Tech Memo Gaming Market Assessment

Hayden, Colorado

Prepared for:
The Sleeping Giant Group, LLC

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Prepared by:
THE **INNOVATION** GROUP
7852 S. Elati Street, Suite 100
Littleton, CO 80120

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INTRODUCTION

The Innovation Group was engaged by The Sleeping Giant Group, LLC ("Company") to conduct a Gaming Market Tech Memo ("Study") related to a proposed gaming development in Hayden, Colorado. The development site is just off Highway 40 roughly in between Steamboat Springs and Craig, Colorado. The Study forecasts top-line gaming revenue based on an optimal machine count recommendation with the objective of maximizing the profitability potential of the project. We understand that the gaming facility will be supported by various food and beverage venues and a full-service mid-range hotel, with the possibility of other commercial-related developments such as additional restaurants and entertainment venues.

We identified four potential sources of incremental gaming revenue based on the proposed location and building program, including the local market, overnight gamer, regional tourist, and traffic intercept segment. We utilized a unique forecasting model for each potential source of gaming revenue. For the purpose of forecasting the local market component, The Innovation Group employed a drive-time gravity model. Gravity models are commonly used in location studies for commercial and residential developments and public facilities.

The report begins with a general discussion on the regional gaming competition and tourism industry. The competitive analysis focuses on Central City/Black Hawk, while tourism research mainly pertains to Steamboat Springs.

Assumptions

- The facility will offer Class III slot machines and table games, the volume of which will be commensurate with demand;
- The quality and scope of the facility will be consistent with our recommendation;
- The development will feature a 120-room mid-range hotel;
- An experienced casino management team and/or a management company will operate the facility;
- The casino will implement an aggressive marketing program targeting high worth gamers in the local market and tourist market;
- The gaming facility will open in early 2014;
- No new competition, that has not been accounted for in the Study, will open during the timeframe of the report;
- While the current economic climate has been taken into account with regards to the assessment, we assumed that the regional economy will continue to rebound, marked by notably lower unemployment rates.

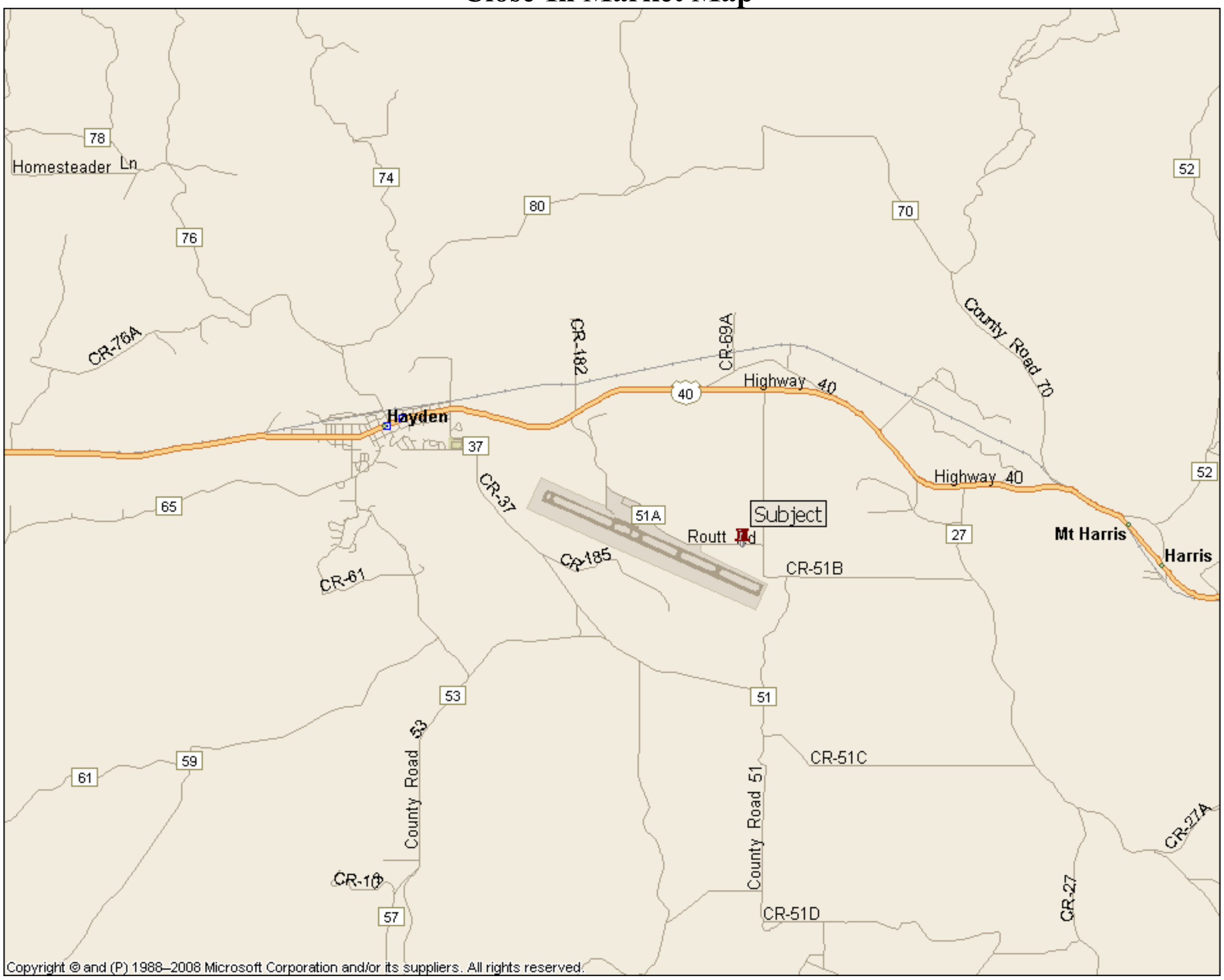
Location

The proposed development site is located in northwestern Colorado in Routt County, about 20 miles west and east of Steamboat Springs and Craig, respectively. The site is situated just off Highway 40, which traverses the northern Colorado, connecting Hayden to Interstate 70 to the southeast and Vernal, Utah to the west. Highway 13 runs north/south through the area from the Wyoming border to the north to Interstate 70 to the south.

Regional Market Map

From a close-in perspective, the ____-acre proposed development site is situated in close proximity to the Yampa Valley Airport, a few miles southeast of Hayden. Patrons entering and exiting the airport would pass by the facility. The site is about 1.5 miles from Highway 40, and thus would be visible from the highway because it is situated on the high ground. The area surrounding the site is very scenic featuring rolling hills with mountain backdrops.

