

Gaming Market Assessment Report: Proposed Casino Project

Completed by Total Innovation Group

Reviewed by Ryan Rice and Paul Rice

The report from Total Innovation Group (TIG) is broken into 4 sections;

- 1) Introduction
- 2) Economic and Demographic Analysis
- 3) Competitive Environment
- 4) Gaming Market Analysis

Introduction

The Mohawk Council of Kahnawà:ke retained The Innovation Group (TIG) to provide a gaming market assessment and operational pro forma for a proposed stand-alone casino in Greater Montreal, Canada. The proposed project includes approximately 1000 VLT's and/or slots, 35 table games as well as food and beverage outlets. The proposed casino will not offer bingo or a poker area. Projections of total patronage and gaming revenues is made for the first five years.

The demand analysis report begins with an assessment of the project location and site based on research and data gathered during TIG's site visit; specifically the proximity to local residents, the footprint of the site, the surrounding tourist infrastructure and the quality of access the site through various modes of transportation among other factors.

A demographic overview of the region follows, demonstrating the population of the region, average annual household income, labor force, tourism and tourist visitation figures, automobile and air traffic. A detailed review and description of gaming market competitors follows.

The gaming market assessment takes into consideration all of the aforementioned factors in determining the potential gaming demand of the proposed casino. Demand is comprised of local market gamers, traffic intercept and overnight stay/tourist demand.

Key Assumptions, pending Community Support is Achieved

- The first full year of operations will potentially be 2015;
- The proposed casino is proposed to be will be located at the southernmost point of Kahnawà:ke;
- Proposed facility will be professionally managed and maintained;
- Proposed casino will most likely serve alcoholic beverages and operate 24 hours a day;
- Kahnawà:ke will expand their existing gaming control board to oversee casino gaming operations;
- Visitation continues to grow unhindered by economic downturns, acts of terror or natural disaster;

Site Analysis

The proposed site is located on the north side of the Autoroute-30 (A30) between routes 221/207 (currently exit 86) and Industrial Boulevard (currently exit 83). The 50-acre site enjoys excellent visibility and accessibility from the adjacent highway and appears to have great ingress/egress potential. Developed urban and residential communities surrounding the site include Saint-Constant, Saint-Catherine, Chateauguay, Mercier, Saint-Isidore and Saint-Remi in addition to Kahnawà:ke.

It is worth pointing out that the A-30 is currently in the midst of a massive expansion and restructuring that will widen and connect various sections of A-30, as well as construction of new bridges in order to make it suitable for major east-west thoroughfare connecting to Ontario.



Economic and Demographic Analysis

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

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

Population and Income

Total Population

The total population within approximately two hours of the proposed casino site was estimated at nearly 5.1 million in 2011, and is expected to grow to over 5.3 million by 2016. The majority of the population lies within the 0-30 and 30-60 minute ring, which encompasses the majority of Greater Montreal. Even more encouraging is that the 30-60 minute ring is expected to grow the fastest at 1.2% annually for the next five years.

Greater Montreal Area Population

Ring	2011	2016	AAG
0-30 mins	1,552,190	1,606,578	0.7%
30-60 mins	2,721,383	2,883,859	1.2%
60-120 mins	821,846	854,416	0.8%
0-120 mins	5,096,419	5,334,850	1.0%

Gamer Population

For the purposes of the TIG report, the gamer population utilized was 21 years and older due to how both Canada and the United States present estimated population figures. Gamer population was estimated at nearly 4 million for the two-hour drive ring surrounding the proposed site, representing nearly 78% of the total population.

Greater Montreal Area Population

Ring	2011	Gamer %	2016	Gamer %	AAG
0-30 mins	1,233,991	79.5%	1,282,049	79.8%	0.8%
30-60 mins	2,092,744	76.9%	2,243,642	77.8%	1.4%
60-120	644,327	78.4%	678,406	79.4%	1.0%
0-120 mins	3,970,110	77.9%	4,193,192	78.6%	1.1%

Average Household Income

Average household income for the 120-minute ring surrounding the proposed site is estimated to grow nearly 3% annually over the next five years from nearly \$70,700 to over \$81,600 in 2016. Not surprisingly, the urban areas have substantially higher average incomes compared to rural areas, approximately \$72,400 compared to only \$62,600 respectively in 2011.

