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Rhode Island Gaming and State Revenue Forecast

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Rhode Island Gaming and State Revenue Forecast

Christiansen Capital Advisors, LLC (CCA) has been retained by the State of Rhode Island Department of Revenue to update its previous study of gaming in Rhode Island¹ to include the observed impacts of newly implemented slot machine gaming in Plainville; the likely revenue impacts of proposed casinos in Brockton and Taunton; the continuing delays in the implementation of full casino gaming in the Commonwealth of Massachusetts; the potential for a 200 room hotel at Twin River; and the revenue potential of a new casino with slot machines and table games in Tiverton, Rhode Island.

Specifically, CCA analyzed the following scenarios in this report:

(1) for the purposes of comparison with our previous study, a “status quo” scenario assuming no changes at Twin River or Newport Grand;

(2) a “going forward baseline” scenario consisting of a five year projection of Rhode Island gross gaming revenue, including net terminal income for Twin River and Newport Grand and table game revenues at Twin River, assuming that large casinos open in Springfield, Everett, and Brockton, Massachusetts, on the currently projected opening dates of these facilities and the newly opened slots-only facility in Plainville, Massachusetts;

(3) a third alternative scenario examines the impact of Massachusetts gaming as described above on the Twin River and Newport Grand facilities based on the current operations and plans for both facilities. For Twin River, this scenario includes a 200-room hotel constructed at the Twin River facility. For Newport Grand, this scenario includes the transfer of the ownership of Newport Grand to Twin River and the second extension of the Newport Grand master contract as entered into by Newport Grand and the Division of Lottery;

(5) a fourth alternative scenario considers the above with a Class III tribal facility in Taunton, Massachusetts.

(5) finally, a fifth alternative scenario consists of a five year projection of Rhode Island gross gaming revenue: including net terminal income and table game revenues for Twin River and Newport Grand, assuming that the Newport Grand site is closed and its operations are transferred to a new facility with VLTs and table games in Tiverton, Rhode Island;

¹ Christiansen Capital Advisors, LLC, for the Rhode Island Department of Revenue “Rhode Island Gaming and State Revenue Forecast,” November 4, 2014.

To develop projections for the revenue potential of casinos (and one racino) in Massachusetts, CCA utilized proprietary models it has used in previous studies,² modified to take into account specific southern New England and surrounding area market conditions, to develop projections for the market potential of expanded gaming in Massachusetts and its impact on Rhode Island.

In preparing this report CCA compiled pertinent historical data relating to casinos and video lottery terminal (VLT) facilities in New England, including the Twin River and Newport markets, casino gaming in Connecticut and in adjoining States, and constructed models of similar markets in other jurisdictions. Our analysis of this historical experience and the output of our models form the basis for the following independent analysis and conclusions.

REVENUE ANALYSIS METHODOLOGY

The methodology employed by CCA in constructing the estimates presented in this report is rigorous and yields detailed results. To develop these projections, CCA utilized the same basic modeling technique it has used in previous studies over the past 25 years, modified to take into account specific New England and surrounding area market conditions, to develop projections for the market potential of, and impacts on, existing Rhode Island licensees of expanded gaming in New England.

The core of the model, which is used in many location-based analyses of this type, is often referred to as a "gravity model," because it is similar to Newton's Law of Gravitation (for which the distance factor would be -2.0: if you double the distance, the attraction declines by a factor of four). This model has been consistently refined and improved by CCA over the years as it relates to gaming facilities; the technique focuses on the demographics of areas surrounding each facility, in particular the number of adults residing at various distances (measured in drive time), and the observed ratio of actual spending of other similar adult populations.

In other words, our model assesses, and projects, gambling revenues based upon the distribution and characteristics of the adult populations surrounding each facility. The model includes parameters for distance, competition, *per capita* income, urban/rural population mix, and the nonresident "visitor" population. These factors or variables are then weighted using real world data and experience to generate the resulting projections. In conducting these analyses, CCA drills down to an extremely precise level of detail. CCA models markets in the United States down to adult population by ZIP Code, and in Canada by postal FSA. Carrying the analysis down to the ZIP code level is particularly important in markets that have several gambling facilities in close proximity.

Another important component of CCA's modeling procedure that is often missing from other types of gravity model analyses is a *verifiable* adult spending base for slot machines and table games. We apply the experience of existing casino, riverboat, and/or device-only facilities in the existing

² CCA has conducted similar studies with accurate results for the Federal National Gambling Impact Study Commission and in Kentucky, Kansas, Pennsylvania, Connecticut, Iowa, Illinois, Massachusetts, Florida, New York, Rhode Island, California, and various other North American markets.

market(s) and in comparable markets to estimate the consumer demand for a proposed gambling facility and its potential impacts upon other forms of gaming. CCA's analyses are based upon observed verifiable drive time-adjusted spending per adult in comparable gambling markets, providing a firm foundation for its projections. In this case, we have applied the experience of existing casinos and video lottery terminal (VLT) facilities in New England and in other comparable markets to estimate the consumer demand for New England casinos and their impacts upon Rhode Island. To this end, we analyzed the performance of gaming machines and table games at casinos and racetrack gaming facilities in a wide variety of markets, including Pennsylvania, New York, Maine, West Virginia, Delaware, Connecticut, and Maryland.

