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# Baltimore Gaming Market Assessment

Horseshoe Baltimore (Caesars)

**Dated: November 2013**

**For: Maryland Lottery and Gaming Control  
Agency**

**By:**

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# Introduction

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The Maryland Lottery and Gaming Control Agency (“MLGCA”) hired Custom Gaming Consulting (“Consultant”) to conduct a Baltimore Gaming Market Assessment. This study has two (2) primary objectives as follows:

1. Estimate the Gaming Revenue Potential of the Proposed Horseshoe Baltimore Gaming Development
2. Estimate the Gaming Revenue Impact of Horseshoe Baltimore on the Existing Maryland Gaming Facilities

The study utilizes a complex drive-time gravity model, which applies gaming factors (propensity, frequency and win per visit) to the adult population base to estimate gamer visits and revenue for a defined market area. The model then allocates the visits and revenue to the relevant gaming alternatives in the region using drive time as the basis, while considering the size, scope and quality of each venue. The drive-time gravity model is the industry standard for studies of this type; studies that must consider multiple market segments with different demographic profiles as well as multiple competitors offering a unique product. The steps are as follows:

1. Introduce the Proposed Development
2. Define and Segment the Market Area
3. Compile and Analyze Demographic Data by Market Segment
4. Define the Competitive Set
5. Estimate Gamer Visits and Revenue for the Market Area by Market Segment
6. Allocate Market Gamer Visits and Revenue to the Competitive Set by Market Segment
7. Identify and Estimate Potential Additional Revenue Sources
8. Existing Facility Impact Analysis

## Horseshoe Baltimore

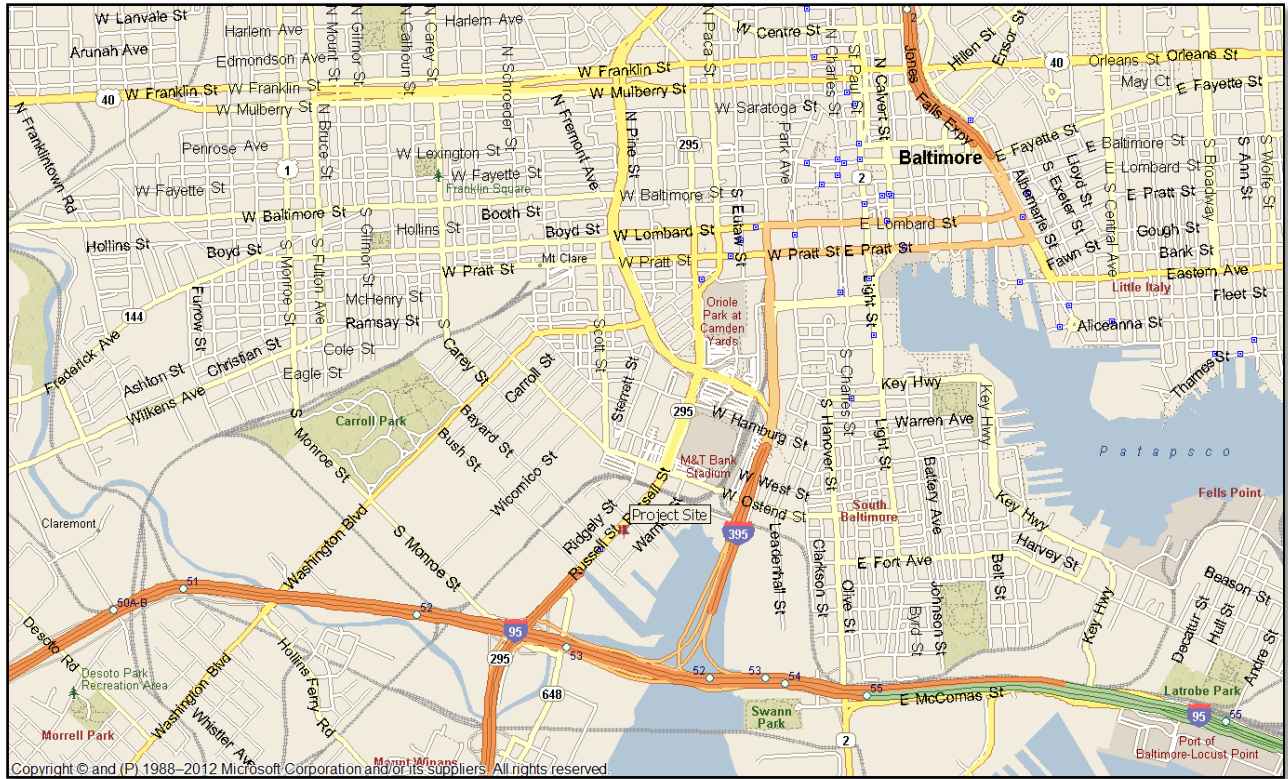
Caesars Entertainment, Inc. (“Caesars”) is proposing a \$400 million gaming development in downtown Baltimore in the area known as South Baltimore, just off the Inland Harbor. Caesars intends to brand the property a Horseshoe, one of its most popular brands. For the purpose of the assessment, the assumed opening date was set at July 1<sup>st</sup> 2014.

### Development Site

The proposed Horseshoe Baltimore development site is located in South Baltimore, situated on Russell Street between Worcester Street and Bayard Street. Russell Street is one of the main thoroughfares entering and exiting downtown Baltimore, and turns into the Baltimore-Washington Parkway just south of the site as it intersects with Interstate 95 (“I-95”). I-95 is the main thoroughfare running southwest from downtown through the Baltimore metro area. From a broader perspective, with a downtown location, this facility is at the hub of the Baltimore area freeway system.

The site is situated within a few hundred yards of M&T Bank Stadium (home of the Super Bowl champion Baltimore Ravens) and Oriole Park at Camden Yards. It’s also less than a mile from the main downtown Baltimore hotel district. Hotels are identified on the map below with blue squares. It’s a stated goal of Caesars to maximize connectivity between the gaming development and existing hospitably and entertainment operators.

## Development Site Map



### Facility

Caesars is proposing an urban-style, two-story gaming facility with a 122,000 square foot gaming floor. The gaming floor is expected to offer approximately 2,435 slot machines, 117 banked table games, and a 30-table World Series of Poker themed poker room. The poker room and the majority of the table games are slated for the second level of the facility. Some of the table games will be located in a high limit area on the second level.

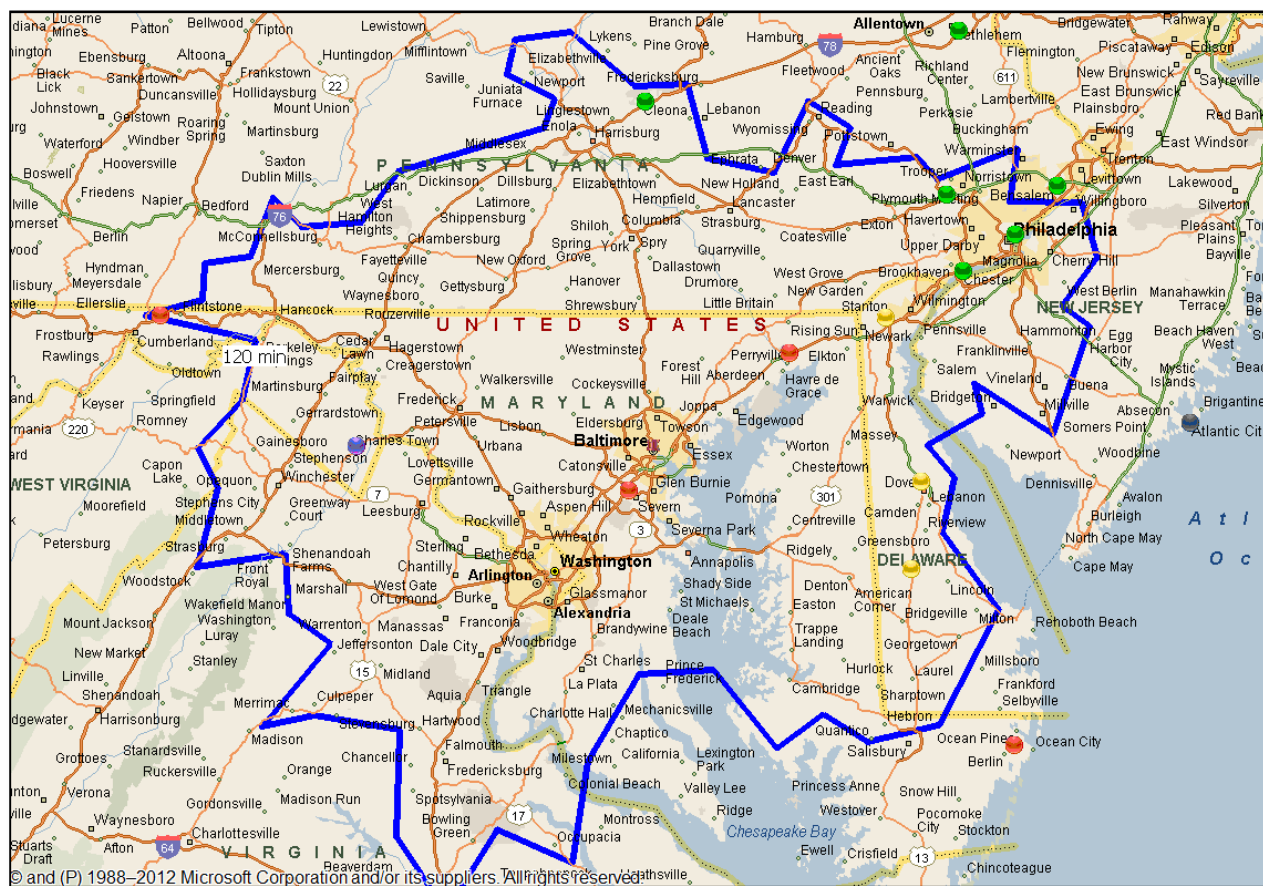
In support of the casino, a 20,000 square foot food and beverage area is planned called Baltimore Marketplace. This area is expected to feature several Charm City food outlets, three specialty restaurants and several bars and lounges.

# Market Definition and Segmentation

This section defines and segments the local market area for the subject development. The local market relates to gaming revenue derived from residents living in the market area (within a reasonable drive of the facility) on a permanent basis.

## Definition

Based on the size and scope of the proposed development and the competition in the region, the market area was defined using a 120-minute drive-time ring. The broader market area extends north past Harrisburg (PA); northeast past Philadelphia; east through the majority of Delaware; south falling just short of Richmond (VA); and west into western Maryland and western Virginia. Thus, the market area includes three (3) major metropolitan areas: Baltimore, Washington D.C., and Philadelphia. Other major cities in this market area include Harrisburg (PA), Lancaster (PA), Wilmington (DE), Dover (DE), Hagerstown (MD), Frederick (MD), Annapolis (MD), Leesburg (VA), and Winchester (WV), to name a few.



## Segmentation

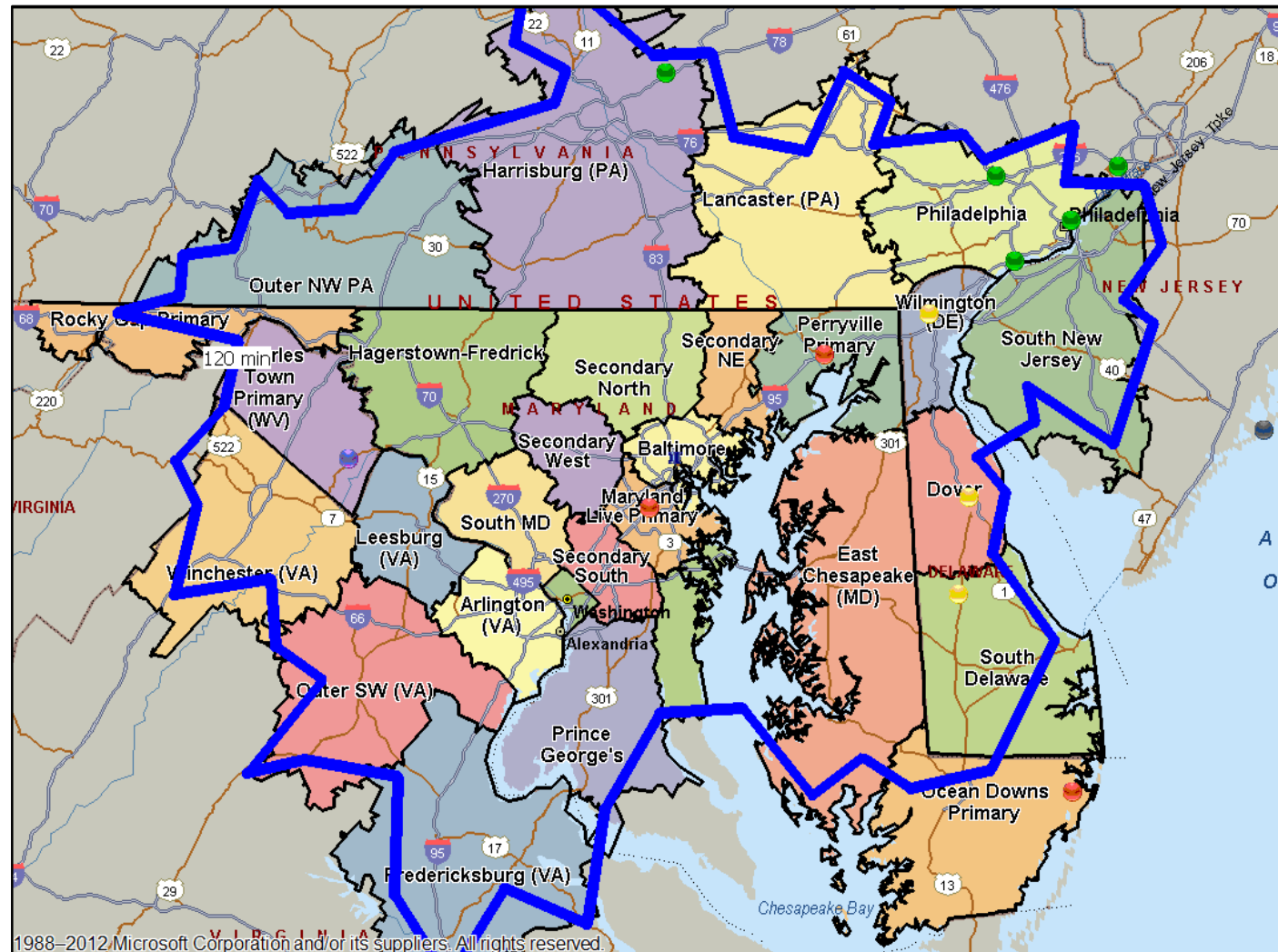
This market area was segregated into twenty-nine (29) manageable segments considering population centers, state boundaries, competition, highway access, and demographic characteristics. The goal was to segregate the market into groups that would exhibit similar gaming behavior patterns. Great care was taken to make sure market segments did not cross state borders. Thus, revenue coming from out-of-state residents will be distinguishable by state.