Close-In Market Map



Regional Overview

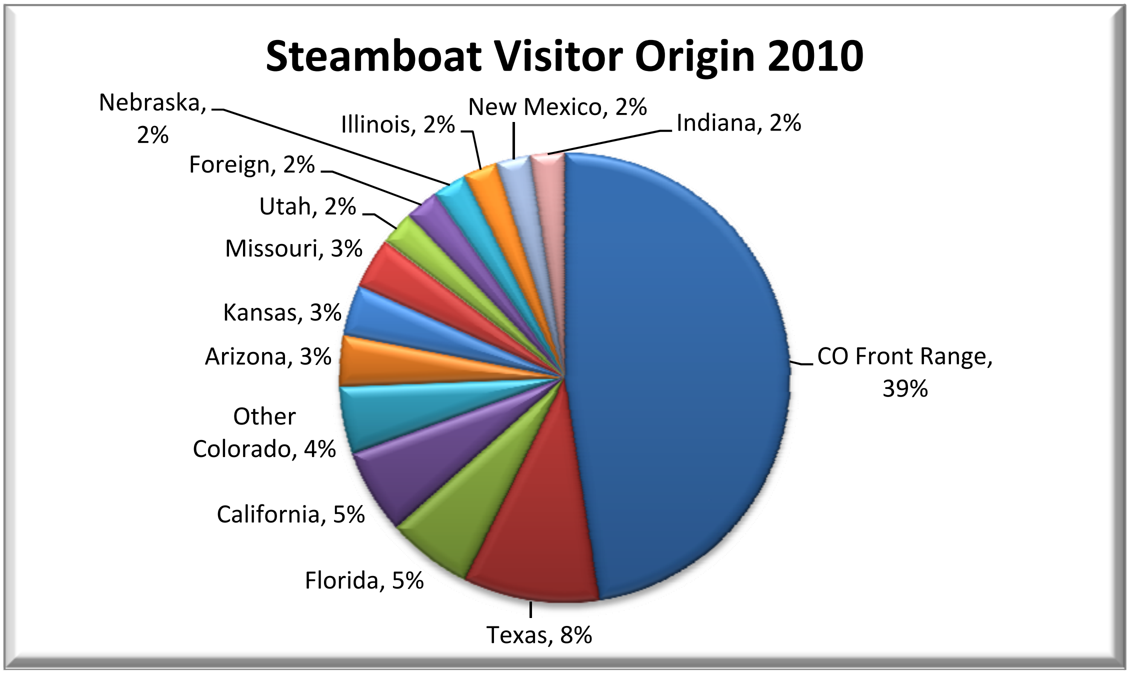
A market's size, economic health and growth potential are indicative of its ability to support a casino development. As the subject development is expected to accommodate both local residents and tourists, the analysis focuses on the variables that support the gaming and hospitality industry.

Steamboat Springs

Steamboat Springs was named after a steamboat-sounding hot spring near the Yampa River, which is a river that runs through downtown. Steamboat Springs is very scenic as it is surrounded by a national forest and various wilderness areas. With the mountainous location this town realizes all four seasons including harsh winters and cool summers (highs in the low 80s). The area features two main tourism seasons, each with its own recreation options. The summer season features fishing, hiking, biking, golfing, kayaking and horseback riding. Tourists also gravitate to the area for the numerous concerts and festivals. A summer rodeo is also a prominent entertainment attraction.

As Steamboat receives an average of approximately 350 inches of snowfall annually it is not surprising that it is called Ski Town USA, and the majority of winter tourism is driven by recreational tourists visiting the ski resorts in the area. The Steamboat Ski and Resort is the largest of the two ski resorts in the area, and features 18 chair lifts and encompasses nearly 3,000 acres of skiable terrain. This expansive resort has invested over $30 million into the ski area since 2006, with improvements that include enhanced and more comfortable chairlifts, expanded dining options and the installation of additional high-tech snow making machinery. With these improvements Steamboat Ski and Resort caters to a higher-end patron with annual ski passes costing from about $700 for teens to $1,240 for persons 18 years and older. The other ski resort is the Howelsen Hill Ski Area, which is the oldest ski area in continuous use in Colorado. This modest ski area includes fifteen trails, with the longest being just over a mile long. However, this ski area primarily serves as a training ground for winter Olympic athletes and receives minimal tourist traffic according to the Steamboat Springs Visitors Bureau.

The graph below depicts visitor origination for Steamboat Springs according to the Steamboat Springs Tourism Bureau. This graph illustrates that the majority of visitors to the area are from the greater Denver area. The next largest feeder market is Texas which accounts for 8% of the total visitation to the area, as the Yampa Valley Airport services direct flights from both Dallas and Houston during the ski season. Florida and California came in at 5% despite no direct flights.



Hayden

Hayden is small Colorado town with about 1,810 people (2010 Census). The town sits about 6,340 feet above sea level and is located between Steamboat Springs and Craig, on Highway 40. The town is positioned to benefit from energy exploration in the region, mainly related to the coal, natural gas and shale oil. In addition, the town hosts the main airport in the region, servicing both Routt County and Moffat County.

Employment

In analyzing the current economic condition of the Steamboat Springs/Hayden area using employment data centered on Routt County. The leading employment sector in Routt County is Accommodation and Food Services, accounting for 17% of the total, followed closely by Retail Trade at 14% of the total. Both these industry sectors support the thriving tourist industry in the county, mainly related to the Steamboat Springs ski area. While Construction is still a significant industry sector, employment has been more than cut in half over the last several years due to the nationwide recession. In contrast, sectors showing growth include Health Care and Professional and Technical Services.

Routt County Employment Summary

Industry	2005	2006	2007	2008	2009	2010	A.A.G. 2005 -2010
Total, all industries	**12,611**	**12,954**	**13,731**	**13,482**	**12,006**	**11,081**	**-2.6%**
Accommodation and Food Services	2,177	2,213	2,230	2,139	1,984	1,927	-2.4%
Retail Trade	1,729	1,747	1,788	1,792	1,595	1,523	-2.5%
Construction	2,376	2,492	2,876	2,614	1,880	1,177	-13.1%
Arts, Entertainment, and Recreation	1,117	1,077	1,141	1,135	1,048	1,137	0.4%
Health Care and Social Assistance	1,023	1,046	1,099	1,147	1,165	1,128	2.0%
Professional and Technical Services	509	564	633	664	619	602	3.4%
Real Estate and Rental and Leasing	668	706	711	733	625	587	-2.6%
Other Services, Except Public Administration	496	577	622	612	0	559	2.4%
Mining, Quarrying, and Oil and Gas Extraction	583	0	0	0	589	519	-2.3%
Administrative and Waste Services	498	539	560	506	436	401	-4.2%
Transportation and Warehousing	300	280	300	339	324	311	0.7%
Finance and Insurance	290	299	328	320	301	285	-0.3%
Information	0	162	180	172	0	155	0.0%
Educational Services	117	123	126	130	129	118	0.2%
Manufacturing	123	127	153	159	113	109	-2.4%
Agriculture, Forestry, Fishing and Hunting	62	0	0	0	44	87	7.0%
Management Of Companies and Enterprises	16	19	20	23	27	33	15.6%
Unclassified	0	0	0	3	0	0	0.0%