Our projections of casino demand and potential revenues are based on a very important observation: other things being equal, patrons of regional gaming facilities, as distinct from patrons of destination resorts serving long-distance travelers, overwhelmingly tend to gamble at the facility that is most conveniently located for them. Because the public tends to gamble at the facility that is most conveniently located, patronage (and associated spending) at full-service casino gambling facilities falls off with increased drive time. For very large casino resorts, like Foxwoods and Mohegan Sun we utilize a "drive time coefficient"³ of about -0.45, compared to values of about -0.7 for racino or VLT only facilities. These coefficients are derived from observed experience. In other words, casino patronage rises with increased proximity to a gaming facility, but at differing rates for different types of gaming properties.⁴

Because regional casino slot machines and table games are in essence commodities, drive time is by far the predominant determinant of casino patronage (and, hence, we assume, spending). The drive time impact is manifold because it not only determines the overall level of *per capita* expenditures in the marketplace; it weighs heavily in consumer choice among competing suppliers. In general, the evidence from other markets overwhelmingly indicates that consumer expenditures on regional casino games will flow to the closest supplier to any given market.⁵ Effective player databases, clever promotions, amenities such as signature restaurants, concert venues and so forth can play a key role in the relative *attractiveness* of competing gambling properties, particularly those in close proximity, but at round trip travel times measured in hours the tyranny of distance generally prevails. That said, casino patrons sometimes do visit more distant facilities, particularly if there is a critical mass of casinos or amenities that they cannot get at the nearest facility and they will spend more per visit at those casinos, but the local (nearby) supplier will usually get the lion's share of that patron's annual gambling budget.

³ The "distance factors" estimated for these models are, technically, the "elasticities" of spending with respect to distance. Based upon survey data from several jurisdictions, rates of casino visitation appear to decline in proportion to about the 0.5 to 0.6 power of the distance to the casino, yielding distance factors of about 0.5 to 0.6. This is a relatively "long-distance" attraction; if distance doubles, for example, spending (other things being equal) declines by only about 30 percent.

⁴ Specifically, the drive time coefficient obtained from the analysis of comparable markets is -.45 for very large scale casino resorts, -.5 for large casinos with hotels and other amenities, -.6 for smaller casinos without a hotel, and -.7 for single product facilities.

⁵ The best known exception is Las Vegas. The Las Vegas market is unique both in terms of intensity of development and of the attractions it has evolved, which enable it to attract a truly global market.

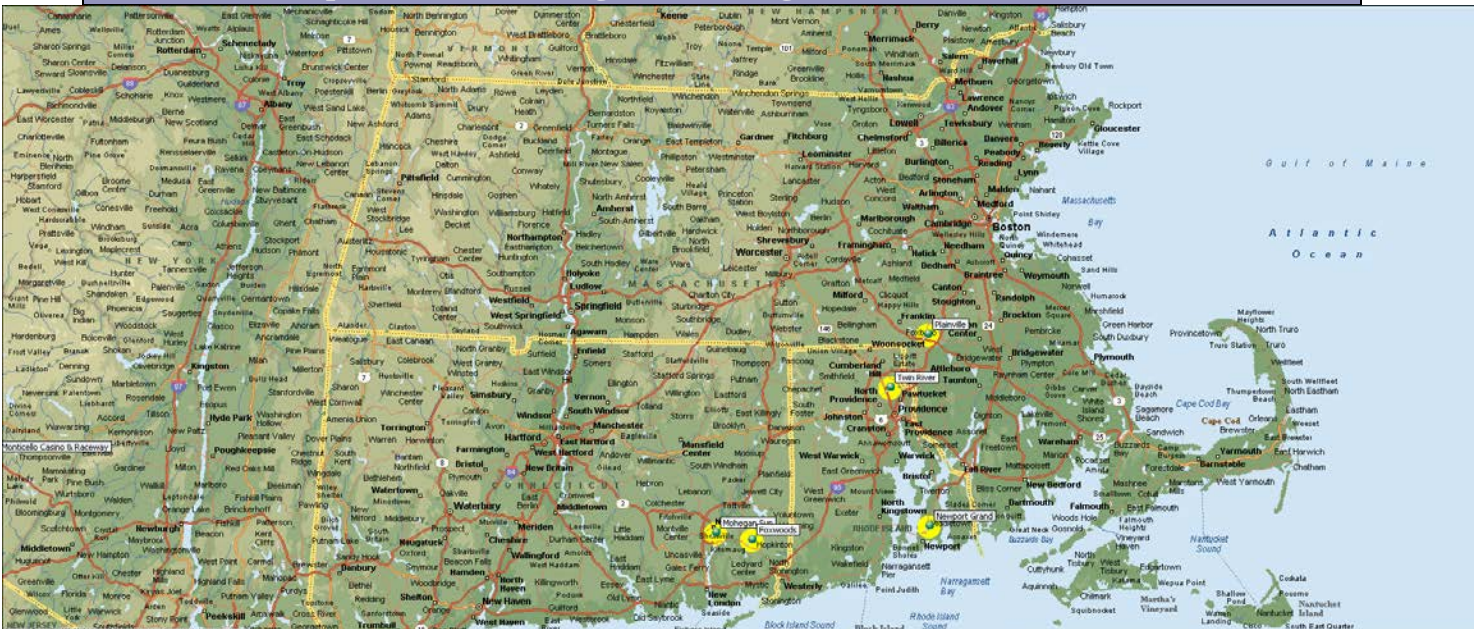
To recap, the models used for the projections in this report adjust the populations surrounding each facility (or proposed facility) for drive time, *per capita* income,⁶ the proportion of urban to rural residents in the population (urbanites typically spend more), the nonresident "visitor" population, and competition. From these data, we calculate an *adjusted adult population* around each facility, or group of facilities. This measure weights the adults who live closest to a facility (and not closer to a competing facility) at higher values than those who live at greater drive times. Total actual or estimated revenues (or consumer spending) in each market is divided by these adjusted population figures to arrive at a drive time adjusted spending base.⁷

