Spectrum Gaming Group

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MARKET ANALYSIS/IMPACTS REPORT:

Projected Gross Gaming Revenue, Employment, and Macro Economic Impacts of Expanded Casino Gambling in Illinois

March 6, 2012

Prepared for: Illinois Revenue and Jobs Alliance

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Executive Summary

The Illinois Revenue and Jobs Alliance engaged Spectrum Gaming Group to project the gross gaming revenue, employment impacts, and macro economic impacts of casino gambling in Illinois under two scenarios: the current casino structure, and if the State of Illinois were to permit casino expansion that included the following:

- The 10 existing riverboat casinos could add up to 400 gaming positions each (plus possible unclaimed positions);
- Six racetracks could offer slot machines (1,200 positions at Cook County locations, 900 at non-Cook locations, 350 at Quad City Downs);
- Four additional riverboats could operate 1,600 gaming positions each; and
- A downtown, land-based Chicago casino could operate 4,000 gaming positions.

Assuming no casino expansion, Spectrum concludes that the 10 existing riverboats could reasonably produce the following statewide outcomes in 2016:

- Gross gaming revenue ("GGR") of $1.87 billion.
- Total taxes on GGR and admission fees of $688.7 million.

Spectrum's analysis suggests that expanded casino gambling[1] as described above (11 new casino/racetrack slots locations, with most of the existing 10 expanding), a total of 21 casinos/racetrack slot locations in Illinois could reasonably produce the following statewide outcomes in 2016:

- Gross gaming revenue of $3.28 billion.
- Total taxes on GGR and admission fees of $809.2 million, which is $195.3 million more than we project the State would receive in 2012 from casinos/racetrack slots.
    - Of the $195.3 million in incremental tax revenue to the State, racetrack slots would provide $92.6 million of that amount (with $62.6 million going to Capital Projects Fund and $30.1 million going to host communities and local entities from racetrack slots).
- Monies diverted to purses from slots at racetracks of $79.6 million.

For the total five-year forecast period used throughout this report (2012-16), the casino expansion could generate the following outcomes:

- Initial license fees of $377 million for the State of Illinois.

[1] We use the term "casino expansion" throughout as a collective term that includes expansion of existing riverboat casinos, new slots at racetracks, new riverboat casinos, and one new land-based casino in Chicago.

- A total of $3.7 billion in license fees, GGR taxes and admission taxes.
- Applying reconciliation payment[2] methodology to applicable years within our modeling (through 2016) indicates the total of all potential reconciliation payments to be $1.17 billion (however, this would not be payable until beyond 2016).

The following table summarizes our GGR, admissions tax and GGR tax projections from 2012-16 under the two scenarios:

Projected Illinois gaming revenue and taxes: no casino expansion vs. casino expansion

Illinois Casinos ($ millions)	No Expansion	With Expansion	Variance - With vs. No Expansion	
2012 - GGR	$1,716.8	$1,716.8	$0.0	*0.0%*
2013 - GGR	$1,737.6	$2,009.7	$272.1	*15.7%*
2014 - GGR	$1,778.2	$2,416.0	$637.7	*35.9%*
2015 - GGR	$1,822.6	$3,199.9	$1,377.2	*75.6%*
2016 - GGR	$1,872.0	$3,284.7	$1,412.8	*75.5%*
2012 - Tax (GGR+Admission)	$613.9	$613.9	$0.0	*0.0%*
2013 - Tax (GGR+Admission)	$625.2	$538.0	($87.1)	*-13.9%*
2014 - Tax (GGR+Admission)	$644.3	$595.4	($49.0)	*-7.6%*
2015 - Tax (GGR+Admission)	$665.3	$782.5	$117.1	*17.6%*
2016 - Tax (GGR+Admission)	$688.7	$809.2	$120.5	*17.5%*
2012 - Effective Tax Rate (to GGR)	35.8%	35.8%	0.0%	
2013 - Effective Tax Rate (to GGR)	36.0%	26.8%	(9.2%)	
2014 - Effective Tax Rate (to GGR)	36.2%	24.6%	(11.6%)	
2015 - Effective Tax Rate (to GGR)	36.5%	24.5%	(12.1%)	
2016 - Effective Tax Rate (to GGR)	36.8%	24.6%	(12.2%)	

Source: Spectrum Gaming Group

The following table shows an itemization of the admission tax and GGR tax by year from 2012-16, along with new funding in the form license fees, as well as monies diverted to purses from slots at racetracks.

[2] A mechanism to collect reconciliation payments would be applicable under proposed legislation enabling casino expansion (i.e. there is no provision for reconciliation payments absent casino expansion). Reconciliation payments would be calculated four years after an existing casino expands (beyond 1,200 gaming positions) or four years after a new casino or racetrack slots location becomes operational. Reconciliation payments would be based on a variety of factors, primarily on new or incremental GGR generated and new gaming positions created via the proposed legislation. Each applicable casino licensee would be required to make reconciliation payments over a period of no more than two years and installments, while these payments would be designated for, and deposited into, the Gaming Facilities Fee Revenue Fund.

Illinois gaming taxes, fees and purse money: no casino expansion vs. casino expansion

Illinois Casinos ($M)	No Expansion	*With Expansion*	*Variance - With vs. No Expansion*	
2012 - Tax (GGR)	$563.0	*$563.0*	$0.0	*0.0%*
2013 - Tax (GGR)	$573.7	*$478.4*	($95.3)	*-16.6%*
2014 - Tax (GGR)	$591.7	*$521.8*	($69.9)	*-11.8%*
2015 - Tax (GGR)	$611.4	*$686.8*	$75.5	*12.3%*
2016 - Tax (GGR)	$633.2	*$711.0*	$77.7	*12.3%*
2012 - Tax (Admission)	$50.9	*$50.9*	$0.0	*0.0%*
2013 - Tax (Admission)	$51.5	*$59.6*	$8.2	*15.8%*
2014 - Tax (Admission)	$52.7	*$73.6*	$20.9	*39.7%*
2015 - Tax (Admission)	$54.0	*$95.7*	$41.7	*77.2%*
2016 - Tax (Admission)	$55.4	*$98.2*	$42.8	*77.1%*
2012 - License Fees	$0.0	*$0.0*	$0.0	*n/a*
2013 - License Fees	$0.0	*$59.0*	$59.0	*n/a*
2014 - License Fees	$0.0	*$117.5*	$117.5	*n/a*
2015 - License Fees	$0.0	*$200.5*	$200.5	*n/a*
2016 - License Fees	$0.0	*$0.0*	$0.0	*n/a*
2012 - Monies Diverted to Purses	$0.0	*$0.0*	$0.0	*n/a*
2013 - Monies Diverted to Purses	$0.0	*$0.0*	$0.0	*n/a*
2014 - Monies Diverted to Purses	$0.0	*$111.7*	$111.7	*n/a*
2015 - Monies Diverted to Purses	$0.0	*$77.4*	$77.4	*n/a*
2016 - Monies Diverted to Purses	$0.0	*$79.6*	$79.6	*n/a*
2012 - Grand Total (above categories)	**$613.9**	***$613.9***	**$0.0**	***n/a***
2013 - Grand Total (above categories)	**$625.2**	***$597.0***	**($28.2)**	***n/a***
2014 - Grand Total (above categories)	**$644.3**	***$824.5***	**$180.2**	***n/a***
2015 - Grand Total (above categories)	**$665.3**	***$1,060.3***	**$395.0**	***n/a***
2016 - Grand Total (above categories)	**$688.7**	***$888.8***	**$200.1**	***n/a***

Source: Spectrum Gaming Group

Of non-Illinois casinos within a reasonable two-hour drive from Illinois adults, our modeling indicates that in 2016 (absent Illinois casino expansion) these Illinois adults would be exporting $1.475 billion in GGR to nearby out-of-state casinos. However, with Illinois casino expansion, this figure is reduced to $831 million. Therefore, we project that Illinois casinos would recapture approximately $644 million in GGR in 2016 via casino expansion occurring (vs. status quo).

Based on the Illinois Gaming Board's method of counting gaming positions, the following table illustrates the potential number of gaming positions in Illinois from 2012 through 2016 (with expansion) in our modeling.

Casino gaming positions by year, assuming expansion

Casino/Location (Existing or Potential)	2012	2013	2014	2015	2016	2016 vs. 2012
Existing Casinos	11,729	15,756	15,756	15,756	15,756	4,027
Racetrack Slots	0	0	5,750	5,750	5,750	5,750
Additional Casinos	0	0	0	0	10,400	10,400
Grand Total	**11,729**	**15,756**	**21,506**	**21,506**	**31,906**	***20,177***

Source: Spectrum Gaming Group, Illinois Gaming Board

The casino expansion would have a considerable economic impact on Illinois. Following are our key findings:

- The expanded and new casinos/racetrack slots would create a minimum of $1.2 billion in new construction expenditures (excluding soft costs), while employing a minimum of 4,583 construction workers earning a minimum of $473.2 million in wages, benefits and employer taxes.
- The expanded and new casinos would create, at a minimum, an additional 9,751 direct full-time-equivalent jobs, with one-year wages of $322.6 million. The actual number of people hired would be higher, as some positions would be part-time. The average annual weighted wage would be $33,086 (all wage figures are exclusive of dealer tips). The racetrack slots would be responsible for 2,723 of the jobs and $94.7 million of the wages, at an average annual wage of $34,793.
- By 2016, Illinois would realize the following net economic and fiscal impacts with gaming expansion than without it, all other things being equal:
    - 20,451 more total private-sector jobs, including direct, indirect and induced (full- and part-time);
    - $27.4 million more in total sales taxes for the State of Illinois;
    - $2.16 billion more in gross state product (essentially, the net economic value to an economy);
    - $1.51 billion more in personal income; and
    - $3.49 billion more in output (output is the gross impact on the economy and is often thought of as total sales).

We developed our casino-expansion and new-casino sizing assumptions based on the gaming-market size, the competitive landscape, site visits and owner interviews, as well as on our experience in a variety of gaming markets. Our assumptions should be considered minimums and do not necessarily reflect what individual operators may be planning for their casino projects, at either existing or potential locations.

Our projections throughout this report do not factor in the impacts of retail video gaming terminals because the number of units and their potential locations are unknown at this time. Dependent on these factors, they do have the potential to reduce our projected casino/racetrack slots revenue.

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Introduction

The State of Illinois is currently considering legislation (Senate Bill 1849) that, if passed, would provide an array of casino-style gambling options including riverboat[3] casinos, racetrack slots, a land-based casino, and retail video gaming terminals ("VGTs").

If passed, the legislation would more than double the number of Illinois casinos at a time when the State is beginning its rollout of tens of thousands of VGTs.[4] Yet the casinos in Illinois are small due to a legislative cap of 1,200 positions per property.[5] Even with an increase in the position cap to 1,600 (per SB 1849), there is room – based on market demand – for additional casinos in the state, including in populous Chicagoland, as well as additional gaming positions at six of the 10 existing casinos. In fact, our modeling shows that statewide gross gaming revenue ("GGR") would grow 76 percent in 2016 with expansion vs. no expansion.

This projected level of growth demonstrates that Illinois, from a market-demand perspective, is underserved by casinos. This is underscored by a rather simple but revealing exercise: examining the size of competing casinos in northwest Indiana, which are dependent on Illinois gamblers for high percentages of their business. Horseshoe Hammond has 3,552 positions (per the Illinois Gaming Board methodology), Ameristar East Chicago 1,958, Majestic Star 2,197 (combined), and Blue Chip 2,039.

The goal of this report is to project the impacts of the Illinois gaming market in two scenarios: status quo and widespread casino expansion per SB 1849. In the status quo scenario we attempt to quantify the size of the statewide gaming market, and in the expansion scenario we also project the number of casino and construction jobs, and macro-level economic impacts. Additionally, we project a level at which the state would effectively be saturated with gaming devices.

Methodology

The Illinois Revenue and Jobs Alliance ("Client") engaged Spectrum Gaming Group ("Spectrum," "we" or "our") to study the impacts that expanded casino gambling would have on the state's gaming industry and on the State of Illinois.

Specifically, the Client tasked Spectrum with the following:

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[3] "Riverboat" is the formal term for the type of all existing casinos in Illinois, which are required to be on or over water.

[4] The timing, number of VGTs and VGT locations are unknown at this time, per Illinois Gaming Board interview February 13, 2012.

[5] Per Illinois Gaming Board methodology, one slot machine = 0.9 positions; one craps table = 10 positions; one non-craps table game = 5 positions.

- Market assessment to project the gross gaming revenue demand for casinos in Illinois under the following two scenarios:
  1. The status quo for casinos (i.e., the 10 existing casinos with no expansion in gaming positions), with market projections for 2012-16, inclusive.
  2. Widespread casino expansion, as follows, for 2012-16, inclusive:
     - All existing riverboat casinos permitted to operate an additional 400 gaming positions (an increase from 1,200 currently);
     - Four additional riverboat casinos operating up to 1,600 gaming positions, situated in the following locations: Danville, Park City, Rockford and southern Cook County;
     - One additional land-based casino operating in downtown Chicago, with a maximum of 4,000 gaming positions; and
     - Slot machines operating at the state's five existing racetracks (Arlington, Hawthorne, Fairmount, Balmoral and Maywood) plus Quad City Downs. Each racetrack within Cook County would be permitted 1,200 positions; Quad City would be permitted 350 positions;[6] and the two other non-Cook County tracks would be permitted 900 slot positions.
- Market density analysis: Spectrum determines at what point Illinois may reach market saturation for casino-style gaming.
- Statewide economic impacts, as follows:
  - For the status quo scenario, we project the following economic impacts:
    - The changes in direct, indirect and induced statewide employment resulting from any of our projected gains or declines in the casinos.
    - The statewide changes to tax revenue resulting from any of our projected gains or declines in the casino industry.
  - For Scenario 2 as described above, project the following economic impacts:
    - The number of construction and operational jobs statewide resulting from the casino expansion.
    - The levels of indirect and induced employment statewide resulting from the casino expansion.

[6] Per the pending legislation, Quad City Downs could ultimately have 900 gaming positions if certain conditions are met.

- The statewide income and sales tax revenue that would inure to Illinois resulting from the casino expansion.
- The level of gaming revenue that would be recaptured from surrounding states resulting from the casino expansion.

To begin this study, Spectrum's standards required that we visit every operating equine racetrack in Illinois (plus Quad City Downs, a dormant racetrack that operates off-track betting and which would be eligible for gaming in SB 1849 once live racing resumes), every casino in Illinois, and every out-of-state casino near the Illinois border (including all in northwest Indiana). We made these visits February 2-9, 2012.[7] The site visits allowed us to understand the competitive landscape, the quality of the racetrack and casino properties, issues of access, and the casinos' limitations imposed by the position cap (in the case of Illinois) and the requirement that they operate on or over water.

We could not visit the proposed locations for the four additionally proposed riverboat casinos and one additionally proposed land-based casino in Chicago because their sites have not been determined.

The implementation of casino gambling would result in substantial new construction at the racetrack properties, at the four new riverboat locations, and at the new Chicago casino. Additionally, there would be a lesser amount of construction generated by expansion at some existing casinos. We note that projecting the capital investment and number of operational and construction jobs at this point is based on establishing reasonable assumptions, which may not necessarily comport with the property owners' vision or actual plan – to the extent they have articulated any visions or plans at all. To develop our casino facility assumptions, we used a formula based on the projected market demand – i.e., the potential gross gaming revenue demand at each property – to project the minimum levels of capital investment needed for a competitive facility in development Phase I, as well and number of construction jobs that the new casinos would generate.

Lastly, we used our quantifiable findings to project the statewide number of indirect and induced jobs that would result from gaming, as well as the incremental gross domestic product and incremental tax revenues. We employed the sophisticated Regional Economic Modeling Inc. ("REMI") program to develop these outputs. Numerous federal, state and local governments, as well as educational and research organizations, have employed the REMI model because it is both state-of-the-art and dynamic.

[7] We visited Harrah's Metropolis on December 17, 2011, as part of a similar study we did in Kentucky.

Racetrack Site Characteristics

Spectrum visited the five operational Illinois racetracks plus Quad City Downs during the February 2-9, 2012, period. We interviewed track officials, learned of their plans and hopes for casino gaming, toured the premises, assessed each track's access, and noted the factors that could help or hurt each track as a casino gaming venue. Illinois tracks, like almost all longstanding racetracks in America (as opposed to those built for the primary purpose of operating a casino), are already well suited to accommodate the addition of a casino, as they have ample acreage and parking, the necessary ingress and egress, and physical facilities that could be used for, or at least complement, casino gaming.

Although examining the impacts of gaming on racing is beyond the scope of this report, management advised in all cases that casino revenue would significantly enhance their racing product by providing more funds for purses, which in turn attracts higher-quality horses and more bettors, as well as provides more funds for facility improvements and breeding programs.

The gaming plans/visions articulated by the individual property management may not necessarily agree with our development assumptions. As noted throughout this report, we developed our minimum property and employment assumptions based in large part on the projected market size of each new gaming property.

Following is our track-by-track report (in alphabetical order).

Arlington Park

Arlington Park is a $1^{1/8}$–mile thoroughbred track located in Arlington Heights about 30 miles northwest of downtown Chicago and about 30 miles south of the Wisconsin border. It has excellent access off Interstate 90 via Route 53 and off Interstate 294 via Route 14. The racetrack is also directly served by the Union Pacific/Northwest Line train.

Arlington Park, which opened in 1927, sits on a 327-acre tract that includes a Trackside off-track betting ("OTB") facility. Arlington Park has one of the largest and finest grandstands in the country, with five public levels housing an extensive variety of hospitality, food and beverage, entertainment and wagering facilities. The grandstand opened in 1989 after the previous structure was destroyed by fire. The extensive backside includes stables for 2,200 horses and 600 dormitory rooms. The Arlington track has synthetic surface and includes a $1^{1/16}$-mile turf track.

Arlington in 2012 will conduct a 90-day meet beginning May 4; last year, races were held on Thursday through Sunday. Live attendance was 750,000.

Management advised that if gaming were legalized at the track, it envisions an initial capital investment of $200 million for a separate building on the Arlington Park grounds. The project would include at least 1,200 slot machines, a steakhouse, buffet and other non-gaming amenities.

Balmoral Park

Balmoral Park is a 1-mile standardbred track located on 200 rural acres in Crete, about 35 miles south of downtown Chicago. It is accessible via Interstate 57 (six miles to the east) and Interstate 294 (about 12 miles to the south).

Balmoral, which opened in 1926, sits on a 200-acre tract that includes a large grandstand and parking for 10,000 vehicles. The grandstand is well kept and more attractive than those at most standardbred facilities we have visited.

Balmoral operates live racing year-round, typically on Wednesday, Saturday and Sunday nights. Attendance averages about 600 on Wednesday, 2,000 on Saturday and 1,000 on Sunday.

If gaming were legalized at Balmoral, management envisions an initial capital investment of approximately $100 million, with the amount dependent on where the southern Cook County riverboat license would be located under the pending legislation. Management said its initial development would include a variety of food and beverage, entertainment and non-gaining amenities typically found at similarly sized Chicagoland casinos.

Fairmount Park

Fairmount Park is a 1-mile thoroughbred track located on a 140-acre parcel on the Illinois side of the St. Louis metropolitan market, about 10 miles from downtown St. Louis. The track is near the intersection of interstates 255 and 70.

Fairmount opened in 1925, and until 1999 offered both standardbred and thoroughbred racing. The track this year is expected to offer 67 days of live racing two to three days a week from April 3 through September 21. It offers year-round simulcasting.

The overall condition of the property is adequate, but it is evident that it has been some time since any significant capital investment was made at the facility. Investment has been limited to keeping the property operational.

Live attendance averages 3,000 per day. During the meet, the track employs about 600 people, which drops to half that number once the meet ends. Fairmount operates as a year-round training facility, attracting enough horses to fill its 100 barns. Management advised that about 70 percent of Fairmount patrons live in Missouri.

If permitted to have a casino, Fairmount expects to build a $100 million, 45,000 square-foot casino operation with 900 slot machines, and with a variety of food and beverage, entertainment and non-gaming amenities that would be competitive with other casinos in the market. The casino would be built between the current grandstand and clubhouse. Management said racing would be fully integrated with the casino operation. A lounge area would overlook the racetrack's finish line. Two-hundred additional stalls would be built. Fairmount would also build an infield staging area to accommodate concerts, boxing matches and other events for up to 20,000 spectators.

Fairmount has already been approached by outside parties about building a hotel but does not expect one to be built in the first phase.

Hawthorne Race Course

Hawthorne is a 1-mile thoroughbred track located on 136 acres in a dense suburban area of Cicero, about nine miles southwest of downtown Chicago and three miles north of Chicago Midway International Airport. It is situated less than a mile off Interstate 55.

The track, which opened in 1891, offers spring (February 17 through April 29 this year) and fall (October 3 through December 30 this year) live meets. The track includes a $^{7/8}$-mile turf track. We noted that the facilities were in good condition and should be seen as appealing to patrons.

If gaming were legalized at racetracks, management envisions an initial capital investment of between $150 million and $200 million that would include brand-name restaurants, a renovated pari-mutuel facility, parking garage, additional surface parking and other non-gaming amenities that would ensure Hawthorne is competitive with other Chicagoland casinos.

Maywood Park

Maywood Park is a half-mile standardbred track on 75 acres in a dense suburban area of Melrose Park, about 11 miles west of downtown Chicago and four miles southeast of Chicago O'Hare International Airport. It located about 2.4 miles north of Interstate 290.

Maywood, which opened in 1945, offers year-round live racing on Thursdays and Fridays, with average attendance on Fridays at about 3,000.

If gaming were legalized, management envisions replacing the existing grandstand with an integrated racing and gaming complex that includes typical non-gaming amenities that would ensure Maywood is competitive with other casinos in the market. Management envisions initial capital investment of at least $150 million.

Quad City Downs

Quad City is an OTB facility and former racetrack; the $^{5/8}$-mile track had its last live race on Labor Day in 1993. It opened in 1971 as a standardbred track. The track is located about two miles from the intersection of interstates 80 and 88 and about seven miles from Interstate 74.

Quad City currently offers year-round simulcasting, closing only for Christmas. Its grandstand and clubhouse are both in need of repair. The property has parking for 1,200 vehicles and its grandstand can seat 1,500. Attendance averages about 100 a day. The food and beverage operation consists of a deli and a bar.

Parts of the grandstand adjacent to the OTB parlor are rented out on weekends for private parties.

If gaming were legalized at Quad City, management envisions a $50 million initial capital investment for a new casino building that would include a modestly sized casino and quick-serve food and beverage outlets.

Market Overview

In this section, Spectrum provides an overview of the Illinois gaming market currently and as we project per SB 1849. Currently there are 10 riverboat casinos in Illinois offering both slots and table games. However, this number could increase to 21 casinos/racetrack slot operations by 2016. According to the assumption set provided by the Client per SB 1849, six existing racetracks (including Quad City Downs when it resumes live racing) would be able to offer slot machines and five additional licenses may become available for four riverboat casinos and one land-based casino in Chicago. The casino locations (both existing and potential), along with city and latitude-longitude, for purposes of this analysis are in the following table (*italicized font indicates potential casinos*).