Source: US Bureau of labor Statistics

Airport Stats

The Yampa Valley Airport is the primary regional airport, servicing both Steamboat Springs and Craig. During the winter season, the airport features direct flights from Denver, Salt Lake City, Atlanta, Chicago, Houston, Dallas, Minneapolis/St. Paul and New York. The airlines servicing these cities are American Airlines, Continental, Delta/Northwest and United. According to the Steamboat Springs Chamber of Commerce, 70% of winter visitors come via these flights.

The passenger count (deplanements) at Yampa Valley peaked at about 139,100 in 2007 before falling to 106,300 in 2011; a total decline of about 24%. The decline was primary due to the nationwide recession brought on by the turmoil in the financial sector, which impacted tourism particularly hard. On a bright note, the negative trend seems to be stabilizing as the decline in 2011 was only approximately 3%.

Yampa Valley Airport Stats

	Deplanements	% Change
2007	139,065	
2008	136,147	-2.1%
2009	122,220	-10.2%
2010	109,905	-10.1%
2011	106,318	-3.3%

Source: US Bureau of Trans Stats; The Innovation Group

Craig

Craig is situated about 87 miles east of Dinosaur and 17 miles west of Hayden, on Highway 40. This modest town is located in northwest Colorado (Moffat County) and contains about 10,000 people (2010). Primary tourist attractions are centered on outdoor activities such as hiking, biking and rafting. However, the primary attraction to the area is big game hunting for elk, deer and antelope. Another main attraction to the Craig area is the Dinosaur National Monument, which is a 211,000-acre monument that showcased prehistoric fossils, petro glyphs and historic sites. Other local attractions include an 18-hole golf course and wave pool. The Yampa River flows through the heart of Moffat County, perfect for a lazy boat ride or a whitewater experience. It also sustains many of the area's farms and ranches, the heart of any visitor's Western experience. The Grand Olde West Days in May is a three day celebration featuring a gun show, a parade and professional rodeo.

Employment

In analyzing the current economic condition of the Craig area, it is important to note the major employers in order to gain a sense of economic drivers. As Moffat County is rich in minerals and energy production it is not surprising that the mining and extraction industry is the second largest industry in the area, accounting for 15% of employment. The accommodation and food service industry is the third largest employer in Moffat County, which represents 12% of all employment in Moffat County. Since there are minimal employers in some industries such as utilities, transportation and healthcare/social services, these industries do not report data to the Bureau of Labor Statistics, and thus not displayed below.

Moffat County Employment Summary

Industry	2005	2006	2007	2008	2009	2010	A.A.G. 2005-2010
Total, all industries	**3,722**	**3,983**	**4,080**	**4,332**	**4,267**	**3,838**	**0.6%**
Retail trade	643	666	735	798	752	699	1.7%
Mining, quarrying, and oil and gas extraction	555	628	639	660	619	591	1.3%
Accommodation and food services	515	526	492	513	525	472	-1.7%
Wholesale trade	195	227	256	267	266	239	4.2%
Construction	198	246	204	288	362	181	-1.8%
Other services, except public administration	143	162	173	165	161	168	3.3%
Finance and insurance	83	92	97	108	109	106	5.0%
Administrative and waste services	158	186	164	174	149	104	-8.0%
Manufacturing	64	74	90	87	76	60	-1.3%
Information	54	49	41	50	57	58	1.4%
Arts, entertainment, and recreation	39	51	61	73	53	48	4.2%
Agriculture, forestry, fishing and hunting	38	43	46	60	60	43	2.5%
Real estate	28	28	28	30	25	24	-3.0%

Source: US Bureau of Labor Statistics

GAMING COMPETITION

Gaming competition in greater Routt County region is minimal. The primary competition reflects the Black Hawk/Central City gaming market situated about 100 miles to the southeast of Hayden. Secondary competition exists in central Wyoming about 185 miles to the northwest, in Wind River, Wyoming.

Black Hawk/Central City

The Black Hawk/Central City market is quite extensive with 24 casinos of varying sizes. These casinos offer a total of 10,600 slot machines and 230 table games. This market was just recently allowed to offer of full scope of Las Vegas-style table games, including craps and roulette. Also, the bet limit was increased from $5 to $100. The following table summarizes the gaming competition in this market.

Black Hawk/Central City Summary

Casino	Slots	Tables	Positions	% of Positions	Hotel Rooms	Opened
Ameristar Casino Black Hawk	1,494	41	1,740	18%	536	Dec-01
Black Hawk Station	130	0	130	1%	0	May-93
Bull Durham Saloon & Casino	188	0	188	2%	0	Jun-94
Bullwhackers Casino	309	0	309	3%	0	Apr-02
Canyon Casino	295	5	325	3%	0	Dec-93
Fitzgeralds	689	13	767	8%	0	Dec-01
Gilpin Hotel Casino	388	6	424	4%	0	Oct-92
Golden Gates Casino	273	24	417	4%	0	Jul-97
Golden Gulch Casino	140	0	140	1%	0	Jan-03
Grand Plateau Casino	105	0	105	1%	0	Apr-01
Isle of Capri Casino	1,164	23	1,302	14%	238	Dec-98
Lady Luck Casino	581	20	701	7%	164	Dec-93
The Lodge Casino at Black Hawk	977	35	1,187	12%	50	Jun-98
Golden Mardi Gras	650	15	740	8%	0	Mar-00
Red Dolly Casino	139	0	139	1%	0	May-92
Riviera Black Hawk	749	9	803	8%	0	Feb-00
Wild Card Saloon	216	0	216	2%	0	May-95
Subtotal Black Hawk	**8,487**	**191**	**9,633**	**100%**	**988**	
Century Casino	500	11	566	24%	26	Jul-06
Doc Holliday Casino	193	0	193	8%	0	Mar-08
Dostal Alley Saloon	64	0	64	3%	0	Oct-91
Easy Street	205	0	205	9%	0	Dec-00
The Famous Bonanza	244	5	274	12%	0	Jan-92
Fortune Valley Hotel & Casino	696	14	780	33%	118	Dec-94
Johnny Z's Casino	212	6	248	11%	0	May-10
Subtotal Central City	**2,114**	**36**	**2,330**	**100%**	**144**	
Grant Total	**10,601**	**227**	**11,963**		**1,132**	

Source: Colorado Department of Revenue; The Innovation Group

The Black Hawk/Central City market posted total gaming revenue of approximately $626 million in 2010, up 11% from the prior year. The gain reflects the introduction of new table games and the increase in the bet limit noted earlier. Note that roughly 90% of the gaming revenue originated from the Black Hawk market.

