



Market Feasibility Study

Expanded Gaming in Maine



September 2014



Goals

WhiteSand was selected to conduct a market analysis regarding the feasibility of expanded gaming in Maine.

- Evaluate the current regional gaming market's capacity for additional commercial casino gaming in Maine, considering all existing facilities where wagering is currently conducted in the State and the potential or imminent establishment of casino facilities in Massachusetts and New Hampshire; and a market having been determined to exist, to identify:
- The optimal location(s) for additional commercial casino facilities in the State.
- The scope of facility that will best serve the objective of promotion of economic development in the identified region with a focus on job creation and increased tourism.
- A tax rate and revenue distribution scheme that effectively balances the commercial viability of commercial casino gaming in Maine and its ability to contribute revenue to the General Fund or to Funds the Legislature has prioritized for receipt of casino revenues.
- Requirements for minimum capital investment and reinvestment for each type of facility identified.
- The impact of expanded commercial casino gaming on the State's existing commercial casino operations as well as its other gaming sectors including lottery, racing, bingo and games of chance.
- A license fee for each type of facility identified that is representative of market value.

In addition, we provided recommendations regarding the competitive selection of license applicants and optimal regulatory structure in order to develop and implement a comprehensive, state wide approach to gaming policy that is consistent and equitably applied, cost effective, reflective of industry best practices and capable of ensuring not only the integrity but the competitiveness of each of Maine's gaming sectors.

Methodology - Outline

- **Current Commercial Gaming**
- **Other Gaming (Racing, Charitable, Bingo, and Games of Chance)**
- **Relevant Regional Factors**
 - Reviewed Maine tourism and transportation (air, highway infrastructure and train).
 - We analyzed tourism patterns and transportation infrastructure in order to establish our distance benchmarks of 30, 60 and 90 miles.
 - Vetted gaming offerings (and potential offerings) in competitor jurisdictions (Canada, Massachusetts and New Hampshire).
- **Competitor Set** - WhiteSand identified a comparator set of 15 gaming facilities
- **Modeling and Regression Analysis** - looked at the relationship between independent variables, in this case the population within 60 miles
- **Projections**

TOTAL VISITATION			
	2011	2012	Pct. Change
Visitation	25,744,001	27,932,111	8.5%
➤ Source: DPA, Inc.			





Results

Based on Tourism and demographics, including population, income, age and propensity to game, this facility should be located in Southern Maine (Maine Beaches) with close proximity and access to Interstate 95. Southern Maine includes not only substantial Maine population but is positioned to draw upon important demographics in New Hampshire and Massachusetts.

Fees and Minimum Capital Investment for a Third Casino License

- **Initial Nonrefundable Application Fee:** \$250,000
- **Initial Nonrefundable Investigative Deposit:** \$100,000
- **Initial License Fee:** \$5,000,000
- **Initial Minimum Capital Investment Requirement:** \$250,000,000* (excludes the licenses fee, land acquisition and off-site improvements)
- **License Term:** Five years
- **Slot Machine Registration Fee:** \$100 per slot machine
- **Table Game Registration Fee:** \$100 per table game
- **License Renewal Fee:** \$250,000
- **Renewal Refundable Investigative Deposit Fee:** \$50,000
- **Annual Capital Reinvestment Requirement:** 3-4%
- **Annual Regulatory Cost Recapture:** TBD by Board
- **Renewal Slot Maine Registration Fee:** \$100 per slot machine
- **Renewal Table Game Registration Fee:** \$100 per table game



Taxes

Any comprehensive approach to expanded commercial casino gaming must address not only the cost of entry to the jurisdiction for a new applicant but should incorporate a standardized taxing and license renewal scheme applicable to all licensees, existing and future.

- Tax rates on slot machine and table game revenue can be lowered and still deliver net positive distributable revenue for the State and will not only attract multiple quality operators to compete for this third license but will signal to Maine's existing licensees, who may both experience moderate revenue declines as a result of this third license, that the State recognizes the potential impact on these operators and is willing to modify the tax scheme for their mutual benefit and long term profitability.
- We are recommending a tax rate of 35% on net slot machine income and 16% on net table game income applied uniformly to Bangor, Oxford and a third licensee (or more).
- Our analysis indicates that Bangor, Oxford and a third licensee in the first year of operation would return \$67M to the State, up from \$53.2M in 2013.