Underlying these market segments are more than 1,000 zip codes, representing the smallest level of data delineation. Nearly the entire state of Maryland lies within this market area, and was divided into fourteen (14) market segments. The following shows the different states in the market area and the number of segments.

- Maryland 14 segments
- Pennsylvania 4 segments
- New Jersey 1 segment
- West Virginia 1 segment
- Delaware 3 segments
- Virginia 5 segments
- District of Columbia 1 segment



## Baltimore Market Segment Map



### Custom territories

- Anne Arundel South
- Arlington (VA)
- Baltimore
- Charles Town Primary (WV)
- District of Columbia
- Dover
- East Chesapeake (MD)
- Fredericksburg (VA)
- Hagerstown-Fredrick
- Harrisburg (PA)
- Lancaster (PA)
- Leesburg (VA)
- Maryland Live Primary
- Ocean Downs Primary
- Outer NW PA
- Outer SW (VA)
- Perryville Primary
- Philadelphia
- Prince George's
- Rocky Gap Primary
- Secondary NE
- Secondary North
- Secondary South
- Secondary West
- South Delaware
- South MD
- South New Jersey
- Wilmington (DE)
- Winchester (VA)



## Demographic Data by Market Segment

Demographic data for these market segments was compiled and analyzed, focusing on adult population counts and income levels. This analysis provides several key building blocks for the gravity model. **All the data was obtained directly from Neilson, one of the most respected data providers in the industry.**

### Population Counts

The gamer population count (persons 21 years of age and older) for the defined market area was estimated at 12.1 million in 2013. The count is expected to reach 12.6 million by 2018, reflecting a growth rate of about 0.8% per year; roughly equal to the national average of 0.9% per year.

<b>Gamer Population</b>				
<b>Market Segments</b>	<b>2013</b>	<b>2018</b>	<b>5-yr AAG</b>	<b>% of Total (2013)</b>
Anne Arundel South	161,600	169,100	0.9%	1.3%
Arlington (VA)	1,164,600	1,234,900	1.2%	9.6%
Maryland Live Primary	359,300	381,100	1.2%	3.0%
Baltimore	883,600	894,200	0.2%	7.3%
District of Columbia	493,400	541,000	1.9%	4.1%
Dover (DE)	115,100	122,400	1.2%	1.0%
East Chesapeake (MD)	129,000	132,200	0.5%	1.1%
Fredericksburg (VA)	247,200	266,500	1.5%	2.0%
Hagerstown-Fredrick	272,600	285,700	0.9%	2.3%
Harrisburg (PA)	794,900	811,300	0.4%	6.6%
Lancaster (PA)	600,300	615,300	0.5%	5.0%
Leesburg (VA)	224,700	250,200	2.2%	1.9%
South New Jersey	881,500	893,200	0.3%	7.3%
Secondary North	234,600	243,600	0.8%	1.9%
Ocean Downs Primary	129,900	132,900	0.5%	1.1%
Rocky Gap Primary	59,600	60,000	0.1%	0.5%
Outer NW (PA)	145,600	148,700	0.4%	1.2%
Outer SW (VA)	408,700	451,000	2.0%	3.4%
Perryville Primary	134,800	140,700	0.9%	1.1%
Secondary NE	138,700	144,600	0.8%	1.1%
Philadelphia	2,037,300	2,085,500	0.5%	16.9%
Prince George's	312,100	332,700	1.3%	2.6%
Secondary South	593,400	618,900	0.8%	4.9%
South Delaware	171,300	179,300	0.9%	1.4%
South MD	580,500	618,100	1.3%	4.8%
Secondary West	157,300	170,000	1.6%	1.3%
Charles Town Primary (WV)	128,000	133,200	0.8%	1.1%
Wilmington	382,000	395,800	0.7%	3.2%
Winchester (VA)	135,400	141,800	0.9%	1.1%
<b>Total</b>	<b>12,077,000</b>	<b>12,593,900</b>	<b>0.8%</b>	<b>100.0%</b>

This next table summarizes the population data by state in order to present a more user-friendly perspective. The fourteen (14) Maryland segments combine to contain about 4.15 million adults (2013) or 34% of the market, again, representing nearly the entire state. Of course the vast majority of the population is centered in the Baltimore metro area. The expected growth rate for the Maryland population is 0.8% per year, roughly equal to the national average. The four (4) Pennsylvania segments, generally reflecting the southeastern portion of the state around Philadelphia, Lancaster and Harrisburg, added 3.6 million adults to the market or 30% of the total. The Pennsylvania growth rate was only 0.5% per year. The entire state of Delaware is represented in the market area, comprising about 670,000 gamer adults or 6% of the market. The growth rate for Delaware is equal to the national average. The southwestern portion of New Jersey is represented in the market area via one (1) segment. This segment is quite large, with 880,000 people, mainly reflecting the eastern portion of the Philadelphia metro area, often referred to as South Jersey. The Virginia segments account for the third highest population total with 2.2 million adults or 18% of the market. The Virginia segments are expected to exhibit the highest growth rate of 1.5% per year, about double the market average thanks to high growth rates in the D.C. suburbs. The lone West Virginia segment, on the extreme western periphery of the market, represents only 1% of the market. The District of Columbia with about 490,000 adults, accounts for 4% of the market, and shows the highest expected growth rate of 1.9% per year, more than double the national average.

Thus, with out-of-state residents representing roughly 66% of the market in total, the Baltimore market contains a very significant number of residents from neighboring states. This is usually not the case, and to the benefit of Maryland in terms of generating tax revenue.

<b>Gamer Population</b>				
<b>State</b>	<b>2013</b>	<b>2018</b>	<b>AAG</b>	<b>% of Total (2013)</b>
Maryland	4,147,000	4,323,800	0.8%	34.3%
Pennsylvania	3,578,100	3,660,800	0.5%	29.6%
Delaware	668,400	697,500	0.9%	5.5%
New Jersey	881,500	893,200	0.3%	7.3%
Virginia	2,180,600	2,344,400	1.5%	18.1%
West Virginia	128,000	133,200	0.8%	1.1%
District of Columbia	493,400	541,000	1.9%	4.1%
<b>Total</b>	<b>12,077,000</b>	<b>12,593,900</b>	<b>0.8%</b>	<b>100.0%</b>

## Income Level

The Average Annual Household Income (“AAHI”) for the entire market area calculated to about \$92,900 (on a weighted average basis) in 2013, roughly 33% higher than the national average of \$69,600. The income level is expected to reach \$102,800 by 2018, reflecting an average growth rate of 2.0% per year over the next five years. This growth rate clearly assumes that the nationwide recession is over and more historical income growth will prevail in the coming years.

The market segments exhibited an extremely wide range of income levels, from a low of about \$52,800 for Rocky Gap Primary (Cumberland, MD area) to a high of \$152,000 for Leesburg; nearly three times higher. In general, the rural market segments showed income levels on the low end of this range. While the downtown Baltimore segment showed an AAHI on the low end of the range, the Baltimore suburbs were on the high end. For example, Anne Arundel South, Arundel Mills Primary and Secondary West showed income levels in the \$112,000 to \$148,000 range.

<b>AAHI</b>			
<b>Market Segments</b>	<b>2013</b>	<b>2018</b>	<b>AAG</b>
Anne Arundel South	\$122,600	\$143,600	3.2%
Arlington (VA)	\$139,500	\$155,800	2.2%
Maryland Live Primary	\$111,900	\$125,800	2.4%
Baltimore	\$66,100	\$70,800	1.4%
District of Columbia	\$99,100	\$113,500	2.8%
Dover (DE)	\$68,300	\$73,800	1.6%
East Chesapeake (MD)	\$79,700	\$83,200	0.9%
Fredericksburg (VA)	\$93,800	\$106,200	2.5%
Hagerstown-Fredrick	\$88,400	\$100,600	2.6%
Harrisburg (PA)	\$70,800	\$75,700	1.3%
Lancaster (PA)	\$67,700	\$68,100	0.1%
Leesburg (VA)	\$151,900	\$173,900	2.7%
South New Jersey	\$83,700	\$92,300	2.0%
Secondary North	\$102,400	\$113,600	2.1%
Ocean Downs Primary	\$65,200	\$68,900	1.1%
Rocky Gap Primary	\$52,800	\$56,100	1.2%
Outer NW (PA)	\$60,200	\$61,300	0.4%
Outer SW (VA)	\$111,600	\$125,700	2.4%
Perryville Primary	\$81,500	\$89,400	1.9%
Secondary NE	\$97,600	\$109,400	2.3%
Philadelphia	\$76,500	\$81,300	1.2%
Prince George's	\$102,100	\$117,900	2.9%
Secondary South	\$92,300	\$105,300	2.7%
South Delaware	\$62,200	\$62,800	0.2%
South MD	\$140,100	\$156,000	2.2%
Secondary West	\$148,000	\$169,500	2.7%
Charles Town Primary (WV)	\$65,600	\$67,000	0.4%
Wilmington	\$82,100	\$86,800	1.1%
Winchester (VA)	\$74,600	\$79,200	1.2%
<b>Total</b>	<b>\$92,920</b>	<b>\$102,830</b>	<b>2.0%</b>

The following table summarizes AAHI at the state level. The averages ranged from a low of \$65,600 for West Virginia to a high of \$122,300 for Virginia. Maryland and the District of Columbia fell just above the market average with income levels approaching \$100,000 in 2013. Pennsylvania and Delaware were more in line with the national average at about \$73,000 and \$75,000, respectively.

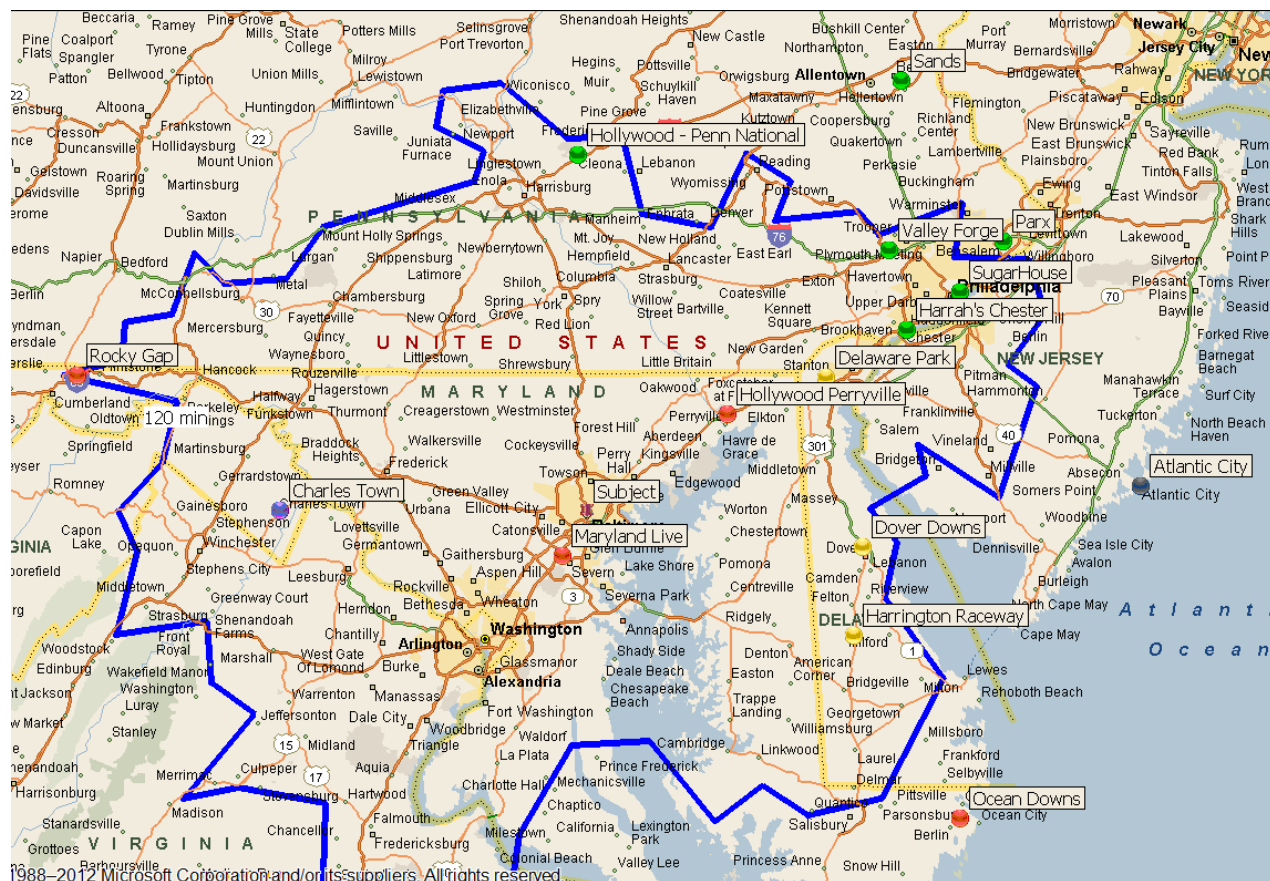
Interestingly, the states with the higher income levels are also expected to exhibit the most income growth over the next five years. For example, Virginia, Maryland and the District of Columbia are all expected to show growth well above 2.0% per year. New Jersey came in right at the 2.0% level. The income growth rate for Pennsylvania and Delaware is less than half the market average at about 1.0% per year.

