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Market Feasibility Study
Expanded Gaming in Maine

Final Report



August 2014



August 31, 2014

Mr. Grant T. Pennoyer, Director
Maine State Legislature
Office of Fiscal and Program Review
5 State House Station
Augusta, Maine 04333-0005

Re: Report to the Joint Standing Committee on Veterans and Legal Affairs of the Maine Legislature Regarding the Feasibility of Expanded Gaming in Maine

Dear Mr. Pennoyer:

Pursuant to a competitive Invitation to Submit a Proposal ("RFP") dated May 5, 2014 issued by David E. Boulter, then Executive Director of the Legislative Council, WhiteSand Gaming LLC ("WhiteSand") was selected to conduct a market analysis regarding the feasibility of expanded gaming in Maine. Performed pursuant to the statutory mandate of LD 1856 (Resolves 2013, c.111) adopted April 30, 2014, as amplified in the RFP, the report that follows:

- Evaluates 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, the report identifies:

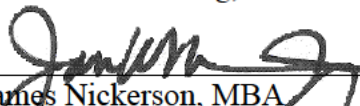
- The optimal location(s) for additional commercial casino facilities in the State.
- The scope of facility that will best serve the objective of promotion of economic development in the identified region with a focus on job creation and increased tourism.
- A tax rate and revenue distribution scheme 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.

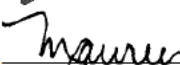
In addition, the report addresses recommendations regarding the competitive selection of license applicants and optimal regulatory structure with an eye toward developing and implementing a comprehensive, state wide approach to gaming policy that is internally consistent and equitably applied, cost effective, reflective of industry best practices and capable of ensuring not only the integrity but the competitiveness of each of Maine's gaming sectors.

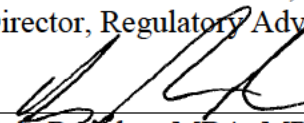
Given that the within market feasibility study potentially has wide-reaching impact, an essential step for WhiteSand was to convene the relevant stakeholders to understand their respective roles in the operation and regulation of Maine's existing gaming sectors. In a series of meetings, and in telephone and e-mail communications, WhiteSand has had the opportunity to dialogue with or been afforded access to, among others, Office of Policy & Legal Analysis Legislative Analyst Danielle D. Fox, Office of Fiscal and Program Review Legislative Analyst Suzanne Voynik, Gerald T. Reid, Director, Bureau of Alcoholic Beverages and Lottery, Henry Jackson, Executive Director, Maine Harness Racing Commission, Lt. Scott W. Ireland and Investigator James Gass, Department of Public Safety, Special Investigations Unit and Patrick J. Fleming, Executive Director of the Gambling Control Board and you as Director of the Office of Fiscal and Program Review. We have also had discussions with representatives of all four federally recognized Indian Tribes and with representatives of harness racing. All stakeholders were generous with their time and provided vital information and insights that have informed the analysis that follows.

WhiteSand will, of course, be available to formally present its findings to the Joint Standing Committee on Veterans and Legal Affairs on September 10, 2014 and stands ready to address any questions or concerns related to this market feasibility study. We very much appreciate the opportunity to work with the Legislative Council and Veterans and Legal Affairs toward development of a comprehensive approach to expanded gaming as well as further refinement of the State's overall regulatory focus.

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EXECUTIVE SUMMARY

WhiteSand was engaged by the Maine Legislative Council to analyze the regional gaming market's capacity for additional casino-style gaming in Maine, considering all existing facilities where wagering is currently conducted in Maine and the potential launch of casino gaming in Massachusetts and New Hampshire. Using our methodology, described in more detail later in this report, we believe there is additional capacity for casino gaming in Maine as part of an integrated dining and entertainment offering, consistent with its existing brand and image.

Based on 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.

With regard to fees and minimum capital investment for a third casino license, WhiteSand believes the collective impact of the following recommendations will generate net positive revenue for the State in the short run and, at the same time, will encourage capital investment, generate desirable employment and enhance tourism for the State. Our recommendations reflect a clear bias in favor of a robust capital investment requirement over a high license fee or tax rate. This bias is predicated on the general principal that both license fees and tax rates to a significant extent are inversely related to capital investment. In the end, it is the capital investment in gaming that creates jobs and is the surest multiplier of a region's economy. We view the value of the opportunity in Maine to be collectively reflected by a \$5,000,000 license fee and a minimum capital investment requirement of \$250,000,000 and would assert that the combination of the two fairly represents the value of the opportunity, will have a significant likelihood of attracting a quality operator and is realistic in light of the fact that Maine has in place an existing regulatory apparatus.

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 Machine Registration Fee: \$100 per slot machine

Renewal Table Game Registration Fee: \$100 per table game

Any comprehensive approach to expanded commercial casino gaming must address not only the cost of entry to the jurisdiction for this new applicant but should incorporate a standardized taxing and license renewal scheme applicable to all licensees, existing and future. Our analysis confirms that tax rates on slot machine and table game revenue can be lowered modestly and still deliver net positive distributable revenue for the State. Implementation of a modestly lower tax rate, applicable uniformly to all licensees, will not only attract a quality operator 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. For this reason 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. Our analysis indicates that at those rates Bangor, Oxford and a third licensee in the first year of operation would return \$67M to the State, up from \$53.2M in 2013, assuming a very prudent cannibalization factor of 20% for Oxford.

If the Legislature is inclined, and if located and restricted as described herein, 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:

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

A facility in Aroostook County or Washington County should be subject to the same tax rate of 35% on net slot machine income and 16% on net table game income. Both licensees should be awarded through a competitive bid process. With regard to any fourth license in Aroostook County or Washington County, if the Legislature deems it in the overall public interest, the competitive process criteria can be structured to limit this opportunity to Maine's federally recognized Indian Tribes or to afford those Tribes a preference in the competitive process.

Distilled to its essence, a competitive bid license award process should 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 report, at page 23, enumerates scoring criteria that are appropriate where the goal is development of a substantial casino hotel complex. Modification of those criteria to a small scale facility along the Maine/Canadian border is also discussed.

For the reasons stated herein, the preferred course of action for Maine would be to form a separate facility location commission wholly independent of the Gambling Control Board to administer a competitive bid award process for the additional licenses contemplated by this market feasibility study. 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.

Litigation appears to be inevitable when conducting a competitive bid process and, as a result, if that course of action is pursued even the most routine processes must be scrupulously examined to eliminate any inherent vagueness and to minimize the risk

of a misstep, however inadvertent, in administering the process. To that end, the within report at page 48, identifies a number of amendments to 8 MRSA Chapter 31 designed to provide a firm foundation for an objective and transparent competitive bid license award process, to accommodate and support the recommendations made in the market feasibility study and to ensure the statute's consistency with regulatory best practices.

In connection with our review of Maine's existing gaming sectors and, as a corollary, of recent Bills proposing expansion in these sectors, WhiteSand would advance the following recommendations.

With regard to Lottery, our review of sales and revenue transfers to the General Fund 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 into commercial casino gaming. For the reasons stated herein, to ensure stability in this sector Maine is well advised to continue to examine the two most readily available means of bolstering Lottery sales: Keno and Internet sales. Both can be meaningfully and cost effectively regulated and can be responsibly integrated into the games mix currently available to Mainers.

With regard to Racing, our review of revenue and fund distribution data confirmed that Maine is experiencing the same profound and steady deterioration in the strength of this sector that is evident on a national scale. For the reasons stated herein, Maine is well advised to pursue advanced deposit wagering. While it does not appear to materially increase wagering on the sport, the availability and ease of Internet based advanced deposit wagering is widely viewed as preventing some migration of disposable dollars away from horse racing and into other forms of gambling.

With regard to Bingo, including High Stakes Bingo and Games of Chance, our review of gross revenue and net income across the sector confirmed declines in both the rate with which organizations participate as well as in gross revenue and net income. 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 for this sector, that course of action is very likely an undesirable outcome from a revenue perspective and definitely an undesirable outcome from a regulatory perspective.

Because the history of the *Maine Indian Claims Settlement Act of 1980* plays such a significant role in the development of a comprehensive approach to gaming expansion for Maine, its impact on the potential use of gaming as an economic engine for Tribal economic development and self-sufficiency was explored. In particular, we examined a potential expansion into electronic bingo. Notwithstanding the significant legal and technical distinctions between an electronic bingo system and a slot machine, *from the player's perspective*, the two products are virtually indistinguishable and any Bill authorizing electronic bingo for licensees of high stakes bingo must be recognized as an allocation of Maine's total available gaming capacity. Authorization of electronic bingo within a 1 hour drive time of a commercial casino operation will directly impact slot machine revenue at that facility and will, as a corollary, directly impact any fund covered by its distribution scheme, most notably the harness industry.

Market Feasibility Study Expanded Gaming in Maine

The Current State of Commercial Casino Gaming in Maine

Gambling is a very unique industry. It is not operated as a right but is instead authorized by social contract for specific purposes deemed to be in the overall public interest. What form the gambling takes and what purposes are served are subjective decisions for all jurisdictions colored by many factors, political, cultural, historic and economic. Solutions are not one size fits all. Any recommendation advanced by WhiteSand with regard to additional market capacity must be viable from Maine's individual perspective. For this reason, WhiteSand commenced this market feasibility study with a review of the history of commercial casino gaming in Maine. In our view, an understanding of this history is essential to the full appreciation of the recommendations in this report.

Commercial casino gaming in the form of slot machines at commercial harness race tracks was first authorized in 2004 as a result of a citizen initiated referendum in November 2003. Per the terms of the referendum, operation was subject to a favorable municipal referendum. As remains the case today, at the time of the enabling referendum Maine had two commercial harness tracks, Bangor Raceway and Scarborough Downs. By its terms the referendum specified that successful municipal approval must be obtained prior to December 31, 2003. During the allocated period, voters in the City of Bangor acted favorably but the voters in Scarborough denied. Hollywood Slots and Raceway Bangor opened in November 2005.

Reacting to criticism against the level of regulatory oversight provided for in the 2003 ballot measure, when drafting the enabling legislation for the slot facility the 121st Legislature enacted 8 MRSA Chapter 31, *Gambling Control Board* creating a five member Gambling Control Board ("Board") within the Department of Law and Public Safety. The Board serves as the primary regulating authority and is responsible for licensing, the State's central site monitoring system and all aspects of regulatory compliance with regard to operators, slot machine distributors, table game distributors, gambling service vendors and employees.¹

Although there has been a constant flurry of expansion initiatives since 2003, including initiatives involving Lewiston, Biddeford, Houlton and Calais, only two have been successful. 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 municipal referendum. Although not requiring an operator to offer harness racing, the 2010 initiative had as one

¹ In addition to providing lottery services, Scientific Games is under contract with the Board to provide slot machine central monitoring services.

of its qualifying conditions ownership of a facility at which harness racing was conducted in the 2009 racing season [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. Pursuant thereto the voters of Penobscot County approved table games in short order and, on March 16, 2012, the renamed Hollywood Casino Bangor ("Bangor") opened for business. Oxford Casino ("Oxford") opened only a few months later on June 5, 2012.

Hollywood Casino Bangor is a racino complex located on Main Street in Bangor, Maine. As of this writing, the racino features just 896 slot machines, sixteen table and poker games and a Race Book and includes a fully integrated hotel with 152 rooms, including four suites.

The Oxford Casino is located at 152 Maine Street, Route 26 in Oxford, Maine and is currently owned and operated by Churchill Downs Incorporated. As of this writing, the casino's features 858 slot machines and twenty-six table games.

For 2013 Bangor generated slot machine net income of \$47,269,709 on 888 slot machines resulting in a win per unit per day of \$142.² Its 16 gaming tables generated table game net income of \$ 7,388,848 resulting in a win per unit per day of \$1,265. For that same period, Oxford generated slot machine net income of \$58,353,948 on 846 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. Exhibit "A" in the Appendix to this report at page 91 incorporates a comprehensive schedule of gaming tax distributions prepared by Danielle Fox of the Office of Policy and Legal Analysis. Even a cursory review establishes that the taxation scheme articulated by 8 MRSA Chapter 31, § 1036 is without uniformity and directs distributions in a manner that may or may not reflect the State's most current priorities.

Largely as a result of the fact that both successful gaming referendums were citizen initiated and overtly funded by commercial casino interests, expansion has occurred in Maine without the development of a uniform license authorization process, without collection of the substantial license fees and the minimum capital investment requirements imposed by many states like Pennsylvania, Maryland and Massachusetts and without imposition of a standardized revenue distribution scheme prioritized by the Legislature. Thus, there is a real question as to whether the current scheme maximizes the overall public benefit. Recognizing this, the 125th Legislature adopted LD 1897, *An Act Regarding the Issuance of Licenses by the Gambling Control Board and to Establish*

² Win per unit per day divides net income, meaning the amount remaining after money, credits and prizes have been paid out to winners, by the number of slot machines or table games actively operated by the licensee during the relevant period. It is the most commonly utilized industry metric for forecasting or analyzing overall revenues for any casino operation.

a Competitive Bidding Process for the Operation of Slot Machines and Table Games in the State ("LD 1897"). Under this Bill, a committee denoted as the *Commission to Develop a Competitive Bidding Process for the Operation of Future Casinos and Slot Machine Facilities* ("Commission") was formed and tasked with developing a comprehensive approach to any future gaming expansion. In specific, it was tasked with filing recommendations, including those relevant to a competitive bid process, with the Joint Standing Committee on Veterans and Legal Affairs ("Veterans and Legal Affairs") by February 15, 2014. By the express terms of LD 1897, the 20 person Commission represented all stakeholders including, among others, four legislative members, representatives from each federally recognized Indian Tribe and each commercial casino, and a representative from each of the relevant sectors including charitable nonprofits, veterans' service organizations, the harness racing industry, Scarborough Downs, agricultural fairs and off-track betting facilities.

In addition to creating the Commission, LD 1897 also affected a moratorium commencing September 1, 2012 on the acceptance by the Board of an application to operate a slot machine facility or casino. Notwithstanding the moratorium, however, the Bill amended 8 MRSA Chapter 31, § 1018 to provide that if separate legislation was enacted authorizing a new commercial casino license that any future license be subject to payment of a \$250,000 nonrefundable privilege fee and a minimum license fee or cash bid, if awarded by competitive process, of \$5,000,000. Neither fee provision was to be applied to a casino licensed for operation in the State as of September 1, 2012.

The Commission held four meetings from July through October 2013. As has been referenced in this report, at its third meeting on September 27, 2013, the Commission deviated from analysis of a competitive bid process in response to a motion, made by hospitality industry representative Peter Connell and seconded by Penobscot Representative Wayne Mitchell, recommending that Veterans and Legal Affairs support statutory changes aimed at a veritable wish list of expansion proposals including proposals authorizing:

- The Board to accept an application for a Southern Maine destination resort racino. See page 72.
- The Board to accept an application from the Passamaquoddy to operate a casino in Washington County. See page 85.
- Federally recognized Tribes within the state to operate electronic bingo. See page 87.
- The Board to accept an application from the Maliseet to operate a casino in Aroostook County. See page 85.

- Advance deposit wagering for commercial harness racing tracks and off-track betting facilities. See page 71.
- Qualified nonprofits and veterans organizations to operate an unspecified number of slot machines. See page 80.

A narrow majority of the Commission supported the motion (10 in favor, 8 opposing and 1 abstaining), the purposes of which were amplified in a December 2013 Report by the majority.³ The essence of the Report was that the majority declined to provide further protection for what it viewed to be the monopolies enjoyed by the State's two commercial casino operators and, in lieu thereof, advanced what was believed to create a more level playing field by expanding opportunities in all of their respective sectors. As noted above, all of the statutory changes recommended by the majority are discussed in this report.

A positive result of the failure to achieve concurrence on any of the six (6) Bills endorsed by the Commission's Majority Report was a level of consensus on the issue of comprehensive planning. To that end, LD 1856 (Resolves 2013, c.111) was adopted on April 30, 2014 pursuant to which the Executive Director of the Legislative Council was authorized to contract for this market feasibility study which is aimed at:

" . . . establishing 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." ⁴

WhiteSand's assessment of the current regional gaming market's capacity for additional commercial casino gaming in Maine is as follows.

³ *Majority Report of the Commission to Develop a Competitive Bidding Process for the Operation of Additional Casinos or Slot Machine Facilities*, Public Law 2011, Chapter 699, December 2013.

⁴ *Invitation to Submit a Proposal* dated May 5, 2014 issued by then Legislative Council Executive Director David E. Boulter.

Relevant Regional Factors

As will be discussed with greater specificity in the Methodology Section of this report at page 19, WhiteSand applied our proprietary model to calculate the potential migration of players between competing gaming locations, existing and proposed. To assist us in pragmatically designing and interpreting our statistical model we analyzed a number of regional factors including tourism and transportation (air, highway infrastructure and train) and vetted gaming offerings in competitor jurisdictions. We analyzed tourism patterns and transportation infrastructure in order to establish our distance benchmarks of 30, 60 and 90 miles from the gaming location under study and we examined gaming offerings in competitor jurisdictions within or reasonably proximate to these benchmarks to ensure that we were fully conversant in the options available to the pool of potential players covered by our distance benchmarks. In our view, a candid assessment of the focus of Maine's tourism market, its available transportation infrastructure and its existing and potential competitor jurisdictions was an essential prerequisite to the interpretation of our statistical model.

Tourism in Maine

Tourism is obviously important to Maine's economy and, to that end, the Maine Office of Tourism has developed a comprehensive tourism strategy. Having reviewed a variety of statistics assembled by the Office of Tourism related to number of visitors, average spend, job creation and other factors, WhiteSand believes that expanded gaming, if developed consistent with our recommendations, can contribute to, and provide long range support for, Maine's current tourism development strategy.⁵ In a recent report the

⁵ The Maine Office of Tourism Website highlights the following facts
<http://www.maine.gov/dafs/gamingcom/docs/2012/Maine/Tourism/20FactSheet.pdf>

- As one of Maine's largest industries, tourism supports a total of 85,500 jobs or on average, about 13% of employment in the state.
- If the money spent by all tourists in Maine were to drop by 15%, the average Maine household would see an increase of approximately \$113 in taxes to maintain government services at current levels.
- A 10% increase in visitors to Maine would generate just under an additional \$498 million a year in direct expenditures.
- Household income generated through industry jobs was more than \$2.2 billion.
- 85,500 jobs in Maine are tied to tourism which is equal to the population of the cities of Portland and Augusta combined.
- Total tourism related direct expenditures in 2012 equaled \$5.0 billion, which equates to direct spending on tourism related trips by overnight visitors to Maine totaled over \$3.7 billion in 2012.
- Overnight visitor spending on tourism trips generated \$316 million in tax revenue.
- Over 14 million visitors spent one or more nights in Maine on tourism related trips in 2012.
- Tourism related day travelers to Maine accounted for nearly \$1.2 billion in direct expenditures during 2012.

Office of Tourism represented that direct tourism expenditures in 2013 increased from over \$4.91 billion to more than \$5.23 billion (a 6.5 percent increase). Surveys also found that of overnight visitors to Maine, 92 percent would recommend a Maine visit to friends and family.

WhiteSand is very conscious of the fact that Maine's brand, with its emphasis on outdoor activities such as hiking, boating and fishing, is important and that any new gaming venue authorized must be developed consistent with it. Maine companies like L.L.Bean, Poland Spring, Tom's of Maine and a proliferation of local brewers are unfailing in their effort to portray a positive active lifestyle image for Maine. While easy in the short run to allow slot machines and/or table games to evolve in what are for all intents and purposes truck stops and bars, that course of action is to be scrupulously avoided. For this reason, the competitive license award bid process contemplated by this report at page 48 is designed to ensure that any planned expansion is in keeping with well-defined development standards that reflect the Maine brand. The gaming floor envisioned by this report is but one facet of a casino facility that includes an integrated hotel, food and beverage outlets delivering on local and coastal cuisine, a salon/spa, entertainment and retail offerings. Properly designed and applied, a competitive process can ensure that every effort is advanced to feature and complement local entertainment and dining options, not compete with them. During our time and exploration of Maine, for example, we experienced many fine dining establishment which we feel represent the unique Maine experience and which we suspect might potentially be persuaded to establish "satellite" fine dining establishments drawing on their well-established reputations and customer base.

We agree with the Office of Tourism's finding that Maine's strengths, which include iconic natural attractions, high demand for nature-based experiences among travelers and new infrastructure, provide opportunity for growth and feel that expanded gaming can be successfully integrated into any comprehensive development plan. In particular, we believe casino development will increase off-season visitation, especially

-
- Day visitor spending generated almost \$100 million in tax revenue for the state of Maine.
 - Maine hosted over 13 million day visitors on tourism related trips in 2012.
 - In 2012, Canadian visitors accounted for direct expenditures of over \$1.2 billion in the state of Maine.
 - Canadian visitors were responsible for about one-third of all tourism related retail expenditures in the state of Maine in 2012, spending over \$500 million.
 - Canadian day and overnight visitation to Maine in 2012 accounted for over 4 million visitors to the state.
 - Tourism related first time visitors to Maine accounted for over \$850 million in direct expenditures during 2012.
 - First time visitor spending generated over \$70 million in tax revenue for the state of Maine.
 - Maine hosted over 2.6 million first time visitors on tourism related trips in 2012.
 - Canadian day and overnight visitation to Maine in 2012 accounted for 4 million visitors to the state.

from New Hampshire, Massachusetts and greater New England (including meeting and conference business). We also believe that this development and related service industries will materially add to the more than 88,500 jobs currently available in the state.

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

DIRECT TOURISM EXPENDITURES			
	Total 2011	Total 2012	Pct. Change
Retail Sales.....	\$ 1,523,588,075	\$ 1,428,207,407	-6.3%
Restaurant/Food....	\$ 1,286,101,139	\$ 1,332,158,202	3.6%
Transportation.....	\$ 97,569,440	\$ 100,905,856	3.4%
Gasoline.....	\$ 472,237,061	\$ 503,795,830	6.7%
Lodging.....	\$ 1,202,470,203	\$ 1,271,033,750	5.7%
Recreation	\$ 351,740,252	\$ 340,460,298	-3.2%
Total.....	\$ 4,933,706,171	\$ 4,976,561,344	0.9%
► Source: DPA, Inc.			

ECONOMIC IMPACT OF TOURISM			
	2011	2012	Pct. Change
Total Sales	\$ 7,489,518,623	\$ 7,580,800,586	1.2%
Jobs Supported.....	85,627	85,562	-0.1%
Total Earnings	\$ 2,280,687,963	\$ 2,250,816,524	-1.3%
Total Taxes	\$ 412,672,543	\$ 416,174,685	0.8%
Note: These calculations do not include resident day spending			
► Source: Figures calculated by DPA, Inc. using the RIMS II Model.			
► For the purposes of economic impact calculations visitors are defined as:			
◆ Out of state day visitors on tourism related trips			
◆ Overnight visitors on tourism related trips			

Transportation

Major Highways

The 109-mile Maine Turnpike toll highway (I-95) travels through four of Maine's sixteen counties: York, Cumberland, Androscoggin and Kennebec. The Turnpike begins in the northern town of Kittery, proceeds down through the Greater Portland and Lewiston-Auburn area and ends at Augusta. Traffic data from 2014 shows that the 4th of July holiday weekend traffic was up 1.5% from 2013 with a total of 974,846 transactions Thursday 7/3 through Sunday 7/6.

I-295 serves Portland, Brunswick, and the coastal region northeast of Portland.



I-395 connects I-95 with Brewer, which is a gateway to Mount Desert Island.

Route 1 connects the coastal towns and state parks between Brunswick and Ellsworth.

Primary Airports

Passenger jet service is available at two Maine airports, the Portland International Jetport in Portland and the Bangor International Airport in Bangor. Both offer daily service to New York, Washington, DC, Atlanta, Orlando and other cities. Smaller airports in Maine bring small aircraft to regional airports such as Augusta State Airport, Hancock County-Bar Harbor Airport, Knox County Regional Airport and the Northern Maine Regional Airport at Presque Isle. Other smaller airports scattered throughout Maine, such as Eastport Municipal Airport, serve general aviation traffic.

Train Service

The Amtrak "Downeaster" provides service from Boston's North Station to Wells, Saco, Old Orchard Beach, Portland, Freeport and Brunswick.

Our review of the transportation infrastructure in Maine indicates that it is sufficient to support the recommendations in this report.

Competitor Jurisdictions

As markets nationally, and in specific in the Northeast, approach saturation any market feasibility assessment for Maine must be realistic about expectations in order to ensure that the State does not develop excess capacity. A core element of this exercise is to understand the status of existing competitor markets and the potential for expansion in adjacent jurisdictions. Armed with this data Maine is better equipped to size and position a Maine operator to compete head to head under its chosen taxation scheme, license fee, minimum capital investment requirements and regulatory scheme.

US Regional Gaming Market

At of this writing, two jurisdictions potentially impact Maine: New Hampshire and Massachusetts. Both are dramatically different than Maine in that they enjoy significantly greater proximity to densely populated areas with higher incomes and, as a corollary, a higher propensity to gamble.

New Hampshire

During the past two years, the New Hampshire House has blocked a number of Bills drafted by its Senate, as well as an expanded gaming bill drafted by a specially constituted New Hampshire Gaming Regulatory Oversight Authority ("Authority"), all of which authorized one or more commercial casino licenses. Notwithstanding that public opinion polls demonstrate widespread support for casino gambling as an alternative revenue source to fund state programs, and the fact that there is strong support in the Senate, the House has consistently refused to approve commercial casino gaming in any form. Although the probability of passing enabling legislation in the New Hampshire Legislature is dead for this year, a version of the 2014 expanded gaming bill and Senator D'Allesandro's legislation will likely reappear in the 2015 Session. Governor Hassan is a strong advocate for expanded gaming and New Hampshire is in need of additional funding to cover significant revenue shortfalls, especially if it is to avoid imposition of a state income tax. Based upon our direct experience with viable locations in this State, which are largely focused on the vicinity in and around Salem, New Hampshire, WhiteSand would assert that development of a commercial casino in southern New Hampshire will not materially affect current gaming revenue in Maine or the projected gaming revenue estimated for a third casino license in this report. This conclusion is based largely on the distance between the major population centers in New Hampshire and a southern most Maine location which approximates 140 miles and the fact that a New Hampshire location will draw more directly on residents of New Hampshire and northern Massachusetts.

Massachusetts

Notwithstanding that the Supreme Judicial Court recently ruled that a petition seeking the repeal of the 2011 casino law qualifies for the November 2014 ballot, it is prudent when conducting a feasibility assessment for Maine to assume that three commercial casinos and a slot machine parlor will be operational in Massachusetts by 2016. As depicted in the schematic below, under the enabling statute Massachusetts was segregated into three regions denoted as A, B and C.

As of this writing, Penn National Gaming has broken ground on a slot machine only facility at Plainridge Race Track, MGM Springfield has been conditionally approved for the Region B license and Mohegan Sun and Wynn Resorts are competing for the license in Region A with their proposals for Revere and Everett, respectively.

Region C, initially closed to commercial applicants to allow the Mashpee Wampanoag Tribe to pursue a Tribal casino in Taunton through a federal Indian lands process outside of the state application system, is currently delayed. Material issues associated with the Tribe's ability to take land into trust have caused the Massachusetts Gaming Commission to open Region C to commercial applicants although the Tribe remains in contention for that license.



Based upon our experience in this sector, WhiteSand would assert that development of commercial casinos in Massachusetts will not materially affect current gaming revenue in Maine or the projected gaming revenue estimated for a third casino license in this report. Given the well documented propensity to gamble in Massachusetts, its revenues can be expected to be derived mainly from players from within the Commonwealth although Rhode Island's two casino facilities as well as Foxwoods and Mohegan Sun in Connecticut will likely experience declines attributable to increased capacity in Massachusetts.

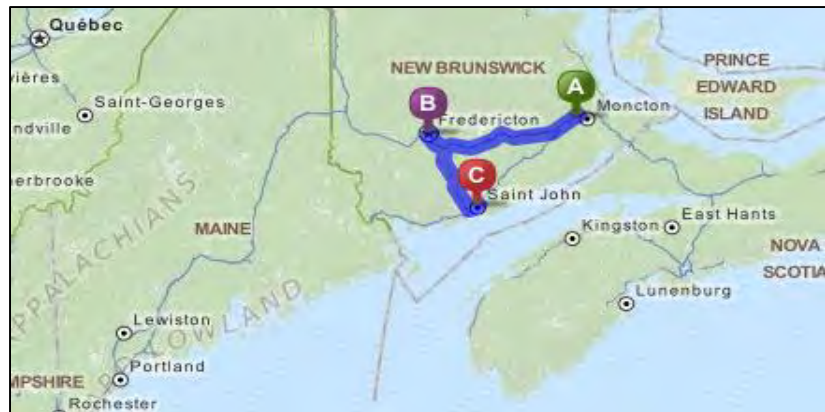
Canadian Regional Gaming Market

In our review of the Canadian regional gaming market we considered the impact of gaming operations within 60 - 90 miles of the Maine border.

New Brunswick

Casino New Brunswick

Casino New Brunswick is located at 21 Casino Drive, Moncton, New Brunswick. The casino's 24,000 square foot gaming space features 603 slot machines and twenty-six table and poker games. The property has two restaurants and a hotel with 128 rooms.



Fredericton Raceway

Fredericton Raceway is a harness race track located at Smythe and Saunders Streets in Fredericton, New Brunswick. The racino features twenty-five gaming machines. The property has one restaurant and two bars.

Exhibition Park Raceway

Exhibition Park Raceway is a harness race track located at McAllister Drive in Saint John, New Brunswick. The racino features five gaming machines and one bar.

Nova Scotia

Casino Nova Scotia - Halifax

Casino Nova Scotia is located at 1983 Upper Water Street, Halifax, Nova Scotia and is open Mon-Thursday, 10am-4am, Fri-Sun for 24 hours a day. The casino's 34,900 square foot gaming space features 631 slot machines and thirty-two table and poker games. The property has three restaurants.

Casino Nova Scotia - Sydney

Casino Nova Scotia is located at 525 George Street, Sydney, Nova Scotia and is open Mon-Thursday, 11am-3am, Friday 11am through Mon 3am. The casino's 14,950

square foot gaming space features 299 slot machines and eleven table and poker games. The property has one restaurant.



Dartmouth Sportsplex Bingo

Dartmouth Sportsplex Bingo is a Bingo Hall located at 110 Wyse Road, Dartmouth, Nova Scotia and is open on a daily basis, evenings only.

Inverness Raceway

Inverness Raceway is a harness race track located on Forrest Street, Inverness, Nova Scotia. It offers racing only.

Truro Raceway

Truro Raceway is a harness race track located at 73 Ryland Avenue, Truro, Nova Scotia. The racino features five slot machines and two restaurants.

Quebec

Casino du Lac - Leamy

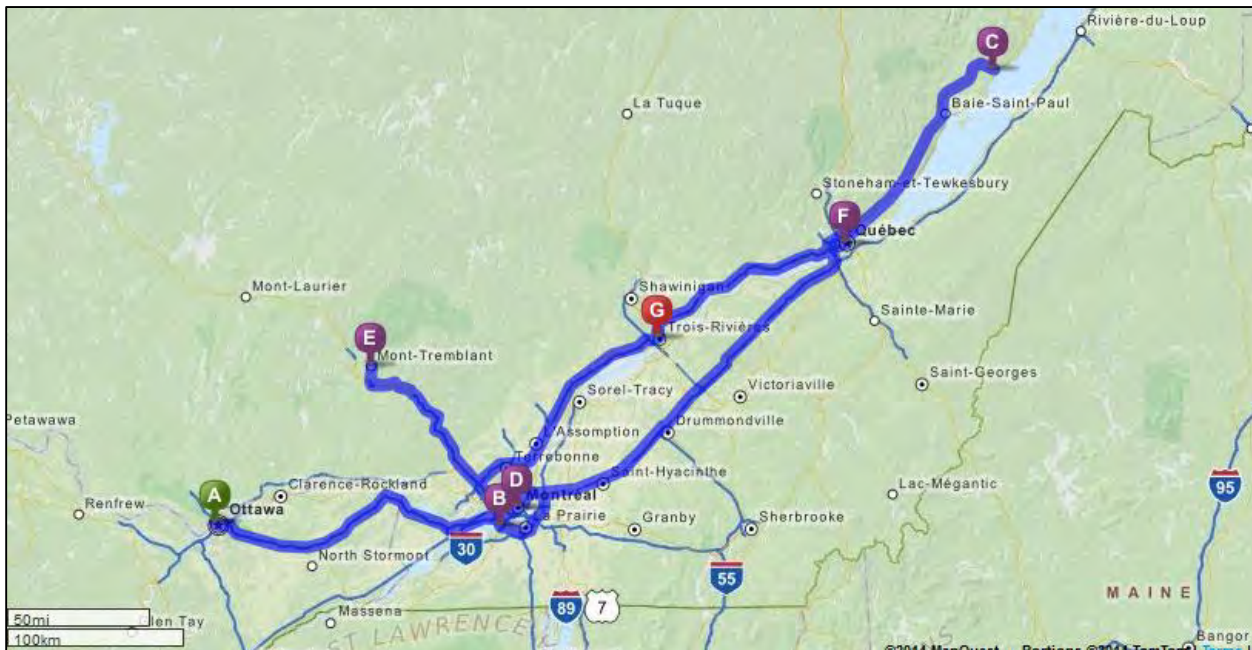
Casino du Lac-Leamy is located at 1 Boulevard du Casino, Gatineau, Quebec and is open daily 24 hours. The casino's 70,644 square foot gaming space features 1,820 slot machines and seventy-two table and poker games. The property has five restaurants, three bars and a hotel with 349 rooms.

Kahnawake Playground Poker Club

This card club is located at 1500 Unit C, Route 138 in Kahnawake, Quebec. It features forty poker games and one restaurant.

Snake's Poker Club Stardust

This card club is located on Route 132 in Kahnawake, Quebec. It features fifteen poker games and one restaurant.



Stardust Poker Mansion

The Stardust Poker Mansion is a card club located at 1569 Route 138, Kahnawake, Quebec. It features fifteen poker games and one restaurant.

La Malbaie - Casino de Charlevoix

This casino is located at 183 Rue Richelieu, La Malbaie, Quebec. It features 1,000 slot machines and twenty-three table and poker games and has four restaurants, two bars and a hotel with 405 rooms.

Casino de Montreal

Casino de Montreal is located at 1 Avenue du Casino, Montreal, Quebec. It features 2,700 slot machines and 131 table and poker games, four restaurants and four bars.

Casino de Mont Tremblant

Casino de Mont Tremblant is located at 300 Chemin des Plaiades, Mont-Tremblant, Quebec. The casino's 21,025 square foot gaming space features 500 slot machines, twenty-two table and poker games, one restaurant and one bar.

Salon de Jeux de Québec

Salon de Jeux de Québec is located at 250 G, Boulevard Wilfred-Hamel, Quebec City, Quebec. The casino features 302 slot machines, six table and poker games, one restaurant and one bar.

Salon de Jeux de Trois-Rivieres

This slot machine facility is located at 1900 Boulevard des Forges, Trois-Rivieres, Quebec. It features 200 slot machines, one restaurant and one bar.

Hippodrome Trois-Rivières

Hippodrome Trois-Rivières is a harness race track located at 1600 Boulevard des Forges in Trois-Rivieres, Quebec. The racino features sixty-five slot machines and has one restaurant.

WhiteSand Methodology

Given WhiteSand's our history and industry experience and with a historical perspective and understanding of relevant political and cultural realities we have developed an approach we have found successful in evaluating gaming markets. Given the distance benchmarks of 30, 60 and 90 miles from the gaming location under study, WhiteSand began to construct a profit and loss pro forma for a third license in Maine. To do so we utilized our proprietary model, developed over time, designed to calculate the potential movement of prospective players between competing gaming locations. With regard to our distance benchmarks it is noteworthy that in order to provide a consistent measurement of demographics within a specific region, we utilized distance radii from the region rather than drive time. In our experience, using distance rather than driving time eliminates fluctuations due to day of the week, unpredictable events (e.g., accidents) and weather. Distance radii are translatable to drive times in most scenarios but provide more consistent results due to the reduction in unpredictability. In addition to distance, we also use characteristics such as population, age, income and propensity to game as factors in our modeling.

