
Tourism Market Impact

Bethlehem, Pennsylvania

Prepared for:
Las Vegas Sands Corp.

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Introduction

Las Vegas Sands Corp. is considering an investment in an entertainment complex in Bethlehem, Pennsylvania and retained The Innovation Group to investigate the impacts that similar developments have had on tourism in the region immediately surrounding the property. These effects can both be direct, in increased tourism due to the presence of a new attraction, and indirect, in terms of greater awareness and subsequent visitation. In this report, The Innovation Group will discuss the existing tourism base in Lehigh Valley and Bethlehem and the potential benefits for existing attractions due to the proposed development, known as Sands Bethworks.

Bethlehem, founded in 1741, has a rich and lively history that permeates the community to this day. Located in the Lehigh Valley, which consists of Northampton and Lehigh counties, Bethlehem is within 90 minutes of New York and Philadelphia. For families and friends visiting students at the schools, or visitors just making a day-trip to the area, there is a wealth of both indoor and outdoor activities and attractions to keep them busy. Available options for outdoor lovers include hiking, biking, river sports, golf and, in the winter, skiing. There are also many fine art galleries, performing arts, shopping and restaurant options. Bethlehem's original shopping hub, the South Side, is reborn with unique shops and an array of ethnic cuisine.

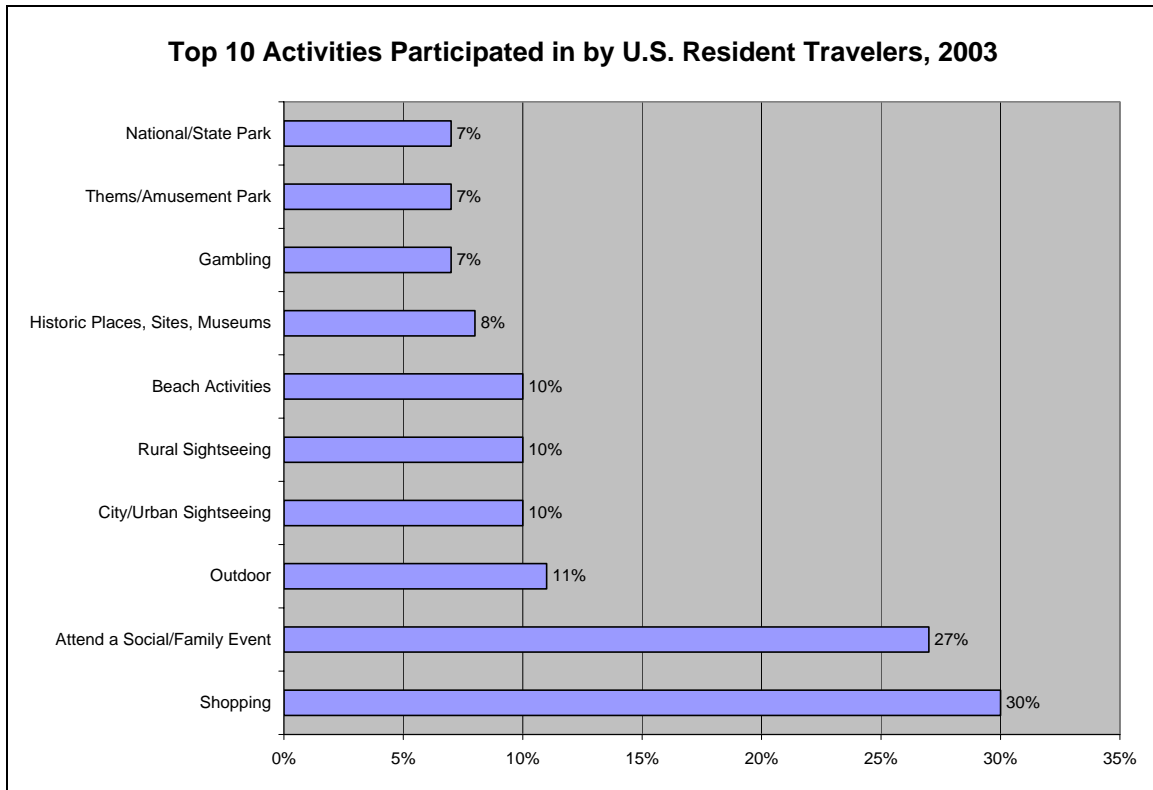
Originally chartered in 1904, Bethlehem Steel occupied four and one-half mile stretch along the Lehigh River. The facility became the largest steel producer in the country, and in 1939 had the capacity to exceed the nation's demand for World War I, playing a major role in the economic growth of the United States and the region. As the community has developed, the plant became less competitive within the steel industry and the economic base gradually diversified.