Figure 1: Illinois casino locations (actual and potential, 2012-2016)

Casino (Existing or Potential)	City	Latitude	Longitude
Argosy Alton	Alton	38.89	-90.19
Casino Queen and Hotel	East Saint Louis	38.63	-90.18
Grand Victoria Elgin Riverboat Resort	Elgin	42.03	-88.28
Harrah's Joliet Casino and Hotel	Joliet	41.53	-88.08
Harrah's Metropolis Casino	Metropolis	37.15	-88.74
Hollywood Casino Aurora	Aurora	41.76	-88.31
Hollywood Casino Joliet	Joliet	41.48	-88.15
Jumer's Casino Rock Island	Rock Island	41.51	-90.58
Par-A-Dice Hotel Casino	East Peoria	40.68	-89.56
Rivers Des Plaines	Des Plaines	42.04	-87.88
Arlington Park	*Arlington Heights*	*42.09*	*-88.01*
Balmoral Park	*Crete*	*41.41*	*-87.63*
Fairmount Park	*Collinsville*	*38.66*	*-90.04*
Hawthorne Race Course	*Stickney*	*41.83*	*-87.75*
Maywood Park	*Maywood*	*41.91*	*-87.84*
Quad City Downs	*East Moline*	*41.52*	*-90.39*
Chicago – Downtown	*Chicago*	*41.85*	*-87.62*
Riverboat 1	*Danville*	*40.12*	*-87.54*
Riverboat 2	*Park City*	*42.35*	*-87.89*
Riverboat 3	*Rockford*	*42.22*	*-89.11*
Riverboat 4	*TBD - S. Cook county*	*41.58*	*-87.64*

Source: Illinois Senate Bill 1849 Spectrum Gaming Group

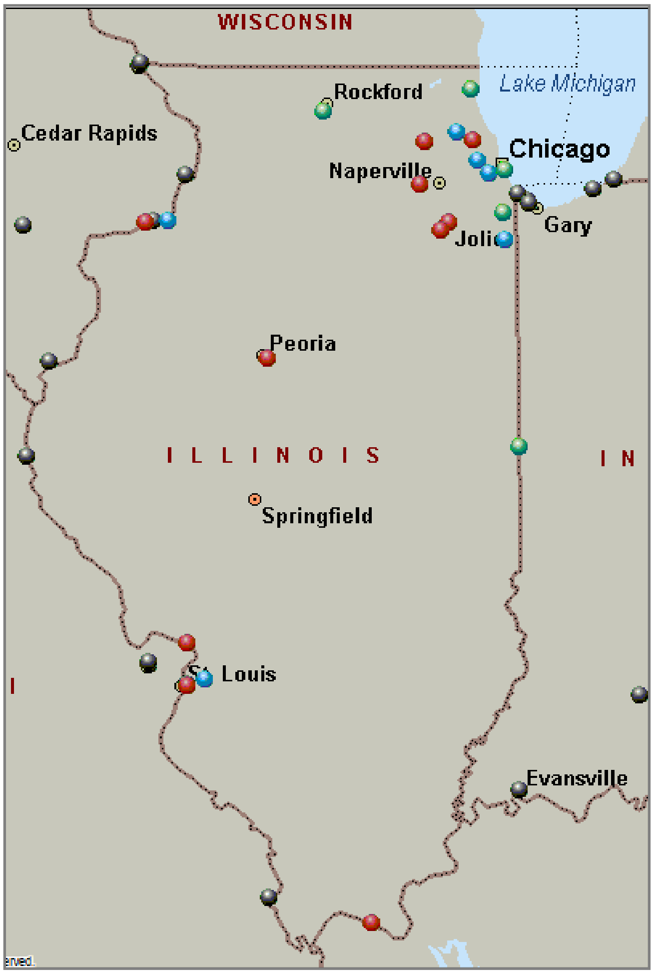
Per our discussions with the Client, we assume the 10 existing casinos would be allowed to expand gaming positions in 2013, while racetrack locations would offer slots effective 2014, and the five additional casinos would be operational effective 2015.

In addition, the 2009 Illinois Video Gaming Act (the "Act") legalizes video gaming terminals ("VGTs") in certain liquor establishments, truck stops and fraternal/veterans clubs. The State has estimated that between 45,000 and 65,000 VGTs ultimately will be installed; however, none is yet operating. (We discuss this type of gaming expansion later in the report.)

Spectrum developed the gross gaming revenue ("GGR") projections for the local adult population (age 21+) using constrained gravity modeling. The gravity model was constrained to the adult population within a two-hour drive of all existing and potential casino locations in Illinois, as we believe that this drive-in adult population would comprise the vast majority of GGR to any casinos in Illinois (as this is consistent with our experience in the neighboring states and/or for other regional casinos throughout the country). Such methodology endeavors to factor in all other existing and material casino operations in neighboring or nearby states (i.e., Arkansas, Iowa, Indiana, Michigan, Missouri, Wisconsin). Neighboring or nearby states that do not currently have casinos include Kentucky[8] and Tennessee.

The following map illustrates the current casino landscape surrounding Illinois, along with existing and potential casino locations in Illinois for purposes of this report.

Figure 2: Regional map of casino and racetrack sites in and around Illinois



Red markers show existing casino locations in Illinois, **green** markers in Illinois are the five new casinos that may have both slots and table games, **light blue** markers are the six existing racetracks in Illinois (where slots may be located), and **black** markers are current casino locations outside of Illinois.

Source: Microsoft MapPoint 2010, Spectrum Gaming Group

As illustrated, there are numerous existing casinos on or close to the Illinois border. As such, we believe a significant amount of GGR is exported from Illinois to casinos in neighboring states. However, our modeling indicates that Illinois may have the ability to recoup much of the exported GGR – and related taxes and fees – via having additional casino locations throughout Illinois.

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[8] Kentucky Downs in Franklin has 200 slot-like instant-racing machines in a casino-like setting. Ellis Park in Henderson plans to install instant-racing machines in April 2012.

Population

According to the US Census Bureau, the 2011 population of Illinois was 12.87 million, with 9.5 million, or 74 percent, adults (age 21+).[9] Our models indicate that in 2016, the estimated population of Illinois will be 12.92 million, with 9.7 million gambling-age adults.

Of the current Illinois adult population, 84.4 percent (8 million) live within a one-hour drive, and 98.1 percent (9.35 million) live within a two-drive, of an existing Illinois casino. When including casinos in neighboring and nearby states, we estimate that 86.7 percent of Illinois' adults (8.26 million) live within a one-hour drive of a casino and 99.4 percent of Illinois' adults (9.47 million) live within a two-hour drive of a casino. All aforementioned figures include an Isle of Capri casino in Cape Girardeau, MO, that is scheduled to open late this year.

When factoring in the assumed locations for the 11 additional casinos in Illinois, we estimate that 89 percent of Illinois' adults (8.5 million) would live within a one-hour drive of an Illinois casino location – a 5 percent increase in market reach despite more than doubling the number of casinos. This percentage of Illinois adults would increase to 99 percent (9.4 million) when extending a drive-time boundary to two hours from an Illinois casino (existing or potential). The population projections refer to permanent Illinois residents; they exclude tourists and are exclusive of institutional populations such as college students and prison inmates.

The following table shows the current estimated adult population by state within either a one- or two-hour drive-time area of an existing casino location in Illinois, as well for the potential casino locations in Illinois:

Figure 3: Adult population by drive-time surrounding existing and potential IL casinos (2012)

Current Estimated Adult Population	IL Existing Casino Locations		IL Existing & Potential Casino Locations	
State	<= 1-Hour Drive	<= 2-Hour Drive	<= 1-Hour Drive	<= 2-Hour Drive
Illinois	8,040,574	9,348,356	8,477,707	9,437,437
Iowa	228,873	748,113	228,873	748,113
Indiana	337,102	910,790	719,392	2,955,983
Kentucky	124,000	338,309	124,000	338,309
Michigan	0	121,957	2,707	247,599
Missouri	1,467,952	1,984,481	1,467,952	1,984,481
Tennessee	0	297,566	0	297,566
Wisconsin	179,112	2,085,863	1,109,210	2,392,192
Grand Total	10,377,613	15,835,435	12,129,840	18,401,679
% Illinois	77.5%	59.0%	69.9%	51.3%
IL not included (in above):	*1,489,217*	*181,435*	*1,052,084*	*92,353*
% IL not included (in above):	*15.6%*	*1.9%*	*11.0%*	*1.0%*

Source: DemographicsNow, US Census Bureau, Spectrum Gaming Group

[9] The legal casino gambling age in Illinois is 21.

As illustrated, the current adult population within a one- and two-hour drive from the 10 existing Illinois casinos is 10.4 million and 15.8 million, respectively. Within a one-hour drive from existing casino locations, over three-quarters of the adult population are Illinois residents; this drops to 59 percent when the drive-time extends to two hours from each location. Less than 2 percent of Illinois adults reside beyond a two-hour drive from an existing Illinois casino.

As illustrated, the current adult population within a one- and two-hour drive from the existing and potential Illinois casino locations (21 locations) is 12.1 million and 18.4 million, respectively. Within a one-hour drive from existing and potential casino locations in Illinois, nearly 70 percent of the adult population is Illinois residents; this drops to just over one-half when the drive time extends to two hours from each location. Approximately 1 percent of Illinois adults reside beyond a two-hour drive from an existing or potential Illinois casino location.

According to our models, the adult population for Illinois and all locations incorporated into our gravity model under these scenarios has minimal growth forecasted between now and 2016 (as this does factor into our GGR projections). The adult population within one- and two-hour drives of an existing Illinois casino location projected to grow by 1.29 percent and 1.52 percent, respectively; this growth is projected to be 1.45 percent and 1.52 percent, respectively, when examining the adult population within a one- and two- hour drive of both existing and potential casino location in Illinois. Overall, Illinois' statewide adult population is projected to grow to 9.67 million in 2016, growth of 1.5 percent from the current level.

The following table shows the projected adult population in 2016 by state within either a one- or two-hour drive-time area of an existing casino location in Illinois, as well for existing and potential casino locations (as identified in assumptions within this report):

Figure 4: Adult population by drive-time surrounding existing and potential IL casinos (2016)

2016 Estimated Adult Population	IL Existing Casino Locations		IL Existing & Potential Casino Locations	
State	<= 1-Hour Drive	<= 2-Hour Drive	<= 1-Hour Drive	<= 2-Hour Drive
Illinois	8,144,488	9,490,417	8,600,908	9,581,245
Iowa	234,380	771,635	234,380	771,635
Indiana	345,710	935,659	744,474	3,073,523
Kentucky	123,864	338,101	123,864	338,101
Michigan	0	119,748	2,674	246,285
Missouri	1,479,686	2,022,217	1,479,686	2,022,217
Tennessee	0	317,397		317,397
Wisconsin	186,643	2,139,844	1,121,567	2,456,965
Grand Total	10,514,769	16,135,019	12,307,552	18,807,368
% Illinois	77.5%	58.8%	69.9%	50.9%
IL not included (in above):	*1,529,933*	*184,004*	*1,073,513*	*93,176*
% IL not included (in above):	*15.8%*	*1.9%*	*11.1%*	*1.0%*

Source: DemographicsNow, US Census Bureau, Spectrum Gaming Group

For purposes of this report, in projecting GGR from drive-in adults for all Illinois casinos, we focus on the adult population within a two-hour drive from the location of each full casino (defined as offering both slots and live table games), while we focus on the adult population within a 90-minute drive from each casino that offers a more limited casino gaming experience (i.e., slots only). We believe these drive-time boundaries are the most relevant measure to incorporate into a gravity model to project visitation and/or GGR from a local population set (as opposed to straight-line mileage and/or concentric circles emanating from and casino locations). In other words, the straight-line mileage from various cities/towns may have no direct correlation to the actual driving miles, or driving time, to/from cities/towns/areas in Illinois or nearby states.

Current Illinois Casino Landscape

There are 10 casinos in Illinois, with the 10th (Rivers in Des Plaines) opening in July 2011. For calendar year 2011, Illinois' 10 casinos generated GGR of $1.48 billion, an increase of $107 million, or 7.8 percent, from the 2010 total of $1.37 billion. Adjusting these results to include an estimated full-year of operations for Rivers in 2011, we believe GGR results for Illinois would have approached $1.7 billion.[10]

The following table shows operating results and related metrics for 2011 for the 10 Illinois casinos, while the last two rows show these results adjusted for a full-year of Rivers.

Figure 5: IL casinos, operating results/metrics (2011)

Illinois Casino Performance (2011)	# Slots (year-end)	Slot Rev. ($M)	Slot Rev./ Unit/Day	# Table Games (year-end)	Table Games Rev. ($M)	Table Rev. /Unit/Day	# Gaming Positions* (year-end)	GGR ($M)	GGR/ Position/ Day
Alton	1,052	$69.5	$179	15	$3.6	$606	1,142	$73.1	$172
E. Peoria	1,174	$102.0	$240	26	$13.4	$1,415	1,330	$115.5	$239
Rock Island	1,089	$79.4	$196	30	$6.4	$579	1,269	$85.8	$182
Joliet Hollywood	1,177	$127.5	$299	23	$18.9	$2,279	1,315	$146.4	$308
Metropolis	1,159	$83.3	$221	28	$12.5	$1,334	1,327	$95.8	$221
Joliet Harrah's	1,138	$200.0	$478	33	$23.7	$2,190	1,336	$223.7	$463
Aurora	1,172	$150.5	$352	27	$22.8	$2,314	1,334	$173.3	$356
East St. Louis	1,160	$114.4	$271	27	$15.8	$1,565	1,322	$130.2	$269
Elgin	1,127	$213.0	$517	34	$44.1	$3,582	1,331	$257.1	$529
Des Plaines	1,044	$132.3	$759	48	$44.5	$5,548	1,332	$176.8	$795
Grand Total (Actual):	**11,292**	**$1,271.9**	**$328**	**291**	**$205.7**	**$2,159**	**13,038**	**$1,477.6**	**$332**
Des Plaines (Adj.)	*1,044*	*$289.2*	*$759*	*48*	*$97.2*	*$5,548*	*1,332*	*$386.4*	*$795*
Grand Total (Spectrum-Adjusted):	***11,292***	***$1,428.8***	***$350***	***291***	***$258.4***	***$2,466***	***13,038***	***$1,687.2***	***$358***

Source: Illinois Gaming Board, Spectrum Gaming Group. * Per industry standard counting method: 1 slot machine = 1 position, 1 table = 6 positions.

[10] We estimate annualized GGR for Rivers, applicable to 2011, at $386 million by annualizing recent monthly GGR results.

As illustrated, in 2011, the 10 Illinois casinos had 11,292 slots and 291 table games. We estimate there were a total of 13,038 gaming positions,[11] with 86.6 percent being slots. Slot revenue comprised 84.7 percent of total GGR. Overall, Illinois casinos averaged $332 in daily GGR per position in 2011; however, adjusted for a full-year of Rivers operations we believe this figure would have been $358.

Five of the 10 casinos in Illinois are located in Chicagoland:[12] Aurora, Des Plaines, Elgin and Joliet (two casinos).

Collectively, we note a striking difference in revenue results between Chicagoland casinos and those elsewhere in the state.[13] The five Chicagoland casinos had 2011 daily GGR per position of $454 versus an average of $218 for casinos elsewhere in the state. Furthermore, Chicagoland casinos had nearly two-thirds of statewide GGR while having 51 percent of statewide gaming positions. These operating results and related metrics segmented by Chicagoland and non-Chicagoland casinos are in the following table.

Figure 6: IL casinos, operating results/metrics – Chicagoland vs. elsewhere (2011, actual)

Illinois Casino Performance (2011)	# Slots (year-end)	Slot Rev. ($M)	Slot Rev./ Unit/Day	# Table Games (year-end)	Table Games Rev. ($M)	Table Rev. /Unit/Day	# Gaming Positions* (year-end)	GGR ($M)	GGR/ Position/ Day
Chicagoland	5,658	$823.3	$443	165	$154.0	$3,123	6,648	$977.3	$454
Non-Chicagoland	5,634	$448.6	$222	126	$51.7	$1,124	6,390	$500.3	$218
Grand Total (Actual)	**11,292**	**$1,271.9**	**$328**	**291**	**$205.7**	**$2,159**	**13,038**	**$1,477.6**	**$332**

Source: Illinois Gaming Board data. * Per industry standard counting method: 1 slot machine = 1 position, 1 table = 6 positions.

The aforementioned differences become even more pronounced when adjusting figures to include an estimated full-year of operations for Rivers in Des Plaines. This is shown in the following table.

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[11] Per standard gaming-industry method of counting; i.e., one position equals one slot machine or one seat at a gaming table, with tables assigned six positions each. For the purposes of determining the win per slot machine and win per position, we believe the use of the industry-standard method is appropriate because it is actual, whereas the Illinois method counts a slot machine as 9/10ths of one position.

[12] We define Chicagoland casinos as those within a reasonable one-hour drive of downtown Chicago.

[13] Illinois communities that are included in the Chicago Designated Market Area currently comprise 68.4 percent of the statewide population.

Figure 7: IL casinos, operating results/metrics – Chicagoland vs. elsewhere (2011, adjusted)

Illinois Casino Performance (2011)	# Slots (year-end)	Slot Rev. ($M)	Slot Rev./ Unit/Day	# Table Games (year-end)	Table Games Rev. ($M)	Table Rev. /Unit/Day	# Gaming Positions* (year-end)	GGR ($M)	GGR/ Position/ Day
Chicagoland (Adj.)	*5,658*	*$980.2*	*$475*	*165*	*$206.7*	*$3,515*	*6,648*	*$1,186.9*	*$491*
Non-Chicagoland	5,634	$448.6	$222	126	$51.7	$1,124	6,390	$500.3	$218
Grand Total (Adj.)	***11,292***	***$1,428.8***	***$350***	***291***	***$258.4***	***$2,466***	***13,038***	***$1,687.2***	***$358***

Source: Illinois Gaming Board data, Spectrum Gaming Group. * Per industry standard counting method: 1 slot machine = 1 position, 1 table = 6 positions.

As illustrated, we believe that with a full year of operations for Rivers, Chicagoland casinos would have daily GGR per position approaching $500, lifting statewide daily GGR per position to $358. Slot revenue for the five Chicagoland casinos would have approached $1 billion, while table games revenue would have surpassed $200 million – leading to Chicagoland casinos generating 70 percent of statewide GGR.

On a daily-win-per-position basis, these revenue measures are much greater than what is traditionally experienced in a majority of other commercial casinos throughout the country. In the case of Illinois, is due to the fact that casinos are not only confined to riverboat locations (i.e., the constraints of a vessel), but there is an allowable maximum of 1,200 gaming positions – as defined by the Illinois Gaming Board ("IGB") – per casino.[14]

Currently, six of the 10 casinos are at their maximum allowable gaming positions and all but two are within 95 percent of the maximum allowable gaming positions; only the Alton and Rock Island locations are well below their maximum allowable gaming positions, at 1,032 and 1,140, respectively (while these two locations also had the lowest aggregate GGR and lowest on a daily GGR per-position basis in 2011).

The following table shows number of gaming positions at year ended 2011 along with number of gaming positions available, and respective daily GGR per position results for 2011.

[14] As defined by Illinois Gaming Board. One slot machine is equivalent to 0.9 positions, while table games equate to five positions with exception of craps which counts as 10 positions. Within this report, unless otherwise noted, Spectrum uses the industry-standard county method: 1 slot = 1 position, 1 table = 6 positions.

Figure 8: IL casinos, gaming positions per IGB basis, and available positions (2011)

Illinois Gaming Positions, per IGB counting method (2011)	Actual, at year-end	Maximum Allowed	Available	Daily GGR/ Position
Alton	1,032	1,200	168	$172
E. Peoria	1,197	1,200	3	$239
Rock Island	1,140	1,200	60	$182
Joliet Hollywood	1,184	1,200	16	$308
Metropolis	1,193	1,200	7	$221
Joliet Harrah's	1,199	1,200	1	$463
Aurora	1,200	1,200	0	$356
E. St. Louis	1,199	1,200	1	$269
Elgin	1,199	1,200	1	$529
Des Plaines	1,200	1,200	0	$795
Grand Total (Actual):	**11,743**	**12,000**	**257**	**$332**

Source: Illinois Gaming Board, Spectrum Gaming Group

Unlike most other US jurisdictions, the IGB reports number of admissions by casino. The following table shows GGR, number of admissions, and average GGR per admission for year ended 2011.

Figure 9: Illinois casino performance (2011)

Illinois GGR and Admissions (2011)	GGR ($M)	Admissions	GGR / Admission
Alton	$73.1	943,678	$77
E. Peoria	$115.5	1,206,094	$96
Rock Island	$85.8	1,332,379	$64
Joliet Hollywood	$146.4	1,411,387	$104
Metropolis	$95.8	766,604	$125
Joliet Harrah's	$223.7	1,885,716	$119
Aurora	$173.3	1,498,609	$116
E. St. Louis	$130.2	1,946,180	$67
Elgin	$257.1	1,865,402	$138
Des Plaines	$176.8	1,945,895	$91
Grand Total (Actual):	**$1,477.6**	**14,801,944**	**$100**
Chicagoland	*$977.3*	*8,607,009*	*$114*
Non-Chicagoland	*$500.3*	*6,194,935*	*$81*

Source: Illinois Gaming Board

As illustrated, statewide GGR per admission was $100 in 2011, with Chicagoland casinos averaging $114 and casinos elsewhere averaging $81.

Competitive Casino Landscape Surrounding Illinois

Four of the five states surrounding Illinois have casinos (Iowa, Indiana, Missouri, Wisconsin). The lone neighboring state that does not have casinos is Kentucky.[15] Nearby, non-

[15] Kentucky Downs in Franklin has 200 slot-like instant-racing machines in a casino-like setting. Ellis Park in Henderson plans to install instant-racing machines in April 2012.

border states that have casinos within or close to a two-hour drive of Illinois include Arkansas and Michigan.

The four neighboring casino states have a total of 68 casinos. However, 41 of the 68 casinos are beyond a two-hour drive from the Illinois border (while Michigan is not a neighboring state, it does have one casino within a one-hour drive of parts of Illinois – Four Winds in New Buffalo, MI). Based on our mapping application, we estimate there are 28 casinos within a two-hour drive of the Illinois border, including 21 within a one-hour drive. The total casinos in neighboring states will increase to 69 later this year when Isle of Capri opens a casino in Cape Girardeau, MO, which is on the Illinois border.

Including the new Isle of Capri casino, there are approximately 9 million Illinois adults within a two-hour drive of a casino in a neighboring state – which is nearly 95 percent of all Illinois adults. Shortening the drive time, there are at least 6.2 million Illinois adults within a one-hour drive of a casino in a neighboring states – or nearly two-thirds of all Illinois adults.

The following table lists the 29 casinos, by state, within a two-hour drive of Illinois (including the new casino in Cape Girardeau, MO).

Figure 10: Casinos in neighboring or nearby states within a 2-hour drive of Illinois

State	# Casinos less than 2-hour drive of Illinois	# Casinos within 1-hour drive of Illinois		# Casinos within 1- to 2-hour drive of Illinois	
Indiana	9	6	Ameristar (East Chicago), Blue Chip (Michigan City), Casino Aztar (Evansville), Horseshoe (Hammond), Majestic Star I and II (Gary)	3	French Lick (French Lick), Hoosier Park (Anderson), Indiana Live (Shelbyville)
Iowa	9	7	Catfish Bend (Burlington), Diamond Jo (Dubuque), Mystique (Dubuque), Isle (Bettendorf), Rhythm City (Davenport), Riverside (Riverside), Wild Rose (Clinton)	2	Isle (Waterloo), Isle (Marquette)
Michigan	1	1	Four Winds (New Buffalo)	0	n/a
Missouri	7	6	Ameristar (St. Charles), Cape Girardeau, Harrah's (Maryland Heights), Lumiere Place (St. Louis), Terrible's (La Grange), River City (St. Louis)	1	Lady Luck (Caruthersville)
Wisconsin	3	2	Ho Chunk (Madison), Potawatomi (Milwaukee)	1	Ho Chunk (Baraboo)
Total:	**29**	**22**		**7**	

Source: Spectrum Gaming Group

We estimate that the 28 currently operating casinos within a two-hour drive of Illinois generated more than $4.1 billion in GGR in 2011, while the 21 operating casinos within a one-hour drive had approximately $3.24 billion of GGR.[16] Inclusive of GGR results for 2011 from the 10 casinos in Illinois, this equates to nearly $5.6 billion of GGR generated from a total of 38 casinos located in, or within a neighboring state and two-hour drive from, Illinois. This is illustrated in the following table.