THE CURRENT NEW ENGLAND MARKET

The following section presents an overview of the current New England gambling market.

Exhibit 1.1 presents a map of the regional New England market. The locations of the five current gaming facilities are indicated on this map.

Exhibit 1.1 – Map of the Current Regional Gaming Market



Source: Christiansen Capital Advisors, LLC

Connecticut Casinos

⁶ We assume that for counties with *per capita* money incomes below regional averages, resort casino spending declines with income with an elasticity of 0.5.

⁷ As noted above, these populations are adjusted for several other factors as well; however, the most significant variable, in terms of casino spending, is drive time. Hence, we refer to these populations as "drive time" adjusted.

Connecticut's two tribal casinos, located approximately 10 miles apart in the Ledyard/Montville area in the southeastern region of the State, are currently the largest destination gaming resort attractions north of Atlantic City, more than 270 miles to the south.

The southern Connecticut region and the New York City metropolitan area have historically been an important source of gaming revenue for Foxwoods and Mohegan Sun. In the New York City metropolitan area Empire Casino/Yonkers Raceway opened in October 2006 with 1,870 New York Lottery electronic gaming machines (VLTs). Currently Empire has approximately 5,274 VLTs,⁸ and generated \$540.4 million in VLT revenue in FY 2015.⁹ Resorts World Casino/Aqueduct opened its doors in October 2011 and is now one of the largest casinos in the United States with roughly 4,094 VLTs and 911 electronic table games¹⁰ that produced \$816.6 million in revenue in FY2015.¹¹ These facilities, eastern Pennsylvania resort casinos and racinos, Twin River, and the recently opened Plainville racino are cannibalizing Connecticut tribal casinos consumer spending. Notwithstanding these impacts, Foxwoods Casino and Resort and Mohegan Sun remain among the largest casinos in North America.

Foxwoods and Mohegan Sun at a Glance¹²

- Foxwoods: 351 tables; 4,800 slot machines, 3,600 bingo seats; 344,000 square feet of casino floor; 29 restaurants and 4 bars; 2,224 hotel rooms in 4 hotels and \$685.7 million in estimated gross gaming revenue in 2015;
- Mohegan Sun Casino, 330 table games; 5,518 slot machines; 350,000 square feet of casino floor; 29 restaurants and 6 bars; 40-story, 1,176 room hotel and \$859.4 million in estimated gross gaming revenue in 2015.

Exhibit 1.2 presents consumer spending (gross gaming revenue) on casino gaming at the two Connecticut tribal facilities between FY 2005 and FY 2015 and includes by-facility reported slot revenue and reported/estimated table revenue (*italics* represent estimates).

⁸ <http://newyork.casinocity.com/yonkers/empire-city-at-yonkers-raceway/> and <http://www.empirecitycasino.com/games/table-games/>

⁹ Empire City Casino at Yonkers Raceway, Monthly Financial Reports,
<http://nylottery.ny.gov/wps/portal/Home/Lottery/Home/Video+Gaming/VIDEO+GAMING+REPORTS>.

¹⁰ <http://newyork.casinocity.com/jamaica/resorts-world-casino-new-york-city/>

¹¹ Resorts World Casino New York City, Monthly Financial Reports,
<http://nylottery.ny.gov/wps/portal/Home/Lottery/Home/Video+Gaming/VIDEO+GAMING+REPORTS>.

