2010	Adult Pop 2015	AAG 2010-15	Average HHI 2010	Average HHI 2015	AAG 2010-15
Philadelphia	3,172,742	3,211,688	0.24%	\$79,198	\$86,551	1.79%
Atlantic City	905,986	932,908	0.59%	\$74,376	\$82,191	2.02%
Bethlehem	645,981	674,990	0.88%	\$73,623	\$80,994	1.93%
Central NJ	1,017,261	1,060,189	0.83%	\$109,610	\$120,724	1.95%
Newark	3,924,608	3,969,157	0.23%	\$95,587	\$104,346	1.77%
New York	6,356,498	6,478,209	0.38%	\$75,107	\$82,651	1.93%
Reading	717,397	747,504	0.83%	\$84,626	\$93,825	2.09%
Chambersburg-York	661,112	689,703	0.85%	\$65,086	\$70,811	1.70%
DelMar	1,153,506	1,221,243	1.15%	\$79,238	\$87,215	1.94%
Maryland	5,361,567	5,561,528	0.74%	\$101,758	\$114,574	2.40%
Harrisburg	686,985	702,401	0.44%	\$67,117	\$73,540	1.84%
Central South	85,546	85,186	-0.08%	\$50,775	\$54,991	1.61%
Poconos	743,034	762,159	0.51%	\$58,227	\$63,819	1.85%
Catskills	552,811	568,636	0.57%	\$71,747	\$80,034	2.21%
WilliamSPORT	275,653	274,499	-0.08%	\$54,710	\$59,413	1.66%
Central North	190,891	188,236	-0.28%	\$49,593	\$53,346	1.47%
Altoona	472,773	470,353	-0.10%	\$51,904	\$56,625	1.76%
Pittsburgh Sec East	590,045	589,741	-0.01%	\$55,167	\$60,978	2.02%
Pittsburgh	1,260,626	1,243,465	-0.27%	\$67,562	\$74,162	1.88%
WV Primary	223,557	215,912	-0.69%	\$49,871	\$53,944	1.58%
WV Secondary	188,273	186,226	-0.22%	\$49,304	\$53,864	1.79%
Erie	279,025	278,569	-0.03%	\$54,346	\$58,082	1.34%
Erie Secondary	262,697	263,598	0.07%	\$58,842	\$62,575	1.24%
Ohio Tertiary	938,059	937,770	-0.01%	\$60,410	\$63,934	1.14%
Cleveland	1,154,784	1,117,434	-0.66%	\$67,287	\$71,416	1.20%
Newcastle	425,030	412,435	-0.60%	\$54,300	\$57,998	1.33%
Salamanca	202,634	199,215	-0.34%	\$55,015	\$59,758	1.67%
Total	28,998,579	33,042,954	2.65%			
Pennsylvania	9,210,082	9,329,284	0.26%	\$67,154	\$73,496	1.8%
National	220,820,181	231,083,594	0.9%	\$71,071	\$77,465	1.7%

Source: iXPRESS, Nielsen Claritas, Inc.; MapInfo: The Innovation Group; AAG=Average Annual Growth

Model Calibration

The gravity model was calibrated for 2010 using operating data from respective state gaming commissions and gaming control boards. The following table shows the rates for propensity, frequency, and win per visit by market area that were used to re-create the actual conditions in the Base 2010 model. Win has been varied based on differences between market areas in

average household income and travel time. Not reflected in the following table are adjustments to average WPV for individual facilities to reflect such differences in WPV resulting at slot-only casinos, which tend to have lower-than-average WPV and destination resorts which tend to have higher WPV.

Participation Rates Base 2010

	Propensity	Frequency	Win per Visit
Philadelphia	36.5%	12.3	\$70.00
Atlantic City	42.0%	14.0	\$66.00
Bethlehem	35.0%	12.0	\$68.00
Central NJ	34.0%	10.3	\$84.00
Newark	33.0%	9.5	\$85.00
New York	29.5%	7.0	\$80.00
Reading	32.0%	10.0	\$74.00
Chambersburg-York	30.0%	9.2	\$63.00
DelMar	37.0%	13.0	\$70.00
Maryland	28.5%	7.0	\$83.00
Harrisburg	35.0%	12.0	\$63.00
Central South	29.0%	9.0	\$61.00
Poconos	40.0%	13.5	\$62.00
Catskills	30.0%	12.0	\$68.00
Williamsport	28.0%	8.0	\$62.00
Central North	24.0%	6.0	\$62.00
Altoona	24.0%	6.0	\$62.00
Pittsburgh Sec East	29.0%	9.0	\$63.00
Pittsburgh	38.0%	12.0	\$68.00
WV Primary	37.0%	12.0	\$58.00
WV Secondary	32.0%	10.5	\$60.00
Erie	40.0%	13.5	\$61.00
Erie Secondary	35.0%	11.0	\$63.00
Ohio Tertiary	28.5%	8.0	\$72.00
Cleveland	27.0%	7.8	\$78.00
Newcastle	30.0%	10.0	\$66.00
Salamanca	40.0%	13.5	\$61.00

The next step in the analysis is to create a status quo model for 2014 using projected population and income growth and considering historical revenue trends and accounting for expansions of existing casinos.