Other Options

If the Legislature is inclined, and if located and restricted as described, an additional license could be authorized in Aroostook County or Washington County, close to the border entry with the provinces of Quebec and New Brunswick. If limited to 250 slot machines and 10 table games, it would not negatively impact the revenue stream from the existing or the proposed gaming locations. For this facility we would recommend:

Fees and Minimum Capital Investment for a Fourth Casino License

- **Initial Nonrefundable Application Fee:** \$100,000
- **Initial Nonrefundable Investigative Fee:** \$100,000
- **Initial License Fee:** \$1,000,000
- **Initial Minimum Capital Investment Requirement:** \$25, 000,000
- **License Term:** Five years
- **Slot Machine Registration Fee:** \$100 per slot machine
- **Table Game Registration Fee:** \$100 per table game
- **License Renewal Fee:** \$100,000
- **Renewal Refundable Investigative Deposit Fee:** \$50,000
- **Annual Capital Reinvestment Requirement:** 2%
- **Annual Regulatory Cost Recapture:** TBD by Board
- **Renewal Slot Machine Registration Fee:** \$100 per slot machine
- **Renewal Table Game Registration Fee:** \$100 per table game



Competitive Bid License Award Process

Why a Competitive Bid License Award Process?

A competitive bid license award process require applicants to compete based on their ability to deliver, sustain and potentially grow, under the taxation scheme, license fee, minimum capital investment requirements and regulatory scheme spelled out in the enabling statute, a gaming product that is a net positive for both the State and the operator. This process facilitates a State's ability to:

- Demonstrate that the competitive process is fair and equitable to all competitors with the goal of an optimal result for the State; and
- Draw upon the expertise of gaming companies in determining the most advantageous configuration for a gaming facility.

Who Conducts the Process and How?

For Maine there are three clear options:

- Delegate the competitive license award process to a department like Administrative and Financial Services as was considered with the delegation in LD 1111;
- Allow the Board to administer both the license suitability assessment and the competitive license award process; or
- Appoint a separate body to administer the competitive process.

Competitive Bid License Award Process (continued)

Recommended Approach

The preferred course of action is for Maine to form a separate facility location commission wholly independent of the Board to administer the license award process. Such a commission would "award" but not "issue" a license to a qualified applicant through a competitive process. Qualified applicants are persons determined by the Board to be suitable to hold an operator license, if selected. This course of action has many advantages, among them the ability to assemble a conflict free membership with the political and business acumen, name recognition and overall gravitas necessary to assure all stakeholders, as well as the public, that the competitive process is fair and equitable to all competitors and aimed at an optimal result for Mainers.

Separation of the suitability determination and the competitive award process need not add significant time or expense to the overall consideration process as an applicant should be confident enough regarding suitability to initiate the processes concurrently.

- The application would be filed with the Board with the Executive Director remaining responsible for the completeness determination.
- Once deemed complete, the application would be formally referred by the Board to the location commission with the suitability assessment by the Board and the location contest at the commission running concurrently.
- In no event may the location commission award a license to an entity that has not already been determined to be suitable by the Board.

While appointment to a facility location commission could mirror appointment to the Board (Governor, subject to review by the Veterans and Legal Affairs Committee and confirmation by the Senate) the high profile nature of the commission warrants consideration of a broader appointment scheme potentially involving appointments by both the Governor and the Legislative Council.



Competitive Bid License Award Process (continued)

Factors To Be Considered

Successful implementation of a competitive bid license award process demands that applicants compete on the basis of clearly articulated, uniform criteria that are prioritized in a manner that allows each application to be scored as objectively as possible.

Business and Market Factors

- Highest potential benefit and highest prospective total revenues to be derived by the State
- Potential gross and net income to be generated by an applicant
- Tailored marketing proposals to the local population and to incentivize Maine gaming participants to remain in the state.
- Creation of a substantial regional and national tourist destination.
- Commercial development opportunities in the host and surrounding communities consistent with historic uses, regional branding and local zoning and site plan development requirements.
- Proposed capital investment in a gaming facility, the amenities mix, the timeline for expenditure of the capital investment and the expected competitiveness of the proposed gaming facility



Competitive Bid License Award Process (continued)

Factors To Be Considered (continued)

Business and Market Factors (continued)

- Preservation of existing Maine jobs and the number of net new full time and part time jobs created.
- The applicant's plan to identify, address and minimize any potential negative consequences associated with gambling and the operation of its gaming facility including, but not limited to, an adequately funded commitment to combat compulsive gambling to include efforts directed at prevention, intervention, treatment and research.
- Anticipated impacts, both positive and negative, on the host community and the region.
- Such other considerations as a location commission shall deem relevant to business and market factors provided said considerations are disclosed.