Competitor Set

As an initial step WhiteSand identified a comparator set of 15 gaming facilities. We included both Bangor and Oxford in the comparator set and then selected 13 additional gaming facilities to complete the set. Our primary selection criteria related to operation in a jurisdiction which in essence creates discrete monopoly markets within defined geographic areas. Pennsylvania, Maryland and Massachusetts, for example, issued licenses utilizing a competitive bid process based on a segregation of each respective state into geographic regions. We relied on this criteria for Maine as segregation of the State into regions is loosely embodied in 8 MRSA § 1019(6)'s requirement that gaming facilities be at least 100 miles apart and, going forward, we believe that segregation of the State into regional markets is essential if a third license is to be authorized in Maine.

The properties identified in the comparator are in some cases very similar and in all cases similar enough to serve as a sound basis for our evaluation of market demand and estimate of key financial statistics for Maine. In addition to Oxford and Bangor, the thirteen properties identified for inclusion in the comparator set are:

- Isle of Capri Casino, Boonville, Missouri
- Diamond Jo Casino, Dubuque, Iowa
- Boot Hill Casino and Resort , Dodge City, Kansas
- Sands Casino Resort, Bethlehem, Pennsylvania
- Valley Forge Casino Resort, King of Prussia, Pennsylvania
- Mount Pocono Casino Resort, Mount Pocono, Pennsylvania
- Parx Casino, Bensalem, Pennsylvania
- Harrah's Philadelphia, Chester, Pennsylvania

- Presque Isle Downs & Casino, Erie, Pennsylvania
- Hollywood Casino at Penn National, Harrisburg, Pennsylvania
- Meadows Racetrack & Casino, Washington, Pennsylvania
- Rivers Casino, Pittsburgh, Pennsylvania
- Twin River Casino, Lincoln, Rhode Island

For each of the gaming facilities in the competitive set we tracked core demographic characteristics commonly associated with propensity and capacity to gamble including population, median per capita income, median age, unemployment rate, win per unit for both slot machines and table games at each of the comparator set facilities and the size of the gaming floor for each as measured by the number of slot machines and table games. In specific, relying largely on US census data we tracked these demographic characteristics at each of our distance benchmarks, meaning at 30, 60 and 90 miles from the gaming location under study.

The results of our demographic characteristic analysis are detailed in the Appendix to this report at Exhibit "B" at page 95.

Revenue details for fiscal 2013 and more specific information about the demographics for the population surrounding the gaming facilities in the comparator set are included in the Appendix to this report at Exhibit "C" at page 96.

Primary Regions

WhiteSand next identified six primary regions in the State. Oxford County and Penobscot County were included on the basis of the existing gaming facilities at Oxford and Bangor. Aroostook County and Washington County were included on the basis of their having been the subject of prior gaming expansion efforts in the Legislature and the Portland-South Portland-Biddeford Metropolitan Area and a subset of that metropolitan area, the Maine Beaches, were included on the basis of population density. For each of these six regions, WhiteSand examined the same demographic characteristics commonly associated with propensity and capacity to gamble detailed for the comparator set including population, median per capita income, median age, unemployment rate and, where applicable, win per unit for both slot machines and table games and the size of the gaming floor. The results of our research into demographics are summarized for each region in Exhibit "D" of the Appendix at page 121.

We then quantified the identified demographics within our distance benchmarks of 30, 60 and 90 miles of a proposed facility location. Based on our analysis of the demographics in the six primary regions, and the fact that we were affirmatively seeking to allocate gaming capacity regionally within the State to avoid cannibalization of existing gaming revenues at Bangor and Oxford, we limited our statistical analyses, including correlation and regression analysis, to the Maine Beaches, denoted in our model results as the "southern casino" and Aroostook County and Washington County, collectively denoted as the "northern casino" in our model results. For these two regions

we then quantified the identified demographics with our distance benchmarks of 30, 60 and 90 miles of a proposed facility location.

Gravity Model

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. Examples of positively correlated relationships include the height of parents and their offspring or the relationship between a rise in demand for a product and a rise in its price. In our correlation analysis, the win per unit per day for slot machines and table games at the comparator set facilities was designated as the dependent variable and was measured against each of the demographic characteristics we identified as commonly associated with propensity and capacity to gamble including population, median per capita income, median age and unemployment rate to ascertain the highest correlation between each demographic characteristic and win per unit per day at each property. The results of our correlation analysis indicated that for the comparator set, which included both Bangor and Oxford, population within a 60-mile radius had the highest correlation coefficient at .813539 with win/unit/day followed by number of gaming units at .679688.

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

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

	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	60 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 15 gaming facilities in the competitor set, WhiteSand then constructed a two-variable, linear regression model to

derive projected win per unit per day for both a southern casino, located proximate to the Maine beaches configured with 1000 slot machines and 24 table games, and a possible northern casino located at the Maine/Canadian border in Aroostook County or Washington County configured with 250 slot machines and 10 table games.

Regression analysis, often used for predictive or forecasting purposes, looks at the relationship between independent variables, in this case the population within 60 miles and the number of slot or table units, and how the dependent variable, in this case the win per unit per day, varies as the independent variables change. The regression analysis results in a linear formula, similar to that of $y=mx+b$, where y represents the win per unit per day, m is a coefficient derived from the linear regression, in this case we have two as it is a two-variable linear regression, x represents one of the variables used in the analysis (i.e. 60-mile population or number of gaming units), and b is an intercept on the y -axis. WhiteSand's regression model has an R-squared value of .697, which translates to almost 70% of the win per unit per day being explained via this linear regression formula which considers the population within a 60-mile radius and the number of gaming units within the same radius, and their effect on the win per unit per day of a subject property.

Using the formula derived from the regression analysis as well as three potential locations for the southern casino and a region with strong demographics for a potential northern casino, a most likely win per unit per day was derived for both slot machines and table games. For the southern casino, assuming a 60-mile population base of roughly 2.4 million people from our Sample 2 region and 1,000 slot machines and 24 table games, this equated to \$186/day for slot machines and \$1,238/day for table games. The Sample 2 region represents a region with strong demographics; however the Sample 2 region could potentially perform better based on its demographics. WhiteSand tends towards a conservative approach to forecasting, therefore the region with the strongest demographics was not utilized in forecasting revenues.

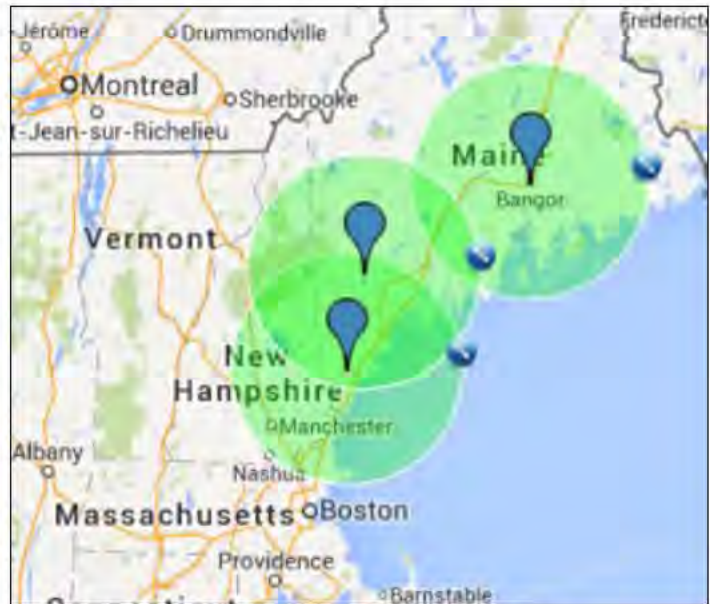
A northern casino could potentially achieve a win per unit per day for slot machines of \$157/day and \$982 for table games, assuming 250 slot machines and 10 table games.

Regression analysis also provides an error calculation utilizing a similar idea of intercept, coefficient, and independent variables. The standard error accounts for a majority of variation around the expected value, again the win per unit per day. Using the error calculation provides, in effect, a sensitivity calculation that results in a high and a low value around the expected value. In this case, using the error calculation for the southern casino Sample 2 region resulted in a high case for the win per unit per day of \$215 for slot machines and \$1,687 for table games, and a low case of \$157 for slot machines and \$789 for table games. The potential northern casino derived a high case of \$173 win per unit per day for slot machines and \$1,240 for table games, and a low case of \$141 for slot machines and \$724 for table games.

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

License Recommendation

Our analysis supports that it is feasible for Maine to offer at least one additional gaming license. In keeping with the Maine brand this license would authorize an upscale casino hotel in southern Maine with table games and up to 1,500 slot machines with the specific amenity mix to be determined by the bidder in a competitive license award process. As noted above, under our model population within a 60-mile radius had the highest correlation coefficient with win per unit per day. This fact, when combined with the existing development in Bangor and Oxford and the resulting need to avoid cannibalization, made southern Maine the only viable option. Southern



Maine is the most densely populated section of the State with at least three optimal locations, identified in the prior Regression Formula Chart as Sample 1, 2, and 3 and on the below noted chart as Location #1, 2 & 3, with good proximity to I-95 situated within a 60-mile radius of southern New Hampshire and northeastern Massachusetts.⁶

Southern Maine Location 1	Mile Radius	Population	Median Age
	30	485,210	42.0
	60	3,436,605	39.8
	90	6,861,726	39.6
Southern Maine Location 2	Mile Radius	Population	Median Age
	30	536,128	41.0
	60	2,386,843	40.8
	90	6,168,698	39.7
Southern Maine Location 3	Mile Radius	Population	Median Age
	30	542,694	40.7
	60	1,926,116	41.1
	90	5,744,442	39.7

⁶ WhiteSand ran its model utilizing data from three separate southern Maine locations identified by zip code.

Counties generally within 30 miles of all three locations examined in the southern casino model.

County	Total Population
York ME	163,817
Essex MA	56,396
Rockingham NH	146,275
Strafford NH	118,722
30 Mile Radius	485,210

Counties generally within 60 miles of all three locations examined in the southern casino model.

County	Total Population
Cumberland ME	255,775
Oxford ME	6,784
Sagadahoc ME	2,216
York ME	33,314
Essex MA	686,763
Middlesex MA	994,990
Plymouth MA	1,502
Suffolk MA	229,824
Belknap NH	60,088
Carroll NH	31,765
Hillsborough NH	366,096
Merrimack NH	128,909
Rockingham NH	148,948
Strafford NH	4,421
60 Mile Radius	2,951,395

Counties generally within 90 miles of all three locations examined in the southern casino model.

County	Total Population
Androscoggin ME	104,515
Cumberland ME	25,899
Kennebec ME	39,368
Knox ME	2,033
Lincoln ME	27,131
Oxford ME	35,345
Sagadahoc ME	33,077
Barnstable MA	5,856
Bristol MA	148,070
Franklin MA	1,393
Middlesex MA	508,095
Norfolk MA	670,850
Plymouth MA	425,297
Suffolk MA	492,199
Worcester MA	645,823
Carroll NH	16,053
Cheshire NH	64,047
Coos NH	2,555
Grafton NH	67,033
Hillsborough NH	34,625
Merrimack NH	17,536
Sullivan NH	43,742
Providence RI	11,251
Orange VT	763
Windsor VT	2,565
90 mile radius	3,425,121
Total 30, 60, 90 mile radius	6,861,726

In order to achieve the overall revenues projected in this study, a new facility would need to fill a space in the market not currently met by either of the existing operations. The Oxford Casino offers the minimum in terms of facilities required for a gaming operation. Featuring a multitude of games, both slot machines and tables, the facility lacks anything beyond a two-meal restaurant and sandwich bar.

The Hollywood Casino, although featuring additional amenities including hotel and expanded food and beverage offerings, lacks a ‘sense of place’, so although it supports other activities, it does so in a non-distinct way that could be improved upon. A new facility in southern Maine should move further up the cost-quality curve and, via the

competitive license award process be required to feature facilities that fully maximize the opportunity to create a branded property distinct to Maine. The scoring methodology should, for example, encourage a developer to partner with local hospitality companies like some of the great coastal hotels in the southern market or some of the amazing restaurateurs in Portland and other coastal towns. A project befitting this vision can be achieved via a competitive bidding process that requires a minimum capital investment that warrants these facilities, whether initially or over some pre-defined total investment period. The idea of the minimum capital investment ensures the winning bidder are forced to comply with set design standards and to diversify beyond a purely gaming oriented operation to one that relies upon a mix of uses and customers.

The prototype casino hotel facility contemplated by our model has the following characteristics. Note, to be conservative, all of our modeling presumes 1,000 slot machines and 25 table games and assumes the Sample #2, "Expected" Sensitivity denoted in the chart on page 28. We also assumed an amenity mix consisting of a hotel, multiple food and beverage outlets, salon/spa, entertainment and retail.

Location:	Maine Beaches
# of Slot Machines	1000 @ \$ 186 w/u/d
# of Table Games	25 @ \$ 1238 w/u/d
Integrated Hotel	200 rooms
RevPAR ⁷	\$112
Amenities Mix	To be determined by Bidder
Slot Revenue Tax Rate	35%
Table Revenue Tax Rate	16%

Based upon this prototype we derived the revenue and expense projections enumerated below. As indicated in the documentation we subjected these projections to "upside" and "downside" scenarios using the standard error from the regression model to represent a standard deviation from which the forecast could vary. We used Sample Location 2 because this represents the mid-point and is the "most likely" scenario. The more optimistic and more conservative (high and low) scenarios are in the Appendix at Exhibit "E1 – E4" at page 127.

⁷ RevPAR denotes revenue per available room. RevPar is a performance metric in the hotel industry and is calculated by dividing a hotel's total guestroom revenue by the room count and the number of days in the period being measured. Hotel Price Index Spring 2014

Regression Southern Casino - Expected

			<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%

<u>Southern Casino Revenue & Expense Projections</u>										
	<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	

For the reasons discussed commencing at page 37, WhiteSand assumed a tax rate for this property of 35% for slot machines and 16% for table games and has imposed a potential minimum capital investment for the winning bidder of \$250,000,000 commensurate with the cost of the development contemplated by the model. At this minimum capital investment, we have determined the \$5,000,000 license fee provided for in 8 MRSA Chapter 31 to be consistent with the collective market value of the opportunity. For context we have incorporated relatively standard financing terms in order to calculate the return on investment a developer could reasonably anticipate for the project. Even when looking at the 'downside' scenario, the projected return on investment ranging from a high of 28% to a low of 20% should draw multiple qualified bidders to the project (see chart on page 30).

As indicated in the following investment pro forma our expected Internal Rate of Return ("IRR") on the prototype investment is 24% with the low IRR projected at 20% and the high at 28%. See the Appendix to this report at Exhibit F at page 130. This IRR should attract multiple qualified bidders

Internal Rate of Return – “IRR”

Return Assumptions			Capital Structure			Financing Terms		
Capital Investment ('000's)	250,000		Debt	65%	165,750	Term		10
License Fee	5,000		Equity	35%	89,250	Amortization		30
Going-Out Cap Rate	10%					Rate		8.5%
						Constant		(0.092)

		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Purchase		(89,250)					
CF After Debt Service			5,713	12,686	13,834	14,707	15,607
Reversion							318,281
Mortgage Balance							(150,518)
		(89,250)	5,713	12,686	13,834	14,707	183,371
	IRR	24%					
	Equity Multiple	2.58					

Going-Out Cap Rate		Capital Investment				
	24%	175,000	200,000	225,000	250,000	275,000
	8%	43.3%	38.5%	34.7%	31.6%	29.0%
	9%	38.6%	34.1%	30.5%	27.6%	25.1%
	10%	34.3%	30.0%	26.6%	23.9%	21.6%
	11%	30.3%	26.2%	23.0%	20.5%	18.4%
	12%	26.4%	22.5%	19.6%	17.3%	15.4%

Capacity for a Fourth License

In order to maximize potential gaming tax revenues to the state, WhiteSand also considered the feasibility of a fourth casino operation in the state. Assuming a third major casino operation was approved, the fourth casino would need to be located in a geographic area that would ensure no cannibalization of the three casinos already in operation or proposed, thus WhiteSand considered the northern market, at a location in either Aroostook County or Washington County adjacent to a major border crossing with favorable demographics regarding the population both on the US side as well as on the Canadian side of the border. Given the lack of a major population base anywhere in the northern market, if pursued at all, the fourth gaming facility should be limited to 250 slot machines and 10 table games and feature far fewer amenities and appeal primarily to transient highway traffic rather than the population within a sixty mile radius.



The following schedules provide a snapshot of traffic volume in 2013 for both truck and passenger vehicles at two major points of entry relevant to this study, Houlton in Aroostook County and Calais in Washington County. Given the lack of a resident population in the northern market, any gaming operation in either of these two counties would be largely dependent on traffic crossing the border from Quebec and New Brunswick.

Houlton & Calais Border Crossings

Houlton / Richmond Corner Border Crossing (US Interstate 95 / New Brunswick 95, Woodstock Road) - This is a major border crossing with traffic volume that ranks in the top 25% of all crossings between the two countries and is a major truck portal. This is the northern terminus of U.S. Interstate 95 which is the primary highway running along the east coast from Florida to Maine.

Calais / Saint Stephen (International Avenue, Route 1, Maine Route 9 / New Brunswick Route 1) - This bridge was opened in 2010 to relieve the heavy traffic and extensive delays that existed at the nearby border crossings at Milltown and Ferry Point. These crossings combined to form the 8th busiest commercial crossing along the U.S and Canadian border with delays of up to 2 hours. In Maine, the bridge connects to Maine State Route 9, which in turn links to Interstate 95 in Bangor.

Annual Maine Border Crossings at Calais and Houlton

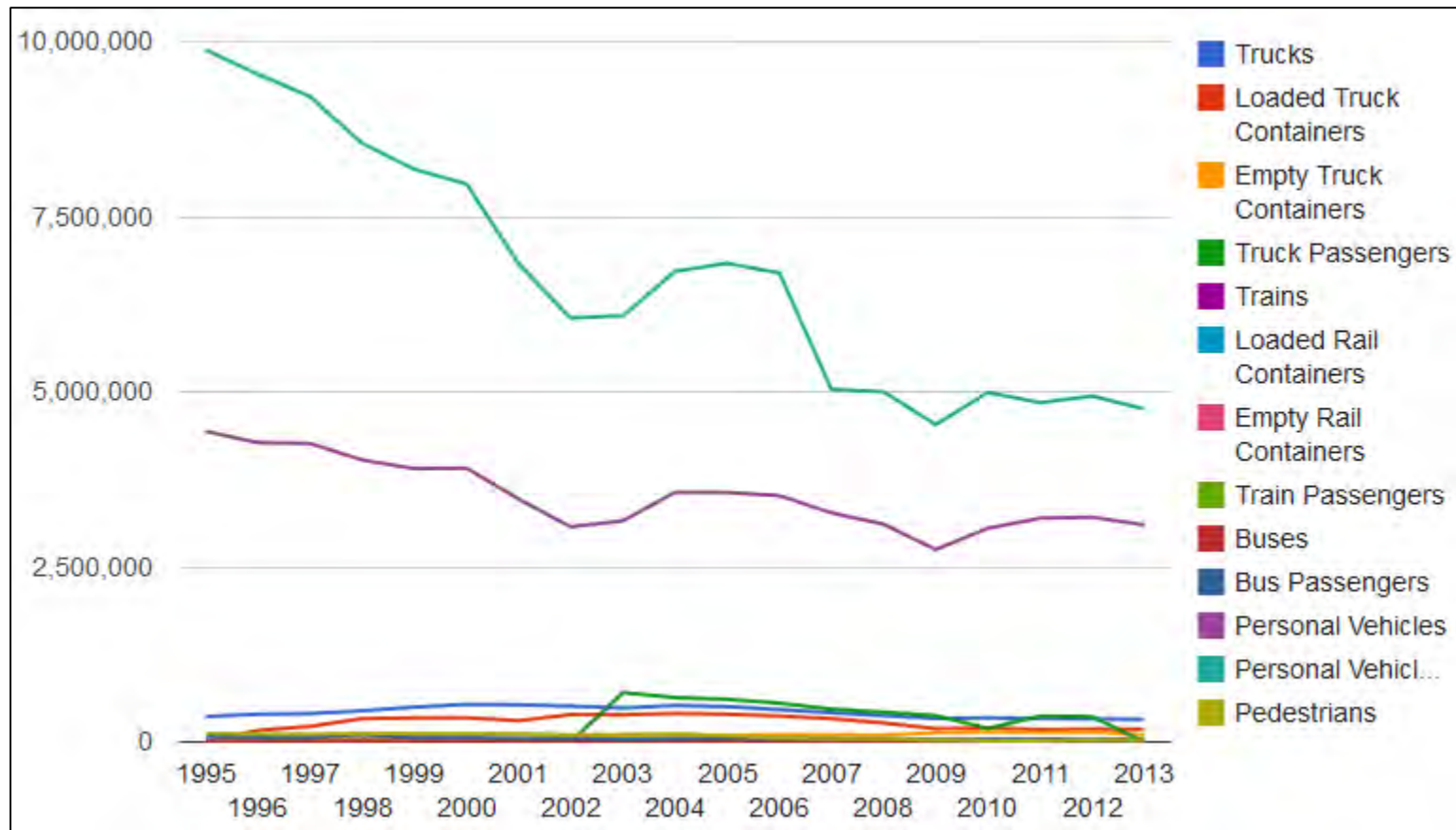
PORT NAME	TRUCKS	TRAINS	BUSES	PERSONAL VEHICLES	PEDESTRIANS
Calais, ME Port Code: 0115 Year: 2012 COMPARE NOW SEE DETAILS >	67,274	184	417	1.07 MILLION	 15,554
Houlton, ME Port Code: 0106 Year: 2012 COMPARE NOW SEE DETAILS >	85,050		323	364,104	 223

All Maine - Canada Border Crossings⁸

U. S. State	Year	Trucks	Loaded Truck Containers	Empty Truck Containers	Truck Passengers	Trains	Loaded Rail Containers	Empty Rail Containers	Train Passengers	Buses	Bus Passengers	Personal Vehicles	Personal Vehicle Passengers	Pedestrians
Maine	1995	363,192	NA	NA	NA	1,201	NA	NA	2,705	2,190	74,209	4,435,793	9,883,323	119,625
Maine	1996	395,878	163,910	44,192	NA	1,357	9,917	16,902	2,987	2,016	66,287	4,273,477	9,535,133	113,198
Maine	1997	404,972	222,328	47,643	NA	1,380	11,496	17,293	2,790	1,928	61,258	4,262,883	9,216,109	112,392
Maine	1998	445,174	332,169	58,858	NA	1,698	23,324	23,558	3,429	1,989	110,401	4,026,315	8,548,623	122,024
Maine	1999	497,054	343,481	51,523	NA	1,653	31,210	35,738	3,377	1,968	60,274	3,902,624	8,176,381	120,816
Maine	2000	536,368	344,288	49,779	NA	1,428	28,139	32,219	3,177	2,094	64,023	3,909,276	7,968,478	121,807
Maine	2001	530,485	303,786	49,282	NA	1,303	27,790	28,281	2,701	1,788	52,946	3,469,009	6,828,027	117,928
Maine	2002	511,305	390,894	77,855	NA	1,082	17,417	19,458	4,015	1,578	50,034	3,071,871	6,053,625	101,470
Maine	2003	485,415	387,654	98,028	705,095	1,132	15,405	16,438	2,169	1,264	38,298	3,156,921	6,084,947	105,011
Maine	2004	520,248	407,121	102,855	633,062	1,478	22,639	21,660	2,763	1,584	47,765	3,564,979	6,719,885	115,011
Maine	2005	504,091	396,153	96,389	609,813	1,287	22,885	22,024	2,330	1,771	53,984	3,562,402	6,835,788	87,153
Maine	2006	481,480	370,173	105,979	554,145	1,412	17,996	21,439	2,703	2,017	51,883	3,517,731	6,696,129	57,286
Maine	2007	418,263	332,730	103,067	468,851	1,353	16,215	23,455	2,725	1,819	48,866	3,271,415	5,035,200	48,188
Maine	2008	376,099	271,686	99,326	425,844	1,172	16,666	18,833	2,359	1,738	47,707	3,109,259	5,000,479	45,007
Maine	2009	335,671	189,200	131,192	374,769	743	12,513	12,005	1,476	1,415	34,674	2,747,309	4,530,838	24,569
Maine	2010	344,612	199,200	144,724	191,630	726	15,783	13,670	1,403	1,464	38,505	3,051,111	4,991,191	15,194
Maine	2011	334,310	176,215	133,641	368,821	593	14,639	14,816	1,006	1,215	39,353	3,194,976	4,844,899	17,208
Maine	2012	328,974	183,831	141,840	361,789	923	21,274	27,948	1,775	1,021	35,204	3,208,951	4,939,243	23,032
Maine	2013	321,728	180,242	98,972	NA	981	17,840	26,752	1,870	903	30,006	3,098,861	4,754,379	26,845
Total		8,115,319	5,195,061	1,635,145	4,693,819	22,902	343,148	392,489	47,760	31,762	1,005,677	66,835,163	126,642,677	1,493,764

SOURCE: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, based on data from the Department of Homeland Security, U.S. Customs and Border Protection, Office of Field Operations.

All Maine - Canada Border Crossings



WhiteSand employed a methodology substantially similar to that described for a southern Maine location to derive the potential feasibility of a fourth casino operation. Although limited in its scope, the northern market could support a restricted casino operation if the State elected to pursue the issuance of a fourth license. See Exhibit E2 & E3 at page 129 & 130.

At 250 slot machines and ten table games, we forecast \$157 dollar win per unit per day for the slots and \$982 win per unit for the tables which would support the level of capital investment recommended by this report.

Northern Casino					
Slots			Tables		
<u>Intercept</u>		<u>Sample</u>	<u>Intercept</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
Error Calculation			Error Calculation		
<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
Sensitivity			Sensitivity		
<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

Northern Casino Revenue & Expense Projections										
	2015		2016		2017		2018		2019	
Revenue										
Casino Slots	14,291,426	64%	14,863,083	72%	15,457,606	72%	15,921,334	72%	16,398,974	72%
Casino Tables	2,643,377	8%	3,727,133	18%	3,876,218	18%	3,992,505	18%	4,112,280	18%
Food and Beverage	1,317,151	9%	1,369,837	7%	1,424,631	7%	1,467,370	7%	1,511,391	7%
Other	564,493	3%	587,073	3%	610,556	3%	628,873	3%	647,739	3%
Total Revenue	18,816,447	100%	20,547,126	28%	21,369,011	28%	22,010,081	28%	22,670,384	28%
Less Taxes @ 35%	(5,001,999)	-22%	(4,578,623)	-22%	(4,761,768)	-22%	(4,904,621)	-22%	(5,051,760)	-22%
Taxes @ 16%	(422,940)	-1%	(596,341)	-3%	(620,195)	-3%	(638,801)	-3%	(657,965)	-3%
Net Revenue	13,391,508	71%	15,372,162	75%	15,987,048	75%	16,466,659	75%	16,960,659	75%
Costs and Expenses										
Costs of Goods and Services	8,467,401	45%	8,629,793	42%	8,974,985	42%	9,244,234	42%	9,521,561	42%
Selling, General, and Administrative	1,881,645	10%	1,849,241	9%	1,923,211	9%	1,980,907	9%	2,040,335	9%
Provision for Doubtful Accounts	1,805,007	2%	205,471	1%	213,690	1%	220,101	1%	226,704	1%
Total Costs and Expenses	12,154,053	65%	10,684,505	52%	11,111,886	52%	11,445,242	52%	11,788,600	52%
Gross Operating Profit	1,237,455	7%	4,687,656	23%	4,875,162	23%	5,021,417	23%	5,172,060	23%
EBITDA	1,237.45		4,687.66		4,875.16		5,021.42		5,172.06	
Debt Service	(1,963)		(1,963)		(1,963)		(1,963)		(1,963)	
CF After DS	(725.94)		2,724.26		2,911.77		3,058.02		3,208.67	

Fees, Tax Rates and Minimum Capital Investment

Largely as a result of the fact that both successful gaming referendums were citizen initiated and overtly funded by commercial casino interests, commercial casino gaming expanded in Maine without benefit of a uniform tax policy, without imposition of a standardized revenue distribution scheme prioritized by the Legislature and without collection of the substantial license fees and the minimum capital investment requirements imposed by many states like Pennsylvania, Maryland and Massachusetts. 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.

The recommendations that follow with regard to fees, tax rate, distribution formula and minimum capital investment reflect a bias in favor of capital investment. This bias is predicated on the general principal that both license fees and tax rates to a significant extent are inversely related to capital investment. In the end, it is the capital investment in gaming that creates jobs and is the surest multiplier of a region's economy. When a jurisdiction chooses to focus on capital investment rather than the short term "fix" of a high license fee, it is choosing regional economic development over short term revenue. In our experience potential operators approach any license opportunity with a finite "bucket" of funds corresponding to their perception of the value of the opportunity. When a jurisdiction sets a high license fee, especially as markets approach saturation, the residual in the bucket is smaller and, as a result, the likelihood of larger scale development diminishes. Similarly, when a jurisdiction sets a realistic tax rate it is allowing a licensee the operating margins necessary to deliver, operate and market a gaming product that is substantial and diverse enough to be a destination that is actually capable of stimulating area restaurants, hotels, entertainment and convention centers.

WhiteSand was tasked with recommending a license fee that is reflective of the market value of the opportunity in Maine. In our view, the market value of the opportunity is collectively represented by the combined value of the license fee and the minimum capital investment requirement. For the reasons stated herein with regard to the impact of minimum capital investment, we would advance that a license fee of \$5,000,000 coupled with a minimum capital investment of \$250,000,000 will fairly reflect the value of the opportunity and will have a significant likelihood of attracting a quality operator. 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 license fees. It is further urged to require the full capital investment to be made within 5 years of the date of issuance of a license and to provide a clear action plan in the event the applicant fails to meet the minimum capital investment requirements.

WhiteSand is well aware that the license fees garnered in recent years by states such as Pennsylvania (\$50M - 2005) and Massachusetts (\$85M - 2013) or contemplated by New Hampshire (\$80M - 2013) are substantially higher than the \$5M recommended herein for Maine. We are also aware that LD 1111, a Bill advanced by Scarborough Downs in 2013 which essentially authorized a racino in southern Maine envisioned a minimum bid of \$50,000,000 for the license. WhiteSand is of the view, however, that as markets in the Northeast not only approach saturation but in some cases begin to substantially contract, as is the case with Atlantic

City, that the optimal valuation of a third license in Maine is a valuation biased in favor of capital investment. We are further of the view that the \$50,000,000 license fee in LD 1111 would likely have been reflected in substantially less capital investment in that project than the \$250,000,000 contemplated by this report as the Bill failed to incorporate a minimum capital investment requirement.

Care should be taken not to confuse the "valuation" of a license opportunity represented by a combination of a license fee and minimum capital investment requirement with the \$51M dollar acquisition of the Bangor Race Track by Penn National in 2004 or the \$160,000,000 paid by Churchill Downs for the Oxford Casino in 2013. In the case of Penn National the amount paid was a pre-recession real estate value and likely included compensation associated with the citizen initiated referendum that authorized slot machines for that race track in addition to the cost of the physical plant. In the case of Churchill Downs, the amount represented the value of a fully developed and fixtured gaming operation.

Maine is furthered cautioned that even a modest increase in the amount of the license fee will materially impact the amount of capital investment a potential operator is willing to commit. Although logically one might conclude that the license fee and minimum capital investment have a one-to-one relationship where a dollar added to the license fee is merely a dollar that does not end up going into the capital investment in the casino project; in reality, the following hypothetical example shows that a dollar added to the license fee actually can result in a multiple of dollars being removed from the long-term development of the project.

Scenario 1			Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
License Fee	\$	5,000,000	\$ (5,000,000)					
MCI	\$	250,000,000	\$ (100,000,000)		\$ (100,000,000)	\$ (50,000,000)		
Exit Cap Rate		10%		\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
			\$ (105,000,000)	\$ 30,000,000	\$ (70,000,000)	\$ (20,000,000)	\$ 30,000,000	\$ 330,000,000
		Return on Investment	21.4%					
Scenario 2			Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
License Fee	\$	15,000,000	\$ (15,000,000)					
MCI	\$	232,100,000	\$ (100,000,000)		\$ (100,000,000)	\$ (32,100,000)		
Exit Cap Rate		10%		\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
			\$ (115,000,000)	\$ 30,000,000	\$ (70,000,000)	\$ (2,100,000)	\$ 30,000,000	\$ 330,000,000
		Return on Investment	21.4%					

In Scenario 1, the proposed license fee, a required \$5 million, and the minimum capital investment, required to be \$250 million over 5 years, results in a return to the investor of 21.4% based on hypothetical cash flows that are held constant between the two scenarios. However, in Scenario 2, when the license fee is increased by \$10 million, the investor would need to decrease his capital investment budget by \$18 million in order to make the same return as in Scenario 1. Not only does this result in less capital improvements in the project, but also fewer jobs to fill those improvements which could include entertainment venues, food and beverage outlets, retail outlets, and others.

For the reasons stated herein, WhiteSand believes the collective effect of the following recommendations will generate a level of net positive revenue for the State in the short run and,

at the same time, will encourage capital investment, generate desirable employment and enhance tourism for the State.

1. Fees and Minimum Capital Investment - Third License in Southern Maine.

8 MRSA Chapter 31, § 1018 enumerates a number of fees applicable to slot machine operators and casino operators. WhiteSand recommends that the statute be revised to incorporate the following fee schedule which by its terms eliminates any distinction between a slot facility operator and a casino operator. This is appropriate since at this juncture both of Maine's existing licensees operate full scale casinos and any future license authorized by Maine will undoubtedly require the operation of both slot machines and table games.

Initial Fees

Initial Nonrefundable Application Fee: \$250,000

This \$250,000 fee would replace the \$200,000 initial application fee for a slot facility operator and \$225,000 initial application fee for a casino operator provided for in 8 MRSA Chapter 31, § 1018 (1) (C) and (C-1). This amount is realistic in view of the fact that Maine has existing commercial casino gaming and has an established regulatory agency in place.

Initial Nonrefundable Investigative Deposit: \$100,000

This fee would be nonrefundable and, if necessary, subject to replenishment to ensure that the applicant covers the full cost of investigation by the Department of Public Safety.

Initial License Fee: \$5,000,000 (discussed above)

Initial Minimum Capital Investment Requirement: \$250,000,000 (discussed above)

License Term: Five years

A license term of five years is far more commensurate with the substantial license fee and significant minimum capital investment to be required of an applicant than the statute's current one year license term. As jurisdictions commenced assessing license fees in the millions of dollar in addition to substantial application and investigative fees, the corresponding license terms began to increase in duration. Massachusetts, for example, confers a 15 year license in return for its \$85,000,000 license fee. A recent New Hampshire proposal contemplated an \$80,000,000 license fee with a ten year license term. New Jersey, which does not collect a substantial license fee, has nonetheless moved to a non-expiring license that is subject to full update at 5 year intervals.

Slot Machine Registration Fee: \$100.

No change is recommended to the initial slot machine registration fee of \$100 provided for in 8 MRSA Chapter 31, § 1018 1(A).

Table Game Registration Fee: \$100

No change is recommended to the initial table game registration fee of \$100 provided for in 8 MRSA Chapter 31, § 1018 1(A-1).

Privilege Fees: None

Any type of privilege fee associated with an application or table game privilege fee should be eliminated.

Renewal Fees

Renewal License Fee: \$250,000

This fee would be payable at five year intervals corresponding to the license term.

Renewal Refundable Investigative Deposit Fee: \$50,000.

Unlike the initial investigative deposit, any unexpended portion of this investigative deposit would be refunded to the licensee. The fee would, however, be subject to replenishment if necessary to ensure that the applicant covers the full cost of investigation by the Department of Public Safety.

