

EXHIBIT C

TMG Consulting Group's October 2010 Socioeconomic Impact Assessment

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TMG Consulting

**Socioeconomic Impact
Assessment:**

Nemacolin Woodlands Resort Site
Managed by: Isle of Capri Casinos Inc.

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EXECUTIVE SUMMARY

Nemacolin Woodlands Resort, Inc. and Isle of Capri Casinos, Inc. have proposed developing a Category 3 Resort Casino on site at Nemacolin Woodlands Resort. The Lady Luck Casino at Nemacolin would be located in a redeveloped and expanded facility at the corner of Route 40 and Smith School Road in Wharton Township. The proposed casino at Nemacolin Woodlands Resort would feature 600 slot machines, 28 table games, and two restaurants, all in addition to the substantial existing amenities at Nemacolin Woodlands Resort.

This development is expected to have a positive impact on Wharton Township, Fayette County, and the Commonwealth of Pennsylvania. The proposed development would bring new economic activity to the host community and the Commonwealth via the casino. Additionally, the Lady Luck Casino at Nemacolin would add an important new entertainment experience to this already well-established resort and is expected to increase activity at the resort—resulting in an increase from Nemacolin Woodlands Resort’s internally generated revised 2010 forecast of 72,605 room nights of demand to 101,547 room nights of demand (*28,942 additional room nights a year*). This increase in room nights is expected to add substantial added value through ancillary spending at the resort by new guests and visitors who are motivated by the introduction of gaming.

By 2013, the casino is expected to reach stabilized operations. The ongoing economic impact of the complete development is projected to have significant benefits in terms of state tourism spending, additional employment, and considerable new economic activity in the Commonwealth and the associated increase in taxes generated.

NEMACOLIN WOODLANDS RESORT TOURISM REVENUES—BENEFITS TO PA TOURISM

⇒ **\$83.4 million in non-gaming revenues**

- \$50.0 million through existing resort operations
- \$33.4 million through incremental resort operations

⇒ **Non-Gaming revenues includes:**

- Resort Hotel & Lodging Revenue: \$28.2 million total
 - ~~\$17.5 million through existing resort hotel & lodging~~
 - \$10.7 million through incremental resort hotel & lodging
- Food & Beverage Revenue: \$34.1 million total
 - \$18.7 million through existing food & beverage operations
 - \$15.4 million through incremental food & beverage operations
- Revenue from current resort amenities, including shopping, entertainment, outdoor activities, museums, spas and other existing options: \$21 million total
 - \$13.7 million through existing resort amenity operations
 - \$7.3 million through incremental resort amenity operations

BENEFITS TO PENNSYLVANIA EMPLOYMENT THROUGH NEW JOB CREATION

⇒ **2,126 jobs¹ supported from impact, including:**

- 900 existing FTE jobs (1,200 positions²) at Nemacolin Resort;
- 275 new FTE jobs (400 positions) at Lady Luck Casino at Nemacolin;
- 164 new FTE jobs³ (200 positions) at Nemacolin Woodlands Resort from increased activity at the resort; and
- 787 indirect FTE jobs (includes over 200 new indirect FTE jobs) attributable to Lady Luck Casino at Nemacolin operating expenditures and ongoing and incremental operating expenditures at Nemacolin Woodlands Resort.

BENEFITS TO THE PENNSYLVANIA ECONOMIC ACTIVITY THROUGH ONGOING AND NEW RESORT AND GAMING EXPENDITURES

⇒ **\$175 million in total economic activity, including:**

- \$65 million attributable to casino operations impacts
- \$110 million attributable to increased and ongoing resort operations impacts
 - \$35 million attributable to incremental resort operations

TOTAL BENEFITS TO PENNSYLVANIA TAX REVENUE THROUGH NEW AND ONGOING SPENDING AND EMPLOYMENT

⇒ **Over \$40.9 million in annual taxes, including:**

- \$36.9 million in direct and indirect state taxes attributable to Lady Luck Casino at Nemacolin and incremental and ongoing operations at Nemacolin Woodlands Resort annually beginning in 2013; and
- \$4 million in direct and indirect local taxes attributable to Lady Luck Casino at Nemacolin and incremental and ongoing at Nemacolin Woodlands Resort annually beginning in 2013.

¹ Jobs are full-time equivalent (FTE) employment positions.

² Positions consist of full-time and part-time units of employment.

³ TMG estimated new FTE jobs at the resort based on Nemacolin Woodlands Resort's current ratio of FTEs to positions.

INTRODUCTION

The addition of a resort casino at Nemacolin Woodlands Resort is expected to have a positive impact on county and state tax revenues, household income, and employment in the Commonwealth of Pennsylvania. TMG Consulting examined these potential impacts on the local economy utilizing the Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II) for the Commonwealth of Pennsylvania, Isle of Capri's internal projections of food and beverage and retail sales, employment, and operating expenses at the proposed casino, and Nemacolin Woodland Resort's projections of incremental operating revenue, jobs, and operating expenses at the resort. These impacts were coupled with TMG's projections of the proposed casino's gaming revenue. The results of this assessment are detailed in the following sections to determine tax revenues.

Sources of potential economic impacts considered in this study:

1. Ongoing casino operational employment, payroll expenses, and revenue generation
 - Lady Luck Casino at Nemacolin is expected to reach stabilized operations by 2013, resulting in steady annual revenues and employment (275 FTE jobs/400 positions total).

2. Incremental and ongoing resort employment, payroll expense, and revenue generation
 - Operations at the Lady Luck Casino at Nemacolin are expected to result in an additional 28,942 room nights of demand a year at Nemacolin Woodlands Resort. These incremental room nights are expected to lead to net new resort revenues and employment (164 FTE jobs/200 positions total).

SECTION 1 EMPLOYMENT IMPACT⁴

1.1 Total Employment

To arrive at a projection of the potential employment impact a casino at Nemaocolin Woodlands Resort could have on the local economy, TMG Consulting utilized a direct employment forecast for the year 2013 (the expected year of stabilized operations at the resort). This forecast consisted of the existing resort's employment, incremental employment at the resort, and new employment at the casino. All units of employment in the following forecast are full-time equivalent jobs.

Full-Time Equivalent (FTE) is a measure of hours that represents what would be considered a full time employee's annual work. For example—if two employees each work 20 hours per week, they would be counted as 1 FTE. Alternatively, if two part-time employees each worked 30 hours per week, they would be counted as 1.5 FTE. Since there is no standard number of hours for a part-time employee, all jobs must be measured by Full-Time Equivalent to maintain consistency when projecting and describing employment impacts. Without a standard measure of jobs, labor statistics reported to the government would not be reliable. Therefore all employment projections that follow will be reported in FTE unless otherwise noted.