The site in question consists of approximately 124 acres and is commonly known as the Bethworks site. The proposed redevelopers, Sands Bethworks Gaming, LLC, consider the National Museum of Industrial History and the other charitable entities mentioned below significant potential elements of its efforts. The organization envisages recreation, dining, entertainment, and retail elements as part of the master plan for the effort.

The proximity of the region to a large out-of-state population base and the large, broad, and integrated attraction would hopefully become a springboard for the VisitPA tourism campaign. In order to provide insight into the contextual value of the entire Bethlehem Steel site and its relationship to surrounding cultural and historical attractions, guests will have the option of going on a tour of the site. A visitors' center will provide information and facilitate further visitation, making the site a 'hub' from which visitors may chose other 'spoke' attractions throughout the Lehigh Valley region. Furthermore, information on other attractions throughout the state would encourage incremental visitation, further entrenching Lehigh Valley as a gateway for visitors from the metropolitan New York region and helping to reverse the emerging trend of substituting less beneficial leisure day-trips for overnight-trips cited in the 2003 Pennsylvania Travel Profile.

National Tourism Trends

The Travel Industry of America keeps abreast on the demand trends of travelers. The following chart was compiled from TIA data, and presents the *Top 10 Activities Participated in by U.S. Resident Travelers in 2003*. The most popular activity was shopping (30%), followed by attending a social/family event (27%). Among the Top 10 activities were outdoor activities, rural sightseeing, visits to historic places, sites and museums, gambling, and visits to national or state parks. These travel preferences bode well for Bethlehem, as it can offer a number of these activities in one trip.



Festivals and Special Events

The International Festivals & Events Association (IFEA) has noted the rise in festivals and events throughout the world. Currently, there are more than 1 million regularly recurring events, large enough to require municipal support, globally. The average number of events per community was 27. According to the Travel Industry of America, “as the world grows smaller, festivals and events have become community ‘calling cards’, presenting what is important to communities and providing ideal travel destinations for visitors who have limited time to experience a particular area.” Further, “festivals and events are typically created for a three-fold purpose that includes increasing residents’ quality of life, driving tourism, and making an economic impact.” Festivals and events provide host communities with positive imaging and valuable media coverage that is non-purchasable.

The following table presents a sampling of annual festivals and their average attendance.

Festival Attendance

Festival	Location	Dates	Attendance
Gilroy Garlic Festival	Gilroy, CA	Late June	15,000
Boise River Festival	Boise, ID	Last week of June	500,000
French Quarter Festival	New Orleans, LA	Mid April	450,000
Red River Revel Arts Festival	Shreveport, LA	October	180,000
Revere Beach Seafood Festival	Revere, MA	August	60,000
National Fiery Foods & Barbeque Show	Albuquerque, NM	Early March	12,000
Taste of Buffalo	Buffalo, NY	Mid July	500,000
New Orleans Jazz and Heritage Festival	New Orleans, LA	April/May	800,000

Source: Festivals.com, 600 Festivals Right in Your Own Backyard

Cuisine-based festivals, such as the Gilroy Garlic Festival, Revere Beach Seafood Festival, and the Taste of Buffalo have become very popular in recent years. The New Orleans Wine and Food Experience, a grand tasting of regional cuisine and wines from throughout the world, brings together over 140 wineries and 50 chefs every year. This 5 day event draws connoisseurs from across the U.S. and the world, and has steadily become a major event in the city.

Music festivals are also becoming increasingly popular. New Orleans' French Quarter Festival, once only a locals event in the weeks preceding the hugely popular jazz and Heritage Festival, has grown in average attendance from about 200,000 to 450,000 in the last 5 or 6 years. In addition to New Orleans, Austin, Texas hosts Austin City Limits and South By Southwest, also helping it solidify its reputation as a center for music creation and enjoyment.

One of the largest festivals hosted in Bethlehem is Musikfest, held annually in August. Musikfest is the largest musical festival in the state. The event typically spans over a week and features a number of musicians along with cultural attractions and dining options. Lehigh Valley Convention and Visitors Bureau boasts nearly 100 annual cultural events in the region, those hosted in Bethlehem are shown in the following chart.

Bethlehem Annual Special Events

Month	Event	Attendance ¹
March	Greater Lehigh Valley Auto Show	N/A
April	"Rooms to View" House Tour	N/A
May	Annual Bach Festival	2,800
June	Concours d'Elegance of the Eastern United States	6,000
	Miss Pennsylvania Scholarship Pageant	N/A
July	Annual Blueberry Festival	N/A
August	Musikfest	465,000
September	Celtic Classic Highland Games & Festival	100,000
November	Ethnic Christmas Trees from Around the World	N/A
	Christmas in Bethlehem	N/A
	Christkindlmarkt Bethlehem	21,000
December	First Night Bethlehem	1,500

Source: Lehigh Valley Convention and Visitor Bureau

1) Confidential data in some cases

Cultural and Heritage Tourism

According to the Travel Industry of America,

“More than half of the traveling American public consider it important to experience or learn about cultures other than their own when they travel . . . the arts have proven to be a magnet for travelers . . . local businesses are able to grow because travelers extend the length of their trips to attend cultural events. Compared to all U.S. travelers, cultural travelers spend more (\$623 vs. \$457), are older (49 vs. 47) . . . are more likely to use hotel and bed and breakfast accommodations (62% vs. 55%), and travel longer on overnight trips (5.2 nights vs. 4.1 nights).