Figure 11: Casino performance in neighboring and nearby states and within a 2-hour drive of Illinois (2011)

Casino Performance in neighboring and nearby states and within 2-hour drive of Illinois (2011) ($M)	GGR within 1-hour drive of Illinois	GGR 1- to 2-hour drive of Illinois	GGR within 2-hour drive of Illinois
Indiana	$1,254.6	$550.7	$1,805.2
Iowa	$450.3	$112.4	$562.7
Michigan	$271.6	$0.0	$271.6
Missouri	$948.9	$33.1	$982.1
Wisconsin	$318.1	$168.5	$486.6
Total (w/o IL):	**$3,243.4**	**$864.7**	**$4,108.2**
Illinois	*n/a*	*n/a*	*$1,477.6*
Grand Total (w/ IL):	***n/a***	***n/a***	***$5,585.8***

Source: Indiana Gaming Commission, Illinois Gaming Board, Missouri Gaming Commission, Spectrum Gaming Group

[16] Actual GGR for casinos Iowa, Indiana, and Missouri; Spectrum estimated GGR figures for Native American casinos in Michigan and Wisconsin based upon current size of facilities at $200 in daily GGR per gaming position, as this information is not publicly reported.

Casino Performance in Neighboring States

This section examines gaming results for Illinois' neighboring states for year ended 2011.

Iowa

Iowa's 18 casinos posted GGR of $1.42 billion in 2011, from slot revenue of $1.3 billion and table games revenue of $126 million. All of the casinos offer both slots and table games.

The nine casinos in Iowa within a two-hour drive of any point in Illinois had $563 million in GGR in 2011; the seven casinos within a one-hour drive of any point in Illinois had $450 million in GGR in 2011.

Figure 12: Iowa casinos, annual operating results/metrics (2011)

Iowa Casino Performance (2011)	# Slots (year-end)	Slot Rev. ($M)	Slot Rev./ Unit/Day	# Table Games (year-end)	Table Games Rev. ($M)	Table Rev. /Unit/Day	# Gaming Positions (year-end)	GGR ($M)	GGR/ Position/ Day
Ameristar II	1,552	$155.5	$275	28	$13.5	$1,304	1,720	$169.0	$269
Argosy - Sioux City	719	$55.2	$211	21	$5.9	$727	845	$61.1	$197
Catfish Bend	639	$35.1	$151	24	$3.7	$417	783	$38.8	$136
Diamond Jo (Dubuque)	986	$64.0	$178	19	$4.7	$684	1,100	$68.7	$171
Diamond Jo (Northwood)	972	$79.9	$226	29	$7.5	$705	1,146	$87.4	$210
Grand Falls	900	$27.9	$163	36	$4.7	$689	1,116	$32.6	$154
Harrah's Council Bluffs	800	$64.0	$213	28	$5.5	$590	968	$69.5	$195
Horseshoe Bluffs Run	1,750	$168.6	$262	74	$27.7	$1,027	2,194	$196.3	$244
Isle (Bettendorf)	1,001	$72.3	$197	22	$4.9	$532	1,133	$77.2	$183
Isle (Waterloo)	995	$75.4	$201	31	$6.9	$606	1,181	$82.4	$185
Lady Luck (Marquette)	589	$28.7	$133	11	$1.3	$336	655	$30.0	$125
Mystique (Dubuque Park)	976	$55.1	$155	23	$4.4	$527	1,114	$59.5	$146
Prairie Meadows	1,936	$174.8	$248	51	$16.9	$910	2,242	$191.7	$235
Rhythm City	934	$47.0	$137	14	$1.6	$300	1,018	$48.6	$129
Riverside	1,151	$81.0	$190	47	$8.7	$505	1,433	$89.7	$170
Terrible's Lakeside	1,006	$46.7	$126	14	$2.9	$566	1,090	$49.7	$124
Wild Rose Clinton	569	$37.9	$180	12	$2.1	$420	641	$40.0	$167
Wild Rose Emmetsburg	524	$29.2	$153	16	$2.7	$456	620	$31.9	$141
Grand Total:	**17,999**	**$1,298.2**	**$201**	**500**	**$125.8**	**$706**	**20,999**	**$1,424.0**	**$189**

Source: Iowa Racing and Gaming Commission

Indiana

Indiana's 13 casinos posted GGR of $2.73 billion in 2011, from slot revenue of $2.37 billion and table games revenue of $358 million. All but two of the 13 casinos offer both slots and table games; the two racetrack casinos are limited to slots.[17]

[17] Two racetrack casinos are Hoosier Park and Indiana Live.

The nine casinos in Indiana within a two-hour drive of any point in Illinois had $1.8 billion in GGR in 2011; the six casinos within a one-hour drive of any point in Illinois had $1.25 billion in GGR in 2011.

Figure 13: Indiana casinos, annual operating results/metrics (2011)

Indiana Casino Performance (2011)	# Slots (year-end)	Slot Rev. ($M)	Slot Rev./ Unit/Day	# Table Games (year-end)	Table Games Rev. ($M)	Table Rev. /Unit/Day	# Gaming Positions (year-end)	GGR ($M)	GGR/ Position/ Day
Ameristar	1,931	$217.2	$311	41	$30.2	$1,941	2,177	$247.3	$313
Belterra	1,474	$127.0	$236	55	$18.8	$946	1,804	$145.8	$222
Blue Chip	1,965	$153.7	$214	50	$19.0	$1,043	2,265	$172.7	$209
Casino Aztar	908	$101.9	$309	44	$16.7	$1,083	1,172	$118.6	$281
French Lick	1,258	$73.9	$160	42	$11.9	$834	1,510	$85.8	$156
Hollywood	3,219	$373.9	$318	128	$62.6	$1,331	3,987	$436.5	$300
Hoosier Park	1,899	$220.5	$321	0	$0.0	$0	1,899	$220.5	$321
Horseshoe (Hammond)	3,063	$395.0	$352	150	$115.4	$2,123	3,963	$510.4	$353
Horseshoe (Southern IN)	1,773	$209.9	$326	107	$41.9	$1,095	2,415	$251.8	$288
Indiana Live	1,976	$244.3	$337	0	$0.0	$0	1,976	$244.3	$337
Majestic Star	993	$84.8	$232	58	$27.1	$1,278	1,341	$111.9	$227
Majestic Star II	925	$88.7	$244	32	$5.0	$430	1,117	$93.7	$216
Rising Star	1,325	$83.7	$177	37	$9.7	$737	1,547	$93.5	$170
Grand Total:	**22,709**	**$2,374.4**	**$286**	**744**	**$358.4**	**$1,332**	**27,173**	**$2,732.8**	**$276**

Source: Indiana Gaming Commission, Spectrum Gaming Group

Missouri

Missouri's 12 casinos posted GGR of $1.8 billion in 2011, from slot revenue of $1.6 billion and table games revenue of $205 million. All casinos offer both slots and tables.

The five casinos in Missouri within a two-hour drive of any point in Illinois had $949 million in GGR in 2011; the six casinos within a one-hour drive of any point in Illinois had $982 million in GGR in 2011.

A new Isle of Capri casino scheduled to open in late 2012 in Cape Girardeau is on the Mississippi River directly across from Illinois, easily within a one-hour drive of the Illinois border. Therefore, post-2012 our modeling includes/assumes these operations.

Figure 14: Missouri casinos, annual operating results/metrics (2011)

Missouri Casino Performance (2011)	# Slots (year-end)	Slot Rev. ($M)	Slot Rev./ Unit/Day	# Table Games (year-end)	Table Games Rev. ($M)	Table Rev. /Unit/Day	# Gaming Positions (year-end)	GGR ($M)	GGR/ Position/ Day
Argosy Kansas City	1,724	$176.8	$263	33	$17.8	$1,298	1,922	$194.6	$258
IOC - Lady Luck	590	$29.5	$141	14	$3.6	$738	674	$33.1	$139
Harrah's Maryland Heights	2,494	$233.1	$255	80	$35.3	$1,134	2,974	$268.4	$244
Harrah's North Kansas City	1,558	$164.3	$284	63	$28.9	$1,272	1,936	$193.1	$270
IOC – Kansas City	1,173	$78.8	$183	22	$6.0	$744	1,305	$84.8	$177
Ameristar Kansas City	2,804	$211.2	$204	73	$26.7	$995	3,242	$237.9	$198
Mark Twain (Lagrange)	654	$35.8	$150	13	$2.4	$498	732	$38.2	$143
Ameristar Saint Charles	2,659	$250.3	$252	72	$25.8	$979	3,091	$276.1	$240
River City	2,010	$173.3	$235	59	$19.7	$919	2,364	$193.1	$223
Lumiere Place	1,918	$142.2	$195	66	$30.9	$1,242	2,314	$173.1	$197
IOC - Boonville	991	$76.0	$210	19	$5.8	$837	1,105	$81.8	$203
St. Jo Frontier	568	$28.6	$190	11	$2.5	$820	634	$31.1	$185
Grand Total:	**19,143**	**$1,600.0**	**$227**	**525**	**$205.3**	**$1,054**	**22,293**	**$1,805.4**	**$220**

Source: Missouri Gaming Commission, Spectrum Gaming Group

Kentucky

Kentucky has no legal casinos, although Kentucky Downs in Franklin (about 45 minutes north of Nashville) has 200 instant-racing machines – gaming devices similar to slot machines – in a casino-like setting. Ellis Park, on the Indiana border in Henderson, is scheduled to install instant-racing machines this April.

Wisconsin

There are 11 federally recognized Native American tribes in Wisconsin that have entered into Class III gaming compacts.[18] Overall net win from these tribal casinos in Wisconsin (as

[18] State of Wisconsin, Department of Administration. http://www.doa.state.wi.us/section.asp?linkid=117&locid=7 (accessed February 3, 2012).

publicly reported) was $1.22 billion for 2010, and was in excess of $1 billion in all years since 2005 (and through 2010).[19] Based on public information, there were 26 casinos operating in Wisconsin in 2009.[20]

Through 2009, the most recent data available, there were an estimated 17,969 slot machines and 359 tables games operating at tribal casinos in Wisconsin, or approximately 20,123 gaming positions.[21] Based on $1.2 billion in net win this equates to average daily net win per gaming position of $166.

More detailed, relevant, and/or current data regarding results of casino operations in Wisconsin are not publicly available.

Other

In addition to casinos in neighboring states, there are casinos just beyond a two-hour drive from Illinois in non-neighboring states (and one in Michigan within one-hour drive):

- All casinos in Indiana are within a three-hour drive of eastern parts of Illinois.
- Four Winds Casino Resort in New Buffalo, MI, is approximately a one-hour drive from some southern portions of Cook County, IL.
- Southland Park in West Memphis, AR, offers over 900 gaming machines and table games. This location is just beyond a two-hour drive from parts of southern Illinois.
- Tunica County in northern Mississippi is home to 10 casinos offering over 11,800 slots and more than 300 table games.[22] Some of the casinos in Tunica County are just beyond a three-hour drive from parts of southern Illinois.

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[19] State of Wisconsin, Department of Administration. http://www.doa.state.wi.us/docview.asp?docid=7677 (accessed February 3, 2012).

[20] State of Wisconsin, Department of Administration. http://www.doa.state.wi.us/docview.asp?docid=632 (accessed February 6, 2012).

[21] Casino City's Indian Gaming Industry Report, 2011 Edition.

[22] Mississippi Gaming Commission.

Illinois Gaming Revenue and Related Tax/Fee Projections

Assumptions

The following table shows the potential Illinois casino landscape and gaming positions (as defined per IGB) by year that we utilized for each casino location in preparing our GGR projections for purposes of this engagement.

Figure 15: Potential Illinois casino landscape, IGB-defined gaming positions (2012-16)

Casino/Location (Existing or Potential)	2012	2013	2014	2015	2016	2016 vs. 2012
Argosy Alton	1,032	1,032	1,032	1,032	1,032	*0*
Casino Queen and Hotel	1,199	1,600	1,600	1,600	1,600	*401*
Hollywood Casino Joliet	1,174	1,920	1,920	1,920	1,920	*746*
Grand Victoria - Elgin	1,199	1,919	1,919	1,919	1,919	*720*
Harrah's Joliet Casino and Hotel	1,199	1,920	1,920	1,920	1,920	*721*
Harrah's Metropolis Casino	1,192	1,192	1,192	1,192	1,192	*0*
Hollywood Casino - Aurora	1,200	1,920	1,920	1,920	1,920	*720*
Jumer's Casino Rock Island	1,137	1,137	1,137	1,137	1,137	*0*
Par-A-Dice Hotel Casino	1,197	1,197	1,197	1,197	1,197	*0*
Rivers Des Plaines	1,200	1,920	1,920	1,920	1,920	*720*
Arlington Park	0	0	1,200	1,200	1,200	*1,200*
Balmoral Park Racetrack	0	0	900	900	900	*900*
Fairmount Park	0	0	900	900	900	*900*
Hawthorne Race Course	0	0	1,200	1,200	1,200	*1,200*
Maywood Park Race Track	0	0	1,200	1,200	1,200	*1,200*
Quad City Downs	0	0	350	350	350	*350*
Chicago - Downtown	0	0	0	0	4,000	*4,000*
Riverboat 1 (City of Danville)	0	0	0	0	1,600	*1,600*
Riverboat 2 (City of Park City)	0	0	0	0	1,600	*1,600*
Riverboat 3 (City of Rockford)	0	0	0	0	1,600	*1,600*
Riverboat 4 (Cook County)	0	0	0	0	1,600	*1,600*
Grand Total	11,729	15,756	21,506	21,506	31,906	*20,177*
Existing	11,729	15,756	15,756	15,756	15,756	4,027
Racetrack Slots	0	0	5,750	5,750	5,750	5,750
Additional Casinos	0	0	0	0	10,400	10,400

Source: Spectrum Gaming Group. Note that position counts are per IGB method, not actual position counts.

As illustrated (and as defined per IGB) our modeling indicates that 21 casinos in Illinois could have 31,906 gaming positions by 2016, which would be an increase of 20,177 gaming positions from the 10 existing. Based on current performance and projected performance, we assume that four of the 10 existing casinos would forfeit opportunity to increase gaming positions, while the remaining six casinos would absorb all allowable gaming positions (at 400 gaming positions per owner's license times 10 licenses), we then allocate these positions by operators based upon what we believe are reasonable levels of gaming positions for each operator.

The following table shows the potential Illinois casino landscape and gaming positions (as defined by Spectrum and as commonly used in the gaming industry) by year that we utilized for each casino location in preparing our GGR projections for purposes of this engagement. Our definition of a gaming position is one position per slot and six positions per table game, regardless of type of game.

Figure 16: Potential Illinois casino landscape, actual gaming position counts (2012-16)

Casino/Location (Existing or Potential)	2012	2013	2014	2015	2016	2016 vs. 2012
Argosy Alton	1,142	1,142	1,142	1,142	1,142	*0*
Casino Queen and Hotel	1,322	1,774	1,774	1,774	1,774	*452*
Hollywood Casino Joliet	1,303	2,144	2,144	2,144	2,144	*841*
Grand Victoria - Elgin	1,331	2,143	2,143	2,143	2,143	*812*
Harrah's Joliet Casino and Hotel	1,336	2,149	2,149	2,149	2,149	*813*
Harrah's Metropolis Casino	1,326	1,326	1,326	1,326	1,326	*0*
Hollywood Casino - Aurora	1,334	2,146	2,146	2,146	2,146	*812*
Jumer's Casino Rock Island	1,265	1,265	1,265	1,265	1,265	*0*
Par-A-Dice Hotel Casino	1,330	1,330	1,330	1,330	1,330	*0*
Rivers Des Plaines	1,332	2,144	2,144	2,144	2,144	*812*
Arlington Park	0	0	1,333	1,333	1,333	*1,333*
Balmoral Park Racetrack	0	0	1,000	1,000	1,000	*1,000*
Fairmount Park	0	0	1,000	1,000	1,000	*1,000*
Hawthorne Race Course	0	0	1,333	1,333	1,333	*1,333*
Maywood Park Race Track	0	0	1,333	1,333	1,333	*1,333*
Quad City Downs	0	0	388	388	388	*388*
Chicago - Downtown	0	0	0	4,500	4,500	*4,500*
Riverboat 1 (City of Danville)	0	0	0	1,800	1,800	*1,800*
Riverboat 2 (City of Park City)	0	0	0	1,800	1,800	*1,800*
Riverboat 3 (City of Rockford)	0	0	0	1,800	1,800	*1,800*
Riverboat 4 (Cook County)	0	0	0	1,800	1,800	*1,800*
Grand Total	13,021	17,563	23,951	35,651	35,651	*22,630*
Existing	13,021	17,563	17,563	17,563	17,563	4,542
Racetrack Slots	0	0	6,388	6,388	6,388	6,388
Additional Casinos	0	0	0	11,700	11,700	11,700

Source: Spectrum Gaming Group. Uses actual gaming-position counts: 1 slot machine = 1 position, 1 table = 6 positions.

As illustrated, our modeling indicates that 21 casinos in Illinois could have 35,651 gaming positions operating by 2016, which would be an increase of 22,630 gaming positions from the current level. Again, based on current and projected performance, we assume that four of the 10 existing casinos would forfeit an opportunity to increase gaming positions, while the remaining six casinos would absorb all allowable gaming positions.

The following table illustrates the number of slots and number of table games 2012-16 used in our modeling. We based the allocation of potential, future slots and table games based upon splits that we believe are reasonable in light of Illinois historical casino performance and relative to our experience and expertise throughout the country. For existing and potential casinos the percentage of additional slots is 80 percent to 83 percent of additional gaming positions, while 100 percent of new gaming positions at racetracks are slots.

Figure 17: Potential IL casino landscape, actual numbers of slots and table games (2012 and 2016)

Casino/Location (Existing or Potential)	2012 Slots	2012 Table Games	2016 Slots	2016 Table Games	*2016 vs. 2012 Slots*	*2016 vs. 2012 Slots*
Argosy Alton	1,052	15	1,052	15	*0*	*0*
Casino Queen and Hotel	1,160	27	1,522	42	*362*	*15*
Hollywood Casino Joliet	1,177	21	1,850	49	*673*	*28*
Grand Victoria - Elgin	1,127	34	1,777	61	*650*	*27*
Harrah's Joliet Casino and Hotel	1,138	33	1,789	60	*651*	*27*
Harrah's Metropolis Casino	1,158	28	1,158	28	*0*	*0*
Hollywood Casino - Aurora	1,172	27	1,822	54	*650*	*27*
Jumer's Casino Rock Island	1,091	29	1,091	29	*0*	*0*
Par-A-Dice Hotel Casino	1,174	26	1,174	26	*0*	*0*
Rivers Des Plaines	1,044	48	1,694	75	*650*	*27*
Arlington Park	0	0	1,333	0	*1,333*	*0*
Balmoral Park Racetrack	0	0	1,000	0	*1,000*	*0*
Fairmount Park	0	0	1,000	0	*1,000*	*0*
Hawthorne Race Course	0	0	1,333	0	*1,333*	*0*
Maywood Park Race Track	0	0	1,333	0	*1,333*	*0*
Quad City Downs	0	0	388	0	*388*	*0*
Chicago - Downtown	0	0	3,750	125	*3,750*	*125*
Riverboat 1 (City of Danville)	0	0	1,500	50	*1,500*	*50*
Riverboat 2 (City of Park City)	0	0	1,500	50	*1,500*	*50*
Riverboat 3 (City of Rockford)	0	0	1,500	50	*1,500*	*50*
Riverboat 4 (Cook County)	0	0	1,500	50	*1,500*	*50*
Grand Total	11,293	288	31,067	764	*19,774*	*476*
Existing	11,293	288	14,929	439	*3,636*	*151*
Racetrack Slots	0	0	6,388	0	*6,388*	*0*
Additional Casinos	0	0	9,750	325	*9,750*	*325*

Source: Spectrum Gaming Group

Our GGR projections use calendar years as basis for presentation and assume a full year of operations for each casino within a respective year. Additionally, we do not provide any projections related to staggered openings of casinos throughout Illinois, nor do we illustrate GGR results inclusive of a ramp-up period (i.e., prior to 2016 and as applicable).

Methodologies / Basis for Assumptions

The Gravity Model

The gravity model is an industry-standard forecasting technique that uses the actual population totals around a specified location (or locations). It takes into account competing locations from within a pre-defined catchment area (quantified by drive times, expressed in minutes, surrounding each casino location – not actual driving or straight-line miles) to project visitation and ultimately GGR from the projected visitation. Simply, the farther away a population resides from the target, in this case any one of the existing or potential casinos in Illinois (or all of the existing and potential casino locations in Illinois), the lower the probability that people will make a trip to gamble there. If given an opportunity, customers will tend to choose to gamble at the closest casino to their homes, particularly if the gaming product is similar (regardless whether the casino is located in Illinois or in a neighboring state). In addition to population totals surrounding the specified location(s), among other variables, the gravity model employed also considers adult population gaming participation rates, GGR per adult casino gambler, and has the ability to adjust each location for the relative attractiveness of the gaming options/facilities when two or more viable gaming options/facilities are available to the population sets.

Spectrum built a comprehensive constrained gravity model with estimated population data for 2011-12 by ZIP Code. We incorporated population data for 4,208 areas covering all or parts of nine states where total population (and adult population) was approximated by ZIP Code, while 1,266 of the 4,208 areas are in Illinois alone.[23] Many of these areas are well beyond a two-hour drive-time from an existing or potential Illinois casino location; however, our model is comprehensive and we calibrated the model to certain existing casinos in neighboring states.

Our gravity model includes 45-plus existing casinos including those in, and in areas surrounding, Illinois. Within these boundaries (and in our gravity model) we capture all existing casinos in Illinois, 10 of the 18 casinos in Iowa, 9 of the 13 casinos Indiana, 8 of the 12 casinos in Missouri, 3 of the 20-plus in Wisconsin, as well as others in Arkansas and Michigan.

Since the gravity model was calibrated to current data (and the current population), we incorporate mechanisms to project population to 2016 levels. Additionally, our population estimates were adjusted to represent adult population (those at the legal gaming age of 21), using applicable data from our demographic software,[24] on a ZIP Code basis.

With regard to annual GGR per adult, the basis for the material assumptions is from extensive experience and working knowledge in many domestic gaming markets by Spectrum executives and associates assigned to this project, and supported by public data presented within this report (where applicable). The material assumptions (aside from adult population by ZIP Code and relative distance calculations, gravity effect) are:

- Two-hour drive-time boundary surrounding each Illinois casino location and/or casinos in nearby states (both existing and potential), where these casinos offer both slots and table games:
    - 95 percent of non-hotel guest GGR at each casino is from these drive-in adults.
- 90-minute drive-time boundary surrounding each potential casino in Illinois and/or in nearby states, where these casinos offer only slots or VLTs.

[23] Nine states include: Arkansas, Iowa, Illinois, Indiana, Kentucky, Michigan, Missouri, Tennessee, and Wisconsin.