Average Household Income

Ring	2011	2016	AAG
0-30 mins	\$ 72,570	\$ 83,371	2.8%
30-60 mins	\$ 72,386	\$ 73,792	3.0%
60-120	\$ 61,589	\$ 70,577	2.8%
0-120 mins	\$ 70,692	\$ 81,628	2.9%

Employment

Employment is a significant, if not the single most significant, factor in terms of gaming revenue declines during the recession. High employment usually signals a healthy economy, which creates a more profitable market capable of sustaining an expanded gaming industry.

National Trends

Nationally, the recent recession's impact on employment began in late 2008, as employment peaked in 2008 at 17.1 million employed workers. Over the next two years, Canada shed nearly 247,000 jobs before bottoming out in December 2009 at just over 16.8 million, a decline of 1.6% on a year-over-year basis. As of September, 2011, the unemployment rate, while still above pre-recessionary levels, showed some improvement, dropping to 7.1%, indicative of moderate job growth and a recovering economy.

Regional Trends

As the recessionary crisis took shape in 2008-2009, employment declined quickly from over 3.88 million in 2008 to nearly 3.85 million workers in 2009, a decline of 1%. However, as the economy recovered, employment in Quebec surpassed pre-recessionary levels, growing nearly 2% to nearly 3.92 million. In 2010, employment growth in Montreal CMA outpaced Quebec at a rate of 2.1% over the prior year, exceeding pre-recessionary levels by 0.9%.

Tourism

The following sections discuss various aspects of tourism to Greater Montreal including the top attractions, impact of tourism on Montreal's economy and visitation statistics such as segmentation, visitor origination and seasonality.

Activities and Local Attractions

As the second largest city in Canada, Greater Montreal has no shortage of attractions. Some of the most popular attractions among the residents and visitors include Vieux-Port, which attracts nearly 6.2 million visitors annually; Casino de Montreal, which attracts nearly 5.9 million visits and Centre Bell, home to the Montreal Canadiens, which enjoys nearly 2.1 million visits annually.

Visitor Impact

In 2010, Greater Montreal hosted nearly 19.6 million total visitors of which 62%, or 12.2 million were visiting for the day, while 38%, or nearly 7.4 million stayed overnight either at a hotel/paid lodging facility or with friends and family. While the day-trippers comprised the majority of visitation, the overnight segment contributed far more monetarily, estimated at over \$2.14 billion compared to \$736.7 million for day-trippers.

Visitor Origins

Of the overnight segment, the majority of visitation (4 million people) came from within the province, accounting for approximately 55% of total overnight visits, followed by nearly 1.6 million people (21%) visiting from other Canadian provinces. US and foreign visitation was relatively similar, comprising of the remaining 13% and 11% of visitation respectively.

Purpose of Visit

In 2010, the primary purpose of an overnight visit to Greater Montreal was to visit friends and family, accounting for approximately 53% of total visitation, followed by 31% visiting for pleasure, 11% visiting for business or a conference and 5% for other purposes.

Travel Activities and Motivation Survey

In 2006, tourism boards from various tourism associations throughout Canada conducted and published a study of both Canadian and US travelers called the Travel Activities and Motivation Survey (TAMS).

The study revealed that approximately 27.7% of Americans responded that they had visited a casino on an overnight trip compared to only 19.3% of Canadians. Casino visitation of overnight travelers from Canadian provinces varied significantly, ranging from only 13% in the Atlantic provinces to nearly 23% in Ontario. Not surprisingly, those with considerable casino gaming in the home province were more likely to visit casinos during overnight stays. Interestingly, Quebec ranked among the lowest at only 14.4%, though with the low amount of casinos in the area, this is not entirely surprising.

Traffic

According to transport Quebec, the number of cars in Greater Montreal has grown 10.5% from 2003 through 2008, or an average of 2% annually compared to 5% population growth. The increases grew far more in the suburbs than within the city, 17% and 6% during the same period respectively. In 2008-2009, the provincial government earmarked over \$2.7 billion to upgrade the road system for the area over the next few years.