Lehigh Valley hosts a number of cultural attractions that range from the country’s oldest Bach choir to festivals capitalizing on the rich cultural heritage driven by migration to the region. Cultural festivals feature Dutch and German overtones and the area’s rich history inspires festivals featuring arts and crafts, music, quilting, and Civil War history. Bethlehem has 15 places on the National Register of Historic Districts and Places, a strong complement to many of these events. According to the Lehigh Valley Convention and Visitors Bureau, 30% to 40% of the over 1,000,000 annual visitors to the region are from outside of the area.

Regional Tourism

In 2003, The Lehigh Valley Region (defined as Lehigh and Northampton counties), attracted approximately 1.5 million leisure overnight visitors, or approximately 3.0% of all overnight leisure travel in Pennsylvania. This was a decline of 7% from 2002 levels, however, in 2003 the Lehigh Valley region rose from 11th place to 10th among the state’s 14 secondary tourism regions. According to information prepared by D.K. Shifflet, most vacationers to the Lehigh Valley region again cited “Visiting Friends and Relatives” as

their primary reason for visiting in 2003 and a private home was the preferred accommodation for most visitors to the area.

Top activities of visitors to the region in 2003 included: dining, shopping, and sightseeing, followed by amusement park, entertainment, and historic sites. Visitor participation in these activities in the Lehigh Valley was well below that of other regions. Other activities enjoyed were entertainment and sporting events. Visitors spent an average of \$445 per travel party, per trip, and the main type of traveling party was one adult. The average age of visitors was 45 years old. In 2002, visitors stayed in the region an average of 3.1 days.

Listed in tourism guides as ‘The Heart of the Corridor’ of the Delaware & Lehigh National Heritage Corridor, Lehigh Valley’s attractions are as interesting as they are abundant. Bethlehem, named on Christmas Eve in 1741, is the valley’s oldest city, and features several historical attractions including Gemeinhaus, possibly the oldest log structure in continuous use in the United States. Sands Bethworks proposes to feature this and other attractions, only some of which are listed below, at a visitors’ center located at the Bethlehem Steel site in order to encourage visitors to take advantage of the opportunity to further understand the historical and cultural aspects of Lehigh Valley and enhance their experience.

Selected Lehigh Valley Cultural and Historical Attractions

Lockett's House Museum
George Taylor House
Lock Ridge Furnace Museum
Liberty Bell Shrine
Trout Hall
Allentown Art Museum
National Canal Museum
Crayola Factory
Gemeinhaus

Source: Lehigh Valley Convention and Visitors'
Bureau

Impact of Higher Education

The Lehigh Valley region hosts several small colleges, adding to the diversity of the region as well as tourism. Enrollment ranges from 764 students at Penn State Lehigh Valley to more than 9,000 at Kutztown University. The following table details the 11 colleges and universities in the Lehigh Valley and the approximate number of enrollees for the Fall 2003 session.

Greater Lehigh Valley Colleges and Universities
Enrollment Data: Fall 2003

	Total Enrollment	Undergraduate Enrollment
Cedar Crest College	1,763	1,711
DeSales University	2,914	2,167
East Stroudsburg University	6,162	5,121
Kutztown University	9,008	8,058
Lafayette University	2,285	2,285
Lehigh-Carbon Community College	6,353	6,353
Lehigh University	6,732	4,679
Moravian College & Theological Seminary	2,102	1,845
Muhlenberg College	2,452	2,452
Northampton County Community College	6,132	6,132
Penn State University-Lehigh Valley	764	720
	46,667	41,523

Source: NCES - National Center for Education Statistics

The colleges and universities in the area not only draw many students to the area, but also families and friends of the students. Further, people come to the area to watch games, attend school functions and events, recruiting purposes, concerts, to conduct business or research with the schools, and for various other offerings of the campuses. The institutions of higher-learning have contributed significantly to the health of the local economy and provide an array of cultural, intellectual, and artistic opportunities for the public.

Economic Impact of Tourism

Tourism plays a significant role in the Lehigh Valley economy. Visitor spending, as estimated by the Pennsylvania Tourism Office, grew 6.8%, from \$688.2 million in 2002 to \$732.0 million, in 2003. Food and beverage, shopping, and lodging are the three largest areas of expenditure and account for roughly 2/3 of the total, as shown in the following table.