<b>AAHI</b>			
<b>State</b>	<b>2013</b>	<b>2018</b>	<b>AAG</b>
Maryland	\$97,500	\$109,511	2.4%
Pennsylvania	\$73,100	\$77,028	1.1%
Delaware	\$74,600	\$78,349	1.0%
New Jersey	\$83,700	\$92,300	2.0%
Virginia	\$122,300	\$136,721	2.3%
West Virginia	\$65,600	\$67,000	0.4%
District of Columbia	\$99,100	\$113,500	2.8%
<b>Total</b>	<b>\$92,900</b>	<b>\$102,830</b>	<b>2.1%</b>

## Define Competitive Set

This section establishes the competitive set for the market, defined as existing or proposed gaming competition that materially impacts the market, as displayed on the map below. These competitors could potentially sit outside the defined market area, as they could still capture patronage from the market area. **The data contained in this section was primarily obtained from the respective state gaming commissions, boards or agencies. Great care was taken when compiling this data into the charts and graphs presented below.** The following map displays the competitors incorporated into the gravity model, including the proposed casino in downtown Philadelphia.

### Competitive Market Map



## Maryland

Maryland currently has four (4) casino properties offering a total of about 6,900 slot machines and just over 200 table games, including 62 non-banked poker tables. Hollywood Perryville was the first facility to open in late September 2010, followed closely by Ocean Downs in January 2011. A gap of 17 months lapsed before the opening of Maryland Live in June 2012. The most recent casino to open was Rocky Gap in May 2013.

The proposed Horseshoe Baltimore will compete primarily with Maryland Live and Hollywood Perryville, and secondarily with Ocean Downs and Rocky Gap. The latter two (2) casinos lie on the very periphery of the defined market area.

<b>Maryland Casino Summary</b>							
Property	County	Distance from Baltimore **	Opening Date	Slot Count *	Table Count *	Incl Non-Banked Poker *	Hotel Rooms
Hollywood Perryville	Cecil	39	Sep-10	1,158	22	10	0
Ocean Downs	Worcester	123	Jan-11	800	0	0	0
Maryland Live	Anne Arundel	14	Jun-12	4,339	174	52	0
Rocky Gap	Allegany	132	May-13	558	10	0	215
<b>Total</b>				<b>6,855</b>	<b>206</b>	<b>62</b>	<b>215</b>
* As of September 2013							
** Driving distance in miles							

### Hollywood Perryville (Cecil County)

Hollywood Perryville is located in northeastern Maryland just north of Perryville. The facility is situated near the intersection of Interstate 95 (“I-95”) and Highway 22, and thus is very accessible from the interstate. The casino currently offers about 1,160 slot machines and 22 table games, including a 10-table poker room. The slot offering was cut from about 1,500 machines in January 2013 in response to falling slot revenue due to additional competition. The food and beverage offering includes a full-service casual dining experience called Celebrity Bar & Grill, and a quick-service venue called Extras (open 24/7) serving pizza, sandwiches and salads. The Celebrity Bar & Grill also hosts live entertainment, specializing in comedy acts.

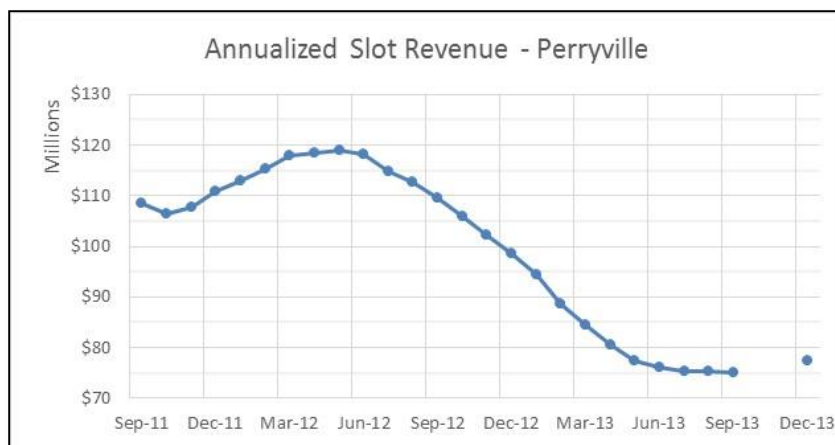
#### Slot Performance

Perryville posted slot revenue of \$98.6 million in 2012; a decline of 11% from the prior year. The weak results reflect the opening of Maryland Live in June 2012. Slot revenue is down 29% through September 2013 on a calendar year over year basis, again due to the Maryland Live impact. The

reduction in slot count has helped maintain Win per Unit per Day (“WPUPD”) despite falling revenue. WPUPD is only down 6% for YTD Sep-13. In order to remain efficient, it’s important to maintain a healthy WPUPD.

<b>Hollywood Perryville Slot Performance</b>			
	Slot Revenue	Slot Count	WPUPD
2010	\$27,596,428	1,524	\$189
2011	\$110,778,097	1,524	\$200
2012	\$98,608,996	1,516	\$179
<b>% Change:</b>			
2011	NM	0%	6%
2012	-11%	-1%	-11%
<b>YTD Results:</b>			
Sep-12	\$81,753,089	1,521	\$198
Sep-13	\$58,084,934	1,151	\$185
<b>% Change</b>	<b>-29%</b>	<b>-24%</b>	<b>-6%</b>

The following graph shows annualized slot revenue peaking near \$120 million in May 2012. Over the next year, revenue fell 35% in response to Maryland Live. Following the one-year anniversary of the opening of Maryland Live (June 2012), the trend line has stabilized. Slight positive growth is expected over the next several months, with annualized slot revenue reaching about \$77.5 million for 2013.



#### **Table Performance**

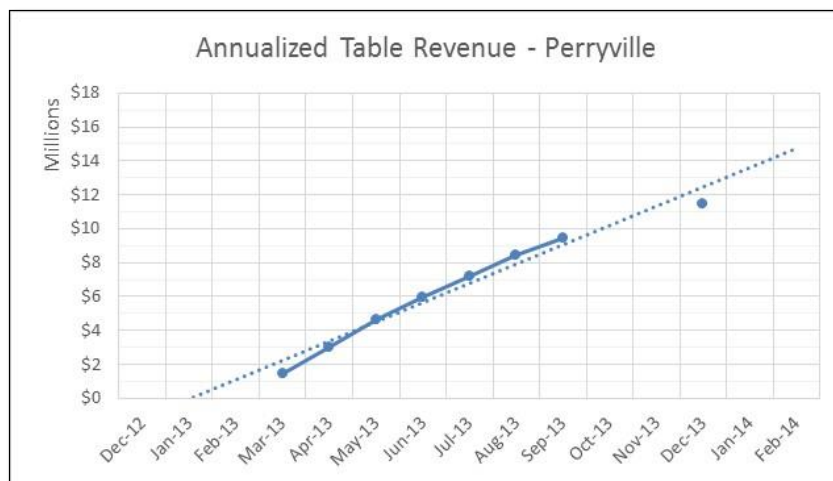
Table operations began at Hollywood Perryville in March 2013, with 22 tables (12 banked and 10 non-banked poker). Table revenue peaked at \$1.60 million in May 2013, moderating to about \$1.0 million in September as an upgraded Maryland Live table operation begins to capture market share.



Table revenue as a percent of total revenue to total revenue average 17.1% to date (full months only). However, the rate has fallen to about 15% for the last several months.

<b>Hollywood Perryville Table Performance</b>				
	Table Revenue	% of Total	Table Count	WPUPD
Mar-13	\$1,465,764	15.5%	22	\$2,149
Apr-13	\$1,563,259	18.5%	22	\$2,369
May-13	\$1,596,178	18.6%	22	\$2,340
Jun-13	\$1,332,015	17.1%	22	\$2,018
Jul-13	\$1,239,205	16.5%	22	\$1,817
Aug-13	\$1,252,317	16.3%	22	\$1,897
Sep-13	\$984,494	14.9%	22	\$1,492

Based on the current trend, table revenue is expected to reach near \$12 million for 2013, and surpass \$13 million for the first full year of table operations (annualized basis). The September results bent the trend line down a bit, again likely due to the opening of the Maryland Live poker room in August.



#### **Forecast Summary (FY Basis)**

<b>Baseline Revenue Forecast (millions) - Hollywood Perryville</b>						
Fiscal Year	Slot Revenue	% Change	Table Revenue	% Change	Total Revenue	% Change
FY 13	\$76.0	-35.6%	\$6.0	NA	\$82.0	-30.6%
FY 14	\$78.7	3.6%	\$14.3	NA	\$93.0	13.5%
FY 15	\$80.3	2.0%	\$15.0	4.5%	\$95.2	2.4%
FY 16	\$81.9	2.0%	\$15.2	2.0%	\$97.1	2.0%

### **Ocean Downs (Worcester County)**

Ocean Downs is located in southeastern Maryland, about 5 miles from Ocean City and the Atlantic Coast. The casino is structured around a racetrack offering live harness racing during the summer months, and year-round simulcast wagering. The casino currently offers about 800 slot machines retrofitted into the grandstand area of the racetrack. The food and beverage offering includes a full-service casual dining experience called Pacers overlooking the racetrack, and a quick-service venue called Dine N Dash (open 24/7) featuring a full-service bar.

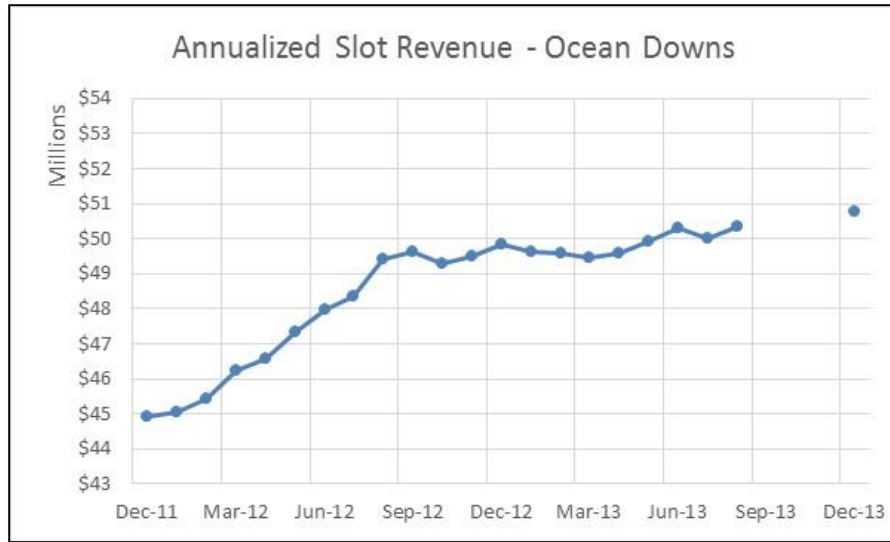
Ocean Downs recently announced an expansion plan to center the casino operation in a new 35,000 square foot facility. The new casino floor will continue to offer about 800 slot machines, but add about 10 table games. A new racing sports restaurant is also planned that will host simulcast wagering.

#### ***Slot Performance***

Ocean Downs posted slot revenue of \$49.8 million in 2012; an increase of 11% over the prior year. It's typical to see growth in this range for the second year of casino operations as the property matures and establishes its database. Based on a stable slot count, WPUPD also increased 11% in 2012 to about \$170. For the first 9 months of 2013, slot revenue is up slightly on a year over year basis. Ocean Downs was not materially impacted by the opening of Maryland Live in June 2012.

<b>Ocean Downs Slot Performance</b>			
	Slot Revenue	Slot Count	WPUPD
2011	\$44,930,696	814	\$152
2012	\$49,847,419	813	\$169
% Change	11%	0%	11%
<b>YTD Results:</b>			
Sep-12	\$39,685,945	817	\$179
Sep-13	\$40,387,393	800	\$186
% Change	1.8%	-2.1%	3.9%

The following graph highlights the strong revenue growth in the second year of operations (2012), and the moderation of growth over the last year. Revenue is expected to reach approximately \$51 million for 2013.



**Forecast Summary (FY Basis)**

<b>Baseline Revenue Forecast (millions) - Ocean Downs (FY Basis)</b>						
Fiscal Year	Slot Revenue	% Change	Table Revenue	% Change	Total Revenue	% Change
FY 13	\$50.3	4.9%			\$50.3	4.9%
FY 14	\$51.3	2.0%			\$51.3	2.0%
FY 15	\$52.4	2.0%			\$52.4	2.0%
FY 16	\$53.4	2.0%	\$9.1	NA	\$62.5	19.3%

## Maryland Live (Anne Arundel County)

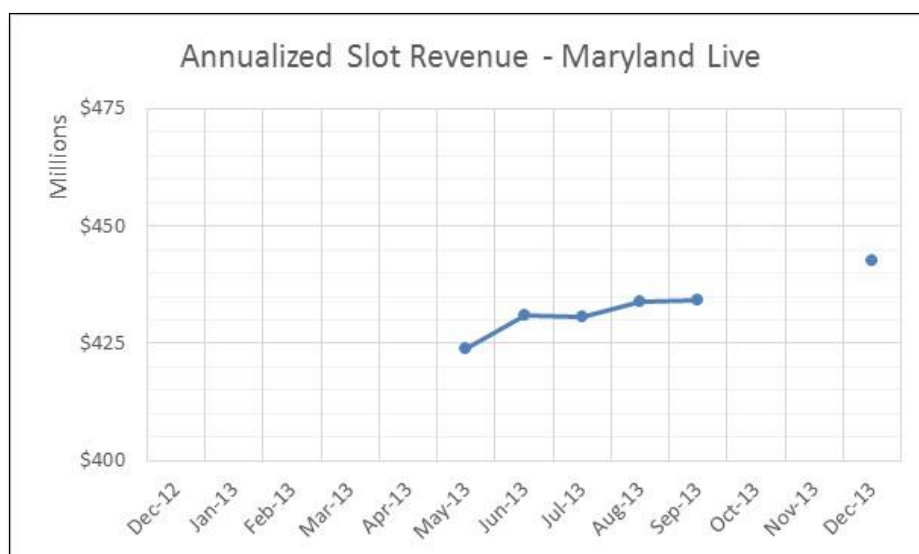
Maryland Live is located about 10 miles southwest of downtown Baltimore, in Hanover (Anne Arundel County). This roughly 160,000 square foot casino offers about 4,340 slot machines and 174 table games, including a 52-table poker room, which opened in August 2013. The casino is supported by an extensive food and beverage offering featuring four (4) name-brand venues and a buffet. The Rams Head Center Stage hosts live entertainment utilizing three (3) floor plan configurations. Finally, the casino offers several unique bars and lounges. In summary, Maryland Live is currently the premier gaming venue in Maryland, and rivals any of the stand-alone gaming venues in the competitive set.