The Bureau of Economic Analysis 2007 Regional Input-Output Modeling System II (RIMS II)ⁱ provides a framework for making employment projections. Utilizing the projected direct employment at the resort and proposed casino as the input to RIMS, TMG calculated the number of jobs created in all industries in the state.

Currently, Nemaocolin Woodlands Resort employs approximately 900 FTE. The resort complex with a casino is projected to reach stabilized operations in 2013 with an additional 275 FTE jobs at the casino⁵ and an additional 164 FTE jobs at the resort⁶. By the first year of stabilized operations, the resort complex is expected to total 1,339 FTE jobs. Utilizing the RIMS II Direct Effect Employment Multiplier, the current operations of the Nemaocolin Resort creates 574 FTE indirect jobs for a total of 1,474 FTE jobs in the Commonwealth of Pennsylvania.

After the resort's operations are expanded to include the casino, the employment impact is projected to include 787 FTE indirect jobs. The total employment impact of the resort with a casino is projected to support **2,126 FTE jobs** in Pennsylvania. The following table details the computation of the potential employment impact the proposed facility would have on the local economy.

⁴ RIMS II outputs full-time equivalent job projections; and as a result, this section limits discussion of employment to Full-Time Equivalent (FTE) employment only.

⁵ Isle of Capri Estimate

⁶ Nemaocolin Woodlands Resort Estimate

Table 1-1: Total Impact on Jobs in All Industries in PA

Source	Direct Employment	Direct Effect Employment Multiplier	Total Employment
1. Existing Nemacolin Jobs	900	1.6381	1,474
2. Incremental Nemacolin Resort Jobs	164	1.6381	269
3. Incremental Nemacolin Casino Jobs	275	1.3932	383
4. Total Jobs	1,339		2,126

Source: BEA RIMS II Tables; Nemacolin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Estimates

1.2 Direct v. Indirect Employment

FTE indirect jobs in the total employment impact were determined by subtracting direct employment from the total employment projection. The table below details the indirect and direct components of the total employment projection.

Table 1-2: Employment Impact Components

Source	Direct Employment	Indirect Employment (Total - Direct Employment)	Total Employment
1. Existing Nemacolin Jobs	900	574	1,474
2. Incremental Nemacolin Resort Jobs	164	105	269
3. Incremental Nemacolin Casino Jobs	275	108	383
4. Total Jobs	1,339	787	2,126

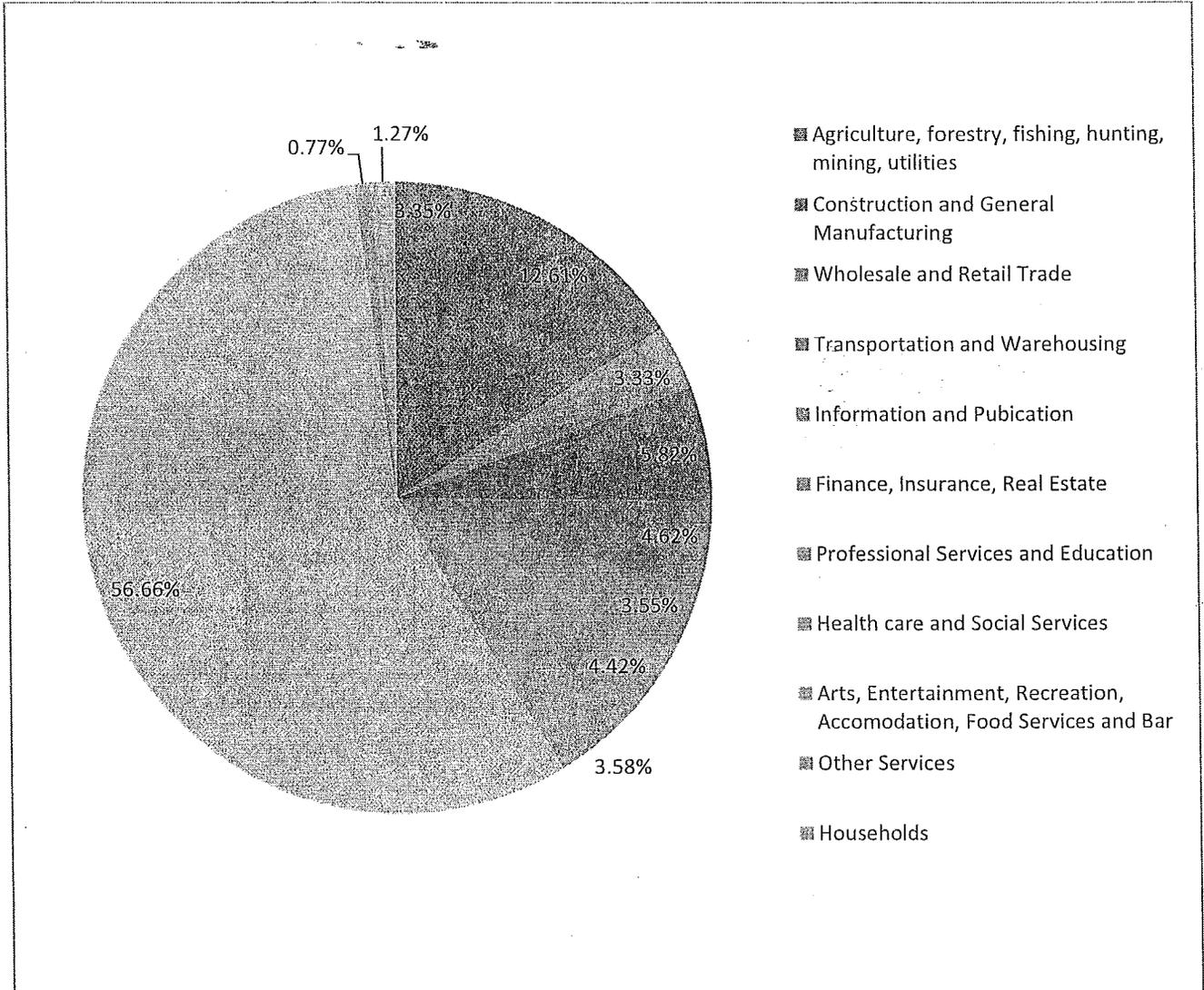
Source: BEA RIMS II Tables; Nemacolin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Estimates

According to the Pennsylvania Center for Workforce Information and Analysis, unemployment in the Westmoreland and Fayette Counties Workforce Investment Area (WIA) averaged 9.2% for the first 6 months of 2010 and the civilian labor force was 257,800 on average. This translates to 23,800 unemployed people in the Westmoreland and Fayette County WIA on average in 2010. The additional jobs created by the expanded operations at Nemacolin Woodlands Resort will likely be easily absorbed by workers throughout the surrounding area through a ‘filtering up’ process. That is, some of the unemployed will take lower paying jobs that become available as the work force moves up to fill the new positions at the proposed casino. Thus, the new development is expected to have a positive impact on the population of the area.