Annual Capital Reinvestment Requirement: 3-4%

Following the example of Massachusetts, consideration should be afforded to a reinvestment provision, applicable commencing in year six of the license, pursuant to which a licensee would be required to make, or cause to be made, on an annual basis thereafter a minimum aggregate capital investment in its operation equal to a defined percentage of net gaming revenue, subject to the Board's ability to waive that requirement to accommodate a multi-year capital expenditure plan satisfactory to the Board.

Annual Fees

Regulatory Cost Recapture.

The statute should retain a version of the annual regulatory cost recapture provisions of 8 MRSA Chapter 31, § 1018 1(C-1) in order to ensure that all costs of regulation including, but not limited to, the operating costs of the Gambling Control Board are the responsibility of its applicants and licensees.

Renewal Slot Machine Registration Fee: \$100.

No change is recommended to the annual renewal slot machine registration fee of \$100 provided for in 8 MRSA Chapter 31, § 1018 1(A).

Renewal Table Game Registration Fee: \$100.

No change is recommended to the annual renewal table game registration fee of \$100 provided for in 8 MRSA Chapter 31, § 1018 1(A-1).

2. Fees and Minimum Capital Investment - Fourth License in Northern Maine.

If a fourth license authorizing a restricted facility is contemplated, consideration should be afforded to the following schedule which follows the same reasoning articulated above but scales cost to the size of the project.

Initial Fees

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

Renewal Fees

License Renewal Fee: \$100,000

Renewal Refundable Investigative Deposit Fee: \$50,000

Annual Capital Reinvestment Requirement: 2%

Annual Fees

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

3. Tax Rate and Distribution Formula

Exhibit "A" in the Appendix at page 91 of this report incorporates a comprehensive schedule of gaming tax distributions prepared by Daniell Fox of the Office of Policy and Legal Analysis. As depicted by that schedule, 8 MRSA Chapter 31, § 1036 enumerates a taxation scheme that is without uniformity and which directs distributions in a manner that may or may not reflect the State's most current priorities. A third license is not readily integrated into this scheme. For the reasons stated herein, WhiteSand recommends that Maine adopt, both for its existing casino licensees and any newly authorized licensee(s), a 35% tax on net slot machine income and that it retain its 16% tax on net table game income. The differential in rates between the two classifications of gaming acknowledges the additional labor expense associated with operation and supervision of table games and the fact that the "hold" percentage is less on most table games. We recommend that Maine continue to exclude noncashable promotional credits from the calculation of net slot machine income and that it abandon any tax based on gross gaming revenue.⁹ Our reasoning is as follows.

As indicated in the following schedule, our analysis indicates that a tax rate of 35% on net slot machine income and 16% on net table game revenue applied uniformly to Bangor, Oxford and a third licensee in year one of operation would return \$67M to the State up from \$53.2M in 2013, assuming a very prudent cannibalization factor of 20% for Oxford.

As noted, given the proximity of Oxford to the southern market our models assumed that some cannibalization of Oxford's customer base would likely occur once a third facility proximate to the Maine Beaches is operational. A fourth license in Aroostook County or Washington County or electronic bingo, if authorized, could potentially cannibalize Bangor although to a much less significant degree. A reduced across the board tax rate would allow existing operators to regain some of their potential losses due to cannibalization while still netting a larger overall return to the State due to the contribution of the additional capacity in the southern market.

⁹ The exclusion of noncashable promotional credits is significant to operators as it facilitates their ability to cost effectively incent their players through promotional credits that activate play on a slot machine or table game. Although this deduction has an impact on revenue, as Massachusetts permits the exclusion and New Hampshire included it in its expanded gaming Bill it is important that Maine maintain parity and position its operators to offer comparable incentives to players.

Current and Proposed Tax Rates

	<u>Revenues</u>	<u>Current Tax Rate</u>	<u>Tax Revenues</u>	<u>Proposed Tax Rate</u>	<u>New Tax Revenue</u>	<u>Incremental to Operators</u>
Bangor						
Slots Gross	468,927	1%	4,689	0%	1,172	3,517
Slots Net	47,270	39%	18,435	35%	16,545	1,891
Tables	<u>7,389</u>	<u>16%</u>	<u>1,182</u>	<u>16%</u>	<u>1,182</u>	<u>-</u>
Cannabilization Factor	<u>0</u>					
Total			24,307		18,899	5,408
Oxford						
Slots	58,356	46%	26,844	35%	20,425	6,419
Tables	<u>13,262</u>	<u>16%</u>	<u>2,122</u>	<u>16%</u>	<u>2,122</u>	<u>-</u>
Cannabilization Factor	<u>20%</u>					
Total	14,324		28,966		22,547	6,419
Proposed Casino						
Slots	67,987	N/A	N/A	35%	23,795	N/A
Tables	<u>10,844</u>	<u>N/A</u>	<u>N/A</u>	<u>16%</u>	<u>1,735</u>	<u>N/A</u>
Total					25,530	
Total Taxes			53,272		66,976	

As noted above, the rate of taxation is inversely related to capital investment. Since the acquisition of Oxford by Churchill Downs, no further build out has occurred on the property, effectively yielding a facility that is fully built out but which is nonetheless offering 53% of its authorized slot machine capacity, no poker tables and only the most basic food and beverage offerings. A well crafted reduction in effective tax rate, combined with competition by a more robust facility - which is our recommendation for a third gaming license - could incent Churchill Downs to fulfill the vision of the original developers and expand its gaming floor and add amenities that generate both additional revenue and jobs within the Oxford County market.

Maine's tax rate must be competitive with Massachusetts and potentially with New Hampshire as any facility located in southern Maine will be competing directly with gaming facilities in Revere or Everett and potentially in southern New Hampshire. Massachusetts adopted a blended tax rate of 25% (meaning that the 25% rate applies to both slot machines and table games) but numerous aspects of its regulatory scheme including, but not limited to, its approach to regulatory oversight, host community requirements and impacted entertainment venue provisions make the effective tax rate materially higher and less predictable. The most recent legislative efforts in New Hampshire contemplated a robust regulatory requirement, albeit not as complex as Massachusetts, with a tax rate of 35% on net slot machine revenue and 18% on net table game revenue. Based upon our assessment of the effective tax rates in both states, WhiteSand would assert that the rates suggested herein for Maine, even after a step up in its regulatory footprint recommended in later sections of this report, will result in an effective tax rate for Maine that is competitive enough to attract higher quality operators capable of making

the level of capital investment sought and of delivering the casino-hotel facility contemplated by this market study.

As noted above, 8 MRSA Chapter 31, § 1036 directs distributions in a manner that may no longer reflect the State's most current priorities. Given that our projections indicate that a third license in southern Maine would generate an additional \$13.8M in revenue to the State in year one of a third facility's operation, a revised, uniform distribution plan applicable to all licensees could, by altering percentages, preserve current funding levels to the General Fund, designated funds most notably related to harness racing and the Tribes, host communities and problem gaming. In the alternative, expanded gaming could present an opportunity to revisit the relative position of competing stakeholders and to reallocate resources for the broadest possible public benefit. This exercise, perhaps more than any other, is for the Legislature.

Review of the comparator state summary report in Exhibit "G" of the Appendix to this report at page 132 supports that the recommended rates of 35% on slot machine and 16% on table game net income compare favorably to many successful gaming states.

4. Minimum Capital Investment

WhiteSand derived its recommendation for a minimum capital investment of \$250 million based on several factors: historical project costs, additional and higher quality amenities, and potentially higher capacity for slot machines and table games. First, of the two current gaming facilities in the Maine market, the Bangor facility, at a cost of \$132 million, most closely relates to WhiteSand's recommended facility amenity mix. Second, in order to provide a higher quality facility in terms of fit and finish, as well as additional amenities like expanded food and beverage offerings, salon/spa etc. the project budget would need to increase in relation to the Bangor project's historical cost, as well as to reflect any increase in the cost of construction materials and labor. Finally, with closer proximity to a denser population base, a southern casino could potentially warrant a higher count for both slot and table games, requiring additional capital expenditure for these items.

The minimum capital investment of \$250 million applies specifically to project development costs. WhiteSand recommends that it does not include any required application fees, licensing fees, land acquisition costs or the cost of off-site improvements associated with the project.

5. Exemplar Properties

In this report we have emphasized that any comprehensive approach to gaming in Maine should incorporate a requirement that development be consistent with the Maine brand. The four exemplar properties that follow are all examples of the manner in which gaming can be successfully integrated in a manner that preserves and enhances a location's unique "sense of place". The Greenbrier Resort in White Sulphur Springs, WV and the Nemaquin Woodlands Resort in Farmington, PA are both examples of historic resorts that have successfully integrated very modern casino operation without any loss of their character, broad appeal and luxury branding.

Greenbrier Resort – White Sulphur Springs, WV

- Built 1858
- Casino added 2009
- Forbes 4-Star, AAA 5-Diamond
- 710 hotel rooms
- 320 slot machines
- 37 table games
- Golf



Nemacolin Woodlands Resort – Farmington, PA

- Opened to public 1982
- Casino opened 2013
- Forbes 4-Star, AAA 5-Diamond
- 319 hotel rooms
- 600 slot machines
- 28 table games
- Spa
- Golf



In addition to the idea of adapting an existing property with an historical presence in the market, new-build projects can create destination properties while respecting the surrounding communities in terms of architecture, planning, and sight lines. The Barona Resort and Casino in Lakeside, CA is a prime example of a new-build project where the architects deliberately selected a long and low profile to not detract from the views of the mountains that surround the property.

Barona Resort and Casino – Lakeside, CA

- Opened 2002
- AAA 4-Diamond
- 400 rooms
- 2,000 slot machines
- 95 table games
- Spa
- Golf



Wild Horse Pass Hotel and Casino in Chandler, AZ is cited as an example of a new build project that distinctly belongs in its desert surroundings and whose total project budget was approximately \$250 million, similar to the figure WhiteSand is recommending for the minimum capital investment in the southern market. In addition to a gaming floor the property offers a mix of uses including hotel, food and beverage, meeting and event space, nightlife, and outdoor recreational areas.

Wild Horse Pass Hotel and Casino – Chandler, AZ

- 4-Star property
- 242 rooms
- 990 slot machines
- 65 table games
- Nightclub



Competitive Bid License Award Process

Following recent trends in Pennsylvania, Maryland and Massachusetts, there has been significant interest of late in the feasibility of Maine expanding commercial gaming via a competitive bid license award process. Development of a competitive bid process was the stated goal when the 125th Legislature, pursuant to LD 1897, created the *Commission to Develop a Competitive Bidding Process for the Operation of Future Casinos and Slot Machine Facilities* and the concept was explored again in the amendment process attendant to the 126th Legislature's examination of LD 1111, a Bill advanced by Scarborough Downs which essentially authorized a racino in southern Maine. During the pendency of LD 1111's consideration, for example, relevant amendments provided that the Department of Administrative and Financial Services would administer an award process with a minimum bid of \$50,000,000 and that a successful applicant would be reimburse for a percentage of its license fee on a declining schedule if Maine authorized an additional license within a specified period.

When a state conducts a competitive license award process there is, in reality, competition on both sides. A well-crafted statute not only spells out what a State expects to gain from an operator but by its terms spells out what a State is offering to an operator. The challenge for any jurisdiction competing for gaming investment, especially as markets approach saturation, is to design and implement a comprehensive approach to gaming that effectively balances its goals and objectives in supporting expansion with the operator's desire to be meaningfully regulated at the lowest possible price point.

Development of a comprehensive, consist approach to gaming, including optimal utilization of a competitive bid license award process, is dependent on a candid assessment of the expectations behind any additional gaming capacity Maine might chose to authorize. For example, at this juncture with two commercial casinos operating is expansion just a means of addressing an immediate fiscal problem or is the State interested in integrating a gaming sector into its long-term development plans? Is it about jobs? Is it about tourism? Or is a combination of these goals? Any competitive bid award formula should clearly identify for a potential operator precisely what Maine is seeking by expansion. If jobs are the primary motivator then hiring locally and use of local products should be emphasized and rewarded in the scoring. If tourism is the primary motivator, then the license fee, effective tax rate and any minimum capital investment requirement must be calibrated to allow a competing applicant to propose a facility that is substantial and diverse enough to be a destination capable of stimulating area restaurants, hotels, entertainment and convention centers. Operating margins must be ample enough to effectively cover the necessary marketing and incentives to deliver on the proposal. If Maine is really committed to addressing problem gambling then it must reward commitment to that cause. When a state elects to pursue a competitive bid license award process it is engaged in a negotiation. The casino companies know what they want to achieve in the context of those negotiations and it is important for the State to be equally prepared.

Who Conducts the Process and How?

A core question to ask in developing a competitive bid license award process is who is going to administer the competitive process. For Maine, the options are threefold, it can:

- 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.

The involvement of an existing department like Administration and Financial Services in lieu of the Gambling Control Board is arguably the least desirable approach. Notwithstanding that Department's proven expertise in contract solicitation and administration, it does not have the subject matter expertise in commercial casino gaming that the Board has and, on that basis, is less equipped to test and weigh the available options. The Board is the preferred option where only existing state departments are considered.

In many states the regulating entity conducts the competitive bid license award process. Both the Pennsylvania Gaming Control Board and the Massachusetts Gaming Commission make a license suitability determination and conduct the competitive award process. Neither body, however, is subject to a composition requirement that inherently raises a conflict issue. Under § 1002(2) of the Maine statute, one member of the Board must have experience in harness racing.¹⁰ Under all of the available facts and circumstances in Maine, this raises the specter of recusal by one of the Board's five members and increases the likelihood that any decision favorable to a horse racing interest would be contested.¹¹

The preferred course of action for Maine would be to follow Maryland and 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. Following the Maryland example the location commission would:

¹⁰ 8 MRSA Chapter 31, § 1002(2).

¹¹ A current member of the Gambling Control Board concurrently chairs the Maine State Harness Racing Commission.

- Sunset upon award of the allocated license(s), subject to reconstitution on an ad hoc basis.
- Members would receive no compensation but would be reimbursed for expenses.
- Once appointed members would be subject to removal only for misconduct or gross neglect of duty.
- The location commission's authority would be limited strictly to the conduct of the competitive process.
- The authority to issue the license and all other regulatory authority under the statute would continue to rest exclusively with the Board.

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, however, may the location commission award a license to an entity that has not already been determined to be suitable by the Board.

Relevant considerations associated with an independent facility location commission are as follows:

Appointment. Under the existing statute all five members of the Board are appointed by the Governor, subject to review by the Veterans and Legal Affairs Committee and confirmation by the Senate. The Board's chair is appointed by the Governor and serves at his pleasure.¹² While appointment to a facility location commission could mirror this methodology, 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. Either five or seven members is a manageable configuration. Regardless of the appointing authority,

¹² 8 MRSA Chapter 31, § 1002(2), (4) and (5).

eligibility for appointment and participation in the location commission's deliberations should turn on the following:

- Well documented experience in public accounting, finance, economics, land use and large scale development or a field requiring expertise in fiscal matters. Law enforcement experience is not particularly relevant here - that discipline is far more relevant to the suitability determination.
- The absence of a direct or indirect, legal, equitable or beneficial ownership interest in, or any ability to influence, manage or otherwise control, any gaming interest applying for licensure, presently licensed, otherwise authorized or eligible to participate in gaming in the State to include lottery, racing, charitable and nonprofit bingo and games of chance, high stakes bingo or a commercial casino.
- The absence of membership in, or affiliation with, a federally recognized Indian Tribe eligible to conduct bingo and games of chance under 17 MRSA Chapter 13-A and 17 MRSA Chapter 62.
- May not be an elected official of State or local government.
- May not have a legal, equitable or beneficial interest in a slot machine or table game distributor, gambling services vendor or a provider of any independent professional services, including legal, accounting or consulting, to a slot machine facility or casino operator licensed in the State.
- May not hold a direct or indirect interest in, represent or be employed by a person awarded an operator license for a defined period, typically two years after license issuance.

Staffing. Veterans and Legal Affairs is the likely source for staffing for a location commission with the expressed understanding that to optimally implement the process such a commission will require the input of an independent consultant with gaming experience to assist it in the review, analysis and scoring of the competing proposals. The application process should anticipate this and ensure that the applicant covers all costs of consultants and any other professional resources reasonably deemed to be required by the commission.

Review of the Bid Process. The statute must afford unsuccessful applicants a clear path to an administrative review of the competitive process and appeal to the

courts on an expedited basis, possibly, if permissible, recourse directly to the Supreme Judicial Court.

Reimbursement Provisions. As noted above, amendments to LD 1111 incorporated a provision that required reimburse of a percentage of a license fee on a declining schedule if Maine authorized an additional license within a specified period. For obvious reasons reimbursement provisions are to be avoided. Market conditions change rapidly and a reimbursement provision inserted in 2003 in the Pennsylvania enabling legislation generated a substantial amount of litigation and, at least in the short run, delayed some ultimately favorable amendments to the PA statute.¹³

What Factors Should 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. A competitive bid license award process should not be a "beauty contest" but should instead be a competition based on the 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. The criteria that follow are relatively standard where the goal is development of a substantial casino hotel complex whether the criteria are delineated with specificity in the enabling statute as is the case in Maryland¹⁴ or less structured as is the case in Pennsylvania and Massachusetts. In some cases factors are assigned a different degree of weight in the scoring process, a practice that Maine is urged to consider, in order to reduce the impact of inadvertent subjective priorities on the part of scoring location commission members.

Business and Market Factors¹⁵ including:

- Highest potential benefit and highest prospective total revenues to be derived by the State from an applicant based upon documented, expert financial analysis.
- Potential gross and net income to be generated by an applicant based upon documented, expert market analysis.
- The extent to which an applicant can reasonably be expected to tailor marketing proposals to the local population and to incentivize Maine gaming participants to remain in the state.

13 See Pennsylvania Race Horse Development and Gaming Act, 4 Pa. C.S. §§ 1101 et seq.

14 § 9-1A-36, Annotated Code of Maryland.

15 § 9-1A-36, Annotated Code of Maryland assigns business and market factors a weight of 70%.

- The extent to which a gaming facility developed by an applicant can reasonably be expected to constitute a substantial regional and national tourist destination.
- The extent to which an applicant can reasonably be expected to create commercial development opportunities in the host and surrounding communities consistent with historic uses, regional branding and local zoning and site plan development requirements.
- An applicant's 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 within the State and regionally.
- The extent to which a proposed gaming facility can be reasonably expected to preserve existing Maine jobs and the number of net new full time and part time jobs to be 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.
- Any reasonably anticipated impacts, both positive and negative, on the host community and communities in 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 ¹⁶ including:

- An applicant's workforce development plan (as discussed herein under *Statutory Amendments*).
- Any additional economic development planned in the area of the proposed gaming facility.
- Such other considerations as the commission shall deem relevant to economic development factors provided said considerations are disclosed.

16 § 9-1A-36, Annotated Code of Maryland assigns economic development factors a weight of 15%.

Site Location Factors ¹⁷ including:

- 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 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.

With regard to any fourth license in Aroostook County or Washington County, if the Legislature deems it in the overall public interest, the competitive process criteria can be structured to limit this opportunity to Maine's federally recognized Indian Tribes or to afford those Tribes a preference in the competitive process.

¹⁷ § 9-1A-36, Annotated Code of Maryland assigns site location factors a weight of 15%.

Statutory Amendments

As a key element of this market assessment, WhiteSand examined 8 MRSA, Chapter 31, *Gambling Control Board* with an eye toward assessing the need for statutory amendments to:

- Provide a firm foundation for an objective and transparent competitive bid license award process.
- Accommodate and support the recommendations made in the market feasibility study and to ensure the statute's consistency with regulatory best practices.

While in its current form the statute provides an adequate framework for ensuring the integrity of the gaming conducted by Maine's two existing commercial casino licensees, the statute lacks specificity in a number of areas that are key to successful gaming oversight. Litigation appears to be inevitable when conducting a competitive bid process and, as a result, if that course of action is pursued even the most routine processes must be scrupulously examined to eliminate any inherent vagueness and to minimize the risk of a misstep, however inadvertent, in administering the process.

Statutory Amendments - Competitive Bid License Award Process

The following recommendations are aimed at providing a firm, and to the extent possible, unimpeachable foundation for an objective and transparent competitive bid license award process

1. Defined Application Period. The statute must be amended to define the application period applicable to a competitive bid process. Typically this would involve a finite period, for example, 120 days commencing 30 days after the effective date of the amendment of the statute to incorporate a competitive bid license award process. The initial application should be subject to a single 30 day extension upon a formal finding of good cause by the Board or its Executive Director. Eligibility to seek an extension should be tied to payment in full of applicable application and investigative fees during the initial application period to discourage the ability of less than serious applicants to delay the award process. The statute should explicitly state that applications received after the deadline will not be reviewed by the Board and will be returned to the applicant.

2. The Suitability Determination and the Competitive Bid Process. As has been discussed herein, in order to implement a competitive bid license award process the Board's 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. Each of the policy goals that Maine identifies in its competitive bid license award process, for example, jobs and tourism, must be captured in required disclosures by an applicant that speak directly to that goal. Applicants must

be required not only to disclose what they will be doing but what they will not be doing. The following submissions are generic to almost any competitive bid process and serious consideration should be afforded to amendment of the statute to require their inclusion in the license application.

a. Documentation in the form of a payment bond, letter of credit, guaranty of private equity or other funds that independently establishes cash and reserve availability supporting the applicant's ability to pay the required license fee.

b. Where applicable, documentation to support the applicant's ability to pay, exchange, refinance or extend debts, including long-term and short-term principal and interest and capital lease obligations *in other jurisdictions* which will mature or otherwise come due and payable during the Maine gaming license term.

c. Documentation supporting the applicant's recognition of its obligation to identify, address and minimize any potential negative consequences associated with gambling. Applicants should be required to demonstrate that their commitment is adequately funded and includes efforts directed at prevention, intervention, treatment and research.

d. A workforce development plan that advances job growth and outreach to, and maximum use of, the State's existing labor force. Affirmative efforts to achieve a specified level of participation by women, minorities, and veterans and the availability of training programs are often required and applicants are almost universally required to compete on the number and type of jobs to be created, projected pay scale, full and part time nature of the employment, benefits and employee v. independent contractor usage.

e. Details with regard to the amount and timing of an applicant's proposed capital investment, which capital investment must meet or exceed any minimum capital investment requirements established by the statute.

f. A construction timeline that includes details regarding each stage of construction, including a completion date for each stage as well as for infrastructure improvements and representations with regard to the ability of the applicant to comply with statutory, regulatory, and technical standards including, but not limited to, those related to zoning, infrastructure and environmental considerations relevant to the proposed site.

g. A description of a proposed facility's supporting amenities and ancillary entertainment services, including the number of hotel rooms, restaurants, salon/spa, entertainment venue, race track and other amenities, if any and how they measure in quantity and quality to other area amenities. This disclosure should include details as to ownership of each amenity. Note: With a competitive process you want to avoid specifying an amenity mix in the statute instead leaving each applicant to examine the market with the benefit of their experience and to advance their best determination as

to the optimal mix.

h. Impact studies by independent, recognized experts in the relevant field to quantitatively establish:

(i) The availability of local resources to accommodate projected guest volume in the form of transportation, rooms, meals, utilities and law enforcement.

(ii) Financial feasibility, both immediate and long range, to include projection of the revenues to be produced by the operation of slot machines and table games and ancillary amenities, the ability to achieve positive gross operating profit on an annual basis in a specific time frame, and the estimated municipal and state tax revenue to be generated by the proposed facility.

(iii) The benefits to the host community, the region and the State, in both the construction and operational phases, including the ability of the project to meet the highest practicable energy efficiency and environmental sustainability standards.

(iv) Accessibility of the proposed facility to public transportation and public highway infrastructures.

(v) The ability of the proposed facility to enhance tourism and development and to create additional commercial development opportunities for the host and surrounding communities.

(vi) Compatibility of the proposed facility with historic uses and regional branding.

(vii) The specific impact of the proposed facility on small businesses in the host and surrounding communities.

3. 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 supporting the suitability recommendation to an independent party outside the control of the Board. Under § 1003 of the enabling statute, *Powers and Duties of the Board* and § 1005, *Powers and Duties of the Department* and the regulations promulgated thereunder, the Executive Director determines the completeness of the application and refers it to the Department for investigation.¹⁸ Due to a number of operational realities generally attributable to the small size of the regulating agency, this present methodology may, if employed in the context of a competitive bid license award process, expose the Board or

¹⁸ Department of Public Safety, Gambling Control Board Rules, Chapter 2, §2(6).

its Executive Director to allegations, real or imagined, of undue influence over the award process.¹⁹ Organizational and physically the Board is housed within the Department of Public Safety and its Executive Director is appointed by the Commissioner of the Department of Public Safety.²⁰ Background investigators are assigned to the Board by the Department and the Attorney General assigns legal resources as required. While sufficient for current purposes consideration should be given to amending the statute to reflect a more robust segregation of responsibilities aimed at establishing the independence of the license suitability recommendation that is considered by the Board. At a minimum, for purposes of the conduct of a background investigation attendant to a competitive bid process, the following should be established:

a. A complete application should be defined within the statute or regulations as an application that is timely received, accompanied by all applicable fees and includes all information and documentation required by 8 MRSA Chapter 31, § 1001 *et seq.*, any regulations promulgated by the Board and any instructions prescribed by the Board or Executive Director in connection with the application process. In the interest of consistency, transparency and expedited award of a license, competing applicants should be provided with notice as to the time to be allotted by the Executive Director to correct incomplete filings. This course of action removes the appearance of any type of discretion or favoritism in the process.

b. For investigators and attorneys involved in conducting the background investigation and prosecuting the recommendation before the Board, clear lines of authority to the Department and/or Attorney General as to the content and scope of an investigation. This course of action removes any suggestion that the Board is able to influence the scope of the investigation.

c. In any decision relative to the suitability of an applicant to hold a slot machine operator or casino operator license the Board should be required to consider, *but is not bound by*, the recommendation of the Department as to the suitability of the applicant for licensure.

d. Any investigative fee collected by the Board should be transmitted to the Department immediately upon receipt. This course of action assists in establishing the independent nature of the investigation.

e. Clear authority on the Department's part to outsource background investigations should be provided for in the statute with the caveat that the contracting entity have direct experience in conducting gaming related background investigations. Regulatory background investigations should be markedly different in scope than criminal investigations and a lack of appreciation of that fact often dramatically increases the costs of an application. This course of action signals that Maine understands the

¹⁹ See generally the May 19, 2011 Pennsylvania Statewide Grand Jury Report issued regarding the conduct of a competitive license award process by the Pennsylvania Gaming Control Board

²⁰ 8 MRSA Chapter 31, § 1003 (2)

difference between the two types of investigation.

4. 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. Of particular importance is rulemaking aimed at permitting an applicant to raise an objection to the conduct of a hearing procedure, process or ruling of the deciding authority not only with respect to its own hearing but to the hearing of a competitor applicant.

5. Statement of Conditions. Any license awarded should be subject to a statement of conditions, *binding on a successor in interest to the extent the conditions are prospective*, 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. The statement of conditions may or may not provide that all amenities must be completed prior to the commencement of gaming operations and may or may not authorize a temporary gaming facility.

6. 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 set forth in statute.

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. As noted above, to the extent that amendments commensurate with these suggestions add clarity with regard to core components of the Board's licensing processes, the better positioned the State will be to compete for and expeditiously determine suitability with regard to top tier gaming investment.

1. Qualifiers on a Casino License. The statute should be amended to provide more explicit and uniform qualification requirements. At present, § 1016(3) provides:

If the person required to meet the qualifications and suitability requirements specified in subsections 1, 1-A and 2 is a business, the key executives, directors, officers, partners, shareholders, creditors, owners and associates of the person must meet the suitability requirements specified in subsection 2.²¹

Neither the statute, the regulations promulgated thereunder nor the Maine Business Entity Application specify a filing threshold for persons holding an ownership interest nor do

²¹ 8 MRSA Chapter 31, § 1016(3).

they provide for a formal waiver of qualification process. Whether or not the Board applies a de facto threshold or waiver process, consideration should be given to amending the statute to *expressly* limit filings to persons who directly or indirectly hold more than 5% of a legal or beneficial interest in, or ownership of the securities of, an applicant. While each jurisdiction is somewhat nuanced in its approach to qualifiers, typically the threshold is a 5% ownership position (for example PA, NJ). Similarly, sound administration dictates that any statutory qualification requirement include waiver provisions, for example, for institutional investors, largely based on a finding by the Board, upon a showing by the person seeking the waiver, that they do not have the ability to elect one or more members of the board of directors of an applicant or to otherwise manage, control, influence or affect the affairs or operations of an applicant or its holding, intermediary or subsidiary company.

2. Burden of Proof. The statute is silent on the burden of proof applied to an applicant. In keeping with regulatory best practices, it 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.

3. License Term. Under § 1018(2) an operator license issued by the Board is effective for one year.²² As discussed herein in the section on *Fees, Tax Rates and Minimum Capital Investment*, with a license fee of \$5,000,000 or more, a license term of at least 5 years should be considered.

4. 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.

5. Minimum Capital Investment. As previously emphasized herein, when incorporating a statutory provision requiring a minimum level of capital investment care must be taken to expressly 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 license fees. It is further urged to require the full capital investment to be made within 5 years of the date of issuance of a license. Following the example of Massachusetts, consideration should also be afforded to a reinvestment provision, applicable commencing in year six of a license term, pursuant to which a licensee would be required to make, or cause to be made, on an annual basis thereafter a minimum aggregate capital investment in its operation equal to 3 - 4 per cent of total gross gaming revenues, subject to the Board's ability to waive that requirement to accommodate a multi-year capital expenditure plan approved by the Board. Finally, the statute must provide a clear action plan in the event the applicant fails to meet the minimum capital investment requirements.

²² 8 MRSA Chapter 31, § 1018(2).

6. Proximity. The statute, at § 1019(6), 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.²³ Application of this provision to any newly authorized license would eliminate the southern beaches from contention since the area measured from Oxford extends further south than Manchester, New Hampshire. To pursue the recommendations herein, this provision must be repealed.

23 8 MRSA Chapter 31, § 1019(6).

Other Findings Related to Gaming in Maine

Gaining an understanding of all of Maine's existing gaming sectors and their relevant operational, historical, cultural and political realities was an essential step for WhiteSand in conducting this market feasibility study. To analyze each sector within the constraints of the scope and budget of the RFP, WhiteSand interviewed the department heads of the respective regulating entities and/or surveyed each enabling statute and the rules and procedures promulgated thereunder. This process allowed us to derive a high level view of each gaming sector from two perspectives:

Public accountability - meaning does the sector appear to be serving the purposes intended by the Legislature; and

Suitability of the regulatory scheme - meaning is the sector regulated in a cost effective manner that is consistent with the risk associated with the game and sufficiently comprehensive to provide a reasonable level of assurance as to the integrity of the gaming conducted.

In addition to its two commercial casinos, legal gaming in the State of Maine currently includes lottery, horse race wagering, bingo, high-stakes bingo restricted to federally recognized Indian Tribes and games of chance. In specific, for the purposes of this market feasibility study, WhiteSand examined:

- The Maine State Lottery operated by the Bureau of Alcoholic Beverages and Lottery Operations pursuant to 8 MRSA Chapter 14-A, *Lottery* and 8 MRSA Chapter 16, *Tri-State Lotto Compact*, as overseen by the State Liquor & Lottery Commission.
- Wagering on live racing of Standardbred horses at commercial tracks and agricultural fairs and on thoroughbred and Standardbred horses at licensed off-track betting facilities pursuant to 8 MRSA Chapter 11, *Harness Racing*, as overseen by the Maine State Harness Racing Commission.
- Wagering on bingo and games of chance authorized pursuant to 17 MRSA Chapter 13-A, *Beano or Bingo* and 17 MRSA Chapter 62, *Games of Chance*, as overseen by the Office of the Chief, Bureau of the State Police. This review included an examination of the high-stakes bingo conducted by federally recognized Indian Tribes under 17 MRSA Chapter 13-A, *Beano or Bingo*, § 314-A.
- Wagering at the State's two commercial casinos, Hollywood Casino Bangor and Oxford Casino pursuant to 8 MRSA Chapter 31, *Gambling Control Board*, as overseen by the Maine Gambling Control Board residing within the Department of Public Safety.

Our findings are as follows:

Maine State Lottery

Established by statewide referendum in 1974, the Maine State Lottery resides organizationally within the Department of Administration and Fiscal Services, Bureau of Alcoholic Beverages and Lottery Operations. The Director of the Bureau of Alcoholic Beverages and Lottery serves as its chief administrative officer and manages all aspects of Lottery operations including its contracts with technology providers. A five (5) member State Liquor & Lottery Commission created pursuant to 5 MRSA Chapter 13, *Department of Administrative and Financial Services*, oversees Lottery operations and policy. Commissioners are appointed by the Governor subject to both review by the Joint Standing Committee on Veterans and Legal Affairs and formal confirmation by the Legislature.



The Lottery's primary technology provider is Scientific Games Corporation ("Scientific Games"), a United States headquartered provider of integrated gaming and transaction processing services in the lottery sector operating over 100 lotteries in 50 countries on six continents. Scientific Games is certified according to the World Lottery Association's Security Control Standard and also holds an International Organization for Standardization 20000 Certification for Information Technology Service Management.

Following standard practices in the sector, Scientific Games not only supplies the necessary hardware and software comprising the online system to the Lottery but also provides the bulk of the technical personnel necessary to maintain and support the system's interoperability with over 1,300 retailer terminals, related peripherals and instant ticket vending machines. Because the Lottery is state owned and operated it also contracts with Scientific Games for the equipment, software, personnel and other services essential to develop and implement the customized marketing and promotional programs necessary to drive sales. The Lottery's contract with Scientific Games was renewed as of April 27, 2014 and runs through June 30, 2020.

Again following standard practices in this sector, the Lottery does not employ as a prerequisite to doing business with Scientific Games or its ancillary technology providers a licensing process comparable to that routinely applied in the commercial gaming sector for a gaming licensee, manufacturer or vendor. Rather, the Lottery employs a comprehensive, competitive request for proposal and contracting process to achieve its desired security and technical standards and to vet the provider for suitability to do business with the state, financial stability and business experience. In keeping with conventions in this sector, Scientific Games is compensated by a percentage share in Lottery proceeds and regulatory enforcement takes the form of contract administration. By its very nature the Lottery is both an operator and a regulating entity. It operates the Lottery with its technology partners, it relies on them for much of the necessary resources to implement and oversee operations and it plays the dominant role in advertising and promoting the gaming product.

Through the Lottery's membership in the Multi-State Lottery Association, a nonprofit, government-benefit association owned and operated by agreement of its 33 member lotteries, it is able to make available to Mainers many popular multi-jurisdictional lottery games, including *Hot Lotto*, *Mega Millions* and *Powerball*.²⁴ Maine is also a member of the North American Association of State and Provincial Lotteries.²⁵

Maine also participates in two regional offerings. By a state compact initially entered into in 1985 with New Hampshire and Vermont, the Tri-State Lottery offers five games: *Megabucks Plus*, *Pick 3*, *Pick 4*, *Gimme 5* and *Fast Play* - a terminal-generated "instant" ticket. The non-instant games use "classic" numbered balls and drawing machines. Via a similar regional arrangement entered into in 2012 with Connecticut, Massachusetts, New Hampshire, Rhode Island and Vermont, the Lottery offers a regional game - *Lucky for Life*.

The average annual transfer from the Lottery to the General Fund during the period 2005 through 2013 was \$51 million with the transfer for fiscal year 2013 at \$52.9 million. For fiscal year 2004, the year before the state's first slot machine only facility commenced operation in Bangor, Maine²⁶ the transfer from the Lottery to the General Fund was \$41.8 million. See the Appendix to this report at Exhibit "H", Historical Gross Sales as Compared to Total Transfers 1994 - 2013. In addition, since 1996, the Lottery has offered an instant ticket denoted as the Heritage Game whose proceeds are dedicated to conservation projects including those related to fisheries and wildlife conservation, acquisition and management of public, recreational and conservation lands, endangered species preservation and natural resources law enforcement. Since 2005 transfers to the Heritage Fund have averaged \$722,756 with the transfer for fiscal year 2013 at \$593,629. For fiscal year 2004 the transfer from the Lottery to the Heritage Fund was \$774,917. See the Appendix to this report at Exhibit "H1 – H2" at page 134.