¹² <http://connecticut.casinocity.com/>

Exhibit 1.2- Estimated Connecticut Casino Win (Gross Gaming Revenue in \$ Millions) between FY 2005 and FY 2015

Estimated Connecticut Casino Win (Gross Gaming Revenue in \$ Millions) between FY 2005 and FY 2015

FY	Mohegan Sun Slot GGR (from SEC) [1]	Mohegan Sun Table GGR (from SEC) [1]	Foxwoods Slot GGR (from CT DOSR) [2]	Foxwoods Table GGR	Total Ct. Tribal GGR
2005	\$861.0	\$334.0	\$819.8	<i>\$318.0</i>	\$2,332.8
2006	\$905.0	\$366.0	\$818.0	<i>\$330.8</i>	\$2,419.8
2007	\$921.7	\$386.4	\$805.5	<i>\$337.2</i>	\$2,450.8
2008	\$855.9	\$374.5	\$760.2	<i>\$332.6</i>	\$2,323.2
2009	\$779.6	\$305.9	\$708.6	<i>\$278.0</i>	\$2,072.1
2010	\$746.4	\$296.2	\$652.2	<i>\$258.8</i>	\$1,953.6
2011	\$707.2	\$304.7	\$650.0	<i>\$258.0</i>	\$1,919.9
2012	\$675.1	\$291.3	\$613.9	<i>\$264.9</i>	\$1,845.2
2013	\$618.7	\$300.1	\$542.8	<i>\$263.3</i>	\$1,724.9
2014	\$582.1	\$283.4	\$507.9	<i>\$247.3</i>	\$1,620.7
2015	\$586.5	\$272.9	\$468.0	<i>\$217.7</i>	\$1,545.1

Italicized numbers indicate estimates. Printed numbers indicate actual data.

Sources:

[1] Mohegan Tribal Gaming Authority Form 10-K FY 2014. Christiansen Capital Advisors estimates.

[2] "Statistics for Tribal Casinos". Connecticut Division of Special Revenue.

Formulas:

Foxwoods Table GGR Calculation:

(Foxwoods Slot in year t) / (Foxwoods Table in year t) = (Mohegan Slot in year t) / (Mohegan Sun Table in year t)

Total Ct. Tribal GGR Calculation:

(Foxwoods Slot in year t) + (Foxwoods Table in year t) + (Mohegan Slot in year t) + (Mohegan Sun Table in year t)

FY 2015 revenues for Mohegan Sun Slot and Tables are generated by linear regression based on previous years' data.

Source: Connecticut Division of Special Revenue, Mohegan Tribal Gaming Authority Form 10-K. Christiansen Capital Advisors estimates.

The Connecticut Division of Special Revenue reports Foxwoods and Mohegan Sun slot gross gaming revenue (GGR). It does not report table GGR. Mohegan Sun reports both its slot and table revenue (using a different fiscal calendar) in that the Mohegan Tribal Gaming Authority has publicly issued debt and reports these statistics in the annual 10-Ks it files with the Securities and Exchange Commission (SEC).

As reported in The Mohegan Tribal Gaming Authority's SEC filings slot revenues accounted for about 69.5 percent of total gambling revenues. We have assumed that the percentage of total revenues derived from slot machines at Mohegan Sun is roughly the same at Foxwoods. This ratio of table GGR to slot machine GGR is moreover roughly consistent with observed experience in other regional markets. Given that the two Connecticut casinos are serving the same market and their close proximity to each other, it seems unlikely that the disposition of revenues from slot

machines versus table games would vary to any great degree between the two facilities. The resulting statistics for table spending at Mohegan Sun from its 10-Ks and estimates for table game revenues at Foxwoods for the years FY 2005-2015 are presented in Exhibit 1.3

Due primarily to the Great Recession and greatly increased competition from neighboring States, as Exhibit 1.3 shows Connecticut gross gaming revenue decreased from approximately \$2.3 billion in FY 2005 to approximately \$1.5 billion in FY 2015. With the further expansion of racinos and casinos in New York and Rhode Island and the addition of casinos and racinos in Massachusetts, particularly MGM Springfield, Connecticut tribal gaming will feel substantial additional competitive pressure going forward.

Rhode Island

Video lottery terminals (VLTs) were installed at Rhode Island's two former pari-mutuel facilities, Lincoln Park (now Twin River) and Newport Jai Alai (Newport Grand), late in 1992. Lincoln Park installed 166 video poker terminals on September 28 of that year, and rapidly increased their number over the following months. The types of machines and number of vendors were restricted by the State, however, and the financial results were not as positive as expected. By early 1993, machine revenues were running at an annual rate of about \$16 million. In early 1994, however, reel type video slot machines were first allowed, and machine wins increased substantially. In June of 2013, Twin River began offering tables games.

Given the proximity of full-scale casino competition from Foxwoods and Mohegan Sun in nearby Connecticut, we believe Rhode Island's experience points up the importance of geographic convenience in regional casino VLT operations. Exhibit 1.3 shows that Lincoln/Twin River and Newport Grand are attracting substantial numbers of machine customers and consumer spending.