Potential Distribution of Jobs Created

The Nemacolin Resort and Isle of Capri Casino are expected to generate operating expenses of an estimated \$81.4 million in the first year of stabilized operations, 2013. For every one million dollars of expenses at a resort casino establishment the RIMS model projects the number of jobs created in each Pennsylvania industry. *Figure 1*, below, illustrates the potential distribution of these created jobs as a percent of the total jobs created in the eleven industry categories which represent the Pennsylvania economy. This distribution is based on the BEA RIMS II methodology and TMG Consulting estimates.

Figure 1: Distribution of Expected Job Creation per \$1 million of Expenses⁷



As shown above, approximately 56.7% of the jobs created will be in the Arts, Entertainment, Recreation, Accommodation, Food Services and Bar industry. This includes the direct jobs created at the Nemaquin Resort and Isle of Capri Casino.

⁷Figure 1 is based on BEA RIMS II modeling data for PA. The figure serves as an example of the distribution of employment as a result of casino operations in Pennsylvania, and is not a projection.

SECTION 2 HOUSEHOLD EARNINGS IMPACT

2.1 Total Earnings

Using Nemaocolin Woodlands Resort's and Isle of Capri's projections of associated payroll expenses⁸ for the direct employment described in *Section 1*, TMG calculated the level of area household earnings with the direct effect earnings multiplier. According to the Bureau of Economic Analysis, for every dollar spent towards payroll in the gaming industry, approximately \$1.92 is created as household earnings in all industries in Pennsylvania. This analysis yielded a projected household earnings impact throughout Pennsylvania of approximately \$77.9 million in 2007 dollars. This \$77.9 million projected household income impact was then adjusted for inflation to 2013 dollars, resulting in approximately **\$90.3 million in household earnings**. The table below shows the total direct earnings of the existing resort facility and the proposed casino facility and the household earnings created by these expanded operations.

Table 2-1: Total Household Earnings Impact 2013 in PA

Source	Direct Earnings 2013 Dollars	Projected Earnings Dollars Converted to 2007 Dollars	Direct Effect Earnings Multiplier	Household Earnings in 2007 Dollars	Total Household Earnings (2013)
1. Existing Nemaocolin Direct Earnings	\$26,406,969	\$22,770,647	2.0291	\$46,203,919 →	\$53,582,381
2. Incremental Resort Direct Earnings	\$7,852,483	\$6,771,171	2.0291	\$13,739,384 →	\$15,933,473
3. Proposed Casino Direct Earnings	\$10,865,000	\$9,368,855	1.9169	\$17,959,159 →	\$20,827,119
4. Total Household Earnings	\$45,124,452	\$38,910,674		\$77,902,462 →	\$90,342,973

Source: BEA RIMS II Tables; Nemaocolin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Consulting Estimates

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

⁸ What is referred to as 'Direct Earnings' in this study are Isle of Capri's and Nemaocolin Woodlands Resort's payroll expense projections.

2.2 Direct v. Indirect Earnings

Subtracting direct household earnings (Isle of Capri's and Nemaocolin Woodlands Resort's projections of payroll expense) from total projected household earnings results in a projection of indirect household earnings. As detailed in the following table, the resort with a casino could have a \$45.2 million impact on indirect household earnings in Pennsylvania.

Table 2-2: Total Indirect Household Earnings Impact 2013 in PA

Source	Direct Household Earnings (2013)	Indirect Household Earnings 2013 (Total - Direct Earnings)	Total Household Earnings (2013)
1. Existing Nemaocolin Direct Earnings	\$26,406,969	\$27,175,412	\$53,582,381
2. Incremental Resort Earnings	\$7,852,483	\$8,080,990	\$15,933,473
3. Proposed Casino Earnings	\$10,865,000	\$9,962,119	\$20,827,119
4. Total Household Earnings	\$45,124,452	\$45,218,521	\$90,342,973

Source: BEA RIMS II Tables; Nemaocolin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Estimates

SECTION 3 TAX IMPACT

A new resort casino development at Nemacolin Woodlands Resort will have a significant impact on tax revenue for the state, Fayette County, and Wharton Township. Below is a discussion of several types of taxes that will be impacted after the opening of the new casino development, including the gaming tax, sales and use tax, hotel occupancy tax, and projected increases to income taxes collected in the state. All tax projections in this section include ongoing and new impacts.

3.1 Casino Gaming Tax

Should the Commonwealth of Pennsylvania approve the development of a resort casino at Nemacolin Woodlands Resort, a gaming tax is expected to be applied to all gaming revenues. According to Pennsylvania gaming legislation, a Category 3 resort casino will be taxed a total of 55% of its gross terminal revenues and 16% of its gross table games revenues the first two years of operations. The tax on table games will decrease by 2% after the first two years of operations and the Category 3 resort casino will be taxed 14% of its gross table games revenues thereafter.

The state will receive 51% of the casino's gross slot revenues as tax revenues and 14%, (later 12%), of the casino's gross table games revenues as tax revenues. The local government, Fayette County and Wharton Township, will receive 4% of gross slot revenues as tax revenues and 2% of table games revenues as tax revenues. The local share of gaming tax revenues for both table games and slot machines is split evenly between the county and the township.

Based on Isle of Capri operating forecasts, the proposed casino could be open within 9 months of license issuance, assuming a Pennsylvania Gaming Control Board (PGCB) license decision by December 10, 2010. The first *full* year of operations at the proposed casino is projected to be 2012. TMG forecast the 2012 gaming revenues for the proposed casino with gaming facilities in Ohio yet to begin operations. In 2012, the state is projected to receive approximately \$30.9 million in gaming tax revenue and the local share is expected to be \$2.5 million, for a total of \$33.4 million. The table below details this 2012 gaming tax impact projection.