²⁴ Formed in 1987, the Multi-State Lottery Association ("MUSL") provides a variety of services for lotteries, including game design, management of game finances, production and up-linking of drawings, the development of common minimum information technology and security standards, inspections of lottery vendor sites, coordination of common promotions and advertisements, coordination of public relations, emergency back-up drawing sites for lottery games and website related services. MUSL provides these services to member lotteries at no cost, earning its income from non-game sources such as licensing. MUSL owns the patents and trademarks necessary to its operations, holding them for the benefit of its members. MUSL games operate under the same core game rules in each jurisdiction; however, each lottery is free to vary rules pertaining to such things as purchase age, the claim period, and some validation processes.

²⁵ Founded in 1971 as an informal exchange of information between three pioneering lottery directors, the NASPL now represents 52 lottery organizations. The mission of NASPL is to assemble and disseminate information related to lottery operations and the benefits to be derived from this sector through education and communication of its member lotteries and their staffs and technology providers. In addition, it publicly advocates the consensus position of the Association on matters of general policy. NASPL assists its members in identifying, adopting and implementing best practices and cost effective policies.

²⁶ Hollywood Slots and Raceway Bangor commenced operations in November 2005.

Considered collectively, the transfer data cited above 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. If players had, in fact, migrated significantly from Lottery to the commercial casino sector one would expect a more material contraction in sales after 2004. Instead, player participation appears to have been sufficiently elastic to include both sectors. With specific regard to the Heritage Game, at its height in 1999 it resulted in a transfer to the Heritage Fund in excess of 1.7 million. Given the historic commitment of Mainers to the preservation of the State's natural resources, the game's decline is potentially attributable to the age of the product rather than public commitment to the concept and, as a result, rebranding should be considered.

One hundred percent of Lottery transfers, other than those dedicated to the Heritage Fund, go into the General Fund and, like all General Fund contributions, are distributed in accordance with priorities set on an annual basis by the Governor and Legislature. Unlike the distribution stream for commercial casinos under 8 MRSA Chapter 31 § 1036, the Lottery enabling statute does not expressly enumerate a dedicated distribution to problem gambling. The Lottery is, however, required to comply with 19-A MRSA §2360 pursuant to which the lottery winnings of a person paid directly by the Bureau (typically any prize triggering W-2G reporting with the Internal Revenue Service) are subject to offset for child support debt that has been liquidated by judicial or administrative action.

Like any number of states that are experiencing or anticipating stagnation in their Lottery sectors, Maine has explored in recent years the two most readily available means of bolstering Lottery sales: Keno and internet gaming. While undoubtedly both of these alternatives prompt concerns about regressivity arising largely out of concerns associated with increased access by poorer populations and problem gamblers, neither form of gambling has been proven to be inherently dangerous.²⁷ Both can be meaningfully and cost effectively regulated and can be responsibly integrated into the games mix currently available to Mainers. Both should be examined further by Maine to maintain its Lottery sector going forward.

Keno is a game very akin to bingo.²⁸ It is typically licensed through a state lottery for play in bars, restaurants, bowling alleys and other "social settings" although in

²⁷ In a 2003 analysis Emily Oster of Harvard University utilizing a dataset on Powerball lotto sales supplied by the Connecticut Lottery to analyze how the regressivity of state sponsored lotteries varies with jackpot size within a single lotto game. She found that large-stakes games are significantly less regressive at higher jackpot sizes. She wrote: "lottery becomes progressive at a jackpot around \$806 million." This would indicate that concerns about regressivity might be allayed (although given that jackpots are generally much lower than \$800 million, not entirely eliminated) by concentrating lotto games to produce higher average jackpots."

²⁸ In standard Keno a player picks a number or series of numbers and aims to match them against a set of numbers between 1 and 80 randomly selected by a Keno system. Payouts vary based on game structure and the frequency of the drawing. A popular game, *Quick Draw Keno*, is draw at five-minute intervals.

some states in may also be available through more traditional retailers such as groceries and in other, notably New Jersey and Nevada, it is offered in commercial casinos. Keno is available through the state lottery in more than 15 jurisdictions, a number of which are proximate to Maine including Massachusetts, Rhode Island and New York and in the past year has been actively under consideration in Connecticut, New Hampshire ²⁹ and Vermont. ³⁰ When last under meaningful consideration in Maine in 2010, then State Lottery Director Dan Gwadosky estimated a Lottery based Keno game would have sales of \$8.4 million in the first year yielding an additional \$2.4 million in revenue for the Lottery. ³¹ At that time Maine lawmakers nonetheless rejected the adoption of Keno instead opting to add Mega Millions to the Lottery's games mix. Among the many factors impacting that decision was the upfront cost of acquiring Keno related technology. Anticipating that Keno would likely return to serious consideration in the near term, Lottery officials have indicated that the six year contract with Scientific Games entered into in April 2014 contemplates a potential expansion into Keno and, should a Bill be approved by the Legislature and signed by the Governor, a separate



²⁹ The New Hampshire Senate killed New Hampshire's most recent electronic keno bill in May 2014.

³⁰ More than 15 jurisdictions offer Keno through their lotteries including California, Delaware, Georgia, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New York, Ohio, Oregon, Rhode Island, Washington, DC, West Virginia. See Exhibit "B" for details regarding US Keno sales.

³¹ "Lawmakers: Lottery Games Not Expansion of Gambling", Mal Leary, Capitol News Service, Posted February 24, 2010.

request for proposal and contracting process would not be required to acquire the necessary Keno technology.³²

Without benefit of a specific set of adoption parameters, specifically who would be authorized to offer Keno, what would the permitted game structure look like, where could it be conducted, and for whose benefit, it is difficult to estimate the sales potential of Keno in Maine. In states where it is fully implemented and developed, it represents a significant portion of total overall sales. For example, in Maryland in fiscal year 2013 Keno, together with a similar monitor game RaceTrax, represented 28% of traditional lottery sales.³³

Until 2011, the *1961 Federal Wire Act*, 18 U.S.C. § 1084 ("Wire Act") had been interpreted to prohibit all forms of gambling using *interstate* means of communication. At the time it was adopted the Wire Act was among a number of statutes, including the *Interstate Transportation of Wagering Paraphernalia Act*, aimed at bookmaking operations run by organized crime. Adopted well before the emergence of the Internet it nonetheless frustrated the *regulated* proliferation of Internet gaming in the United States for many years. That changed on December 23, 2011 when the United States Department of Justice ("DOJ") issued a Memorandum of Opinion reversing its position that the Wire Act prohibited all forms of Internet gambling. Specifically, in response to a request for an interpretative ruling by the lotteries of New York and Illinois, both of which were contemplating Internet facilitated lottery ticket sales, the DOJ opined that "interstate transmissions of wire communications that do not relate to a *sporting event or contest* fall outside the purview of the Wire Act." With specific reference to lottery sales, the DOJ Opinion held that there is no Wire Act based impediment to the sale of lottery tickets over the Internet to persons *physically present in the authorizing jurisdiction even where data is routed outside the state for transaction processing purposes*. The DOJ Opinion further effectively removed compliance barriers to the concept of reciprocal agreements pursuant to which a jurisdiction would compact with another state or tribal government, much as is the case with traditional multi-jurisdictional lottery games like *Powerball*, to create the player liquidity essential for Internet poker to be profitable for authorizing jurisdictions with smaller populations like Nevada and Maine.³⁴

The failure to advance the federal Internet gambling legislation initiated immediately after issuance of the DOJ Opinion has resulted in two competing approaches to Internet gaming - both are state and tribal jurisdiction based. Nevada (2011), Delaware (2012) and New Jersey (2013) have now all implemented Internet wagering capacity tied

³² "State Lottery Looking to Bring in Keno", WMTW.com, Katie Thompson, October 16, 2013.

³³ Maryland has video lottery machines in casinos under the regulatory oversight of the Maryland Lottery and Gaming Control Commission. VLT revenue is not included in traditional lottery sales figures.

³⁴ The concept of player liquidity relates to the number of poker players playing at a particular poker site. Players are attracted to sites that have more players where they have more choice in table and wagering minimum and maximum. Successful sites focus on attracting and retaining a high level of player liquidity to attract players.

directly to existing commercial casino licensees in those jurisdictions and all have adopted statutes and regulations that permit them to enter into reciprocal agreements. Other states like Illinois (2012) and Georgia (2012) are selling certain games over the Internet through their respective lotteries. A plethora of other States, including Maine, Florida, Kentucky, Maryland, Massachusetts, Michigan, Pennsylvania and Vermont have in the recent past considered or are actively considering a Lottery based Internet solution.³⁵ The reality is that for Maine to simply retain within its borders the same percentage of discretionary dollars currently devoted to gambling by its residents it will have to empirically determine, in a manner that is comparable to the methodology laid out in the March 2012 *original* version of LD 1880, *An Act To Enhance Opportunities for the Sale of Lottery Tickets*, whether expanding its Lottery or commercial gaming sectors to include Internet gaming or execution of a reciprocal agreement is in its overall best interest.³⁶ The geo-locational technology necessary to ensure compliance with the required intrastate nature of this form of gaming is readily available and, as New Jersey and others have demonstrated, Internet wagering can be meaningfully and cost effectively regulated. The real assessment demands a comparison of the potential revenue to be generated by this sector and how this option actually impacts both Lottery retailers and commercial casino licensees and the revenues they generate. In any comprehensive assessment of next steps, both Keno and Internet gaming should be seriously considered.

In conclusion, while the scope of the RFP did not permit a financial or operational review of the Lottery, a general overview of Lottery statutes and regulations, a survey of the certifications held by, and the technical standards applied by, its technology provider Scientific Games all support that the Lottery is serving the purposes intended by the Legislature. Likewise nothing in our overview suggested that the Lottery's regulatory scheme is operationally or organizationally deficient or that the Lottery is unable to ensure the integrity of the products it offers to the gaming public.

Horse Racing

Horse racing, dominated by Standardbred horse racing, has a long history in Maine. At present, there are two operating commercial harness tracks: Scarborough Downs (108 race days in 2013) and Hollywood Casino Hotel and Raceway Bangor ("Bangor") (55 race days in 2013). Between both racetracks live harness racing is available nine months each year and for six months of that same period, live harness racing is also conducted at pari-mutuel events at agricultural fairs.³⁷ In addition, intra-state and inter-state simulcast wagers are accepted at both racetracks and four off-track

³⁵ Gambling Compliance, US Regulatory tracker, September 2013.

³⁶ In a dramatic turnaround, the Governor signed a revised version of LD 1880 on April 12, 2012 amending 17-A MRSA § 952, sub §11 to provide that "[A]n activity not expressly authorized statute does not cease to be unlawful solely because it is authorized under federal law or the laws of another state or jurisdiction.

³⁷ Cumberland, Cumberland Ext., Farmington, Fryeburg, Northern Maine, Oxford, Presque Isle, Skowhegan, Topsham, Union and Windsor.

betting facilities: *Pioneer Gaming*, Waterville, *Winner's Circle*, Lewiston, *Winner's OTB*, Brunswick and *OTB Facilitators*, Sanford.

The Maine Harness Racing Commission ("Racing Commission") is authorized to establish and enforce rules related to licensing and the conduct of all racing activity within the state including live harness racing, racing at agricultural fairs and all forms of pari-mutuel wagering including off-track betting. The Racing Commission is also charged with supporting and promoting the Standardbred breeding industry within the state. Organizationally the Racing Commission resides within the Department of Agriculture, Conservation and Forestry. An Executive Director serves as its chief administrative officer and manages all regulatory aspects of racing operations. Members of the five (5) member Commission, created pursuant to 5 MRSA § 120004-G, subsection 32, are appointed by the Governor subject to both review by the Joint Standing Committee on Agriculture, Conservation and Forestry and formal confirmation by the Legislature.

8 MRSA Chapter 11, § 286 articulates a detailed scheme for the distribution of the commission on wagering handle³⁸ which is dependent on whether the amount is attributable to live racing, off-track betting facility intrastate simulcasting, track intrastate simulcasting, off-track betting facility interstate simulcasting with commingled pools, track interstate simulcasting with commingled pools, off-track betting facility interstate simulcasting with non-commingled pools or track interstate simulcasting with non-commingled pools.

Unlike 8 MRSA Chapter 31, § 1036 with respect to commercial casino gaming, the statutory and regulatory requirements applicable to horse racing do not expressly enumerate a dedicated distribution to problem gambling. The racing industry is, however, required pursuant to procedures articulated in 8 MRSA Chapter 11, § 300-B to cooperate with the Maine Department of Health and Human Services by offsetting any winnings triggering W-2G reporting with the Internal Revenue Service for amounts owed for child support.

The Appendix Exhibit "I" at page 137 details the annual distributions of the commission on wagering handle made pursuant to 8 MRSA Chapter 11, § 286 for the period 2008 through 2013. Even a cursory examination of the distribution data indicates 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 harness 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.³⁹ Increasingly we are in an era of

³⁸ Handle represents the total amount wagered on a race.

³⁹ In an article *Reasons for the Decline of Horse Racing*, New York Times, June 10, 2010, Bennett Liebman, then a member of the Board of Directors of the New York Racing Association represented that

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. And, at least at this juncture, these gaming sectors do not suffer from the perception, real or imagined, that the race is not fair, that there is widespread dependence on performance enhancing drugs or that its stars are mistreated. 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.⁴⁰

The successful referendum that brought slot machines to Bangor in 2003 was fueled at least in part by a desire to provide a cash infusion to the Maine horse industry. Live race purses, racetracks, breeders, agricultural fairs and off-track betting facilities have all been supplemented in recent years by substantial subsidies from slot revenue to make up for the declines in handle evidenced in the Appendix at Exhibit "H" at page 134. The initial positive impact of slot revenue on racing notwithstanding, recent developments in Maine illustrate the sensitivity of this funding model.

Under Maine's current gaming tax structure, Bangor as a racino shoulders a proportionately higher burden of the obligation to support racing in Maine. Under Maine's distribution scheme Bangor distributes 10% of its net slot machine income to live racing purses, 4% of its net slot machine income to support commercial harness race tracks, 3% of its net slot machine income to breeders, 3% of its net slot machine income to agricultural fairs and 1% of its net slot machine income to support off-track betting.⁴¹ For 2013 this represented a distribution by Bangor to horse racing of \$8,941,891. Oxford Casino ("Oxford"), in contrast, is obligated to distribute just 1% of net slot machine income each to purses, breeders and agricultural fairs and is not obligated to contribute anything to commercial harness race tracks or off-track betting facilities. For 2013 this represented a distribution by Oxford to horse racing of \$1,750,620. Neither operator is obligated to a racing related distribution of net table game income meaning that the total contribution by commercial casino gaming to horse racing in 2013 was \$10,692,511.

1964 was the best year for racing handle in New York State. That same year the lottery commenced operation in nearby New Hampshire.

⁴⁰ As the economy has struggled in recent years, subsidies to horse racing from gaming revenue have come increasingly under fire in many jurisdictions. Pennsylvania, Indiana and Ontario, among others, are exploring serious diversions of casino revenue away from the horse industry and in 2013 New Jersey Governor Christie ended purse supplements. In doing so he blasted the horse industry for refusing to help itself by paring down schedules and offering fewer races with larger fields that fans want to handicap and wager on.

⁴¹ 8 MRSA Chapter 311, § 1036.

Commencing in 2012, however, increased competition for disposable dollars, both in the form of the addition of table games in Bangor and the June 2012 opening of Oxford combined to effect a significant decline in slot machine income at Bangor which, in turn, translated into reduced distributions to racing. Clyde Barrow in a September 2013 analysis of Maine's casino market on behalf of Churchill Downs estimated that the opening of Oxford alone cannibalized approximately 19% of Bangor's net slot machine income when compared to the prior 12 month period.⁴² Harness Racing Commission Executive Director Henry Jackson reported that casino funding available for purses was down 22.5% through July 2013 when compared to the prior period. This led to a 15% reduction in purses.⁴³ Given the disparities in the two distribution formulas, subsidies from Oxford cannot reasonably be expected to fill the gap caused by declining revenue in Bangor and any further expansion affecting slot machine revenue at either Bangor or Oxford will exacerbate that result unless the shortfall for racing is addressed with specificity.

Finally, the slot machines and table games at both Bangor and Oxford have had a material impact on attendance and, as a corollary, handle at both Bangor Raceway and Scarborough Downs. Sharon Terry, a principal of Scarborough Downs, attributes up to 25% in revenue losses at that facility to a migration of disposable dollars from racing to the slot machines and tables at Oxford.⁴⁴

In an effort to stem the tide on racing handle the 126th Maine Legislature examined LD 519, a Bill denoted as *An Act to Establish Advance Deposit Wagering for Harness Racing*. In its original form the Bill would have authorized existing off-track betting facilities to offer advance deposit wagering, a form of gambling in which prior to placing a bet by telephone or through the Internet the bettor is required to set up and fund a wagering account. Under the initial version of the Bill, off-track betting facilities were permitted to contractually partner with providers of advance deposit wagering services located in the United States subject to the approval of the Racing Commission. Potential servicers included sector giants Twinspires.com and Xpressbet.com. Throughout the pendency of the Bill's consideration, including work sessions before both the Joint Committee on Veterans and Legal Affairs ("Veterans and Legal Affairs") and the Commission to Establish a Competitive Bidding Process for the Operation of Future Casinos and Slot Machine Facilities ("Commission"), substantive amendments were advanced from various quarters including those that would have restricted advance deposit wagering to the state's two licensed commercial racetracks and another that would have eliminated the Bill's initial requirement that a partnering non-resident provider of advance deposit wagering services distribute a percentage of its commission

⁴² *The Maine Casino Market: The Potential Impact of Proposals for Expanded Gaming in Maine, Massachusetts & New Hampshire*, Clyde W. Barrow, PhD, Director, Center for Policy Analysis, University of Massachusetts Dartmouth d/b/a Pyramid Associates, LLC dated September 2013 at page 4.

⁴³ *Horse Racing Purses Hurting in Maine*, David Sharp, Associated Press, September 2, 2013.

⁴⁴ Opinion: Maine Voices: If Harness Racing is to Survive, Competition Needs to be Fair, Portland Press Herald, Sharon Terry (owner Scarborough Downs), March 6, 2013.

on a bet to certain enumerated Maine horse related funds. Although as has been discussed herein, a majority of the Commission voted to recommend that Veterans and Legal Affairs support statutory changes aimed at allowing existing licensed commercial racetracks and off-track betting facilities to offer advance deposit wagering, the Bill ultimately failed for non-concurrence between Houses.

While there is scarce empirical data on the impact of the introduction of advance deposit wagering on live racing or on off-track betting facilities, the growth in advance deposit wagering has not ameliorated the decline in overall pari-mutuel wagering.⁴⁵ In essence, while advance deposit wagering does not appear to be materially increasing wagering on horse racing, the availability and ease of Internet based advanced deposit wagering is widely viewed as preventing some migration of disposable dollars away from horse racing and into other forms of gambling. For this reason the Maine Legislature should revisit advance deposit wagering in the near term recognizing that it largely represents a shift in preferred method of wagering rather than an increase in wagering and, for that reason, that the commission structure in 8 MRSA Chapter 11, § 286 must be adjusted to compensate for the expected shortfall in funds derived from on-track and simulcast wagering. The Legislature would also be well served by an approach that ensures that providers of advance deposit wagering services are comparably vetted for regulatory suitability purposes otherwise the net result is a preference for one form of pari-mutuel wagering over another.

The 126th Maine Legislature also examined LD 1111, a Bill denoted as *An Act to Allow Maine's Harness Racing Industry to Compete with Casino Gaming*. Advanced by Scarborough Downs the Bill essentially authorized a racino in southern Maine. The Bill would have imposed a tax distribution scheme on a southern racino generally commensurate with Bangor but would have diverted the 4% of net slot machine income distribution for commercial harness tracks to the General Fund. Throughout the pendency of the Bill's consideration, including work sessions before both Veterans and Legal Affairs and the Commission substantive amendments were advanced from various quarters. These included amendments that required the Department of Administrative and Financial Services to award the license via a competitive bid process with a minimum bid of \$50,000,000, in the alternative imposed a license fee of not less than \$50,000,000 based upon the results of a market value study paid for by the applicant, required the Board to reimburse on a declining schedule a percentage of the license fee if it granted an additional license within a specified period after the grant of the subject license and raised the statewide maximum number of slot machines from 3000 to 4500. Although at a September 27, 2013 meeting a majority of the Commission voted to recommend that Veterans and Legal Affairs support statutory changes aimed at authorizing a racino for southern Maine, the Bill ultimately failed for non-concurrence between Houses.

In conclusion, while the scope of the RFP did not permit a financial or operational review of the Racing Commission, WhiteSand's discussions with Commission Executive Director Henry W. Jackson as well as its survey of the Commission's rules and

⁴⁵ See *Taxman Cometh for ADW Companies*, Frank Angst, BloodHorse, October 9, 2013.

procedures applicable to racing operations and pari-mutuels pools all support the general conclusion that both live and simulcast racing are being conducted in the manner intended by the Legislature. Likewise, nothing in our review suggested that the Commission's regulatory scheme is operationally or organizationally deficient or that the Commission is unable to reasonably ensure the integrity of the racing product offered to the gaming public. That said, there are several areas where the Racing Commission's protocols could be augmented to better conform to regulatory best practices.

1. The Racing Commission should consider amending its rules to require its totalistator system vendor United Tote to submit an Annual SAS 70 Audit, a SSAE No. 16 Attestation or functional equivalent, as deemed appropriate.⁴⁶

2. As the Racing Commission relies on data produced at present by a United Tote totalistator system, it should undertake a meaningful examination of the desirability, feasibility and cost of incorporating the ARCI technical standards into Maine's regulatory scheme. This undertaking to be valid must be realistically funded due to the technical sophistication of the subject matter.⁴⁷

3. Funding should be earmarked to allow the Commission to become a member of ARCI. Membership facilitates cost effective access to validated information regarding rules, standards and regulatory best practices.

⁴⁶ Statement on Auditing Standards (SAS) No. 70, *Service Organizations*, is an auditing standard developed by the American Institute of Certified Public Accountants. It is applicable to manufacturers of totalistator systems as these systems host or process data for a client racetrack. The focus of the SAS 70 Audit is to establish the adequacy of the internal controls over the client's data center. Effective June 15, 2011 an attestation under Statement on Standards for Attestation Engagements ("SSAE") No. 16 is in some instances being substituted for a SAS 70 Audit. The Commission should discuss any contemplated rulemaking with its totalistator company and tailor its rulemaking to reflect the most current standard of review.

⁴⁷ See ARCI Totalistator Technical Standards, Version 1.01, amended July 2012. The actual conduct of pari-mutuel wagering relies on a totalistator system ("tote") that interfaces with wagering terminals to combine wagers into pools. Totes track pool totals throughout the wagering cycle of each race and record and display changes in betting patterns which are translated into recalculated pari-mutuel odds based on the proportion of the total amount wagered in the pool placed on a particular horse. Odds change throughout the wagering cycle and become final when the pool is closed immediately prior to the start of a race. Once the results of a race are official, the tote calculates the payoffs on all winning wagers and players are paid accordingly. Recognizing that it is incumbent upon racing commissions to provide the public with a reasonable level of assurance that totalistator systems accurately calculate odds and payoffs, in 2011 the Association of Racing Commissioners International ("ARCI") published, after years of study, Totalistator Technical Standards. These technical standards are focused on the manufacturers of totalistator systems and related equipment and incorporate minimum design standards for hardware and software, physical and logical access controls, data transmission protocols and reporting, monitoring and data retention requirements all aimed at collectively ensuring the integrity of these systems. Following a testing and certification model that has been utilized with slot machines and slot management systems for over thirty years, the technical standards require manufacturers to provide racing regulators with documentation from an independent testing laboratory that the version of a totalistator system operating in their jurisdiction complies with the technical standards. As is the case with slot machines, the cost of compliance and testing is borne by the manufacturer.

Bingo and Games of Chance

The Office of the Chief, Bureau of the State Police ("Bureau") exercises oversight authority over all forms of bingo and games of chance authorized in Maine pursuant to 17 MRSA Chapter 13-A, *Beano or Bingo* and 17 MRSA Chapter 62, *Games of Chance*. The gaming in this sector is conducted for charitable purposes, guest entertainment or as a vehicle for achieving economic self-sufficiency for federally recognized Indian Tribes. Organizationally, the Bureau resides within the Department of Public Safety ("Department"). The Bureau's Special Investigations Unit administers all forms of bingo and games of chance in addition to duties involving concealed weapons and firearms and polygraph examiner, contract security, professional investigator and investigator assistant licensing.

As is the case for many states, a multiplicity of factors including, but not limited to, the most recent economic downturn have forced increased dependency by nonprofits, veterans groups and Indian Tribes on gaming and has fueled significant pressure on expansion in this arena.

Charitable gaming in recent years has been thrust into a prominent role as a fundraising mechanism for many charities nationwide. Much of the growth [in the sector] has occurred as a result of economic conditions during the 1970's and 1980's which caused a decrease in federal and state funding available for charities as well as a decline in private contributions. Seeking other funding sources, charities tapped into a growing national demand for gaming activities. In a relatively short period of time, charitable gaming evolved from the Friday night bingo game in the church basement to a multi-billion dollar enterprise. With this growth came a need for more effective regulation.

Introduction, *Model State Charitable Gaming Act*, National Council of Legislators from Gaming States ("NCLGS Model Act."). According to the American Gaming Association, although some form of charitable gaming is legal in all but five states, charitable gaming is the least regulated form of gambling in the United States.⁴⁸

Bingo

Maine authorizes three classifications of bingo under 17 MRSA Chapter 13-A, *Beano or Bingo*. The bingo authorized pursuant to 17 MRSA Chapter 13-A, § 314 permits volunteer fire departments, agricultural fair associations, bona fide nonprofit charitable, educational, political, civic, recreational, fraternal, patriotic, religious and veterans organization and their auxiliaries to operate bingo for the exclusive benefit of the organization provided it is conducted by duly authorized members. Conversely, the

⁴⁸ See US Commercial Casino Industry Facts at Your Fingertips, AGA, 2009.

bingo conducted pursuant to 17 MRSA Chapter 13-A, § 315 applies to bona fide resort hotels, is seasonal in nature and involves non-monetary prizes with a value of less than \$10. In specific, the statute permits the Chief of the State Police to issue up to 10 seasonal licenses to bona fide resort hotels provided the management of the resort hotel operates and conducts the game without profit and solely for the entertainment of registered guests or patrons of the resort. The final classification, high stakes bingo, is authorized pursuant to 17 MRSA Chapter 13-A, § 314-A and is limited strictly to federally recognized Indian Tribes for operation on Indian lands enumerated with specificity in the statute. Pursuant to this same provision, under certain specified conditions, federally recognized Indian Tribes are also eligible to offer lucky seven or other similar sealed tickets and raffles. High stakes bingo and the significant distinctions between Tribal gaming in Maine and Tribal gaming conducted pursuant to the Indian Gaming Regulatory Act are discussed herein with greater specificity.

The statute permits the use of commercial bingo halls, meaning for profit entities that rent or lease space to a licensee to hold, conduct or operate bingo. Licensure of commercial bingo hall operators by the Bureau is contingent on a satisfactory criminal history check and lease or rental fees are required to be at fair market value and not involve any form of revenue share.⁴⁹

With few notable exceptions, 17 MRSA Chapter 13-A and the regulations promulgated pursuant thereto apply fairly consistent regulatory expectations to charitable bingo and high stakes bingo. The primary differential is the license fee. A nonprofit organization may conduct a full calendar year of bingo for a modest fee of \$400 payable to the General Fund.⁵⁰ A comparable one year license for high stakes bingo is \$50,000, also payable to the General Fund.⁵¹ The difference in license fee is directly tied to the amounts at risk and, as a corollary, the regulatory costs associated therewith. A charitable game may not involve a single prize that exceeds \$400 in value and total prizes awarded on any one occasion are limited to \$1,400 with the exception that once each calendar year a single occasion may offer total prizes up to \$2,000.⁵² Conversely, there is no limit on the value of a single prize or total prizes awarded on any one occasion of high stakes bingo.⁵³

The Appendix to this report at Exhibit "J" details gross revenue and net income from all forms of bingo for the period 2008 through 2013.⁵⁴ As indicated, for 2013 the

⁴⁹ See 17 MRSA Chapter 13-A, § 328.

⁵⁰ 17 MRSA Chapter 13-A, § 314. Pursuant to 17 MRSA Chapter 13-A, § 314 licenses are available on a weekly, monthly or annual basis depending on the needs of the organization.

⁵¹ 17 MRSA Chapter 13-A, § 314-A(4)

⁵² 17 MRSA Chapter 13-A, § 317

⁵³ 17 MRSA Chapter 13-A, § 314-A(2).

⁵⁴ The statute does not define gross revenue or net income but presumably the Bureau's reporting comports with the North American Gaming Regulators Associations' definitions which are relied upon by

Bureau reported that the bingo conducted by nonprofits under § 314 generated gross revenue of \$11,383,652 with licensed organizations retaining \$2,395,578 or 21% as net income. One hundred and ninety-three organizations participated averaging \$12,407 each for the year. The 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.

As is evidenced in the Appendix to this report at Exhibit "J" at page 138, similar declines were reflected in high stakes bingo conducted under § 314 - A. The Penobscot Indian Nation ("Penobscot"), the only federally recognized Indian Tribe currently offering high stakes bingo and active over the entire period, generated \$1,356,811 in gross revenue for 2013 retaining \$811,840 or 60% of net income.⁵⁵ Examination of the net income generated by the Penobscot reflects a steady decline of 30% over the period. Of significant note, in the recent past the Tribe has offered high stakes bingo on only 7 of the 27 weekends permitted them under the statute. The Passamaquoddy Tribe ("Passamaquoddy") conducted high stakes bingo in 2010 and 2011 to much less relative success than the Penobscot with net income down year over year 88%.

Other than the above enumerated license fees, which pursuant to 17 MRSA Chapter 13-A, § 318 are designated to cover the cost of regulatory oversight, no gaming taxes or fees are assessed against gross revenue or net income from any form of bingo, including high stakes bingo, by the State and, as a result, there is no direct impact on the General Fund from the declines in this sector.

Games of Chance

Under 17 MRSA Chapter 62, *Games of Chance* an agricultural society, a bona fide nonprofit charitable, educational, political, civic, recreational, fraternal, patriotic or religious organization, a volunteer fire department and their respective auxiliaries may be licensed to conduct games of chance by the Bureau upon a showing that the organization meets the requirements of the statute which includes written authorization from the local governing authority where the game of chance is to be conducted or operated. Other than

the Internal Revenue Service. The North American Gaming Regulators Associations' definitions provide as follows:

"Gross income" [or revenue] means gross receipts less prize payouts.

"Gross receipts" means the amount received from the sale of any right to participate in a bingo game, including card sales and entry fees. Gross receipts also means the total amount received from the conduct of all gaming activities.

"Net income" means gross receipts less prizes, taxes, and other allowable expenses.

⁵⁵ Penobscot High Stakes Bingo was established in 1973 and continues to offer bingo games, coin boards and pull tabs. Super bingo weekends offer prizes up to \$250,000 in prizes. The venue's gaming space is about 26,400 square feet and has 1,800 seats.

the sealed ticket and raffle games permitted as an adjunct to high stakes bingo under 17 MRSA Chapter 13-A, § 314-A, federally recognized Indian Tribes are ineligible to participate in games of chance as eligibility turns on nonprofit status. As is the case with bingo license fees, under the games of chance statute license fees are very modest albeit licensees are required to hold a separate license for each game offered. The annual license fee for games of chance, including most games of cards, is \$700 with the license fee for each electronic video machine at \$60 per month and \$30 per year for each game of cards operated subject to a maximum wager of the \$10 entry fee.⁵⁶

The definition of a game of chance was amended in 2009 to broadly define "game of chance" as meaning:

A game, contest, scheme or device in which:

- A. A person stakes or risks something of value for the opportunity to win something of value;
- B. The rules of operation or play require an event the result of which is determined by chance, outside the control of the contestant or participant;
and
- C. Chance enters as an element that influences the outcome in a manner that cannot be eliminated through the application of skill.

For the purposes of this subsection, "an event the result of which is determined by chance" includes but is not limited to a shuffle of a deck of cards, a roll of a die or dice or a random drawing or generation of an object that may include, but is not limited to, a card, a die, a number or simulations of any of these. A shuffle of a deck of cards, a roll of a die, a random drawing or generation of an object or some other event the result of which is determined by chance that is employed to determine impartially the initial order of play in a game, contest, scheme or device does not alone make a game, contest, scheme or device a game of chance. For purposes of this chapter, beano, bingo, a savings promotion raffle and table games as defined in Title 8, section 1001, subsection 43-A are not games of chance. MRSA, Title 17, § 1831(5).

This definition has been interpreted to permit as a game of chance a full array of table games including blackjack, craps and poker and to permit electronic video machines, poker tournaments and raffles up to \$75,000. Games of skill such as golf "hole in one" contest are exempt from licensure under the statute and slot machines and roulette are expressly prohibited.

⁵⁶ Pursuant to 17 MRSA Chapter 62, § 1832 licenses are generally available on a weekly, monthly or annual basis depending on the needs of the organization.

Games of chance authorized pursuant to this statute are subject to significant limitations both on the amount placed at risk and the administration costs associated with the conduct of the games including, but not limited to:

- Electronic video machines, usually video poker machines, are limited exclusively to those configured to permit the person playing the machine to exchange consideration for the privilege of playing *only* without benefit of the potential to "win" or otherwise receive " . . . cash, premiums, merchandise, tickets, something of value other than the privilege of playing the electronic video machine without charge". 17 MRSA Chapter 62, § 1831(4).
- Licensees are permitted to operate no more than 5 electronic video machines and may only operate those games on their own premises. 17 MRSA Chapter 62, § 1831(8).
- Licensed games of chance, including card games, are subject to a low maximum wager, typically \$1 per hand or per deal. See 17 MRSA Chapter 62, § 1835(1).
- Licensed games of chance must be operated and conducted for the exclusive benefit of the licensee and must, subject to very narrow exceptions, be operated by authorized members. See 17 MRSA Chapter 62, § 1835(2).
- Licenses are location specific and generally play requires a member of the licensed organization meeting certain statutorily enumerated criteria to be present and limits the number of guests a member may sponsor to two. Games of chance operated by nonprofits may not be offered to the general public other than once every three months for a period not to exceed 3 consecutive days. See 17 MRSA Chapter 62, § 1835(5).
- Tournament card games like poker are subject to prior local authorization and are limited to a maximum number of players (up to 300 players) and a maximum entry fee of \$125. A \$1 wagering limit applies with the exception that one winner take all hand per tournament game may have a maximum bet of \$5. No less than 75% of entry fees must be paid out in prizes. License fees for these games are moderate with a license for a tournament game involving 251 - 300 players costing \$600. Special allocation rules apply to tournaments with all license fees collected in excess of the cost of regulatory administration distributed 40% to the

Fractionation Development Center and 60% to the General Fund. See 17 MRSA Chapter 62, § 1836.

The statute permits the use of distributors for gambling apparatus including electronic video machines. Licensure of such persons by the Bureau is contingent on a satisfactory criminal history check, residency in Maine and a review of sales and service agreements. Where permitted revenue shares related to equipment, including video poker machines, may not exceed 50% of gross revenue. The statute also requires the Bureau to license Printers of authorized raffle tickets. See 17 MRSA Chapter 62, § 1840.