[24] DemographicsNow

- Gaming participation rate at 38.8 percent of the overall Illinois adult population (varying by ZIP Code) when calibrating the model to recent, actual casino operating results:
    - Adult population within a 20-minute drive-time to any casino may have estimated gaming participation rate of 40 percent (maximum).
    - Adult population beyond a 20-minute drive-time to any casino is adjusted by the gravity model/effect and is at 14.2 percent (minimum) when a boundary is extended to a two-hour drive-time from any casino location.
- Average casino gambler value at $829 per year (or an average of 12 visits annually at $69 in GGR per visit; or an average of nine visits annually at $92 in GGR per visit; or an average of six visits annually at $138 in GGR per visit; or three visits annually at $276 in GGR per visit, etc.) when calibrating the model to recent, actual casino operating results for Illinois and/or select casinos/markets nearby to Illinois:
    - Average GGR per casino gambler value adjusted to $907 for year ending 2016 based upon forecasted inflationary growth, or growth in the core consumer price index for all urban consumers.[25]
- Existing casinos in neighboring states at status-quo size and scope through 2016, while material changes to competitive landscape (outside of Illinois) would include a casino opening in Cape Girardeau, MO, this year.
- New casinos in Illinois do not include incorporated/adjacent hotels; while existing casinos do not add hotel rooms.

Additional assumptions in our modeling impacting GGR results (which may not be specific to gravity modeling) include:

- GGR contribution from hotel guests (applicable to seven of 10 existing casinos in Illinois):
    - 90 percent annual occupancy with an average of 1.5 guests per occupied room.
    - Average room night contributes $219 in GGR in 2016 ($200 at current levels) – this is an average GGR per hotel guest of $142 per room night.
    - We assume that the mix of hotel guests is incremental to normal drive-in demand for local adults and/or is from hotel guests residing beyond a two-hour drive from an Illinois casino.

[25] The U.S. Congressional Budget Office projects growth in core consumer price index for all urban consumers of 6.9 percent from 2011 to 2015, or 1.7 percent annually"; *The Budget and Economic Outlook: Fiscal Years 2011 to 2021,* January 2011.

Taxes and License Fees, Monies Diverted to Purses

In Illinois, the current GGR tax is applied under a graduated structure to total GGR, while a proposed GGR tax (with casino expansion being approved) would continue under a graduated structure, albeit with revised rates applicable to type of GGR, either slots or table games. The current tax schedule, along with the proposed schedule (per documents received from Client), is shown in following table.

Figure 18: Illinois GGR tax schedule, current and proposed

GGR Tax	Current	Proposed	
Graduated by GGR Range ($M)	Applicable to total GGR	Applicable to Table Games Revenue	Applicable to Slot Revenue
$0-$25	15.0%	10.0%	10.0%
$25-$50	22.5%	17.5%	17.5%
$50-$70	27.5%	22.5%	22.5%
$70-$75	27.5%	22.5%	16.0%
$75-$100	32.5%	27.5%	16.0%
$100-$150	37.5%	32.5%	16.0%
$150-$200	45.0%	35.0%	16.0%
$200-$300	50.0%	40.0%	16.0%
$300-$350	50.0%	30.0%	16.0%
$350+	50.0%	20.0%	16.0%

Source: Illinois Gaming Board, Senate Bill 1849

Under the proposed legislation, the six racetrack locations that may add slots would be subject to this tax schedule, albeit based on GGR net of monies diverted to purses. As such, total GGR (or total slot revenue) generated at a racetrack location would be subject to graduated allocations for the purse account at host racetrack in the amount of 12.75 percent of the first $75 million of GGR, 20 percent of GGR ranging from $75 million to $100 million, 26.5 percent of GGR ranging from $100 million to $125 million, and 20.5 percent on any GGR exceeding $125 million. GGR net of these monies is then subject to the GGR tax.

The admission tax would remain the same under both tax structures. Currently, the admission tax is set at $3 per admission[26] for nine of the 10 casinos (Jumer's Rock Island is the exception at $2). It is our understanding, per documentation received from the Client, that these rates will remain intact and will also be applicable to all potential, new casinos through 2016.

Additionally, existing casinos that choose to add gaming positions (within specific parameters) as well as potential new casinos would be subject to an initial fee per new, or added, gaming position. Additional gaming positions (above 1,200 for existing casinos) and new gaming positions at locations in Cook County would be assessed an initial fee of $25,000 per gaming position, while those elsewhere in the state would be assessed at $12,500 per gaming position. Furthermore, new casinos would be subject to a $100,000 initial (and upon renewal) license fee.

[26] From the $3 admission tax, $2 goes to the state and $1 to the host municipality or county.

Finally, while not fully illustrated in this report, several types of reconciliation payments may be incurred for existing casinos that expand and for all new casinos in Illinois. Per documentation received from Client, these payments (as applicable) do not apply until four years after added or new gaming positions become operational. Hence, per assumptions and scope outlined in this report, a four-year window would not occur prior to 2016 from added or new gaming positions becoming operational in Illinois. However, to effectively illustrate the magnitude of potential reconciliation payments we apply methodology (to determine reconciliation payments) to applicable GGR within range of years of our projections in our report (i.e., through 2016, which may depict conservative estimates).

Gaming Participation Rate

As noted, we assume that the gaming participation rate for Illinois adults is currently at 38.8 percent of the adult population (adults patronizing either casinos in Illinois or casinos in nearby states). Our modeling indicates that with expansion of gaming in Illinois (excluding VGTs) this figure would increase to 39.3 percent. This figure is based upon our analysis of the existing, but limited, data available nationwide, or with respect to Illinois and calibration of gravity model to gaming results/participation in neighboring states.

According to the American Gaming Association's 2011 *State of the States* survey, 31 percent of the US adult population visited a casino during 2010, totaling approximately 68 million people.[27] However, the same survey shows that only 25 percent of the US adult population actually gambled at a casino during 2010, down from 28 percent in 2009.[28]

While sampling errors in such surveys can account for such deviations, historically, the published US gaming participation rate has deviated little over the past six years, averaging 26 percent of the US adult population (with an annual minimum to maximum range of 25 percent to 28 percent), as shown in the following table:

Figure 19: US gaming participation rate (2005-10)

Year	Gamers (millions)	Participation Rate
2005	52.8	25%
2006	56.2	26%
2007	54.5	25%
2008	54.6	25%
2009	61.7	28%
2010	54.8	25%
6-Year Avg.	*55.8*	*26%*

Source: American Gaming Association

[27] "2011 State of the States: The AGA Survey of Casino Entertainment," American Gaming Association.

[28] Ibid.

We also note that the participation rates have remained relatively constant despite the onset of a major recession that dominated the latter half of this six-year span. We believe, and our modeling indicates, that the gaming participation rate for Illinois adults gambling at casinos in Illinois or in nearby states exceeds the national average gaming participation rate – due to the two-decade presence of casinos within Illinois and the abundance of casino locations nearby to Illinois (in all directions).

According to the *Harrah's Survey, Profile of the American Casino Gambler* from 2006 (the last year published), Illinois was the third-highest ranking state in the US in generating casino trips (behind only California and New York), while at that time the Chicago Designated Market Area ("DMA") had a gaming participation rate of nearly 30 percent. Additionally, the Chicago DMA ranked No. 3 (of all DMAs in the country) in generating casino trips, while the St. Louis DMA (including parts of Illinois) ranked 13th.

In our experience, the number of participating Illinois adults, and corresponding participation rate, would have only grown since those estimates were developed because the 2006 *Harrah's Survey* was conducted at a time of increasing casino growth throughout the country.

Based on the national average gaming participation rate and evidence from the nation's largest gaming feeder markets, coupled with our experience in many US gaming locations, we believe that an acceptable and reasonable range for the gaming participation rate for adults that live nearby to a casino, or casinos, is up to 40 percent currently and then is reduced the farther adults live from a casino or casinos (per the gravity effect).

Annual GGR per Casino Gambler

We calibrated the estimated annual GGR per casino gambler in our gravity model, as applied to Illinois, using actual casino operating results for casinos in Illinois, as well as to select casinos/markets in nearby states. Our modeling indicates an average GGR per casino gambler value applicable to Illinois is $829, in current dollars. Adjusting for inflationary pressures (based on expected increases in the consumer price index) yields a GGR per casino gambler value of $906 for year ending 2016 – which is the figure we utilize in our model to project Illinois GGR results for 2016.[29] We believe this value is a reasonable estimate, as compared to the average derived US value in recent years.

Per data assembled by Spectrum from various state agencies, along with data published by the American Gaming Association and the National Indian Gaming Commission, we have assembled nationwide casino GGR, as well as participants, over the most recent six-year period available:

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[29] The U.S. Congressional Budget Office projects growth in core consumer price index for all urban consumers of 6.9 percent from 2011 to 2015;" *The Budget and Economic Outlook: Fiscal Years 2011 to 2021*, published January 2011.

Figure 20: US casino GGR, visitation and annual GGR per casino gambler (2005-10)

- Year	Commercial	Native American	GGR (millions) Total	Gamers (millions)	GGR / Gamer
2005	$32,770	$22,579	$55,349	52.8	$1,048
2006	$35,270	$24,889	$60,159	56.2	$1,070
2007	$37,520	$26,143	$63,663	54.5	$1,168
2008	$36,220	$26,739	$62,959	54.6	$1,153
2009	$34,280	$26,482	$60,762	61.7	$985
2010	$34,600	*$26,503*	$61,103	54.8	$1,115
6-Year Avg.	***$35,110***	***$25,556***	***$60,666***	***55.8***	***$1,088***

Source: American Gaming Association, National Indian Gaming Commission, various state agencies

As illustrated, over the last six years, nationwide commercial and Native American casino GGR averaged over $60 million annually, while there were an average of 55.8 million gamers (gaming participation) annually. This yields an average GGR per gamer of $1,088 over the six-year period.

Our derived GGR per casino gambler of $829 for Illinois adults is 76 percent of the national average result between 2005 and 2010. The difference may reflect GGR leakage to other jurisdictions that are beyond the boundaries utilized in our modeling (such as GGR from Illinois adults destined for Las Vegas, Atlantic City or other destinations) or the value may be suppressed due to the types and availability of casino offerings currently existing in Illinois (i.e., riverboats and/or the majority of casinos in, and nearby to, Illinois are not destination-style resorts, they may have limited non-gaming offerings, are gaming-centric, and thus rely extensively on day-trips where GGR per casino gambler is historically less than in markets with destination-style casino resorts).

Illinois publicly reports casino admission figures, along with GGR, by casino. Dividing GGR by number of casino admissions results in GGR per admission. Collectively, the GGR per admission for Illinois in 2011 was $100. These results, by state, are shown in the following table.

Figure 21: IL GGR, admissions and average GGR per admission (2011)

Illinois GGR and Admissions (2011)	GGR ($M)	Admissions	GGR / Admission
Alton	$73.1	943,678	$77
E. Peoria	$115.5	1,206,094	$96
Rock Island	$85.8	1,332,379	$64
Hollywood Joliet	$146.4	1,411,387	$104
Metropolis	$95.8	766,604	$125
Joliet Harrah's	$223.7	1,885,716	$119
Aurora	$173.3	1,498,609	$116
E. St. Louis	$130.2	1,946,180	$67
Elgin	$257.1	1,865,402	$138
Des Plaines	We$176.8	1,945,895	$91
Grand Total/Avg.:	**$1,477.6**	**14,801,944**	**$100**
Chicagoland	*$977.3*	*8,607,009*	*$114*
Non-Chicagoland	*$500.3*	*6,194,935*	*$81*

Source: Illinois Gaming Board data

As illustrated, Illinois casinos averaged $100 in GGR per admission in 2011; however, there is considerable difference between the highest and lowest value, at $138 and $64, respectively. In our modeling, we assume that existing casinos will continue to have GGR per admission at their 2011 actual levels. We assume that new casinos will have average GGR per admission consistent with existing casinos based upon their general geographic location, either in or near Chicagoland or elsewhere in the state, or non-Chicagoland. We further assume that racetrack slots will have a discount to this value and will have average GGR per admission at 85 percent of aforementioned values (as these locations are limited to slots only), and differentiated by location (i.e. Chicagoland vs. non-Chicagoland). These assumptions for potential new casinos in Illinois are in the following table.

Figure 22: IL assumed GGR, admissions and average GGR per admission (2011)

Assumptions, Illinois Casino Performance (based on 2011)	Market	GGR / Admission
Arlington Park	Chicagoland	$97
Balmoral Park Racetrack	Chicagoland	$97
Fairmount Park	Non-Chicagoland	$69
Hawthorne Race Course	Chicagoland	$97
Maywood Park Race Track	Chicagoland	$97
Quad City Downs	Non-Chicagoland	$69
Chicago - Downtown	Chicagoland	$114
Riverboat 1 (Danville)	Non-Chicagoland	$81
Riverboat 2 (Park City)	Chicagoland	$114
Riverboat 3 (Rockford)	Chicagoland	$114
Riverboat 4 (So. Cook County)	Chicagoland	$114

Source: Spectrum Gaming Group

Comporting to our annual GGR per casino gambler value of $829 in current dollars would imply that an average casino gambler at an Illinois casino will have 8.3 visits annually ($829 annual GGR per casino gambler divided by $100 in GGR per visit/admission). Based on the highest and lowest values, implies an average casino visitation range of 6 to 13 visits annually, dependent upon casino location.

Past experience supports that range, as the number of visits increase in relation to the geographic convenience of a casino. The 2006 *Harrah's Survey* estimated the average number of visits annually to a casino was 6.1 – and we believe that this figure would have increased since then, given the continued proliferation of casino gaming throughout the country. Additionally, per a report that Spectrum prepared for the State of Connecticut in 2009, a comprehensive survey of 1,427 Connecticut residents found that the average number of casino visits per resident exceeded 12 annually.[30]

[30] "Gambling in Connecticut: Analyzing the Social and Economic Impacts," prepared for the State of Connecticut's Division of Special Revenue by Spectrum Gaming Group, June 22, 2009.

Therefore, we believe that our assumption of GGR per casino gambler (and by establishing reasonableness to number of casino visits that correspond to this value) is reasonable.

Ramp-up Period

The GGR projections herein do not include any adjustments for a ramp-up of operations. In our experience, new casinos may experience some degree of revenue ramp-up during at least their first two years of operations, when marketing initiatives and customer trial and retention contribute to early growth in the business. The first two years tend to be weaker than the third year, when operations generally stabilize and revenue growth slows to a level nearer the rate of inflation (absent significant marketing events, expansion, or competitive changes). However, the effects of a ramp-up period may be more pronounced for a new casino that enters into an area/region/market where casinos are already existing and a competitive operating environment exists (such as in certain areas of Illinois nearby to where casinos are already operating in either Illinois or neighboring states). Additionally, ramp-up periods may benefit from the installation of additional games and/or facility expansions.

To illustrate the ramp-up phenomena, Spectrum gathered GGR results from 13 casinos in the Northeast in which all opened in a 37-month span between January 2004 and February 2007. GGR results are shown in annualized amounts for successive 12-month periods measured from the first full month of each casinos operations (for example, while the racetrack slot operation in Saratoga, NY, opened in January 2004 our analysis measures its first year of operations as February 2004 through January 2005, then Year 2 captures February 2005 through January 2006, and same methodology is utilized to capture Year 3). The result set is shown in the following table:

Figure 23: Ramp-up of GGR, illustrative example

Racetrack casino Location	Open Date	Year 1 GGR ($M)	Year 2 GGR ($M)	Year 3 GGR ($M)	Year 1 % of Year 3	Year 2 % of Year 3
Saratoga NY	Jan-04	$83.5	$105.7	$118.9	70.2%	88.9%
Finger Lakes NY	Feb-04	$63.0	$73.6	$87.3	72.2%	84.3%
Fairgrounds NY	Mar-04	$34.4	$39.4	$42.0	81.9%	93.8%
Monticello NY	Jun-04	$62.8	$74.4	$71.0	88.5%	104.8%
Batavia NY	May-05	$23.1	$24.8	$30.5	75.7%	81.3%
Hollywood ME	Nov-05	$36.5	$43.5	$50.0	73.0%	87.0%
Tioga NY	Jul-06	$41.6	$45.2	$48.6	85.6%	93.0%
Empire City NY	Oct-06	$364.1	$481.4	$531.6	68.5%	90.6%
Vernon NY	Oct-06	$33.4	$36.9	$36.6	91.3%	100.8%
Mohegan Sun PA	Nov-06	$176.1	$187.9	$250.2	70.4%	75.1%
Parx PA	Dec-06	$305.9	$400.6	$439.1	69.7%	91.2%
Harrah's PA	Jan-07	$329.5	$369.7	$375.8	87.7%	98.4%
Presque Isle PA	Feb-07	$172.2	$182.4	$186.3	92.4%	97.9%
Average		**$132.8**	**$158.9**	**$174.5**	**76.1%**	**91.1%**

Source: Pennsylvania Gaming Control Board, New York Lottery, Maine Department of Public Safety, Spectrum Gaming Group

As illustrated, the average result for the 13 casinos indicates that the first-year GGR from a new casino is 76.1 percent of the third-year GGR result, while the second-year GGR from a new casino is 91.1 percent of the third-year GGR result. We note that first-year GGR was less than third-year GGR for all 13 casinos in our example, while second-year GGR was less than third-year GGR for 11 of the 13 casinos in our example (or 85 percent of sample).

For purposes of this report, Spectrum focused on a presumed Year 3 set of revenue projections, which would typically follow any ramp-up. We do not, of course, know if any or all of the casinos would open within the same calendar year. In fact, there would likely be significant staggering in opening dates, meaning that some properties would be in or near Year 3 while others are in Year 1. Therefore, in keeping with a principle of being conservative, we are projecting Year 1, but we still need to make it clear that a ramp-up period for gaming properties can be expected.

Illinois GGR and Related Projections – No Gaming Expansion

The following table shows our GGR and related projections for Illinois resulting from our gravity modeling (2012-16) under the assumptions identified within this report, while 2011 are actual figures per the IGB. Forward-looking projections are based upon the existing 10 casinos with continued operations through 2016 and no casino expansion activities occurring in Illinois.

Figure 24: IL GGR and related tax projections, no expansion (2011-16)

Illinois Casinos ($M)	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 – GGR	$1,477.6	*$1,477.6*	*$0.0*	*$0.0*
2012 – GGR	$1,716.8	*$1,716.8*	*$0.0*	*$0.0*
2013 – GGR	$1,737.6	*$1,737.6*	*$0.0*	*$0.0*
2014 – GGR	$1,778.2	*$1,778.2*	*$0.0*	*$0.0*
2015 – GGR	$1,822.6	*$1,822.6*	*$0.0*	*$0.0*
2016 – GGR	$1,872.0	*$1,872.0*	*$0.0*	*$0.0*
2011 - Tax (GGR+Admission)	$489.6	*$489.6*	*$0.0*	*$0.0*
2012 - Tax (GGR+Admission)	$613.9	*$613.9*	*$0.0*	*$0.0*
2013 - Tax (GGR+Admission)	$625.2	*$625.2*	*$0.0*	*$0.0*
2014 - Tax (GGR+Admission)	$644.3	*$644.3*	*$0.0*	*$0.0*
2015 - Tax (GGR+Admission)	$665.3	*$665.3*	*$0.0*	*$0.0*
2016 - Tax (GGR+Admission)	$688.7	*$688.7*	*$0.0*	*$0.0*
2011 - Effective Tax Rate (to GGR)	33.1%	*33.1%*	*n/a*	*n/a*
2012 - Effective Tax Rate (to GGR)	35.8%	*35.8%*	*n/a*	*n/a*
2013 - Effective Tax Rate (to GGR)	36.0%	*36.0%*	*n/a*	*n/a*
2014 - Effective Tax Rate (to GGR)	36.2%	*36.2%*	*n/a*	*n/a*
2015 - Effective Tax Rate (to GGR)	36.5%	*36.5%*	*n/a*	*n/a*
2016 - Effective Tax Rate (to GGR)	36.8%	*36.8%*	*n/a*	*n/a*

Source: Illinois Gaming Board, Spectrum Gaming Group

As illustrated, we project that the existing 10 casinos may have the ability to generate nearly $1.9 billion in GGR with a corresponding $689 million in GGR taxes and admission taxes in 2016, absent any casino expansion. This is growth, from current levels, principally fueled by population growth, inflationary adjustments, as well as with full years of operations at Rivers.

For 2011, Illinois casinos had GGR of $1.477 billion with a corresponding $489 million in GGR taxes and admission taxes (an effective rate to GGR of 33 percent). Therefore, in 2016 our modeling indicates that the 10 existing casinos would generate $394 million more in GGR and $199 million more in related taxes than they did last year, increases of 27 percent and 41 percent, respectively.

The following table shows the projected GGR taxes and admission taxes separately for 2012 through 2016, while preliminary figures from IGB are shown for 2011.

Figure 25: IL GGR taxes and admission tax projections, no expansion (2011-16)

Illinois Casinos ($M)	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 - Tax (GGR)	$445.2	*$489.6*	*$0.0*	*$0.0*
2012 - Tax (GGR)	$563.0	*$563.0*	*$0.0*	*$0.0*
2013 - Tax (GGR)	$573.7	*$573.7*	*$0.0*	*$0.0*
2014 - Tax (GGR)	$591.7	*$591.7*	*$0.0*	*$0.0*
2015 - Tax (GGR)	$611.4	*$611.4*	*$0.0*	*$0.0*
2016 - Tax (GGR)	$633.2	*$633.2*	*$0.0*	*$0.0*
2011 - Tax (Admission)	$44.4	*$0.0*	*$0.0*	*$0.0*
2012 - Tax (Admission)	$50.9	*$50.9*	*$0.0*	*$0.0*
2013 - Tax (Admission)	$51.5	*$51.5*	*$0.0*	*$0.0*
2014 - Tax (Admission)	$52.7	*$52.7*	*$0.0*	*$0.0*
2015 - Tax (Admission)	$54.0	*$54.0*	*$0.0*	*$0.0*
2016 - Tax (Admission)	$55.4	*$55.4*	*$0.0*	*$0.0*

Source: Illinois Gaming Board, Spectrum Gaming Group

The following tables shows our projected daily GGR per gaming position values, along with total slot and table games revenue, for 2012-16 based on aforementioned assumption set, while actual figures are shown for 2011.

Figure 26: IL GGR related metrics, no expansion (2011-16)

Illinois Casinos	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 - GGR / Position / Day	$332	*$332*	*n/a*	*n/a*
2012 - GGR / Position / Day	$361	*$361*	*n/a*	*n/a*
2013 - GGR / Position / Day	$365	*$365*	*n/a*	*n/a*
2014 - GGR / Position / Day	$374	*$374*	*n/a*	*n/a*
2015 - GGR / Position / Day	$383	*$383*	*n/a*	*n/a*
2016 - GGR / Position / Day	$394	*$394*	*n/a*	*n/a*
2011 - Slot Rev. ($M)	$1,271.9	*$1,271.9*	*$0.0*	*$0.0*
2012 - Slot Rev. ($M)	$1,457.4	*$1,457.4*	*$0.0*	*$0.0*
2013 - Slot Rev. ($M)	$1,474.9	*$1,474.9*	*$0.0*	*$0.0*
2014 - Slot Rev. ($M)	$1,509.6	*$1,509.6*	*$0.0*	*$0.0*
2015 - Slot Rev. ($M)	$1,547.6	*$1,547.6*	*$0.0*	*$0.0*
2016 - Slot Rev. ($M)	$1,589.7	*$1,589.7*	*$0.0*	*$0.0*
2011 - Table Games Rev. ($M)	$205.7	*$205.7*	*$0.0*	*$0.0*
2012 - Table Games Rev. ($M)	$259.5	*$259.5*	*$0.0*	*$0.0*
2013 - Table Games Rev. ($M)	$262.7	*$262.7*	*$0.0*	*$0.0*
2014 - Table Games Rev. ($M)	$268.6	*$268.6*	*$0.0*	*$0.0*
2015 - Table Games Rev. ($M)	$275.1	*$275.1*	*$0.0*	*$0.0*
2016 - Table Games Rev. ($M)	$282.2	*$282.2*	*$0.0*	*$0.0*

Source: Illinois Gaming Board, Spectrum Gaming Group

Our modeling indicates that the gaming participation rate, to the 10 existing casinos, would remain fairly constant at 38.8 percent between 2012 and 2016 with no casino expansion. Additionally, our modeling indicates that approximately 84 percent of GGR to the existing Illinois casinos would be generated by Illinois adults. This information is illustrated by year in the following table.