Exhibit 1.3 presents the VLT performance of Twin River and Newport Grand for the years FY 2006 – FY 2015. Twin River has benefited from both its proximity to Massachusetts and convenient access to Interstate I-95, together with increases in the supply of VLTs and the addition of table games in late FY2013.

Moreover, Twin River is only four miles from the center of Providence and is easily accessible from Massachusetts via the heavily traveled I-95 and I-295 arteries. To get to Twin River from the north, (south bound on I-95) travelers exit I-95 at I-295 and then exit I-295 onto the Lousquisset Pike (U.S. Route 146) south bound for approximately four miles.

Twin River is fortunate to be located in Providence County, which contains more than half the adult population of the State of Rhode Island. According to our models, Twin River draws upon a population of over half-million adults within a 10-mile radius of the facility. This segment of the market population contributes over 30% of the facilities revenues according to our models.

By contrast, Newport Grand, which does not offer table games due to local voter rejection of proposed table games, has not made any substantial capital investments, has about the same number of machines today as it did in 2006 and has been in relatively steady decline. Likewise,

its machine productivity as measured by win/unit/day (w/u/d) is significantly lower than Twin River: in FY 2015, Newport Grand w/u/d was \$113.63 vs. Twin River with \$284.15 w/u/d.

The Newport Grand facility is not as favorably located as Twin River. Within 10 miles this facility can draw upon an adult population of approximately 82,000, compared to Twin River with an adult population of over half million within the same radius. Thus, Newport Grand must attempt to draw its clientele from farther away. We estimate that less than \$10.0 million of VLT net terminal income in FY 2015 derived from the local (10-mile radius) market.

Newport Grand is located on Aquidneck Island, a coastal location that lacks the high volume of traffic found on the western side of Narragansett Bay. Newport Grand is accessible from the west and south via I-95. On I-95 north, travelers take Exit 5A to Route 102 east and then US Route 1 south to US Route 1A crossing the Jamestown and Claiborne Pell Bridges into Newport. From eastern Massachusetts via I-95, travelers take Exit 8A onto Route 24/114/138 into Newport. It should be noted that Newport, Rhode Island has a sizeable tourist influx during the summer months.

That, however, is still only part of the story. Not only does Newport Grand operate in a smaller and more seasonal market, but the per-adult spending base is less than half that at Twin River. What this means is that not only is Newport operating in a smaller market, it is generating less spending from the available adults in this market.

Exhibit 1.3 – Rhode Island VLT and Table Data FY 2006-FY 2015

Rhode Island VLT Data FY 2006 - FY 2015										
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
VLT Net Terminal Income										
Twin River	\$338,935,939	\$342,024,297	\$406,503,579	\$396,638,140	\$410,461,472	\$442,373,975	\$475,950,951	\$472,626,468	\$462,394,315	\$470,766,020
Newport Grand	\$77,566,491	\$74,561,320	\$71,170,983	\$64,202,010	\$57,306,664	\$50,220,215	\$51,372,171	\$48,120,638	\$44,662,396	\$45,496,379
Rhode Island Total	\$416,502,430	\$416,585,617	\$477,674,562	\$460,840,150	\$467,768,136	\$492,594,190	\$527,323,122	\$520,747,106	\$507,056,711	\$516,262,399
Average Number of VLTs (FY)										
Twin River	3,385	3,794	4,615	4,744	4,745	4,748	4,751	4,700	4,536	4,539
Newport Grand	1,070	1,070	1,080	1,431	1,327	1,123	1,099	1,088	1,097	1,097
Rhode Island Total	4,455	4,864	5,695	6,175	6,072	5,871	5,850	5,788	5,633	5,636
VLT Win per unit Day										
Twin River	\$274.33	\$246.98	\$241.32	\$229.06	\$237.00	\$255.26	\$274.46	\$275.50	\$279.28	\$284.15
Newport Grand	\$198.61	\$190.91	\$180.55	\$122.92	\$118.32	\$122.52	\$128.07	\$121.17	\$111.54	\$113.63

Rhode Island Table Data FY 2014 - FY 2015

	FY 2014	FY 2015
Twin River Table Games Revenue	\$88,108,367	\$106,640,942
Number of Tables	73	80
Win per Table	\$989,476	\$1,333,012
Win per Table per Day	\$3,254.86	\$3,672.21
Transfers to General Fund*	11,707,887	12,758,825

* Net of Administrative Operating Expenses

Exhibit 1.4 presents estimates for patron origins by State (in 2014) provided by Pyramid Associates (Exhibit 1.4).¹³

This analysis indicates that Massachusetts patrons contribute 51.9 percent of the consumer spending at Twin River. Exhibit 1.4 shows that two States account for the vast majority of patrons or consumer spending at both Twin River and Newport Grand.