Economic Development Factors

- An applicant's workforce development plan (as discussed herein under Statutory Amendments)
- Additional economic development planned in the area of the proposed gaming facility
- Other relevant considerations to economic development provided said considerations are disclosed.

Competitive Bid License Award Process (continued)

Factors To Be Considered (continued)

Site Location Factors

- Existing transportation infrastructure surrounding the proposed gaming facility.
- Any negative impact, if any, of a proposed gaming facility on the host community.
- The need for additional public infrastructure expenditures at the proposed gaming facility.
- Such other considerations as the commission shall deem relevant to site location provided such considerations are disclosed.

The Criteria Define the Outcome

- The criteria articulated above are well suited for a substantial casino hotel facility. Many of the criteria are not, however, relevant to development of the type of small scale facility feasible at the Maine/Canadian border in either Aroostook County or Washington County.
- Should a license in that sector of the State be offered, criteria should be developed that are realistic for the revenue potential and scope of such a facility but which affirmatively preclude the type of truck stop facility common in many western states. A facility at the border, however sized, should be a flagship for the State themed consistent with its outdoor recreation brand.



Statutory Amendments - Competitive Bid License Award Process

Litigation appears to be inevitable when conducting a competitive bid process. To that end, the report identifies amendments designed to provide a foundation for a competitive bid license award process.

- **Defined Application Period** - The statute must be amended to define the application period applicable to a competitive bid process.
- **The Suitability Determination and the Competitive Bid Process** - In order to implement a competitive bid license award process the casino license application must be augmented to incorporate submissions that go beyond the basic suitability assessment that evaluates honesty, integrity, good character and financial stability.
- **Independence of the Background Investigation Supporting the Suitability Determination** - A key check and balance on the exercise of the Board's discretion in awarding a casino license is the referral of the background investigation to an independent party outside the control of the Board.
- **Hearing Attendant to a Competitive Award Process** - Hearing procedures specific to a multiple applicant competitive bid license award process must be adopted since each application is evaluated in terms of a competitor's application
- **Statement of Conditions** - Any license awarded should be subject to a statement of conditions, binding on a successor in interest that enumerates, at a minimum, conditions which are precedent to the issuance of the license, conditions which are precedent to the commencement of gaming operations and conditions which are ongoing throughout the license term.
- **Denial** - Given the significance of a denial in gaming, care must be taken to ensure that unsuccessful applicants that were nonetheless found to be suitable are deemed "denied on the basis of a competitive process" and on that basis are distinguished from applicants failing to meet the standards for suitability.¹¹

Statutory Amendments - Market Feasibility and Gaming Best Practices

The following recommendations are aimed at accommodating and supporting the concepts raised in the market feasibility study and at ensuring the statute's consistency with regulatory best practices.

- **Qualifiers on a Casino License** - The statute should be amended to provide more explicit and uniform qualification requirements.
- **Burden of Proof** - The statute should be amended to provide that the burden of proof rests with the applicant and that the standard applied is by clear and convincing evidence.
- **License Term** - With a license fee of \$5,000,000 or more, a license term of at least 5 years should be considered.
- **Application and Investigation Fees** - The statute should be amended to specify that any initial application and investigation fees that are assessed are not only nonrefundable but that additional deposits related to both fees may be required of an applicant to cover the actual cost of processing the application.
- **Minimum Capital Investment** – Should include a calculation methodology related to that amount and a timeframe for completing the expenditure. To ensure that the minimum capital investment amount delivers the caliber of facility contemplated by this market study, Maine is urged to consider excluding from the calculation land acquisition, off-site improvement costs and application and license fees and require the full capital investment to be made within 5 years of the date of issuance of a license.
- **Proximity** - The statute currently provides that a casino operator license or slot machine operator license may not be issued to a new facility within 100 miles of a licensed casino or slot machine facility. To pursue the recommendations herein, this provision must be repealed.



Other Findings Related to Gaming in Maine

Analysis of Maine's Existing Gaming Sectors

Maine State Lottery

- Analysis of transfers between 2005 and 2013 by the Lottery to the General and Heritage Funds suggests that while Lottery sales in Maine have plateaued this is likely more attributable to the maturity of the sector and its full penetration of the available market rather than Maine's expansion first into slot machines and then into table games.
- For the Lottery to continue to retain a comparable percentage of discretionary dollars, Maine will likely have to consider in the near term the two most readily available means of bolstering Lottery sales: Keno and Internet Gaming. Both can be meaningfully and cost effectively regulated and can be responsibly integrated into the games mix currently available to Mainers.
- With regard to Internet Gaming in particular, the Legislature is urged to revisit the methodology laid out in the March 2012 original version of LD 1880, An Act To Enhance Opportunities for the Sale of Lottery Tickets.