The Appendix at Exhibit "J" at page 138, details gross revenue and net income from games of chance conducted by nonprofits for the period 2008 through 2013. Unlike bingo, the enabling statute defines both gross revenue and net revenue.⁵⁷ As indicated, for 2013 the Bureau reported that licensed organizations reported gross revenue of \$52,235,371 retaining \$9,515,295 or 18% as net income. The two hundred and eighty-eight participating organizations averaged \$30,039 each for the year. The 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. The Penobscot, the only federally recognized Indian Tribe currently offering games of chance and active over the entire period, generated \$175,386 in gross revenue for 2013 retaining \$67,552 or 24% as net income. Examination of net income reflects a steady decline of 24% over the period. The Passamaquoddy conducted games of chance along with high stakes bingo in 2010 and 2011 again to much less relative success than the Penobscot with net income down year over year 66% with retention ratios in the 6% and 4% range respectively.

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.⁵⁸ As a result, the decline in revenue in this

⁵⁷ 17 MRSA Chapter 62, § 1831 defines the following terms as follows:

"Gross revenue" [or income] means the total amount wagered in a game of chance less prizes awarded.

"Net revenue" [or income] means gross revenue less allowable expenses as described in § 1838.

⁵⁸ The NCLGS Model Act represents an attempt by member legislators, with the assistance of the Kentucky Legislative Research Commission, to cobble together best practices, options and alternatives for meaningfully regulating charitable gaming in a manner that is readily adaptable to accommodate each

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 than the above enumerated license fees, which pursuant to MRSA, Title 17, § 318 are designated to cover the cost of regulatory oversight, no gaming taxes or fees are assessed against gross revenue or net income from any form of games of chance by the state and, as a result, there is no direct impact on the General Fund from the declines in this sector.

In an effort to stem the tide on games of chance revenue the Maine Legislature has examined any number of Bills among them 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 total number of slot machines permitted to operate statewide pursuant to this provision was to be 250. As proposed, the slot machines would be connected to the state's central monitoring system and required to be operated on premises owned or leased by the licensed organization that concurrently serve as the organization's headquarters for charitable purposes and to be located in a municipality that had, by referendum of the voters, approved the operation of slot machines. Under the initially proposed revenue distribution scheme, 2% of net slot machine income was

state's political environment and other externalities. It is notable that the NCLGS Model Act expressly prohibits the concept of a game operator employer or primary game operator reading in pertinent part:

"No licensed charitable organization shall contract with, or otherwise utilize the services of, any management company, service company, or consultant in managing or conducting any aspect of charitable gaming". Section 12(7), NCLGS Model Act.

No owner, officer, employee, or contractee of a licensed charitable gaming facility or an affiliate, or any member of the immediate family of any officer, employee, or contractee of a licensed charitable gaming facility or an affiliate shall, concerning a lessee:

- a) Manage or otherwise be involved in the conduct of charitable gaming;
- b) Provide bookkeeping or other accounting services related to the conduct of charitable gaming;
- c) Handle any moneys generated in the conduct of charitable gaming;
- d) Advise a licensed charitable organization on the expenditure of net receipts;
- e) Provide transportation services in any manner to patrons of a charitable gaming activity;
- f) Provide advertisement or marketing services in any manner to a licensed charitable organization;
- g) Provide, coordinate, or solicit the services of personnel or volunteers in any manner;
- h) Influence or require a licensed charitable organization to use a certain distributor or any particular gaming supplies; or
- i) Donate or give any prize to be awarded in the conduct of charitable gaming.

Section 1, NCLGS Model Act.

designated for services related to gambling addiction and prevention with the charitable organization retaining 70% of net slot machine income. Throughout the pendency of the Bill's consideration, including work sessions before Veterans and Legal Affairs and the Commission, substantive amendments were advanced including one which radically altered the focus of the Bill by adding for-profit operators of off-track betting facilities to the mix of eligible organizations and permitting that class of organization to operate up to fifty slot machines. The amendment required a distribution of 45% of net slot machine income from off-track betting facilities which was subject to a requirement that 33% of that distribution be deposited into the Coordinated Veterans Assistance Fund. Although the Commission voted on September 27, 2013 by a margin of 10:8 to recommend that Veterans and Legal Affairs support statutory changes aimed at allowing qualified nonprofit and veteran's organization to be licensed by the Gambling Control Board to operate an unspecified number of slot machines, the Bill in all its amended forms ultimately failed for non-concurrence between Houses. The history of the Bill is illustrative as it reveals a haphazard approach without reference to any study of actual slot machine capacity that failed to consider the collateral impact of the availability of additional slot machines on the full array of stakeholders including the General Fund.

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.

The key to the effective use of gaming as a tool of economic development and public purpose is to allocate the available gambling capacity in a manner that optimizes revenue and then utilize distributions from that revenue to optimize the return to a prioritized group of stakeholders. This is the general theory behind slot machines as a supplement to the racing sector. From a regulatory best practices perspective, should Maine contemplate the addition of slot machines to supplement a sector that avenue should not be taken unless and until the revenue impact of these new slot machines on competing licensees in all sectors, including lottery, racing and charitable, has been objectively analyzed and understood by all stakeholders. In addition, under all circumstances the operation of slot machines within the state should be subjected to a uniform set of licensing, technical and minimum accounting and internal control

standards where differentials are based strictly on the level of risk and not the status of the licensee. For optimum uniformity and consistent regulatory approach, day to day oversight should rest with the Gambling Control Board as was contemplated by LD 31.

While the scope of the RFP did not permit a financial or operational review of the Office of the Chief of Police, the Bureau or the Special Investigations Unit ("Unit"), WhiteSand's discussions with Unit Supervisor Lt. Scott Ireland as well as its survey of the rules and procedures applicable to bingo and games of chance all support the general conclusion that games are being conducted in the manner intended by the Legislature. Likewise nothing in our review suggested that the regulatory scheme is operationally or organizationally deficient or that Lt. Ireland and his team are unable to reasonably ensure the integrity of the product offered to the gaming public. That said, there are several areas where the Department's protocols could be augmented to better conform to regulatory best practices

1. Notwithstanding fairly broad rulemaking authority under 17 MRSA Chapter 62, § 1843, the Chief of the State Police has not adopted technical standards related to electronic video machines or a specific set of rules relative to the conduct of authorized table games. While the amount at risk and the prohibitions on third party involvement in the conduct of this gaming are significant mitigating factors, the gaming public at these video poker machines and table games is entitled to a level of integrity and consumer protection substantially similar to that required of a commercial casino operator. These games should be conducted in accordance with procedures and controls that emulate, or are directly derived from, best practices in commercial gaming. It is recommended that the Chief of the State Police considering rulemaking draw upon the operating regulations developed for slot machines and table games to incorporate the following:

- a) Technical standards which include, at a minimum, a requirement that a prototype or modification of an electronic video machine be subject to testing and certification by an independent testing laboratory, with the choice of test lab and cost deferred to the manufacturer, to ensure through source code review and other testing that the machine is configured as required under MRSA, Title 17, § 1831(4) to prohibit the award of " . . . cash, premiums, merchandise, tickets, something of value other than the privilege of playing the electronic video machine without charge". Visual inspection of an electronic video machine cannot provide a rational level of assurance that the machine has been configured in accordance with the statute.
- b) A requirement that each licensee adopt and submit for Bureau approval house rules for each table game in order to ensure that table games are conducted in a manner the complies with standard practice for that game, for example, the handling of an insurance side bet in blackjack.

- c) A requirement that each licensee adopt and submit for Bureau approval basic minimum internal control standards over all money handling functions, including counting and cashing and specific storage and inventory controls over all forms of gaming equipment.

Tribal Gaming

The history of Indian land claims in Maine is among the most unique, complex and comprehensive in North America. While an exhaustive analysis of the *Maine Indian Claims Settlement Act of 1980*, 25 U.S.C. §§ 1721 - 1735 ("1980 Settlement Act") is well beyond the scope of this market feasibility study, because its ramifications are an important overlay on the development of a comprehensive approach to gaming expansion for Maine, it is essential that it be generally addressed.

Well before the 1988 adoption of the *Indian Gaming Regulatory Act*, 25 U.S.C. §§ 2701 - 2721 ("IGRA"), Indian Tribes, most notably the Passamaquoddy and the Penobscot, were actively engaged in pursuing land claims to nearly two-thirds of the State of Maine. After years of negotiation, a settlement was reached under federal auspices and passed by Congress in 1980 between the State of Maine and three of its four Indian Tribes, the Passamaquoddy, Penobscot, and the Houlton Band of Maliseet ("Maliseet"). Under the terms of the 1980 Settlement Act and companion legislation, the possibility of future land claims in Maine by these Tribes was extinguished and past land claims within the State were ratified. In return, the Passamaquoddy and the Penobscot each received \$13.5 million in trust funds and \$26.8 million for land acquisition, respectively with the Maliseet receiving \$900,000 for land acquisition. In addition, all three Tribes were federally recognized thus affording them immediate eligibility for much needed federally funded programs and services in areas such as education, healthcare, and housing. In the context of the settlement of these land claims, a unique relationship between these three Tribes and the State was crafted by statute and the terms and conditions have dictated the legal status of each party ever since. See 30 MRSA §§ 6201 - 6214.

Maine's fourth Indian Tribe, the Aroostook Band of Micmacs ("Micmacs") did not have legally sufficient historical documentation to establish a claim to lands in Maine at the time of the initial negotiations and, as a result, the Micmacs were not a party to the 1980 Settlement Act.⁵⁹ In subsequent years the Micmacs compiled the necessary documentation and commenced negotiation with the State, which negotiations were ultimately concluded with Congress' passage in 1991 of the *Aroostook Band of Micmacs Settlement Act* (PL 102-171) which granted the Micmacs \$900,000 in compensation for aboriginal lands, 5000 acres and ratified an implementing act negotiated between the Micmacs and the State in 1989.⁶⁰ See 30 MRSA § 7201 *et seq.* It remains subject to

⁵⁹ See *Native American Sovereignty in Maine*, Stephen Brimley, Maine Policy Review (Spring/Summer 2004).

⁶⁰ The Aroostook Band of Micmacs received federal recognition in 1991.

debate whether the Micmacs and Maliseet are identically situated to the Passamaquoddy and Penobscot in their relationships with Maine but for the purposes herein each Tribe's concerns are substantially similar.

Of direct relevance to gaming, an element of the consideration received by Maine under the 1980 Settlement Act is embodied in § 16(b) of the 1980 Settlement Act, 25 U.S.C. § 1735(b) which states in pertinent part:

The provisions of any Federal law enacted after October 10, 1980 [the effective date of the Settlement Act] for the benefit of Indians, Indian nations, or tribes or bands of Indians, which would affect or preempt the application of the laws of the State of Maine, . . . shall not apply within the State of Maine, *unless such provision of such subsequently enacted Federal law is specifically made applicable within the State of Maine.*

Distilled to its essence, this provision holds that Federal Indian law enacted after October 10, 1980 does not apply to Indian Tribes in Maine, federal recognition notwithstanding, unless the Federal law by its expressed terms specifically mentions applicability within the State of Maine. IGRA, passed in 1988 to allow Indian Tribes as sovereign nations to establish and operate gaming facilities as a means of Tribal economic development and self-sufficiency under a statutorily enumerated three tier game classification scheme has been held to be one such law without a sufficiently expressed reference to Maine. Specifically, in *Passamaquoddy Tribe v. State of Maine*, 75 F.3rd 784 (1st Circuit 1996) the US Court of Appeals upheld the US District Court for the District of Maine⁶¹ and held that by its expressed terms IGRA does not make IGRA specifically applicable within Maine and, on that basis, that Maine Tribes may not avail themselves of IGRA. Given the evolutionary timeline of gaming, especially the technological advances in Class II bingo, it is doubtful that the full import of this omission in IGRA was remotely contemplated by Congress in 1988.⁶²

Indian Tribes in Maine are thus subject to distinct disadvantages when exploring the potential for gaming to act as an economic engine for Tribal economic development and self-sufficiency. First, as has been discussed, contrary to the majority of Tribal governments in the United States, Maine's Tribes may not avail themselves of IGRA and, on that basis, may not develop and operated on qualifying Indian Lands Class II gaming without the approval of, and a direct or de facto revenue share with, the State. Secondly, and perhaps more relevant to the immediate analysis, the majority of the lands that Maine's Tribes have acquired under the 1980 Settlement Act are not situated in the southern portion of the State with relative proximity to larger urban populations and, as a result, are not particularly well suited to commercial gaming development. Thus,

⁶¹ *Passamaquoddy Tribe v. Maine*, 897 F. Supp 632 (D. Me. 1995).

⁶² Under IGRA at § 2703, Class I gaming is defined as social games and traditional Indian games. Class II gaming is defined as bingo, pull-tabs and certain expressly enumerated card games. Class III gaming is defined simply as any game that does not fall within Class I or Class II, notably traditional casino games.

notwithstanding a well-documented history of economic disadvantage, to participate in gaming Maine Tribes are required to compete for land and scarce gaming opportunities against competitor entities, many with substantial gaming experience and financial war chests. In addition, unlike their gaming company competitors, without benefit of specific legislative exemptions and preferences, the Tribes enter a referendum or competitive license bid process burdened by the baggage of Maine's contentious Indian land claim history.⁶³

The Legislature in general and Veterans and Legal Affairs as well as the Tribes know only too well the scope of the legislative efforts and the considerable pressures brought to bear post-IGRA to create expanded gaming opportunities for Native American Tribes in Maine. Even a cursory review of past proposals supports that from many perspectives the relief sought has remained constant. For that reason, two Bills considered in the 126th Legislative Session, both of which ultimately died for lack of concurrence between Houses on September 27, 2014, are illustrative.

LD 1298, a Bill denoted as *An Act to Authorize the Houlton Band of Maliseet Indians to Operate a Casino in Aroostook County*, was introduced in 2013 and carried over into 2014. In its original form the Bill authorized the Gambling Control Board to accept an application from the Maliseet to operate slot machines and table games at a casino on tribal trust lands of the Maliseet at North Road in the Town of Houlton in Aroostook County. No state or county referendum was required. The Bill increased the number of slot machines in the state from 3000 to 4500, subjected the casino operation to the full gamut of the Board's regulatory requirements and subjected the Maliseet to the same tax and distribution formula as the Oxford Casino. Throughout the pendency of the Bill's consideration, including work sessions before both Veterans and Legal Affairs and the Commission, substantive amendments were advanced from various quarters including those that reinserted a referendum by Aroostook County, exempted the Maliseet casino from a competitive bid process, imposed a \$250,000 nonrefundable privilege fee and an application/license fee of \$5,000,000, imposed a maximum of 500 slot machines and 5 table games, reduced the tax rate from 46% to 35% and then increased it to 40%, and modified the revenue distribution plan. Although a majority of the Commission ultimately recommended that Veterans and Legal Affairs support statutory changes aimed at allowing the Maliseet to operate slot machines and table games in Aroostook County subject to a successful referendum in that County, as noted above, the Bill ultimately failed for non-concurrence between Houses.

Like LD 1298, LD 1520, a Bill denoted as *An Act to Allow the Passamaquoddy Tribe to Operate Slot Machines in Washington County in Conjunction with High Stakes Beano*, was introduced in 2013 and carried over into 2014. In its original form the Bill

⁶³ On the same 2003 ballot that contained the citizen initiated referendum question that authorized slot machines at harness tracks (Yes: 272,394/No 242,490) was a citizen initiated referendum that would have authorized the Penobscot and Passamaquoddy to operate a Tribally run casino in southern Maine via amendment of the 1980 Settlement Act. The Tribal related ballot question failed by a 2:1 margin (yes 170,500/No 346,583).

authorized the Board to accept an application from the Passamaquoddy to operate slot machines in a facility also offering high stakes beano located in Calais, Washington County. The Bill exempted the Passamaquoddy facility from statewide referendum but did require a favorable referendum vote by Washington County. The Bill increased the number of slot machines in the state from 3000 to 3750, subjected the casino operation to the full gamut of the Board's regulatory requirements and subjected the Passamaquoddy to the same tax and distribution formula as Bangor. In addition, the Bill released the Passamaquoddy from the limitation on the number of days a federally recognized Tribe may conduct high stakes beano under 17 MRSA Chapter 13-A, § 314-A. Under the initial version of the Bill the number of days limitations on high stakes beano remained applicable to the Penobscot, the Maliseet and the Micmacs. Throughout the pendency of the Bill's consideration, including work sessions before both Veterans and Legal Affairs and the Commission, substantive amendments were advanced from various quarters including those that expanded the Bill from slots only to a full casino, increased the tax on table game revenue from the currently applied 16% to as high as 24%, diverted substantial distributions to a Coordinated Veterans Assistance Fund, including the distributions from other casino licensees lost to the Passamaquoddy under 8 MRSA Chapter 31, § 1036 upon receipt of authorization to operate a casino, and released all four of Maine's tribes from any limitation under 17 MRSA Chapter 13-A, § 314-A on number of days for high stakes bingo. Interestingly, the proposed amendments for the Passamaquoddy Bill did not mirror the efforts in conjunction with LD 1298 to impose a nonrefundable privilege fee, application fee or license fee on the Maliseet. Although a majority of the Commission ultimately recommended that Veterans and Legal Affairs support statutory changes aimed at allowing the Passamaquoddy to operate slot machines and table games in Washington County, as noted above the Bill ultimately failed for non-concurrence between Houses.

The Fiscal Notes to both LD 1298 and LD 1520, notwithstanding distinctions between the demographics of Houlton and Calais,⁶⁴ share the same set of generic financial projections. Likely, for many Legislators a strong incentive to push the pause bottom was provided by a statement common to both Fiscal Notes:

This legislation could have a significant impact on revenues generated by the Hollywood and Oxford Casinos. *An assessment of the impact has not been done at this time.*

⁶⁴ Both Houlton and Calais are located along the northeastern border between Maine and Canada. From all reports, both local municipalities supported the respective proposals as a means of fostering not only Tribal but local and regional economic development. Calais went as far as adopting a resolution memorializing its desire to become a host community. Houlton is approximately 120 miles from Bangor and Calais is approximately 95 miles from Bangor and the Penobscot's high stakes bingo facility. Both locations are vacation destinations for tourists interested in camping, fishing, and hunting. Houlton, more so than Calais, however, is a major commercial port of entry into the United States at the head of US Interstate 95. It experiences a greater volume of out of state and Canadian traffic than Calais and, on that basis, is more likely to capture a greater number of Canadian residents and out of state visitors in its customer base.

Immediate concerns are raised with regard to the validity of the generic financial projections, both of which are based on 500 slot machines and 10 table games and implicitly assume no differential between the propensities and demographics in Houlton and Calais. These concerns are compounded by the lack of symmetry between the two competing Bills on core issues such as tax rate, distribution scheme, privilege, application and license fees. The apparently unfocused amendment history of both, viewed together with the failure to evaluate the impact on existing licensees and, in this case, the impact on a potentially competing location (Houlton or Calais), amply illustrates the inherent defects in this approach to expanding the gaming footprint.

Another Bill of significance introduced in 2013 and carried over into 2014 is LD 227, a Bill denoted as *An Act Concerning High Stakes Beano*. In its original form the Bill released all four of Maine's Tribes from any limitation under 17 MRSA Chapter 13-A, § 314-A on the number of days high stakes bingo could be offered and authorized any Tribe licensed to operate high stakes bingo to offer electronic bingo as that game was defined in the Bill. The Office of the Chief, Bureau of the State Police would exercise oversight authority over all forms of bingo including electronic. Throughout the pendency of the Bill's consideration, including work sessions before both Veterans and Legal Affairs and the Commission, substantive amendments were advanced from various quarters that limited electronic bingo to the Penobscot and Micmacs, incorporated a more technically sophisticated definition of electronic bingo generally commensurate with a Class II electronic gaming device under IGRA, incorporated an independent testing and certification requirement on electronic bingo devices at the expense of the operator and limited the number of electronic bingo terminals to 300. Although a majority of the Commission voted, by a margin of 10:8, to recommend that Veterans and Legal Affairs support statutory changes aimed at allowing any Tribe licensed to operate high stakes bingo to offer electronic bingo, as noted above the Bill ultimately failed for non-concurrence between Houses.

What does or does not constitute electronic bingo is without question one of the most controversial and litigated questions ever asked. What electronic gaming devices can and cannot be operated under the guise of electronic bingo in a particular jurisdiction turns on the drafting and ultimate interpretation of definitions that are many times crafted by persons, and adopted by legislators, with too little knowledge of the game of bingo and insufficient expertise regarding the limits to which the available technology can be pushed and adapted. When an electronic gaming device is using virtual bingo cards, virtual balls and a video displaying reels it is impossible to ascertain visually whether the device is going beyond serving as a technological aid to the play of traditional bingo. Only independent expert analysis of the math, source code and overall design of the device by an independent testing laboratory can establish definitively that the game is connected to a server that is operating exclusively the centrally determined game of bingo and that the entertaining displays are strictly for amusement only.

With the exception of Tribes subject to IGRA, there is surprisingly little uniformity when it comes to the definition of electronic bingo. Although permissible in some form in a number of states like Maryland, Washington and Alabama, the applicable

statutory requirements are often vague, are lacking in technical specificity and accuracy and are often developed, as is the case in Maryland, largely for the purpose of distinguishing electronic bingo from competing electronic gaming devices also authorized in the state such as video lottery terminals in casinos and slot machines in designated fraternal organizations. Even with Tribes subject to IGRA, it is not uncommon for Tribal regulators to impose requirements in addition to those included in the more than 50 pages of minimum internal control requirements and technical standards adopted by the National Indian Gaming Commission ("NIGC") to guide Tribal gaming regulating entities in ensuring that electronic bingo is fair, that revenue is reported accurately, that the device is compliant with the NIGC's definition of bingo and is not susceptible to fraud or tampering.⁶⁵

Should it chose to do so, a meaningful and technologically accurate definition for electronic bingo could be developed for Maine and licensed high stakes bingo operators could be authorized to offer these electronic gaming devices under a responsible regulatory scheme. From a cost and staff resource optimization perspective, it is recommended that, if authorized, oversight of electronic bingo be delegated to the 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. 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, 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 the license suitability standards should be comparable. Because, however, under the 1980 Settlement Act Maine's tribes can not 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, the real question is whether it makes sense for Maine, in expanding its gaming footprint, to authorize electronic bingo in one sector and additional slot machines in another.

Early on, electronic bingo system games were readily distinguishable from slot machines. The complex math required to play bingo made the games slower, required multiple touches to initiate a wager and in general these games did not have as sophisticated or as entertaining a display as their slot machine counterparts. Spurred on by demand and bolstered by much successful bingo defining litigation in the Tribal Class II sector, the amount of research and development devoted to electronic bingo systems in recent years is staggering. Today, thanks to significant advances in graphics, sound, method of play, and bonusing, play at a fully compliant electronic bingo terminal is fast becoming virtually indistinguishable from play at a slot machine. While the fact that optically, as is often the case with video lottery terminals, it may be material to Legislators and voters that these devices are not slot machines it is important to appreciate that the similarities between the two forms of gambling, *from the player's perspective*, are so great that any Bill authorizing electronic bingo for licensees of high

⁶⁵ See 25 C.F. R. Part 543, Minimum Internal Control Standards for Class II Gaming (effective 10.25.13) and 25 C.F.R. Part 547, Minimum Technical Standards for Class II Gaming (effective 10.22.13).

stakes bingo must be recognized as an allocation of Maine's total available gaming capacity. Authorization of electronic bingo within a distance benchmark of 30, 60, or 90 miles of a commercial casino operation will directly impact the slot machine revenue of that facility and will, as a corollary, directly impact any fund covered by its distribution scheme, most notably the harness industry.

Appendix

Exhibit A – Casino Revenue and Distribution

Slot machine and table game revenue distributions - [8 MRSA §1036] Veterans and Legal Affairs Committee March 2014			
Prepared by Danielle Fox – Office of Policy and Legal Analysis			
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, distribution 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	

Exhibit A-1

	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	

Exhibit A-2 - Hollywood Bangor Slot and Table Revenue

Month	Number of Floor Slot Machines	Gross Revenue	Net Revenue	1% Tax (Gross x .01)	39% Tax (Net-1% x .39)	4% General Fund Including Gambling Addiction Support Services	10% Fund For A Healthy Maine	Effective 10/9/13 1.92% Umaine Scholarship Fund (2% Prior to 10/9/13)	Effective 10/9/13 0.08% Maine Maritime Academy Scholarship Fund	10% Harness Purse Supplements	3% Agricultural Fair Support Fund	4% Fund to Encourage Racing at Commercial Tracks	1% Fund to Stabilize Off Track Betting	3% Sire Stakes Fund	1% Maine Community College System	1% Host Municipality (Bangor)	Total Distribution
January	925	\$34,026,685.88	\$3,484,477.87	\$340,266.86	\$1,226,242.29	\$125,768.44	\$314,421.10	\$62,884.22		\$314,421.10	\$94,326.33	\$125,768.44	\$31,442.11	\$94,326.33	\$31,442.11	\$31,442.11	\$1,226,242.29
February	950	\$32,506,240.31	\$3,381,392.42	\$325,062.40	\$1,191,968.71	\$122,253.21	\$305,633.00	\$61,126.60		\$305,633.00	\$91,689.90	\$122,253.20	\$30,563.30	\$91,689.90	\$30,563.30	\$30,563.30	\$1,191,968.71
March	950	\$41,380,242.31	\$4,321,990.18	\$413,802.42	\$1,524,193.23	\$156,327.50	\$390,818.78	\$78,163.76		\$390,818.78	\$117,245.63	\$156,327.51	\$39,081.88	\$117,245.63	\$39,081.88	\$39,081.88	\$1,524,193.23
April	910	\$39,787,894.60	\$3,808,037.23	\$397,878.95	\$1,329,961.73	\$136,406.33	\$341,015.83	\$68,203.17		\$341,015.83	\$102,304.75	\$136,406.33	\$34,101.58	\$102,304.75	\$34,101.58	\$34,101.58	\$1,329,961.73
May	910	\$41,660,364.06	\$4,294,927.86	\$416,603.64	\$1,512,546.45	\$155,132.98	\$387,832.42	\$77,566.48		\$387,832.42	\$116,349.73	\$155,132.97	\$38,783.24	\$116,349.73	\$38,783.24	\$38,783.24	\$1,512,546.45
June	900	\$40,443,740.58	\$4,042,275.66	\$404,437.41	\$1,418,756.92	\$145,513.52	\$363,783.83	\$72,756.77		\$363,783.83	\$109,135.15	\$145,513.53	\$36,378.38	\$109,135.15	\$36,378.38	\$36,378.38	\$1,418,756.92
July	900	\$43,345,556.48	\$4,523,323.52	\$433,455.56	\$1,595,048.50	\$163,594.70	\$408,986.80	\$81,797.36		\$408,986.80	\$122,696.04	\$163,594.72	\$40,898.68	\$122,696.04	\$40,898.68	\$40,898.68	\$1,595,048.50
August	900	\$44,284,848.96	\$4,601,597.68	\$442,848.49	\$1,621,912.18	\$166,349.96	\$415,874.92	\$83,174.98		\$415,874.92	\$124,762.48	\$166,349.97	\$41,587.49	\$124,762.48	\$41,587.49	\$41,587.49	\$1,621,912.18
September	900	\$41,475,411.06	\$4,135,652.67	\$414,754.11	\$1,451,150.44	\$148,835.92	\$372,089.86	\$74,417.97		\$372,089.86	\$111,626.96	\$148,835.94	\$37,208.99	\$111,626.96	\$37,208.99	\$37,208.99	\$1,451,150.44
October	888	\$40,238,704.77	\$3,931,705.28	\$402,387.05	\$1,376,434.11	\$141,172.59	\$352,931.86	\$68,420.71	\$2,165.61	\$352,931.86	\$105,879.56	\$141,172.70	\$35,293.22	\$105,879.56	\$35,293.22	\$35,293.22	\$1,376,434.11
November	888	\$38,053,428.43	\$3,672,336.92	\$380,534.28	\$1,283,803.03	\$131,672.10	\$329,180.26	\$63,202.61	\$2,633.44	\$329,180.26	\$98,754.08	\$131,672.11	\$32,918.03	\$98,754.08	\$32,918.03	\$32,918.03	\$1,283,803.03
December	888	\$31,724,117.38	\$3,071,991.34	\$317,241.17	\$1,074,352.56	\$110,190.01	\$275,475.02	\$52,891.20	\$2,203.80	\$275,475.02	\$82,642.50	\$110,190.01	\$27,547.50	\$82,642.50	\$27,547.50	\$27,547.50	\$1,074,352.56
YTD TOTAL		\$468,927,234.82	\$47,269,708.63	\$4,689,272.35	\$16,606,370.15	\$1,703,217.26	\$4,258,043.68	\$844,605.83	\$7,002.85	\$4,258,043.68	\$1,277,413.11	\$1,703,217.43	\$425,804.40	\$1,277,413.11	\$425,804.40	\$425,804.40	\$16,606,370.15

Month	Number of Table Games	Win	16% Tax	9% General Fund for Administrative Expenses of the Board and Gambling Addiction	3% Administration Expenses - Other Special Revenue Account	2% Veterans Assistance Grant Fund	2% Host Municipality (Bangor)	Total Distribution
January	16	\$574,180.50	\$91,868.88	\$51,676.24	\$17,225.42	\$11,483.61	\$11,483.61	\$91,868.88
February	16	\$536,921.50	\$85,907.44	\$48,322.93	\$16,107.65	\$10,738.43	\$10,738.43	\$85,907.44
March	16	\$679,174.50	\$108,667.92	\$61,125.70	\$20,375.24	\$13,583.49	\$13,583.49	\$108,667.92
April	16	\$709,730.55	\$113,556.89	\$63,875.75	\$21,291.92	\$14,194.61	\$14,194.61	\$113,556.89
May	16	\$664,583.00	\$106,333.28	\$59,812.47	\$19,937.49	\$13,291.66	\$13,291.66	\$106,333.28
June	16	\$646,732.50	\$103,477.20	\$58,205.92	\$19,401.98	\$12,934.65	\$12,934.65	\$103,477.20
July	16	\$636,950.00	\$101,912.00	\$57,325.50	\$19,108.50	\$12,739.00	\$12,739.00	\$101,912.00
August	16	\$597,941.50	\$95,670.64	\$53,814.73	\$17,938.25	\$11,958.83	\$11,958.83	\$95,670.64
September	16	\$626,864.00	\$100,298.24	\$56,417.76	\$18,805.92	\$12,537.28	\$12,537.28	\$100,298.24
October	16	\$553,539.50	\$88,566.32	\$49,818.55	\$16,606.19	\$11,070.79	\$11,070.79	\$88,566.32
November	16	\$611,024.00	\$97,763.84	\$54,992.16	\$18,330.72	\$12,220.48	\$12,220.48	\$97,763.84
December	16	\$551,206.50	\$88,193.04	\$49,608.58	\$16,536.20	\$11,024.13	\$11,024.13	\$88,193.04
YTD TOTAL		\$7,388,848.05	\$1,182,215.69	\$664,996.29	\$221,665.48	\$147,776.96	\$147,776.96	\$1,182,215.69

Exhibit A-3 – Oxford Slot and Table Revenue

2013 State Revenue from Oxford Casino Slot Operation																	
Month	# of Floor Slot Machines	Net Revenue	46% Tax	Distribution													
				25% Dept of Education for K-12 Essential Programs	3.85% Umaine Scholarship Fund effective 10/9/13 (prior to 10/9/13 4%)	0.15% Maine Maritime Academy Scholarship Fund (eff. 10/9/13)	3% Maine Community College System Scholarships	4% Tribal Governments of the Penobscot and Passamaquoddy Tribes	3% Administration of the GCB Board & Gambling Addiction Counseling Services	2% Host Municipality (Town of Oxford)	1% Agricultural Fairs	1% Harness Racing Purses	1% Sire Stakes Fund	1% Host County for Costs Resulting from Gaming	1% Dairy Improvement Fund (0.5% beginning 7/13)	0.5% Maine Milk Pool (beginning 7/13)	Total
January	814	\$4,033,541.85	\$1,855,429.25	\$1,008,385.45	\$161,341.67		\$121,006.26	\$161,341.67	\$121,006.26	\$80,670.84	\$40,335.42	\$40,335.42	\$40,335.42	\$40,335.42	\$40,335.42	\$0.00	\$1,855,429.25
February	814	\$3,925,273.20	\$1,805,625.67	\$981,318.30	\$157,010.93		\$117,758.20	\$157,010.93	\$117,758.20	\$78,505.46	\$39,252.73	\$39,252.73	\$39,252.73	\$39,252.73	\$39,252.73	\$0.00	\$1,805,625.67
March	814	\$5,315,261.13	\$2,445,020.12	\$1,328,815.29	\$212,610.45		\$159,457.83	\$212,610.45	\$159,457.83	\$106,305.22	\$53,152.61	\$53,152.61	\$53,152.61	\$53,152.61	\$53,152.61	\$0.00	\$2,445,020.12
April	816	\$4,846,729.77	\$2,229,495.69	\$1,211,682.43	\$193,869.19		\$145,401.89	\$193,869.19	\$145,401.89	\$96,934.60	\$48,467.30	\$48,467.30	\$48,467.30	\$48,467.30	\$48,467.30	\$0.00	\$2,229,495.69
May	816	\$5,287,761.28	\$2,432,370.19	\$1,321,940.33	\$211,510.45		\$158,632.84	\$211,510.45	\$158,632.84	\$105,755.23	\$52,877.61	\$52,877.61	\$52,877.61	\$52,877.61	\$52,877.61	\$0.00	\$2,432,370.19
June	800	\$5,098,997.04	\$2,345,538.64	\$1,274,749.27	\$203,959.88		\$152,969.91	\$203,959.88	\$152,969.91	\$101,979.94	\$50,989.97	\$50,989.97	\$50,989.97	\$50,989.97	\$50,989.97	\$0.00	\$2,345,538.64
July	800	\$5,940,262.58	\$2,732,520.79	\$1,485,065.64	\$237,610.50		\$178,207.88	\$237,610.50	\$178,207.88	\$118,805.25	\$59,402.63	\$59,402.63	\$59,402.63	\$59,402.63	\$29,701.31	\$29,701.31	\$2,732,520.79
August	800	\$5,938,164.41	\$2,731,555.63	\$1,484,541.12	\$237,526.58		\$178,144.93	\$237,526.58	\$178,144.93	\$118,763.29	\$59,381.64	\$59,381.64	\$59,381.64	\$59,381.64	\$29,690.82	\$29,690.82	\$2,731,555.63
September	800	\$5,311,639.41	\$2,443,354.13	\$1,327,909.86	\$212,465.58		\$159,349.18	\$212,465.58	\$159,349.18	\$106,232.79	\$53,116.39	\$53,116.39	\$53,116.39	\$53,116.39	\$26,558.20	\$26,558.20	\$2,443,354.13
October	800	\$4,899,303.60	\$2,253,679.66	\$1,224,825.73	\$190,641.16	\$5,330.99	\$146,979.14	\$195,972.14	\$146,979.14	\$97,986.05	\$48,993.06	\$48,993.06	\$48,993.06	\$48,993.06	\$24,496.53	\$24,496.53	\$2,253,679.66
November	812	\$4,485,760.17	\$2,063,449.68	\$1,121,440.04	\$172,701.77	\$6,728.64	\$134,572.81	\$179,430.41	\$134,572.81	\$89,715.20	\$44,857.60	\$44,857.60	\$44,857.60	\$44,857.60	\$22,428.80	\$22,428.80	\$2,063,449.68
December	846	\$3,271,254.01	\$1,504,776.84	\$817,813.50	\$125,943.28	\$4,906.88	\$98,137.62	\$130,850.16	\$98,137.62	\$65,425.08	\$32,712.54	\$32,712.54	\$32,712.54	\$32,712.54	\$16,356.27	\$16,356.27	\$1,504,776.84
YTD TOTAL		\$58,353,948.45	\$26,842,816.29	\$14,588,486.96	\$2,317,191.44	\$16,966.51	\$1,750,618.49	\$2,334,157.94	\$1,750,618.49	\$1,167,078.95	\$583,539.50	\$583,539.50	\$583,539.50	\$583,539.50	\$434,307.57	\$149,231.93	\$26,842,816.28