In 2008, the MTQ announced more than \$435 million in road investments in Monteregie alone ranking first among Quebec regions in terms of road construction and improvements. The top priority in Monteregie was the renovation, redevelopment and construction of the A-30, which will promote more regional economic development and save money by saving time, both in the value of time for those commuting for work and school, as well as the time savings that would be lost during peak traffic hours.

In terms of the proposed casino, the new A-30 will provide much greater visibility from the increased traffic. Additionally, the mix of traffic may differ slightly; from predominantly local traffic, to more pass-through traffic, which creates a greater opportunity for new gamers at the facility. The area surrounding the proposed site already receives a considerable amount of traffic, exceeding 20,000 cars per day. With the completion of A-30, we would not only expect these average annual daily traffic (AADT) counts to increase, but to also include more pass-through traffic as A-30 becomes a more popular alternative route amongst motorists and truckers.

Air Service

Pierre Elliot-Trudeau International Airport is the most active passenger airport, located approximately 19 KM west of downtown Montreal. Since the closure of passenger traffic at Mirabel International Airport (MIA) in 2004, passenger traffic grew 19% in the first year followed by an additional 15.7% in 2005. Greater Montreal attracts the most visitors during the summer months of June, July and August when sunny days are most frequent. Visitation peaks in January and March are attributable to the ski season when the snow is ideal and appeals to spring break vacationers.

Competitive Environment

Historical Trends

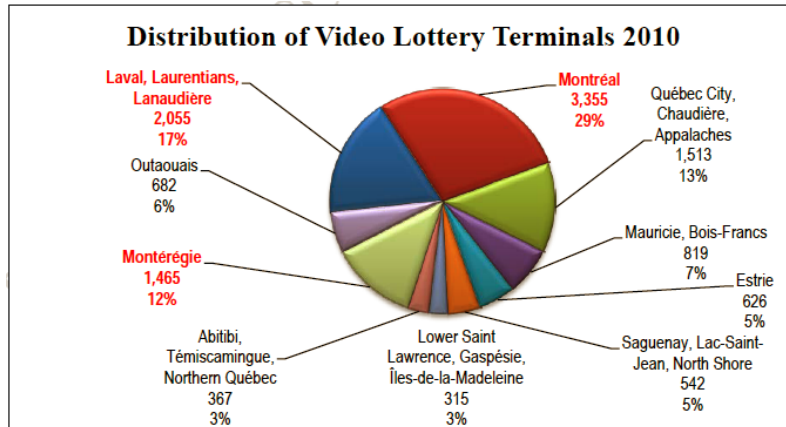
The section that follows will discuss the historical trends of the total gaming industry in Quebec over the past few years, followed by a section on VLT's in and around Quebec, and finally a discussion of individual casino revenues.

Total Gaming Market Trends

The province of Quebec offers four forms of gaming throughout the region: lotteries, casinos, video lotteries and bingo. In Fiscal Year (FY) 2010-2011, total revenues from all four sources reached a total of over \$3.67 billion. Revenues from lotteries accounted for the greatest proportion at 49%, or nearly \$1.8 billion in revenues. Video lotteries account for the second greatest proportion at 27% of total revenues in FY 2010-2011 or over \$1.0 billion. Casinos account for the third largest proportion of revenues at approximately 24%, or nearly \$891 million in FY 2010-2011.

Quebec VLT Gaming Market Trends

Of the approximate 11,700 VLTs distributed throughout the province of Quebec over 41% are located in Montreal and Monteregie. The concentration of VLTs in both slot parlors and taverns present additional competition for the proposed casino. The chart that follows shows the distribution of VLTs throughout the province with proximate VLT areas highlighted in red.



Quebec Casino Market Trends

There are four casinos within the province of Quebec operated by the Societe des Casinos du Quebec (SCQ) including Casino de Montreal (1993), Casino Lac Leamy (1996), Casino Charlevoix (1999) and the newest Casino Mont Tremblant (2009). Over the past few years, the SCQ has made great strides to improve the casino gaming product, service and gamer experience in each of the gaming venues.