Figure 27: IL gaming participation and GGR contribution, no expansion (2012-16)

Illinois Casinos	IL Gaming Participation Rate	% of GGR from IL adults staying in IL	GGR to IL casinos from IL adults	GGR to IL casinos from non-IL adults
2012	38.8%	83.7%	$1,437.5	$279.3
2013	38.8%	84.2%	$1,462.4	$275.3
2014	38.8%	84.1%	$1,496.3	$281.9
2015	38.8%	84.1%	$1,533.5	$289.2
2016	38.8%	84.1%	$1,574.9	$297.1

Source: Spectrum Gaming Group

Illinois GGR and Related Projections – with Gaming Expansion

The following summarizes our assumed expansions activities incorporated into our modeling under this scenario of GGR and related projections:

- Hotel rooms at existing casinos at status quo.
- New casinos/slot operations (at six racetracks, one land-based in Chicago, and four additional riverboats) do not have integrated hotels.
- Land-based casino in Chicago would have 4,000 gaming positions per IGB calculation; in our modeling we assume this to be 3,750 slots and 125 table games (per our methodology this is an 83 percent to 17 percent split of slots/table games).
- New riverboat casinos would have 1,600 gaming positions per IGB calculation; in our modeling we assume this to be 1,500 slots and up to 50 table games (per our methodology this is an 83 percent to 17 percent split of slots/table games).[31]
- Assume that existing casinos having less than 95 percent of authorized gaming positions would forfeit opportunity to expand to 1,600 total gaming positions (i.e., Alton and Rock Island). We also assume that Metropolis and Peoria would forfeit opportunity to expand further, as this would dilute daily GGR per position values to well-below $200 in 2012 (i.e., diminishing returns).
- Six of 10 existing casinos would expand to maximum authorized gaming positions (at a maximum of 1,600 per IGB calculation). However, since we assume four existing casinos

[31] Per IGB calculation 1,500 slots equates to 1,350 gaming positions and 50 table games at an average of 5 gaming positions each (assumes no craps tables) equates to 250 gaming positions – grand total of 1,600 gaming positions (1,350 + 250 = 1,600 gaming positions). Under Spectrum methodology there are 1,800 gaming positions, of which 83 percent (or 1,500) are slots.

would forfeit opportunity to expand further, there would still be 1,600 gaming positions available for distribution by IGB.

- Assume that five of six existing casinos eligible for the additional 1,600 gaming positions (per last bullet point) would each receive an equal amount, or 320 gaming positions each (while East St. Louis location would not expand further beyond 1,600 gaming positions).
- Ultimately, of the 16,000 gaming positions available to existing 10 casinos there would be 15,756 utilized (shortage due to Alton and Rock Island currently well below 1,200 and this shortage, from authorized amount, cannot be redistributed per our understanding of proposed legislation provided by the Client).

The following table shows our GGR and related tax projections for Illinois resulting from our gravity modeling under the assumptions identified within this report for 2012-16, while 2011 actual results are also shown. Forward-looking years are based upon the existing 10 casinos (six of the 10 adding gaming positions), along with 11 new casinos coming online in Illinois in 2014 and 2015. Additionally, effective in 2013, a proposed GGR tax schedule is implemented and applicable to existing casino operators, as well as potential casino operators in future years.

Figure 28: IL GGR and related tax projections, with expansion (2011-16)

Illinois Casinos ($M)	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 - GGR	$1,477.6	*$1,477.6*	*$0.0*	*$0.0*
2012 - GGR	$1,716.8	*$1,716.8*	*$0.0*	*$0.0*
2013 - GGR	$2,009.7	*$2,009.7*	*$0.0*	*$0.0*
2014 - GGR	$2,416.0	*$1,761.7*	*$654.2*	*$0.0*
2015 - GGR	$3,199.9	*$1,455.1*	*$482.4*	*$1,262.3*
2016 - GGR	$3,284.7	*$1,495.3*	*$493.5*	*$1,295.9*
2011 - Tax (GGR+Admission)	$489.6	*$489.6*	*$0.0*	*$0.0*
2012 - Tax (GGR+Admission)	$613.9	*$613.9*	*$0.0*	*$0.0*
2013 - Tax (GGR+Admission)	$538.0	*$538.0*	*$0.0*	*$0.0*
2014 - Tax (GGR+Admission)	$595.4	*$457.4*	*$138.0*	*$0.0*
2015 - Tax (GGR+Admission)	$782.5	*$348.0*	*$89.8*	*$344.7*
2016 - Tax (GGR+Admission)	$809.2	*$361.3*	*$92.6*	*$355.3*
2011 - Effective Tax Rate (to GGR)	33.1%	*33.1%*	*n/a*	*n/a*
2012 - Effective Tax Rate (to GGR)	35.8%	*35.8%*	*n/a*	*n/a*
2013 - Effective Tax Rate (to GGR)	26.8%	*26.8%*	*n/a*	*n/a*
2014 - Effective Tax Rate (to GGR)	24.6%	*26.0%*	*21.1%*	*n/a*
2015 - Effective Tax Rate (to GGR)	24.5%	*23.9%*	*18.6%*	*27.3%*
2016 - Effective Tax Rate (to GGR)	24.6%	*24.2%*	*18.8%*	*27.4%*

Source: Illinois Gaming Board, Spectrum Gaming Group

As illustrated, we project that the existing 10 casinos, coupled with 11 new casinos, in Illinois may have the ability to generate nearly $3.3 billion in GGR, with a corresponding $809 million in related GGR taxes and admission taxes in 2016.[32]

[32] The reduction in GGR taxes and admission taxes for existing casinos (comparing 2016 to 2011) is primarily due to implementation of revised graduated GGR tax structure per proposed legislation.

For year ended 2011, Illinois casinos had GGR of $1.477 billion, with a corresponding $489 million in GGR taxes and admission taxes (an effective rate to GGR of 33 percent). Therefore, in 2016 our modeling indicates that 21 casinos in Illinois would generate $1.8 billion more in GGR and $320 million more in related GGR taxes and admission taxes than they did last year, increases of 122 percent and 65 percent, respectively.

The following table shows the projected GGR taxes and admission taxes separately for 2012-16, along with preliminary figures from IGB for 2011.

Figure 29: IL GGR taxes and admission tax projections, with expansion (2011-16)

Illinois Casinos ($M)	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 - Tax (GGR)	$445.2	*$489.6*	*$0.0*	*$0.0*
2012 - Tax (GGR)	$563.0	*$563.0*	*$0.0*	*$0.0*
2013 - Tax (GGR)	$478.4	*$478.4*	*$0.0*	*$0.0*
2014 - Tax (GGR)	$521.8	*$404.9*	*$116.9*	*$0.0*
2015 - Tax (GGR)	$686.8	*$304.1*	*$74.0*	*$308.7*
2016 - Tax (GGR)	$711.0	*$316.2*	*$76.5*	*$318.3*
2011 - Tax (Admission)	$44.4	*$0.0*	*$0.0*	*$0.0*
2012 - Tax (Admission)	$50.9	*$50.9*	*$0.0*	*$0.0*
2013 - Tax (Admission)	$59.6	*$59.6*	*$0.0*	*$0.0*
2014 - Tax (Admission)	$73.6	*$52.5*	*$21.1*	*$0.0*
2015 - Tax (Admission)	$95.7	*$43.9*	*$15.8*	*$35.9*
2016 - Tax (Admission)	$98.2	*$45.1*	*$16.1*	*$36.9*

Source: Illinois Gaming Board, Spectrum Gaming Group

Of the combined GGR taxes and admission taxes, the following table shows estimated amounts of GGR taxes and admission taxes going to either the State Gaming Fund ("SGF") or the Capital Projects Fund ("CPF") versus amounts reimbursed for local share(s).[33] Figures for 2011 are from preliminary IGB reports, while 2012-16 figures are per our projections.

Figure 30: IL GGR taxes, admission tax projections – state vs. local, with expansion (2011-16)

Illinois Casinos ($M)	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 - SGF/CPF (GGR + Admission)	$400.8	*$400.8*	*$0.0*	*$0.0*
2012 - SGF/CPF (GGR + Admission)	$510.6	*$510.6*	*$0.0*	*$0.0*
2013 - SGF/CPF (GGR + Admission)	$417.2	*$417.2*	*$0.0*	*$0.0*
2014 - SGF/CPF (GGR + Admission)	$449.6	*$351.3*	*$98.3*	*$0.0*
2015 - SGF/CPF (GGR + Admission)	$590.2	*$260.2*	*$60.4*	*$269.6*
2016 - SGF/CPF (GGR + Admission)	$611.8	*$271.0*	*$62.6*	*$278.2*
2011 - Local (GGR + Admission)	$88.7	*$88.7*	*$0.0*	*$0.0*
2012 - Local (GGR + Admission)	$103.2	*$103.2*	*$0.0*	*$0.0*
2013 - Local (GGR + Admission)	$120.8	*$120.8*	*$0.0*	*$0.0*
2014 - Local (GGR + Admission)	$145.8	*$106.0*	*$39.7*	*$0.0*
2015 - Local (GGR + Admission)	$192.3	*$87.8*	*$29.4*	*$75.1*
2016 - Local (GGR + Admission)	$197.4	*$90.3*	*$30.1*	*$77.1*

Source: Illinois Gaming Board, Spectrum Gaming Group

[33] Per copy of proposed legislation provided by Client amounts deposited into Capital Projects Fund (which is State share for existing and/or new casinos in Illinois). We estimate 5 percent of GGR for this fund and $2 per admission, with exception of Jumer's Rock Island at $1 per admission.

Under this scenario (expansion with slots at racetracks) we project the six racetrack locations could generate nearly $80 million in monies diverted to purses annually in 2015 and 2016 from slots (while 2014 is a greater amount due to no competition from land-based casino in Chicago and four new riverboats in Illinois). Based on proposed legislation, total GGR (or total slot revenue) generated at racetrack locations would be subject to graduated allocations for the purse account at host racetrack in the amount of 12.75 percent of the first $75 million of GGR, 20 percent of GGR ranging from $75 million to $100 million, 26.5 percent of GGR ranging from $100 million to $125 million, and 20.5 percent on any GGR exceeding $125 million. GGR net of these monies is then subject to the GGR tax. Importantly, as with GGR taxes and admission taxes, these are recurring funds to benefit each of the host racetracks' horsemen's purse accounts. These figures are illustrated in the following table.

Figure 31: IL monies diverted to purses projections, with expansion (2012-16)

Illinois Casinos ($M)	Grand Total	*Existing Casinos*	*Racetrack Slots*	*Additional Casinos*
2012 - Monies Diverted to Purses	$0.0	*$0.0*	*$0.0*	*$0.0*
2013 - Monies Diverted to Purses	$0.0	*$0.0*	*$0.0*	*$0.0*
2014 - Monies Diverted to Purses	$111.7	*$0.0*	*$111.7*	*$0.0*
2015 - Monies Diverted to Purses	$77.4	*$0.0*	*$77.4*	*$0.0*
2016 - Monies Diverted to Purses	$79.6	*$0.0*	*$79.6*	*$0.0*

Source: Spectrum Gaming Group

In addition to increased GGR taxes and admission taxes from potential casino expansion activities and new monies diverted to purses from racetrack slots in Illinois, per our understanding there would be additional funds raised via license fees incurred for new or expanding casinos. As noted in our assumptions, existing casinos that choose to add gaming positions and potential new casinos would be subject to an initial fee per new, or added, gaming position. Additional gaming positions (above 1,200 for existing casinos) and new gaming positions at locations in Cook County would be assessed an initial fee of $25,000 per gaming position, while those elsewhere in the state would be assessed at $12,500 per gaming position. Furthermore, new casinos would be subject to a $100,000 initial (and upon renewal) license fee.

Based on assumption set utilized and our projections we expect total license fees, resulting from casino expansion activities in Illinois, could be $377 million. The vast majority of this amount ($375.9 million) would come from license fees on 20,149 additional gaming positions (IGB methodology) that would be subject to such fees under proposed legislation.[34] The remaining $1.1 million would be in the form of initial license fees ($100,000 per new casino location applied to 11 new casino locations). These figures by year and segmented by type of casino are illustrated in the following table.

[34] Under our assumptions, existing casinos would add 3,999 gaming positions, racetracks would add 5,750 gaming positions, and additional casinos would add 10,400 gaming positions.

Figure 32: IL license fee projections, with expansion (2012-16)

Illinois Casinos ($M)	Grand Total	Existing Casinos	Racetrack Slots	Additional Casinos
2012 - License Fees	$0.0	$0.0	$0.0	$0.0
2013 - License Fees	$59.0	$59.0	$0.0	$0.0
2014 - License Fees	$117.5	$0.0	$117.5	$0.0
2015 - License Fees	$200.5	$0.0	$0.0	$200.5
2016 - License Fees	$0.0	$0.0	$0.0	$0.0

Source: Spectrum Gaming Group

The following table summarizes our projected taxes/fees, as well as monies diverted to purses, for 2012-16 and with casino expansion activities in Illinois.

Figure 33: IL GGR-related taxes/fees/funding projections, with expansion (2012-16)

Illinois Casinos ($M)	Grand Total - GGR+Admission Taxes & License Fees	Tax (GGR+Admission)	License Fees	Monies Diverted to Purses
2012	$613.9	$613.9	$0.0	$0.0
2013	$597.0	$538.0	$59.0	$0.0
2014	$712.9	$595.4	$117.5	$111.7
2015	$983.0	$782.5	$200.5	$77.4
2016	$809.2	$809.2	$0.0	$79.6
Cumulative 2012-16	*$3,715.9*	*$3,339.0*	*$377.0*	*$268.6*

Source: Spectrum Gaming Group

As illustrated, over the five-year period we project $3.7 billion could be generated from GGR taxes and admission taxes and license fees coming from certain existing casinos expanding and 11 new casino locations. Beyond this $3.7 billion, monies diverted to purses at six racetrack locations offering slots would be $269 million over a three-year period (2014-16).

Beyond 2016, and with casino expansion in Illinois, the proposed legislation provides for several types of reconciliation payments.[35] These are payments that would be calculated four full

[35] A mechanism to collect reconciliation payments would be applicable under proposed legislation enabling casino expansion (i.e., there is no provision for reconciliation payments absent casino expansion). Reconciliation payments would be calculated four years after an existing casino expands (beyond 1,200 gaming positions) or four years after a new casino or racetrack slots location becomes operational in Illinois. Reconciliation payments would be based on a variety of factors, primarily on new or incremental GGR generated and new gaming positions created via the proposed legislation. Each applicable casino licensee would be required to make reconciliation payments over a period of no more than two years and installments, while these payments would be designated for, and deposited into, the Gaming Facilities Fee Revenue Fund. Per the proposed legislation:

> The Gaming Facilities Fee Revenue Fund is created as a special fund in the State treasury. The revenues in the Fund shall be used, subject to appropriation, by the Comptroller for the purpose of providing appropriations to the Illinois Gaming Board for the administration and enforcement of the Illinois Gambling Act and payment of vouchers that are outstanding for more than 60 days. Whenever practical, the Comptroller must prioritize voucher payments for expenses related to medical assistance under the Illinois Public Aid Code, the Children's Health Insurance Program Act, the Covering ALL KIDS Health Insurance Act, and the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act.

Based on the variety of methods to calculate reconciliation payments (per proposed legislation), our modeling indicates that each of the 11 new casinos and racetrack slot locations would incur a reconciliation payment, while reconciliation payments would apply to six of the 10 existing casinos.

years after expansion activities occur, by casino or racetrack slot location – but would only apply to locations that are new or expand beyond 1,200 gaming positions. Therefore, since our projections run through 2016 we cannot fully quantify what these reconciliation payments may be for racetrack slot locations or new casinos in Illinois; however, assuming that some existing operators expand as of 2013 we can project reconciliation payments for existing casinos. The proposed legislation contains a variety of methods for calculating reconciliation payments, dependent on type of operation and certain caveats. Under all circumstances, per proposed legislation, proceeds from reconciliation payments would not materialize until after 2016. The following table illustrates potential reconciliation payments based on projected GGR within our modeling (these amounts may change if GGR from years beyond 2016 are included).

Figure 34: IL potential reconciliation payment projections, with expansion (post 2016)

Illinois Casinos ($M)	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
Potential Reconciliation Payment	$1,700.2	*$330.8*	*$397.4*	*$971.9*
Less: Initial License Fee*	($532.0)	*($214.0)*	*($117.5)*	*($200.5)*
Reconciliation Payment Due	$1,168.2	*$116.8*	*$279.9*	*$771.4*

Source: Illinois Gaming Board, Spectrum Gaming Group. * - Includes credit for Rivers for $125 million original license agreement, as well as license fee applied to 100 percent of Rivers gaming positions.

As illustrated, and stemming only from GGR projections within our modeling, we project that total reconciliation payments (post 2016) may amount to nearly $1.2 billion. The vast majority, or 90 percent, of the reconciliation payments would be generated by new casinos and racetrack slots in Illinois.

The following tables shows our projected daily GGR per gaming position values, along with total slot and table games revenue, for 2012-16 based on aforementioned assumption set.

Figure 35: IL GGR related metrics, with expansion (2011-16)

Illinois Casinos	Grand Total	*Existing*	*Racetrack Slots*	*Additional Casinos*
2011 - GGR / Position / Day	$332	*$332*	*n/a*	*n/a*
2012 - GGR / Position / Day	$361	*$361*	*n/a*	*n/a*
2013 - GGR / Position / Day	$313	*$313*	*n/a*	*n/a*
2014 - GGR / Position / Day	$276	*$275*	*$280*	*n/a*
2015 - GGR / Position / Day	$246	*$227*	*$207*	*$295*
2016 - GGR / Position / Day	$252	*$233*	*$212*	*$303*
2011 - Slot Rev. ($M)	$1,271.9	*$1,271.9*	*$0.0*	*$0.0*
2012 - Slot Rev. ($M)	$1,457.4	*$1,457.4*	*$0.0*	*$0.0*
2013 - Slot Rev. ($M)	$1,693.9	*$1,693.9*	*$0.0*	*$0.0*
2014 - Slot Rev. ($M)	$2,144.8	*$1,490.5*	*$654.2*	*$0.0*
2015 - Slot Rev. ($M)	$2,768.3	*$1,234.0*	*$482.4*	*$1,051.9*
2016 - Slot Rev. ($M)	$2,841.6	*$1,268.1*	*$493.5*	*$1,079.9*
2011 - Table Games Rev. ($M)	$205.7	*$205.7*	*$0.0*	*$0.0*
2012 - Table Games Rev. ($M)	$259.5	*$259.5*	*$0.0*	*$0.0*
2013 - Table Games Rev. ($M)	$315.8	*$315.8*	*$0.0*	*$0.0*
2014 - Table Games Rev. ($M)	$271.2	*$271.2*	*$0.0*	*$0.0*
2015 - Table Games Rev. ($M)	$431.5	*$221.2*	*$0.0*	*$210.4*
2016 - Table Games Rev. ($M)	$443.2	*$227.2*	*$0.0*	*$216.0*

Source: Illinois Gaming Board, Spectrum Gaming Group

Our modeling indicates that the gaming participation rate, to 21 casinos in Illinois, would rise to 39.3 percent by 2016, from 38.8 percent currently. Additionally, our modeling indicates that over three-quarters of GGR to the Illinois casinos would be generated by Illinois adults, albeit GGR from out-of-state adults would grow by $422 million, or 151 percent, from current levels. This information is illustrated by year in the following table.

Figure 36: IL gaming participation and GGR contribution, with expansion (2012-16)

Illinois Casinos	IL Gaming Participation Rate	% of GGR from IL adults staying in IL	GGR to IL casinos from IL adults	GGR to IL casinos from non-IL adults
2012	38.8%	83.7%	$1,437.5	$279.3
2013	38.8%	83.8%	$1,684.0	$325.7
2014	38.8%	84.4%	$2,037.9	$378.0
2015	39.3%	78.7%	$2,517.6	$682.2
2016	39.3%	78.6%	$2,582.7	$702.0

Source: Spectrum Gaming Group

Illinois GGR and Related Tax Projections – Comparison with and without Expansion

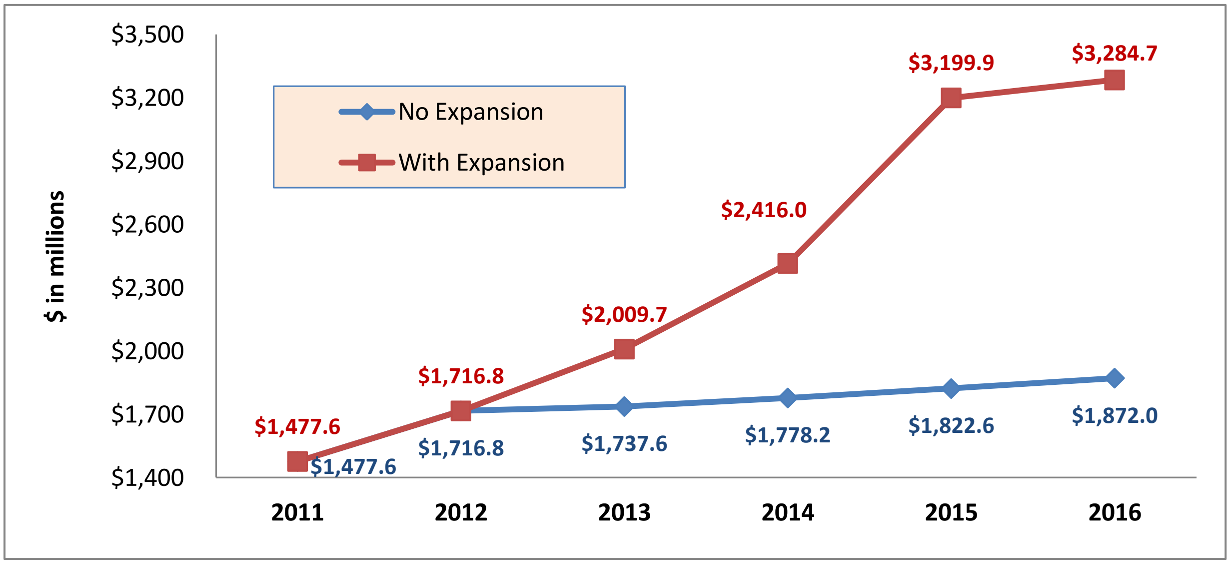
Looking at 2016 (the final year of our modeling and second full year with the full complement of expand casino activities in Illinois), with and without casino expansion activities (i.e. comparing the projections from the two scenarios presented within this report), we project that 21 casinos would yield $1.4 billion in more GGR (than absent casino expansion in 2016) resulting in additional related GGR taxes and admission taxes of $120.5 million, increases of 75.5 percent and 17.5 percent, respectively. GGR, GGR taxes and admission taxes for 2012-16, along with variances for both scenarios are illustrated in the following table.