Finally, new competition is inserted into the model for a baseline 2014 scenario. The new competition included in the baseline 2014 model includes Nemaquin, Valley Forge, Aqueduct, AC Revel, Ohio landbased casinos in Cleveland, Columbus, Toledo and Cincinnati, and Baltimore and Anne Arundel, Maryland.

Penn National is expected to take a 13% hit from Maryland (over status quo 2014), and Presque Isle Downs is projected to take a 30% hit from the downtown landbased casino in Cleveland, Ohio. At the other Pennsylvania casinos, impacts from new competition range from 2.6% at Parx to 8.5% at the Meadows (impact of Ohio and Nemacolin).

	Revs Baseline 2014 (\$mm)	Change over Status Quo 2014
Sugar House	352.98	-2.9%
PARX	432.47	-2.6%
Chester	312.53	-6.9%
Penn National	253.74	-13.0%
BethSands	328.88	-4.7%
Mt. Airy	173.82	-4.1%
Pocono	258.06	-3.0%
Rivers	315.41	-4.8%
Meadows	257.14	-8.5%
Presque Isle	134.53	-30.2%
Nemacolin	10.11	NA
Valley Forge	44.96	NA
Total PA	2,874.64	-5.2%

This baseline 2014 model is the basis of comparison for evaluating the impact of alternative locations for the remaining two Pennsylvania licenses.

Location Alternatives

As shown on the market area map, the following locations were assessed for gross gaming revenue potential as well as net increase to statewide gaming revenues. The results are mutually exclusive among the alternative locations within each region.

Eastern Region Options

- Foxwoods Site
- City Line
- Port Jervis
- Reading
- South York
- Chambersburg

Western Region Options

- Valley View Site
- Beaver Valley

Central Region Options

- Altoona
- Johnstown
- Williamsport

Eastern Region

In the Eastern Region, the location with the greatest potential to increase statewide revenues is South York, followed by Reading and Chambersburg. Although the two Philadelphia locations have the highest potential for facility revenue, a large part of that individual potential would come at the expense of existing Philadelphia area casinos, therefore resulting in a smaller net gain statewide.

Eastern Region Alternatives

	Foxwoods Site	W. Philadelphia/ City Line	Chambersburg	Port Jervis	Reading	South York
Facility Gaming Revenue Potential	\$269,055,615	\$290,963,358	\$128,230,277	\$130,129,344	\$191,965,764	\$219,967,105
Net Gain to Statewide Gaming Revs	\$89,962,999	\$98,426,896	\$106,590,390	\$95,559,531	\$124,753,207	\$153,986,599

Western Region

In the Western Region, the location with the greatest potential to increase statewide revenues is Valley View. Beaver Valley would face more competition from the Rivers and the Meadows.

Western Region Alternatives: Ohio Stand-alone Casinos Only

	Valley View	Beaver Valley
Facility Gaming Revenue Potential	\$160,166,350	\$144,656,335
Net Gain to Statewide Gaming Revs	\$122,654,551	\$98,267,161

However, the Western Region faces the threat of additional competition in Ohio, particularly the possibility of a racino in Youngstown, which would be Valley View's primary feeder market. A racino in Youngstown² would reduce Valley View's net contribution to the Commonwealth by approximately one-third.

Valley View Impact of Ohio Racinos (Youngstown Scenario)

	Valley View
Facility Gaming Revenue Potential	\$109,340,669
Net Gain to Statewide Gaming Revs	\$83,394,882

Central Region

In the Central Region, the location with the greatest potential to increase statewide revenues is Altoona. Johnstown's greater proximity to the Meadows and the Rivers limits its revenue and impact potential, and Williamsport has a very small local market in addition to facing competition by Mohegan Sun and Penn National for more distant markets. Although Altoona has limited individual potential, its insulation from other Pennsylvania casinos means that the large majority of its revenue potential would be a net gain to the Commonwealth.

² The re-location of Toledo's Raceway Park to Youngstown still requires approval by the Ohio racing commission, and a yet-to-be-determined transfer fee may limit the viability of the move. Regardless, two racetracks in the southeastern suburbs of Cleveland would also have significant impact on Valley View in the absence of Youngstown.