In terms of gaming revenue, Casino de Montreal is by far the top earner, mostly due to their proximity to Montreal's population, earning approximately \$556.3 million in FY 2010-2011, or over 62% of total casino revenues. Casino Lac Leamy, located proximate to Ottawa, Ontario, has the second largest proportion of Quebec's casino gaming revenues at 29%, or \$260.5 million in FY 2010-2011, followed by the Casino Charlevoix and Casino Mont Tremblant with \$53.4 and \$20.8 million respectively.

Casino Description

Casino de Montreal

With over 3500 slot machines and 100 tables, the 48,700 square meter, Casino de Montreal is located on an island on the St. Lawrence River between the Island of Montreal and the South Shore. The island location poses several design issues and constraints, primarily limiting their ability to expand outward. Instead, the casino has had to build upwards, forcing the layout to be dispersed onto nine separate floors in the main building and in a separate four story building attached via an enclosed walkway. Accessing the casino is somewhat difficult, as the island location allows for few entrances. The facility offers five restaurants, ranging from quick serve cafes to fine dining and several bars. In 2009, Loto Quebec announced a \$305 million investment over the next four years to modernize the casino.

Casino de Charlevoix

Located along the St. Lawrence River in La Malbaie Quebec, the nearly 76,500 square meter casino offers nearly 900 gaming machines and nearly 30 table games. In addition to their casino, the Casino de Charlevoix includes five award-winning restaurants, two bars and the 405-room award-winning Fairmont La Manoir Richelieu, which includes a full service spa and health club, a convention center and an award-winning 27-hole golf course.

Casino du Lac Leamy

Located in Gatineau, Quebec near Ontario's capital city of Ottawa, Casino Lac Leamy features approximately 1800 gaming machines and 60 table games in their 27,900 square meters of gaming space. Save the weekend when the casino operates until 3AM, the casino is open from 10AM until midnight. The casino opened in 1996, followed by a 350-room Hilton Hotel in 2001.

[Casino de Mont Tremblant](#)

The newest addition to the Casinos of Quebec, the facility which opened in 2009, is much smaller than the other casinos, offering only 500 gaming machines and nearly 20 table games. The casino includes the new Altitude Seafood and Grill restaurant and lounge, as well as approximately 185 square meters of meeting space. Given its location, the casino is popular among tourists escaping to the mountains for vacations and skiing.

[Akwesasne Mohawk Casino](#)

The casino offers approximately 1600 gaming machines and over 20 table games in addition to numerous food and beverage offerings. Currently, overnight lodging is limited to hotels and inns proximate to the casino. The Mohawk Bingo Palace includes over 500 bingo seats, nearly 500 Class 2 video gaming machines, as well as food and beverage offerings.

On November 2nd, 2011, the Akwesasne Mohawks issued a statement announcing plans for an extensive expansion. The \$74 million expansion will increase the size of the gaming floor at the Akwesasne Mohawk Casino to make room for the bingo offered at the Mohawk Bingo Palace as well as the nearly 500 Class 2 machines. In addition the expansion will include RV parking with hookups and a new 150 room hotel with a spa, pool and fitness center. Completion of the hotel and accompanying amenities is slated for mid-2013.

[Rideau Carleton Raceway](#)

The Rideau Carleton Entertainment Center and Raceway, located in Ottawa, Ontario, originally opened in 1962 as a horse track offering live harness racing. In 2000, the facility was renovated to make space for 1250 gaming machines and even more recently, a new bingo hall supporting nearly 30 charities. The facility offers 4500 grandstand seats, a race book, 3 restaurants, including 650 seat dining room overlooking the 5/8 mile race track and three bars.

Gaming Market Analysis

Local Market

Methodology

In developing this analysis a gravity model was employed. The gravity model is an analytical tool that defines the behavior of a population based on travel distance and the availability of goods or services at various locations. Thus, the gravity model quantifies the effect of distance on the behavior of a potential patron and considers the impact of competing venues. The gravity model included the identification of 23 discrete market areas based on drive times and other geographical features and the competitive environment.

Each of these market areas is assigned a unique set of propensity and frequency factors. Gamer visits are the generated from zip codes within each of the market areas based on these factors. The gamer visits thus generated are then distributed among the competitors based upon the size of each facility, its attractiveness and the relative distance from the zip code in question. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market.