Other Findings Related to Gaming in Maine

Horse Racing

Analysis of the annual distributions of the commission on wagering handle for the period 2008 through 2013 evidence a profound and steady deterioration in the strength of this sector with overall horse racing related fund distributions down 36% over the period. It is uncontroverted that the decline in the popularity of horse racing is not unique to Maine. With few exceptions, handle has been declining steadily in both thoroughbred and harness racing for many years, with many states like New York able to directly correlate the beginning of the decline in racing handle with the proximity of lotteries.

Increasingly we are in an era of convenience gambling and for many the learning curve for handicapping is too steep and the speed of wagering is too slow. Lottery, slot machines, table games and Internet gambling, legal and otherwise, provide a simpler, cheaper, more accessible and apparently for most people, more entertaining experience than racing.

Whether or not it is in the overall public interest for any state to attempt in essence to reverse the decline in the popularity of horse racing is open to debate. What is not open to debate, however, is that efforts to date in the form of supplements to purses from slot machines and table games at racetracks or the often accompanying, and potentially disastrous efforts to maintain or increase race days, has not materially impacted the overall *popularity* of the sport to the gaming public

The Legislature is urged to reconsider LD 519 (126th Legislature) a Bill denoted as *An Act to Establish Advance Deposit Wagering for Harness Racing*. While advance deposit wagering (“ADW”) does not appear to materially increase wagering on horse racing, the availability and ease of Internet based ADW is widely viewed as preventing some migration of disposable dollars away from horse racing and into other forms of gambling. In doing so the Legislature must:

- Recognize that ADW represents a shift in a method of wagering rather than an increase in wagering;
- Adjust the commission structure in 8 MRSA Chapter 11, § 286 to compensate for the expected shortfall in funds derived from on-track and simulcast wagering; and
- Ensure that providers of ADW services are comparably vetted for regulatory suitability purposes otherwise the net result is a preference for one form of pari-mutuel wagering over another.

Other Findings Related to Gaming in Maine (continued)

Bingo and Games of Chance

With regard to bingo, gross revenue and net income figures reported for 2013 reflect a 27% decline in participation rate over the period 2008 through 2013 and, notwithstanding a slight uptick in 2009, a decline of 39% in net income. Similar declines were reflected in high stakes bingo conducted under § 314 - A.

With regard to games of chance, gross revenue and net income figures reported for 2013 reflect an 18% decline in participation rate over the period and a decline of 21% in net income. Similar declines were reflected in games of chance authorized as an adjunct to high stakes bingo conducted under § 314 - A.

There is scant empirical data about the demographics of the persons who play bingo and games of chance with the exception of data maintained by the Penobscot with regard to their high stakes bingo operation. Without question, the Penobscot have documented considerable migration to the commercial casino sector and overall player participation does not appear to be as elastic as in the Lottery sector. Maine quite properly requires this type of gaming to be conducted by members of the licensed organization rather than permitting third party for profit operators to conduct charitable gaming as is the case in New Hampshire. As a result, the decline in revenue in this sector is compounded by the fact that charitable, fraternal, social and veterans organizations themselves are experiencing profound declines in membership and, especially as membership ranks age, participation in the current games mix will likely continue to decline.



Other Findings Related to Gaming in Maine (continued)

Bingo and Games of Chance (continued)

LD 31, a Bill denoted as *An Act to Increase Gaming Opportunities for Charitable Fraternal and Veterans' Organizations*. Introduced in January 2013, in its original form the Bill would have permitted the Gambling Control Board to issue a license to operate up to five slot machines to a newly defined limited classification of charitable nonprofit organizations comprised of fraternal and veteran's organizations.

The Legislature is cautioned that while the relatively low cost of operation and the availability of central system connectivity make slot machines appear to be an attractive and quick solution to sectors like charitable and racing with declining revenues, the creation of classes of slot machine licensees subject to the oversight of the Gambling Control Board under 8 MRSA Chapter 31 is very likely an undesirable outcome from a revenue perspective and definitely an undesirable outcome from a regulatory perspective.