Visitor Spending - Lehigh and Northampton Counties

	\$ (mil)	2003	2002	Change
LEHIGH				
Transportation		\$80.28	\$76.99	4.3%
F&B		\$162.47	\$149.95	8.3%
Lodging		\$98.33	\$92.98	5.8%
Shopping		\$93.70	\$89.56	4.6%
Entertainment		\$48.22	\$43.52	10.8%
Other		\$30.19	\$29.78	1.4%
Total		\$513.19	\$482.78	6.3%
Share of Total County Economy		1.6%	1.6%	
NORTHAMPTON				
Transportation		\$13.06	\$12.52	4.3%
F&B		\$87.81	\$81.05	8.3%
Lodging		\$17.30	\$16.36	5.7%
Shopping		\$70.68	\$67.55	4.6%
Entertainment		\$15.79	\$14.25	10.8%
Other		\$14.14	\$13.71	3.1%
Total		\$218.78	\$205.44	6.5%
Share of Total County Economy		1.2%	1.2%	
COMBINED				
Transportation		\$93.34	\$89.51	4.3%
F&B		\$250.28	\$231.00	8.3%
Lodging		\$115.63	\$109.34	5.8%
Shopping		\$164.38	\$157.11	4.6%
Entertainment		\$64.01	\$57.77	10.8%
Other		\$44.33	\$43.49	1.9%
Total		\$731.97	\$688.22	6.4%

Source: Pennsylvania Tourism Office - Dept. of Community & Economic Development

The total economic impact of tourism in the region is comprised of three elements. The direct impact includes dollars spent directly by tourists on goods and services in the region. The indirect impact represents dollars spent by those organizations providing direct goods and services in the local economy. So whereas a person may go to a restaurant for a meal, which represents a direct impact, that restaurant may purchase food from a local food service, which is an indirect impact. The induced economic impact accounts for the wages earned through tourism as they ripple through the economy. Referring to the prior example, this would represent the local spending by the people employed at the restaurant and the food service.

Details on the composition of Gross State Product are presented in the following table. As can be seen in the chart, between 2002 and 2003, the contribution that tourism made to the region's economy grew by 7.1%.

Visitor Economic Impact: Contribution to Gross State Product

	Direct	Indirect	Induced	Total
2003				
Lehigh County	\$280,112,136	\$111,998,512	\$147,057,937	\$539,168,585
Northampton County	\$105,190,859	\$47,747,015	\$62,693,489	\$215,631,363
	\$385,302,995	\$159,745,527	\$209,751,426	\$754,799,948
2002				
Lehigh County	\$262,549,523	\$104,255,449	\$136,891,026	\$503,695,998
Northampton County	\$98,227,180	\$44,366,386	\$58,254,607	\$200,848,173
	\$360,776,703	\$148,621,835	\$195,145,633	\$704,544,171
Change				
Lehigh County	6.7%	7.4%	7.4%	7.0%
Northampton County	7.1%	7.6%	7.6%	7.4%
	6.8%	7.5%	7.5%	7.1%

Source: Pennsylvania Tourism Office - Dept. of Community & Economic Development

Tourism and the Workforce

In 2003, 6.98% of all jobs in Lehigh County were dependent on tourism, compared to 6.65% a year earlier. Although many of those positions were directly dependent on tourist expenditures, roughly a third were related to the indirect and induced impacts of visitation. Tourism also played a significant role in Northampton, where in 2003 5.78% of jobs were dependent on visitation, up from 5.44% in 2002. As the following chart shows, overall employment was up 5.7% when 2003.