Central Region Alternatives

	Altoona	Johnstown	Williamsport
Facility Gaming Revenue Potential	\$112,148,162	\$97,643,835	\$68,981,390
Net Gain to Statewide Gaming Revs	\$96,106,790	\$76,850,412	\$54,816,356

FINANCIAL ANALYSIS

To determine if the locations identified can generate enough revenue to be viable and attract prospective developers to invest significant capital a top level financial analysis was prepared. To make this determination, we utilized several industry standard return metrics including Net Present Value (“NPV”), Internal Rate of Return (“IRR”), EBITDA Return on Investment and Payback Period.

For purposes of this analysis, the proposed locations were categorized according to five levels of revenue and size potential as follows:

- **LARGE**
 - \$250.0 million + in gaming revenue
 - 3,000 to 4,000 gaming positions
- **MEDIUM**
 - \$175.0 TO \$250.0 million in gaming revenue
 - 2,500 to 3,000 gaming positions
- **MEDIUM/SMALL**
 - \$135.0 to \$175.0 million in gaming revenue
 - 1,800 to 2,100 gaming positions
- **SMALL**
 - \$100.0 to \$125.0 million in gaming revenue
 - 1,500 to 1,800 gaming positions
- **OUTLIER**
 - \$75.0 to \$100.0 million in gaming revenue
 - Under 1,500 gaming positions

The financial assumptions used in the preparation of the return analysis are presented in the following table. Construction costs assumed that the facilities would be competitive with any currently existing in the Pennsylvania market. Earnings before Interest, Taxes, Depreciation, and Amortization, (“EBITDA”) were estimated for each category and took into account the effective gaming tax rate, competitive pressures and operating costs for Pennsylvania properties. The larger facilities that generate a higher win per gaming position will likely be more efficient and therefore have a slightly higher EBITDA margin.

Financial Assumptions

	Large	Medium	Medium/ Small	Small	Outlier
Year 1 Gaming Revenues (\$M)	\$280.0	\$206.0	\$140.8	\$106.4	\$69.0
Growth	2.0%	2.0%	2.0%	2.0%	2.0%
Effective Tax Rate	46.5%	46.5%	46.5%	46.5%	46.5%
EBITDA Margin	22.0%	22.0%	19.5%	19.0%	18.0%
Gaming License	\$66.5	\$66.5	\$66.5	\$66.5	\$66.5
Construction & Development Costs	\$275.1	\$179.9	\$125.8	\$105.8	\$83.8
Total Project Costs (excluding Financing costs)	\$341.6	\$246.4	\$192.3	\$172.3	\$150.3
# of Gaming Positions	3,540	2,675	1,970	1,710	2,100
Cap/Ex as percentage of revenues	2.5%	2.5%	2.5%	2.5%	2.5%
Exit Multiple of EBITDA	4.5	4.5	4.5	4.5	4.5
Discount Rate	12%	12%	12%	12%	12%

Source: The Innovation Group

The following table shows the results of the financial analysis. The IRRs are the before-tax, before-debt-service rates that investors and bankers will look for the project to achieve before financing will be considered. As such this provides a useful practical real world criterion to determine the minimum feasible size of a market that could realistically be developed in today's competitive environment

Valuation and Indicators

	Large	Medium	Medium/ Small	Small	Outlier
Total Revenues	\$299.6	\$220.4	\$150.7	\$113.8	\$73.8
EBITDA	\$66.0	\$48.5	\$29.4	\$21.6	\$13.3
Adjusted Net Present Value (\$M)	\$105.4	\$69.2	\$4.3	(\$23.1)	(\$51.8)
Internal Rate of Return	17.9%	17.4%	12.5%	9.1%	3.7%
Payback Period (in years)	5.3	5.5	7.0	8.5	10 +

Source: The Innovation Group

The assumptions for development costs and EBITDA in the financial analysis are not project-specific but general terms based on industry norms. The purpose of the financial analysis was to provide a range wherein ease of feasibility could be compared across the alternative locations. It is possible that developers of projects in the Small category could obtain better financing terms or construction costs than assumed, and that management could obtain better EBITDA margins than assumed.

The \$66.5 million license fee and Pennsylvania's effective gaming tax rate would challenge the feasibility of the locations falling into the Small category, including Altoona and Valley View,* which were the two leading locations outside the Eastern region in terms of net revenue gain to the Commonwealth. The leading locations in the East in terms of net revenue gain—South York and Reading—are toward the higher end of the range for feasibility. The analysis is based on only one development in each region; therefore the revenue forecast and net revenue gain would be less if both Reading and South York were developed given their proximity.

* In the Youngstown scenario.

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.