Each travel distance/time is evaluated to determine the likely alternative gaming choices for residents in the region. The model is constructed to include only those alternative venues that are considered to be within a reasonable travel time. The following section provides a description and definition of the various components of the model;

Gamer Visits

This measure is used to specify the number of patron trips to a gaming market, where an individual can make any number of separate visits in the course of a year. In order to estimate

the gamer visits, market penetration rates, made up of the separate measures of propensity and frequency, are applied to the adult population in each zip code.

Propensity

Propensity measures the percentage of adults who will participate in casino gaming within the zip code. This varies upon a number of factors, which includes the number of gaming venues, their type, games permitted, availability of other entertainment and leisure options and most importantly distance from a gaming venue.

Frequency

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

Win per Visit

Normatively, win per visit is a function of distance and income. Gamers traveling greater distances tend to spend more per visit, typically making fewer gamer visits on average. Again, given the tendency for urban areas to have higher incomes, we would expect win per visit to be on the high side.

Attraction Factors

Attraction factors measure the relative attraction of one gaming venue in relation to others in the market. Attraction factors can be based on a number of components including branding, the level and effectiveness of marketing efforts, and the level of quality and amenities of a facility. Attraction factors are also adjusted to model the presence of natural and man-made boundaries which impact ease of access and convenience of travel in the market area.

Market Carve-Out

The Kahnawà:ke market has been carved into 23 distinct market areas, from which it could be expected that different participation rates may be expected depending on the level and location of competition that is present in the market currently and in the future.

Model Calibration

The gravity model was calibrated for 2010 using Casinos de Quebec operating data as well as operating statistics of proximate casinos.

The next step in the analysis is to create a base model for 2015 using projected population and income growth and looking at historical revenue trends. The following table shows baseline 2015 gaming revenues assuming no expansion of the proposed casino.

Kahnawake Market Factors & Base Results - 2015

Market Segment	Propensity	Frequency	Average Win	Gamer Visits	Win per Visit	Gaming Revenue (MMs)
Primary	18.0%	8.0	\$93.62	397,347	\$94.25	\$37.4
Montréal Primary	20.0%	8.5	\$81.75	397,927	\$82.31	\$32.8
Montréal Secondary	20.0%	9.0	\$98.40	477,487	\$98.63	\$47.1
Montréal West	19.5%	8.0	\$115.94	413,982	\$120.34	\$49.8
Montréal Northwest	20.0%	8.5	\$68.97	396,765	\$69.43	\$27.5
Montréal Midwest	20.0%	9.0	\$61.83	427,096	\$62.12	\$26.5
Montréal Midway	20.0%	9.0	\$60.94	446,354	\$61.01	\$27.2
Montréal Upper	20.5%	8.5	\$78.48	250,956	\$78.89	\$19.8
Secondary Southeast	18.0%	8.0	\$78.48	177,819	\$79.53	\$14.1
Secondary East	19.0%	8.5	\$98.10	392,027	\$99.23	\$38.9
Secondary Northeast	20.0%	10.0	\$90.97	431,463	\$91.05	\$39.3
Secondary North Upper	19.5%	7.0	\$97.51	347,437	\$98.65	\$34.3
Secondary North Island	19.0%	7.0	\$91.86	344,802	\$92.78	\$32.0
Secondary North Lower	19.0%	7.0	\$100.18	259,211	\$103.35	\$26.8
Secondary Southwest	20.0%	8.0	\$93.05	272,327	\$100.60	\$27.4
Ontario	22.0%	7.0	\$73.73	130,557	\$84.93	\$11.1
Tertiary Northwest	19.0%	6.5	\$77.89	262,210	\$84.30	\$22.1
Tertiary Northeast	20.0%	6.5	\$70.16	166,966	\$84.38	\$14.1
Tertiary East	20.0%	7.0	\$71.64	186,053	\$85.85	\$16.0
Tertiary Southeast	16.0%	6.0	\$76.70	128,191	\$92.46	\$11.9
Vermont	19.0%	7.0	\$79.08	49,709	\$94.89	\$4.7
New York Primary	27.0%	9.0	\$68.97	104,410	\$85.29	\$8.9
New York Secondary	30.0%	15.0	\$66.59	317,907	\$81.67	\$26.0
Total/Average				6,779,002	\$87.87	\$595.7

Source: The Innovation Group

Expansion Results

The table that follows reveals the anticipated gaming market following the addition of the proposed casino. The new casino had an impact on both propensity and frequency factors, causing them to grow slightly due to the addition of a new gaming facility to the market. The addition of the proposed casino grew local market revenues by 5.5% or \$32.6 million.