Table 3-1: Pennsylvania Gaming Tax Impact 2012

Category	Tax Rate	Projected Gaming Revenue	Tax Revenue
Table Games (State)*	14%	\$10,776,448	\$1,508,703
Slot Machines (State)	51%	\$57,586,044	\$29,368,882
State Total			\$30,877,585
Table Games (Local)	2%	\$10,776,448	\$215,529
Slot Machines (Local)	4%	\$57,586,044	\$2,303,442
Local Total			\$2,518,971
Total Gaming Tax Revenues			\$33,396,556

Source: PGCB, Pennsylvania Department of Revenue, Isle of Capri Estimates, TMG Consulting Estimates

*Table Gaming Revenue from 2011 through the first 5 months of 2013 taxed at 14% on the state level, and 12% from there on.

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

TMG forecast the 2013 gaming revenues for the proposed casino with gaming facilities in Ohio in operation. Based on a projected summer 2011 opening date, the state tax rate on table games at the proposed casino will be reduced from 14% to 12% in June 2013, commencing two full years of operations. The state is expected to receive \$30 million in gaming tax revenue and the local share is expected to be \$2.4 million from the proposed casino in 2013. The total amount of gaming revenue tax expected to be generated by a casino at Nemacolin Woodlands Resort in 2013 totals \$32.5 million.

Table 3-2: Pennsylvania Gaming Tax Impact 2013

Category	Tax Rate	Projected Gaming Revenues	Tax Revenue
Table Games (State)*	14% / 12%	\$10,531,507	\$1,351,543
Slot Machines (State)	51%	\$56,277,154	\$28,701,349
State Total			\$30,052,892
Table Games (Local)	2%	\$10,531,507	\$210,630
Slot Machines (Local)	4%	\$56,277,154	\$2,251,086
Local Total			\$2,461,716
Total Gaming Tax Revenues			\$32,514,608

Source: PGCB, Pennsylvania Department of Revenue, Isle of Capri Estimates, TMG Consulting Estimates
 *Table Gaming Revenue for first 5 months of 2013 taxed at 14% on the state level, and 12% from there on.
 Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

Using TMG Consulting's projection for the proposed casino's gross gaming revenues in 2013, the first full year of stabilized operations, gaming tax revenue was forecast for an additional three years assuming only inflationary growth. An annual inflation rate of 2.5%, based on historical data, was used to calculate all inflation adjustments.

The table below details TMG Consulting's five-year gaming tax revenue projection.

**Table 3-3: Pennsylvania Gaming Revenue Tax:
Impact on State and Local Tax Revenues 2012 – 2016**

Category	2012	2013	2014	2015	2016
State					
Table Games* Tax Revenue	\$1,508,703	\$1,351,543	\$1,295,375	\$1,327,760	\$1,360,954
Slot Machines Tax Revenue	\$29,368,882	\$28,701,349	\$29,418,882	\$30,154,354	\$30,908,213
Total State Tax Revenue	\$30,877,585	\$30,052,892	\$30,714,258	\$31,482,114	\$32,269,167
Local					
Table Games Tax Revenue	\$215,529	\$210,630	\$215,896	\$221,293	\$226,826
Slot Machines Tax Revenue	\$2,303,442	\$2,251,086	\$2,307,363	\$2,365,047	\$2,424,174
Total Local Tax Revenue	\$2,518,971	\$2,461,716	\$2,523,259	\$2,586,341	\$2,650,999
Total Gaming Tax Revenue from Nemacolin Casino	\$33,396,556	\$32,514,608	\$33,237,517	\$34,068,455	\$34,920,166

Source: PGCB, Pennsylvania Department of Revenue, Isle of Capri Table Game Revenue Estimates, TMG Consulting Estimates
 *Table Gaming Revenue from 2011 through the first 5 months of 2013 taxed at 14% on the state level, and 12% from there on.
 Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

The table below presents projections of Pennsylvania Gaming revenue taxes by tax category, indicating where these tax revenues are expected to be allocated within the state.

Table 3-4: Pennsylvania Gaming Revenue Tax by Category: 2012 - 2016

Year	State Gaming Fund & Property Tax Relief	Fayette County Host Fees	Wharton Township Host Fees	Economic Development Assessment	Pennsylvania Racing Horse Development Fund	General Fund Revenue	Total Gaming Tax Revenue
2012	\$19,579,255	\$1,259,485	\$1,259,485	\$2,879,302	\$6,910,325	\$1,508,703	\$33,396,556
2013	\$19,134,232	\$1,230,858	\$1,230,858	\$2,813,858	\$6,753,258	\$1,351,543	\$32,514,608
2014	\$19,612,588	\$1,261,630	\$1,261,630	\$2,884,204	\$6,922,090	\$1,295,375	\$33,237,517
2015	\$20,102,903	\$1,293,170	\$1,293,170	\$2,956,309	\$7,095,142	\$1,327,760	\$34,068,455
2016	\$20,605,475	\$1,325,500	\$1,325,500	\$3,030,217	\$7,272,521	\$1,360,954	\$34,920,166

Source: PGCB; Isle of Capri Estimates, TMG Consulting Estimates

*The split between table games and slots revenue was estimated based on operational averages provided by Isle of Capri.

3.2 Direct Tax Revenues from Non-gaming Operations

Using current Pennsylvania tax rates for food and beverage (F&B), retail, hotel occupancy, and other amenities and services offered at the resort, TMG Consulting projected the tax revenues that the state and county could expect to earn from additional and ongoing resort activity. All tax projections are shown in 2013 dollars and are based on Nemacolin Woodlands Resort's, Isle of Capri's, and TMG's 2013 revenue forecasts.

Food & Beverage Tax Revenues:

Pennsylvania applies a 6% tax rate to food and beverage sales. Food & beverage sales⁹ at the proposed casino are projected to be about \$9.35 million in 2013. Resort food & beverage revenue, as reported by Nemacolin Woodlands Resort, is expected to be \$24.8 million in 2013. Of this food and beverage revenue, Pennsylvania would receive approximately \$561,200 in taxes from the casino and \$1.5 million in taxes from incremental and ongoing resort operations under the current tax law. There are no food and beverage taxes applicable at the local level in Fayette County, and therefore none were projected.

Retail Tax Revenues:

Currently, Pennsylvania has a sales and use tax rate of 6% that is applied to tangible personal property with the exclusion of clothes, groceries, and periodicals. Total retail revenue¹⁰ at the proposed casino is projected to be about \$668,100 in 2013. Resort retail revenue, as projected by Nemacolin Woodlands Resort, is expected to total \$6.5 million in 2013. Of this retail revenue,

⁹ Casino Food and Beverage projections based on historical performance ratios provided by Isle of Capri and TMG Consulting's gaming revenue projections; Resort Food and Beverage projections provided by Nemacolin Woodlands Resort.