Lehigh Valley Tourism Employment

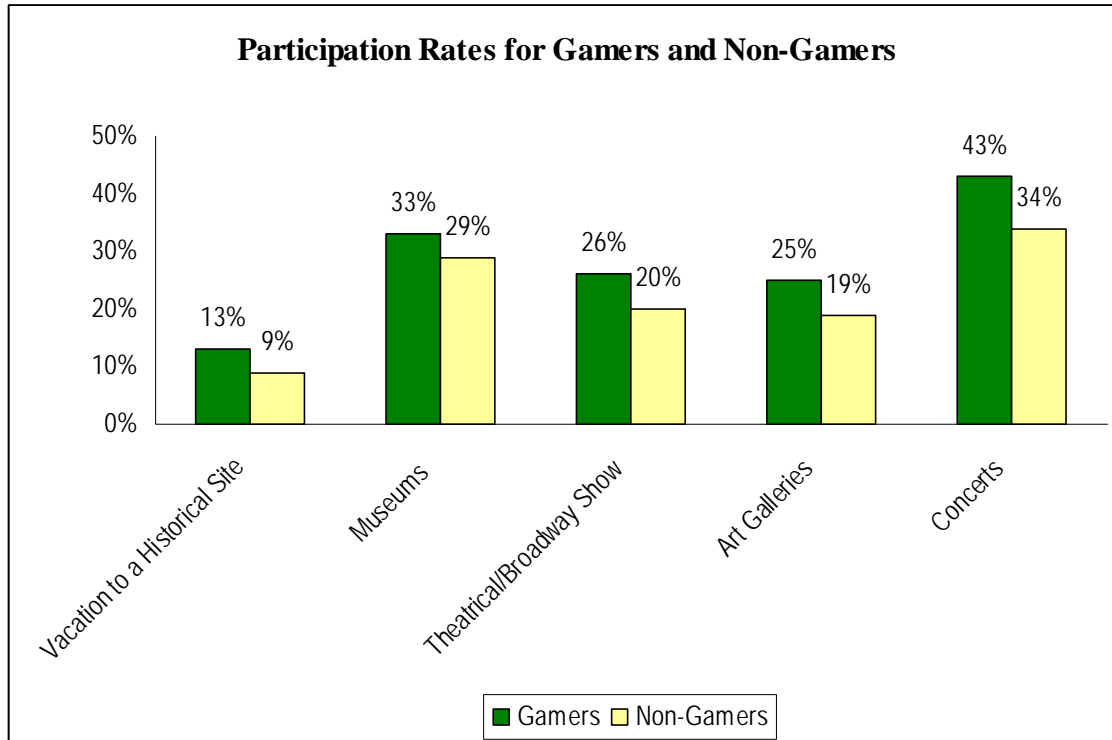
	Direct	Indirect	Induced	Total
2003				
Lehigh County	8,172	1,827	2,436	12,435
Northampton County	3,484	779	1,039	5,302
	11,656	2,606	3,475	17,737
2002				
Lehigh County	7,731	1,733	2,311	11,775
Northampton County	3,290	738	983	5,011
	11,021	2,471	3,294	16,786
Change				
Lehigh County	5.7%	5.4%	5.4%	5.6%
Northampton County	5.9%	5.6%	5.7%	5.8%
	5.8%	5.5%	5.5%	5.7%

Source: Pennsylvania Tourism Office - Dept. of Community & Economic Development

Gamers and Cultural Attractions: National Polling Data

According to the Harrah's 2004 Profile of the American Gambler, casino gamers tend to have a greater disposable income, are more active in managing investments, and are more likely to take part in a host of activities when compared to non-gamers. The following chart compares respondents' activities over the 12 months prior to April 2004, with a $\pm 2\%$ margin of error.

The chart clearly exhibits that gamers are more likely to take overnight vacations to historical sites as well as participate in a host of cultural activities. Gamers were more likely to have gone to a museum, theatrical/Broadway show, art gallery, and concerts when compared to non-gamers.



Case Studies: Effects of Gaming on Tourism

The Innovation Group gathered information on several regional tourism destinations that also host casinos in an effort to gauge the impact that the introduction of gaming operations have on the existing tourism base in a region. Through interviews and published tourism data, as described herein, the goal of this research was to explore tourism in non-urban settings, as this was considered to be most comparable to the proposed development. As the tax base and tourism is somewhat limited, quantitative information in these regions is somewhat limited.

Niagara Falls, Ontario, Canada

Perhaps the best example of the positive effect tourism and gaming on economic development comes from Niagara Falls Canada. Between 1992 and 1996 hotel occupancies sagged between 48 and 52%. In 1996 Casino Niagara opened, offering 95,000 square feet of gaming with more than 1,700 slot machines, over 60 table games, three restaurants and three bars. The effect of the casino was profound. According to the City of Niagara Falls 2004 Economic Report:

- *Overnight stays* jumped from an estimated 2.9 million in 1996 to approximately 3.8 million in 2001 and are projected by the Conference Board of Canada to top 4.3 million by 2007.
- *Hotel occupancies* jumped from 52% in 1996 to 60% in 1997.
- *Overall tourism expenditure* was calculated at \$.92 billion in 1996. In 2001, this number reached \$1.84 billion, and is projected to achieve \$2.67 billion in 2007.
- *3,700 full-time jobs* were created (95% local)

The direct economic spin-off and success of Casino Niagara prompted the City of Niagara to approve the development of the Fallsview Casino, a 2.5 million square foot complex including 3,000 slot machines and 150 gaming tables, a 368-room 5-star hotel, fine dining restaurants, 50,000 square feet of meeting space, a health spa, retail facility, and a 1,500-seat theatre. The variety and comprehensiveness of this facility is expected to draw a diverse base of gaming and non-gaming tourists who wouldn't have planned a trip to Niagara for the waterfalls. Cooperation between the Conference Board of Canada, The City of Niagara Falls, and local community members has contributed to an economic engine which has propelled the formerly flailing tourist destination into a vibrant new era.