### Slot Performance

For its first full year (Jul-12 thru Jun-13) of operations, Maryland Live posted slot gaming revenue of about \$431 million. Based on average machine count for the period of 4,365 machines, WPUPD calculated to a healthy \$277. Note that the machine count ramped up to a peak of 4,750 before tapering back to the current level, as the casino manages WPUPD. For the first full quarter following its anniversary, Maryland Live slot revenue grew about 3% on a year over year basis.

Maryland Live Slot Performance							
Monthly					Annualized		
	Slot Revenue	% Change	Slot Count	WPUPD	Slot Revenue	Slot Count	WPUPD
Jun-12	\$28,481,478		3,171	\$359			
Jul-12	\$35,408,797		3,291	\$347			
Aug-12	\$32,447,684		3,717	\$291			
Sep-12	\$32,001,519		4,371	\$244			
Oct-12	\$30,628,651		4,750	\$208			
Nov-12	\$34,365,183		4,750	\$241			
Dec-12	\$35,951,816		4,750	\$244			
Jan-13	\$35,943,756		4,750	\$244			
Feb-13	\$38,335,309		3,991	\$343			
Mar-13	\$44,613,545		4,129	\$349			
Apr-13	\$38,165,153		4,217	\$302			
May-13	\$37,492,689		4,319	\$280	\$423,835,580	4,184	✓ \$282
Jun-13	\$35,763,995	NM	4,314	\$276	\$431,118,097	4,279	✓ \$277
Jul-13	\$34,962,148	✓ -1.3%	4,323	\$261	\$430,671,448	4,365	✓ \$271
Aug-13	\$35,589,072	✓ 9.7%	4,339	\$273	\$433,812,836	4,417	✓ \$270
Sep-13	\$32,248,325	✓ 0.8%	4,339	\$248	\$434,059,642	4,414	✓ \$270

The graph below shows that the slot revenue trend line is modestly favorable following the casino's one-year anniversary, with slot revenue of about \$445 million expected for 2013.

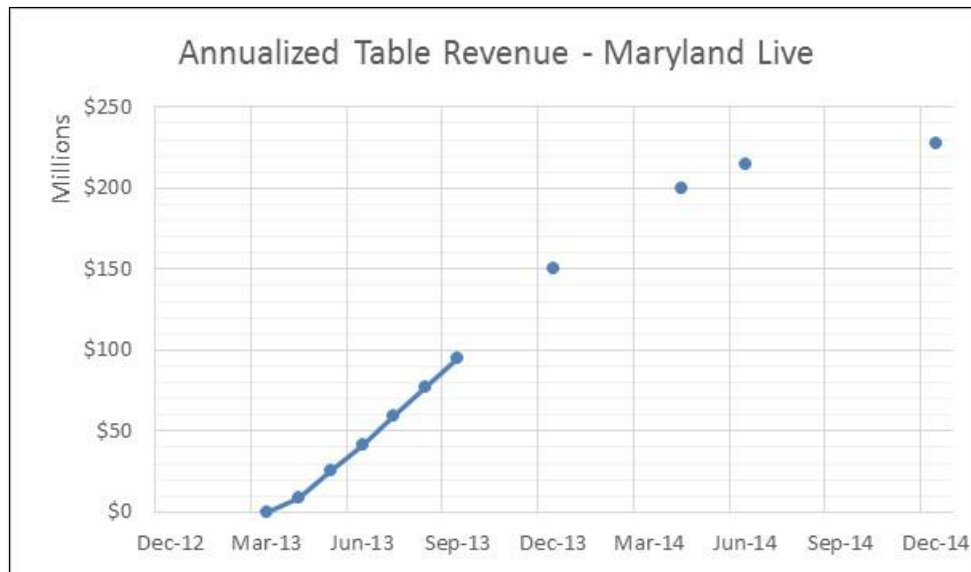


### Table Performance

Table operations began at Maryland Live in April 2013, with 122 banked tables. The operation expanded to offer a 52-table poker room in August 2013. Table revenue ranged from a low \$15.7 million in June 2013 to a high of \$18.2 million in September 2013. Table revenue as a percent of total revenue jumped to about 36% in September as the poker room ramped up. This is a very high proportion, much higher than the Pennsylvania properties and in line with Atlantic City. The table WPUPD is also well above industry standards.

Maryland Live Table Performance				
	Table Revenue	% of Total	Table Count	WPUPD
Apr-13	\$8,403,849	18.0%	122	\$2,296
May-13	\$17,563,696	31.9%	122	\$4,644
Jun-13	\$15,651,767	30.4%	122	\$4,276
Jul-13	\$17,492,665	33.3%	122	\$4,625
Aug-13	\$17,758,681	33.3%	174	\$3,402
Sep-13	\$18,241,594	36.1%	174	\$3,495

Table gaming revenue is expected to easily pass \$200 million on an annualized basis, and level off in the \$230 million range following the one-year anniversary of the poker room.



**Forecast Summary (FY Basis)**

Baseline Revenue Forecast (millions) - Maryland Live (FY Basis)						
Fiscal Year	Slot Revenue	% Change	Table Revenue	% Change	Total Revenue	% Change
FY 13	\$431.1	NA	\$41.6	NA	\$472.7	NA
FY 14	\$451.5	4.7%	\$215.0	NA	\$666.5	41.0%
FY 15	\$460.5	2.0%	\$229.9	6.9%	\$690.4	3.6%
FY 16	\$469.7	2.0%	\$234.5	2.0%	\$704.3	2.0%

## Rocky Gap Casino & Resort (Allegany County)

Rocky Gap Casino & Resort (“Rocky Gap”) is located on the western panhandle of Maryland, just east of the town of Cumberland. The facility is easily accessible from Interstate 68, which connects the western portion of the state with Baltimore via Interstate 70. The casino offers 560 slot machines and 10 table games. Unique to this property is a 215-room onsite resort hotel. This hotel complex offers many recreational activities as it lies in Rocky Gap State Park, adjacent to Lake Habeeb. The resort features an 18-hole championship golf course. The food and beverage offering includes a full-service fine dining option with views of the lake, a bar and grill, a burger bar, and a quick-serve venue serving coffee, baked goods, and sandwiches, as well as a full-service bar. The extensive food and beverage offering is needed to support the resort aspect of the property.

Only a few months of actual data is available for this property. Slot gaming revenue peaked at \$3.5 million in August 2013 before settling back to \$2.7 million in September. Table gaming revenue also peaked at just over \$500,000 in August before settling back to \$425,000 in September. The peaks in August likely reflects summer tourism associated with the state park. Note the ratio of table revenue to total revenue of about 13.6% (September 2013) is significantly lower than Maryland Live and more in line with Perryville.

Rocky Gap Performance							
Slot Performance				Table Performance			
	Slot Revenue	Slot Count	WPUPD	Table Revenue	% of Total	Table Count	WPUPD
May-13	\$648,366	554	\$117	\$127,768	16.5%	10	\$1,278
Jun-13	\$2,152,558	558	\$129	\$333,502	13.4%	10	\$1,112
Jul-13	\$3,039,159	558	\$176	\$435,157	12.5%	10	\$1,404
Aug-13	\$3,501,259	558	\$209	\$509,587	12.7%	10	\$1,699
Sep-13	\$2,704,905	558	\$162	\$425,392	13.6%	10	\$1,418

Based on this limited data and the current trend, slot gaming revenue is expected to reach \$23.5 million in 2013, and \$40 million for the property’s first full year; as displayed in the graph below.



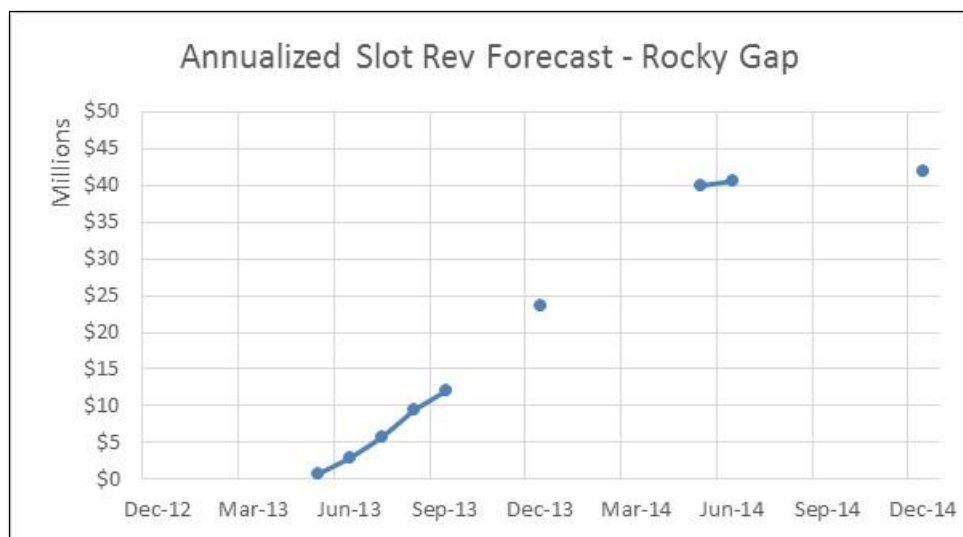
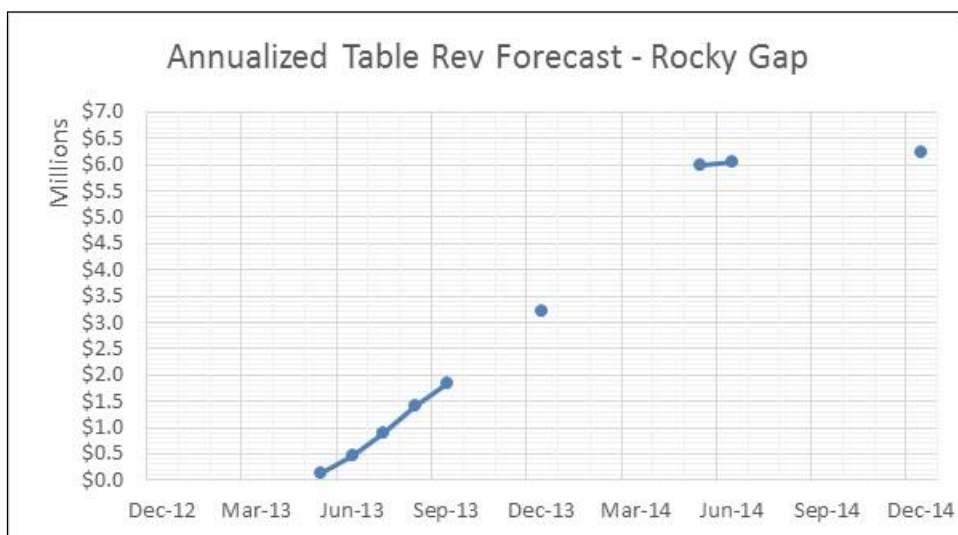


Table gaming revenue is expected to reach \$3.2 million in 2013, and \$4.5 million for the property's first full year; as displayed in the graph below.



#### Forecast Summary

Baseline Revenue Forecast (millions) - Rocky Gap (FY Basis)						
Fiscal Year	Slot Revenue	% Change	Table Revenue	% Change	Total Revenue	% Change
FY 13	\$2.8	NA	\$0.5	NA	\$3.3	NA
FY 14	\$40.5	NA	\$6.1	NA	\$46.6	NA
FY 15	\$42.7	5.5%	\$6.4	5.5%	\$49.1	5.5%
FY 16	\$43.9	2.7%	\$6.6	3.6%	\$50.5	2.8%

## Delaware

There are three (3) casinos in Delaware located on a north/south line starting in Wilmington in north Delaware and ending in Harrington in south Delaware. All the casinos are structured around racetracks. These casino have been open for roughly 18 years, and thus are well established in the region. For example, Dover Downs commenced gaming operations in late 1995.

These casinos represent some of the most meaningful competition for the Maryland casinos. Ocean Downs competes directly with Harrington for residents of south Delaware. Baltimore residents are only about 70 minutes from Delaware Park, but must pass Hollywood Perryville en-route. Maryland residents living east of Chesapeake Bay have decent access to both Dover Downs and Harrington. A 500-room hotel at Dover Downs attracts overnight gamers from a wide radius due to the lack of casino hotels in the region.

These casinos offer a total of 6,600 slot machines and 190 table games. Roughly 40% of the table games are poker tables. Only Dover Downs offers a dedicated casino hotel.

<b>Delaware Casino Summary</b>							
Property	City	Distance from Baltimore **	Opening Date	Slot Count *	Table Count *	Incl Non-Banked Poker *	Hotel Rooms
Delaware Park	Wilmington	67	Dec-95	2,298	89	45	0
Dover Downs	Dover	96	Dec-95	2,452	59	18	500
Harrington	Harrington	78	Aug-96	1,815	42	10	0
<b>Total</b>				<b>6,565</b>	<b>190</b>	<b>73</b>	<b>500</b>
* As of September 2013							
** Driving distance in miles							

### Slot Performance

The Delaware casinos combined to post slot gaming revenue of \$448 million in 2012, a decline of 5% from the prior year; on the heels of an 11% decline in 2011. From a longer term perspective, slot revenue has declined 27% over the last five years, from a near-term peak of \$612 million in 2007. Generally speaking, the weak results reflect additional competition from Pennsylvania and Maryland.

Delaware Park has fared the worst, with slot revenue falling 35% over the last five years, or an average of 8% per year. In contrast, slot revenue at Dover Downs fell only 18% during the same

period (an average of 4% per year). Delaware Park was more directly impacted by Hollywood Perryville.