¹⁰ Casino retail projections based on historical performance ratios provided by Isle of Capri and TMG Consulting's gaming revenue projections; Resort retail projections provided by Nemacolin Woodlands Resort.

Pennsylvania would receive approximately \$40,100 in taxes from casino operations and \$389,300 from resort operations under the current tax law. There are no sales taxes applicable at the local level in Fayette County, and therefore none were projected.

Hotel Occupancy Tax Revenues:

Taxes Revenues from Lodging

By current Pennsylvania tax law, hotel rooms are taxed at 6% on the state level. Nemaocolin Woodlands Resort projects it will generate \$28.2 million in ongoing and incremental lodging revenues in 2013 with a casino. Of this, Pennsylvania would receive approximately \$1.7 million in taxes. Additionally, Fayette County applies a 3% hotel tax, translating into a tax revenue projection of \$847,200.

Taxes Revenues from Spa and Recreation

Revenues generated from Nemaocolin Woodlands Resort's spa and recreation amenities are also subject to Pennsylvania's hotel occupancy tax. Nemaocolin projects that with a casino it will generate about \$5.9 million in revenue from its recreation amenities and about \$8 million from its spa in 2013. Based on these operating revenue projections and a state tax rate of 6%, TMG Consulting projects that Pennsylvania could receive about \$354,650 in tax revenue from Nemaocolin's recreation offerings and \$477,660 from Nemaocolin's spa operations. The hotel occupancy tax is not applicable for non-lodging revenues on the local level; therefore none were projected for Fayette County.

The following table summarizes TMG Consulting's projections of tax impacts from non-gaming revenues at Nemaocolin Woodlands Resort in 2013.

Table 3-5: Total Non-Gaming Revenue Tax Impact 2013

Tax Type	State Tax Rate	County Tax Rate	Revenue Projection	State Tax Revenue	Fayette County Tax Revenue
<i>From Casino:</i>					
F&B	6%		\$9,353,213	\$561,193	
Retail	6%		\$668,087	\$40,085	
<i>From Resort:</i>					
F&B	6%		\$24,760,580	\$1,485,635	
Retail	6%		\$6,488,535	\$389,312	
Lodging	6%	3%	\$28,240,951	\$1,694,457	\$847,229
Recreation	6%		\$5,910,830	\$354,650	
Spa	6%		\$7,961,039	\$477,662	
Total Tax Revenue:				\$5,002,994	\$847,229

Source: Pennsylvania Department of Revenue; Isle of Capri Estimates; Nemaocolin Woodlands Resort Estimates; TMG Consulting Estimates

*Note: County hotel occupancy tax not applicable to non-lodging revenue.

3.3 Impact on State Income and Local Residential and Personal Taxes

As described in *Section 2*, the household earnings impact of Nemacolin Woodlands Resort with a casino is projected to be \$90.3 million in 2013. This represents the total annual income generated by all jobs sustained and created as a result of the resort with a casino. TMG used this total annual household earnings figure for the tax revenue calculations below.

To determine the taxes from employment resulting from new and ongoing operations in Pennsylvania and the area surrounding Wharton Township, TMG calculated the average percentage of personal income representing state and local tax revenues, (the effective tax rate), based on historical Bureau of Economic Analysis statistics. For the years 1999 through 2008, TMG estimated the effective state tax rate by dividing state income tax revenue by personal income. Likewise, TMG estimated the effective local tax rate by dividing local income tax revenue by personal income tax for each year in the ten-year period. From these effective tax rate estimations, TMG calculated the average effective tax rate for both state and local income taxes. These ten year averages for effective tax rates, coupled with TMG's projections of the resort with a casino's impact on area household earnings, were used to generate projections of income tax impacts. Income tax impacts were forecast with the governing assumption that no significant changes would occur to Pennsylvania state and local tax rates throughout the projection period. The table below presents the previously referenced ten-year historical statistics and TMG's estimated effective tax rates for state and local income tax.

Table 3-6: Historical Pennsylvania Personal Income and State and Local Tax Revenue (Dollars shown in Thousands)

Year	Personal Income	State Income Tax Revenue	Effective State Tax Rate (State Income Tax Revenue/Personal Income)	Local Income Tax Revenue	Effective Local Tax Rate (Local Income Tax Revenue/Personal Income)
1999	\$347,654,164	\$7,238,645	2.1%	\$2,705,058	0.8%
2000	\$369,918,816	\$7,558,116	2.0%	\$2,841,808	0.8%
2001	\$377,188,659	\$7,809,081	2.1%	\$2,936,757	0.8%
2002	\$387,490,803	\$7,363,172	1.9%	\$3,001,818	0.8%
2003	\$399,420,473	\$7,395,641	1.9%	\$3,076,543	0.8%
2004	\$417,587,580	\$8,453,413	2.0%	\$3,267,444	0.8%
2005	\$432,040,298	\$9,220,043	2.1%	\$3,539,385	0.8%
2006	\$462,401,504	\$9,704,019	2.1%	\$3,860,053	0.8%
2007	\$485,102,503	\$10,674,917	2.2%	\$3,735,666	0.8%
2008	\$499,669,401	\$11,216,362	2.2%	\$3,957,418	0.8%
10 Year Average Effective Rate			2.1%		0.8%

Source: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce; TMG Consulting Estimates

Given Wharton Township's current population, TMG does not anticipate that all casino-related employees will relocate into the immediate area. Rather, we expect these new employees to be distributed among the Laurel Highlands region surrounding Farmington, which includes Fayette, Somerset, and Westmoreland. This tri-county region would collectively share the local tax revenues generated by its residents. Our calculations yielded an average effective state tax rate of 2.1% and an average effective local tax rate of 0.8%.

After applying both average effective tax rates to the total taxable annual income of \$90.3 million (based on new and ongoing operations), TMG Consulting estimates that Pennsylvania could expect to receive \$1.87 million in state income tax revenues, and the tri-county region could expect to receive \$710,850 in local residential and personal tax revenues from the forecast total employment impact.

Table 3-7: Total Pennsylvania Household Earnings Attributed to Gaming and Increased and Ongoing Resort Operations: Impact on Tax Revenues 2013

Category	2013
Household Earnings	\$90,342,973
State Tax Rate (% of household earnings)	2.1%
State Income Tax Revenues	\$1,865,565
Fayette County Tax Rate (% of household earnings)	0.8%
Fayette County Income Tax Revenues	\$710,854

Sources: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce; TMG Consulting Estimates

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

The following table presents the five-year tax impact of the projected increase in Pennsylvania household earnings attributed to ongoing and new operations at the resort complex and includes the first partial year of operations.