This is evident by two major projects announced in 2004: Ripley's Aquarium and Great Wolf Lodge. The Great Wolf Lodge is set to open in May of 2006 and will feature one of the world's largest indoor waterparks (102,000 sq. ft.), an *Aveda* Concept Spa, a state-of-the-art meeting symposium, fitness center, and an outdoor recreation and pool area. Ripley's Aquarium, set to open in 2006, will include interactive exhibits, showcase colorful species from around the world, and take visitors on a journey through the evolution of the Canadian Seas and Ancient Savage Sea to present day in a unique, entertaining way. These new attractions have been made possible by the massive influx of visitors to the Niagara era since the opening of Casino Niagara.

New Orleans, Louisiana

Historically, New Orleans has attracted visitors for a number of activities including music festivals and celebrations, historical attractions, sporting events, and its rich and eclectic flavor founded in its heritage. Established in 1966, The Historic New Orleans Collection operates a museum in a complex of historic French Quarter buildings that illustrate the history of the city and the state. In October of 1999, Harrah's opened a permanent casino nearby. Visitation statistics for each are provided in the following table.

As can be seen, visitation to the gaming establishment has been somewhat consistent, with between 6.2 and 7 million visitors per year. Prior to the opening of the casino, visitation at the Historic New Orleans Collection averaged 21,730 (1995 to 1998), growing at an average annual rate of 4.1%. In the years since the casino opened (1999 to 2004), and omitting the bicentennial celebration in 2003, average annual visitation increased to 29,631, an increase of approximately 36.4% over the pre-casino average. Annual growth has averaged 5.1% from 1999 to 2004. This increased visitation at the Historic New Orleans Collection following the opening of nearby casino operations shows that, at a minimum, a cultural/historic attraction can thrive with nearby entertainment attractions that include casino gaming. Given that overall economic and political conditions over the timeframe led to stagnant and even declining tourism statistics in the United States, and that no other factors in the local market were identified, it is possible that the increased average annual visitation to the Historic New Orleans Collection of 7,901 annual visitors, or 0.14% of the casino's average annual visitation, was at a minimum partially attributable to the presence of that entertainment attraction.

New Orleans Visitor Counts

Year	Historic Collection Visitors	Harrah's Downtown Admissions
1995	19,995	
1996	16,319	
1997	27,106	
1998	23,499	
1999	27,978	1,189,258
2000	30,653	6,998,217
2001	28,447	6,333,685
2002	25,215	6,384,736
2003*	61,644	6,206,481
2004	35,862	6,713,637
AAG, 1995-2004	6.7%	
AAG, 1995-1998	4.1%	
AAG, 1999-2004	5.1%	
Average, 1995-1998	21,730	
Average, 1999-2004	34,967	5,637,669
Average, 1999-2004, Omitting 2003	29,631	5,523,907

*Louisiana's Bicentennial Year

Source: Historic New Orleans Collection, Louisiana Gaming Control Board

Naples, Florida

In the immediate vicinity surrounding Germain Arena, a Native American casino is located in Immokalee and a new arena is located in Estero. Although no private information on the casino's performance can be published, it is readily apparent that the casino is attracting significant visitation. Concurrently, Germain Arena has been successful in hosting a number of events featuring sports, concerts, and cultural attractions.

The Germain Arena is a 7,500-seat facility (for hockey events, more for others) which opened in November 1997 in Estero, Florida. The facility is the new home of the Florida Flame, part of the National Basketball Development League or D-League, is also the home of the ECHL Florida Everblades hockey team and the Arena Football 2 Florida Firecats indoor football team. Both teams have led their respective leagues in attendance since their inception with the Everblades averaging 6,214 fans per game and the Firecats averaging 5,672 fans per game.

In addition to sporting events, the Germain Arena hosts entertainment acts, trade shows, graduation ceremonies, cooking shows, corporate receptions, and other large scale assemblies requiring banquet service. The main arena bowl and two auxiliary rink floors

are available for rental as the event schedule permits. The following table lists the facility schedule for the last week in May through the first week in August, 2005.