Black Hawk/Central City - Gaming Statistics

	2006	2007	2008	2009	2010	A.A.G. 2006-2010
Black Hawk:						
Slots	9,722	10,007	9,771	9,529	8,917	-2.1%
Slot Revenue	$521,661,809	$542,332,616	$527,394,381	$473,661,213	$499,275,978	-1.1%
Win / Position	$147	$148	$148	$136	$153	1.1%
Tables	137	138	144	146	200	9.8%
Table Revenue	$21,835,293	$23,315,716	$23,936,347	$24,726,006	$62,059,405	29.8%
Win / Unit	$435	$462	$456	$465	$850	18.2%
Total Revenue	**$543,497,102**	**$565,648,333**	**$551,330,727**	**$498,387,219**	**$561,335,383**	**0.8%**
Central City:						
Slots	2,008	2,210	2,148	2,070	2,000	-0.1%
Slot Revenue	$66,266,154	$77,448,896	$72,162,929	$61,347,903	$59,725,828	-2.6%
Win / Position	$90	$96	$92	$81	$82	-2.5%
Tables	27	32	30	30	40	9.8%
Table Revenue	$2,724,877	$2,785,513	$2,645,283	$2,323,438	$5,008,403	16.4%
Win / Unit	$272	$240	$240	$214	$344	6.1%
Total Revenue	**$68,991,032**	**$80,234,409**	**$74,808,212**	**$63,671,341**	**$64,734,231**	**-1.6%**

Source: Colorado Gaming Commission; The Innovation Group

Central Wyoming

The casinos in central Wyoming are centered on the very large Wind River Indian Reservation, about 180 miles north of Hayden. The marquee casino in the group is the Wind River near Riverton, measuring 46,000 square feet with about 760 slot machines and 10 table games. This facility offers bingo and has a couple of restaurants. The other casinos are much smaller, slots-only facilities; generally catering to the local market. Note that none of the casinos offer a hotel, which discourages patronage from outlying markets.

Gaming Competitive Summary - Wyoming

Property	Location	Gaming Space (sqft)	Slots	Tables	Hotel Rooms
Wind River	Riverton	46,000	759	10	0
789 Casino	Riverton	45,000	270	0	0
Shoshone Rose	Lander	16,000	295	0	0
Little Wind	Ethete	2,000	176	0	0
Total		**109,000**	**1,500**	**10**	**0**

Source: Casino City; Property Websites; The Innovation Group

GAMING MARKET ASSESSMENT

The Gaming Market Assessment section of the report forecasts gamer visits, top-line gaming revenue, and win per machine for the proposed Hayden casino. The objective of this section is to quantify the gaming revenue potential of the market area and proposed development assuming a specific building program and an optimal machine count that maximizes the profitability of the operation.

Gaming Market Assessment Methodology

The Innovation Group identified four potential sources of incremental gaming revenue based on the proposed location and building program, including the local market, overnight gamer, regional tourist, and traffic intercept segment. We utilized a unique forecasting model for each potential source of gaming revenue. The following discussion outlines the methodology for each of these components.

Local Market

For the purpose of forecasting the local market component, The Innovation Group employed a complex drive-time gravity model. Gravity models are commonly used in location studies for commercial and residential developments and public facilities. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of consumers 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 (or for casinos, gaming positions) and inversely related to the square of the travel distance. Thus, the gravity model quantifies the effect of distance on the behavior of potential patrons, while considering quality, scope and the impact of competing venues.

A constrained gravity model was used for projecting local market gaming activity for the greater northwest Colorado market using various discrete market segments. For this study, we defined the market using a roughly 150-minute drive-time ring emanating from the subject development site. Within this ring, unique market segments were established to account for variations in highway access, population centers, gaming competition and demographics. Each of these market segments was assigned a unique propensity and frequency factor, which were applied to the adult population counts to yield gamer visits. These factors were generally derived based upon primary research in other gaming markets. The gamer visits were then distributed among the competitors based upon the size, quality and scope of each facility and the relative distance from each market segment. Other competitors outside the market are treated as external competitors siphoning off a portion of gaming trips from the region. The model was constructed to include only alternative venues that are considered to be within a reasonable travel time. The following section provides a description of the various components of the model.

> **Propensity -** Propensity refers to the percentage of the adult population within a market that is likely to participate in gaming. Generally, propensity decreases as the distance from the market center increases. In fully developed casino markets, such as the local Las Vegas market, propensity can reach 60%, while in single venue or slots-only markets it can be as low as 20%. This measure is geared to a specific form of gaming.

Frequency - Frequency is a measure of the average number of times per year that individuals with a propensity to participate in gaming within a market will actually do so. Like propensity, frequency tends to decline as the distance from the market center increases.

Win Per Visit ("WPV") - WPV reflects the casino's average gaming win for each customer visit for a given market or market segment. Win per visit tends to increase in proportion to distance traveled as the gamers make fewer trips per year with a higher budget. Win per visit also varies based on income and the specific facility characteristics such as the degree of overcrowding and the gaming product.

Attraction Factors - Attraction factors measure the relative attraction of one gaming venue to the competition. Attraction factors are applied to the size of the gaming venue as measured by the number of positions. The market average attraction factor would be one. 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 consider branding, the level and effectiveness of marketing efforts, the quality level and amenity package.

Overnight Gamer

This segment reflects overnight patrons of the proposed hotel. We estimated room night demand based largely on the hotel Market Study completed by HVS, but adjusted to consider the impact of the on-site casino. The Innovation Group applied gaming factors to room night demand in order to forecast the incremental gaming revenue associated with this customer component. The gaming factors include the gamer capture rate and win per room night. The basic formula is as follows.

Available Room Nights x Occupancy Rate = Room Night Demand
Room Night Demand x Adults per Room / Length of Stay = Visitors
Visitors x Gamer Capture Rate x Win per Gamer = Gaming Revenue

Regional Tourist

The regional tourist segment includes traditional tourist to the area that might patronize the subject casino as a secondary attraction, including leisure tourists, business travelers and pass-through travelers. The leisure tourists are generally attracted to Steamboat Springs for skiing, while the business travelers gravitate to Craig in support of the energy industry.