A slot machine operated by a fraternal organization with net income distributed as contemplated by LD 31 will likely generate significantly less net revenue due to a multiplicity of factors including the absence of compatible entertainment amenities and player rewards and incentives and will most certainly generate less overall public benefit for Mainers than would that same unit operated by a commercial casino licensee under a revenue distribution scheme substantially similar to that recommended herein.

Likewise, as drafted LD 31 inadvisably allowed operators of selected slot machines to avail themselves of both a diluted license suitability process and diluted operating requirements as central system connectivity is simply one element in an overall system of internal control adequate to insure accurate reporting of slot machine revenue.



Other Findings Related to Gaming in Maine (continued)

Tribal Gaming

Maine's Tribes are Uniquely Disadvantaged

- Under the 1980 Settlement Act, Maine's Tribes cannot avail themselves of the two main advantages underpinning Tribal Class II electronic bingo, namely operation without State or local approval and without a direct or de facto revenue share with the state.

If Maine Elects to Authorize Electronic Bingo:

- Oversight of electronic bingo, currently under Lt. Ireland's Special Investigations Unit, should be delegated to the Gambling Control Board as notwithstanding the significant legal and technical distinctions between an electronic bingo system and slot machines, the regulatory oversight best practices are virtually identical;
- Develop a technologically accurate definition;
- Electronic bingo systems and player interfaces, like Maine's slot machines, should be subject to robust technical standards and tested and certified by an independent testing laboratory for compliance with those standards – visual inspection of these games is not reliable;
- Electronic bingo systems should be connected to the State's central system;
- Operators should be required to adhere to a virtually identical system of internal accounting controls and subject to compliance testing against those requirements; and
- License suitability standards should be comparable.



Other Findings Related to Gaming in Maine (continued)

What Does Authorization of Electronic Bingo Mean?

- The similarities between the player interface of an electronic bingo system and a slot machine, **from the player's perspective**, are so great that any Bill authorizing electronic bingo must be recognized as an allocation of Maine's total available gaming capacity.
- Authorization of electronic bingo **will directly impact the slot machine revenue of a proximate casino facility** (i.e. a 60 mile radius) and directly impact any fund covered by its distribution scheme, most notably the harness industry.



WHITESAND GAMING



Current State of Commercial Casino Gaming in Maine

- On November 2, 2010 a ballot measure proposed by Black Bear Entertainment succeeded pursuant to which the Board was authorized to license a casino operator in Oxford County offering up to 1500 slot machines and table games subject to approval by vote of the municipal officers or by the voters in a referendum. Although not requiring an operator to offer harness racing, the 2010 initiative had as one of its conditions ownership of a facility at which harness racing was conducted in the 2009 racing season at the Oxford County Fairgrounds.
- To address the parity issue between Oxford and Bangor created by the Oxford referendum, LD 1418 (PL 2010, Chapter 417) was concurrently enacted allowing a commercial harness race track licensed to operate slot machines on January 1, 2011 to be licensed as a casino offering table games, subject to obtaining local approval prior to the end of November 2011. Voters of Penobscot County then approved table games and, on March 16, 2012, the renamed Hollywood Casino Bangor opened. Oxford Casino opened a few months later on June 5, 2012.
- Hollywood Casino Bangor is a racino complex located on Main Street in Bangor, Maine. The racino features 896 slot machines, sixteen table and poker games and a Race Book and includes a hotel with 152 rooms, including four suites. For 2013 Bangor generated slot machine net income of \$47,269,709 resulting in a win per unit per day of \$142. Its gaming tables generated net income of \$7,388,848 resulting in a win per unit per day of \$1,265.
- The Oxford Casino is located at 152 Maine Street, Route 26 in Oxford, Maine and is currently owned and operated by Churchill Downs Incorporated. The casino features 858 slot machines and twenty-six table games. Oxford generated slot machine net income of \$58,353,948 slot machines resulting in a win per unit per day of \$197. Its 26 (22 tables most of the year) gaming tables generated table game net income of \$13,261,868 resulting in a win per unit per day of \$1,603.