Naples, Florida - Germain Arena Schedule (May-Aug.)			
Date	Day	Event	Time
May, 2005			
May. 28	Saturday	Amarillo Dusters @ Florida Firecats	7:30:PM
June, 2005			
Jun. 4	Saturday	Birmingham Steeldogs @ Florida Firecats	7:30:PM
Jun. 7	Tuesday	Tom Petty and the Heartbreakers	7:30:PM
Jun. 10	Friday	Professional Bull Riding	8:00:PM
Jun. 18	Saturday	Manchester Wolves @ Florida Firecats	7:30:PM
Jun. 25	Saturday	Macon Knights @ Florida Firecats	7:30:PM
July, 2005			
Jul. 9	Saturday	Arkansas Twisters @ Florida Firecats	7:30:PM
Jul. 16	Saturday	Wilkes-Barre Pioneers @ Florida Firecats	7:30:PM
August, 2005			
Aug. 4	Thursday	Hilary Duff	7:30:PM

Source: Germain Arena

Boonville, Missouri

Boonville is located centrally within the state of Missouri and hosts several cultural and historical attractions as well as an Isle of Capri facility. Isle of Capri offers 28,000 square feet of gaming space, 3 restaurants, meeting and conference space, live entertainment, a retail center, and a historic display area in its pavilion. The facility was opened in 2001, and in 2004 reported over 2.7 million visits and over \$74.5 million dollars in adjusted gross receipts to the Missouri Gaming Commission. Simultaneously, the town hosted several events highlighting model trains, local music, concerts and comedy entertainment, arts, and heritage.

The Innovation Group contacted Friends of Historic Boonville, a non-profit group that promotes the city's cultural heritage and attractions. Maryellen H. McVicker, the group's Executive Director, replied that the presence of the casino has led to incremental visitation at the group's attractions, although no effort had been made to quantify the effect.

Potential New Tourism Opportunities

Clearly, the presence of an entertainment complex will increase awareness of Bethlehem in the region. Visitation to the area will immediately increase due to the presence of the casino/hotel, and some of these visitors will not have had exposure to the region prior to the opening of the facility. Based on the research cited in the Gamers and Cultural Attractions: National Polling Data section of this report, it is clear that on the aggregate, visitors to the proposed complex will be more likely than average to partake in the range of cultural activities available in the region.

The gaming attraction at the proposed facility is obviously new to the region. The current building program and property positioning indicates that the property will host cultural festivals and historical attractions that would complement those currently offered in the region. For example, the facility will feature a new, modern entertainment center that, given its size, could likely host concerts and events that could not otherwise find adequate space in the region. A unified effort to make the site an informational gateway to tourism in Lehigh Valley and throughout the state is expected, based on anecdotal evidence, to result in incremental tourism to the featured attractions.

Benefits to Existing Tourism Offering

Although a clear opportunity exists for the region to further develop its performance in the tourism sector, capitalizing on that opportunity will likely involve some effort. The Innovation Group estimates that customers of the proposed facility will visit the property an average of 10.4 to 10.5 times over its first full year of operations. Building awareness for these visitors will be an important step in generating incremental tourism revenue from their visits. It is important, given the frequency with which some visitors may come to the casino, that advertising be dynamic and current. This is distinct from delivering consistent messages and branding, which are commonly used in similar efforts to develop awareness in the public. It is possible, as the Sands Bethlehem facility is one of several elements for the Bethlehem Steel site, that the developers could develop a hub and spoke system for tourism within Lehigh Valley, making the site a hub from which tourists could learn about and travel to the many attractions in the region.

In a number of markets, advertising efforts featuring other attractions have helped casino/hotel operators and other attractions attract incremental visits and additional tourism revenue from leisure travelers. Mechanisms have included billboards, tourism information stands and brochures, in-room print and television advertising, and cross-marketing efforts. Thoughtful consideration should be given to what channels, mediums, and amount of advertising should be put forth so as to strike a balance with potential visitors while avoiding an overbearing campaign that may be too expensive or may deter visitation.

Tourism and Cultural Support

Local tourism, cultural, and arts organizations recognize this opportunity and have shown support for the proposed Bethlehem facility. Highlighted below is the support shown by three organizations, the Lehigh Valley Convention and Visitors Bureau (“LVCVB”) is an umbrella-organization that represents many cultural attractions and hospitality operators in the region, whereas ArtsQuest and the National Museum for Industrial History (“NMIH”) are member organizations that plan also to use the Bethlehem Steel site on land to be donated by the developers.

Lehigh Valley Convention and Visitors Bureau

The Lehigh Valley Convention and Visitors Bureau (“LVCVB”) is a non-profit organization that promotes Lehigh Valley’s many attractions, encouraging tourism to the area. The organization has 425 members and a 30-person Board of Directors. LVCVB

recently showed its support to the Sands Bethworks proposal, noting the opportunity to cross-sell visitors to other attractions in the region and the facility's proposal to share space with ArtsQuest and the NMIH. LVCVB noted the addition to the breadth and depth of the region's offering, and speculates that much-needed upgrades to existing hotel inventory, additions to meeting space, and the addition of a visitor's center and informational kiosks that are part of a regional network would all make the proposed development a positive contributor to the region's appeal.