Kahnawake Market Factors with Proposed Casino - 2015

Market Segment	Propensity	Frequency	Average Win	Gamer Visits	Win per Visit	Gaming Revenue (MMs)
Primary	21.0%	8.2	\$93.62	475,161	\$93.88	\$44.6
Montréal Primary	20.5%	8.7	\$81.75	418,072	\$82.03	\$34.3
Montréal Secondary	20.5%	9.2	\$98.40	501,660	\$98.59	\$49.5
Montréal West	20.0%	8.2	\$115.94	434,940	\$118.19	\$51.4
Montréal Northwest	20.5%	8.7	\$68.97	416,851	\$69.31	\$28.9
Montréal Midwest	20.5%	9.2	\$61.83	448,717	\$62.08	\$27.9
Montréal Midway	20.5%	9.2	\$60.94	468,951	\$61.01	\$28.6
Montréal Upper	21.0%	8.7	\$78.48	263,661	\$78.85	\$20.8
Secondary Southeast	18.5%	8.2	\$78.48	186,821	\$79.32	\$14.8
Secondary East	19.5%	8.7	\$98.10	411,873	\$99.09	\$40.8
Secondary Northeast	20.5%	10.3	\$90.97	453,306	\$91.05	\$41.3
Secondary North Upper	20.0%	7.2	\$97.51	365,026	\$98.48	\$35.9
Secondary North Island	19.5%	7.2	\$91.86	362,258	\$92.56	\$33.5
Secondary North Lower	19.5%	7.2	\$100.18	272,334	\$102.46	\$27.9
Secondary Southwest	20.5%	8.2	\$93.05	286,114	\$98.65	\$28.2
Ontario	22.6%	7.2	\$81.10	137,166	\$84.89	\$11.6
Tertiary Northwest	19.5%	6.7	\$85.68	275,484	\$84.63	\$23.3
Tertiary Northeast	20.5%	6.7	\$77.17	175,419	\$83.35	\$14.6
Tertiary East	20.5%	7.2	\$78.81	195,472	\$84.86	\$16.6
Tertiary Southeast	16.4%	6.2	\$84.37	134,681	\$91.04	\$12.3
Vermont	19.5%	7.2	\$94.89	52,225	\$94.89	\$5.0
New York Primary	27.7%	9.2	\$82.76	109,696	\$85.00	\$9.3
New York Secondary	30.8%	15.4	\$79.91	334,001	\$81.32	\$27.2
Total/Average				7,179,887	\$87.51	\$628.3

Source: The Innovation Group

Local Market Revenue Projection

Gaming revenues expected from the local market estimated at \$123.5 million in Year 1. Local market visits approximate 1.36 million.

Traffic Intercept

The traffic intercept segment reflects potential customers that are passing through the area on A-30 that decide to stop and patronize the casino. The vehicle count estimates were based on information obtained from the Transport Quebec. In 2015 the AADT is estimated at nearly 27,400 vehicles per day, which take into account the increase in traffic expected from the expansion of A-30. The count was then adjusted to reflect only pass through vehicles, meaning those that are not part of the local market.

Next, we estimated the gamer capture rate for this segment. Capture rates for adults passing through gaming markets are typically very low, likely between 1-3%. Due to its location directly on the highway, the Innovation Group believes that the proposed site would realize significant traffic intercept gaming revenue approximated at 2%. 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

Traffic Intercept Gamer Visits - W/ Proposed Casino 2015

Highway	AADT	Pass-through %	Adults / Vehicle	Capture %	Gamer Visits	Win per Visit	Gaming Revenue
Autoroute 30 Proximate to the Proposed Site	27,396	35%	1.50	2.00%	104,994	\$66.50	\$6,982,117

Source: Transport Québec, The Innovation Group

Overnight Tourist Demand

To determine overnight tourist demand, The Innovation Group collected data from Tourism Montreal regarding overnight tourists, as well as the TAMS study regarding casino visitation on out-of-town overnight trips.