Figure 37: IL GGR and related tax projections, comparative – with/without expansion (2012-16)

Illinois Casinos ($M)	No Expansion	With Expansion	*Variance - With vs. No Expansion*	
2012 - GGR	$1,716.8	$1,716.8	$0.0	*0.0%*
2013 - GGR	$1,737.6	$2,009.7	$272.1	*15.7%*
2014 - GGR	$1,778.2	$2,416.0	$637.7	*35.9%*
2015 - GGR	$1,822.6	$3,199.9	$1,377.2	*75.6%*
2016 - GGR	$1,872.0	$3,284.7	$1,412.8	*75.5%*
2012 - Tax (GGR+Admission)	$613.9	$613.9	$0.0	*0.0%*
2013 - Tax (GGR+Admission)	$625.2	$538.0	($87.1)	*-13.9%*
2014 - Tax (GGR+Admission)	$644.3	$595.4	($49.0)	*-7.6%*
2015 - Tax (GGR+Admission)	$665.3	$782.5	$117.1	*17.6%*
2016 - Tax (GGR+Admission)	$688.7	$809.2	$120.5	*17.5%*
2012 - Effective Tax Rate (to GGR)	35.8%	35.8%	0.0	
2013 - Effective Tax Rate (to GGR)	36.0%	26.8%	(9.2)	
2014 - Effective Tax Rate (to GGR)	36.2%	24.6%	(11.6)	
2015 - Effective Tax Rate (to GGR)	36.5%	24.5%	(12.1)	
2016 - Effective Tax Rate (to GGR)	36.8%	24.6%	(12.2)	

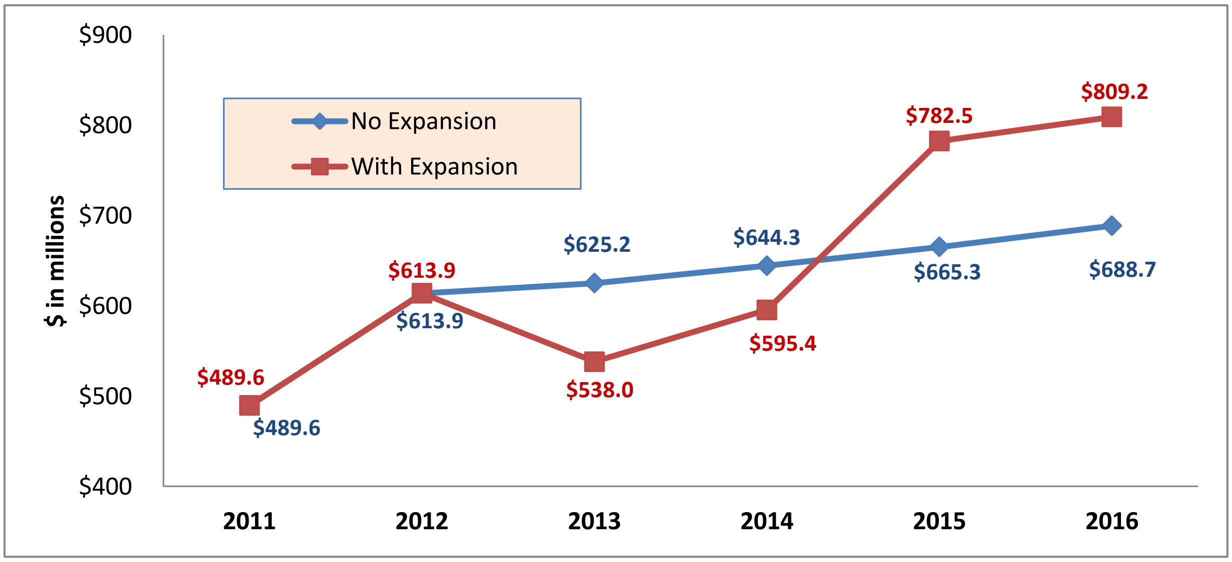
Source: Spectrum Gaming Group

Figure 38: Chart - GGR growth with and without casino expansion



Source: Spectrum Gaming Group

Figure 39: Chart – Combined GGR taxes and admission taxes with, without casino expansion



Source: Spectrum Gaming Group

On a cumulative basis (summing years 2012-16) the 10 existing casinos, without casino expansion activities occurring, may be able to generate $8.9 billion of GGR (over the five-year period) with related GGR taxes and admission taxes of $3.2 billion (an effective rate to GGR of 36.3 percent). However, on a cumulative basis, with casino activities occurring, and 21 casinos operating by 2016 our modeling indicates these casinos may have the ability to generate $12.6 billion of GGR (over the five-year period) with related GGR taxes and admission taxes of $3.3 billion (an effective tax rate to GGR of 26.4 percent).

As noted in previous section, six racetracks with slots would generate monies diverted to purses. Monies diverted to purses are funds that are in addition to aforementioned GGR taxes and admission taxes. We project these amounts to be $77.4 million and $79.6 million in 2015 and 2016, respectively; and at $111.7 million in 2014, the first year of slots at racetracks in our projections.

Also as noted in previous section, we project that total initial license fees, resulting from casino expansion activities in Illinois, could be $377 million (plus reconciliation fees being generated in future years, as noted earlier). We project that $375.9 million would come from license fees on additional gaming positions (IGB methodology) and the remaining $1.1 million would be in the form of initial license fees. Applying the reconciliation payment calculations to our GGR projections (through 2016 and per various applicable caveats within proposed legislation) yields total reconciliation payment of $1.17 billion. Therefore, $377 million in initial license fees plus our illustrative reconciliation payment of $1.17 billion equates to $1.55 billion in combined initial license fees and reconciliation payments that may occur per casino expansion in Illinois based on proposed legislation and bound by our projections.

The following tables shows our projected daily GGR per position values, along with total slot and table games revenue, for 2012-16, under each scenario (with and without expansion), along with respective variances.

Figure 40: IL GGR related metrics, comparative – with/without expansion (2012-16)

Illinois Casinos	No Expansion	With Expansion	*Variance - With vs. No Expansion*	
2012 - GGR / Position / Day	$361	$361	$0	*0.0%*
2013 - GGR / Position / Day	$365	$313	($52)	*-14.3%*
2014 - GGR / Position / Day	$374	$276	($98)	*-26.1%*
2015 - GGR / Position / Day	$383	$246	($138)	*-35.9%*
2016 - GGR / Position / Day	$394	$252	($141)	*-35.9%*
2012 - Slot Rev. ($M)	$1,457.4	$1,457.4	$0.0	*0.0%*
2013 - Slot Rev. ($M)	$1,474.9	$1,693.9	$219.0	*14.8%*
2014 - Slot Rev. ($M)	$1,509.6	$2,144.8	$635.2	*42.1%*
2015 - Slot Rev. ($M)	$1,547.6	$2,768.3	$1,220.7	*78.9%*
2016 - Slot Rev. ($M)	$1,589.7	$2,841.6	$1,251.9	*78.7%*
2012 - Table Games Rev. ($M)	$259.5	$259.5	$0.0	*0.0%*
2013 - Table Games Rev. ($M)	$262.7	$315.8	$53.1	*20.2%*
2014 - Table Games Rev. ($M)	$268.6	$271.2	$2.5	*0.9%*
2015 - Table Games Rev. ($M)	$275.1	$431.5	$156.5	*56.9%*
2016 - Table Games Rev. ($M)	$282.2	$443.2	$160.9	*57.0%*

Source: Spectrum Gaming Group

Our modeling indicates that the gaming participation rate, with 21 casinos in Illinois versus the existing 10 casinos, would increase by one-half of a percentage point by 2016. Additionally, our modeling indicates that a greater share of GGR to Illinois casinos would come from out-of-state adults with casino expansion activities occurring in Illinois, while the actual GGR contribution would increase significantly (as it would for Illinois adults, as well). This information is illustrated by year in the following table.

Figure 41: IL gaming participation and GGR contribution, variances with/without expansion (2012-16)

Illinois Casinos	IL Gaming Participation Rate	% of GGR from IL adults staying in IL	GGR to IL casinos from IL adults	GGR to IL casinos from non-IL adults
2012	0.0	0.0	$0.0	$0.0
2013	0.0	(0.4)	$221.6	$50.5
2014	0.0	0.2	$541.6	$96.1
2015	0.5	(5.5)	$984.1	$393.1
2016	0.5	(5.5)	$1,007.8	$404.9

Source: Spectrum Gaming Group

In-State vs. Out-of-State

Absent casino expansion, our modeling indicates that 2016 GGR generated by Illinois adults – in Illinois casinos – would be $1.56 billion (or 83.3 percent of our projected statewide total GGR); while the remaining $312 million would come from out-of-state adults. Under the casino-expansion scenario, our modeling for the same year indicates that GGR generated by Illinois adults in Illinois casinos would be nearly $2.6 billion (or 78.3 percent of our projected statewide total GGR); while the remaining $713 million would come from out-of-state adults. Of the $1.4 billion increase in total GGR for Illinois casinos between the two scenarios, our modeling indicates that $1 billion of this amount would come from Illinois adults, or 71.6 percent of the increase in GGR (while an incremental $402 million would come from out-of-state adults).

Of non-Illinois casinos within a reasonable two-hour drive from Illinois adults our modeling indicates that in 2016 (absent Illinois casino expansion) these Illinois adults would be exporting $1.475 billion in GGR to nearby casinos. However, with Illinois casino expansion, this figure is reduced to $831 million. Therefore, we project that Illinois casinos would recapture approximately $644 million in GGR in 2016 via casino expansion occurring (vs. status-quo). This recapture amount represents 45.6 percent of our projected total GGR increase ($1.413 billion) for Illinois casinos in 2016, between the casino expansion and no-expansion scenarios.

Market Density Analysis

To the extent that a market can continue to grow gross gaming revenue is dependent on many factors. One factor is casino competition (in-state or cross-border), as well as size, scope, and types of casinos offered. In our experience, in markets having commercial casinos (such as Illinois) free-market capitalism, or the invisible hand, aids in determining the point(s) of market saturation – while limiting factors come into play, such as legislated supply constraints that ultimately limit the size, scope, and locations of Illinois casinos.

Examining on a GGR-Per-Unit Basis

On a holistic basis (*ceteris paribus*), based on Spectrum's extensive experience analyzing, and working in, gaming markets throughout the country, we believe that an adequately supplied jurisdiction/market/casino performs at a daily win per position level in the $200 to $300 range ("reasonable range"), in current dollars. Essentially, for jurisdictions/markets/casinos where average daily GGR per position is less than $200 there exists an over-supply of gaming positions; conversely, when daily GGR per position exceeds $300 there may exist an under-supply of gaming positions.

The extent to which overall GGR growth can occur may be limited to gaming supply (or number of gaming positions) or market conditions; we deem it as rational behavior that commercial casino operators would not add gaming positions when the end result would be diminishing marginal returns beyond an acceptable point (i.e., where additional gaming supply yields less efficiency, profitability, etc., and return-on-invested capital does not justify the additional supply). This is our basis for appropriate daily GGR per position of $200 to $300 as a benchmark for recent results for casinos in Illinois.

The following table shows annualized slot and table games daily win per unit figures for the 18 states where this information in publicly available for commercial casinos for the 12-month periods ended November 2011 and November 2010. Of the 18 states where daily slot win per unit is available, Illinois ranked first in both periods, at $325 most recently compared to an average of $178 for all 18 states. Of the 12 states where table games daily win per unit is available, Illinois ranked second in both periods, at $2,106 most recently compared to an average of $1,729 for all 12 states.

Figure 42: US daily win-per-unit results (annualized through November 2011)

State	Slot Win per-unit per-day (includes reported promo credits)				Table Games Win per-unit per-day (* - includes poker)			
	LTM, Nov-11	Rank	LTM, Nov-10	Rank	LTM, Nov-11	Rank	LTM, Nov-10	Rank
Colorado	$129	16	$123	16	$728	11	$703	11
Delaware	$189	12	$205	11	$1,029	9	$1,131	8
Florida	$215	10	$180	13	n/a	n/a	n/a	n/a
Illinois*	**$325**	**1**	**$320**	**1**	**$2,106**	**2**	**$1,996**	**2**
Indiana	$284	3	$286	3	$1,551	6	$1,608	5
Iowa	$200	11	$195	12	$761	10	$726	10
Maine	$162	14	$170	14	n/a	n/a	n/a	n/a
Maryland	$188	13	$216	8	n/a	n/a	n/a	n/a
Mississippi*	$158	15	$166	15	$1,049	8	$1,095	9
Missouri	$225	9	$214	10	$1,180	7	$1,161	7
Nevada	$112	17	$109	17	$1,916	4	$1,774	4
New Jersey	$234	7	$233	6	$1,997	3	$2,209	1
New Mexico	$259	5	$252	4	n/a	n/a	n/a	n/a
New York	$271	4	$241	5	n/a	n/a	n/a	n/a
Pennsylvania	$307	2	$300	2	$2,196	1	$1,964	3
Rhode Island	$238	6	$219	7	n/a	n/a	n/a	n/a
South Dakota	$70	18	$74	18	$255	12	$249	12
West Virginia*	$229	8	$214	9	$1,740	5	$1,237	6
Average:	$178		$174		$1,729		$1,650	

Source: Spectrum Gaming Group's *US Gross Gaming Revenue Analysis*, November 2011

These results, along with our reasonable range of $200 to $300 in daily GGR per position (where Illinois was at $332 for 2011), would indicate that Illinois is currently undersupplied with respect to gaming positions.

Our current reasonable range in daily GGR per position, when adjusted for inflationary growth, yields an acceptable daily GGR per position range of $219 to $328 in 2016 dollars; we will apply this value as a benchmark to our GGR projections in 2016, under the casino expansion scenario, with Illinois having 21 casinos by 2016.

The following table shows our projected GGR, number of gaming positions, as well as daily win per position for 2012-16 under the Illinois casino expansion scenario (as presented within this report). Additionally, we segment according to geographic areas (Chicagoland vs. non-Chicagoland) and then according to casinos that are new or expanding versus any that remain at status-quo (i.e., the four that we assume will choose not to expand).

Figure 43: IL GGR, gaming positions, daily GGR per position by region (2012-16)

Illinois Casinos	Grand Total - IL	Chicagoland			Non-Chicagoland		
		Total	New or Expanding	Status-quo	Total	New or Expanding	Status-quo
2011 - Casinos	10	5	5	0	5	1	4
2016 - Casinos	21	13	13	0	8	4	4
2012 - GGR ($M)	$1,716.8	$1,207.1	$1,207.1	$0.0	$509.7	$132.4	$377.3
2013 - GGR ($M)	$2,009.7	$1,483.0	$1,483.0	$0.0	$526.7	$163.7	$363.0
2014 - GGR ($M)	$2,416.0	$1,831.3	$1,831.3	$0.0	$584.7	$220.8	$363.9
2015 - GGR ($M)	$3,199.9	$2,386.8	$2,386.8	$0.0	$813.1	$466.5	$346.6
2016 - GGR ($M)	$3,284.7	$2,447.7	$2,447.7	$0.0	$837.0	$480.6	$356.4
2012 - Gaming Positions	13,021	6,636	6,636	0	6,385	1,322	5,063
2013 - Gaming Positions	17,563	10,726	10,726	0	6,837	1,774	5,063
2014 - Gaming Positions	23,951	15,726	15,726	0	8,225	3,162	5,063
2015 - Gaming Positions	35,651	25,626	25,626	0	10,025	4,962	5,063
2016 - Gaming Positions	35,651	25,626	25,626	0	10,025	4,962	5,063
2012 - GGR / Position / Day	$361	$498	$498	n/a	$219	$274	$204
2013 - GGR / Position / Day	$313	$379	$379	n/a	$211	$253	$196
2014 - GGR / Position / Day	$276	$319	$319	n/a	$195	$191	$197
2015 - GGR / Position / Day	$246	$255	$255	n/a	$222	$257	$187
2016 - GGR / Position / Day	$252	$262	$262	n/a	$229	$265	$193

Source: Spectrum Gaming Group

As illustrated, according to overall daily win per position projected for 2012, Illinois is undersupplied with gaming positions (i.e., projected $361 in daily win per position). Collectively, the five non-Chicagoland casinos with projected $219 in daily win per position are within our defined reasonable range of $200 to $300 in daily win per position. However, we project the five Chicagoland casinos to have $361 in daily win per position in 2012, which indicates an undersupplied market.

Based on the assumed expansion scenario (and related assumptions throughout this report), our 2016 projected statewide daily win per position is $252. This value is comfortably within our established range of reasonability (i.e., $219 to $328 in daily GGR per position). With the expansion of existing casinos and new casinos (5 of the existing 10, and 8 of the 11 new casinos located in Chicagoland) overall daily win per position for 13 Chicagoland casinos is projected at $262, well within our established range of reasonability for gaming supply. Meanwhile, we project non-Chicagoland new or expanding casinos to have $265 in daily win per position, well within our established range of reasonability for gaming supply. The only grouping of casinos where our projected daily GGR per position indicates over-supply are the four non-Chicagoland casinos that do not expand per our assumptions, these remain operational, albeit at status-quo (Alton, East Peoria, Metropolis, and Rock Island).[36]

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[36] We assume existing casinos having less than 95 percent of authorized gaming positions would forfeit opportunity to expand to 1,600 total gaming positions (i.e., Alton and Rock Island). We further assume that Metropolis and Peoria would forfeit opportunity to expand further, as this would dilute daily GGR per position values to well-below $200 in 2012 (i.e., diminishing returns).

Examining on Population-Per-Gaming-Position Basis

Illinois currently has approximately 728 adult residents per gaming position (Illinois casinos). The three neighboring states with commercial casinos (Indiana, Iowa, Missouri) have an average of 159 adult residents per gaming position (while GGR is greater than in Illinois for two out of three of these states). To place this into perspective, Illinois currently has 4.6 times more adult residents per gaming position than the collective average of three surrounding states to Illinois – at current levels. If casino expansion were to occur in Illinois and total gaming positions increased to 35,651 (per Spectrum methodology), based on the current population Illinois would have approximately 266 adults per gaming position – still much higher than any of the three aforementioned surrounding states. The following table illustrates these metrics.

Figure 44: IL and some surrounding states – resident adults per gaming position

Adults per Gaming Position (2011)	Adult Population	Gaming Positions	Adults per Gaming Position
Indiana	4,652,690	27,173	171
Iowa	2,210,528	20,999	105
Missouri	4,338,435	22,293	195
Total/Avg. for IN-IA-MO:	11,201,653	70,465	159
Illinois (@ 2011 gaming positions):	**9,496,493**	**13,038**	**728**
Illinois (@ 2016 gaming positions):	**9,496,493**	**35,651**	**266**

Source: Spectrum Gaming Group

Conclusion regarding Saturation

In summary, we believe that Chicagoland currently is undersupplied with gaming positions while, collectively, the remainder of Illinois is adequately supplied or oversupplied. However, per the assumptions outlined in this report (and based upon information provided by Client) the proposed casino expansion activities in Illinois may yield an appropriate level of gaming supply for Illinois and according to location (i.e. increases in Chicagoland).

Our analysis of market density/saturation is subject to the wild card of VGTs. As discussed in the following chapter, the installation of perhaps 45,000 to 65,000 VGTs starting later this year could significantly impact any density analysis. Such a supply infusion of legal slot machines (in whatever form) could nearly sextuple the number of electronic gaming devices currently in Illinois and more than double the number under the proposed expansion scenario throughout this report. At this time, however, it is impossible to determine where and to what extent the VGTs will be installed.

Consideration of Video Gaming Terminals

This section of the report examines some of the potential impacts when retail electronic gaming devices are placed in casino jurisdictions. First, we must note that we use the term "electronic gaming devices" ("EGDs") as a catchall for slot machines, video gaming terminals ("VGTs"), video lottery terminals ("VLTs"), instant racing machines, video poker machines, etc., as they are effectively the same product from a consumer standpoint. We use the term "retail" to note their placement in retail, or non-casino, locations – most often approved liquor-licensed establishments – as well as fraternal organizations.

Illinois Gaming Supply with VGT: Potential Over-Supply of Slots

Based on our decades of experience in analyzing gaming markets worldwide, Spectrum generally considers the gaming supply to be appropriate when there are 200 to 300 adults per gaming position; fewer than 200 is approaching saturation and fewer than 100 is saturated, or oversupplied, meaning that gaming venues must rely on cannibalizing revenues from each other – rather than market expansion – to increase their market shares, unless they have developed capital investments and marketing plans designed to attract adults from distant markets. Conversely, markets with 300 or more adults per gaming position may be able accommodate more gaming devices without cannibalizing existing revenues.

Currently there are 13,021 actual gaming positions in Illinois, while the adult population is approximately 9.5 million. Based on these two figures there are approximately 730 gaming position per adult in Illinois currently – indicating an undersupply of gaming positions.[37]

Under the casino expansion scenario presented within this report, we project the potential for 35,651 actual gaming positions in Illinois by 2016, when we estimate the adult population will be approximately 9.7 million. This yields a result of 272 gaming positions per adult.

If there were 35,651 actual gaming positions in Illinois by 2016, along with between 45,000 and 65,000 VGTs, this would yield between 96 and 120 actual gaming positions per adult in Illinois. Therefore, from our experience, Illinois would have a considerable over-supply of gaming positions (at between 80,651 and 100,651 EGDs – assuming one VGT equates to one gaming position).

The results from such a massive implementation of VGTs throughout Illinois could cause meaningful declines in casino GGR, thus leading to declines in gaming taxes, admission fees, employment and prospective construction. *We must caution, however, that it is unknown at this point how many VGTs will be installed or where they will be placed. Until these factors are known, we cannot project their impacts.*

[37] We do include the adult population of neighboring states, since four of five neighboring states have casinos.

West Virginia as an Example

The only relevant example of a state adding retail EGDs in a casino state is West Virginia. Retail VLTs – called the Limited Video Lottery program ("LVL") in West Virginia – were introduced in 2001. Legislation allowing retail VLTs was aimed at eliminating "gray machines" – the video poker machines that were operating illegally in bars and convenience stores.

West Virginia's LVL law allows for up to 9,000 VLTs at liquor-licensed establishments. Bars and other licensed establishments are allowed up to five machines; fraternal organizations can get up to 10.[38] The first terminals were enabled for play on December 17, 2001. As of June 30, 2011, there were 7,576 retail VLTs in 1,559 locations across West Virginia.[39]

LVL revenue surpassed $400 million annually in fiscal years 2008 and 2009; it since leveled off and was at $397.3 million and $397.5 million the last two fiscal years, 2010 and 2011, respectively.[40] However, in relation to total VLT revenue (casino VLTs plus retail VLTs) the share of LVL revenue has grown in each year since inception.[41]

Based on $397.5 million in revenue, the 7,576 retail VLTs averaged daily win per unit of $144. Meanwhile, the casino VLTs averaged $221 in daily win per unit. Therefore, on a daily basis an average LVL in West Virginia generated 65 percent of the revenue that a VLT generated.

Applying West Virginia's Results to Illinois

The following illustrative example quantifies potential total revenue from Illinois VGTs (at current dollar levels) by applying actual West Virginia retail VLT daily win per unit results to three scenarios according to total number of VGTs that may exist in Illinois: 45,000 ("Low"), 55,000 ("Mid"), and 65,000 ("High").

Figure 45: IL VGT scenarios, metrics compared to WV

VGT Scenarios	Illinois Scenarios (based on #VGTs)			West Virginia
	LOW	*MID*	*HIGH*	*ACTUAL*
VGTs/LVLs ("Unit," "Units")	45,000	55,000	65,000	7,576
Total Population (millions)	12.9	12.9	12.9	1.9
Est. Adult Population (21+) (millions)	9.5	9.5	9.5	1.4
Total Population per Unit	286	234	198	245
Adult Population per Unit	211	173	146	184

Source: US Census Bureau, West Virginia Lottery, Spectrum Gaming Group

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[38] West Virginia Lottery

[39] Ibid.