ArtsQuest

Jeffery A. Parks, President of ArtsQuest, described the organization in a recent letter:

“ArtsQuest is a non-profit Pennsylvania corporation whose mission is “to celebrate arts and culture.” Founded in 1984, ArtsQuest operates a community cultural center known as the Banana Factory on the South Side of Bethlehem as well as two cultural festivals, Musikfest, which is Pennsylvania’s largest music festival, and Chrsitkindlmarkt Bethlehem, a holiday event that celebrates Bethlehem’s role as the Christmas City, USA. The Banana Factory is dedicated to visual arts education and supporting the role of visual artists in the community. Among many other visual arts education programs, the Banana Factory is the largest provider of after-school enrichment programs for the Bethlehem Area School District.”

ArtsQuest is also considering developing a music hall and performing arts center at the site. The development of both the proposed casino/hotel and the ArtsQuest facility are referred to as SteelStax. Mr. Parks continued...

“We believe that there is synergy between the proposed development for BethWorks Now [Sands Bethworks] and the SteelStax project. The developers of BethWorks understand that the diversity of activities at the site will draw visitors and local residents who will have a wide variety of activities to choose from when they arrive at this destination. We are pleased to be a part of this exciting project, which will have a much needed impact on the image of both the Lehigh Valley and Pennsylvania as a place that celebrates creativity.

The vision for BethWorks is only possible with a major economic engine. It would be a mistake for our community to tear down the remaining blast furnaces and all of the still standing steel structures, as has been done in other communities. Our community wants to celebrate its heritage, while we look forward to a dynamic future that encompasses diverse entertainment and cultural and economic opportunities. Needless to say we believe that this will be a national example of brownfields reuse – one that again will shed very positive light on our state, and help the Lehigh Valley emerge from its industrial image to an image of a place that is a great place for creative businesses and their employees.”

National Museum of Industrial History

The NMIH, in conjunction with the Smithsonian Institution, intends on preserving the history of the Industrial Revolution. The NMIH has secured the 1920's Electrical Shop

and has plans to acquire two more buildings on the property. In a statement issued by the organization,

“NMIH has presented statements to both the City of Bethlehem Planning Commission and Bethlehem City Council expressing its view that the comprehensive master plan for mixed use development of Bethlehem Works would derive the greatest benefit for the Lehigh Valley area with the inclusion of gaming on the site. When considering the opportunities that a comprehensive development provides for a community, the Bethlehem Works site has had the most extensive planning and most concentration on preservation of our industrial heritage than any other site, and it would create a destination attraction with activities of interest to the broadest cross-section of visitors. As such, no other area of the state seems comparable to the Lehigh Valley, or more specifically, to the Bethlehem Works site.”

Lehigh Valley Industrial Heritage Coalition

The 26 potential partners in the coalition’s purpose is to provide a framework through which local, regional and national institutions can work together to tell the story of the industrial heritage of our communities. The development of an integrated Interpretation Plan for the Bethlehem Steel site is an integral goal that will use local and regional history to tell the story of America’s industrial heritage. It appears that a major component of the Interpretation Plan at the site will consist of an exploratory tour throughout the complex with explanations of various historical artifacts and facilities. Although it is not clear if tours will be guided, consist of placards, or guided by audio headsets, current, comparable tours include the AudioWalk Historic Tour of Philadelphia, the Freedom Trail in Boston, and the Garden District tours in New Orleans. Ultimately, the tour will join the industrial heritage of the former Bethlehem Steel site to the pre-industrial age of early Bethlehem, the surrounding communities, the river/canal, and the Delaware and Lehigh National Heritage Corridor. This will support regional tourism by providing insight and information into the site and its relationship to surrounding cultural and historic attractions.

Conclusion

According to national polls, casino gamers tend to have above average interest in cultural, historical, and artistic attractions. These interests appear to be reflected in current gaming offerings in several markets. In Atlantic City, the Moscow Ballet will be performing the Nutcracker this holiday season, and several museums and art galleries exist within casinos located on the Las Vegas Strip. Aside from these larger, destination markets, case studies contained herein included anecdotal information and analysis to provide both quantitative and qualitative evidence of casinos complementing local attractions in less-populated, drive-in gaming markets. In these cases, both existing attractions and those introduced after the establishment of gaming operations have been successful in attracting patronage. This empirical evidence is not lost on the Lehigh Valley Convention and Visitors Bureau or its members, particularly those that will be closest to the proposed development. The Innovation Group concludes that from a tourism perspective, gaming operations tend to complement other entertainment and cultural attractions. It is highly likely that, with adequate cross-marketing efforts, the

development as outlined by Sands Bethworks will enhance the attractiveness of the region to tourists and help to make the Bethlehem Steel site a hub, at which tourists and residents can experience a wide range of activities and cultural attractions as well as learn about other attractions within the region.

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.