<b>Slot Revenue</b>	Delaware Park	Dover Downs	Harrington Park	Total
2007	\$272,615,900	\$216,901,300	\$122,898,900	\$612,416,100
2008	\$253,288,300	\$213,571,000	\$122,063,700	\$588,923,000
2009	\$219,534,600	\$207,738,200	\$121,466,500	\$548,739,300
2010	\$216,815,963	\$199,496,703	\$116,534,044	\$532,846,710
2011	\$185,698,800	\$186,746,300	\$101,559,900	\$474,005,000
2012	\$175,920,100	\$177,469,900	\$94,727,800	\$448,117,800
<b>% Change:</b>				
2008	-7%	-2%	-1%	-4%
2009	-13%	-3%	0%	-7%
2010	-1%	-4%	-4%	-3%
2011	-14%	-6%	-13%	-11%
2012	-5%	-5%	-7%	-5%

The performance of these casinos worsened in 2013 due to the implementation of table games in Maryland. Table games represented the last competitive advantage for these casinos. In total, slot gaming revenue was down 19% on a year over year basis thru June. Delaware Park and Dover Downs fared the worst falling 20% and 22%, respectively.

<b>Slot Revenue</b>	Delaware Park	Dover Downs	Harrington Park	Total
YTD Jun 2012	\$123,173,900	\$126,557,800	\$66,951,500	\$316,683,200
YTD Jun 2013	\$98,545,500	\$98,959,200	\$59,141,100	\$256,645,800
<b>% Change</b>	<b>-20%</b>	<b>-22%</b>	<b>-12%</b>	<b>-19%</b>

#### **Table Performance**

Delaware legalized table games in mid-2010, about the same time as Pennsylvania. Table game revenue reached about \$73 million in 2012, flat compared to the prior year. Table revenue ranged from a low of \$12.5 million for Harrington (the southernmost facility) to a high of \$35.9 million for Delaware Park (the northern most facility).

<b>Table Revenue</b>	Delaware Park	Dover Downs	Harrington Park	Total
2007	\$0	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0
2010	\$19,391,266	\$10,646,076	\$8,491,500	\$38,528,842
2011	\$37,249,164	\$22,969,309	\$13,648,963	\$73,867,436
2012	\$35,853,559	\$24,416,874	\$12,520,758	\$72,791,191
<b>% Change:</b>				
2008	0%	0%	0%	0%
2009	0%	0%	0%	0%
2010	0%	0%	0%	0%
2011	92%	116%	61%	92%
2012	-4%	6%	-8%	-1%

However, with table games taking hold in Maryland, table revenue in Delaware is down sharply in 2013; falling 15% at Dover Downs on the low end to a high of 25% at Delaware Park.

<b>Table Revenue</b>	Delaware Park	Dover Downs	Harrington Park	Total
YTD Jun 2012	\$23,967,481	\$16,751,539	\$8,901,436	\$49,620,456
YTD Jun 2013	\$18,021,696	\$14,255,799	\$7,420,323	\$39,697,818
<i>% Change</i>	-25%	-15%	-17%	-20%

## Pennsylvania

To the north, there are six (6) existing Pennsylvania casinos that would represent meaningful competition to varying degrees for the proposed Baltimore property, as displayed in the table below. According to the driving distances, these facilities are generally situated on the periphery of the Baltimore market. Generally, these casinos are well established, having been open for more than 6 years in some cases.

The Pennsylvania casinos offer a wide range of facility types in terms of size, quality and scope. In total, these casinos offer about 13,800 slot machines and 650 table games (including 130 poker tables). In terms of slot count, they range from 600 machines (Valley Forge) to about 3,400 machines (Parx). As the position count increases, so does the ability to offer a wider selection of game themes and significant volume in the most popular titles. These casino operations use the food and beverage and entertainment offerings to distinguish themselves. For example, Harrah's Philadelphia has several full-service restaurants, including a buffet; two (2) quick-serve venues and a few lounges. Sands and Valley Forge offer on-site resort-style casino hotels. An on-site casino hotel allows them to penetrate a unique market, often referred to as Overnight Gamers.

Lastly, there is one remaining casino license earmarked for the Philadelphia area, however, the location, size and scope are uncertain. Nonetheless, this proposed facility is included in the competitive set, and benchmarked in the downtown Philadelphia area.

<b>Pennsylvania Casino Summary (relevant competition only)</b>							
Property	City	Distance from		Opening Date	Slot Count *	Table Count *	Incl Non-
		Baltimore **					Banked Poker * Hotel Rooms
Sands Casino Resort Bethlehem	Bethlehem	147	May-09	3,012	183	36	300
Valley Forge Casino Resort	King of Prussia	108	Mar-12	600	50	0	488
SugarHouse Casino	Philadelphia	102	Sep-10	1,604	58	0	0
Parx Casino	Bensalem	118	Dec-06	3,361	166	45	0
Harrah's Philadelphia	Chester	85	Jan-07	2,768	122	35	0
Hollywood - Penn National	Grantville	97	Feb-08	2,456	69	16	0
<b>Total</b>				<b>13,801</b>	<b>648</b>	<b>132</b>	<b>788</b>
* As of September 2013							
** Driving distance in miles							

### Slot Performance

In total, these Pennsylvania casinos posted slot gaming revenue of \$1.41 billion in 2012, an increase of 5% over the prior year. On a same-store basis (excluding Valley Forge), revenue was only up 3%. Growth rates have steadily moderated over the last several years as these markets mature. Excluding Valley Forge, which was only open for about nine months of the year, gaming revenue ranged from a low of \$190 million (SugarHouse) to a high of \$384 million (Parx). SugarHouse, which opened in late 2010, still showed decent growth of 11% in 2012, as revenue has yet to stabilize.

Slot Revenue	Sands - Bethlehem	Valley Forge	SugarHouse	Parx	Harrah's Chester	Hollywood - Penn National	Total
2007	\$0	\$0	\$0	\$285,032,169	\$285,978,663	\$0	\$571,010,832
2008	\$0	\$0	\$0	\$345,502,693	\$328,443,772	\$171,117,626	\$845,064,091
2009	\$142,267,867	\$0	\$0	\$359,274,246	\$315,938,366	\$237,721,830	\$1,055,202,309
2010	\$258,735,860	\$0	\$37,076,304	\$398,155,075	\$296,491,721	\$253,403,976	\$1,243,862,936
2011	\$270,967,159	\$0	\$170,967,818	\$376,668,692	\$268,113,984	\$248,924,977	\$1,335,642,630
2012	\$291,547,632	\$36,466,250	\$190,192,054	\$384,566,137	\$259,799,107	\$244,021,769	\$1,406,592,948
<b>% Change:</b>							
2008	0%	0%	0%	21%	15%	0%	48%
2009	0%	0%	0%	4%	-4%	39%	25%
2010	82%	0%	0%	11%	-6%	7%	18%
2011	5%	0%	361%	-5%	-10%	-2%	7%
2012	8%	0%	11%	2%	-3%	-2%	5%

Weak results continued into 2013 as revenue at four of the five older casinos fell between 4% and 9% on a year over year basis. In total, on a same-store basis, revenue has declined 4%. The exception was Sand Bethlehem, which posted flat results. The comparison for Valley Forge is not meaningful as the facility was only open for 3 months in the 2012 period.

Slot Revenue	Sands - Bethlehem	Valley Forge	SugarHouse	Parx	Harrah's Chester	Hollywood - Penn National	Total
YTD Jun 2012	\$198,267,212	\$19,298,105	\$131,591,361	\$264,312,097	\$179,516,504	\$169,030,212	\$962,015,490
YTD Jun 2013	\$197,976,439	\$42,288,464	\$124,832,098	\$254,566,555	\$163,195,218	\$161,064,396	\$943,923,170
% Change	0%	119%	-5%	-4%	-9%	-5%	-2%

Slot WPUPD average \$286 for this set of casinos in 2012, an increase of 5% from the prior year. On a per casino basis, WPUPD ranged from a low of \$216 for Valley Forge to a high of \$324 for SugarHouse. Note that the slot WPUPD at Maryland Live is in line with the Pennsylvania average.

Slot WPUPD	Sands - Bethlehem	Valley Forge	SugarHouse	Parx	Harrah's Chester	Hollywood - Penn National	Total
2007	\$0	\$0	\$0	\$350	\$303	\$0	\$324
2008	\$0	\$0	\$0	\$335	\$319	\$250	\$310
2009	\$215	\$0	\$0	\$339	\$297	\$281	\$288
2010	\$229	\$0	\$234	\$322	\$279	\$285	\$297
2011	\$246	\$0	\$295	\$299	\$248	\$277	\$271
2012	\$264	\$216	\$324	\$304	\$251	\$270	\$286
<b>% Change:</b>							
2008	0%	0%	0%	-4%	5%	0%	-4%
2009	0%	0%	0%	1%	-7%	12%	-7%
2010	7%	0%	0%	-5%	-6%	2%	3%
2011	7%	0%	26%	-7%	-11%	-3%	-9%
2012	8%	0%	10%	2%	1%	-2%	5%

#### Table Performance

Pennsylvania legalized table games in mid-2010. The tax rate is \_\_\_%; low relative to most markets. Table game revenue in Pennsylvania continues to build, surpassing \$481 million in 2012, increasing 12% on a same-store basis.

Table Revenue	Sands - Bethlehem	Valley Forge	SugarHouse	Parx	Harrah's Chester	Hollywood - Penn National	Total
2007	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2010	\$27,366,916	\$0	\$17,118,033	\$34,447,042	\$30,019,768	\$15,059,128	\$124,010,887
2011	\$106,382,790	\$0	\$74,212,307	\$114,485,037	\$80,971,453	\$38,410,926	\$414,462,513
2012	\$146,492,966	\$21,419,727	\$83,941,815	\$109,959,936	\$81,009,223	\$38,579,543	\$481,403,210
<b>% Change:</b>							
2008	0%	0%	0%	0%	0%	0%	0%
2009	0%	0%	0%	0%	0%	0%	0%
2010	0%	0%	0%	0%	0%	0%	0%
2011	289%	0%	334%	232%	170%	155%	234%
2012	38%	0%	13%	-4%	0%	0%	16%



In total, table revenue grew only 8% for the first six months of 2013 on a same-store basis, as the table market matured somewhat. From an individual casino perspective, the results were mixed, with Sands showing a 21% gain, compared to a loss of 4% at Hollywood. Sands benefited from an increased table count, while Hollywood was likely impacted by the opening of Valley Forge.

<b>Table Revenue</b>	Sands - Bethlehem	Valley Forge	SugarHouse	Parx	Harrah's Chester	Hollywood - Penn National	Total
YTD Jun 2012	\$93,870,497	\$11,038,776	\$55,960,486	\$74,747,643	\$54,006,504	\$26,307,682	\$315,931,587
YTD Jun 2013	\$113,740,815	\$22,814,206	\$57,307,902	\$80,306,727	\$52,594,331	\$25,309,023	\$352,073,003
% Change	21%	107%	2%	7%	-3%	-4%	11%

Table WPUPD was steady at about \$2,200 in 2012 for the Pennsylvania casinos, ranging from a low of approximately \$1,520 for both Valley Forge and Hollywood to a high of about \$4,200 for SugarHouse. SugarHouse is a downtown casino, which typically do better from a table game perspective, likely due to the overnight tourist impact. Note Maryland Live is currently showing a table WPUPD that is well above the Pennsylvania average.

<b>Table WPUPD</b>	Sands - Bethlehem	Valley Forge	SugarHouse	Parx	Harrah's Chester	Hollywood - Penn National	Total
2007	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2010	\$1,867	\$0	\$4,264	\$3,061	\$1,777	\$1,607	\$2,276
2011	\$2,470	\$0	\$4,360	\$1,854	\$1,828	\$1,698	\$2,196
2012	\$2,659	\$1,525	\$4,197	\$1,718	\$1,785	\$1,523	\$2,196
<b>% Change:</b>							
2008	0%	0%	0%	0%	0%	0%	0%
2009	0%	0%	0%	0%	0%	0%	0%
2010	0%	0%	0%	0%	0%	0%	0%
2011	32%	0%	2%	-39%	3%	6%	-4%
2012	8%	0%	-4%	-7%	-2%	-10%	0%

## West Virginia

Only one of West Virginia's four (4) casinos is expected to impact this market, but it's a major one. Hollywood Casino at Charles Town Races ("Charles Town") is located in extreme eastern West Virginia, just a few miles from the Maryland border to the north and from the Virginia border to the east. The facility is about 75 miles from Baltimore, with a direct connection via Interstate 70 and Highway 340. This is a very extensive casino offering about 3,500 slot machines and 160 table games, including a 50-table poker room. It recently expanded its table offering by about 20 games.

The casino is supported by six (6) full-service food options, including a buffet and fine dining venue, and a 5-unit food court for fast service. Live entertainment is offered in the H Lounge on a regular basis, including the occasional headliner.

The casino posted gaming revenue of \$543 million in 2012, comprising \$380 million in slots and \$163 million in tables. Slot revenue declined 3% in 2012, likely due to increased competition in Maryland. From a longer term perspective, slot revenue has fallen a steady 4% per year over the last five years. The slot count has also fallen sharply from a peak of just over 5,000 machines in 2008. The lower slot count has allowed the operation to maintain a strong WPUPD of \$284 in 2012.

In contrast to slot performance, table revenue for Charles Town increased 10% in 2012; its second full year of table operations. Table WPUPD came in at a very strong \$3,100 for the second year in a row. Table revenue accounts for 30% of total revenue; again, a very high proportion relative to most markets, and a figure that is more in line with Las Vegas and Atlantic City.