[40] Ibid

[41] West Virginia Lottery 2003 and 2008 Annual Reports

The following table illustrates total potential revenue for Illinois VGTs based on the application of recent average West Virginia retail VLT daily win per unit. As illustrated, with reductions to Illinois casino GGR there would also be material reductions in GGR taxes and admission taxes. Under this scenario – and further assuming that casino slot revenue and VGT revenue trade-out is at a 1:1 relationship – then less revenue would be generated for the State of Illinois. The effective GGR/admission tax rate under the worst scenario depicted (slot revenue reduction 30 percent) would still yield an overall effective GGR/admission tax rate of 33.5 percent, which is greater than the tax rate that will be applied to VGT revenue (at 30 percent). However, we believe that levels of GGR reductions in these amounts would negatively impact capital spending, as well as employment levels, at existing casinos.

Figure 46: IL VGT revenue projections, based on WV average daily revenue per unit

VGT Scenarios	Illinois Scenarios (based on #VGTs)			West Virginia
	LOW	*MID*	*HIGH*	*ACTUAL*
VGTs/LVLs ("Unit," "Units")	45,000	55,000	65,000	7,576
Total Revenue (WV FY 2011, $ millions)	**$2,361.3**	**$2,886.1**	**$3,410.8**	**$397.5**
Daily win per unit (WV FY 2011)	***Assumed at WV actual level of $144***			**$144**
Rev. per Total Population	$183	$224	$265	$214
Rev. per Adult Population	$249	$304	$359	$285

Source: US Census Bureau, West Virginia Lottery, Spectrum Gaming Group

As illustrated, between 45,000 and 65,000 VGTs in Illinois may have ability to generate between $2.3 billion and $3.4 billion in annual gross revenue, based upon applying average daily revenue of $144 from the retail VLTs in West Virginia to the retail VGTs in Illinois. With regard to supplemental metrics, on a population per-unit basis, as well as revenue per population, the results indicate that Illinois would be consistent with West Virginia's experience.

Applying the most recent average LVL revenue per resident of West Virginia ($214) to Illinois total population indicates potential annual VGT revenue of $2.76 billion (in current dollars).

Figure 47: IL VGT revenue projections, based on WV average revenue per resident

VGT Scenarios	Illinois Scenarios (based on #VGTs)			West Virginia
	LOW	*MID*	*HIGH*	*ACTUAL*
VGTs/LVLs ("Unit," "Units")	45,000	55,000	65,000	7,576
Total Revenue (WV FY 2011, $M)	**$2,757.5**	**$2,757.5**	**$2,757.5**	**$397.5**
Rev. per Total Population (WV FY 2011)	***Assumed at WV actual level of $214***			**$214**
Rev. / Unit / Day (WV FY 2011)	$168	$137	$116	$144

Source: US Census Bureau, West Virginia Lottery, Spectrum Gaming Group

Applying the most recent average LVL revenue per adult resident of West Virginia ($285) to Illinois total population indicates potential annual VGT revenue of $2.7 billion (in current dollars).

Figure 48: IL VGT revenue projections, based on WV average revenue per adult

VGT Scenarios	Illinois Scenarios (based on #VGTs)			West Virginia
	LOW	*MID*	*HIGH*	*ACTUAL*
VGTs/LVLs ("Unit," "Units")	45,000	55,000	65,000	7,576
Total Revenue (WV FY 2011, $M)	**$2,711.1**	**$2,711.1**	**$2,711.1**	**$397.5**
Rev. per Adult Population (WV FY 2011)	***Assumed at WV actual level of $285***			**$285**
Rev. / Unit / Day (WV FY 2011)	$165	$135	$114	$144

Source: US Census Bureau, West Virginia Lottery, Spectrum Gaming Group

Based on West Virginia's recent LVL operating results, and recognizing similarities that may exist to the proposed structure for VGTs in Illinois (and juxtaposition with existing casinos), our aforementioned illustrative examples indicate potential annual revenue from Illinois VGTs at an expected range of $2.7 billion to $2.9 billion (the mid-points from the three examples).

Illustrative Impact of VGTs on Casino Slot Revenue

Here we provide illustrative examples of the potential impact from VGTs (unknown locations and quantity) on our projected casino/racetrack slots GGR in 2016, under both the status quo and casino-expansions scenarios presented within this report. Our primary assumption in the illustrative examples is that VGTs would reduce slot revenue at Illinois casinos and by three distinct amounts – 10 percent, 20 percent and 30 percent in all years (while table games revenue would remain unchanged).

With the existing 10 casinos, and absent casino expansion, the following schedule shows projected GGR, GGR taxes and admission taxes at the 2016 level, along with aforementioned reductions from potential VGTs in Illinois.

Figure 49: Illustrative impact of VGTs on casino GGR and taxes, no expansion (2016)

Illinois Casinos ($M)	Grand Total	*10% Reduction in GGR*	*20% Reduction in GGR*	*30% Reduction in GGR*
2016 – GGR	$1,872.0	*$1,713.0*	*$1,554.0*	*$1,395.1*
2016 - Tax (GGR+Admission)	$688.7	*$613.5*	*$539.7*	*$467.5*
2016 - Effective Tax Rate (to GGR)	36.8%	*35.8%*	*34.7%*	*33.5%*
2016 - Monies Diverted to Purses	$0.0	*$0.0*	*$0.0*	*$0.0*
2016 - Slot Rev.	*$1,589.7*	*$1,430.8*	*$1,271.8*	*$1,112.8*

Source: Spectrum Gaming Group

As illustrated, with reductions to GGR there would also be material reductions in GGR taxes and admission taxes. Under this scenario – and further assuming that the casino slot revenue and VGT revenue trade-out is at a 1:1 relationship – then less revenue would be generated for the State of Illinois. The effective GGR/admission tax rate under the worst scenario depicted (slot revenue reduction 30 percent) would still yield an overall effective combined GGR/admission tax rate of 33.5 percent, which is greater than the tax rate that will be applied to VGT revenue (at 30 percent). However, we believe that levels of GGR reductions in these amounts would negatively impact capital spending, as well as employment levels, at existing casinos.

With the existing 10 casinos and casino expansion(s) in Illinois (a total of 21 casinos), the following schedule shows projected GGR, GGR taxes and admission taxes at the 2016 level, along with aforementioned reductions from potential VGTs in Illinois.

Figure 50: IL – Illustrative impact of VGTs on GGR, taxes, and monies diverted to purses, with gaming expansion (2016)

Illinois Casinos ($M)	Grand Total	*10% Reduction in GGR*	*20% Reduction in GGR*	*30% Reduction in GGR*
2016 - GGR	$3,284.7	*$3,000.6*	*$2,716.4*	*$2,432.3*
2016 - Tax (GGR+Admission)	$809.2	*$716.7*	*$626.7*	*$535.1*
2016 - Effective Tax Rate (to GGR)	24.6%	*23.9%*	*23.1%*	*22.0%*
2016 - Monies Diverted to Purses	$79.6	*$68.8*	*$57.2*	*$47.4*
2016 - Slot Rev.	*$2,841.6*	*$2,557.4*	*$2,273.3*	*$1,989.1*

Source: Spectrum Gaming Group

As illustrated, with reductions to GGR there would also be material reductions in GGR taxes and admission taxes, as well as monies diverted to purses (while we assume licensing fees would remain unchanged). Under this scenario – and further assuming that casino slot revenue and VGT revenue trade-out is at a 1:1 relationship – then less revenue would be generated for IGB. The effective combined GGR/admission tax rate under all scenarios depicted would yield an overall effective combined GGR/admission tax rate between 22 and 24 percent, which is much less than the tax rate that will be applied to VGT revenue (at 30 percent). However, we believe that levels of GGR reductions in these amounts would negatively impact capital spending, as well as employment levels, at existing casinos. Furthermore, under this particular scenario some, or all, of the potential expansion plans for existing casinos or development of new casinos may be reconsidered.

As noted, however, it is unknown how many VGTs will be installed and where they will be placed. If municipalities close to casinos (existing or potentially future) opt out of allowing VGTs, the impacts on casino GGR would be lessened.

Jobs and Wages: Direct and Construction

In this chapter, we project the number of operations and construction jobs, along with the corresponding wages, that would result from the casino expansion scenario used throughout this report. It is important to note that we assume that there would be no additional operations or construction jobs under the status quo scenario.

Direct

To forecast the number of direct jobs for each property, we considered the number of slots and tables being added, along with the types of amenities we assumed would be added under our minimum construction models (see "Construction" section below). We then applied commonly used industry operating standards for number of positions needed based on a review of various properties in multiple jurisdictions. We assumed minimum staffing levels in all cases, as we believe other Illinois operators are doing in practice. The numbers in the forecast are full-time equivalents ("FTEs"), so the actual number of people employed would be higher due to a certain percentage of them being part time employees. We assumed no decrease in staffing at four existing casinos whose revenue we have projected to decrease slightly as a result of expansion, as we have not projected any decrease in their number of gaming positions or other amenities.

We calculated total wages by using the mean annual salary for each position as listed on the US Department of Labor, Bureau of Labor Statistics, and Occupational Employment Statistics website for the State of Illinois.[42]

We determined that, at a minimum, the 21 casinos and racetrack slot operations would generate 9,751 FTEs, with total wages of $322.6 million and a weighted average annual wage of $33,086; all wage figures are exclusive of dealer tips. The racetrack slots would be responsible for 2,723 of the jobs and $94.7 million of the wages, at an average annual wage of $34,793.

The following table (over three pages) provides the additional property jobs and wages that would be created with casino expansion.

[42] Bureau of Labor Statistics, May 2010 State Occupational Employment and Wage Estimates. http://www.bls.gov/oes/current/oes_il.htm

Figure 51: Projected statewide full-time-equivalent jobs and wages, by type, with casino expansion

Job	Est. Full-time Equivalents	Illinois Mean Hourly Rate	Illinois Annual Rate	Illinois Total Wages
Slot Service Attendants	222	$12.62	$26,250	$5,831,835
Slot Technical	99	$16.46	$34,237	$3,384,821
Slot Supervisory	44	$18.74	$38,979	$1,715,085
Slot Shift Manager	16	$39.51	$82,181	$1,314,893
Exec Director Slot Operations	10	$54.30	$112,944	$1,129,440
Tables	1,904	$14.89	$30,971	$58,969,165
Tables Supervisory	476	$27.43	$57,054	$27,157,894
Table Games Shift Manager	20	$39.51	$82,181	$1,643,616
Executive Director Table Games	5	$54.30	$112,944	$564,720
Casino Cashiering	168	$12.62	$26,250	$4,409,933
Casino Credit Clerks	5	$12.62	$26,250	$131,248
Cashiering Supervisors	40	$27.43	$57,054	$2,282,176
Casino Cashiering Shift Manager	14	$39.51	$82,181	$1,150,531
Count Room	101	$12.62	$26,250	$2,651,210
Count Room Supervisory	30	$27.43	$57,054	$1,711,632
Director Casino Accounting	11	$54.30	$112,944	$1,242,384
Surveillance	144	$18.09	$37,627	$5,418,317
Surveillance Supv	36	$27.43	$57,054	$2,053,958
Surveillance Director	11	$54.30	$112,944	$1,242,384
Public Areas	420	$12.53	$26,062	$10,946,208
Public Areas Supervisory	45	$20.40	$42,432	$1,909,440
Housekeeping/Public Areas Shift Managers	32	$28.51	$59,301	$1,897,626
Director Housekeeping Public	11	$28.51	$59,301	$652,309
Valet Attendant	20	$11.36	$23,629	$472,576
Valet Cashier	7	$9.73	$20,238	$141,669
Valet Supervisor	3	$18.74	$38,979	$116,938
Grounds Keeper	100	$12.49	$25,979	$2,597,920
General Maintenance	100	$19.86	$41,309	$4,130,880
Painter	64	$24.59	$51,147	$3,273,421
Electrician	84	$32.90	$68,432	$5,748,288
Carpenter	63	$26.03	$54,142	$3,410,971
Plumber	84	$31.83	$66,206	$5,561,338
HVAC	84	$25.54	$53,123	$4,462,349
Facilities Supervisory	37	$47.37	$98,530	$3,645,595
Facilities Shift Manager	9	$47.37	$98,530	$886,766
Executive Director Facilities	11	$53.81	$111,925	$1,231,173
Security	640	$12.35	$25,688	$16,440,320
Security Supervisor	63	$21.93	$45,614	$2,873,707
Security Shift Manager	31	$39.51	$82,181	$2,547,605

Job	Est. Full-time Equivalents	Illinois Mean Hourly Rate	Illinois Annual Rate	Illinois Total Wages
Executive Director Security	10	$54.30	$112,944	$1,129,440
Convention Services	25	$12.61	$26,229	$655,720
Retail Manager	8	$28.51	$59,301	$474,406
Retail	157	$12.05	$25,064	$3,937,327
Retail Supervisors	16	$19.67	$40,914	$642,715
Bartender	144	$10.36	$21,549	$3,103,027
Bar Porter	57	$9.74	$20,259	$1,154,774
Beverage Server	233	$9.89	$20,571	$4,793,090
Food Server	684	$10.29	$21,403	$14,639,789
Bus Person	342	$9.74	$20,259	$6,928,646
Greeter	48	$9.91	$20,613	$989,414
Stocker	95	$10.28	$21,382	$2,031,328
F&B Supervisor	114	$15.75	$32,760	$3,734,640
F&B Shift Managers	38	$22.92	$47,674	$1,811,597
Director Beverage	1	$46.00	$95,680	$95,680
Exec Director Food and Beverage	5	$47.37	$98,530	$492,648
Banquet Beverage	20	$10.36	$21,549	$430,976
Banquet Server	40	$10.29	$21,403	$856,128
Banquet Manager	4	$15.75	$32,760	$131,040
Director Catering/Convention	1	$46.00	$95,680	$95,680
Cafeteria	94	$9.74	$20,259	$1,904,365
Uniforms Attendant	53	$14.93	$31,054	$1,645,883
Cooks	402	$10.73	$22,318	$8,979,874
Sous Chef	106	$18.06	$37,565	$3,981,869
Stewards	684	$9.05	$18,824	$12,875,616
Steward Supervisor	70	$15.75	$32,760	$2,299,752
Executive Chef	11	$22.92	$47,674	$524,410
Convention Services	25	$18.74	$38,979	$974,480
Box Office Supervisor	3	$12.05	$25,064	$75,192
Box Office	12	$22.39	$46,571	$558,854
Entertainment	26	$22.39	$46,571	$1,210,851
Stage Managers	7	$32.53	$67,662	$473,637
Promotions Booth	110	$13.26	$27,581	$3,033,888
Promotions Supervisor	31	$18.74	$38,979	$1,208,355
Telemarketing/Reservations	72	$13.26	$27,581	$1,985,818
Hosts	42	$18.85	$39,208	$1,646,736
Player Development Execs	14	$50.92	$105,914	$1,482,790
Executive Director Player	3	$50.92	$105,914	$317,741
Director Advertising	10	$54.43	$113,214	$1,132,144
Director Database Marketing	1	$54.43	$113,214	$113,214
Director Marketing Operations	1	$54.43	$113,214	$113,214
Hotel/F&B Cashier	96	$9.73	$20,238	$1,942,886
Accountants	24	$34.12	$70,970	$1,703,270

Job	Est. Full-time Equivalents	Illinois Mean Hourly Rate	Illinois Annual Rate	Illinois Total Wages
Accounting Clerks	26	$17.05	$35,464	$922,064
Casino Accounting	92	$17.05	$35,464	$3,262,688
Casino Controller	10	$54.05	$112,424	$1,124,240
Controller	8	$54.05	$112,424	$899,392
Purchasing Manager	10	$40.52	$84,282	$842,816
Purchasing Agent	21	$18.80	$39,104	$821,184
Warehouse Supervisor	17	$25.30	$52,624	$894,608
Warehouse Attendant	81	$14.93	$31,054	$2,515,406
Director IT	10	$54.68	$113,734	$1,137,344
Information Technology Techs and	24	$24.85	$51,688	$1,240,512
Computer Operator	94	$21.27	$44,242	$4,158,710
Internal Audit	30	$34.12	$70,970	$2,129,088
Executive Director Internal Audit	10	$54.05	$112,424	$1,124,240
Human Resources	26	$29.65	$61,672	$1,603,472
Executive Director Human	8	$50.59	$105,227	$841,818
Human Resources Administrative	6	$18.62	$38,730	$232,378
Administrative Professionals	60	$15.45	$32,136	$1,928,160
Vice Presidents	15	$54.30	$112,944	$1,694,160
Total Casino/Racetrack Slots Jobs	**9,751**			**$322,637,526**
Average		**$26.56**	**$55,252**	
Weighted Average		**$15.91**	**$33,086**	

Sources: Spectrum Gaming Group, US Department of Labor, Bureau of Labor Statistics

Construction

To project the construction costs, jobs and wages, we first determined the level of available development capital in the financial models we developed, assuming that each property would achieve earnings before interest, taxes, depreciation and amortization ("EBITDA") of at least 28 percent of its net overall revenue and that each property would achieve an EBITDA return on invested capital ("ROIC") of at least 17 percent. We then used the following critical assumptions:

- These should be considered *minimum investment amounts* to develop what is needed to be competitive in each property's respective marketplace. We know that some of the racetrack owners, when interviewed in February 2012, envisioned spending considerably more than we have allotted in our models.
- As such, our construction jobs and wages are conservative.
- Our building program for each expanded or new casino is *for illustrative purposes only*. They do not necessarily reflect what each owner may envision.

- We developed an illustrative building program for each property based on the legal limitations in Illinois (i.e., cap on gaming positions and riverboats must be on or over water) and on our experience. Where relevant, we also considered the conceptual plans of some racetrack owners.
- Amenities or attractions are based the anticipated number of gaming positions and our knowledge and experience in the design and construction of casino venues in neighboring jurisdictions within the last several years.
- While we believe our models are reasonable, they are intended *only for the purposes of projecting the number of full-time-equivalent ("FTE") construction jobs and corresponding wages.*

Illinois is not a right-to-work state; therefore the prevailing wage is developed for all large construction projects throughout the state on a county-by-county basis through the Illinois Department of Labor.[43] The average salary for a craft-tradesman including employer responsibilities is therefore estimated to be approximately $70 per hour for all counties affected by the potential construction. We assume the following parameters for casino construction:

- Six of the existing casinos would expand (based on our projections of the market), their expansion projects would take 12 months to complete, and they would be fully operational in 2013.
- Five of the six racetrack slot operations projects would take 16 months to complete, and Quad City Downs would take 12 months to complete; all would open in 2014.
- The five new casinos would take 30 months to complete and all would open in 2015.
- Soft-cost and big-ticket hardware items account for 29 percent of the total program cost, and manpower accounts for 28 percent of the total program cost.
- We estimated 73 percent of the program development costs would be spent in Illinois.
- Our analysis does not provide any provisions for land acquisition, regulatory approvals or permits, environmental analysis, or remediation if necessary, and site work, as additional investigation and engineering is necessary to make such determinations.
- Each construction worker spends an average of nine months on the job.

In the following table we have provided our construction impacts in three groups: Expansion at existing riverboats, new and/or expanded gaming facilities at racetracks, and the five new casinos (four riverboats, one land-based in Chicago).

[43] http://www.state.il.us/agency/idol/rates/rates.HTM

The anticipated construction models show what may be provided for the available development capital. The anticipated construction design fees and construction time frames included in the models are based on our experience in the casino construction and design in many casino jurisdictions over the past several years. These estimates are “order of magnitude” prices conservatively produced for this analysis. The cost of any project can be affected by design decisions of both the owner and design professionals. Variations of interior finishes based on the desired experience can drastically affect the final budget. These items must be properly programmed while keeping in mind the desired experience, budget and availability of materials.

Based on our assumptions and our experience in modeling casino projects throughout the country, we estimate that the expansion of existing casinos and construction of new casinos and racetrack slot operations would generate – at a minimum – 4,583 construction jobs, with each worker on the job for an average of nine months. Their employers would pay – at a minimum – $437.2 minimum in wages, benefits and employer taxes. Based on our minimum construction models, the total price of all construction would be nearly $1.7 billion. The racetrack slots would generate 1,038 of the jobs and $105.6 million of the wages.

Figure 52: Projected minimum construction costs, wages and jobs created from expanded and new casinos

$ in millions	Existing Casinos Total	Racetrack Slots Total	New Casinos Total	Grand Total All Casinos
Total estimated cost of development program	$ 180.2	$ 381.5	$ 1,124.1	$ 1,685.8
Construction wages, benefits and employer taxes	$ 50.9	$ 105.6	$ 316.7	$ 473.2
No. workers employed full time, avg. 9 months each	486	1,038	3,059	4,583

Source: Spectrum Gaming Group

The programs in each model above are meant to be representative of the type of casino development that could be constructed with the available capital. These models are intended to reflect a the development of competitive casino in the Illinois marketplace.

The estimated construction schedule does not take into account any time that may be necessary for site acquisition, site work or regulatory approvals. These items are specific to the actual site and would need to be assessed when the site is positively identified and proper geotechnical engineering is reviewed. The anticipated construction labor, typically referred to as craft labor, will be on the site starting with the site work or excavation. This analysis anticipates the labor for the project beginning with the foundation work for the construction project.

There will be a significant number of workers employed in the fabrication of materials to be used in the construction in addition to the craft labor identified in this report. These items include many items from steel, to customized trim and cabinetry. These items will vary greatly through the various venues and be greatly dependent on the final design decisions. It is difficult to estimate the number of offsite fabrication jobs that could be created or if those jobs will remain within the state.

There may be increases in the required manpower due to scheduling constraints or a desire to speed the schedules. These estimates may change due to the particular site, design decisions and necessity to have an accelerated construction schedule.

The manpower analysis reduces the available development capital to produce a figure for actual construction, referred to as assignable square footage. This reduction is to account for soft costs on the design side of the project including but not limited to: architectural fees, engineering fees, and various consultants necessary to properly document and permit this type of project. The cost of any project can be affected by design decisions of both the owner and design professionals.

Statewide Economic and Fiscal Impacts of Casino Expansion

Using outputs and assumptions noted throughout this report, we now project macro-level, statewide, net economic impacts that the implementation of the casino expansion would have on Illinois. We contracted with Regional Economic Models Inc. ("REMI"), a leading supplier of economic modeling and forecasting tools for national, state and local governments, to build an Illinois economic model for this study. The REMI model is robust, and uses a variety of variables based on economic, demographic, industry and other data to develop outputs.

This study examines the economic and fiscal impacts of the gaming expansion from the first year of construction, 2012, through the first full year of operations in 2016. In 2012, we assume that only construction activity will be occurring (i.e., none of the existing casinos has expanded and none of the new casinos is open). In 2013-15, we assume that both construction activity and new gaming operations will be occurring. Finally, in 2016 we assume that construction is no longer active and all new gaming is operational.

As a metric to measure the economic and fiscal impacts of the prospective gaming expansion, various basic economic indicators are shown in the tables below; these include Employment, Gross State Product ("GSP"), Output, and Personal Income (which are all outputs from the REMI model). The fiscal impacts include the revenue collected by the State of Illinois as a result of the construction and operation of the casinos. The government revenue is generated through taxes and admission fees charged directly to the casinos, from employee income taxes, and from taxes generated indirectly, from the income and sales that the casinos are projected to induce in the Illinois economy.

Description of Economic Indicators

Employment comprises estimates of the number of jobs – full-time plus part-time – by place of work. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not included.[44]

Gross State Product as a value-added concept is analogous to the national concept of Gross Domestic Product. It is equal to output, excluding the intermediate inputs, and represents compensation and profits. GSP as a final demand concept is equal to Consumption + Investment + Government + (Exports – Imports).[45] GSP is affected by changes in demand and is the concept most often used to represent the net economic impact on a region, in monetary terms, of a change to the economy. In simplified terms it can be said to represent the net economic value to an economy.

[44] As defined by Regional Economic Models Inc., for use in the REMI PI+ Model.