State Revenue from Oxford Casino Table Games Operation 2013								
Month	Number of Table Games	Win	16% Tax	Distribution				
				10% Dept of Education for K-12 Essential Programs	3% Gambling Control Board Admin Expenses - Other Special Revenue Acct	2% Host Municipality (Town of Oxford)	1% Oxford County for Gaming Related Expenses	Total Distribution
January	22	\$1,015,315.75	\$162,450.52	\$101,531.57	\$30,459.47	\$20,306.32	\$10,153.16	\$162,450.52
February	22	\$1,026,020.00	\$164,163.20	\$102,602.00	\$30,780.60	\$20,520.40	\$10,260.20	\$164,163.20
March	22	\$1,360,329.00	\$217,652.64	\$136,032.90	\$40,809.87	\$27,206.58	\$13,603.29	\$217,652.64
April	22	\$1,005,067.35	\$160,810.78	\$100,506.74	\$30,152.02	\$20,101.35	\$10,050.67	\$160,810.78
May	22	\$1,046,823.75	\$167,491.80	\$104,682.37	\$31,404.71	\$20,936.48	\$10,468.24	\$167,491.80
June	22	\$1,106,355.75	\$177,016.92	\$110,635.57	\$33,190.67	\$22,127.12	\$11,063.56	\$177,016.92
July	22	\$1,164,256.00	\$186,280.96	\$116,425.60	\$34,927.68	\$23,285.12	\$11,642.56	\$186,280.96
August	22	\$1,197,559.75	\$191,609.56	\$119,755.97	\$35,926.79	\$23,951.20	\$11,975.60	\$191,609.56
September	22	\$1,198,328.00	\$191,732.48	\$119,832.80	\$35,949.84	\$23,966.56	\$11,983.28	\$191,732.48
October	22	\$1,000,785.25	\$160,125.64	\$100,078.52	\$30,023.56	\$20,015.71	\$10,007.85	\$160,125.64
November	26	\$1,177,743.25	\$188,438.92	\$117,774.32	\$35,332.30	\$23,554.87	\$11,777.43	\$188,438.92
December	26	\$963,283.75	\$154,125.40	\$96,328.37	\$28,898.51	\$19,265.68	\$9,632.84	\$154,125.40
YTD TOTAL		\$13,261,867.60	\$2,121,898.82	\$1,326,186.73	\$397,856.02	\$265,237.39	\$132,618.68	\$2,121,898.82

Exhibit "B" Comparator Data Set

Property	Population			Median Per Capita Income			Median Age			Unemployment Rate %			Win / Unit / Day		Gaming Units	
	30*	60*	90*	30*	60*	90*	30*	60*	90*	30*	60*	90*	Slots	Tables	# Slots	# Tables
Oxford Casino	304,334	977,212	1,747,429	\$ 21,885	\$26,464	27,981**	41.8	42.7	42.4	6.5	5.5	5.7	\$197	\$1,603	846	22
Hollywood Bangor	188,569	444,273	750,995	\$ 23,307	\$ 26,464	28,367**	40.3	42.7	42.8	5.6	5.6	5.7	\$142	\$1,265	909	16
IOC Boonville	156,555	1,454,715	2,717,282	\$ 22,663	\$ 24,105	\$ 25,546	38.4	37.5	37.6	5.4	6.0	6.5	\$198	\$ 900	991	19
Diamond Jo - Dubuque	171,783	586,324	2,652,553	\$ 19,600	\$ 24,154	\$ 25,335	39.9	41.0	38.8	4.3	4.6	5.0	\$162	\$ 601	999	21
Boot Hill Casino and Resort	42,642	109,159	253,335	\$ 15,721	\$ 19,082	\$ 26,845	33.0	34.7	36.3	3.3	4.5	4.9	\$118	\$ 700	800	23
Sands Casino Resort Bethlehem	1,625,810	9,769,243	26,992,812	\$ 18,987	\$ 23,042	\$ 25,251	41.0	39.5	38.3	6.0	5.8	5.6	\$264	\$2,734	3018	166
Valley Forge Casino Resort	5,184,207	9,655,743	23,134,957	\$ 32,070	\$ 30,898	\$ 47,528	38.6	39.1	38.5	6.1	5.9	5.7	\$256	\$1,731	600	65
Mount Pocono	799,240	4,036,958	24,734,145	\$ 25,346	\$ 26,115	\$ 28,538	42.2	41.5	38.3	7.0	6.7	6.6	\$198	\$1,492	2030	72
Parx Casino	5,037,977	12,319,534	26,649,537	\$ 36,379	\$ 36,601	\$ 29,976	38.6	39.1	38.3	6.1	5.4	6.6	\$306	\$1,827	3376	165
Harrah's Philadelphia	4,994,063	9,011,034	17,825,136	\$ 38,251	\$ 41,330	\$ 46,532	38.1	39.1	39.3	6.1	5.4	6.8	\$245	\$1,804	2793	122
Presque Isle Downs & Casino	347,548	813,160	3,478,278	\$ 18,765	\$ 22,264	\$21,840**	39.1	41.0	41.2	5.8	5.7	5.3	\$200	\$ 809	1911	51
Hollywood Casino @ Penn National	1,171,749	3,455,364	12,362,406	\$ 27,727	\$ 21,432	\$27,643**	40.6	40.3	39.0	4.9	5.3	5.1**	\$265	\$1,496	2467	69
Meadows Racetrack & Casino	1,546,538	3,129,814	5,333,230	\$ 23,457	\$ 28,564	\$18,897**	41.9	42.5	42.1	5.3	5.4	5.3**	\$199	\$1,232	3316	80
Rivers Casino - Pittsburgh	2,035,499	3,495,024	5,570,075	\$ 29,549	\$27,632*	\$21,875**	42.5	42.5	42.0	5.3	5.4	5.3**	\$269	\$1,649	2885	115
Twin Rivers Casino - RI	2,603,100	7,568,687	10,815,336	\$ 28,707	\$ 21,345	\$30,897**	39.9	39.3	39.7	7.2	7.4	7.1	\$276	\$2,813	4700	66
*Radius from selected property in miles																
**Estimated																

Exhibit "C" Comparator Set – Revenue & Demographics

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

Exhibit C - Comparator Set

Isle of Capri Casino and Hotel - Boonville

100 Isle of Capri Boulevard
Boonville, Missouri 65233

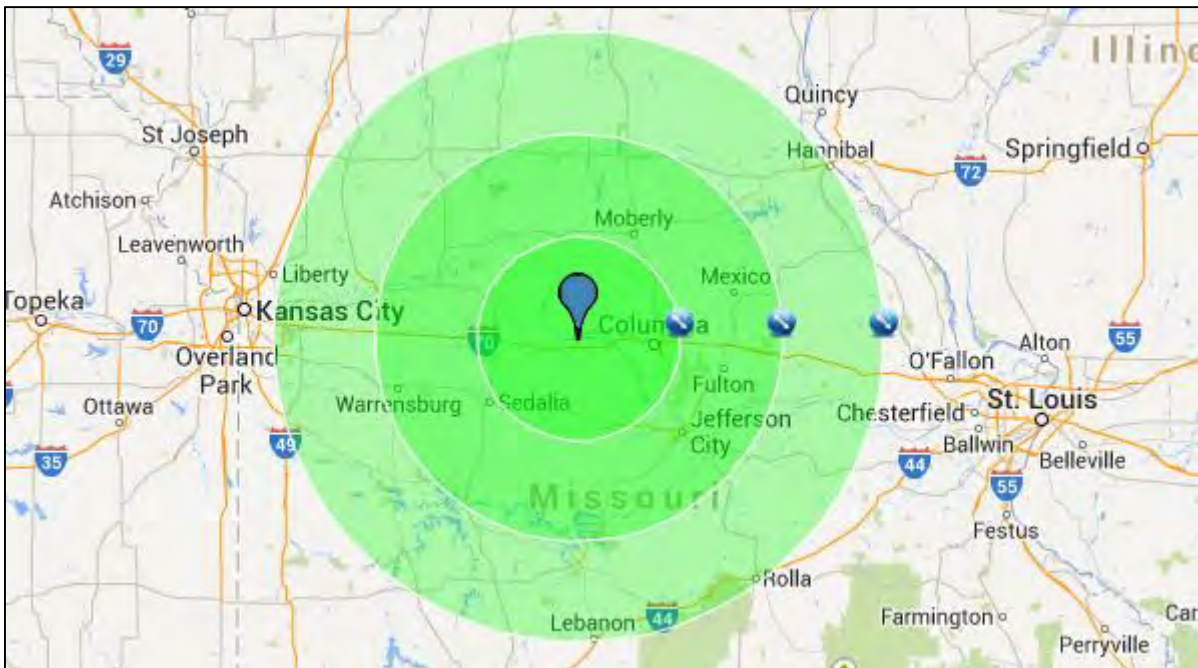
Isle of Capri Casino and Hotel is a stationary boat Casino in Boonville, Missouri. The casino's 28,000 square foot gaming space features 991 gaming machines and nineteen table games. The property has three restaurants and a hotel with 140 rooms.

- Calypso's Seafood Buffet - Buffet serves Breakfast, Lunch and Dinner
- Farradays' Bistro - Bistro - Steak & Seafood serves Dinner
- Tradewinds Marketplace – Deli



Cooper County is a county located in the central portion of the U.S. state of Missouri. As of the 2010 census, the population was 17,601. Its county seat is Boonville.

As of the 2000 census, there were 16,670 people, 5,932 households and 4,140 families residing in the county. The population density was 30 per square mile. There were 6,676 housing units at an average density of 12 per square mile. The racial makeup of the county was 89.05% White, 8.96% Black or African American, 0.36% Native American, 0.23% Asian, 0.02% Pacific Islander, 0.28% from other races, and 1.11% from two or more races. Approximately



0.86% of the population were Hispanic or Latino of any race. 38.1% were of German, 18.7% American, 8.1% English and 8.0% Irish ancestry according to Census 2000.

There were 5,932 households, of which 31.80% had children under the age of 18 living with them, 57.40% were married couples living together, 9.00% had a female householder with no husband present, and 30.20% were non-families. 26.10% of all households were made up of individuals and 12.60% had someone living alone who was 65 years of age or older. The average household size was 2.46 and the average family size was 2.97.



Age distribution was 22.80% under the age of 18, 14.00% from 18 to 24, 27.40% from 25 to 44, 20.60% from 45 to 64, and 15.20% who were 65 years of age or older. The median age was 35 years. For every 100 females there were 117.40 males. For every 100 females age 18 and over, there were 120.00 males.

The median household income was \$35,313, and the median family income was \$41,526. Males had a median income of \$28,513 versus \$20,965 for females. The per capita income for the county was \$15,648. About 8.30% of families and 10.70% of the population were below the poverty line, including 12.80% of those under age 18 and 8.30% of those age 65 or over.

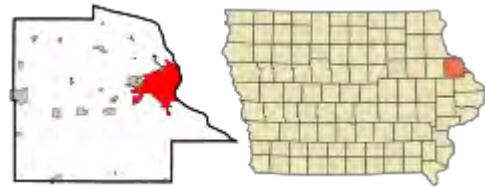
Diamond Jo Casino Dubuque

301 Bell Street

Dubuque, Iowa 52001

Diamond Jo Casino Dubuque is a stationary boat Casino in Dubuque, Iowa and is open 24 hours. The casino's 37,291 square foot gaming space features 992 gaming machines and nineteen table games. The property has four restaurants and one bar:

- Cherry Lanes - Snack Bar
- Jo's Delicatessen
- Mojo's Sports Bar
- The Kitchen Buffet
- Woodfire Grill

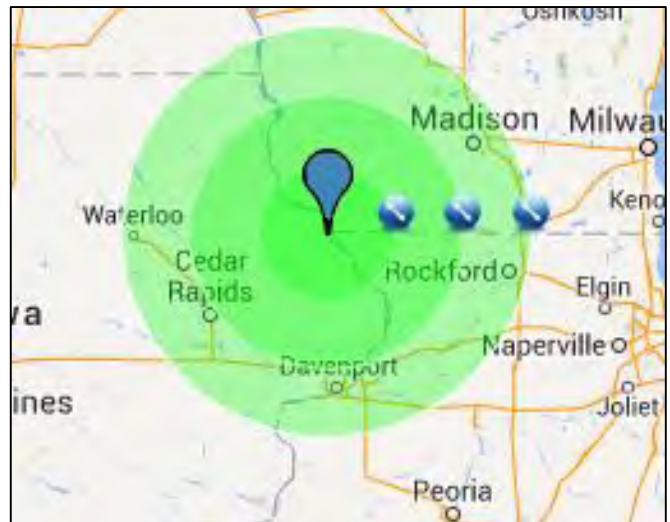


2010 census

As of the census of 2010, there were 57,637 people, 23,506 households, and 13,888 families residing in the city. The population density was 1,923.2 inhabitants per square mile. There were 25,029 housing units at an average density of 835.1 per square mile. The racial makeup of the city was 91.7% White, 4.0% African American, 0.3% Native American, 1.1% Asian, 0.5% Pacific Islander, 0.6% from other races, and 1.8% from two or more races. Hispanic or Latino of any race were 2.4% of the population.

There were 23,505 households of which 27.4% had children under the age of 18 living with them, 43.6% were married couples living together, 11.1% had a female householder with no husband present, 4.3% had a male householder with no wife present, and 40.9% were non-families. 33.7% of all households were made up of individuals and 12.7% had someone living alone who was 65 years of age or older. The average household size was 2.28 and the average family size was 2.92.

The median age in the city was 38 years. 21.4% of residents were under the age of 18; 13% were between the ages of 18 and 24; 23.3% were from 25 to 44; 25.9% were from 45 to 64; and 16.5% were 65 years of age or older. The gender makeup of the city was 48.4% male and 51.6% female.



Boot Hill Casino and Resort

4000 West Comanche Street
Dodge City, Kansas 67801-8106

Boot Hill Casino and Resort is in Dodge City, Kansas and is open daily 24 hours. The casino's gaming space features 800 gaming machines and twenty-three table and poker games. The property has two restaurants, one bar and a hotel with 108 rooms.

Restaurants and Bars:

- Cowboy Cafe - Snack Bar
- Firesides - Bar
- Firesides at Boot Hill

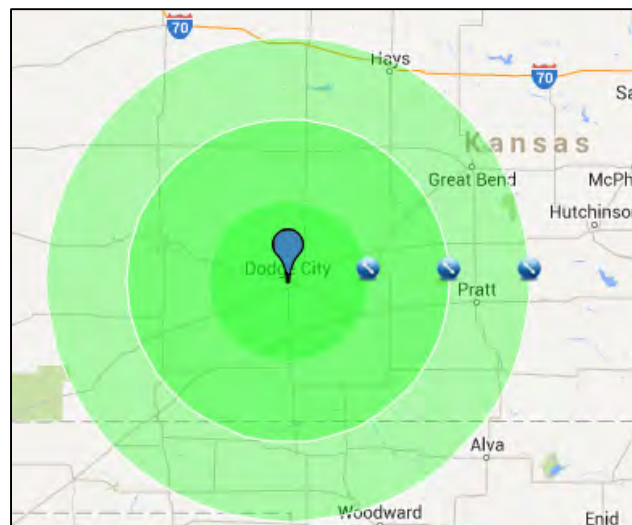


Ford County (county code FO) is a county located in southwest Kansas, in the Central United States. As of the 2010 census, the county population was 33,848. Its county seat and most populous city is Dodge City. The county is named in honor of Colonel James Hobart Ford.

The Dodge City Micropolitan Statistical Area includes all of Ford County. As of the U.S. Census in 2000, there were 32,458 people, 10,852 households, and 7,856 families residing in the county. The population density was 30 people per square mile. There were 11,650 housing units at an average density of 11 per square mile. The racial makeup of the county was 74.85% White, 1.62% Black or African American, 0.63% Native American, 2.05% Asian, 0.12% Pacific Islander, 18.17% from other races, and 2.56% from two or more races. Hispanic or Latino of any race were 37.68% of the population.

In the county the population was spread out with 31.10% under the age of 18, 11.20% from 18 to 24, 29.40% from 25 to 44, 17.30% from 45 to 64, and 11.00% who were 65 years of age or older. The median age was 30 years.

The median income for a household in the county was \$37,860, and the median income for a family was \$42,734. Males had a median income of \$27,189 versus \$22,165 for females. The per capita income for the county was \$15,721. About 9.90% of families and 12.40% of the population were below the poverty line, including 15.40% of those under age 18 and 8.40% of those age 65 or over.



Sands Casino Resort Bethlehem

Sands Casino Resort Bethlehem is owned, operated, and was constructed by the Las Vegas Sands Corporation. It is one of five stand-alone casinos that was awarded a slots license by the Pennsylvania Gaming Control Board on December 20, 2006. The casino was slated to open in July 2008, but demolition took longer than expected due to the heavy concrete foundations of the old steel building. Its opening was delayed until the second quarter of 2009.



The first concrete for the complex, which is located on the former Bethlehem Steel land on the south side of the city, was poured on November 15, 2007.

Since the expansion in November 2009, Sands Casino Resort Bethlehem features over 3,000 slot machines, 180 table games, and several electronic table games. While the Las Vegas Sands Corporation owns a number of properties, this is the only casino of the three the Corporation owns in the United States to carry the Sands brand in its name, since the original Las Vegas Sands was demolished and replaced with The Venetian and the Sands Atlantic City was sold to new owners and demolished.

Hotel Amenities

On May 27, 2011, the Sands Hotel opened. It features 302 rooms, 22 suites, 12,000 square feet of meeting space, an indoor pool and a fitness center. The hotel features these room types: Deluxe Queen Room, Deluxe King Room, Executive Suite, and Presidential Suite. There are 16 Executive suites and 6 Presidential suites. Rooms (and suites) are available in Smoking or Non-Smoking, and in compliance with ADA regulations, handicapped-accessible rooms are available.

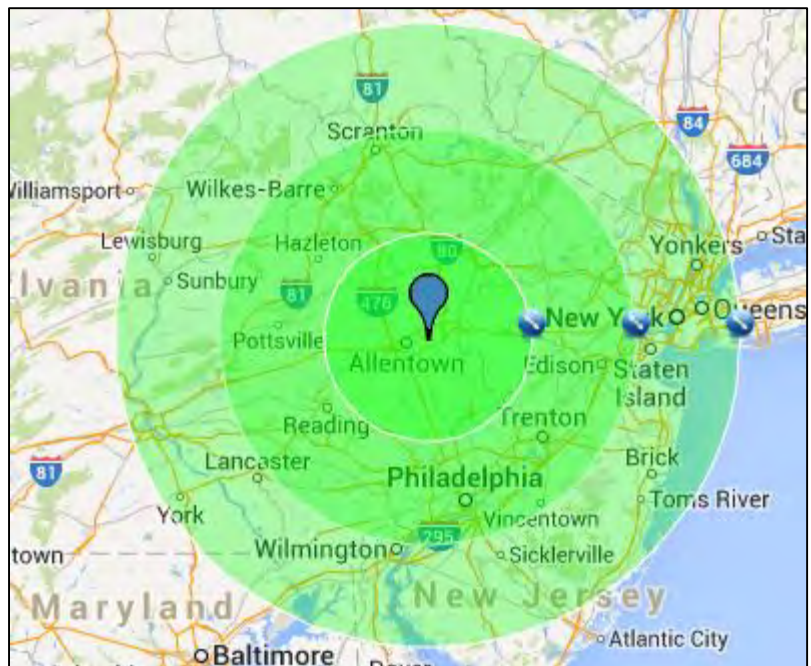
Restaurants and Bars:

- Burgers And More by Emeril (BAM)
- Carnegie Deli
- Steelworks Buffet and Grill
- Emeril's Chop House
- Emeril's Italian Table
- St. James Gate Irish Pub and Carvery
- The Market Gourmet Express: Bananas, Green Leaf's, South Philly Steaks & Fries, Villa Fresh Italian Kitchen, Mo' Burger, Far East, Casa Java
- Chopstick Asian Cuisine
- Coil Lounge
- Infusion Lounge
- Molten Lounge
- Vision Bar

Demographics

Allentown is a city located in Lehigh County, Pennsylvania, in the United States. It is Pennsylvania's third most populous city, after Philadelphia and Pittsburgh, and the 222nd largest city in the United States. As of the 2010 census, the city had a total population of 118,032 and is currently the fastest growing city in Pennsylvania. It is the largest city in the metropolitan area known as the Lehigh Valley, which had a population of 821,623 officially by the United States Census Bureau as the Allentown-Bethlehem-Easton, PA-NJ metropolitan area, is a metropolitan region officially consisting of Carbon, Lehigh and Northampton counties in eastern Pennsylvania and Warren county on the western edge of New Jersey, in the United States. The core population centers are located in southern and central Lehigh and Northampton counties along U.S. Highway 22 and Interstate 78.

The Lehigh Valley is the fastest growing and third most populous region in the state of Pennsylvania with a population of 821,623 residents as of the 2010 U.S. Census. It is eclipsed in total population only by the metropolitan areas of Philadelphia and Pittsburgh in Pennsylvania. It is the 64th most populated metropolitan area in the entire United States. Lehigh County, the Valley's largest county in terms of overall population, is amongst the fastest growing in the nation as well, ranking in the 79th percentile for population growth between 2010-2012. It is part of the New York City CSA.



Sands Casino Resort Bethlehem opened May of 2009 in Eastern Pennsylvania. It is situated on the site of the historic Bethlehem Steel plant and located approximately 60 minutes from Philadelphia and the northern New Jersey suburbs and 90 minutes from New York City. Sands Bethlehem offers over 3,000 state-of-the-art slot machines and over 180 table games including a 36 table poker room, as well as a 300-room hotel and over 12,000 sq. ft. of meeting space.

The Outlets at Sands Bethlehem Luxury Outlet Center launched at the property in November 2011. The Sands Bethlehem Event Center, which opened at the property in May 2012 and includes over 14,000 sq. ft. of flexible multipurpose space, accommodates meetings, conventions and a variety of entertainment events.

Rivers Casino, Pittsburgh

Rivers Casino is in Pittsburgh, Pennsylvania. The casino's 400,000 square foot gaming space features 2,954 gaming machines and 137 table and poker games. The property has five restaurants and three bars:

- Andrew's Steak & Seafood
- Ciao - Italian, Sandwiches
- Drum Bar
- Grand View Buffet
- Levels - Bar
- Spiral Bar
- West End Cafe - Pizza, Sandwiches
- Wheelhouse Bar and Grille

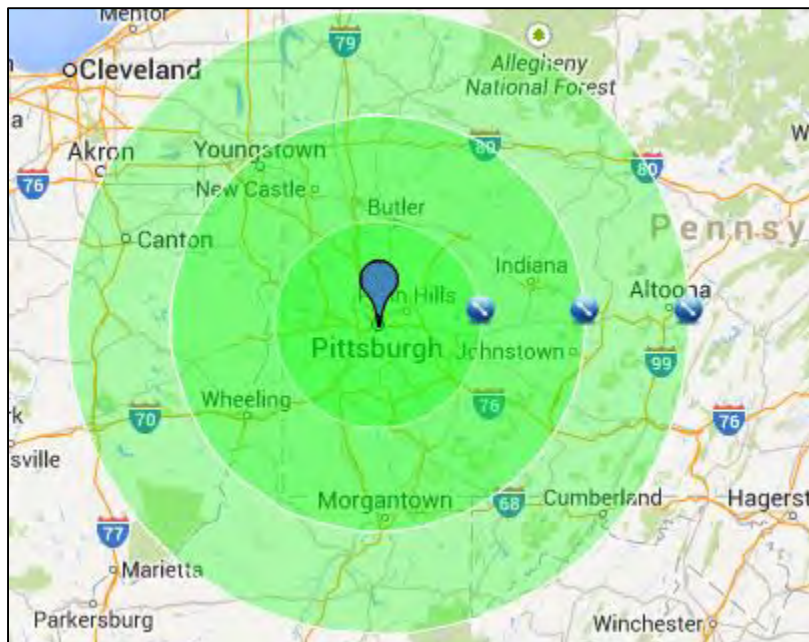


The Rivers Casino (originally going to be named the Majestic Star Casino) is a casino in Pittsburgh, Pennsylvania, USA. It is owned by Holdings Acquisition Co. L.P., a joint venture of Walton Street Capital LLC and High Pitt Gaming LP. Located in Pittsburgh's Chateau neighborhood along the Ohio River and adjacent to the Carnegie Science Center, it had its groundbreaking in December 2007 and opened on August 9, 2009. The casino was originally to be built by Don H. Barden, but financial troubles forced him to sell 75% of his interest in the casino to Holdings Acquisition Co on July 16, 2008.

Demographics

Pittsburgh is the seat of Allegheny County and with a population of 306,211 is the second-largest city in the U.S. State of Pennsylvania. With a metropolitan CSA population of 2,661,369, it is the largest in both the Ohio Valley and Appalachia and the 20th-largest in the U.S.

At the 2010 Census, there were 305,704 people residing in Pittsburgh, a decrease of 8.6% since 2000. The median income for a household in the city was \$28,588, and the



median income for a family was \$38,795. Males had a median income of \$32,128 versus \$25,500 for females. The per capita income for the city was \$18,816. About 15.0% of families and 20.4% of the population were below the poverty line, including 27.5% of those under the age of 18 and 13.5% ages 65 or older.

Allegheny County is a county in the southwestern part of the U.S. state of Pennsylvania. As of the 2010 census, the population was 1,223,348, making it the second most populous county in Pennsylvania following Philadelphia County. The county seat is Pittsburgh.

Allegheny County is included in the Pittsburgh, PA Metropolitan Statistical Area, as well as the much larger Pittsburgh-New Castle-Weirton, PA-OH-WV Combined Statistical Area. The county is in the Pittsburgh Designated Market Area.

As of the census of 2010, there were 1,223,348 people residing in the county. The population density was 1676 people per square mile (647/km²). The racial makeup of the county was 82.87% White, 14.39% Black or African American, 2.94% Asian, 0.03% Pacific Islander, 0.37% from other races, and 1.40% from two or more races. About 1.31% of the population were Hispanic or Latino of any race.

At the census of 2000, there were 1,281,666 people, 537,150 households, and 332,495 families residing in the county. The population density was 1,755 people per square mile. There were 583,646 housing units at an average density of 799 per square mile. The racial makeup of the county was 84.33% White, 12.41% Black or African American, 0.12% Native American, 1.69% Asian, 0.03% Pacific Islander, 0.34% from other races, and 1.07% from two or more races. About 0.87% of the population were Hispanic or Latino of any race. 20.0% were of German, 15.0% Italian, 12.7% Irish, 7.5% Polish and 5.1% English ancestry according to Census 2000. 93.5% spoke English and 1.3% Spanish as their first language.

There were 537,150 households out of which 26.40% had children under the age of 18 living with them, 46.10% were married couples living together, 12.40% had a female householder with no husband present, and 38.10% were non-families. Some 32.70% of all households were made up of individuals and 13.20% had someone living alone who was 65 years of age or older. The average household size was 2.31 and the average family size was 2.96.

The population was spread out with 21.90% under the age of 18, 8.50% from 18 to 24, 28.30% from 25 to 44, 23.40% from 45 to 64, and 17.80% who were 65 years of age or older. The median age was 40. For every 100 females, there were 90.00 males; for every 100 females age 18 and over, there were 86.20 males.

Valley Forge Casino Resort

1160 First Avenue

King of Prussia, Pennsylvania 19406

Valley Forge Casino Resort is in King of Prussia, Pennsylvania and is open daily 24 hours. The casino's 50,000 square foot gaming space features 600 gaming machines and sixty-five table and poker games. The property has seven restaurants and a hotel with 488 rooms.



Restaurants and Bars:

- American Grill - Bar & Grill
- Asianoodle - Sidewalk Café
- Italian Market - Sidewalk Café
- Nosh Deli
- Pacific Prime - Steaks & Seafood
- Valley Tavern - Bar & Grill
- Viviano - Italian

Demographics

King of Prussia is a census-designated place in Upper Merion Township, Montgomery County, Pennsylvania, United States. As of the 2010 census, its population was 19,936.

As of the 2010 census, the CDP was 69.4% White Non-Hispanic, 5.7% Black or African American, 0.3% Native American, 18.6% Asian, and 2.1% were two or more races. 4.2% of the population were of Hispanic or Latino ancestry. 22.4% of the population was foreign-born.

As of the census of 2000, there were 18,511 people, 8,245 households, and 4,773 families residing in the CDP. The population density was 2,202.4 people per square mile. There is about 8,705 housing units at an average density of 1,035.7/sq. mi. The racial makeup of the CDP was 82.70% White, 10.62% Asian, 4.26% Black or African American, 0.16% Native American, 0.04% Pacific Islander, 0.84% from other races, and 1.39% from two or more races. 1.91% of the population were Hispanic or Latino of any race.

There were 8,245 households out of which 21.1% have children under the age of 18 living with them, 49.2% were married couples living together, 6.3% had a female householder with no husband present, and 42.1% were non-families. 33.1% of all households were made up of individuals and 8.1% had someone living alone who was 65 years of age or older. The average household size was 2.22 and the average family size was 2.89.

In the CDP the population was spread out with 17.6% under the age of 18, 8.4% from 18 to 24, 35.1% from 25 to 44, 22.2% from 45 to 64, and 16.7% who were 65 years of age or older. The median age was 37 years. For every 100 females there were 97.6 males. For every 100 females age 18 and over, there were 96.1 males.

The median income for a household in the CDP was \$62,012, and the median income for a family was \$75,882. Males had a median income of \$50,803 versus \$37,347 for females. The per capita income for the CDP was \$32,070. 3.2% of the population and 1.6% of families were below the poverty line. 1.8% of those under the age of 18 and 2.1% of those 65 and older were living below the poverty line.

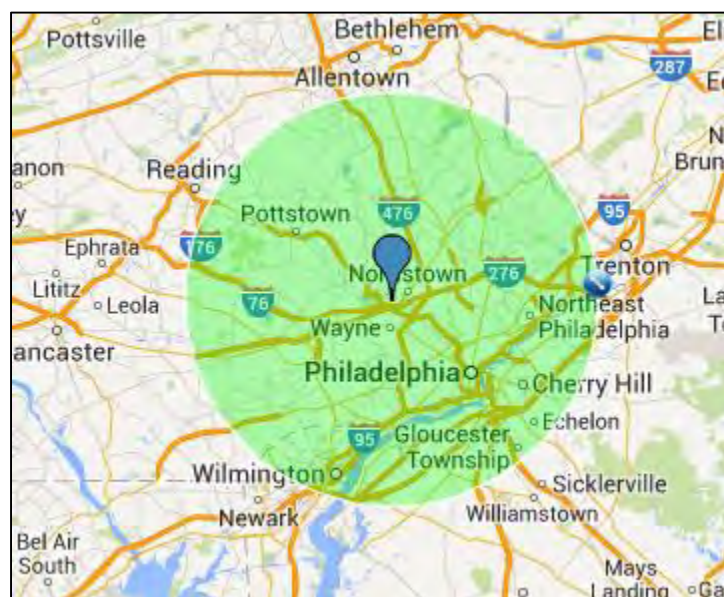
As of the 2010 census, the township was 76.0% White, 5.5% Black or African American, 0.2% Native American, 14.7% Asian, and 2.1% were two or more races. 3.9% of the population were of Hispanic or Latino ancestry.

As of the census of 2000, there were 26,863 people, 11,575 households, and 7,141 families residing in the township. The population density was 1,593.3 people per square mile. There were 12,151 housing units at an average density of 720.7/sq. mi (278.3/km²). The racial makeup of the township was 84.75% White, 4.63% African American, 0.13% Native American, 8.45% Asian, 0.05% Pacific Islander, 0.66% from other races, and 1.32% from two or more races. Hispanic or Latino of any race were 1.79% of the population.

There were 11,575 households out of which 23.1% had children under the age of 18 living with them, 52.3% were married couples living together, 6.8% had a female householder with no husband present, and 38.3% were non-families. 29.7% of all households were made up of individuals and 7.7% had someone living alone who was 65 years of age or older. The average household size was 2.30 and the average family size was 2.91.

In the township the population was spread out with 18.7% under the age of 18, 7.5% from 18 to 24, 33.8% from 25 to 44, 24.3% from 45 to 64, and 15.7% who were 65 years of age or older. The median age was 38 years. For every 100 females there were 97.0 males. For every 100 females age 18 and over, there were 94.9 males.

The median income for a household in the township was \$65,636, and the median



income for a family was \$78,690. Males had a median income of \$51,247 versus \$38,166 for females. The per capita income for the township was \$34,961. About 1.3% of families and 2.9% of the population were below the poverty line, including 1.6% of those under age 18 and 3.1% of those age 65 or over.

Mount Airy Casino Resort

312 Woodland Road
Mount Pocono, Pennsylvania 18344

Mount Airy Casino Resort is in Mount Pocono, Pennsylvania and is open daily 24 hours. The casino's 65,144 square foot gaming space features 2,300 gaming machines and eighty-eight table and poker games. The property has four restaurants and a hotel with 188 rooms.

Restaurants and Bars include:

- Betty's Diner
- Le Sorelle Cucina
- Red Steakhouse
- The Buffet

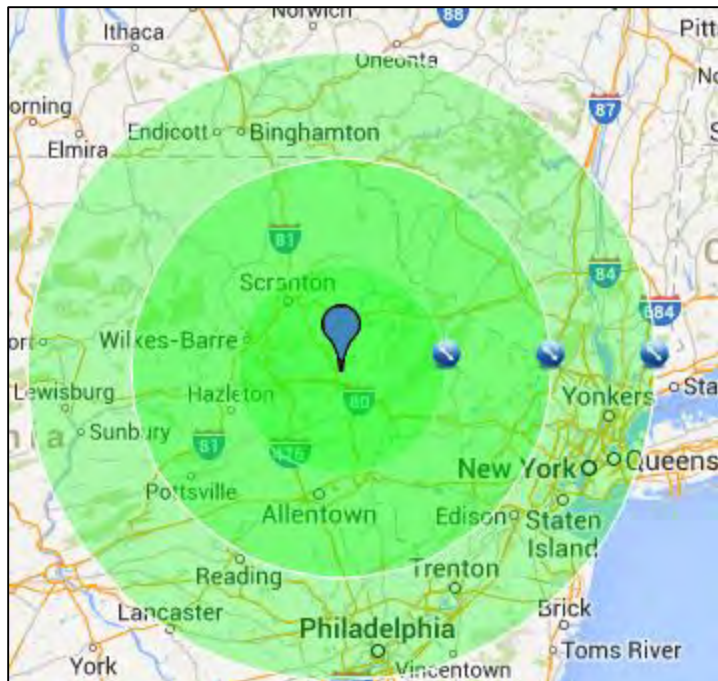


Demographics

As of the 2010 census, the borough population was 3,170 residents. As of the census of 2000, there were 2,742 people, 1,038 households, and 712 families residing in the borough. The population density was 792.2 people per square mile (306.0/km²). There were 1,239 housing units at an average density of 358.0 per square mile (138.3/km²). The racial makeup of the borough was 29.15% White, 33.45% Black or African American, 0.15% Native American, 0.91% Asian, 3.54% from other races, and 2.63% from two or more races. Hispanic or Latino of any race were 63.14% of the population.

There were 1,038 households out of which 35.0% had children under the age of 18 living with them, 51.8% were married couples living together, 11.8% had a female householder with no husband present, and 31.4% were non-families. 25.4% of all households were made up of individuals and 10.7% had someone living alone who was 65 years of age or older. The average household size was 2.63 and the average family size was 3.19.

In the borough the population was spread out with



27.5% under the age of 18, 7.8% from 18 to 24, 29.1% from 25 to 44, 21.6% from 45 to 64, and 14.0% who were 65 years of age or older. The median age was 36 years. For every 100 females there were 91.7 males. For every 100 females age 18 and over, there were 89.8 males.