<b>Hollywood Charles Town</b>	Table Revenue	Slot Revenue	Total Revenue	Table Count	Daily Win / Table Unit	Slot Count	Daily Win / Slot Unit
Dec-07	\$0	\$463,368,000	\$463,368,000	0	\$0	4,760	\$267
Dec-08	\$0	\$442,841,000	\$442,841,000	0	\$0	5,010	\$242
Dec-09	\$0	\$424,742,000	\$424,742,000	0	\$0	4,980	\$234
Dec-10	\$58,178,000	\$407,886,000	\$466,064,000	110	\$1,450	4,660	\$240
Dec-11	\$149,109,000	\$393,313,000	\$542,422,000	130	\$3,130	4,250	\$253
Dec-12	\$163,448,000	\$379,702,000	\$543,150,000	144	\$3,110	3,650	\$284
<b>% Change:</b>							
Dec-08	0%	-4%	-4%	0%	0%	5%	-9%
Dec-09	0%	-4%	-4%	0%	0%	-1%	-3%
Dec-10	0%	-4%	10%	0%	0%	-6%	3%
Dec-11	NM	-4%	16%	18%	NM	-9%	6%
Dec-12	10%	-3%	0%	10%	-1%	-14%	12%

## New Jersey (Atlantic City)

Lastly, New Jersey hosts one of the largest gaming districts in the country – Atlantic City. Atlantic City features a cluster of 12 casinos offering roughly 25,900 slot machines and over 1,600 table games. Almost all the major casinos companies have facilities in Atlantic City.

The Atlantic City market has posted weak gaming revenue results over the last six (6) years due mainly to the proliferation of gaming capacity in a number of its major feeder markets including New York City, Philadelphia, Upstate New York, Northeastern Pennsylvania, and most recently Maryland. The nationwide economic recession, and Hurricane Sandy also severely impacted Atlantic City starting in late 2008.

Gaming revenue has fallen 42% or \$2.17 billion over the last 6 years, after peaking at \$5.2 in 2006, representing an average decline of about 9% per year. Both the slot and table sectors were hit equally as hard. These casinos have trimmed slot counts significantly in order to maintain slot WPUPD. The table count has been steadier, which resulted in falling table WPUPD. Table WPUPD has fallen from a peak of around \$2,400 in 2007 to a low of \$1,425 in 2012. Table revenue as a percent of total revenue, was about 28% in 2012, down modestly over the last few years.

<b>Atlantic City Gaming Revenue Summary (millions)</b>							
	Slot Revenue	Table Revenue	Total	Slot Count	Slot WPUPD	Table Count	Table WPUPD
2007	\$3,464.5	\$1,456.3	\$4,920.8	35,920	\$264	1,659	\$2,406
2008	\$3,132.8	\$1,412.5	\$4,545.2	34,801	\$247	1,649	\$2,347
2009	\$2,722.7	\$1,221.4	\$3,944.1	31,677	\$235	1,628	\$2,056
2010	\$2,484.9	\$1,088.0	\$3,572.9	29,072	\$234	1,614	\$1,847
2011	\$2,341.2	\$974.7	\$3,315.8	27,302	\$235	1,590	\$1,680
2012	\$2,192.2	\$859.6	\$3,051.9	27,123	\$221	1,649	\$1,428
<b>% Change:</b>							
2008	-10%	-3%	-8%	-3%	-7%	-1%	-2%
2009	-13%	-14%	-13%	-9%	-5%	-1%	-12%
2010	-9%	-11%	-9%	-8%	-1%	-1%	-10%
2011	-6%	-10%	-7%	-6%	0%	-2%	-9%
2012	-6%	-12%	-8%	-1%	-6%	4%	-15%

# Gaming Market Assessment

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With the building blocks now in place, this section utilizes the drive-time gravity model to forecast gaming revenue for the defined market area generally, and specifically, the proposed Baltimore gaming facility. **All the estimates and forecasts in this section are the work product of Custom Gaming Consulting.**

The first step in the process is to apply estimated gaming factors to the adult population base to calculate gaming revenue for each market segment. Gaming factors include:

**Propensity** – Percentage of the gamer (adult) population that is expected to patronize an area gaming facility at least once per year;

**Frequency** – Average number of times per year a person with a propensity to patronize a gaming facility actually does so;

**Win per Visit** (“WPV”) – Average amount the casino wins per gaming visit.

The basic formula is as follows:

Gamer Population Base x Propensity = Market Gamers

Market Gamers x Frequency = Market Gamer Visits

Market Gamer Visits x Win per Visit = Market Gaming Revenue

Gaming factors generally fluctuate due to: 1) the convenience of gaming as measured in drive time; 2) the demographic characteristics of the market segment such as ethnicity and income levels; and 3) the size, scope and quality of the available gaming alternatives. Gaming factors are initially estimated based on a **Calibration** process which ties actual gaming revenue by venue to the adult population base. Factors are then adjusted to consider the passage of time and/or expansions in the market, yielding the **Baseline** version. Lastly, the third iteration layers in the proposed or subject property to yield the **Pro Forma** forecast.

## Market Calibration (2013)

The goal of the first iteration is to calibrate the gravity model to the actual results (as reported by the various gaming commissions) for the existing casinos in the market. Data was generally available through August 2013. The objective of this process is to forecast the market's gaming factors (as defined earlier) for each of the market segments, aligning gaming revenue by market segment to the adult population base.

**Note, for the sake of modeling the full potential of the Maryland facilities, the model was calibrated to estimated FY 2014 results in order to capture a full year effect of table operations in Maryland.**

### Total Market Summary

In summary, we estimated that the 12.2 million adults (21 years of age and older) living in the defined market area would generate approximately 35.4 million gamer visits in FY 2014 related to the 14 gaming facilities operating in the region and Atlantic City. The weighted average propensity and frequency factor calculated to 32.2% and 9.0 times, respectively. After applying win per visit by market segment, market gaming revenue calculated to \$2.66 billion, reflecting a weighted average win per visit of \$75.

Delaware, with the highest concentration of gaming positions in the smallest area, showed the highest propensity and frequency factor of 41.0% and 12.3 times, respectively. Delaware is also the second oldest gaming jurisdiction in this region, as New Jersey (with Atlantic City) is the oldest. West Virginia, which is represented by only one (1) market segment, also showed high gaming factors as this segment has convenient access to one of the largest and most comprehensive gaming venues in the region. Virginia showed the lowest gaming factors as it has no dedicated casinos. The Washington D.C. metro area is about an hour from the nearest casino (Maryland Live). Maryland's gaming factors came in roughly equal to the market average. With only one casino in the most densely populated area, convenience is still an issue. In contrast, Pennsylvania has a much higher level of gaming positions per capita, and thus showed factors much higher than Maryland. For example, there are six (6) casinos in the Pennsylvania markets, offering 17,700 gaming positions or 4.9 positions per capita, compared to only 2.0 positions per capita for Maryland. Lastly, the New Jersey segment, with decent access to Atlantic City showed factors more in line with Pennsylvania of 35.6% and 9.2 times for propensity and frequency, respectively.

Market Summary - FY14 Calibration								
State	Gamer		Gamers	Frequency	Total Visits	Win / Visit	Gaming Revenue	
	Population	Propensity						
Maryland	4,181,637	31.2%	1,304,989	8.4	10,913,800	\$79	\$866,995,600	
Pennsylvania	3,594,489	36.2%	1,300,004	9.8	12,772,800	\$68	\$864,583,800	
Delaware	674,116	41.0%	276,711	12.3	3,391,500	\$64	\$215,837,800	
New Jersey	883,828	35.6%	315,069	9.2	2,893,700	\$71	\$206,240,900	
Virginia	2,212,347	23.3%	515,476	7.0	3,614,600	\$104	\$375,065,100	
West Virginia	129,024	39.9%	51,428	11.7	600,700	\$56	\$33,366,500	
District of Columbia	502,573	30.3%	152,346	8.0	1,219,400	\$83	\$101,573,800	
<b>Total</b>	<b>12,178,012</b>	<b>32.2%</b>	<b>3,916,023</b>	<b>9.0</b>	<b>35,406,500</b>	<b>\$75</b>	<b>\$2,663,663,500</b>	

## Market Capture

The gravity model allocates gamer visits to the competitive set based on a drive time matrix, while considering the size, quality and scope of each gaming alternative. The drive time matrix compiles the drive time in minutes between the center points of each market segment to each gaming alternative, using Microsoft MapPoint. The size of each gaming venue is measured in terms of gaming position, while an attraction factor is used to gauge quality and scope levels.

In total, the **Maryland** casinos captured 28% of market gamer visits. The Maryland casinos captured roughly two-thirds of the Maryland and District of Columbia gamer visits; about one-third of Virginia's visits, but minimal capture of the remaining states (PA, DE, NJ, WV). The competition is simply too fierce in these states to allow for meaningful penetration, while considering the drive time.

The **Delaware** casinos do a good job penetrating the Delaware market, as they captured 78% of day-trip gamer visits originating from Delaware. However, penetration was modest related to other states, with the District of Columbia and Maryland yielding the highest capture of 12%. The District of Columbia residents and southeastern Maryland residents have decent access to the Delaware casinos via Highway 50/301.

The **Pennsylvania** casinos capture about 81% of Pennsylvania patronage as well as a decent share (43%) of the southwest New Jersey market. Capture rates fall off significantly for the other states, including only 5% from Maryland.

As one might expect, Hollywood Charles Town owns the West Virginia segment with a 97% capture rate, and also does well with Virginia residents. Virginia residents certainly experience less traffic traveling northwest towards Charles Town as opposed to northeast towards Baltimore. Recall, the Maryland casinos only capture 31% of Virginia patronage. Despite its size, Atlantic

City only captures 8% of the greater Baltimore market from a day-trip gamer perspective. It certainly does better with the overnight gamer component.

Capture Rates - FY14 Calibration										
State	Maryland Live	Hollywood Perryville	Ocean Downs	Rocky Gap	Subtotal Maryland Casinos	Delaware Casinos	Pennsylvania Casinos	Hollywood Charles Town	Atlantic City	Total
Maryland	55%	8%	2%	2%	67%	12%	5%	13%	3%	100%
Pennsylvania	2%	1%	0%	0%	3%	6%	81%	3%	7%	100%
Delaware	1%	3%	3%	0%	7%	78%	9%	0%	7%	100%
New Jersey	0%	1%	0%	0%	1%	7%	43%	0%	49%	100%
Virginia	31%	1%	0%	0%	32%	6%	4%	58%	0%	100%
West Virginia	2%	0%	0%	0%	2%	0%	1%	97%	0%	100%
District of Columbia	71%	2%	0%	0%	73%	12%	3%	12%	0%	100%
<b>Total</b>	<b>23%</b>	<b>3%</b>	<b>1%</b>	<b>1%</b>	<b>28%</b>	<b>15%</b>	<b>36%</b>	<b>13%</b>	<b>8%</b>	<b>100%</b>

## Gamer Visits

Based on these capture rates, the resulting gamer visits are shown below; segregated by property for the Maryland casinos, and summed by state for the rest of the market. Maryland Live realizes 73% of visits from Maryland residents, while Virginia and District of Columbia contribute 14% and 11%, respectively. Hollywood Perryville also garners 73% of its visits from Marylanders. Pennsylvania and Delaware also contribute materially. Note, Ocean Downs and Rocky Gap realize some day-trip patronage from outside the defined market area that is not represented below.

Gamer Visits - FY14 Calibration										
State	Maryland Live	Hollywood Perryville	Ocean Downs	Rocky Gap	Subtotal Maryland Casinos	Delaware Casinos	Pennsylvania Casinos	Hollywood Charles Town	Atlantic City	Total
Maryland	5,957,245	893,541	215,957	226,086	7,292,829	1,356,709	573,027	1,395,375	295,860	10,913,800
Pennsylvania	192,573	160,224	0	14,489	367,286	747,654	10,331,124	384,873	941,863	12,772,800
Delaware	42,893	91,064	86,501	0	220,458	2,635,435	300,148	1,831	233,626	3,391,498
New Jersey	7,839	22,889	0	0	30,728	194,628	1,249,706	0	1,418,638	2,893,700
Virginia	1,110,494	42,229	0	6,408	1,159,131	234,304	139,668	2,081,497	0	3,614,600
West Virginia	10,831	0	0	2,525	13,356	0	5,645	581,699	0	600,700
District of Columbia	865,859	22,440	0	0	888,299	143,075	35,984	152,041	0	1,219,399
<b>Total</b>	<b>8,187,734</b>	<b>1,232,387</b>	<b>302,458</b>	<b>249,508</b>	<b>9,972,087</b>	<b>5,311,805</b>	<b>12,635,302</b>	<b>4,597,316</b>	<b>2,889,987</b>	<b>35,406,497</b>
<b>% of Total:</b>										
Maryland	73%	73%	71%	91%	73%	26%	5%	30%	10%	31%
Pennsylvania	2%	13%	0%	6%	4%	14%	82%	8%	33%	36%
Delaware	1%	7%	29%	0%	2%	50%	2%	0%	8%	10%
New Jersey	0%	2%	0%	0%	0%	4%	10%	0%	49%	8%
Virginia	14%	3%	0%	3%	12%	4%	1%	45%	0%	10%
West Virginia	0%	0%	0%	1%	0%	0%	0%	13%	0%	2%
District of Columbia	11%	2%	0%	0%	9%	3%	0%	3%	0%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Local Market Gaming Revenue – Maryland Properties

Lastly, win per visit is applied to gamer visits by market segment for each property. Recall, win per visit varies based on income levels and drive time. It can also be adjusted to reflect the



marketing efforts of a particular venue. **Again, the estimates shown below are for FY 2014 in order to consider a full year of table operations in Maryland.**

### **Maryland Live**

Maryland Live showed the highest average win per visit of \$80, resulting in local market gaming revenue of approximately \$655 million for the market area, which for Maryland Live represents all its local market gaming revenue. The win per visit figure is about 8% higher than Hollywood Perryville, and over 25% higher than Ocean Downs and Rocky Gap. This premium not only reflects a more affluent customer base, but also a higher proportion of table game revenue.

### **Hollywood Perryville**

With 1.23 million local market gamer visits and a win per visit of \$73, local market gaming revenue calculated to \$89.3 million in FY 2014. The win per visit is skewed low as a high proportion of visits originate in close proximity to the property.

### **Ocean Downs**

Ocean Downs captures about 302,000 visits from the defined market area. The average win per visit of \$60 is the lowest of the Maryland properties. The Ocean Downs primary market showed one of the lowest income levels (AAHI) in the market of only \$65,250 per year. Note, a considerable portion of local market gaming revenue for this property comes from outside the defined market area (DMA), mainly from the south.