[45] Ibid

Output is the gross impact on the economy and is often thought of as total sales. Outputs include GSP + the intermediate inputs (some of which are derived from outside the state). Whereas GSP is considered the net economic value to an economy, Output is considered the gross economic value.

Personal Income is the income that is received by all persons from all sources.[46] It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.[47] Personal Income is shown by place of residence (in this case residents of Illinois).

Assumptions

In calculating the economic impact of expanded gaming on the Illinois economy and its fiscal impact on state revenue, various data were collected from the state and basic assumptions were made. As noted above, this study measures the economic and fiscal impact of the construction and operation of additional casinos in Illinois. The construction period begins in 2012 and concludes in 2015, when construction of the final casino is complete. Total construction cost is $1.23 billion,[48] ranging from $554 million in 2013 to $98.5 million in 2015. Construction payroll totals $473.2 million and construction FTEs average 460 per year.

The first year of expanded gaming operations is 2013, when the first expanded casinos come on line. All new and expanded casinos are assumed to be fully operational in 2016. The total net GGR tax for all new casinos combined is projected to reach $120.5 million by 2016; this accounts for changes in GGR at existing casinos, once the new casinos come on line. Direct casino FTEs, per our projections, increase from 1,262 in 2013 to 9,751 in 2015 and 2016 and the incremental payroll is estimated to increase from $39.2 million in 2013 to $329 million in 2016.

The fiscal analysis includes only the tax on GGR and state income and sales taxes; local or municipal level taxes (such as property taxes) are not included in the analysis as well as any corporate, business or other taxes. We assume an effective income state tax rate of 4.0 percent throughout the study period[49] and the state sales tax is 6.25 percent.

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[46] The model, however, does not include tips that casino dealers may earn. Tips are the primary source of income for people in this position.

[47] As defined by Regional Economic Models Inc. (REMI), for use in the REMI PI+ Model.

[48] Actual construction costs, exclusive of design and soft costs.

[49] The actual rate in 2012 is 5.0 percent; we conservatively assume a 4.0 rate after deductions.

Impacts of Illinois Casinos

The following table shows the economic impact of expanded gaming in Illinois through the 2012-16 study period. During the first year, when only construction activity is underway, roughly 1,500 total, additional private-sector jobs are projected to be created. The jobs – both full- and part-time – include direct construction jobs and indirect and induced jobs, from construction spending on goods, services, and equipment and the spending of wages earned. As the expanded and new casinos come online during the 2013-15 period, when both construction and additional gaming operations are underway, total incremental employment peaks in 2015 at 21,094 jobs (full- and part-time). By 2016, when construction is complete and all casinos are operational, the total number of incremental private-sector jobs created drops back to 20,451; this is a statewide increase of 0.3 percent from the baseline projection (or the projected number of jobs under the status quo, without gaming expansion) These jobs include only private-sector employment and exclude any government jobs that would be created as a result of the gaming expansion. The jobs consist of direct casino jobs and the additional indirect and induced jobs created from the employment and operational spending at the casino.

For each direct, full-time job at the new casinos, an additional 1.1 jobs (full- and part-time) are created in the private sector. These induced jobs result from the spending of casino wages by employees in the Illinois economy and from the spending by the casino itself on goods and services purchased for its operation. These new jobs, and the subsequent additional income, flow through the Illinois economy in the form of investments and spending on goods and services, creating additional jobs.

Among industries in the private sector, entertainment experiences the largest increase in employment, roughly 11,280 jobs in 2016, primarily consisting of the direct casino jobs The second-largest increase in jobs among private-sector industries is in construction, with 1,384 new jobs in 2016. This is primarily a result of an increase in capital investments, an increase in demand for housing construction, and an increase in spending in the public sector on public facilities. As new jobs and subsequent income are created, demand for housing, commercial enterprises, and public-sector facilities increases, thus creating construction jobs. It should be noted that the construction-jobs impact in 2016 is not related to the direct jobs associated with construction projects at the casinos, which is assumed to end in 2015.

The administrative support and waste-management services industry is expected to grow by 1,170 jobs in 2016 as a result of the new and expanded gaming. Much of this sector is made up of business-support service firms, including waste management and building services. The increase in employment in administrative support services is primarily the effect of the non-payroll spending by the casinos on services purchased at Illinois firms; a function of the casino contracting outside firms to provide support services for its operation. Retail trade, where 1,115 new jobs are generated in 2016, is also an obvious beneficiary of the casino's economic impact. New income creates demand for retail goods leading to an increase in retail jobs.

Expanded gaming in Illinois is also projected to generate additional GSP, ranging from $228.5 million in 2012 to $2.25 billion in 2015 and $2.16 billion in 2016; this is an increase of 0.3 percent over the baseline projection for Illinois in 2016. As explained above, GSP can be considered as the net impact in monetary value on the economy. All sectors of the economy impacted by the gaming expansion show a positive contribution to the total GSP. The largest contributor to GSP during the initial years of construction (besides construction itself) includes real estate services, professional services and retail trade. This is directly related to the increased demand for real estate and construction service professionals (commercial leasing services, engineers, architects, etc.) within the real estate and professional services sectors and from the induced spending in retail goods generated by the construction wages paid to workers.

As would be expected, the largest contributor to GSP after full build-out of the gaming expansion (in 2016) is the entertainment sector: the direct impact of the casino. Other sectors that show large contributions include real estate, professional services, retail trade, finance, construction, and administrative support services. This is result of the indirect and induced spending by casino employees and the casino itself, as it flows through the Illinois economy.

Expanded gaming in Illinois is also projected to generate personal income for state residents ranging from $162 million during the first year of construction to $1.51 billion in 2016, when all expanded and new gaming facilities are operational During the construction phase, the majority of the personal income encompasses the direct wages paid to the construction workers, ranging from $86 million in 2012 to $225 million in 2013. The remaining personal income consists primarily of the wages earned by the workers in the indirect and induced jobs, created as a result of both the purchase of goods and services and the creation of jobs in the retail and service sectors (resulting from increased demand).

Once all gaming facilities are fully operational, in 2016, the direct wages paid by the casinos to its employees represents the largest component of the total personal income, projected to be roughly $330 million in 2016. Much of the remaining personal income is represented by wage and salary disbursements for the indirect and induced jobs created by the casino's operation.

The expanded and new casinos/racetrack slots would further generate incremental sales tax proceeds for the State of Illinois of $3.7 million in the first year and $27.4 million by the fifth year, when construction has finished and all properties are fully operational.

Figure 53: Illinois statewide economic impacts of gaming expansion, 2012 - 2016

	2012	2013	2014	2015	2016
Total Private Non-Farm Employment	**1,505**	**6,075**	**10,241**	**21,094**	**20,451**
Construction	*421*	*1,105*	*995*	*1,367*	*1,384*
Arts, Entertainment, and Recreation	*25*	*1,618*	*4,750*	*11,349*	*11,283*
Retail Trade	*177*	*520*	*653*	*1,183*	*1,115*
Professional Services	*134*	*450*	*570*	*970*	*884*
Administrative and Waste Services	*95*	*365*	*603*	*1,241*	*1,170*
Accommodation and Food Services	*76*	*246*	*363*	*717*	*720*
All other sectors	*577*	*1,771*	*2,307*	*4,267*	*3,895*
Gross State Product (Fixed 2011 $'s)	**$228,520,000**	**$854,920,000**	**$1,228,440,000**	**$2,252,720,000**	**$2,162,240,000**
Output (Fixed 2011 $'s)	**$401,360,000**	**$1,450,000,000**	**$2,023,040,000**	**$3,649,360,000**	**$3,485,800,000**
Personal Income (current $'s)	**$162,000,000**	**$502,000,000**	**$714,000,000**	**$1,427,000,000**	**$1,512,000,000**
State Revenue Collection (Fixed 2011 $'s)	**$10,528,450**	**-$55,027,400**	**-$4,219,700**	**$205,457,150**	**$210,415,950**
Income Tax	*$6,867,200*	*$21,297,600*	*$30,252,800*	*$60,598,400*	*$62,547,200*
Sales Tax	*$3,661,250*	*$10,875,000*	*$14,427,500*	*$27,658,750*	*$27,368,750*
State tax on gross gaming revenue, including admission tax	*$0*	*-$87,200,000*	*-$48,900,000*	*$117,200,000*	*$120,500,000*

Source: Spectrum Gaming Group, Regional Economic Models Inc. Jobs include both full- and part-time.

The fiscal impact of expanded gaming in Illinois includes the revenue collected by the State from the tax on the GGR and admissions and from income tax and sales tax (direct, indirect and induced) generated.

The preceding table shows the results of the fiscal analysis. During the first year of construction in 2012, roughly $10.5 million in incremental tax revenue is generated for Illinois. This is a result of income taxes paid by construction workers and other indirect and induced jobs, and from sales taxes paid on construction related spending and additional consumer spending. These are calculated using model output figures for personal income and consumption.

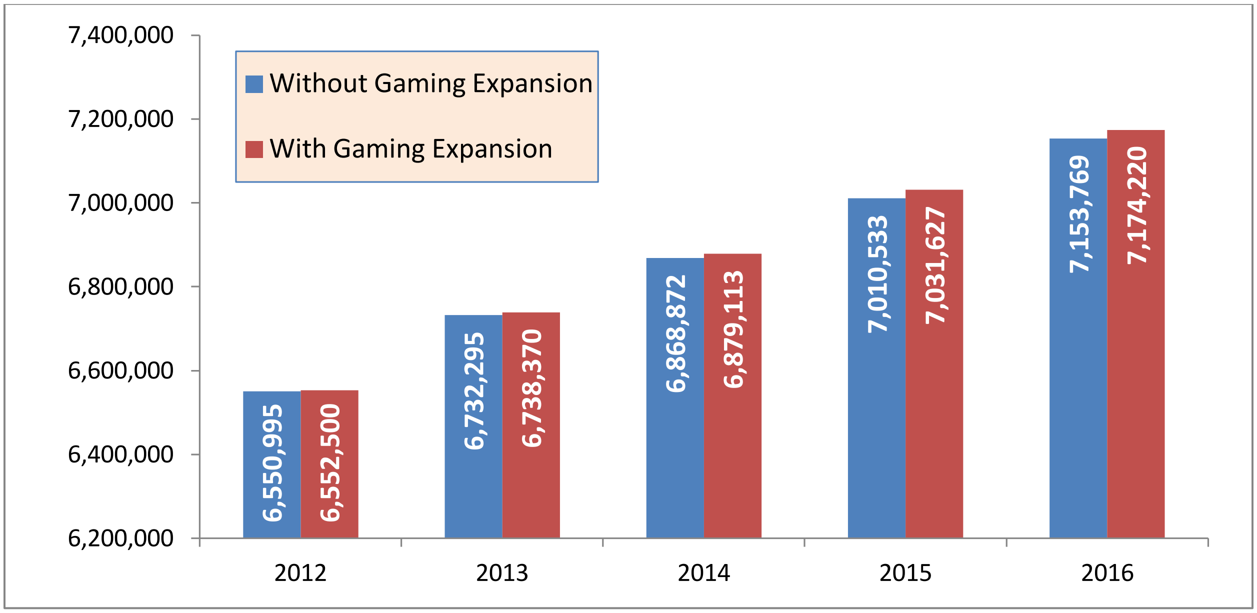
As casinos begin to come online during the 2013-15 period, while construction of additional casinos continue, tax revenue generated ranges from a decline of $55 million in 2013 to an increase of $205 million in 2015. As noted earlier in this report, the decline in tax revenue in 2013, and to a lesser degree in 2014, is a result of the proposed graduated tax structure on the GGR. Under the gaming expansion scenario, as soon as 500 gaming positions are added, a new graduated tax structure would go into effect. The new tax structure would apply to existing riverboats effective in 2013, while most of the new casinos and racinos would not yet be operational. In addition, the taxes from the new racinos would also be lower, as a percentage, since they would be able to deduct monies diverted to purses prior to tax calculation. Since most of the new gaming facilities will not yet be operational in 2013 and the new tax structure will be in place for existing casinos, the state is projected to experience a drop in tax revenue collection, as shown in the 2013 and 2014 projections. Tax revenues quickly rebound, however, by 2015 and 2016, when the additional casinos become operational In 2016, when all proposed casinos are operational, Illinois is projected to collect an additional $210 million in tax revenue as a result of expanded gaming. Roughly $120 million of this additional revenue is a result of the GGR tax collected on the new gaming facilities and the remainder consists of income and sales tax generated from additional wages and consumption

Impacts Statewide, with and without Casinos

Next, we look at differences in the Illinois economy between the expanded gaming scenario and the status quo (without an expansion in gaming) on a year-by-year basis in the four primary economic-impact categories.

First, we look at total private non-farm employment. By 2016, the first year that all assumed new gaming facilities become operational, Illinois would gain 20,451 more private-sector jobs (both full- and part-time) with the prospective gaming expansion than with only its existing gaming operations, all other things being equal.

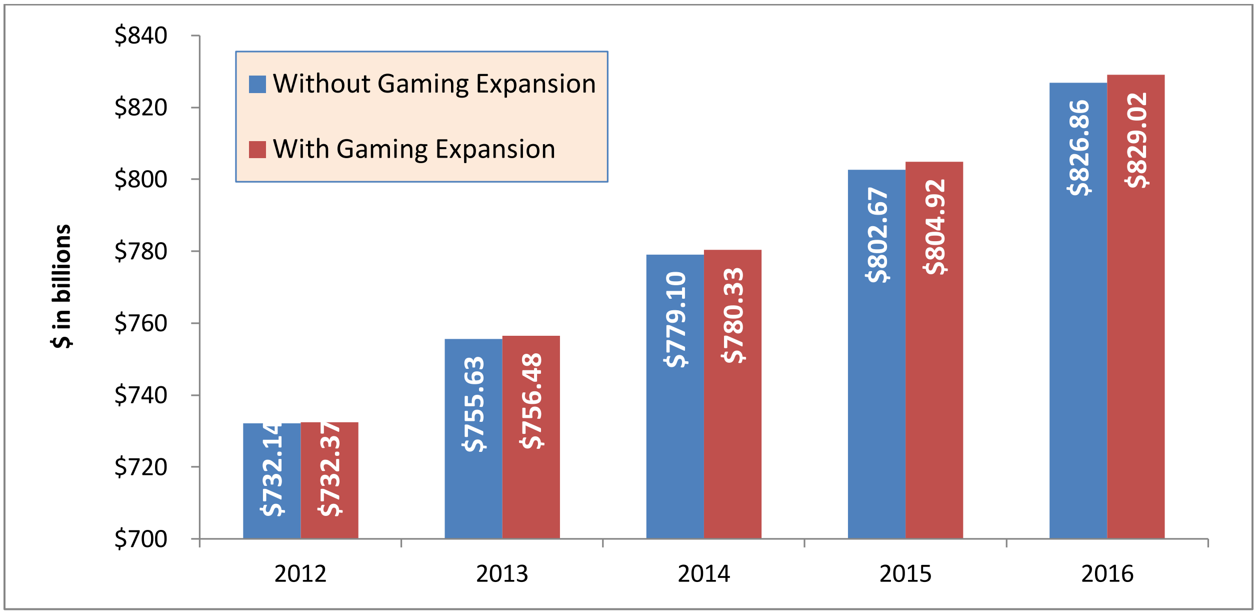
Figure 54: Illinois statewide private-sector employment by year, with and without gaming expansion



Source: Spectrum Gaming Group, Regional Economic Models Inc. * Includes equine industry.

Next we look at the Gross State Product. By 2016, Illinois would generate $2.16 billion more in GSP with the prospective gaming expansion than without it, all other things being equal.

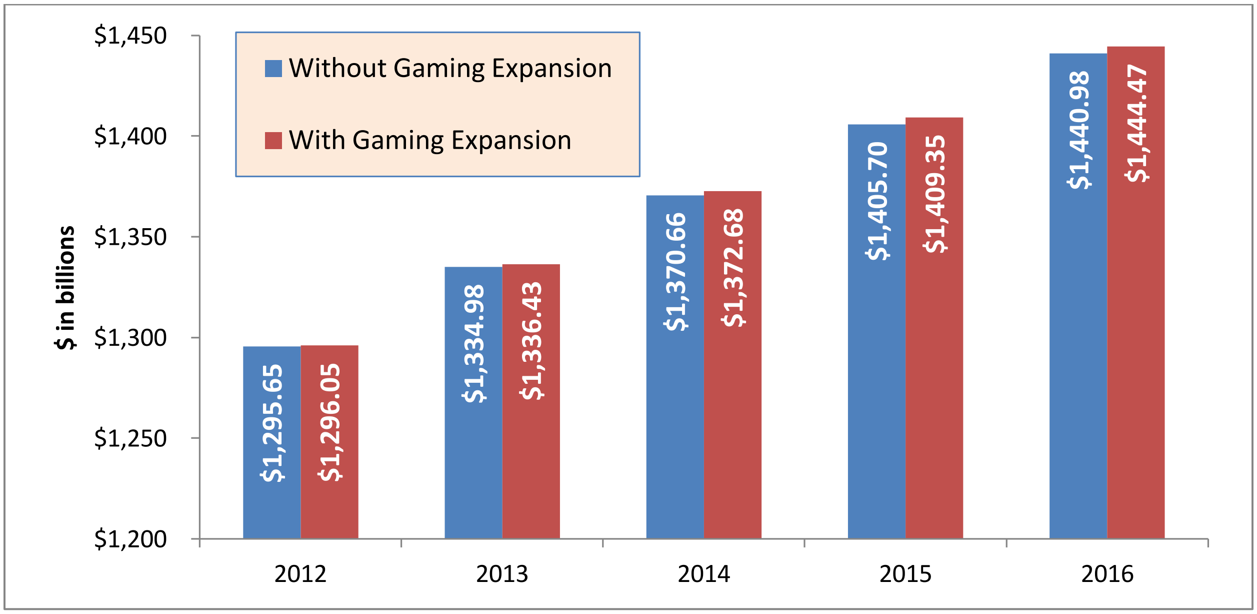
Figure 55: Illinois statewide Gross State Product by year, with and without gaming expansion



Source: Spectrum Gaming Group, Regional Economic Models Inc.

Now we look at the total Illinois state output. By 2016, Illinois would generate $3.49 billion more in output with the prospective gaming expansion than without it, all other things being equal. Output is the gross impact on the economy and is often thought of as total sales. Whereas GSP is considered the net economic value to an economy, Output is considered the gross economic value.

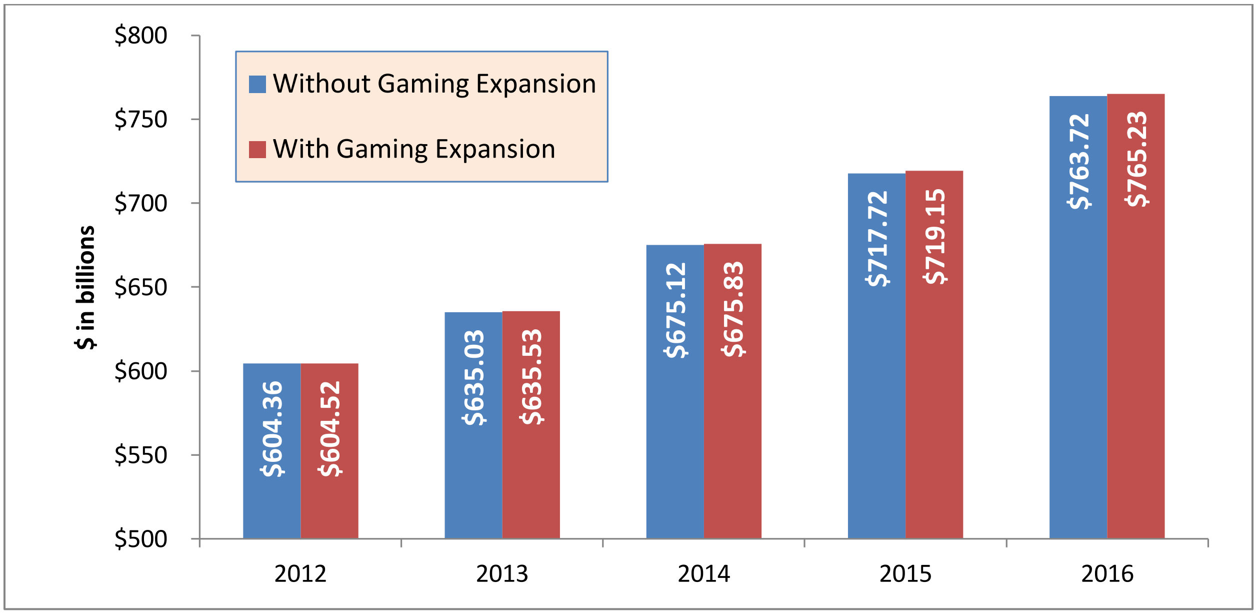
Figure 56: Illinois statewide Output by year, with and without gaming expansion



Source: Spectrum Gaming Group, Regional Economic Models Inc.

Lastly, we look at total personal income. By 2016, Illinois would generate $1.51 billion more in personal income with the prospective gaming expansion than without it, all other things being equal.

Figure 57: Illinois statewide personal income by year, with and without gaming expansion



Source: Spectrum Gaming Group, Regional Economic Models Inc.

About This Report

This report was prepared by Spectrum Gaming Group, an independent research and professional services firm founded in 1993 that serves private- and public-sector clients worldwide. Our principals have backgrounds in operations, economic analysis, law enforcement, regulation and journalism.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potentially future clients.

Each Spectrum project is customized to our client's specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Our public-sector clients have included the Atlantic City Convention and Visitors Authority, the Connecticut Division of Special Revenue, Delaware Lottery, Georgia Lottery, Maryland Lottery, Commonwealth of Massachusetts, the New Jersey Casino Reinvestment Development Authority, Ohio Casino Control Commission, Ohio Lottery, West Virginia Lottery, the Puerto Rico Tourism Company, and the Singapore Ministry of Home Affairs.

Private-sector clients have included Caesars Entertainment, Carnival Corp., Casino Association of Indiana, Casino Association of New Jersey, Hard Rock International, Genting, National Indian Gaming Association, Revel Entertainment, Seneca Gaming, and Wynn Resorts.

Our principals have testified before the following government bodies:

- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Indiana Gaming Study Commission
- International Tribunal, The Hague
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- New Hampshire Gaming Study Commission
- New Jersey Assembly Tourism and Gaming Committee
- National Gambling Impact Study Commission
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania Gaming Control Board
- U.S. House Congressional Gaming Caucus
- U.S. Senate Indian Affairs Committee
- U.S. Senate Select Committee on Indian Gaming
- U.S. Senate Subcommittee on Organized Crime

Spectrum and its sister company, Spectrum OSO Asia, maintain a network of leading experts in all disciplines relating to the gaming industry, and we do this through our offices in Atlantic City, Bangkok, Guangzhou, Hong Kong, Macau, Miami and Tokyo.

Disclaimer

Spectrum Gaming Group ("Spectrum," "we" or "our") has made every reasonable effort to ensure that the data and information contained in this study reflect the most accurate and timely information possible. The data are believed to be generally reliable. This study is based on estimates, assumptions, and other information developed by Spectrum from its independent research effort, general knowledge of the gaming industry, and consultations with the Client and its representatives. Spectrum shall not be responsible for any inaccuracies in reporting by the Client or its agents and representatives, or any other data source used in preparing or presenting this study. The data presented in this study were collected through the cover date of this report. Spectrum has not undertaken any effort to update this information since this time.

Some significant factors that are unquantifiable and unpredictable – including, but not limited to, economic, governmental, managerial and regulatory changes; and acts of nature – are qualitative by nature, and cannot be readily used in any quantitative projections.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.