The Innovation Group analyzed the existing hotel room inventory in these two markets in order to gauge visitor volume. We also considered the condo and second home market in Steamboat Springs. We estimated visitor volume using room night demand adjusted to consider the adults per room and average length of stay. We then estimated the gaming factors associated with the overnight segment, including the capture rate and win per room. The basic formula is as follows:

Available Room Nights x Occupancy Rate = Room Night Demand
Room Night Demand x Adults per Room / Length of Stay = Visitors
Visitors x Gamer Capture Rate x Win per Gamer = Gaming Revenue

Traffic Intercept Segment

The traffic intercept segment reflects potential customers that are passing through the area on Highway 40 that decide to stop and patronize the casino. The key variable in assessing this customer segment is the vehicle count traversing this highway in the area of the casino. The vehicle count estimates were based on information obtained from the Colorado Department of Transportation and adjusted to reflect only pass-through vehicles.

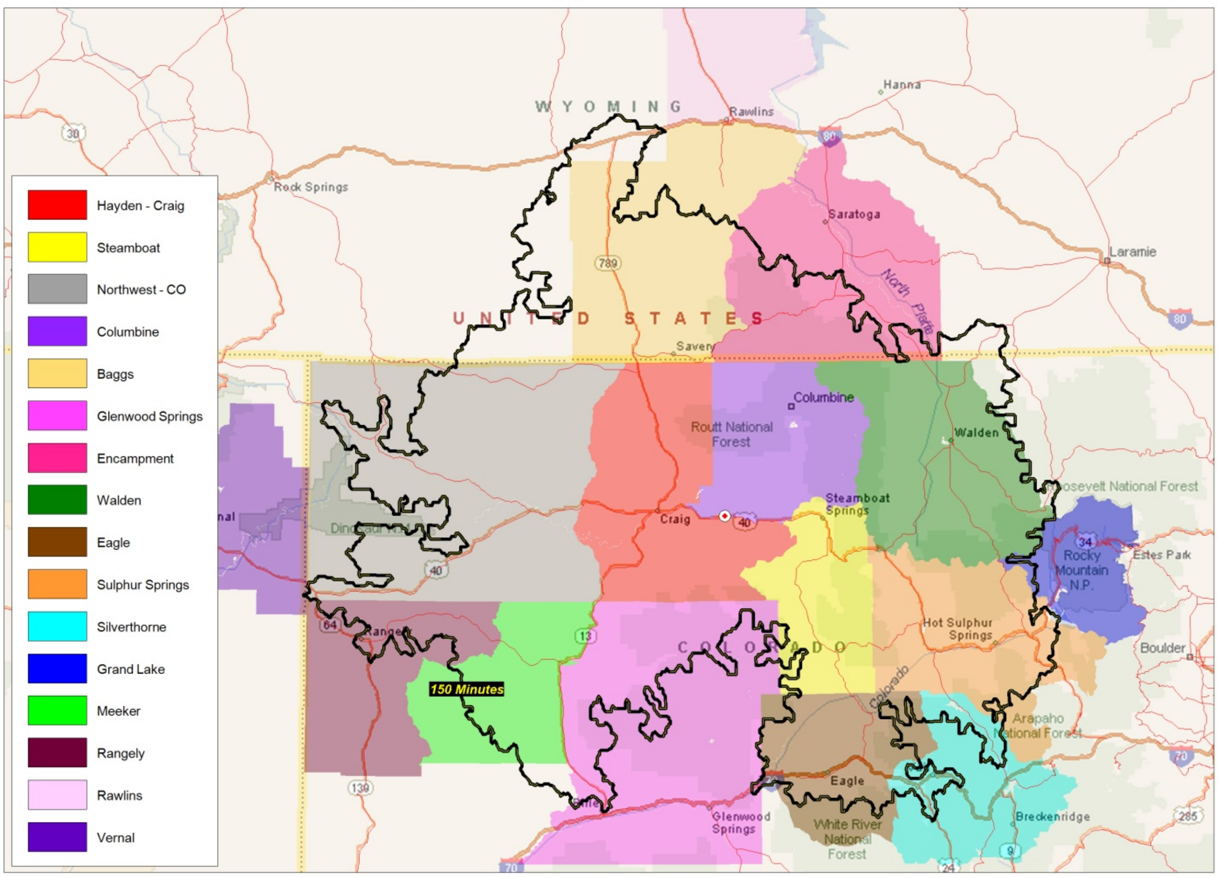
Capture rates for adults passing through gaming markets are typically very low, likely between 1% and 3%. The average win per gamer visit for this segment is also generally lower than the local market, as the visit was likely spontaneous as opposed to planned and budgeted. The traffic intercept formula is as follows:

Pass-Through Vehicles x Gamer Capture Rate x Adults per Vehicle = Gamer Visits
Gamer Visits x Win per Visit = Traffic Intercept Gaming Revenue

Local Market Definition

Again, The Innovation Group defined the local market using a roughly 150-minute drive-time ring emanating from the subject development site. Within this ring, 16 unique market segments were established to account for variations in highway access, population centers, gaming competition and demographics. The goal was to identify population centers that would exhibit similar habits with regard to gaming behavior, such as propensity to visit a casino, frequency of visits, budget per casino trip and selection of gaming alternatives. In general, each segment is centered on one the larger towns in the area.

Hayden Region Market Carve



Gamer Population by Market Segment

The gamer population (21+) count for the greater northwest Colorado market totaled 165,600 in 2010. The gamer population is expected to grow to 179,100 by 2015, reflecting an average annual growth rate of 1.6%. The overall growth rate is significantly higher than the national average of 0.9%.

The nearby markets of Haden/Craig and Steamboat Springs (primary markets) contain a total of about 25,600 gamer adults or 15% of the total. Steamboat Springs is expected to exhibit a strong growth rate of 1.6% per year over the next several years. The largest submarket is Glenwood Springs with 39,900 adults, followed closely by Silverthorne with 38,100 adults. The Glenwood Springs market includes the towns of Rifle, New Castle and Silt, while the Silverthorne market includes the towns of Dillon, Breckenridge and Frisco. Glenwood Springs showed a growth rate of more than double the national average. Silverthorne's expected growth rate is moderately above the national average at 1.2% per year.

There are several other significant market segments centered on notable cities, including Eagle (CO), Rawlins (WY) and Vernal (UT), with gamer populations ranging from about 6,100 to 18,100 adults. Eagle and Vernal showed strong population growth rates.