WHITESAND GAMING

Current State of Commercial Casino Gaming in Maine

Slot Machine Revenue Distribution

Slot Machine and table game revenue distributions - [8 MRSA §1036] Veterans and Legal Affairs Committee March 2014			
Slot Machine Revenue distributions			
Casino with commercial track (Bangor) 888 machines as of December 2013	2013 Distribution	Casino (Oxford) 846 machines as of December 2013	2013 Distribution
1% gross revenue ("coin-in") to the GF	\$4,689,272	No provision for distribution of gross revenue	N/A
39% of net revenue for distribution		46% of net revenue for distribution	
4%* net revenue to GF (for administration and \$100,000 annually for problem gambling services)	\$1,703,217	3% net revenue to GF (for administration and problem gambling services)	\$1,750,618
10% to supplement harness racing purses	\$4,258,044	1% to supplement harness racing purses <i>*If this fund receives revenue from slot machines other than Oxford or Bangor, distribution reverts to operator</i>	\$583,540
3 % to Sire Stakes Trust Account	\$1,277,413	1 % to Sire Stakes Trust Account <i>*If this fund receives revenue from slot machines other than Oxford or Bangor, distribution reverts to operator</i>	\$583,540
3% Agricultural Fair Support Fund	\$1,277,413	1% Agricultural Fair Support Fund	\$583,540
2% divided between UMS and Maine Maritime scholarships (10/9/13)	UMS \$844,606 MMA \$7,003	4% divided between UMS and Maine Maritime scholarships (10/9/2013)	UMS \$2,317,191 MMA \$16,997
1% Comm. College Sys. Scholarship	\$425,804	3% Comm. College Sys. scholarship	\$583,540
1% Host municipality	\$425,804	2% Host municipality	\$1,167,079
4% Fund to Encourage Racing at Comm. tracks	\$1,703,217	25% to supplement essential education programs K-12	\$14,588,487
1% to Stabilize OTBs (reduced from 2% in 2009- reduction increased GF % to 4%)*	\$425,804	4% to Passamaquoddy and Penobscot Tribal Government <i>*If either is licensed or receives revenue from slot machines other than Oxford or Bangor, reverts to operator</i>	\$2,334,158
10% Fund for Healthy Maine- Prescription drugs for Elderly and disabled (capped at \$4.5 million 2010-2012 with excess to GF. 2013 all of this distribution went to GF)	\$4,258,044	0.5% Maine Milk Pool	\$149,232
		0.5% Dairy Improvement Fund (was 1% until 7/1/13)	\$434,308
		1% to host County for mitigating costs resulting from gaming operations	\$583,540
TOTALS	\$16,606,370		\$26,842,816
2013 SLOT REVENUE TOTALS		\$43,449,186	



Current State of Commercial Casino Gaming in Maine

Table Game Revenue Distribution

	Net table game revenue distribution		
Casino with commercial track (16%) 16 table games as of December 2013	2013 Distribution	Casino (16%) 26 table games as of December 2013	2013 Distribution
9% General Fund for GCB and gambling addiction services	\$664,996	10% to supplement essential programs K-12	\$1,326,187
3% Gambling Control Board Admin OSR	\$221,665	3% Gambling Control Board Admin OSR	\$397,856
2% Host municipality	\$147,777	2% Host municipality	\$265,237
2% Coordinated Veterans Assistance Fund	\$147,777	1% to host County to mitigate costs	\$132,619
TOTALS	\$1,182,216		\$2,121,899
TABLE GAME TOTALS 2013		\$3,304,115	



Methodology - Comparator Set

Property	Gaming Units		Win / Unit / Day		Annual Revenue (Fiscal 2013)		
	# Slots	# Tables	Slots	Tables	Slots	Tables	Total
Oxford Casino ME	846	22	\$ 197	\$ 1,603	\$58,353,948	\$13,261,867	\$71,615,815
Hollywood Bangor ME	909	16	\$ 142	\$ 1,265	\$47,269,709	\$7,388,848	\$54,658,557
IOC Boonville MO	991	19	\$ 198	\$ 900	\$71,782,342	\$6,243,303	\$78,025,645
Diamond Jo - Dubuque IA	999	21	\$ 162	\$ 601	\$58,995,087	\$4,605,884	\$63,600,971
Boot Hill Casino and Resort KS	800	23	\$ 118	\$ 700	\$34,457,483	\$5,872,407	\$40,329,891
Sands Casino Resort Bethlehem	3018	166	\$ 264	\$ 2,734	\$280,390,252	\$177,243,417	\$457,633,670
Valley Forge Casino Resort	600	65	\$ 256	\$ 1,731	\$68,585,606	\$33,830,602	\$102,416,208
Mount Pocono	2030	72	\$ 198	\$ 1,492	\$140,844,660	\$42,013,330	\$182,857,989
Parx Casino	3376	165	\$ 306	\$ 1,827	\$354,730,245	\$123,302,380	\$478,032,625
Harrah's Philadelphia	2793	122	\$ 245	\$ 1,804	\$219,032,865	\$74,496,004	\$293,528,869
Presque Isle Downs & Casino	1911	51	\$ 200	\$ 809	\$123,477,553	\$12,460,838	\$135,938,391
Hollywood Casino @ Penn National	2467	69	\$ 265	\$ 1,496	\$216,765,149	\$34,360,555	\$251,125,704
Meadows Racetrack & Casino	3316	80	\$ 199	\$ 1,232	\$220,846,999	\$29,955,300	\$250,802,299
Rivers Casino - Pittsburgh	2885	115	\$ 269	\$ 1,649	\$277,076,321	\$68,431,134	\$345,507,455
Twin Rivers Casino - RI	4700	66	\$ 276	\$ 2,813	\$ 472,626,468	\$ 72,248,861	\$544,875,329
	2109	71	\$220	\$1,510	\$ 176,348,979	\$ 47,047,649	\$ 223,396,628