### **Rocky Gap**

For Rocky Gap, with 250,000 local market visits and an average win per visit of \$62, revenue calculated to \$15.5 million. Like Ocean Downs, the low win per visit reflects a very low income level for the Rocky Gap Primary market. Rocky Gap also realizes a considerable portion of local market revenue from outside the DMA, generally from Pennsylvania to the north.

<b>Local Market Gaming Reveue - Maryland Properties (FY14)</b>							
Maryland Property	Market		Property		Local Market	Local Market	Total Local
	Gamer Visits	Capture Rate	Gamer Visits	Win per Visit	Revenue (DMA)	Revenue (Outside DMA)	Market Revenue
Maryland Live	35,410,000	23%	8,190,000	\$80	\$655,000,000	\$0	\$655,000,000
Hollywood Perryville	35,410,000	3%	1,230,000	\$73	\$89,300,000	\$0	\$89,300,000
Ocean Downs	35,410,000	1%	302,000	\$60	\$18,090,000	\$8,990,000	\$27,080,000
Rocky Gap	35,410,000	1%	250,000	\$62	\$15,480,000	\$10,450,000	\$25,930,000
<b>Total</b>	<b>35,410,000</b>	<b>28%</b>	<b>9,972,000</b>	<b>\$78</b>	<b>\$777,870,000</b>	<b>\$19,440,000</b>	<b>\$797,310,000</b>
Note: DMA = Defined Market Area.							

## Baseline Forecast (FY 2016)

This second iteration of the gravity model forecasts gaming revenue for the defined market area and the Maryland facilities through FY 2016, the baseline year of the assessment. This baseline forecast represents the starting point for forecasting the impact of the proposed Baltimore project. The baseline forecast considers several changes to the marketplace, as follows:

1. The passage of time from FY 2014 and FY 2016 (2 years).
2. An additional casino in downtown Philadelphia

Regarding the passage of time, the model was updated with 2016 demographic data. Recall earlier, population counts and income levels area expected to increase over the next several years. Since these growth rates varied by market segment, each facility is impacted differently. In summary, the market is expected to grow by \$90.2 million or 1.7% per year. The growth reflects a near equal weighting of population growth and income growth, as propensity and frequency remain relatively steady.

Local Market Summary - FY 2016 Baseline1							
	Gamer Population	Propensity	Gamers	Frequency	Total Visits	Win / Visit	Gaming Revenue
FY14 Calibration	12,178,012	32.2%	3,916,022	9.0	35,406,500	\$75	\$2,663,663,500
FY16 Baseline1	12,383,555	32.1%	3,976,924	9.0	35,932,600	\$77	\$2,753,820,900
<b>Change</b>	<b>205,543</b>	<b>0.0%</b>	<b>60,902</b>	<b>0.0</b>	<b>526,100</b>	<b>\$1</b>	<b>\$90,157,400</b>
AAG	0.8%	-0.1%	0.8%	0.0%	0.7%	0.9%	1.7%

As displayed below, each state was impacted differently based on the demographic data. The District of Columbia showed the highest growth rate of 3.3% per year, followed closely by Virginia at 2.8%. These markets were positively impacted by both population and income growth. Pennsylvania and West Virginia showed the lowest growth, while Maryland fell in the middle.

Local Market Summary - FY 2016 Baseline1				
State	FY14 Calibration	FY16 Baseline1	Change	AAG
Maryland	\$866,995,699	\$900,925,081	\$33,929,382	1.9%
Pennsylvania	\$864,583,711	\$881,116,301	\$16,532,590	1.0%
Delaware	\$215,837,867	\$221,833,154	\$5,995,287	1.4%
New Jersey	\$206,240,932	\$211,318,642	\$5,077,710	1.2%
Virginia	\$375,065,100	\$396,244,359	\$21,179,259	2.8%
West Virginia	\$33,366,522	\$34,028,490	\$661,968	1.0%
District of Columbia	\$101,573,778	\$108,354,662	\$6,780,884	3.3%
<b>Total</b>	<b>\$2,663,663,609</b>	<b>\$2,753,820,689</b>	<b>\$90,157,080</b>	<b>1.7%</b>

Regarding the additional casino, the model was updated to add a roughly 2,400-position casino in the downtown Philadelphia area. Due to the significant competition in the region, this expansion only grew the market segments in close proximity to the facility, namely Philadelphia and southwest New Jersey. In summary, the market is expected to grow by approximately \$58 million or 2.1%. The Maryland segments were only impacted slightly.

<b>Market Summary - 2016 Baseline2</b>				
<b>State</b>	<b>FY16 Baseline1</b>	<b>FY16 Baseline2</b>	<b>Change</b>	<b>% Change</b>
Maryland	\$900,925,081	\$901,733,640	\$808,559	0.1%
Pennsylvania	\$881,116,301	\$922,766,337	\$41,650,036	4.7%
Delaware	\$221,833,154	\$222,234,690	\$401,536	0.2%
New Jersey	\$211,318,642	\$226,350,260	\$15,031,618	7.1%
Virginia	\$396,244,359	\$396,447,858	\$203,499	0.1%
West Virginia	\$34,028,490	\$34,060,948	\$32,458	0.1%
District of Columbia	\$108,354,662	\$108,461,497	\$106,835	0.1%
<b>Total</b>	<b>\$2,753,820,689</b>	<b>\$2,812,055,230</b>	<b>\$58,234,541</b>	<b>2.1%</b>

## Pro Forma Forecast (FY 2016)

Lastly, this third iteration layers in the proposed Baltimore casino, based on the description presented earlier. The gravity model is updated by adding this property to the competitive set. Gaming factors are then updated to address potential market growth. The market, or size of the pie, grows if one or more of the following occurs:

1. The convenience of gaming is enhanced for any of the market segments.
2. The new gaming product is sufficiently innovative as to entice additional patronage.
3. Marketing efforts related to the new operation are at a level that encourages additional patronage.
4. The market has a need for additional capacity during peak times, mainly weekends and holidays.

Only a few of the markets segments would realize enhanced convenience, most notably the downtown Baltimore segment. However, the proposed facility is also expected to grow the market based on the other three (3) parameters. The Horseshoe brand has proven itself to be a very popular gaming project in other markets, mostly known for its high level of promotional activity. Also, based on the Win per Unit per Day (“WPUPD”) figure at Maryland Live of \$270 for slots and \$3,500 for table games, additional capacity is likely needed during peak times.

### **Market Gamer Visits**

Thus, gamer visit growth was projected at 2.0 million or 5% due to the addition of the proposed facility. As one might expect, the Baltimore segment growth rate was the highest at approximately 50%, accounting for about 66% of the overall growth. The Secondary North segment showed the second highest growth rate of 22%, resulting in about 112,000 additional gamer visits. The rest of the key Maryland segments showed growth in the 2% to 9% range. For these segments, expected growth was generally relative to the Horseshoe Baltimore capture rate. The District of Columbia and the Virginia segments also showed some modest growth of 5% and 2%, respectively.

<b>Gamer Visits -FY 2016 Pro Forma Forecast</b>				
<b>Markets/State</b>	<b>Baseline</b>	<b>Pro Forma</b>	<b>Change</b>	<b>% Change</b>
Baltimore	2,612,800	3,928,500	1,315,700	50%
Maryland Live Primary	1,120,800	1,191,600	70,800	6%
Secondary West	378,400	408,700	30,300	8%
Secondary North	499,700	611,500	111,800	22%
Secondary NE	365,500	397,500	32,000	9%
Perryville Primary	562,400	570,400	8,000	1%
South MD	1,182,700	1,240,300	57,600	5%
Secondary South	1,545,600	1,628,200	82,600	5%
Prince George's	639,100	676,200	37,100	6%
Anne Arundel South	352,600	375,800	23,200	7%
All Other Maryland	1,827,500	1,860,100	32,600	2%
Pennsylvania	13,670,800	13,697,100	26,300	0%
Delaware	3,451,100	3,451,100	0	0%
New Jersey	3,176,100	3,176,100	0	0%
Virginia	3,721,400	3,795,100	73,700	2%
West Virginia	611,000	611,000	0	0%
District of Columbia	1,266,400	1,330,200	63,800	5%
<b>Total</b>	<b>36,983,900</b>	<b>38,949,400</b>	<b>1,965,500</b>	<b>5%</b>

### Capture Rates

The table below displays the capture rates for the subject property. A high capture rate of 79% is projected for its home market – Baltimore. The capture rates fall off sharply for the other segments as competition quickly becomes an issue. For example, the second highest capture rate falls to 35% for both Secondary North and Secondary NE. The capture rates for the Maryland Live Primary segment and segments further south were in the 20% and 26% range. Secondary West showed modestly better at 33%. Regarding other states, the subject facility penetrated Virginia and the District of Columbia to a meaningful extent. In summary, an overall capture rate of 15% is projected, yielding about 6.03 million local market gamer visits.

### Win per Visit

Again, win per visit is applied by market segment. Factors ranged from a low of \$55 for Baltimore to a high of \$111 for Virginia. The low Baltimore segment rate reflects an income level 29% below the market average and one of the shortest drive times to the most convenient gaming venue. The opposite is true for the Virginia residents.

## Local Market Gaming Revenue

With a weighted average win per visit of about \$71, local market gaming for the proposed Baltimore facility calculated to approximately \$430 million for FY 2016. The Baltimore segment accounts for about 40% of the total, contributing approximately \$170 million. No single other Maryland segment contributes more than \$30 million. Regarding the other states, Virginia is expected to contribute \$57 million or 13% of the total, due to its sheer size in terms of adult population. Lastly, both Pennsylvania and the District of Columbia are expected to contribute materially, both accounting for 5% of total revenue, as displayed below.

<b>Local Market Gaming Revenue Summary - Horseshoe Baltimore (FY16)</b>							
Markets/State	Market Gamer Visits	Subject Capture Rate	Subject Gamer Visits	Win per Visit	Gaming Revenue	% of Total	
Baltimore	3,928,500	78%	3,077,600	\$55	\$170,109,700	40%	
Maryland Live Primary	1,191,600	26%	304,800	\$78	\$23,706,000	6%	
Secondary West	408,700	32%	131,800	\$95	\$12,529,300	3%	
Secondary North	611,500	35%	214,100	\$79	\$16,829,100	4%	
Secondary NE	397,500	35%	140,000	\$76	\$10,633,500	2%	
Perryville Primary	570,400	6%	33,500	\$72	\$2,413,200	1%	
South MD	1,240,300	20%	244,900	\$100	\$24,607,900	6%	
Secondary South	1,628,200	22%	352,200	\$78	\$27,468,800	6%	
Prince George's	676,200	24%	159,300	\$90	\$14,319,800	3%	
Anne Arundel South	375,800	26%	99,400	\$92	\$9,127,300	2%	
All Other Maryland	1,860,100	8%	156,700	\$85	\$13,357,400	3%	
Pennsylvania	13,697,100	2%	280,100	\$80	\$22,533,600	5%	
Delaware	3,451,100	1%	36,900	\$84	\$3,084,900	1%	
New Jersey	3,176,100	0%	14,500	\$98	\$1,417,100	0%	
Virginia	3,795,100	13%	499,500	\$111	\$55,584,900	13%	
West Virginia	611,000	1%	7,700	\$79	\$609,800	0%	
District of Columbia	1,330,200	20%	272,000	\$82	\$22,184,300	5%	
<b>Total</b>	<b>38,949,400</b>	<b>15%</b>	<b>6,025,000</b>	<b>\$71</b>	<b>\$430,516,600</b>	<b>100%</b>	

## Tourist Revenue

This section forecasts gaming revenue for the proposed facility associated with tourists to the immediate area, segregated as follows:

1. Overnight Tourists staying in nearby hotels
2. Transient Tourists to the area, mainly related to patrons of Ravens or Orioles games

### Overnight Tourists

Research determined that there are roughly 55 hotels in the immediate downtown Baltimore area, offering roughly 10,145 rooms. This total includes several hotels currently under construction, including a La Quinta Inns & Suites (midscale), a 200-room Crowne Plaza, and a 150-room Four Points. The room inventory is heavily weighted with upscale rooms, as nearly 70% of the rooms fall into the upscale class or better, according to Smith Travel Research, while only 10% of the rooms fall into the economy class. The upper upscale class is particularly impressive featuring several large hotels with top brands, such as the 757-room Hilton and 750-room Marriot Baltimore Waterfront.

Downtown Baltimore Hotel Summary				
Market Class	Hotel Count	Avg Size	Room Count	% of Total
Economy	11	88	972	10%
Midscale	5	73	365	4%
Upper Midscale	15	128	1,921	19%
Upscale	13	142	1,840	18%
Upper Upscale	10	479	4,791	47%
Luxury	1	256	256	3%
<b>Total</b>	<b>55</b>	<b>184</b>	<b>10,145</b>	<b>100%</b>

Room night demand for these hotels was estimated at about 2.41 million, considering an occupancy rate of 65%. The occupancy rate was loosely based on information obtained from the Baltimore Convention and Visitors bureau, but also considers additional patronage due to the casino. After applying an “adults per room” and “length of stay” factor, total unique hotel quests calculated to 2.15 million. Utilizing a gamer capture rate of 6.2%, the proposed casino would realize about 133,500 gamer visits from patrons of nearby hotels. The capture rate should be viewed with the understanding that roughly 35% of people have the propensity to gamble. Utilizing a win per visit factor of \$125, gaming revenue associated with this tourist segment calculated to

\$16.7 million. The win per visit factor considers the affluence of the hotel patrons (as measured by the Average Daily Rate of the hotel set) and the scope and quality of the casino offering. The following table shows the calculation for Overnight Tourist gaming revenue.