The table that follows shows the various overnight visitors to Montreal by place of origin and the corresponding percent of gamers who visit casinos out-of-town overnight trips revealed by the TAMS study. Given the location of the proposed casino in relation to downtown Montreal where most overnight visitors stay, the distance to the proposed casino, as well as the shortage of additional amenities in comparison to the Casino de Montreal, we estimate the proposed casino could capture 11% of the overnight tourist segment.

Overnight Tourist Incremental Win - W/ Proposed Casino 2015

	Québec	Other Canada	United States	Foreign	Total
Total Overnight Visitors	4,078,977	1,586,729	965,972	826,544	7,458,223
Percent Gamers	14.4%	21.0%	27.2%	27.2%	18.9%
Total Overnight Gamers	587,373	333,213	262,744	224,820	1,408,150
Visits Per Gamer	1.0	1.0	1.0	1.0	1.0
Total Market Visits	587,373	333,213	262,744	224,820	1,408,150
Avg. Win Visit	\$95.63	\$95.63	\$95.63	\$95.63	\$95.63
Total Market Revenues	\$56,172,011	\$31,866,058	\$25,126,952	\$21,500,138	\$134,665,159
Capture Rate	11.0%	11.0%	11.0%	11.0%	11.0%
Total Property Revenues	\$6,172,545	\$3,501,649	\$2,761,112	\$2,362,575	\$14,797,880

Source: The Innovation Group

Summary and Five-Year Forecast

Total revenues from the various demand segments are estimated at approximately \$145.2 million in the first full year of operations from over 1.6 million gamer visits. Average win per visit neared \$90.

Gaming Patronage and Revenue Summary

Demand Segment	Gamer Visits	Win per Visit	Gaming Revenue (MMs)
Local Market	1,360,215	\$90.77	\$123.5
Traffic	104,994	\$66.50	\$7.0
Tourism Market	154,737	\$95.63	\$14.8
Total	1,619,946	\$89.66	\$145.2

Source: The Innovation Group

Operating Pro-Forma and Assumptions

The Innovation Group prepared a Statement of Earnings before Interest, Depreciation and Amortization (EBIDA) for the proposed casino. The prospective financial statements are based upon operating characteristics of comparable facilities throughout the province, as well as casinos in other jurisdictions and take into consideration existing and assumed future market dynamics.

- The first full year of operations is targeted to be 2015 if the Community supports the project;
- The proposed project will be constructed in substantially the manner, and with the amenities, as conveyed to The Innovation Group;
- The proposed facility will be professionally managed and marketed to the public
- The labor burden for salaries which includes benefits and insurances will be 35% of salaries and wages paid
- Unless otherwise noted all revenues are assumed to increase 2.5% annually; with labor costs expected to rise 2.5% and operating expenses 1.5% annually.

The statements assume that all equipment and finance costs are below the EBITDA line and therefore estimates of these costs are not included in the statements.

The facility is projected to generate nearly \$79 million in EBITDA in the first year of operations.

The margin based on net revenue reflects 49.5%.

Proposed Kahnawake Casino Project

Five Year Pro Forma					
(in 000's)	2015	2016	2017	2018	2019
REVENUES:					
Table Revenues	\$21,787	\$22,441	\$23,114	\$23,807	\$24,522
Slot Revenues	\$123,461	\$127,165	\$130,980	\$134,909	\$138,956
Gross Gaming Revenues	\$145,248	\$149,606	\$154,094	\$158,717	\$163,478
Food and Beverage	\$13,072	\$13,464	\$13,868	\$14,284	\$14,713
Retail & Other	\$1,309	\$1,337	\$1,362	\$1,388	\$1,415
TOTAL GROSS REVENUES	\$159,630	\$164,407	\$169,325	\$174,390	\$179,606
Less: Promotional Allowances	\$7,989	\$8,228	\$8,475	\$8,729	\$8,991
NET REVENUES	\$151,641	\$156,179	\$160,849	\$165,660	\$170,615
DEPARTMENTAL EXPENSES:					
Casino Operations	\$16,964	\$17,455	\$17,891	\$18,333	\$18,787
Food & Beverage	\$11,765	\$11,983	\$12,204	\$12,428	\$12,653
Retail & Other	\$620	\$632	\$643	\$653	\$665
Marketing	\$18,215	\$18,757	\$19,290	\$19,839	\$20,404
General and Administration	\$12,351	\$12,686	\$12,967	\$13,224	\$13,487
Social Responsibility	\$3,631	\$3,722	\$3,796	\$3,853	\$3,911
Property Operations	\$6,041	\$6,204	\$6,341	\$6,466	\$6,594
Security/Surveillance	\$5,277	\$5,429	\$5,559	\$5,690	\$5,825
TOTAL DEPARTMENTAL EXPENSES	\$73,412	\$75,380	\$77,172	\$78,946	\$80,762
EBITDA	\$78,230	\$80,799	\$83,677	\$86,714	\$89,853
EBITDA %	49.0%	49.1%	49.4%	49.7%	50.0%