Exhibit 1.4 – Estimates of Patron Origin by State

		Estimates of Patron Origin by State			
		<u>Foxwoods</u>	<u>Mohegan</u>	<u>Twin River</u>	<u>Newport</u>
Massachusetts	MA	32.2%	18.3%	51.9%	44.1%
Connecticut	CT	39.8%	59.9%	0.9%	0.8%
Rhode Island	RI	11.0%	3.4%	45.1%	52.1%
New Hampshire	NH	2.6%	1.1%	0.5%	0.2%
Maine	ME	1.2%	0.3%	0.1%	0.0%
Vermont	VT	0.5%	0.4%	0.0%	0.0%
New York	NY	9.3%	12.7%	0.3%	0.5%
New Jersey	NJ	1.7%	1.4%	0.2%	0.1%
Other		1.7%	2.5%	1.0%	2.2%
Total		100.0%	100.0%	100.0%	100.0%

Source: “Northeast Casino Gaming Update 2015”, Pyramid Associates, LLC. Page 18. http://www.nathaninc.com/sites/default/files/Pub%20PDFs/2015_Northeastern_Casino_Gaming_Update.pdf.

THE NEW ENGLAND GAMING MARKET GOING FORWARD

Despite many unanticipated delays, casino gaming in Massachusetts is moving forward as evidenced by the June 2015 opening of the first gaming facility in the Commonwealth, Penn National Gaming’s Plainridge Park Casino.

Slot Parlor: Penn National Gaming’s Plainridge Park Casino

¹³ “Northeast Casino Gaming Update 2015”, Pyramid Associates, LLC. Page 18. http://www.nathaninc.com/sites/default/files/Pub%20PDFs/2015_Northeastern_Casino_Gaming_Update.pdf. The Pyramid Study is based upon a different methodology than CCA’s gravity model analysis, but, over the years, has turned up results largely consistent with those of CCA. Pyramid conducts license plate surveys at New England area casinos and racinos to generate estimates of visitation and spending.

Originally, a harness racing track located in Plainville, Massachusetts, Plainridge Racecourse offers approximately 100 live racing days per year. The length of the racecourse is 5/8 mile and the length of stretch is 600 feet. The original Plainridge Racecourse offers the “21 Club,” which is a 172-seat simulcast theater with 80-inch screen TV’s, 15-inch LCD TV’s. The racecourse provides 3,500 seating accommodations, in Grandstand, Simulcast Theater and Clubhouse.

Penn National Gaming was awarded its casino license (Category 2) with a 3-to-2 majority vote by the Massachusetts Gaming Commission on February 28th, 2014. The \$225 million facility, the first slot machine parlor in Massachusetts, opened on June 24, 2015. The horse track racino's gaming space features its full allotment of 1,250 slot machines in a 106,000 square foot expansion to the existing racecourse site.¹⁴ The property has eight restaurants and one bar, and Penn National Gaming added approximately 1,620 structured and surface parking spaces to the existing facility.

Region B: MGM Springfield at Springfield, Massachusetts¹⁵

On June 13th, 2014, the Massachusetts Gaming Commission awarded a casino license for Region B to MGM Springfield. Enrique Zuniga, a Commissioner responsible for investigating MGM’s proposed business plan and the financial situation of the company, wrote in his report¹⁶ that “MGM has demonstrated that they have the financial capabilities and direct access to funds required to develop and operate a successful Category 1 facility”. Zuniga’s report also states that MGM’s projected gross gaming revenue per year is approximately \$500 million by the third year of operations. The project so far has encountered many delays, and recently has been reduced in size. MGM currently forecasts that the resort will open in the fall of 2018. Further details of the MGM Springfield project are shown in Exhibit 1.5. It should be noted that MGM Springfield project might undergo further changes before it opens.

MGM Springfield is proposing to offer 3,000 slots and 75 house banked table games in approximately 125,000 square feet of gaming space. As of the date of this report the proposed property also includes 15 shops and restaurants, 250 hotel rooms, approximately 20,000 square feet of exhibition/meeting space, 5,000 parking spaces and 55,000 square feet of dining, entertainment, and retail space.

Region A: Wynn MA, LLC at Everett, Massachusetts

¹⁴ Plainridge Racecourse Visitor’s General Information.

<http://www.prharness.com/Visitor_Info/General_Info/general_info.html> 25 Oct 2014.

¹⁵ MGM Springfield’s finances, revenue projections rated positively by Massachusetts Gaming Commission’s Enrique Zuniga. Mass Live.

<http://www.masslive.com/politics/index.ssf/2014/06/mgm_springfields_finances_revenue_projections_rated_well_by_massachusetts_gaming_commissions_enrique_zuniga.html>. 24 Oct 2014.