<b>Overnight Tourist Gaming Revenue</b>	
Room Count	10,145
Occupancy Rate	65.0%
<b>RND</b>	<b>2,406,901</b>
Adult Guests / Room	1.7
<b>Guest Nights</b>	<b>4,091,732</b>
Length of Stay	1.9
<b>Absolute Guests</b>	<b>2,153,543</b>
Capture Rate	6.2%
<b>Gamer Visits</b>	<b>133,520</b>
Win / Visit	\$125
<b>Gaming Revenue</b>	<b>\$16,689,960</b>

### Transient Tourists

As discussed, the proposed casino is situated in close proximity to M&T Bank Stadium (home of the Super Bowl champion Baltimore Ravens) and Oriole Park at Camden Yards. These professional sports teams draw roughly 2.9 million people to the area annually. A portion of these fans will patronize the gaming facility as a secondary attraction during their visit. The first step was to estimate the portion of these sports fans that are coming from outside the downtown area in order to gauge the true tourist set. Using a weighted average, roughly 85% or 2.5 million are coming into the downtown area from the suburbs. Utilizing a gamer capture rate of 4.5% and win per visit of \$65, the subject can expect about 111,000 gamer visits, yielding gaming revenue of \$7.2 million. Relative to the overnight segment, the capture rate is higher but the win per visit is much lower, as a large portion of these visits would be spontaneous and thus not budgeted.

<b>Transient Tourist Gaming Revenue</b>	
Oriole's Attendance	2,358,000
Ravens Attendance	570,200
<b>Total Attendance</b>	<b>2,928,200</b>
Out of Area %	85%
<b>Transient Tourists</b>	<b>2,488,970</b>
Capture Rate	4.5%
<b>Gamer Visits</b>	<b>111,347</b>
Win / Visit	\$65
<b>Gaming Revenue</b>	<b>\$7,237,584</b>



## Total Gaming Revenue

Total gaming revenue summed to approximately \$454 million, comprising 6.27 million gamer visits and an average win per visit of \$72, as displayed in the table below. Despite being located in a vibrant tourist district, roughly 95% of gaming revenue is expected to come from local market residents. This is typical for casinos located in heavily populated metro areas, especially if they do not offer a casino hotel.

<b>Total Gaming Revenue - Horseshoe Baltimore (FY16)</b>				
Component	Gamer Visits	Win / Visit	Gaming Revenue	% of Total
Local Market	6,025,000	\$71	\$430,516,600	94.7%
Tourist	244,900	\$98	\$23,927,500	5.3%
<b>Total</b>	<b>6,269,900</b>	<b>\$72</b>	<b>\$454,444,100</b>	<b>100.0%</b>

## 5-year Forecast

This section forecast gaming revenue for Horseshoe Baltimore for the first five (5) years of operations, assuming a July 1st, 2014 opening date. The first year of operations (FY15) would reflect a ramp-up period as local market residents and tourists become familiar with the new facility, and as the casino operation establishes its player database. Thus, Year 2 (FY16), the stabilized year of operations, ties to the assessment presented above. A conservative annual growth rate of 1.5% to 2.5% was utilized for the out years – FY 2017 through FY 2019. Gaming revenue is expected to reach \$482 million by FY 2019, as displayed below.

<b>5-year Gaming Revenue Forecast - Horseshoe Baltimore</b>					
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Gamer Visits	6,144,502	6,269,900	6,332,599	6,383,260	6,415,176
Win per Visit	\$69	\$72	\$74	\$74	\$75
<b>Gaming Revenue</b>	<b>\$424,905,234</b>	<b>\$454,444,100</b>	<b>\$465,805,203</b>	<b>\$475,121,307</b>	<b>\$482,248,126</b>
<b>% Change:</b>					
Gamer Visits		2.0%	1.0%	0.8%	0.5%
Win per Visit		4.8%	1.5%	1.2%	1.0%
<b>Gaming Revenue</b>		<b>7.0%</b>	<b>2.5%</b>	<b>2.0%</b>	<b>1.5%</b>

## Impact Analysis (FY 2016)

This section estimates the impact of the proposed facility on the existing casinos in Maryland, including Maryland Live, Hollywood Perryville, Ocean Downs and Rocky Gap. In order to estimate the impact, an accurate baseline forecast is necessary. As presented earlier, gaming revenue for each of these casinos was estimated for FY 2016, and displayed in the table below.

The gravity model automatically yields the loss in revenue as it reallocates gamer visits based on the market capture of the new casino. Maryland Live, located just 10 miles to the south of Horseshoe Baltimore, is expected to be impacted the most with gaming revenue declining 23%. While Hollywood Perryville, which is located 35 miles to the northeast, showed a 19% decline in gaming revenue. Regarding the latter, the proposed Horseshoe Baltimore would cut off one of Hollywood Perryville's key feeder markets – downtown Baltimore. Ocean Downs and Rocky Gap are only slightly impacted, with revenue falling 0.9% and 2.0%, respectively, as displayed in the table below.

<b>Impact Summary (millions) - FY 2016</b>				
<b>Maryland Property</b>	<b>Baseline Forecast</b>	<b>Pro Forma Forecast</b>	<b>Change</b>	<b>% Change</b>
Horseshoe Baltimore	\$0.0	\$454.4	\$454.4	NM
Maryland Live	\$704.3	\$542.3	-\$162.0	-23.0%
Hollywood Perryville	\$97.1	\$78.6	-\$18.5	-19.1%
Ocean Downs	\$62.5	\$61.9	-\$0.5	-0.9%
Rocky Gap	\$50.5	\$49.5	-\$1.0	-2.0%
<b>Total</b>	<b>\$914.3</b>	<b>\$1,186.7</b>	<b>\$272.4</b>	<b>29.8%</b>

## Tables versus Slots Segregation

The following tables display segregates the estimated gaming revenue for Horseshoe Baltimore, as well as the impacts, by tables and slots.

<b>Table Impact Summary (millions) - FY 2016</b>				
<b>Maryland Property</b>	<b>Baseline Forecast</b>	<b>Pro Forma Forecast</b>	<b>Change</b>	<b>% Change</b>
Horseshoe Baltimore	\$0.0	\$154.5	\$154.5	NM
Maryland Live	\$234.5	\$173.5	-\$61.0	-26.0%
Hollywood Perryville	\$15.2	\$12.2	-\$3.0	-19.8%
Ocean Downs	\$9.1	\$9.0	-\$0.1	-0.9%
Rocky Gap	\$6.6	\$6.5	-\$0.1	-2.0%
<b>Total</b>	<b>\$265.4</b>	<b>\$355.7</b>	<b>\$90.3</b>	<b>34.0%</b>

<b>Slot Impact Summary (millions) - FY 2016</b>				
<b>Maryland Property</b>	<b>Baseline Forecast</b>	<b>Pro Forma Forecast</b>	<b>Change</b>	<b>% Change</b>
Horseshoe Baltimore	\$0.0	\$299.9	\$299.9	NM
Maryland Live	\$469.7	\$368.7	-\$101.0	-21.5%
Hollywood Perryville	\$81.9	\$66.4	-\$15.5	-18.9%
Ocean Downs	\$53.4	\$52.9	-\$0.5	-0.9%
Rocky Gap	\$43.9	\$43.0	-\$0.9	-2.0%
<b>Total</b>	<b>\$648.9</b>	<b>\$831.0</b>	<b>\$182.1</b>	<b>28.1%</b>

## Impact by Market Segment

The following tables display the impact by market segment for Maryland Live and Hollywood Perryville.

<b>Impact Detail - Maryland Live (millions) - FY 2016</b>				
Market Segment / State	Baseline Forecast	Pro Forma Forecast	Change	% Change
Baltimore	\$97.7	\$32.0	-\$65.7	-67%
Maryland Live Primary	\$75.4	\$59.7	-\$15.6	-21%
Secondary West	\$27.7	\$20.3	-\$7.4	-27%
Secondary North	\$21.9	\$17.5	-\$4.4	-20%
Secondary NE	\$5.3	\$3.8	-\$1.5	-29%
Perryville Primary	\$1.2	\$1.2	\$0.0	-3%
South MD	\$63.5	\$53.8	-\$9.8	-15%
Secondary South	\$90.2	\$74.6	-\$15.5	-17%
Prince George's	\$40.8	\$33.1	-\$7.7	-19%
Anne Arundel South	\$23.5	\$18.5	-\$5.0	-21%
All Other Maryland	\$22.3	\$20.7	-\$1.7	-8%
Pennsylvania	\$16.9	\$16.2	-\$0.7	-4%
Delaware	\$3.9	\$3.9	\$0.0	0%
New Jersey	\$0.8	\$0.8	\$0.0	1%
Virginia	\$125.4	\$109.9	-\$15.5	-12%
West Virginia	\$0.9	\$0.9	\$0.0	0%
District of Columbia	\$70.9	\$59.4	-\$11.4	-16%
<b>Total</b>	<b>\$688.1</b>	<b>\$526.1</b>	<b>-\$162.0</b>	<b>-24%</b>
Other Revenue	\$16.1	\$16.1	\$0.0	0%
<b>Total</b>	<b>\$704.3</b>	<b>\$542.3</b>	<b>-\$162.0</b>	<b>-23%</b>

<b>Impact Detail - Hollywood Perryville (millions) - FY 2016</b>				
Market Segment / State	Baseline Forecast	Pro Forma Forecast	Change	% Change
Baltimore	\$14.4	\$4.7	-\$9.8	-68%
Maryland Live Primary	\$1.8	\$1.4	-\$0.4	-22%
Secondary West	\$0.6	\$0.4	-\$0.2	-28%
Secondary North	\$3.1	\$2.5	-\$0.7	-21%
Secondary NE	\$10.1	\$7.1	-\$3.0	-30%
Perryville Primary	\$23.6	\$22.5	-\$1.1	-5%
South MD	\$1.9	\$1.6	-\$0.3	-16%
Secondary South	\$2.9	\$2.4	-\$0.5	-18%
Prince George's	\$2.3	\$1.8	-\$0.5	-20%
Anne Arundel South	\$1.1	\$0.8	-\$0.2	-22%
All Other Maryland	\$2.5	\$2.3	-\$0.2	-9%
Pennsylvania	\$12.1	\$11.7	-\$0.4	-3%
Delaware	\$6.4	\$6.3	-\$0.1	-1%
New Jersey	\$1.8	\$1.7	\$0.0	0%
Virginia	\$6.3	\$5.5	-\$0.8	-13%
West Virginia	\$0.0	\$0.0	\$0.0	0%
District of Columbia	\$2.4	\$2.0	-\$0.4	-17%
<b>Total</b>	<b>\$93.3</b>	<b>\$74.8</b>	<b>-\$18.5</b>	<b>-20%</b>
Other Revenue	\$3.8	\$3.8	\$0.0	0%
<b>Total</b>	<b>\$97.1</b>	<b>\$78.6</b>	<b>-\$18.5</b>	<b>-19%</b>

## 5-year Summary

This section summarizes the gaming revenue forecasts for each of the Maryland facilities for FY15 through FY19.

### Table Revenue (millions)

Property	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Horseshoe Baltimore	\$120.4	\$154.5	\$158.4	\$161.5	\$164.0
Maryland Live	\$183.3	\$173.5	\$176.1	\$179.7	\$182.3
Hollywood Perryville	\$12.6	\$12.2	\$12.4	\$12.6	\$12.8
Ocean Downs	\$8.7	\$9.0	\$9.1	\$9.2	\$9.4
Rocky Gap	\$6.3	\$6.5	\$6.6	\$6.7	\$6.8
<b>Total</b>	<b>\$331.3</b>	<b>\$355.7</b>	<b>\$362.6</b>	<b>\$369.8</b>	<b>\$375.3</b>

### Slot Revenue (millions)

Property	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Horseshoe Baltimore	\$233.7	\$299.9	\$307.4	\$313.6	\$318.3
Maryland Live	\$383.4	\$368.7	\$374.3	\$381.8	\$387.5
Hollywood Perryville	\$68.5	\$66.4	\$67.4	\$68.8	\$69.8
Ocean Downs	\$52.0	\$52.9	\$53.7	\$54.5	\$55.4
Rocky Gap	\$42.1	\$43.0	\$43.9	\$44.7	\$45.4
<b>Total</b>	<b>\$779.6</b>	<b>\$831.0</b>	<b>\$846.7</b>	<b>\$863.4</b>	<b>\$876.3</b>

### Total Revenue (millions)

Property	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Horseshoe Baltimore	\$354.1	\$454.4	\$465.8	\$475.1	\$482.2
Maryland Live	\$566.7	\$542.3	\$550.4	\$561.4	\$569.8
Hollywood Perryville	\$81.1	\$78.6	\$79.8	\$81.4	\$82.6
Ocean Downs	\$60.7	\$61.9	\$62.8	\$63.8	\$64.7
Rocky Gap	\$48.3	\$49.5	\$50.5	\$51.5	\$52.2
<b>Total</b>	<b>\$1,110.9</b>	<b>\$1,186.7</b>	<b>\$1,209.3</b>	<b>\$1,233.2</b>	<b>\$1,251.7</b>

## About the Firm – Custom Gaming Consulting

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Custom Consulting, LLC (DBA Custom Gaming Consulting) was founded on May 1, 2013 under the state laws of Colorado by Mr. James Oberkirsch, the sole proprietor and a 16-year veteran of the gaming industry. As President of Custom Consulting, LLC, Mr. Oberkirsch desires to offer exceptional, customized gaming market analysis at a significantly discounted price.

In addition to preparing and evaluating gaming market assessments, Mr. Oberkirsch has proven himself in the areas of highest and best use studies, hotel market assessments, financial feasibility studies, and economic impact studies for clients throughout the United States. He has successfully completed over 300 career assessments to date, in over 100 different markets; comprising 28 different states.

### Education

- BSBA - Finance (University of Missouri - Columbia)
- MBA (St. Louis University)
- CPA Designation (non-practicing)

### Industry Experience

#### **The Innovation Group**

Prior to launching Custom Gaming Consulting, Mr. Oberkirsch was employed with The Innovation Group for eight years, arguably one of the top gaming consulting companies in the nation. He was quickly elevated to Vice President of Consulting Services, and thus was the project leader for projects assigned to him. Mr. Oberkirsch not only worked in the area of gaming market analysis but also performed numerous hotel, meeting space, entertainment center and golf course market assessments.

#### **Missouri Gaming Commission**

As the former Chief Financial Analyst for the Missouri Gaming Commission (MGC) for seven years, Mr. Oberkirsch acted as a senior manager and member of the executive management team, where his responsibilities included tax collection and auditing, casino profitability and cash flow analysis, market feasibility studies, forecasting tax revenue and the financial reporting of gaming statistics.