Methodology - Modeling

Correlation Analysis - Correlation looks at dependent relationships between two sets of random variables. It seeks to define a variation in one variable by the variation in another notwithstanding the absence of a clear direct cause and effect relationship.

The following chart depicts the degree of correlation of the identified demographic characteristics based on the data in the comparator set.

<i>Regression Statistics</i>	
Multiple R	0.860777
R Square	0.740936
Adjusted R Square	0.697759
Standard Error	29.7171
Observations	15

	Win / Unit / Day	Gaming Units	Population			Median Per Capita Income		Median Age			Unemployment Rate	
			Slots	# Slots	30 miles	60 miles	90 miles	30 miles	30 miles	60 miles	90 miles	30 miles
Slots	1											
# Slots	0.679688	1										
30 miles	0.719181	0.395779	1									
60 miles	0.813539	0.545816	0.888716	1								
90 miles	0.6724	0.379147	0.684424	0.876166	1							
30 miles	0.684194	0.471269	0.870727	0.694411	0.509917	1						
30 miles	0.328804	0.307696	-0.08113	0.022397	0.140279	0.161968	1					
60 miles	0.061525	0.10599	-0.15358	-0.19303	-0.11625	0.106938	0.884437	1				
90 miles	-0.04119	0.099396	-0.15745	-0.29311	-0.406	0.078749	0.629683	0.856381	1			
30 miles	0.530102	0.422017	0.382847	0.497318	0.510113	0.430049	0.529496	0.375352	0.262452	1		
60 miles	0.443254	0.462741	0.190227	0.344775	0.368208	0.261314	0.447263	0.211756	0.117516	0.873916	1	

Regression Analysis - Based on the results of our correlation analysis of the the competitor set, we then constructed a two-variable, linear regression model to derive projected win per unit per day for a southern casino, located proximate to the Maine beaches configured with 1000 slot machines and 24 table games

Methodology - Regression Analysis

Regression Formula									
<u>Southern Casino</u>									
<u>Slots</u>		<u>Sample 1</u>	<u>Sample 2</u>	<u>Sample 3</u>	<u>Tables</u>		<u>Sample 1</u>	<u>Sample 2</u>	<u>Sample 3</u>
<i>Intercept</i>	151.7564477	1	1	1	<i>Intercept</i>	955.88	1	1	1
<i># Units</i>	0.01469039	1,000	1,000	1,000	<i># Units</i>	1.06	24	24	24
<i>Population</i>	8.30331E-06	3,436,605	2,386,843	1,926,116	<i>Population</i>	0.0001075	3,436,605	2,386,843	1,926,116
Forecasted W/U/D		\$ 194.98	\$ 186.27	\$ 182.44	Forecasted W/U/D		\$ 1,351	\$ 1,238	\$ 1,188
<u>Error Calculation</u>									
<i>Intercept</i>	15.65	1	1	1	<i>Intercept</i>	214.90651	1	1	1
<i># Units</i>	0.00768	1,000	1,000	1,000	<i># Units</i>	4.3758279	24	24	24
<i>Population</i>	2.3099E-06	3,436,605	2,386,843	1,926,116	<i>Population</i>	5.398E-05	3,436,605	2,386,843	1,926,116
Potential Error		\$ 31.27	\$ 28.84	\$ 27.78	Potential Error		\$ 505	\$ 449	\$ 424
<u>Sensitivity</u>									
<i>Low</i>		\$ 164	\$ 157	\$ 155	<i>Low</i>		\$ 845	\$ 789	\$ 764
<i>Expected</i>		\$ 195	\$ 186	\$ 182	<i>Expected</i>		\$ 1,351	\$ 1,238	\$ 1,188
<i>High</i>		\$ 226	\$ 215	\$ 210	<i>High</i>		\$ 1,856	\$ 1,687	\$ 1,612
<u>Northern Casino</u>									
<u>Slots</u>		<u>Sample</u>	<u>Tables</u>	<u>Sample</u>					
<i>Intercept</i>	151.7564477	1	<i>Intercept</i>	955.88	1				
<i># Units</i>	0.01469039	250	<i># Units</i>	1.06	10				
<i>Population</i>	8.30331E-06	143,234	<i>Population</i>	0.000107	143,234				
Forecasted W/U/D		\$ 156.62	Forecasted W/U/D		\$ 981.86				
<u>Error Calculation</u>									
<i>Intercept</i>	15.65	1	<i>Intercept</i>	214.9065	1				
<i># Units</i>	0.00768	8	<i># Units</i>	4.375828	8				
<i>Population</i>	2.3099E-06	143,234	<i>Population</i>	5.4E-05	143,234				
Potential Error		\$ 16.05	Potential Error		\$ 257.65				
<u>Sensitivity</u>									
<i>Low</i>		\$ 141	<i>Low</i>		\$ 724				
<i>Expected</i>		\$ 157	<i>Expected</i>		\$ 982				
<i>High</i>		\$ 173	<i>High</i>		\$ 1,240				