Market Carve-out Gamer Population Summary

Market Segments	2010	2015	% Change
Hayden/Craig	10,911	11,344	0.8%
Steamboat	14,723	15,937	1.6%
Northwest - CO	656	684	0.8%
Columbine	2,337	2,689	2.8%
Baggs	1,522	1,561	0.5%
Glenwood Springs	39,923	44,100	2.0%
Encampment	2,709	2,789	0.6%
Walden	1,077	1,033	-0.8%
Eagle	18,098	20,653	2.7%
Sulphur Springs	6,939	7,318	1.1%
Silverthorne	38,125	40,502	1.2%
Grand Lake	3,385	3,693	1.8%
Meeker	1,627	1,650	0.3%
Rangely	1,851	1,951	1.1%
Rawlins	6,144	6,050	-0.3%
Vernal	15,585	17,136	1.9%
Total Market	**165,612**	**179,090**	**1.6%**

Source: Claritas, The Innovation Group

Average Annual Household Income by Market Segment

In total, Average Annual Household Income ("AAHI") for the market area was estimated at $84,400 in 2010. This figure is expected to reach $93,900 by 2015, reflecting an average annual increase of 2.2%. The area's AAHI level is about 19% above the national average of $71,100, and is expected grow faster than the national average (1.7%).

The area exhibited a wide range of income levels ranging from a low of $53,700 (2010) for rural Northwest – CO to a high of $108,800 for Eagle. The Hayden/Craig market fell on the low end of this range at $61,500, while Steamboat Springs was on the high end at $90,100. Note generally that the larger markets showed a higher income level.

The market segments also showed a wide range of expected grow rates from a low of 1.2% per year for the Columbine market to a high of 3.7% for Encampment (WY). The income levels for the primary markets were in line with the market average. The following table details AAHI stats for the greater northwest Colorado market.

Market Carve-out AAHI

Market Segments	2010	2015	% Change
Hayden/Craig	$61,544	$67,920	2.0%
Steamboat	$90,148	$99,279	1.9%
Northwest – CO	$53,686	$60,603	2.5%
Columbine	$80,762	$85,552	1.2%
Baggs	$61,662	$73,302	3.5%
Glenwood Springs	$82,162	$93,367	2.6%
Encampment	$71,013	$85,092	3.7%
Walden	$52,990	$57,404	1.6%
Eagle	$108,788	$118,058	1.6%
Sulphur Springs	$79,954	$89,608	2.3%
Silverthorne	$95,598	$102,417	1.4%
Grand Lake	$77,979	$83,884	1.5%
Meeker	$60,126	$67,530	2.3%
Rangely	$66,185	$74,851	2.5%
Rawlins	$66,963	$76,403	2.7%
Vernal	$68,324	$80,768	3.4%
Average	**$84,384**	**$93,854**	**2.2%**

Source: Claritas, The Innovation Group

Gaming Revenue Forecast

This section estimates gamer visits and top-line gaming revenue based on the assumptions outlined earlier. Recall, we identified four potential sources of incremental gaming revenue based on the proposed location and building program, including the local market, overnight gamer, regional tourist, and traffic intercept segment.

Local Market

The first step in the forecasting process was to estimate potential gaming revenue for the entire local market by applying gaming factors to the gamer population base outlined earlier. The estimated gaming factors reflect our knowledge of the performance of the existing casinos in the region. In addition, numerous gaming studies conducted by us and independent third parties have provided valuable insight into the expected propensity, frequency and win per visit. As discussed, propensity and frequency factors within a market generally fluctuate based on drive time and the quality and scope of the convenient gaming alternatives.

In summary, we estimated that the entire local market (as defined) would generate roughly 400,000 gamer visits related to the gaming alternatives in the area, including the subject. The weighted average propensity and frequency calculated to 24.6% and 9.1 times, respectively. Market segments that have or will have convenient access to gaming facilities, such as Hayden/Craig and Steamboat Springs showed propensity in the 38% to 39% range and frequency in the 13 times range.

We also estimated win per visit by market segment, based primarily on income levels. The win per visit factor is also influenced by drive time, as gamers driving longer distances tend to spend more per trip, but take fewer trips. The weighted average win per visit calculated to $100, resulting in local market gaming revenue of $40.3 million. Due to the short drive time, the Hayden/Craig and Steamboat Springs markets showed low win per visit factors relative to the market average. In contrast, Eagle showed the highest win per visit factor of $137 mainly reflecting the higher income level for this market segment and a much longer drive time to the nearest casino.

Local Market Summary (2015)

Market	Gamer Adults	Propensity	Gamers	Frequency	Gamer Visits	Win per Visit	Gaming Revenue
Hayden/Craig	11,344	38.9%	4,411	13.4	59,278	$70	$4,126,754
Steamboat	15,937	38.3%	6,110	13.2	80,655	$87	$7,037,394
Northwest - CO	684	22.7%	155	7.4	1,154	$94	$108,116
Columbine	2,689	24.3%	653	7.9	5,175	$107	$556,138
Baggs	1,561	29.2%	455	9.7	4,424	$89	$393,495
Glenwood Springs	44,100	17.3%	7,620	5.0	38,407	$134	$5,149,955
Encampment	2,789	13.0%	361	3.6	1,301	$145	$188,523
Walden	1,033	20.5%	212	6.7	1,424	$96	$136,298
Eagle	20,653	21.6%	4,461	7.2	32,120	$137	$4,386,445
Sulphur Springs	7,318	23.8%	1,739	7.8	13,562	$110	$1,497,463
Silverthorne	40,502	31.3%	12,685	10.6	133,956	$100	$13,336,996
Grand Lake	3,693	21.6%	798	7.2	5,743	$111	$638,439
Meeker	1,650	25.4%	419	8.4	3,518	$92	$324,177
Rangely	1,951	21.1%	411	6.8	2,810	$108	$303,872
Rawlins	6,050	18.9%	1,143	5.9	6,723	$115	$771,399
Vernal	17,136	14.4%	2,473	4.4	10,919	$123	$1,341,729
Total	**179,090**	**24.6%**	**44,107**	**9.1**	**401,171**	**$100**	**$40,297,192**

Source: The Innovation Group

Subject Capture

Next, we estimated the subject's capture of the local market based on the proposed casino relation to the market segments in terms of drive time, while considering the size, quality and scope of the facility relative to the competition.

The Innovation Group estimated that the subject would capture about 48% of the local market or 192,000 gamer visits based on its location relative to the major population centers and the level of competition in the market. As one might expect, the subject would capture a high proportion of its primary markets – Hayden/Craig and Steamboat Springs. We also estimated very strong capture rates for the markets to the north and west, where little competition currently exists. For markets in closer proximity to Black Hawk/Central city, such as Silverthorne, Grand Lake and Eagle, the capture rates decline severely. The Rawlins market was the only market impacted by the Native American casinos in central Wyoming.