Table 3-8: Total Pennsylvania Household Earnings Attributed to Gaming and Increased Resort Operations: Impact on Tax Revenues 2012-2016

Category	2012	2013	2014	2015	2016
Household Earnings	\$92,444,163	\$90,342,973	\$92,601,547	\$94,916,586	\$97,289,500
State Tax Rate (% of household earnings)	2.1%	2.1%	2.1%	2.1%	2.1%
State Income Tax Revenues	\$1,908,954	\$1,865,565	\$1,912,204	\$1,960,009	\$2,009,009
County Tax Rate (% of household earnings)	0.8%	0.8%	0.8%	0.8%	0.8%
County Income Tax Revenues	\$727,387	\$710,854	\$728,625	\$746,841	\$765,512

Sources: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce; TMG Consulting Estimates

*New Household Earnings projection for 2012 is based on the relationship between 2013 gaming revenue projections and projected 2013 new household earnings.

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

SECTION 4 Total Employment & Tax Impact Summary

In summary, the resort with a casino at Nemacolin is expected to create 439 new direct full time equivalent jobs, totaling 600 positions, at the resort campus and support a **total of 2,126 full time equivalent jobs in the Commonwealth of Pennsylvania.**

Based on the revenue and expense projections herein, the Commonwealth of Pennsylvania can expect to collect \$36.9 million in tax revenues in 2013, the first year of stabilized operations. The Laurel Highlands region can expect to collect \$4.1 million in tax revenues annually from 2013 as a result of the installation of a casino at Nemacolin Woodlands Resort. The resort with the proposed casino could have an impact of **over \$40.9 million annually in tax revenues in Pennsylvania starting in 2013.**

Table 4-1: Total Tax Impact of Nemacolin Woodlands Resort with a Casino

Tax Level	Tax Type	2012	2013	2014	2015	2016
State						
<i>From Casino:</i>	Table Gaming*	\$1,508,703	\$1,351,543	\$1,295,375	\$1,327,760	\$1,360,954
	Slot Gaming	\$29,368,882	\$28,701,349	\$29,418,882	\$30,154,354	\$30,908,213
	F&B	\$574,245	\$561,193	\$575,223	\$589,603	\$604,343
	Retail	\$41,017	\$40,085	\$41,087	\$42,115	\$43,167
<i>From Resort:</i>	Lodging	\$1,653,129	\$1,694,457	\$1,736,818	\$1,780,239	\$1,824,745
	F&B	\$1,449,400	\$1,485,635	\$1,522,776	\$1,560,845	\$1,599,866
	Recreation	\$346,000	\$354,650	\$363,516	\$372,604	\$381,919
	Spa	\$466,012	\$477,662	\$489,604	\$501,844	\$514,390
	Retail	\$379,817	\$389,312	\$399,045	\$409,021	\$419,247
<i>Indirect State:</i>	Income and Other	\$1,908,954	\$1,865,565	\$1,912,204	\$1,960,009	\$2,009,009
Total to State		\$37,696,158	\$36,921,451	\$37,754,530	\$38,698,394	\$39,665,853
Fayette County						
<i>From Casino:</i>	Table Gaming	\$107,764	\$105,315	\$107,948	\$110,647	\$113,413
	Slot Gaming	\$1,151,721	\$1,125,543	\$1,153,682	\$1,182,524	\$1,212,087
<i>From Resort:</i>	Lodging	\$826,564	\$847,229	\$868,409	\$890,119	\$912,372
Total to Fayette County		\$2,086,050	\$2,078,087	\$2,130,039	\$2,183,290	\$2,237,872
Wharton Township						
<i>From Casino:</i>	Table Gaming	\$107,764	\$105,315	\$107,948	\$110,647	\$113,413
	Slot Gaming	\$1,151,721	\$1,125,543	\$1,153,682	\$1,182,524	\$1,212,087
Total to Wharton Township		\$1,259,485	\$1,230,858	\$1,261,630	\$1,293,170	\$1,325,500
<i>Indirect Local:</i>	Income and Other	\$727,387	\$710,854	\$728,625	\$746,841	\$765,512
Total to Local Governments		\$4,072,922	\$4,019,798	\$4,120,293	\$4,223,301	\$4,328,883
Total Nemacolin Tax Impact		\$41,769,080	\$40,941,249	\$41,874,824	\$42,921,694	\$43,994,737

Source: PGCB; Pennsylvania Department of Revenue; Bureau of Economic Analysis; Isle of Capri Estimates; Nemacolin Woodlands Resort Estimates; TMG Consulting Estimates

*Table Gaming Revenue for First 5 months of 2013 taxed at 14%, remainder of 2013 at 12%

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

APPENDIX: CASINO & INCREMENTAL RESORT IMPACTS

Included in the total impact projections in the previous sections of this report, the impacts of the casino and incremental resort operations (those impacts that result from adding a casino to the existing resort) are broken out in this section. All analysis for this section follows the same methodology discussed in the previous three sections.

*Employment Impact*¹¹

As detailed in *Section 1*, the addition of 164 new resort jobs and 275 new casino jobs is expected to have a larger effect on the Pennsylvania economy. Utilizing the RIMS II Direct Effect Employment Multiplier, the new and incremental operations at Nemaconlin Woodlands Resort is expected to create 213 FTE indirect jobs. In total, the projected net, new employment impact of a casino at Nemaconlin Woodlands Resort is **652 new FTE jobs in the Commonwealth of Pennsylvania.**

The following two tables detail the computation of the potential employment impact the casino and incremental resort operations could have on the local economy and the components of this projection.

Table A-1: Casino and Incremental Resort Impact on Jobs in All Industries in PA

Source	Direct Employment	Direct Effect Employment Multiplier	Total Employment
1. Incremental Nemaconlin Resort Jobs	164	1.6381	269
2. Incremental Nemaconlin Casino Jobs	275	1.3932	383
3. Total Jobs	439		652

Source: BEA RIMS II Tables; Nemaconlin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Estimates

Table A-2: Casino and Incremental Resort Impact on Jobs: Direct v. Indirect Employment

Source	Direct Employment	Indirect Employment (Total - Direct Employment)	Total Employment
1. Incremental Nemaconlin Resort Jobs	164	105	269
2. Incremental Nemaconlin Casino Jobs	275	108	383
3. Total Jobs	439	213	652

Source: BEA RIMS II Tables; Nemaconlin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Estimates

¹¹ Employment impact projections follow the same methodology described in *Section 1* of this report.