¹⁶ Massachusetts Gaming Commission Report: Category 1 – MGM Springfield Resort Casino. Enrique Zuniga. 10 June 2014. 24 Oct 2014

Wynn Casino was awarded its casino license by the Massachusetts Gaming Commission on September 17, 2014. With its \$1.7 billion budget, Wynn MA is planning on deploying 3,242 slot machines and 168 table games in 193,000 square feet gaming facility. Wynn MA is anticipated to be a five-star resort with more than 600 hotel rooms, high-end spa, retail, dining, and a ballroom and meeting space. In addition, Wynn MA plans to incorporate approximately 33,000 square feet of exhibition space and multi-purpose rooms, 77,250 square feet of retail and 3,700 square feet of parking spaces. As of this writing, the only available projected opening date is “sometime in 2018.”¹⁷ Project details for four proposed Massachusetts casinos, MGM Springfield, Wynn MA, Mashpee Wampanoag East Taunton, and Rush Street Raynham in Brockton, are provided in Exhibit 1.5.

¹⁷ http://www.wynnneverett.com/updates_news.html

Exhibit 1.5: Project Summaries for Massachusetts Casino Proposals

Massachusetts Applications - Project Summaries				
Applicant	Springfield/ MGM	Everett/ Wynn	Mashpee Wampanoag	Projected RushStreet/Raynham Casino Project [10]
Name	MGM Springfield	The Wynn Resort in Everett	The Mashpee Wampanoag Tribe	NBD
Location	Springfield, between Union and Howard streets	Everett	Taunton, MA	Brockton, MA
Construction Period	27 months	36 months	Begin construction next spring [6]; gaming and dining will take approximately 10 months [7]; entire project might take about 6 years [7]	
Opening Date	Delayed one year to September 2018 [1]	Expected to open in 2018 [3]		Summer 2018 [11]
Project Size	759,000 square feet [4]	3,096,700 square feet [3]	151 acres [8]	
Gaming				
Slots	3,000 [2]	3,242 [5]	3,000 [9]	2,000 [10]
Table Games	75 [3]	168 [5]	150 [9]	100 [10]
Area (sq ft)	125,000 [3]	192,543	150,000 [9]	240,000 [10]
Non-Gaming				
Shops & Restaurants	15 [3]	10	7-10 branded themed outlets; International buffet; two fine dining restaurants [9]	Expansive restaurant offerings [10]
Total Seats	2,065	1,160		
Hotel	6-story hotel with 250 rooms [4]	365-foot glass-like hotel tower [5] with 629 rooms [3]	three 300-room hotels [7]; 12 stories in height [9]	250 rooms [10]
Entertainment	Eight-screen cinema, bowling alley and an outdoor stage [3]	Nightclub, 1,000 seat multi-purpose venue, 500 seat outdoor amphitheatre	25,000 square foot water park [7]; bar, spa, large pool, roof terrace [9]	Spa, health club, pool [10]
Exhibition/Meeting Space	19,388 sq ft	32,942 sq ft [5]	6 Event/meeting rooms; 15,000 sq ft event center [9]	25,000 [10]
Retail	55,000 sq ft dining, retail, and entertainment space [3]	77,250 sq ft retail [5]	10 retail stores [9]	
Parking (spaces)	Multi-level parking garage with 5,000 parking spaces [3]	4,200 (3,400 on-site) [3]	4,486- space parking garage; 1,171 surface parking spaces [7]	3,000 parking spaces including parking garage [10]

Sources:

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- [8] <http://www.indianz.com/IndianGaming/2015/09/21/mashpee-wampanoag-tribe-aims-t.asp>
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- [9] <http://www.mashpeewampanoagtribe.com/content/pages/77/MWT-Presentation.pdf>
Mashpee Wampanoag Tribe Project First Light
- [10] http://www.brockton.ma.us/docs/default-source/casino/rush-street-gaming-presentation-to-city-council-3_2_15.pdf?sfvrsn=2
Rush Street Mass Gaming & Entertainment: Brockton Casino and Resort; Mar 2, 2015 with George Carney, Rush Street Gaming, and Clairvest
- [11] <http://www.enterpriseneews.com/article/20150910/NEWS/150919214>

Region C: Current Timeline

The Massachusetts Gaming Commission stopped accepting Request for Applications (RFA-2) from applicants for the Region C license on September 30, 2015. The Massachusetts Gaming Commission has received an RFA-2 or Phase 2 application for the resort-casino license in Region C (Southeastern Mass) from only one applicant, Mass Gaming & Entertainment. The casino license is expected to be awarded in early 2016. RFA-2 or Phase 2 gaming applications will be evaluated based on five key criteria: General Overview, Finance, Economic Development, Building and Site Design and Mitigation. Each of the commissioners will oversee an evaluation team comprised of identified industry experts. The five teams will conduct a thorough review process of one category of the key evaluation criteria

Region C: Currently Known Applicants

Taunton (Wampanoag Tribe)

The Mashpee Wampanoag Tribe, also known as the People of the First Light, proposes to build a \$500 million casino and resort facility in East Taunton, which is located approximately 35 miles south of Boston and 20 miles east of Providence.