Based on an average win per visit of $90, subject local market revenue calculated to about $17.3 million in 2015. The average win per visit is somewhat lower than the market average due to the high proportion of revenue originating from the primary markets. We estimated that $10.7 million or 62% of the subject's revenue would come from the primary markets. Other key contributors include Glenwood Springs, Eagle and Vernal (UT). The following table details the subject's local market gaming revenue by market segment.

Local Market Gaming Revenue - Yampa Valley Resort (2015)

Market Segments	Market Gamer Visits	Subject Capture	Subject Gamer Visits	Win per Visit	Gaming Revenue
Hayden/Craig	59,278	98.8%	58,566	$69	$4,031,856
Steamboat	80,655	97.0%	78,224	$86	$6,694,652
Northwest - CO	1,154	100.0%	1,154	$94	$108,116
Columbine	5,175	83.9%	4,342	$99	$429,918
Baggs	4,424	95.7%	4,234	$87	$367,365
Glenwood Springs	38,407	31.2%	11,992	$130	$1,560,541
Encampment	1,301	39.0%	507	$131	$66,524
Walden	1,424	50.3%	716	$86	$61,935
Eagle	32,120	15.2%	4,887	$149	$729,688
Sulphur Springs	13,562	20.3%	2,757	$115	$316,617
Silverthorne	133,956	3.0%	3,990	$135	$536,801
Grand Lake	5,743	14.4%	825	$123	$101,262
Meeker	3,518	86.5%	3,043	$86	$260,361
Rangely	2,810	100.0%	2,810	$108	$303,872
Rawlins	6,723	44.5%	2,991	$117	$351,442
Vernal	10,919	100.0%	10,919	$123	$1,341,729
Total	**401,171**	**47.8%**	**191,959**	**$90**	**$17,262,678**

Source: The Innovation Group

Overnight Gamer (On-Site Hotel)

Next, we estimated the gaming revenue associated with overnight guests of the proposed hotel. For the purpose of this assessment, we modeled a 120-room mid-range hotel. We estimated room night demand at 31,500 (72% occupancy) based largely on the Hotel Market Study completed by HVS, but adjusted to consider the impact of the on-site casino. We estimated that casino patrons would contribute about 8,500 room nights or 27% of the total.

After applying a gaming capture rate of 68% and win per room night of $177, incremental gaming revenue associated with the hotel calculated to approximately $3.8 million. The gaming factors reflect a weighted average considering conservative participation from the traditional tourist segment combined with full participation from the casino segment.

Hotel Incremental Gaming Revenue (2015)

	Room Inventory	Occupancy	Room Night Demand	Gamer Capture Rate	Gamer Room Nights	Win / Room Night	Gaming Revenue
Hotel Impact	120	71.8%	31,462	68%	21,418	$177	$3,798,701

Source: The Innovation Group

Regional Overnight Tourists

Next, we forecasted incremental gaming revenue associated with the overnight tourist components, including overnight hotel, overnight condo, and overnight seasonal home. We segregated the forecast by the Steamboat Springs area and the Craig area.

Steamboat Springs

The first step in the forecasting process is to estimate the number of overnight visitors that come to the area annually. We estimated the visitor volume based on the number of hotel units and vacant housing units in Steamboat Springs. The latter includes condo units, timeshare units and other vacant housing units primarily used for seasonal needs. Based on information provided by Yampa Valley Data Partners ("YVDP"), which cited Steamboat Central Reservations and Vacation Rentals by Owner, a total of 3,827 units (hotel, condo, timeshare, and seasonal homes) for rent exist in Steamboat Springs. In addition, based on information from the U.S. Census Bureau, we estimated that another roughly 2,700 units are used on seasonal and recreational basis, but not associated with any rental pools, bringing the total number of units in Steamboat Springs to just over 6,500 in 2011.

Next, we estimated the occupancy rate for each lodging component. For the hotel segment, we obtained information from Smith Travel Research on a large sample of the hotels in Steamboat Springs. The occupancy rate for 2011 was 44.3%, down from a near-term high of 53.3% in 2008. We gauged the other occupancy rates off the hotel segment rate, using information from various other sources including the Lodging Barometer (via YVDP) and discussions with various representatives in the regional lodging industry. In summary, the weighted average occupancy rate came in at about 25%, resulting in 594,700 room nights of demand. After applying an "adults per unit" and "average length of stay" factor, which averaged 3.3 times and 5.0 times, respectively, we estimated adult visitors to Steamboat Springs at 391,400 in 2011, as displayed below.

Overnight Visitor Forecast - Steamboat Springs (2011)

	2011 Calibration					
Lodging Component	Units	Occupancy	Room Night Demand	Adults / Unit	Avg Length of Stay	Adult Visitors (2011)
Hotel	1,273	44.3%	205,838	2.6	4.1	130,531
Condo Hotel	1,889	31.0%	213,809	3.5	5.2	143,910
Timeshare	442	28.8%	46,455	3.5	5.2	31,268
Residences	223	24.4%	19,832	4.0	6.0	13,221
Non-Paying Units	2,708	11.0%	108,726	4.0	6.0	72,484
Total	**6,535**	**24.9%**	**594,660**	**3.3**	**5.0**	**391,415**

Source: The Innovation Group

Next, we projected the adult visitor forecast forward to 2015, the baseline year of the assessment. We employed a solid growth rate of 3.2% per year, resulting in 444,000 adult visitors by 2015. The growth rate assumes that the area continues to rebound from the nationwide recession. Nonetheless, even at this rate, the hotel segment occupancy rate would not elevate to pre-recessionary levels, suggesting a conservative approach.

Finally, we believe that the existence of the proposed full-service casino would enhance tourism in the Steamboat Springs area. We estimate that this entertainment development would increase the visitor count by 15%, resulting in 510,600 adult visitors on a pro forma basis, as displayed below. This is the visitor count we used to forecast potential gaming revenue coming from this segment.

Overnight Visitor Forecast - Steamboat Springs (2015)

		2015 Baseline		2015 Pro Forma	
Lodging Component	Adult Visitors (2011)	AAG	Adult Visitors (2015)	Incremental %	Adj Adult Visitors
Hotel	130,531	3.2%	148,058	15.0%	170,267
Condo Hotel	143,910	3.2%	163,234	15.0%	187,719
Time Share	31,268	3.2%	35,466	15.0%	40,786
Residences	13,221	3.2%	14,997	15.0%	17,246
Non-Paying Units	72,484	3.2%	82,217	15.0%	94,550
Total	**391,415**	**3.2%**	**443,972**	**15.0%**	**510,568**

Source: The Innovation Group

We estimated the gamer capture rate, or the percentage of visitors that would patronize the proposed casino, for each lodging component. The capture rates ranged from a low of 21.4% to a high of 23.2%, generally varying based on length of stay. The weighted average rate calculated to 22.3%, resulting in about 114,000 gamers.