WHITESAND GAMING

			<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
Forecasted W/U/D Slots	186	\$	197.44	\$	205.34	\$	211.50	\$	217.84
W/U/D Growth			6%		4%		3%		3%
Forecasted W/U/D Tables	\$ 1,238	\$	1,312	\$	1,365	\$	1,406	\$	1,448
W/U/D Growth			6%		4%		3%		3%
Forecasted RevPAR	\$ 112.00	\$	120	\$	126	\$	130	\$	133
RevPAR Growth			7%		5%		3%		3%
Other Growth			5%		4%		3%		3%

Southern Casino Revenue & Expense Projections										
	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Revenue										
Casino Slots	67,986,924	63%	72,066,139	63%	74,948,785	63%	77,197,249	63%	79,513,166	63%
Casino Tables	10,843,598	10%	11,494,214	10%	11,953,982	10%	12,312,602	10%	12,681,980	10%
Rooms	10,220,000	10%	10,935,400	10%	11,482,170	10%	11,826,635	10%	12,181,434	10%
Food and Beverage	9,587,496	9%	10,066,871	9%	10,469,546	9%	10,783,632	9%	11,107,141	9%
Spa	6,391,664	6%	6,711,247	6%	6,979,697	6%	7,189,088	6%	7,404,761	6%
Other	3,195,832	3%	3,355,624	3%	3,489,849	3%	3,594,544	3%	3,702,380	3%
Total Revenue	108,225,513	100%	114,629,494	37%	119,324,028	37%	122,903,749	37%	126,590,861	37%
Les: Taxes @ 35%	(23,795,423)	-22%	(25,203,460)	-22%	(26,235,641)	-22%	(27,022,711)	-22%	(27,833,392)	-22%
Taxes @ 16%	(1,734,976)	-2%	(1,839,074)	-2%	(1,912,637)	-2%	(1,970,016)	-2%	(2,029,117)	-2%
Net Revenue	82,695,114	76%	87,586,961	76%	91,175,750	76%	93,911,022	76%	96,728,353	76%
Costs and Expenses										
Costs of Goods and Services	48,701,481	45%	48,144,388	42%	50,116,092	42%	51,619,575	42%	53,168,162	42%
Selling, General, and Administrative	10,822,551	10%	10,316,654	9%	10,739,163	9%	11,061,337	9%	11,393,178	9%
Provision for Doubtful Accounts	2,164,510	2%	1,146,295	1%	1,193,240	1%	1,229,037	1%	1,265,909	1%
Total Costs and Expenses	61,688,543	57%	59,607,337	52%	62,048,495	52%	63,909,949	52%	65,827,248	52%
Gross Operating Profit	21,006,572	19%	27,979,624	24%	29,127,255	24%	30,001,073	24%	30,901,105	24%
EBITDA	21,006.57		27,979.62		29,127.25		30,001.07		30,901.10	
Debt Service	(15,294)		(15,294)		(15,294)		(15,294)		(15,294)	
CF After DS	5,712.88		12,685.93		13,833.57		14,707.38		15,607.42	