Source: The Innovation Group

Pro-Forma Assumptions

Revenue

Revenue has been allocated based on the following percentages;

- 85% Slot Machine Revenue
- 15% Table Game Revenue

Food and Beverage

Food and beverage revenues are assumed at approximately 9% of gaming revenues. For a facility of this size and scope, food and beverage outlets should include a 24-hour café, a grab and go deli and a slightly more upscale restaurant. In addition, complimentary alcoholic beverages should be available to patrons over the age of 18 gaming on the casino floor. This complimentary revenue is recorded in Food and Beverage revenue and deducted in the promotional allowance line item.

Retail and Other Operating Revenue

Retail sales from the gift shop and other operating revenues, including commissions and fees earned from ATM and credit cash advance machines are projected at approximately 0.9% of gaming revenues.

Promotional Allowances

Promotional allowances represent the retail value of goods and services provided to customers. These allowances have been estimated at 5.5% of gaming revenues. These figures are based upon the assumption that free play or cash-back promotion and food and beverage complimentarys will be an integral component of the property's marketing efforts.

Taxes

Per the client's request, we have not included any taxes in this pro forma. Specifically, there was no gaming tax included, no property taxes, no sales and use taxes (Quebec sales tax) and no fee for special payments to the province.

Expenses

Table Department

Operating expenses include payroll and health benefits for employees, supplies and other expenses associated with the utilization of 35 table games.

Slot Department

Operating expenses include payroll and health benefits for employees, supplies and other expenses associated with the utilization of 1000 slot machines. In addition, a slot participation fee is forecast. This payment is made to slot manufacturers for allowing certain type games that are licensed to be played at the facility.

Food and Beverage Department

Food and beverage expenses were based upon anticipating staffing levels for the various outlets as well as the estimated Costs of Goods Sold (COGS) given the mix of offerings.

General and Administrative (including Human Resources)

General and administrative expenses include all administrative salaries and wages for the casino and were based upon an analysis of estimated positions and wage rates. Included in this figure are the management and support staff, purchasing, finance and accounting, human resources, management fees and warehouse operations. Human resources expenses include company training related expenses, advertising and recruiting expenses and benefit administration costs.

Information Systems

Costs for this department have been estimated based upon estimated staff levels. Information systems expenses include the costs to maintain and monitor the costs of the accounting and player tracking/marketing systems, as well as the food and beverage and retail components.

Cleaning and Maintenance

Maintenance expenses are based upon estimates for maintaining the casino facility and the surrounding grounds. This figure includes the costs of cleaning the facility on a daily basis and assumes that a full contingent of workers is on staff as well as an allocation for maintenance agreements for services typically not handled in-house such as elevator and escalator services.

Marketing

Marketing expenses include all of the costs to staff the marketing department for the casino including the slot club, as well as all advertising costs. Marketing costs have been estimated at approximately 12.5% of gaming revenue. The figures assume a very aggressive marketing program given the expected competitive environment and an effort to provide a year round flow of customers to the casino.

Security/Surveillance

Security and surveillance costs reflect the payroll and the other expenses associated with the operation of the facility based upon comparable operations in other locations.

Social Responsibility

Because there are no gaming taxes, a portion of which typically funds social responsibility programs, we have included a social responsibility fee of approximately 2% of total gaming revenues to fund programs committed to fostering program gamblers and gambling addiction.