The median income for a household in the borough was \$40,224, and the median income for a family was \$48,700. Males had a median income of \$35,571 versus \$23,047 for females. The per capita income for the borough was \$19,068. About 7.6% of families and 10.4% of the population were below the poverty line, including 11.7% of those under age 18 and 8.7% of those age 65 or over.

Parx Casino

2999 East Street Road
Bensalem, Pennsylvania 19020-2060

Parx Casino is in Bensalem, Pennsylvania with two tracks that feature thoroughbred racing and is open daily 11am-midnight. The horse track racino's 260,000 square foot gaming space features 3,500 gaming machines and 180 table and poker games. The property has eight restaurants and bars:

- Chickie's and Pete's
- Finish Line Café and Deli and Bar
- Foodies - Restaurant
- Horseman's Café - American
- Paddock Deli
- Parx Grill
- Pennsylvania Derby Room - American
- Sportsview Bar and Grill

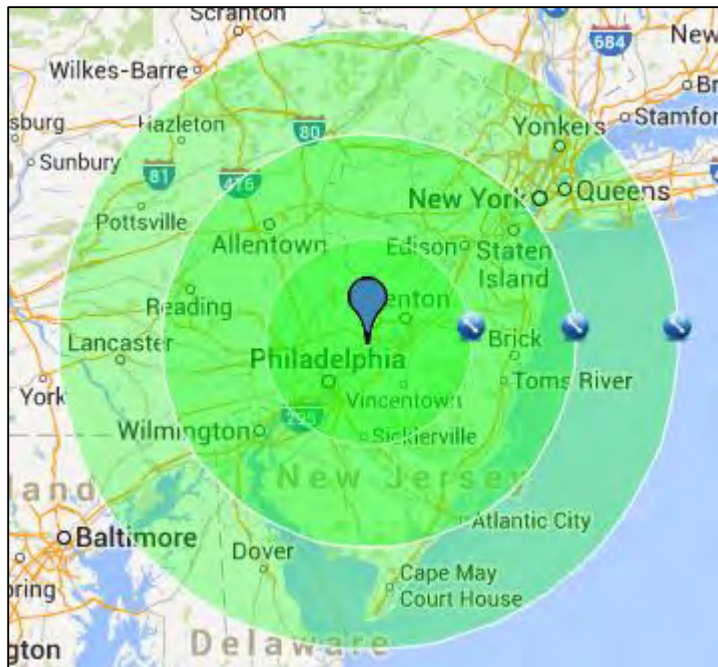


Demographics

Bensalem Township is a township in Bucks County, Pennsylvania, United States which borders the northeast section of Philadelphia. The township is composed of many communities, including Bensalem, Trevose, Oakford, Cornwells Heights, Eddington, and Andalusia. As of the 2010 census, the township had a total population of 60,427, which makes it the largest municipality in Bucks County, and the ninth largest in Pennsylvania.

As of the 2010 census, the township was 72.1% Non-Hispanic White, 7.3% Black or African American, 0.5% Native American, 10.2% Asian, and 2.6% of the population were of two or more races. 8.4% of the population were of Hispanic or Latino ancestry.

As of the census of 2000, there were 58,434 people, 22,627 households, and 15,114 families residing in the



township. The population density was 2,926.7 people per square mile. There were 23,535 housing units at an average density of 1,178.8/sq. mi.

There are 22,627 households of which 30.6% have children under the age of 18 living with them, 51.6% were married couples living together, 10.5% had a female householder with no husband present, and 33.2% were non-families. 26.3% of all households were made up of individuals and 7.9% had someone living alone who was 65 years of age or older. The average household size was 2.56 and the average family size was 3.14.

In the township the population was spread out with 23.1% under the age of 18, 8.9% from 18 to 24, 32.5% from 25 to 44, 24.5% from 45 to 64, and 11.0% who were 65 years of age or older. The median age was 36 years. For every 100 females there were 99.0 males. For every 100 women age 18 and over, there were 96.9 men.

The median income for a household in the township was \$49,737, and the median income for a family was \$58,771. Men had a median income of \$39,914 versus \$30,926 for women. The per capita income for the township was \$22,517. 7.4% of the population and 6.0% of families were below the poverty line. Of the total population, 6.8% of those under the age of 18 and 10.6% of those 65 and older were living below the poverty line.

Harrah's Philadelphia

777 Harrah's Boulevard
Chester, Pennsylvania 19013

Harrah's Philadelphia is a horse track in Chester, Pennsylvania that features harness racing and is open daily 24 hours. The horse track racino's 112,600 square foot gaming space features 2,800 gaming machines and 155 table and poker games. The property has six restaurants and three bars:

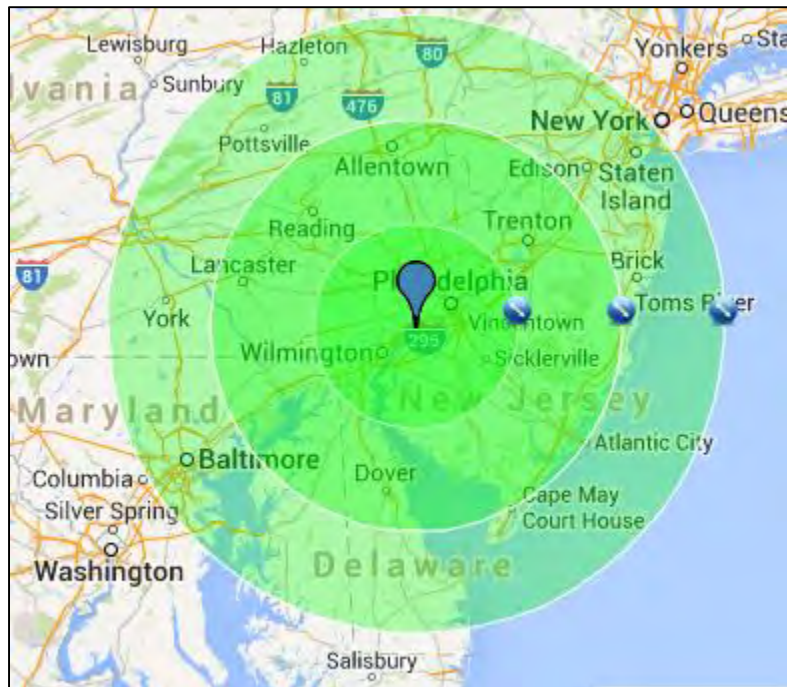
- Ace's Diner
- Club Cappuccino - Café
- Copper Mug
- Cove at Riverview - American Traditional
- End Zone Sports Bar
- Riverview Terrace - American Traditional
- Stir - Bar
- Temptations - Buffet
- Winning Streaks - Concession Stand



Demographics

Chester (also referred to as Chester, Delaware County by the local media) is a city in Delaware County, Pennsylvania, United States, with a population of 33,972 at the 2010 census. Chester is situated on the Delaware River, between the cities of Philadelphia and Wilmington, Delaware.

As of the census of 2010, there were 29,972 people living in the city. The racial makeup of the city was 17.2% White, 74.7% Black, 0.4% Native American, 0.6% Asian, 0.1% Native Hawaiian,



3.9% of some other race, and 3.0% from two or more races. 9.0% were Hispanic or Latino of any race.

There were 12,814 households out of which 32.7% had children under the age of 18 living with them, 24.8% were married couples living together, 32.1% had a female householder with no husband present, and 36.6% were non-families. 31.2% of all households were made up of individuals and 11.2% had someone living alone who was 65 years of age or older. The average household size was 2.64 and the average family size was 3.34.

The median income for a household in the city was \$23,703, and the median income for a family was \$29,436. Males had a median income of \$29,528 versus \$21,005 for females. The per capita income for the city was \$9,052. About 22.8% of families and 27.2% of the population were below the poverty line, including 36.9% of those under age 18 and 21.8% of those age 65 or over.

Delaware County, colloquially referred to as Delco, is a county located in the U.S. state of Pennsylvania. With a 2010 census population of 558,979, it is the fifth most populous PA county. Its county seat is Media. The county was created on September 26, 1789, from part of Chester County and named for the Delaware River. Chester City, prior to 1851, was the county seat of both Delaware County and, before that, of Chester County.

Delaware County consists of communities adjacent to the city-county of Philadelphia, and is included in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area, as well as the much larger Philadelphia-Reading-Camden, PA-NJ-DE-MD Combined Statistical Area. Socioeconomically, Delaware County consists of mostly working class, middle-class and upper middle class communities.

Presque Isle Downs & Casino

8199 Perry Highway
Erie, Pennsylvania 16509

Presque Isle Downs & Casino is a polytrack horse track in Erie, Pennsylvania that features thoroughbred racing and is open daily 24 hours. The horse track racino's gaming space features 1,720 gaming machines and forty-nine table and poker games. The property has three restaurants and three bars:

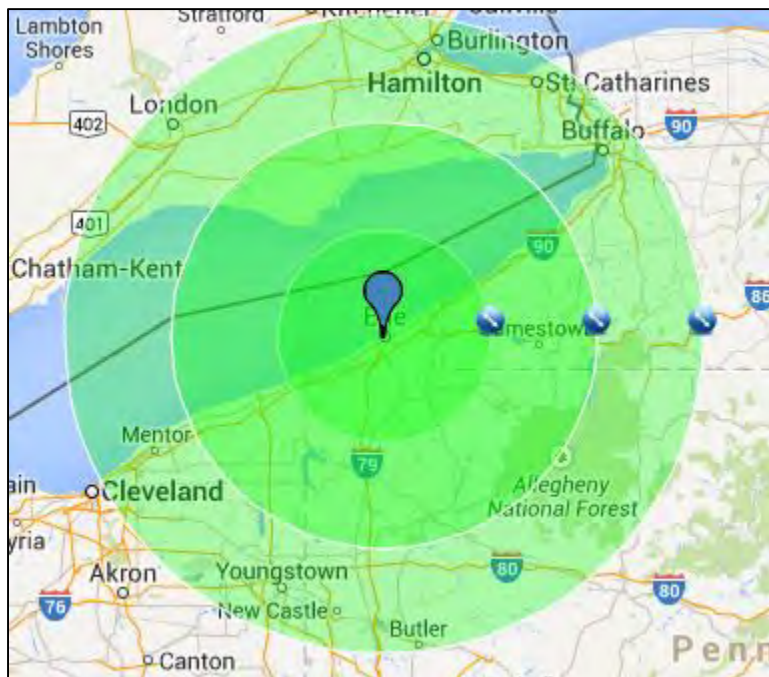
- Backstretch Buffet
- Northside Bar
- Sensory 3 Steak House
- Southside Bar
- The Downs Clubhouse and Lounge
- The Paddock Bar



Demographics

Erie is a city located in northwestern Pennsylvania, United States. Named for the lake and the Native American tribe that resided along its southern shore, Erie is the state's fourth-largest city (after Philadelphia, Pittsburgh and Allentown), with a population of 102,000. Erie's Metropolitan Area consists of approximately 280,000 residents and an Urbanized Area population of approximately 195,000. The city is the seat of government for Erie County. Erie is the principal city of the Erie, PA Metropolitan Statistical Area.

Erie is near Buffalo, New York, Cleveland, Ohio, and Pittsburgh, Pennsylvania. Once teeming with heavy industry, Erie's manufacturing sector remains prominent in the local economy, though service industries, healthcare, higher education, and tourism are emerging as greater economic drivers. Millions



visit Erie for recreation at Presque Isle State Park, as well as attractions like casino and horse racetrack named for the state park.

According to the 2010 United States Census, there were 280,566 people, 110,413 households, and 70,196 families residing in the county. The population density was 351.2 inhabitants per square mile. There were 119,138 housing units at an average density of 149.1 per square mile. The racial makeup of the county was 88.2 percent White, 7.2 percent Black or African American, 0.2 percent Native American, 1.1 percent Asian, 0.03 percent Pacific Islander, 1.2 percent from other races, and 2.1 percent from two or more races. A further 3.4 percent of the population were Hispanic or Latino of any race. 24.4% were of German, 12.5% Polish, 12.3% Italian, 10.1% Irish, 6.5% English and 6.4% American ancestry according to Census 2000.

Of the total number of household, 27.2 percent had children under the age of 18 living with them, 45.4 percent were married couples living together, 13.2 percent had a female householder with no husband present, and 36.4 percent were non-families. 29.3 percent of all households were made up of individuals and 11.3 percent had someone living alone who was 65 years of age or older. The average household size was 2.42 and the average family size was 3.00.

In the county, the population was spread out with 26.5 percent under the age of 20. The median age was 38.6 years. For every 100 females there were 96.73 males.

Hollywood Casino at Penn National Race Course

777 Hollywood Boulevard
Interstate 81 Exit 80
Grantville, Pennsylvania 17028

Hollywood Casino at Penn National Race Course is a one mile horse track in Grantville, Pennsylvania that features thoroughbred racing. The racino's 97,985 square foot gaming space features 2,483 gaming machines and sixty-six table and poker games. The property has six restaurants and bars:

- Celebrity Grill - American
- Epic - Buffet
- Final Cut - Steak
- Glitterati's Pizza
- Hollywood Sky Box Sports Bar
- Mountainview Dining Terrace & Lounge

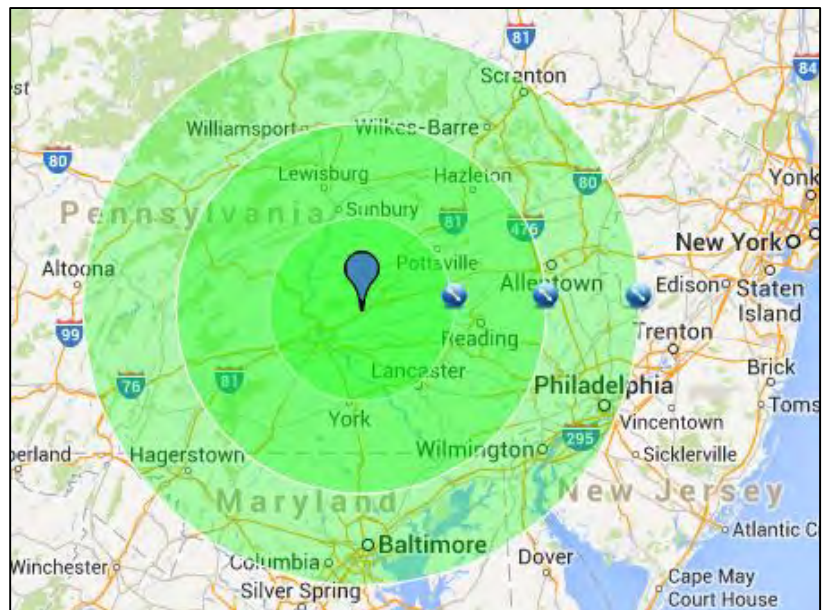


Demographics

Grantville is an unincorporated community in East Hanover Township Dauphin

County, Pennsylvania, United States. It is part of the Harrisburg–Carlisle Metropolitan Statistical Area. The Harrisburg–Carlisle, Pennsylvania, metropolitan statistical area is defined by the United States Census Bureau as an area consisting of three counties in Pennsylvania's Susquehanna Valley, anchored by the cities of Harrisburg and (to a lesser-extent) Carlisle. As of the 2010 census, the metropolitan statistical area (MSA) had a population of 549,475 (though a July 1, 2009

estimate placed the population at 536,919). In 2009, Harrisburg–Carlisle was the 96th largest metropolitan area in the United States.



As of the census of 2000, there were 509,074 people, 202,380 households, and 134,557 families residing within the MSA. The racial makeup of the MSA was 86.20% White, 9.39% African American, 0.15% Native American, 1.68% Asian, 0.03% Pacific

Islander, 1.17% from other races, and 1.37% from two or more races. Hispanic or Latino of any race were 2.67% of the population.

The median income for a household in the MSA was \$43,374, and the median income for a family was \$51,792. Males had a median income of \$36,368 versus \$26,793 for females. The per capita income for the MSA was \$21,432.

In 2009 the urban population of the MSA increased to 383,008 from 362,782 in 2000, a change of 20,226 people.

Combined statistical area

The Harrisburg–York–Lebanon, PA Combined Statistical Area (CSA) is made up of six counties. The statistical area includes four metropolitan areas. As of the 2010 Census, the CSA had a population of 1,219,422. The CSA ranked 5th in the state of Pennsylvania, and 43rd most populous in the United States.

The Meadows Racetrack and Casino

210 Racetrack Road
Washington, Pennsylvania 15301

The Meadows Racetrack and Casino is a horse track in Washington, Pennsylvania that features harness racing and is open daily 24 hours. The horse track racino's 350,000 square foot gaming space features 3,317 gaming machines and 106 table and poker games. The property has seven restaurants and bars:

- Bistecca - Restaurant
- Cibo - Food Court - Pizza
- Cookies - Food Court - Ice Cream
- Delvins Cafe - Restaurant
- Franks - Food Court
- Peppers - Food Court - Sandwiches
- Terrace Cafe - American serves Lunch and Dinner



Demographics

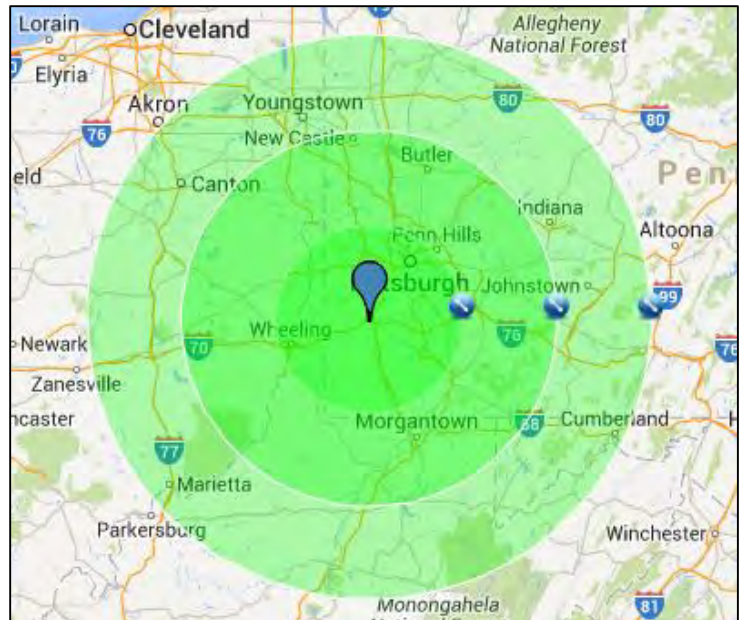
Washington is a city in and the county seat of Washington County, Pennsylvania, United States, within the Pittsburgh Metro Area in the southwestern part of the state. The population was 13,663 at the 2010 census. In 2012 the population was 207,820, an increase of 2.4%.

Washington County is included in the Pittsburgh, PA Metropolitan Statistical Area, as well as the much larger Pittsburgh-New Castle-Weirton, PA-OH-WV Combined Statistical Area.

The county is home to Washington County Airport, located three miles southwest of Washington, Pennsylvania.

Washington County is included in the Pittsburgh, PA Metropolitan Statistical Area, as well as the much larger Pittsburgh-New Castle-Weirton, PA-OH-WV Combined Statistical Area.

The county is home to Washington County Airport, located three miles (5 km) southwest of Washington, Pennsylvania.



Twin River Casino

Twin River Casino, previously Lincoln Greyhound Park, is a casino and former race track in Lincoln, Rhode Island. The facility has over 300,000 square feet of gaming space, with over 4,500 video slot machines and virtual table games. Table games were introduced in July 2013. Other amenities include a comedy club, a 29,000-square-foot event center, two restaurants, three food courts, several bars, and a racebook.



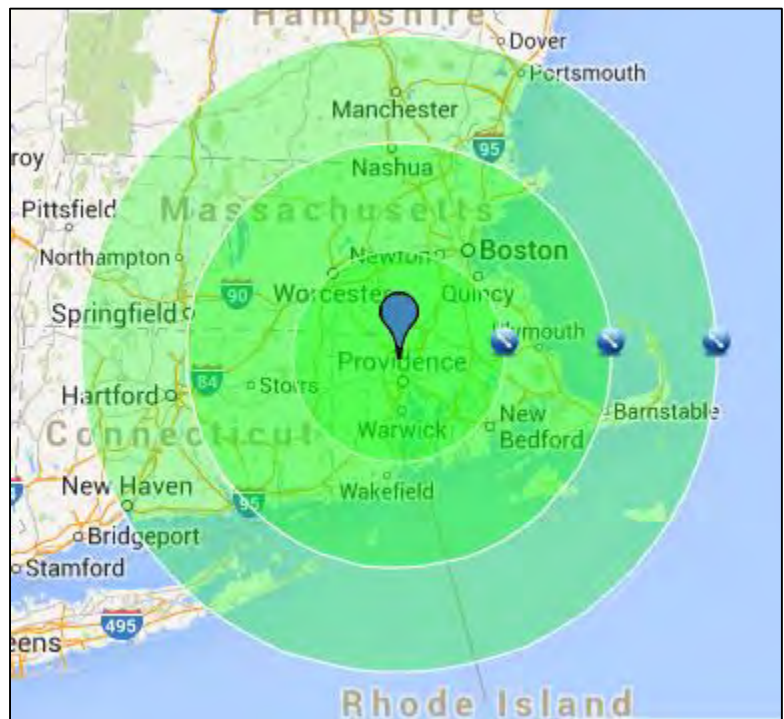
Restaurants and Bars

- Blackstone's Cigar and Martini Bar
- Dessert Express - Café
- Dunkin Donuts
- East Meets West - Chinese
- Fred & Steve's Steakhouse
- Haagen Dazs
- Jeat? – American
- KFC - Fast Food
- Johnny Rockets - Restaurant
- Lighthouse Bar - Bar - Bar Drinks and Food
- Nathan's Hot Dogs - Food Court
- Ronzio Pizza - Food Court
- Sapphire - Lounge
- SoupMan - Café
- Subway
- Taco Bell
- Wicked Good - Bar & Grill

Demographics

Lincoln is a town in Providence County, Rhode Island. As of the census of 2000, there were 20,898 people, 8,243 households, and 5,778 families residing in the town. The median income for a household in the town was \$47,815, and the median income for a family was \$61,257. Males had a median income of \$41,508 versus \$30,089 for females. The per capita income for the town was \$26,779.

The United States Census Bureau estimates that the population of Rhode Island was 1,051,511 on July 1, 2013, a 0.1% decrease since the 2010 United



States Census. The center of population of Rhode Island is located in Providence County, in the city of Cranston. A corridor of population can be seen from the Providence area, stretching northwest following the Blackstone River to Woonsocket, where 19th-century mills drove industry and development.

According to the 2010 Census, 81.4% of the population was White (76.4% non-Hispanic white), 5.7% was Black or African American, 0.6% American Indian and Alaska Native, 2.9% Asian, 0.1% Native Hawaiian and other Pacific Islander, 3.3% from two or more races. 12.4% of the total population was of Hispanic or Latino origin (they may be of any race).

Exhibit "D" – Regional Analysis

Region #1: Oxford County

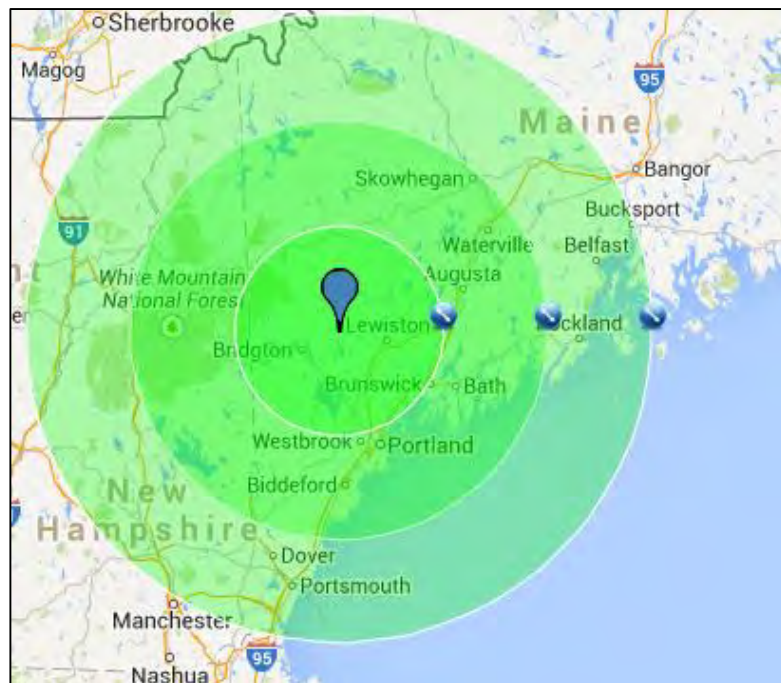
Oxford is a census-designated place (CDP) in Oxford County, Maine. The population was 1,300 at the 2000 census.

Demographics

As of the 2000 census, there were 1,300 people, 468 households, and 360 families residing in the CDP. The population density was 157.3 people per square mile. There were 620 housing units at an average density of 75.0/sq. mi. The racial makeup of the CDP was 97.46% White, 0.15% Black or African American, 0.31% Native American, 0.46% Asian, 0.08% Pacific Islander, 0.23% from other races, and 1.31% from two or more races. Hispanic or Latino of any race were 0.15% of the population.

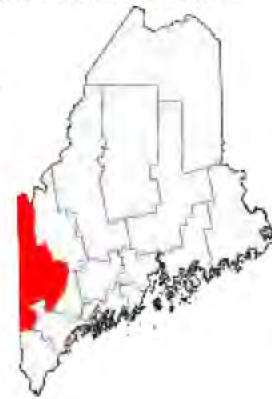
There were 468 households out of which 40.2% had children under the age of 18 living with them, 59.2% were married couples living together, 12.4% had a female householder with no husband present, and 22.9% were non-families. 17.1% of all households were made up of individuals and 6.8% had someone living alone who was 65 years of age or older. The average household size was 2.78 and the average family size was 3.06.

In the CDP the population was spread out with 29.6% under the age of 18, 6.9% from 18 to 24, 29.3% from 25 to 44, 23.2% from 45 to 64, and 10.9% who were 65 years of age or older. The median age was 36 years. For every 100 females there were 97.3 males. For every 100 females age 18 and over, there were 93.4 males.



The median income for a household in the CDP was \$38,000, and the median income for a family was \$40,592. Males had a median income of \$30,203 versus \$20,409 for females. The per capita income for the CDP was \$14,567. About 2.1% of families and 5.7% of the population were below the poverty line, including 4.2% of those under age 18 and 10.8% of those age 65 or over.

Oxford County is a county located in the U.S. state of Maine. As of the 2010 Census, the county had a population of 57,833. Its county seat is Paris. Oxford County was formed on 4 March 1805 from northerly portions of York and Cumberland counties. Its Canadian border is the province of Quebec.



Part of Oxford County is included in the Lewiston-Auburn, Maine metropolitan New England City and Town Area while a different part of Oxford County is included in the Portland-South Portland-Biddeford, Maine metropolitan New England City and Town Area.

In 2010, per capita income was \$21,885 and persons under 18 years, is 19.8% of the population.

Region #2: Penobscot County

As of the 2010 census, the population of Penobscot County was 153,923. Its county seat is Bangor. The county was established in 1816 from a portion of Hancock County. Penobscot County is part of the Bangor, Maine, New England County Metropolitan Area.

Demographics

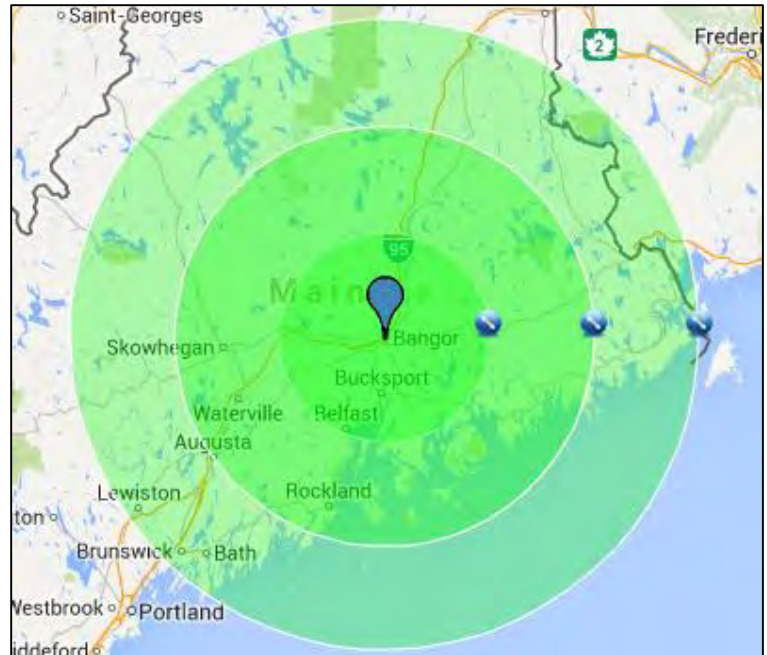
Census	Pop.	%±
1990	146,601	7.0%
2000	144,919	-1.1%
2010	153,923	6.2%
Est. 2012	153,746	-0.1%

U.S. Decennial Census

As of the 2000 census, there were 144,919 people, 58,096 households, and 37,820 families residing in the county. The population density was 43 people per square mile. There were 66,847 housing units at an average density of 20 per square mile. There were 58,096 households out of which 30.10% had children under the age of 18 living with them, 51.50% were married couples living together, 9.90% had a female householder with no husband present, and 34.90% were non-families.

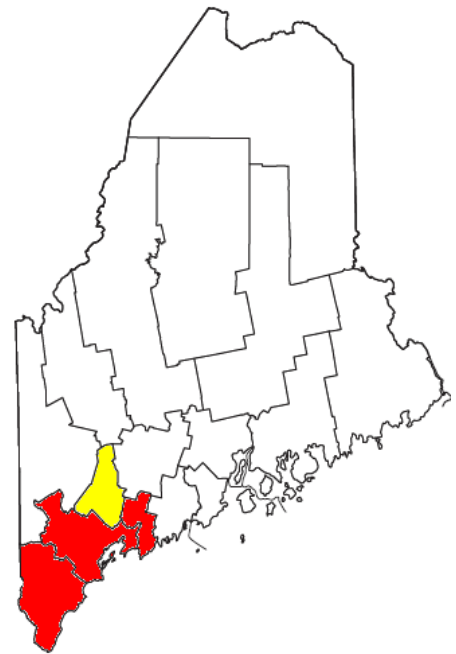
In the county, the population was spread out with 22.80% under the age of 18, 11.30% from 18 to 24, 29.00% from 25 to 44, 23.80% from 45 to 64, and 13.10% who were 65 years of age or older. The median age was 37 years. For every 100 females there were 95.30 males. For every 100 females age 18 and over, there were 92.30 males.

The median income for a household in the county was \$34,274, and the median income for a family was \$42,206. Males had a median income of \$32,824 versus \$23,346 for females. The per capita income for the county was \$17,801. About 9.70% of families and 13.70% of the population were below the poverty line, including 15.00% of those under age 18 and 11.10% of those age 65 or over.



Region #3: Portland-South Portland-Biddeford Metropolitan Area

The city of Portland, Maine, is the hub city of a metropolitan area in southern Maine, commonly known as Greater Portland or the Portland metropolitan area. For statistical purposes, the U.S. federal government defines three different representations of the Portland metropolitan area. The Portland-South Portland-Biddeford, ME Metropolitan Statistical Area is a region consisting of three counties in Maine, anchored by the city of Portland and the smaller cities of South Portland and Biddeford. As of the 2010 census, this three county area, denoted as the "MSA" had a population of 514,098. A larger combined statistical area denoted as the Portland-Lewiston-South Portland Combined Statistical Area or "CSA", is defined as the combination of the MSA with the adjacent Lewiston-Auburn Metropolitan Statistical Area. The CSA comprises four counties in southern Maine. The Portland-South Portland Metropolitan New England City and Town Area is defined on the basis of cities and towns rather than entire counties. It consists of most of Cumberland and York counties plus the town of Durham in Androscoggin County.



Biddeford is a principal population center of the Portland-South Portland-Biddeford metropolitan statistical area.

Demographics

As of the 2010 census, the MSA had a population of 514,098. Ten years earlier, as of the census of 2000, there were 487,568 people, 196,669 households, and 128,201 families residing within the MSA. The racial makeup of the MSA was 96.49% White, 0.80% African American, 0.27% Native American, 1.09% Asian, 0.04% Pacific Islander, 0.28% from other races, and 1.03% from two or more races. Hispanic or Latino of any race were 0.87% of the population.

As of the 2010 census, the median income for a household in the MSA was \$43,195, and the median income for a family was \$51,873. Males had a median income of \$35,402 versus \$26,213 for females. The per capita income for the MSA was \$21,851.

Region #4: Maine Beaches, York County, Maine

The Maine Beaches region is predominantly located in York County. As of the 2010 census, the population was 197,131. Its county seat is Alfred. Founded in 1636, it is the oldest county in Maine and one of the oldest in the United States. York County is part of the Portland-South Portland-Biddeford metropolitan area.



Demographics

As of the 2000 census, there were 186,742 people (197,131 in the 2010 census), 74,563 households and 50,851 families residing in the county. The population density was 188 per square mile. There were 94,234 housing units at an average density of 95 per square mile. (13.9

Age distribution was 24.80% under the age of 18, 6.90% from 18 to 24, 30.00% from 25 to 44, 24.80% from 45 to 64, and 13.60% who were 65 years of age or older. For every 100 females there were 94.50 males. For every 100 females age 18 and over, there were 91.40 males. The median age was 38 years.

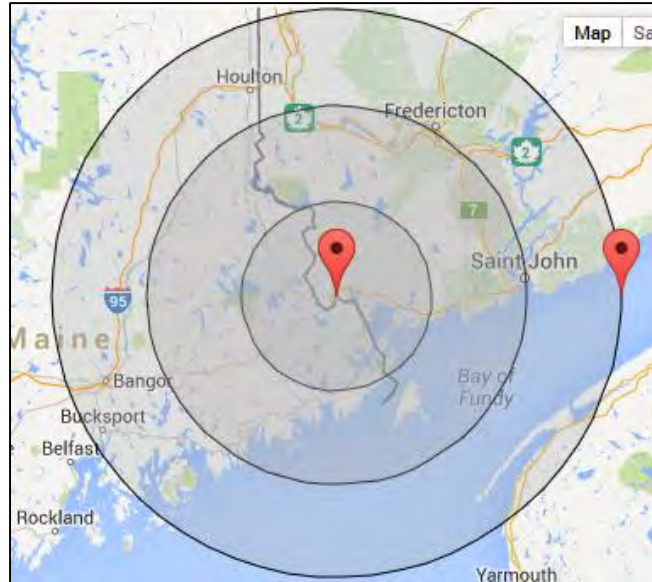
The median household income was \$43,630, and the median family income was \$51,419. Males had a median income of \$36,317 versus \$26,016 for females. The per capita income for the county was \$21,225. About 5.90% of families and 8.20% of the population were below the poverty line, including 9.90% of those under age 18 and 8.50% of those age 65 or over.

Region #5: Aroostook County

Houlton is the largest town in Aroostook County and is located directly on the United States – Canada border. As of the 2010 census, the town population was 6,123. It is perhaps best known as being at the northern terminus of Interstate 95 and for being the birthplace of Samantha Smith, a goodwill ambassador as a child during the Cold War.

Demographics

The median age in the town was 43.2 years. 22.4% of residents were under the age of 18; 7.2% were between the ages of 18 and 24; 22.9% were from 25 to 44; 27.6% were from 45 to 64; and 19.8% were 65 years of age or older. The gender makeup of the town was 46.4% male and 53.6% female. Unemployment Rate - 6.6%



Region #6: Washinton County

Calais is the largest city in Washington County and is located directly on the United States – Canada border. As of the 2010 census, it had a population of 3,123. The city has three United States border crossings over the St. Croix River bordering St. Stephen, New Brunswick, Canada. Calais has historically been a city of commerce and is recognized as the primary shopping center of eastern Washington County and of Charlotte County, New Brunswick. Currently retail, service, and construction businesses are the primary components of the Calais economy.