The win per gamer factor, or the gamer total gaming budget, also varies modestly based on length of stay, from a low of $250 for the hotel segment to a high of $300 for the residence and seasonal housing unit segments.

After compiling these factors, we estimated gaming revenue associated with the overnight tourist component in Steamboat Springs at about $31.6 million, as detailed below.

Overnight Tourist Revenue - Updated Version

Lodging Component	Visitors	Capture Rate	Win / Gamer	Gaming Rev
Hotel	170,267	21.4%	$250	$9,112,703
Condo Hotel	187,719	22.6%	$285	$12,069,572
Time Share	40,786	22.6%	$285	$2,622,391
Residences	17,246	23.2%	$300	$1,201,167
Non-Paid	94,550	23.2%	$300	$6,585,269
Total	**510,568**	**22.3%**	**$277**	**$31,591,102**

Source: The Innovation Group

Craig

The tourism industry profile is more straight-forward for Craig, as accommodations generally only include approximately 577 hotel rooms. We estimated these hotel rooms would achieve an occupancy rate of 68% by 2015, resulting in 143,200 room nights of demand. After applying an "adults per unit" and "average length of stay" factor of 1.6 times and 3.0 times, respectively, we estimated adult visitors to Craig at 76,400 in 2015.

We estimate the gamer capture rate at 16.5%, resulting in about 12,600 gamers. Note that lower gamer capture rate relative to Steamboat Springs generally reflects the shorter average length of stay and more business oriented nature of the tourist. Base on a win per gamer of $160, incremental gaming revenue from Craig tourists calculated to about $2.02 million, as displayed below.

Craig Overnight Tourist Gaming Revenue (2015)

Room Inventory	Occupancy	Room Night Demand	Adults / Room	Avg Length of Stay	Visitors	Gamer Capture Rate	Gamers	Win per Gamer	Gaming Revenue
577	68.0%	143,211	1.6	3.0	76,379	16.5%	12,603	$160	$2,016,417

Source: The Innovation Group

Day-Trip Tourists

Again, day-trip tourists reflect visitors to Routt County that only stay for the day, likely visiting friends or family or are drawn to outdoor recreation such as hunting and fishing. We believe a portion of these visitors would also patronize the subject casino as a secondary attraction. Based on our research, we estimated the visitor volume at 74,000 for 2015. We estimated that approximately 8.2% of these visitors would patronize the casino and spend an average of $75 per visit, resulting in incremental gaming revenue of $455,100, as displayed below.

Day-Trip Tourist Gaming Revenue (2015)

Visitor Volume	Gamer Capture Rate	Gamer Visits	Win per Visit	Gaming Revenue
73,994	8.2%	6,068	$75	$455,063

Source: The Innovation Group

Traffic Intercept

The traffic intercept segment reflects travelers that are passing through the area that decide to stop and patronize the casino. These travelers are often truckers and other travelers generally traversing Highway 40 between Denver and northeast Utah and southern Wyoming. The Innovation Group believes that the subject casino would realize significant traffic intercept revenue as it is situated just off the highway, and would thus be visible by travelers. Nonetheless, the penetration of this segment would require the use of billboard advertising strategically placed at key points along the highway.

In determining traffic intercept for the facility, traffic counts were obtained from the Colorado Department of Transportation. We estimated the daily traffic count at about 4,900 in 2014. To avoid double-counting with the local market, the vehicle count estimate was adjusted to reflect only pass-through vehicles. We estimated the pass-through percentage at about 68% as many of the travelers are residents of towns in the area. The Innovation Group conservatively estimated the gamer capture rate at 1.8%. After compiling these factors, The Innovation Group estimated gamer visits at about 30,800, equating to gaming revenue of $1.6 million, based on a conservative win per visit of about $52. The traffic intercept calculation is outlined below.

Traffic Intercept Gaming Revenue (2015)

Highway	AADT	Pass-through %	Adults / Vehicle	Capture %	Gamer Visits	Win per Visit	Gaming Revenue
Highway 40	4,921	68.0%	1.4	1.8%	30,780	$52	$1,600,579

Source: Colorado Department of Transportation, The Innovation Group

Total Gaming Revenue

Combining revenue from all sources, total gaming revenue for the subject casino summed to $56.7 million in 2015, comprising 554,200 gamer visits and an average win per visit of $102. We estimated that the local market component would account for only about 30% of the total, as the operation would rely heavily on tourists visiting Steamboat Springs and Craig. Note that the overnight tourists would be a major driver of gaming revenue, accounting for about 60% of the total. The following table summarizes our top-line gaming revenue forecast for the proposed Yampa Valley Resort in Hayden for 2015.

Total Gaming Revenue - Yampa Valley Resort (2015)

Market Component	Gamer Visits	Win per Visit	Gaming Revenue	% of Total
Local Market	191,959	$90	$17,262,678	30.4%
Casino Hotel Guests	37,172	$102	$3,798,701	6.7%
Overnight Tourists - Steamboat	269,339	$117	$31,591,102	55.7%
Overnight Tourists - Craig	18,904	$107	$2,016,417	3.6%
Regional Day-Trip Tourists	6,068	$75	$455,063	0.8%
Traffic Intercept	30,780	$52	$1,600,579	2.8%
Total	**554,222**	**$102**	**$56,724,540**	**100.0%**

Source: The Innovation Group

Gaming Revenue Forecast (2014 – 2018)

The Innovation Group forecasted gaming revenue for the five-year timeframe of the report (2014–2018). We assumed that 2014 would reflect a ramp-up period as local market residents and tourists become familiar with the new facility and as the casino operation establishes its player database. We further assumed a conservative annual growth rate of 2.5% to 3.5% from 2016 through 2018, resulting in gaming revenue of $61.6 million by 2018.

The win per position metric calculated to $210 (2015) based on our goal to balance slot selection with operational efficiency. Therefore, we are recommending 740 gaming positions (650 slots and 18 tables). At this level, the casino could operate efficiently, and would have sufficient capacity during peak times and the ability accommodate future growth without adding capacity.

5-year Gaming Revenue Forecast (2014 - 2018)

	2014	2015	2016	2017	2018
Gaming Revenue	$51,902,955	$56,724,540	$58,880,073	$60,352,075	$61,619,468
Visitation	526,510	554,222	562,535	568,160	572,705
Win per Visit	$99	$102	$105	$106	$108
Number of Positions	740	740	740	740	740
Win/Position/Day	$192	$210	$218	$223	$228

Source: The Innovation Group

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.