Household Earnings Impact¹²

Following the methodology described in *Section 2*, the projected payroll expenses (converted to 2007 dollars) associated with the proposed casino and incremental resort operations were input into TMG's model yielding a forecast of a **\$36.76 million increase in Pennsylvania household earnings** attributable to the installation of a casino at Nemacolin Woodlands Resort and its impact on resort operations.

The following table details the computation of the potential household earnings impact the casino and incremental resort operations could have on the local economy.

Table A-3: Casino and Incremental Resort Impact on PA Household Earnings in 2013

Source	Direct Earnings 2013 Dollars	Projected Earnings Dollars Converted to 2007 Dollars	Direct Effect Earnings Multiplier	Household Earnings in 2007 Dollars	Total Household Earnings (2013)
1. Incremental Resort Direct Earnings	\$7,852,483	\$6,771,171	2.0291	\$13,739,384	\$15,933,473
2. Proposed Casino Direct Earnings	\$10,865,000	\$9,368,855	1.9169	\$17,959,159	\$20,827,119
3. Total Household Earnings	\$18,717,483	\$16,140,026		\$31,698,543	\$36,760,592

Source: BEA RIMS II Tables; Nemacolin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Consulting Estimates

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

A projection of indirect household earnings results from the subtraction of direct household earnings from the total household earnings projection. In total, the resort with a casino could have approximately an \$18 million impact on indirect household earnings in Pennsylvania.

Table A-4: Total Indirect Household Earnings Impact 2013 in PA

Source	Direct Household Earnings (2013)	Indirect Household Earnings 2013 (Total - Direct Earnings)	Total Household Earnings (2013)
1. Incremental Resort Earnings	\$7,852,483	\$8,080,990	\$15,933,473
2. Proposed Casino Earnings	\$10,865,000	\$9,962,119	\$20,827,119
3. Total Household Earnings	\$18,717,483	\$18,043,109	\$36,760,592

Source: BEA RIMS II Tables; Nemacolin Woodlands Resort Estimates; Isle of Capri Estimates; TMG Estimates

¹² Household earnings impact projections follow the same methodology described in *Section 2* of this report.

Tax Impact¹³

Gaming Tax Revenue:

The gaming tax revenue projections described in *Section 3* of this report would be new tax revenues that are not generated from current resort operations. The table below repeats TMG Consulting's projections of the gaming tax revenue generation potential of the proposed casino.

Table A-5: Pennsylvania Gaming Revenue Tax by Category: 2012 - 2016

Year	State Gaming Fund & Property Tax Relief	Fayette County Host Fees	Wharton Township Host Fees	Economic Development Assessment	Pennsylvania Racing Horse Development Fund	General Fund Revenue	Total Gaming Tax Revenue
	2012	\$19,579,255	\$1,259,485	\$1,259,485	\$2,879,302	\$6,910,325	\$1,508,703
2013	\$19,134,232	\$1,230,858	\$1,230,858	\$2,813,858	\$6,753,258	\$1,351,543	\$32,514,608
2014	\$19,612,588	\$1,261,630	\$1,261,630	\$2,884,204	\$6,922,090	\$1,295,375	\$33,237,517
2015	\$20,102,903	\$1,293,170	\$1,293,170	\$2,956,309	\$7,095,142	\$1,327,760	\$34,068,455
2016	\$20,605,475	\$1,325,500	\$1,325,500	\$3,030,217	\$7,272,521	\$1,360,954	\$34,920,166

Source: Isle of Capri Estimates, TMG Consulting Estimates

*The split between table games and slots revenue was estimated based on operational averages provided by Isle of Capri.

Non-gaming Tax Revenue:

As described in *Section 3*, TMG Consulting projected the non-gaming tax revenue potential of the casino and incremental resort operations. The results of TMG's analysis yielded a potential \$2 million of new, non-gaming tax revenue that could be generated from new and incremental operations at the resort. Additionally, approximately \$302,380 in Fayette County tax revenue from increased lodging at the resort was forecast.

Table A-6: Casino and Incremental Resort Non-Gaming Revenue Tax Impact 2013

Tax Type	State Tax Rate	County Tax Rate	Revenue Projection	State Tax Revenue	Fayette County Tax Revenue
<u>From Casino:</u>					
F&B	6%		\$9,353,213	\$561,193	
Retail	6%		\$668,087	\$40,085	
<u>From Resort:</u>					
F&B	6%		\$6,059,286	\$363,557	
Retail	6%		\$2,127,865	\$127,672	
Lodging	6%	3%	\$10,679,359	\$640,762	\$320,381
Recreation	6%		\$1,362,685	\$81,761	
Spa	6%		\$3,137,315	\$188,239	
Total Tax Revenue:				\$2,003,269	\$320,381

Source: Pennsylvania Department of Revenue; Isle of Capri Estimates; Nemaquin Woodlands Resort Estimates; TMG Consulting Estimates

*Note: County hotel occupancy tax not applicable to non-lodging revenue.

¹³ Tax impact projections follow the same methodology described in *Section 3* of this report.

State Income and Local Residential and Personal Taxes:

Based on TMG's projections of the new household earnings resulting from the addition of a casino and incremental operations at Nemacolin (\$36.7 million in 2013), Pennsylvania could expect to receive an additional \$759,100 in state income tax revenues, and the tri-county region could expect to receive an additional \$289,250 in local residential and personal tax revenues from the forecast increase in employment in 2013.

Table A-7: New PA Household Earnings Attributed to Gaming and Increased Resort Operations: Impact on Tax Revenues 2012-2016

Category	2012	2013	2014	2015	2016
New Household Earnings	\$37,615,567	\$36,760,592	\$37,679,606	\$38,621,597	\$39,587,137
State Tax Rate (% of household earnings)	2.1%	2.1%	2.1%	2.1%	2.1%
New State Income Tax Revenues	\$776,754	\$759,099	\$778,077	\$797,528	\$817,467
County Tax Rate (% of household earnings)	0.8%	0.8%	0.8%	0.8%	0.8%
New County Income Tax Revenues	\$295,974	\$289,247	\$296,478	\$303,890	\$311,487

Sources: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce; TMG Consulting Estimates

*New Household Earnings projection for 2012 is based on the relationship between 2013 gaming revenue projections and projected 2013 new household earnings.

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

Summary of New Employment and New Tax Impacts

In summary, the addition of a casino to Nemacolin and the resulting incremental resort operations are expected to create 439 new direct jobs at the resort complex and support a total of 652 new jobs in the Commonwealth of Pennsylvania.