Demographics

As of the 2010 census, the population of Washington County was 32,856. Its county seat is Machias. The county was established on June 25, 1789. It borders the Canadian province of New Brunswick.

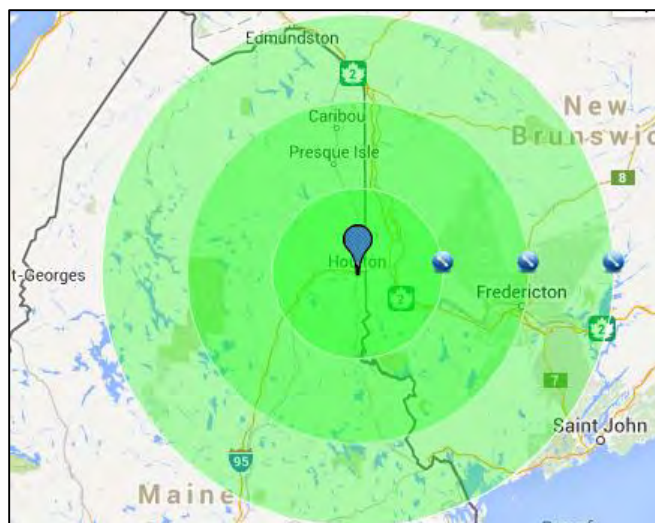


Exhibit E – Regression Southern Casino - Low

			<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Forecasted W/U/D Slots	157	\$	166.87		\$	173.54		\$	178.75	
W/U/D Growth			6%		4%		3%		3%	
Forecasted W/U/D Tables	\$ 789	\$	836		\$	870		\$	896	
W/U/D Growth			6%		4%		3%		3%	
Forecasted RevPAR	\$ 112.00	\$	120		\$	126		\$	130	
RevPAR Growth			7%		5%		3%		3%	
Other Growth			5%		4%		3%		3%	

<u>Southern Casino Revenue & Expense Projections</u>										
	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Revenue										
Casino Slots	57,459,881	64%	60,907,474	64%	63,343,773	64%	65,244,086	64%	67,201,408	64%
Casino Tables	6,912,366	8%	7,327,108	8%	7,620,192	8%	7,848,798	8%	8,084,262	8%
Rooms	10,220,000	12%	10,935,400	11%	11,482,170	12%	11,826,635	12%	12,181,434	12%
Food and Beverage	7,829,057	9%	8,220,510	9%	8,549,330	9%	8,805,810	9%	9,069,985	9%
Spa	5,219,371	6%	5,480,340	6%	5,699,554	6%	5,870,540	6%	6,046,656	6%
Other	2,609,686	3%	2,740,170	3%	2,849,777	3%	2,935,270	3%	3,023,328	3%
Total Revenue	90,250,361	100%	95,611,001	36%	99,544,795	36%	102,531,139	36%	105,607,074	36%
Les: Taxes @ 35%	(20,110,958)	-22%	(21,305,498)	-22%	(22,182,086)	-22%	(22,847,548)	-22%	(23,532,975)	-22%
Taxes @ 16%	(1,105,979)	-1%	(1,172,337)	-1%	(1,219,231)	-1%	(1,255,808)	-1%	(1,293,482)	-1%
Net Revenue	69,033,424	76%	73,133,166	76%	76,143,479	76%	78,427,784	76%	80,780,617	76%
Costs and Expenses										
Costs of Goods and Services	40,612,662	45%	40,156,621	42%	41,808,814	42%	43,063,079	42%	44,354,971	42%
Selling, General, and Administrative	9,025,036	10%	8,604,990	9%	8,959,032	9%	9,227,803	9%	9,504,637	9%
Provision for Doubtful Accounts	1,805,007	2%	956,110	1%	995,448	1%	1,025,311	1%	1,056,071	1%
Total Costs and Expenses	51,442,706	57%	49,717,721	52%	51,763,294	52%	53,316,192	52%	54,915,678	52%
Gross Operating Profit	17,590,718	19%	23,415,446	24%	24,380,185	24%	25,111,591	24%	25,864,939	24%
EBITDA	17,590.72		23,415.45		24,380.19		25,111.59		25,864.94	
Debt Service	(15,294)		(15,294)		(15,294)		(15,294)		(15,294)	
CF After DS	2,297.03		8,121.76		9,086.50		9,817.90		10,571.25	

Exhibit E1 – Regression Southern Casino - High

			<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
Forecasted W/U/D Slots	215	\$	228.01	\$	237.13	\$	244.25	\$	251.58
W/U/D Growth			6%		4%		3%		3%
Forecasted W/U/D Tables	\$ 1,687	\$	1,788	\$	1,859	\$	1,915	\$	1,973
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%

<u>Southern Casino Revenue & Expense Projections</u>										
	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Revenue										
Casino Slots	78,513,967	62%	83,224,805	62%	86,553,797	62%	89,150,411	62%	91,824,924	62%
Casino Tables	14,774,829	12%	15,661,319	12%	16,287,772	12%	16,776,405	12%	17,279,697	12%
Rooms	10,220,000	8%	10,935,400	8%	11,482,170	8%	11,826,635	8%	12,181,434	8%
Food and Beverage	11,345,935	9%	11,913,231	9%	12,389,761	9%	12,761,454	9%	13,144,297	9%
Spa	7,563,956	6%	7,942,154	6%	8,259,840	6%	8,507,636	6%	8,762,865	6%
Other	3,781,978	3%	3,971,077	3%	4,129,920	3%	4,253,818	3%	4,381,432	3%
Total Revenue	126,200,666	100%	133,647,987	38%	139,103,261	38%	143,276,359	38%	147,574,649	38%
Less: Taxes @ 35%	(27,479,889)	-22%	(29,101,525)	-22%	(30,289,397)	-22%	(31,198,079)	-22%	(32,134,021)	-22%
Taxes @ 16%	(2,363,973)	-2%	(2,505,811)	-2%	(2,606,044)	-2%	(2,684,225)	-2%	(2,764,752)	-2%
Net Revenue	96,356,805	76%	102,040,652	76%	106,207,820	76%	109,394,055	76%	112,675,876	76%
Costs and Expenses										
Costs of Goods and Services	56,790,300	45%	56,132,155	42%	58,423,370	42%	60,176,071	42%	61,981,353	42%
Selling, General, and Administrative	12,620,067	10%	12,028,319	9%	12,519,293	9%	12,894,872	9%	13,281,718	9%
Provision for Doubtful Accounts	2,524,013	2%	1,336,480	1%	1,391,033	1%	1,432,764	1%	1,475,746	1%
Total Costs and Expenses	71,934,380	57%	69,496,953	52%	72,333,696	52%	74,503,706	52%	76,738,818	52%
Gross Operating Profit	24,422,425	19%	32,543,698	24%	33,874,125	24%	34,890,348	24%	35,937,059	24%
EBITDA	24,422.43		32,543.70		33,874.12		34,890.35		35,937.06	
Debt Service	(15,294)		(15,294)		(15,294)		(15,294)		(15,294)	
CF After DS	9,128.74		17,250.01		18,580.44		19,596.66		20,643.37	

Exhibit E2 – Regression Northern Casino - Low

			<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
Forecasted W/U/D Slots	141	\$	146.20	\$	152.04	\$	156.61	\$	161.30
W/U/D Growth			4%		4%		3%		3%
Forecasted W/U/D Tables	\$ 724	\$	753	\$	783	\$	807	\$	831
W/U/D Growth			4%		4%		3%		3%
Other Growth			4%		4%		3%		3%

Northern Casino Revenue & Expense Projections										
	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Revenue										
Casino Slots	12,827,313	62%	13,340,406	74%	13,874,022	74%	14,290,243	74%	14,718,950	74%
Casino Tables	4,524,186	12%	2,749,112	15%	2,859,077	15%	2,944,849	15%	3,033,194	15%
Food and Beverage	1,349,561	9%	1,403,544	8%	1,459,685	8%	1,503,476	8%	1,548,580	8%
Other	578,383	3%	601,519	3%	625,579	3%	644,347	3%	663,677	3%
Total Revenue	19,279,444	100%	18,094,580	26%	18,818,364	26%	19,382,914	26%	19,964,402	26%
Less Taxes @ 35%	(4,489,560)	-22%	(3,940,051)	-22%	(4,097,653)	-22%	(4,220,583)	-22%	(4,347,200)	-22%
Taxes @ 16%	(723,870)	-2%	(439,858)	-2%	(457,452)	-2%	(471,176)	-2%	(485,311)	-2%
Net Revenue	14,066,014	73%	13,714,671	76%	14,263,258	76%	14,691,156	76%	15,131,891	76%
Costs and Expenses										
Costs of Goods and Services	8,675,750	45%	7,599,724	42%	7,903,713	42%	8,140,824	42%	8,385,049	42%
Selling, General, and Administrative	1,927,944	10%	1,628,512	9%	1,693,653	9%	1,744,462	9%	1,796,796	9%
Provision for Doubtful Accounts	2,524,013	2%	180,946	1%	188,184	1%	193,829	1%	199,644	1%
Total Costs and Expenses	13,127,707	68%	9,409,182	52%	9,785,549	52%	10,079,115	52%	10,381,489	52%
Gross Operating Profit	938,307	5%	4,305,490	24%	4,477,709	24%	4,612,041	24%	4,750,402	24%
EBITDA	938.31		4,305.49		4,477.71		4,612.04		4,750.40	
Debt Service	(1,963)		(1,963)		(1,963)		(1,963)		(1,963)	
CF After DS	(1,025.09)		2,342.10		2,514.31		2,648.65		2,787.01	

Exhibit E3 – Regression Northern Casino - High

			<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
Forecasted W/U/D Slots	173	\$	179.57	\$	186.75	\$	192.36	\$	198.13
W/U/D Growth			4%		4%		3%		3%
Forecasted W/U/D Tables	\$ 1,240	\$	1,289	\$	1,341	\$	1,381	\$	1,422
W/U/D Growth			4%		4%		3%		3%
Other Growth			4%		4%		3%		3%

Northern Casino Revenue & Expense Projections										
	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
Revenue										
Casino Slots	15,755,538	62%	16,385,759	70%	17,041,190	70%	17,552,425	70%	18,078,998	70%
Casino Tables	4,524,186	12%	4,705,153	20%	4,893,360	20%	5,040,160	20%	5,191,365	20%
Food and Beverage	1,577,312	9%	1,640,404	7%	1,706,020	7%	1,757,201	7%	1,809,917	7%
Other	675,991	3%	703,030	3%	731,152	3%	753,086	3%	775,679	3%
Total Revenue	22,533,026	100%	23,434,347	30%	24,371,721	30%	25,102,873	30%	25,855,959	30%
Less: Taxes @ 35%	(5,514,438)	-22%	(5,102,772)	-22%	(5,306,883)	-22%	(5,466,090)	-22%	(5,630,072)	-22%
Taxes @ 16%	(723,870)	-2%	(752,825)	-3%	(782,938)	-3%	(806,426)	-3%	(830,618)	-3%
Net Revenue	16,294,718	72%	17,578,751	75%	18,281,901	75%	18,830,358	75%	19,395,268	75%
Costs and Expenses										
Costs of Goods and Services	10,139,862	45%	9,842,426	42%	10,236,123	42%	10,543,207	42%	10,859,503	42%
Selling, General, and Administrative	2,253,303	10%	2,109,091	9%	2,193,455	9%	2,259,259	9%	2,327,036	9%
Provision for Doubtful Accounts	2,524,013	2%	234,343	1%	243,717	1%	251,029	1%	258,560	1%
Total Costs and Expenses	14,917,178	66%	12,185,861	52%	12,673,295	52%	13,053,494	52%	13,445,099	52%
Gross Operating Profit	1,377,541	6%	5,392,890	23%	5,608,606	23%	5,776,864	23%	5,950,170	23%
EBITDA	1,377.54		5,392.89		5,608.61		5,776.86		5,950.17	
Debt Service	(1,963)		(1,963)		(1,963)		(1,963)		(1,963)	
CF After DS	(585.85)		3,429.50		3,645.21		3,813.47		3,986.78	

Exhibit F – IRR Southern Casino - Low

Return Assumptions			Capital Structure			Financing Terms		
Capital Investment ('000's)	250,000		Debt	65%	165,750	Term		10
License Fee	5,000		Equity	35%	89,250	Amortization		30
Going-Out Cap Rate	10%					Rate		8.5%
						Constant		(0.092)

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Purchase	(89,250)					
CF After Debt Service		2,297	8,122	9,086	9,818	10,571
Reversion						266,409
Mortgage Balance						(100,478)
	(89,250)	2,297	8,122	9,086	9,818	176,502
IRR	20%					
Equity Multiple	2.31					

Going-Out Cap Rate	Capital Investment					
		175,000	200,000	225,000	250,000	275,000
	8%	36.9%	32.8%	29.5%	26.8%	24.6%
	9%	32.6%	28.7%	25.6%	23.1%	21.0%
	10%	28.6%	24.9%	22.1%	19.8%	17.9%
	11%	24.8%	21.4%	18.8%	16.7%	15.0%
	12%	21.2%	18.1%	15.8%	13.9%	12.4%

Exhibit F1 – IRR Southern Casino - High

Return Assumptions			Capital Structure			Financing Terms		
Capital Investment ('000's)	250,000		Debt	65%	165,750	Term		10
License Fee	5,000		Equity	35%	89,250	Amortization		30
Going-Out Cap Rate	10%					Rate		8.5%
						Constant		(0.092)

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Purchase	(89,250)					
CF After Debt Service		9,129	17,250	18,580	19,597	20,643
Reversion						370,152
Mortgage Balance						(200,556)
	(89,250)	9,129	17,250	18,580	19,597	190,239
IRR	28%					
Equity Multiple	2.85					

Going-Out Cap Rate	Capital Investment					
		175,000	200,000	225,000	250,000	275,000
8%		49.4%	44.1%	39.8%	36.2%	33.3%
9%		44.6%	39.4%	35.3%	31.9%	29.2%
10%		40.1%	35.1%	31.1%	28.0%	25.4%
11%		35.8%	31.0%	27.3%	24.3%	21.8%
12%		31.7%	27.1%	23.5%	20.7%	18.5%

Exhibit G – Comparator State Summary

State	License Fee	Minimum Investment	Property	VLT Tax%	Casino Sq. Ft.	Avg Slots	Net Revenue	WUD	Table Games Tax %	Tables	Table Win	WUD
Maine	\$ 250,000 Fee	N/A		Racetrack 39% Net					Racetrack 16% Net			
	\$5,000,000 competitive bid.			Non-racetrack 46% Net					Non-racetrack 16% Net			
		N/A	Hollywood	40%	10,000	918	\$ 56,212,926	\$ 145	16%	16	\$ 7,569,321	\$ 2,311
			Oxford	46%	25,000	809	\$ 60,578,987	\$ 205	16%	22	\$ 1,796,340	\$ 1,669
Rhode Island	N/A	N/A		71%					18%			
	N/A	N/A	Twin Rivers	71%	300,000	4,700	\$ 473,478,000	\$ 276	18%	66	\$ 5,755,660	\$ 2,813
	N/A	N/A	Newport Grand	71%	50,000	1,088	\$ 48,120,638	\$ 121	N/A			
New York												
			Resorts World	47%	330,000	5,005	\$ 814,288,519	\$ 443				
			Empire City Casino	47%	120,000	5,339	\$ 48,998,639	\$ 300				
Delaware	N/A	N/A		56.5%					33.9%			
	N/A	N/A	Delaware Park	56.5%	78,520	2,376	\$ 175,920,100	\$ 203	33.9%	89	\$ 18,021,696	\$ 838
	N/A	N/A	Dover Downs	56.5%	165,000	2,488	\$ 177,109,800	\$ 195	33.9%	59	\$ 14,255,799	\$ 994
	N/A	N/A	Harrington	56.5%	140,000	1,815	\$ 94,727,800	\$ 143	33.9%	42	\$ 7,420,323	\$ 727
Pennsylvania												
	\$50,000,000 - Slots	N/A	Mohegan Sun	55%	82,000	2,332	\$ 224,326,145	\$ 264	12.0%	84	\$ 42,923,506	\$ 1,400
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Parx	55%	260,000	3,376	\$ 376,418,086	\$ 306	12.0%	165	\$ 110,307,984	\$ 1,827
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Harrah's Philadelphia	55%	110,500	2,793	\$ 249,568,812	\$ 245	12.0%	122	\$ 80,330,840	\$ 1,804
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Presque Isle	55%	48,074	1,911	\$ 138,463,135	\$ 200	12.0%	51	\$ 14,956,139	\$ 809
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	N/A	The Meadows	55%	350,000	3,316	\$ 240,805,246	\$ 199	12.0%	80	\$ 35,983,833	\$ 1,232
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Mount Airy	55%	65,144	2,030	\$ 146,594,808	\$ 198	12.0%	72	\$ 39,224,667	\$ 1,492
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	N/A	Penn National	55%	97,985	2,467	\$ 238,200,029	\$ 265	12.0%	69	\$ 37,810,041	\$ 1,496
	\$16,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Sands Bethlehem	55%	139,000	3,018	\$ 290,903,382	\$ 264	12.0%	166	\$ 165,378,077	\$ 2,734
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	The Rivers	55%	400,000	2,885	\$ 283,332,873	\$ 269	12.0%	115	\$ 69,280,996	\$ 1,649
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	SugarHouse	55%	51,017	1,605	\$ 184,283,208	\$ 315	12.0%	57	\$ 85,318,943	\$ 4,134
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Valley Forge	55%	50,000	600	\$ 55,944,930	\$ 256	12.0%	50	\$ 31,583,280	\$ 1,731
	\$7,500,000 - Tables											
	\$50,000,000 - Slots	Competitive selection	Nemacolin	55%	35,000	600				50		
	\$7,500,000 - Tables											

Exhibit G – Comparator State Summary (Continued)

State	License Fee	Minimum Investment	Property	VLT Tax%	Casino Sq. Ft.	Ft. Avg Slots	Net Revenue	WUD	Table Games Tax %	Tables	Table Win	WUD
Connecticut	N/A	N/A		25%						No Tax on Table Games		
	N/A	N/A	Foxwoods	25%	344,000	6,123	\$ 542,750,408	\$ 243	N/A			
	N/A	N/A	Mohegan Sun	25%	350,000	5,656	\$ 628,801,430	\$ 305	N/A			
New Jersey	\$200,000 \$500/slot annual license	Requires a casino have a hotel with minimum 500 rooms		8% tax on gross gaming revenue 2.5% of gross gaming revenue or alternative investment equal to 1.5% of gross revenue								
			Bally's Atlantic City	9.5%	104,100	2,322	\$ 197,915,229	\$ 234	9.5%	138	\$ 98,112,689	\$ 1,948
			Borgata Hotel Casino and Spa	9.5%	161,000	3,305	\$ 417,234,016	\$ 346	9.5%	261	\$ 195,457,441	\$ 2,052
			Caesars Atlantic City	9.5%	111,800	2,193	\$ 229,462,232	\$ 287	9.5%	177	\$ 129,102,488	\$ 1,998
			Golden Nugget - Atlantic City	9.5%	80,000	1,506	\$ 97,278,949	\$ 177	9.5%	91	\$ 33,171,681	\$ 999
			Harrah's Resort	9.5%	158,500	2,626	\$ 297,882,399	\$ 311	9.5%	179	\$ 101,357,509	\$ 1,551
			Resorts Casino Hotel	9.5%	100,000	1,935	\$ 99,141,237	\$ 140	9.5%	70	\$ 31,691,937	\$ 1,240
			Revel Casino Hotel	9.5%	130,000	2,410	\$ 80,264,208	\$ 120	9.5%	148	\$ 42,051,867	\$ 778
			Showboat Atlantic City	9.5%	108,900	2,294	\$ 180,807,068	\$ 216	9.5%	114	\$ 44,603,297	\$ 1,072
			The Atlantic Club	9.5%	75,374	1,484	\$ 110,677,038	\$ 204	9.5%	58	\$ 16,498,019	\$ 779
			Tropicana Atlantic City	9.5%	132,896	2,677	\$ 190,371,544	\$ 195	9.5%	143	\$ 59,622,147	\$ 1,142
			Trump Plaza Hotel & Casino	9.5%	91,181	1,594	\$ 83,118,505	\$ 143	9.5%	64	\$ 19,387,100	\$ 830
			Trump Taj Mahal Casino Resort	9.5%	167,321	2,535	\$ 206,902,415	\$ 224	9.5%	187	\$ 88,589,664	\$ 1,298
West Virginia			Mountaineer	56.7			1,980	\$ 41,262,132	\$ 215	51	\$ 30,047,235	1614
			Wheeling Island	56.7	90,000		1,800	\$ 24,101,943	\$ 177	62	\$ 12,840,323	567
			Tri-State	56.7			977	\$ 13,186,709	\$ 139	54	\$ 20,025,588	1016
			Charles Town	56.7			3,197	\$ 86,415,661	\$ 279	125	\$ 160,290,084	3513
			Greenbrier Casino Club	56.7	103,000		316	\$ 4,950,083	\$ 296	37	\$ 6,182,748	458
			Mardi Gras	56.7	60,000		1,200					
Maryland	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	\$25,000,000 per 500 VLTs										
	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	N/A	Hollywood Casino Perryville	67%	34,000	1,500	\$ 77,659,342	\$ 190	20%	22	\$ 12,612,195.63	\$ 1,571
	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	N/A	Casino at Ocean Downs	67%	34,000	800	\$ 40,796,392	\$ 187	20%	0	N/A	N/A
	\$3,000,000 per 500 VLTs \$425/VLT-\$500/table Ann.	N/A	Maryland LIVE	67%	160,000	4,332	\$ 333,113,993	\$ 282	20%	172	\$ 95,112,248.54	\$ 1,515
	Reduced for resort facility	Reduced for resort facility	Rocky Gap	43%	10000	550	\$ 36,640,669	\$ 183	20%	10	\$ 5,570,524.61	\$ 1,526
Nevada Las Vegas Strip \$72 Million and Over Market	Quarterly License Fee \$20,300 + \$25/table over 35 Slot Machine Quarterly License Fee \$ 20/slot	N/A		6.75% tax on gross revenue Slot Machine Annual Tax: \$250/slot Slot Machine Quarterly License Fee \$ 20/slot		35,453	\$ 2,553,266,000	\$ 197	6.75% tax on gross revenue Table Game Annual Tax \$16,000 + \$200/table over 16 Quarterly License Fee \$20,300 + \$25/table over 35	2269	\$ 2,986,086,000	\$ 3,606

Exhibit H

Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
HISTORICAL GROSS SALES AS COMPARED TO TOTAL TRANSFERS

For Fiscal Years 1994 - 2013

Fiscal Year	Liquor Sales		Lottery Sales	Heritage Sales	Total Sales
2013	135,094,600	*	225,640,604	2,083,042	362,818,246
2012	129,546,318	*	226,387,260	1,966,301	357,899,879
2011	124,160,700	*	214,100,761	2,325,493	340,586,954
2010	120,827,000	*	214,746,496	2,286,077	337,859,573
2009	116,973,000	*	208,026,397	2,643,774	327,643,171
2008	112,659,700	*	225,500,155	3,018,616	341,178,471
2007	107,516,600	*	227,184,778	2,839,097	337,540,475
2006	100,391,300	*	226,231,509	3,472,515	330,095,324
2005	52,676,422	+	206,168,485	3,130,645	261,975,552
2004	89,054,685		182,645,792	3,228,538	274,929,015
2003	85,395,495		161,689,836	2,943,273	250,028,605
2002	81,576,220		152,828,875	5,079,880	239,484,975
2001	79,647,455		140,635,023	5,955,682	226,238,160
2000	76,599,135		143,134,147	4,779,464	224,512,746
1999	72,382,945		137,529,119	7,057,795	216,969,859
1998	70,426,846		144,670,300	4,219,798	219,316,944
1997	68,075,556		142,040,139	4,214,863	214,330,558
1996	68,181,524		143,185,328	5,504,375	216,871,227
1995	68,112,331		153,204,327		221,316,658
1994	71,186,901		145,197,086		216,383,987

Fiscal Year	Liquor Transfer		Lottery Transfer	Heritage Transfer	Total Transferred
2013	10,979,738	*	52,908,602	593,629	64,481,969
2012	10,254,968	*	53,785,567	530,622	64,571,157
2011	9,405,382	*	49,547,800	645,824	59,599,007
2010	8,823,077	*	52,201,531	669,789	61,694,397
2009	8,217,940	*	49,839,434	734,120	58,791,494
2008	7,513,763	*	49,491,086	811,844	57,816,693
2007	6,356,499	*	50,624,742	810,598	57,791,839
2006	4,443,800	*	50,879,647	908,065	56,231,512
2005	51,536,907	**	49,328,103	800,309	101,665,319
2004	103,957,966	**	41,752,637	774,917	146,485,520
2003	27,749,668		39,442,111	811,296	68,003,076
2002	26,821,646		39,317,891	1,171,888	67,311,425
2001	25,860,058		35,450,105	1,389,111	62,699,274
2000	26,094,244		38,125,786	1,427,972	65,674,871
1999	21,255,952		39,620,893	1,749,542	62,626,387
1998	22,139,996		40,742,055	1,104,635	64,086,118
1997	22,250,530		40,717,655	1,068,469	64,206,056
1996	23,085,031		37,757,632	1,617,105	62,459,768
1995	21,785,740		41,185,167		62,970,907
1994	23,755,033		44,616,761		68,371,794

* - These amounts include listing fees, premium tax and the profit sharing amount received from Maine Beverage Company; and the Liquor Sales, are calculated on a calendar year basis.

** - In May of 2004, the State signed a ten year lease with Maine Beverage Company for the warehousing and distribution of spirits subject to pricing regulation by the state. Maine Beverage paid the state \$75 million in FY '04 and \$50 million in FY '05 for this privilege.

+ - This fiscal year only included 6 months worth of sales

Exhibit – H-1

Calculation of Lottery Revenue Distribution for Compendium												
Distribution Category	FY2008	% of Total Receipts	FY2009	% of Total Receipts	FY2010	% of Total Receipts	FY2011	% of Total Receipts	FY2012	% of Total Receipts	FY2013	% of Total Receipts
Costs of Goods Sold												
Prizes*	144,261,040	62.91%	131,543,690	61.65%	134,816,554	61.38%	135,587,059	62.20%	144,018,418	62.32%	143,937,860	62.58%
Agent Commissions*	16,535,510	7.21%	13,764,463	6.45%	14,034,423	6.39%	14,112,066	6.47%	14,905,089	6.45%	14,837,202	6.45%
Vendor Fees*	11,083,323	4.83%	10,217,384	4.79%	10,309,197	4.69%	10,280,330	4.72%	10,575,080	4.58%	9,343,709	4.06%
Other COGS												
Inc. Heritage Exp												
Inc. Tri-State Exp.												
Sub Total*	982,565	0.43%	1,000,194	0.47%	857,759	0.39%	1,351,423	0.62%	934,438	0.40%	1,249,002	0.54%
Total Costs of Goods Sold												
Lottery Expenses*	6,157,773	2.69%	6,282,553	2.94%	6,750,894	3.07%	6,463,168	2.96%	6,338,282	2.74%	7,119,530	3.10%
Transfer to Gen Fund	49,491,086	21.58%	49,839,434	23.36%	52,201,531	23.77%	49,547,800	22.73%	53,785,567	23.27%	52,908,601	23.00%
Trans. to Heritage Fd.	811,844	0.35%	734,120	0.34%	669,789	0.30%	645,824	0.30%	530,622	0.23%	593,629	0.26%
Total Distributed	229,323,141	100.00%	213,381,838	100.00%	219,640,147	100.00%	217,987,670	100.00%	231,087,496	100.00%	229,989,533	100.00%
Total Sales	228,518,771		210,670,170		217,032,573		216,426,254		228,353,561		227,723,646	
Total Other Income	2,819,866		2,711,569		2,607,475		1,561,341		2,746,388		2,285,378	
Total Receipts	231,338,637		213,381,739		219,640,048		217,987,595		231,099,949		230,009,024	

Exhibit H-2

Department of Administrative and Financial Services
Division of Lottery
Comparative Statements of Income and Expense
For Fiscal Years ending June 30,

SALES	2013	% of Sales	2012	% of Sales	% Change 2012 to 2013
Instant Tickets					
\$1 Instant	\$ 13,244,412	5.82%	\$ 15,423,555	6.75%	(14.13%)
Heritage Game	2,083,042	0.91%	1,966,301	0.86%	5.94%
\$2 Instant	29,047,124	12.76%	30,411,208	13.32%	(4.49%)
\$3 Instant	29,401,302	12.91%	26,999,784	11.82%	8.89%
\$5 Instant	39,587,135	17.38%	36,483,175	15.98%	8.51%
\$10 Instant	24,432,350	10.73%	25,257,710	11.06%	(3.27%)
\$20 Instant	25,645,020	11.26%	28,599,800	12.52%	(10.33%)
<i>Total Instant</i>	<u>\$ 163,440,385</u>	71.77%	<u>\$ 165,141,533</u>	72.32%	(1.03%)
Draw Games					
Pick 3	\$ 5,154,634	2.26%	\$ 5,269,562	2.31%	(2.18%)
Pick 4	4,207,134	1.85%	4,310,427	1.89%	(2.40%)
Megabucks	14,097,576	6.19%	16,401,625	7.18%	(14.05%)
Powerball	27,304,108	11.99%	22,076,382	9.67%	23.68%
Gimme 5	374,814	0.16%	-	N/A	N/A
Weekly Grand	-	N/A	2,252,693	N/A	N/A
Lucky for Life	6,654,250	2.92%	2,474,782	1.08%	168.88%
Hot Lotto	2,031,279	0.89%	2,464,831	1.08%	(17.59%)
Mega Millions	4,459,466	1.96%	7,961,726	3.49%	(43.99%)
<i>Total Draw</i>	<u>\$ 64,283,261</u>	28.23%	<u>\$ 63,212,028</u>	27.68%	1.69%
<i>Total Ticket Sales</i>	<u>\$ 227,723,646</u>	100.00%	<u>\$ 228,353,561</u>	100.00%	
Misc Sales					
Sale of Clothing	\$ -	N/A	\$ -	N/A	
OTHER INCOME					
Distribution Expenses paid by IF&W	\$ 52,076	0.02%	\$ 49,158	0.02%	5.94%
Expired Instant Prize Reserve	1,857,229 (9)	0.82%	2,826,176	1.24%	(34.28%)
Expired Instant Prize Reserve - Heritage	70,332 (9)	0.03%	47,111	0.02%	49.29%
Interest Income - Tri State	26,775	0.01%	22,724	0.01%	17.83%
Misc Income	278,966	0.12%	(198,781)	(0.09%)	(240.34%)
<i>Total Other Income</i>	<u>\$ 2,285,378</u>	1.00%	<u>\$ 2,746,388</u>	1.20%	(16.79%)
<i>Total Receipts</i>	<u>\$ 230,009,024</u>		<u>\$ 231,099,949</u>		(0.47%)
EXPENSES					
Cost of Goods Sold	\$ 167,808,028	73.69%	\$ 168,950,235	73.99%	(0.68%)
Maine Operating Expenses	3,945,968	1.73%	3,866,689	1.69%	2.05%
Tri-State Operating Expenses	3,173,562 (10)	1.39%	2,471,593	1.08%	28.40%
Heritage Game Expenses	1,559,745	0.68%	1,482,790	0.65%	5.19%
<i>Total Expenses</i>	<u>\$ 176,487,303</u>	77.50%	<u>\$ 176,771,307</u>	77.41%	(0.16%)
Transfer to General Fund	\$ 52,908,601	23.23%	\$ 53,785,567	23.55%	(1.63%)
Transfer to Fish & Wildlife	593,629	0.26%	530,622	0.23%	11.87%
Profit Due from/to Gen. Fund	19,491 (11)	0.01%	12,453	0.01%	56.51%
<i>Total Transfer</i>	<u>\$ 53,521,721</u>	23.50%	<u>\$ 54,328,642</u>	23.79%	(1.49%)
Changes from FY 2012 to FY 2013					
Sales:	Dollars	%			
Instant	(1,701,148)	(1.03%)			
Draw	1,071,233	1.69%			
Total	<u>(629,915)</u>	<u>(0.28%)</u>			
Cost of Goods Sold	(1,142,207)	(0.68%)			
Maine Operating Expenses	79,279	2.05%			

Exhibit I
Maine Harness Racing Commission
Distributions to Designated Funds

		<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>		
General Fund		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$303,159.94		
Commission Operating Fund		\$508,922.68	\$565,673.65	\$610,630.85	\$632,007.27	\$689,809.87	\$477,665.37		
Agricultural Fund Stipend		\$336,783.83	\$379,318.68	\$426,064.05	\$432,152.37	\$467,154.02	\$537,274.98		
Fair Stipend Fund		\$26,785.40	\$29,772.29	\$32,138.46	\$33,263.55	\$36,305.76	\$41,096.04		
Sire Stakes Fund		\$320,395.10	\$355,516.86	\$378,365.01	\$394,509.20	\$432,335.49	\$521,495.81		
Promotional Board Fund		\$71,757.58	\$80,806.70	\$90,710.78	\$92,034.31	\$99,504.08	\$114,406.08		
Purse Supplement		\$587,645.28	\$644,803.66	\$701,719.17	\$711,088.51	\$771,693.56	\$901,160.98		
Of-Track Betting Simulcast		<u>\$412,646.98</u>	<u>\$446,338.41</u>	<u>\$489,551.88</u>	<u>\$503,783.61</u>	<u>\$544,063.95</u>	<u>\$661,037.61</u>		
TOTAL DISTRIBUTION		\$2,264,937.00	\$2,502,230.00	\$2,729,180.00	\$2,798,839.00	\$3,040,867.00	\$3,557,296.00		
* does not include statutory distributions to host tracks and OTB facilities									
Source: Maine State Harness Racing Commission Annual Reports 2008 through 2013.									

Exhibit J -Bingo and Games of Chance

	<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Gross Rev.</u>	<u>Net Income</u>	<u>Gross Rev.</u>	<u>Net Income</u>	<u>Gross Rev.</u>	<u>Net Income</u>	<u>Gross Rev.</u>	<u>Net Income</u>	<u>Gross Rev.</u>	<u>Net Income</u>	<u>Gross Rev.</u>	<u>Net Income</u>
Bingo - Nonprofit	\$11,383,652	\$2,394,578	\$13,250,200	\$#,431,007	\$14,193,748	\$3,149,075	\$15,232,244	\$3,583,743	\$16,727,830	\$3,932,097	\$15,777,010	\$3,876,381
# of Participan	193		200		213		226		235		247	
% retained as Net Income		21%		26%		22%		24%		24%		25%
Gam of Chance -	\$52,235,371	\$9,515,295	\$62,841,681	\$9,423,827	\$56,076,254	\$9,924,683	\$56,139,904	\$10,758,159	\$57,464,002	\$10,956,103	\$60,618,028	\$12,009,915
# of participan	288		296		311		334		349		350	
% retained as Net Income		18%		15%		18%		19%		19%		20%
High Stakes Bibgo												
Pennobscot	\$1,356,811	\$811,840	\$1,632.78	\$873,918	\$1,557,456	\$920,486	\$1,664,166	\$1,013,384	\$1,794,677	\$1,052.36	\$1,891,889	\$1,152,227
% retained as Net Income		60%		54%		59%		61%		59%		61%
Passamaquoddy					\$150,798	\$26,668	\$393,000	\$230,205				
% retained as Net Income						18%		59%				
Gam of Chance - Tribal												
Pennobscot	\$175,386	\$67,552	\$234,318	\$106,708	\$202,560	\$65,823	\$238,613	\$86,965	\$295,752	\$99,805	\$327,048	\$89,210
% retained as Net Income		39%		46%		32%		36%		34%		27%
Passamaquoddy					\$39,018	\$1,706	\$86,629	\$4,952				
% retained as Net Income						4%		6%				