Based on the revenue and expense projections herein, the Commonwealth of Pennsylvania can expect to collect \$32.8 million in new tax revenues in 2013, the first year of stabilized operations. The Laurel Highlands region can expect to collect \$3.1 million in new tax revenues annually. In total, the casino and incremental resort operations could have a positive impact of over \$35.9 million annually in tax revenues in Pennsylvania starting in 2013.

Table A-8: Casino and Incremental Resort Tax Impact of Nemacolin Woodlands Resort

Tax Level	Tax Type	2012	2013	2014	2015	2016
State						
<i>From Casino:</i>	Table Gaming*	\$1,508,703	\$1,351,543	\$1,295,375	\$1,327,760	\$1,360,954
	Slot Gaming	\$29,368,882	\$28,701,349	\$29,418,882	\$30,154,354	\$30,908,213
	F&B	\$574,245	\$561,193	\$575,223	\$589,603	\$604,343
	Retail	\$41,017	\$40,085	\$41,087	\$42,115	\$43,167
<i>From Resort:</i>	Lodging	\$625,133	\$640,762	\$656,781	\$673,200	\$690,030
	F&B	\$354,690	\$363,557	\$372,646	\$381,962	\$391,511
	Recreation	\$79,767	\$81,761	\$83,805	\$85,900	\$88,048
	Spa	\$183,648	\$188,239	\$192,945	\$197,768	\$202,713
	Retail	\$124,558	\$127,672	\$130,864	\$134,135	\$137,489
<i>Indirect State:</i>	Income and Other	\$776,754	\$759,099	\$778,077	\$797,528	\$817,467
Total to State		\$33,637,397	\$32,815,260	\$33,545,684	\$34,384,327	\$35,243,935
Fayette County						
<i>From Casino:</i>	Table Gaming	\$107,764	\$105,315	\$107,948	\$110,647	\$113,413
	Slot Gaming	\$1,151,721	\$1,125,543	\$1,153,682	\$1,182,524	\$1,212,087
<i>From Resort:</i>	Lodging	\$312,567	\$320,381	\$328,390	\$336,600	\$345,015
Total to Fayette County		\$1,572,052	\$1,551,239	\$1,590,020	\$1,629,770	\$1,670,515
Wharton Township						
<i>From Casino:</i>	Table Gaming	\$107,764	\$105,315	\$107,948	\$110,647	\$113,413
	Slot Gaming	\$1,151,721	\$1,125,543	\$1,153,682	\$1,182,524	\$1,212,087
Total to Wharton Township		\$1,259,485	\$1,230,858	\$1,261,630	\$1,293,170	\$1,325,500
<i>Indirect Local:</i>	Income and Other	\$295,974	\$289,247	\$296,478	\$303,890	\$311,487
Total to Local Governments		\$3,127,511	\$3,071,344	\$3,148,127	\$3,226,830	\$3,307,501
Total NEW Nemacolin Tax Impact		\$36,764,909	\$35,886,603	\$36,693,812	\$37,611,157	\$38,551,436

Source: PGCB; Pennsylvania Department of Revenue; Bureau of Economic Analysis; Isle of Capri Estimates; Nemacolin Woodlands Resort Estimates; TMG Consulting Estimates

*Table Gaming Revenue for First 5 months of 2013 taxed at 14%, remainder of 2013 at 12%

Note: Calculations made to reproduce the figures on this table may not correspond to what is shown due to rounding.

DISCLAIMER

Consumer demand for hotel casino resorts, trade shows and conventions and for the type of luxury amenities offered is particularly sensitive to downturns in the economy. Changes in consumer preferences or discretionary consumer spending brought about by factors such as fears of war, future acts of terrorism, general economic conditions, disposable consumer income, fears of recession and changes in consumer confidence in the economy could reduce customer demand for luxury products and leisure services, thus imposing practical limits on pricing and harming operations. Our project would thereby be adversely affected.

All projections will be affected by international, national and local economic conditions. A recession or downturn in the general economy, or in a region constituting a significant source of customers, could result in fewer customers, which would adversely affect projections.

Casinos are generally dependent on the willingness of customers to travel. As a result of the terrorist acts of September 11, 2001, domestic and international travel was severely disrupted, which resulted in a decrease in customer visits to casinos. In addition, developments in international conflicts such as the conflict in Iraq could have a similar effect on domestic and international travel. No one can predict the extent to which disruptions in air or other forms of travel as a result of any future terrorist act, outbreak of hostilities or escalation of war would adversely affect projections. It is possible that airplane terrorism could lead to increased travel by automobile and possibly an increase in local casino admissions.

As a result of the SARS outbreak in Asia, there was a decrease in travel to and from, and economic activity in, affected regions. In addition, there have been recent fears concerning the spread of an avian flu. Potential future outbreaks of SARS, avian flu or other highly infectious diseases may adversely affect the number of visitors. Any new outbreak of such a highly infectious disease could have a material adverse effect on the projections.

If changes in transportation infrastructure cause it to become insufficient to meet the demand of visitors, the desirability of this location as a gaming and tourist destination, as well as the results of operations, could be negatively impacted.

This report reflects analysis and opinion based on primary and secondary sources of information. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis regarding the project are based on trends and assumptions and, therefore, there will usually be differences between the estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The accompanying study is prepared for the information and use of our client, and may not be relied upon by any third party for any purpose, including but not limited to financing of the project or investing in the project. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

TMG Consulting makes no express or implied representation or warranty or guarantee as to the attainability of any projected or estimated information referenced or set forth herein, or as to the accuracy or completeness of the assumptions from which such projected or estimated

information is derived. Any such projections or estimations are necessarily subject to a high degree of uncertainty and may vary materially and adversely from actual results.

Some of the statements in this report constitute forward-looking statements. These statements involve risks, uncertainties and other factors that may cause you or your industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "estimate," "intend," "plan," "continue" or the negative of these terms or other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. If one or more of the assumptions underlying our forward-looking statements proves incorrect, then actual results, levels of activity, performance or achievements could differ significantly from those expressed in or implied by the forward-looking statements contained herein. These forward-looking statements are subject to risks, uncertainties, and assumptions about or the projections that are subject to change based on various important factors, some of which are beyond our control. The factors identified above, among others, could cause our projections to differ significantly from the goals, plans, objectives, intentions and expectations expressed in our forward-looking statements. Therefore, we caution you not to place undue reliance on our forward-looking statements. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

While TMG Consulting endeavors to provide reliable estimates and projections, it will not be liable for any claim by any party acting on these estimates and projections.

¹Regional Input-Output Modeling System (RIMS) Data was purchased for the Pennsylvania market.