The tribe proposes a construction plan (also known as The Project First Light Casino plan) over four different time phases – Phase 1, Phase 2, Phase 3 and Phase 4 – which are anticipated to be completed approximately 12-15 Months, 24-30 Months, 32-60 Months and over 60 Months, respectively. Phase 1 of the construction plan involves building a 150,000 square foot casino facility with 3,000 slot machines, 150 house banked table games, and 40 poker games. Phase 1 of the plan will also include the following facilities: a 2,500 to 3,200 space-parking garage, 2,085 surface parking spaces, a food court, an international buffet, 2 dining restaurants, a center bar with lounge seats and a small stage and 7-10 retail stores.¹⁸

Rush Street Gaming

Mass Gaming and Entertainment LLC, whose largest stakeholder is Rush Street Gaming, is the sole remaining applicant for the Region C non-tribal commercial gaming license. The casino company hopes to build a \$650 million casino in Brockton. Rush Street Gaming has maintained that its project can still be viable even with a casino in Taunton. It has estimated annual revenue of around \$400 million without a Taunton casino and \$325 million with a Taunton casino. Brockton is 17 miles north of Taunton.¹⁹

Rush Street is proposing to build a casino with 2,000 slots and 100 table games housed in approximately 240,000 square feet of gaming space. The proposed property will also include a 250-room hotel, “expansive restaurant offerings,”²⁰ approximately 25,000 square feet of

¹⁸ <http://www.mashpeewampanoagtribe.com/content/pages/77/MWT-Presentation.pdf>

¹⁹ http://www.masslive.com/politics/index.ssf/2015/09/mass_gaming_commission_to_weig.html

²⁰ http://www.brockton.ma.us/docs/default-source/casino/rush-street-gaming-presentation-to-city-council-3_2_15.pdf?sfvrsn=2

exhibition/meeting space, and 3,000 parking spaces. Rush Street claims it can open the property in the summer of 2018.²¹

RHODE ISLAND GAMING AND STATE REVENUE FORECASTS

Utilizing the models and methodology developed in our assessment of the current casino gambling market in New England, which is described in the previous section, we constructed estimates of the impact of three casinos (and potentially a fourth in our last alternative scenario) and a racino in Massachusetts on Rhode Island's two gaming facilities. The projections presented below represent the impacts of the proposed Massachusetts facilities assuming this regional market is effectively serviced.

In evaluating the Plainville property, we have assumed that the lack of table games at Plainridge, the availability of smoking at Twin River, and the slot machine cap of 1,250 at Plainridge will give Twin River a slight competitive advantage.²² These two sites, only 11 miles apart, will aggressively compete for gamblers. Both Plainridge and Twin River draw from areas that are rich in population and *per capita* income. Our models and results from these areas are very sensitive to changes in facility and/or operator quality. In other words, small differences in facility quality and/or management effectiveness in the densely populated areas of southern Massachusetts and northern Rhode Island could produce large swings in the revenue potential of these gaming facilities.

As discussed elsewhere in this report, geographic proximity is an important variable when assessing the demand for a proposed casino facility. As casino gaming becomes increasingly available throughout New England casino visitation becomes more frequent and spending on casino games increases. For example, casino visitation and spending by residents of Massachusetts will increase as travel time to the nearest casino is reduced to 45 minutes to an hour for the vast majority of Massachusetts residents. Furthermore, geographic proximity to population centers is a significant competitive advantage in the casino gaming business.

THE REVENUE IMPACTS OF MASSACHUSETTS CASINOS

As of the writing of this report, one license (Region C) in Massachusetts remains un-awarded. As such, we have constructed three different scenarios for gaming in Massachusetts including the awarded slot parlor in Plainville, the Region B casino in Springfield, the Region A casino in Everett, and two possible scenarios of locations for the Region C casino(s), Brockton alone and Brockton and Taunton. In all of the scenarios we examined the advent of casino gaming in Massachusetts have substantial negative impacts on gaming revenues in Rhode Island. As

²¹ <http://www.enterpriseneews.com/article/20150910/NEWS/150919214>

²² In accordance with Massachusetts Session Law, Act 2011, Chapter 194, Plainville is only allowed 1,250 machines. We note that the observed first three months of gaming at Plainridge appear to support that conclusion, although it is much too early to tell definitively how successfully these properties will compete with each other for the gambling dollar in the years ahead.

discussed in the previous section a substantial portion of Rhode Island gambling revenues are contributed by Massachusetts residents (Exhibit 1.4), and, as previously noted, it is rare for the public to drive by one gambling facility to get to another. The result of expanded gaming in Massachusetts is that much of the spending that currently crosses the Rhode Island border on its way to Connecticut and Rhode Island establishments will stay in Massachusetts. In terms of the relative revenue impacts upon the State of Rhode Island, the following section shows that the closer Massachusetts facilities are located to properties in Rhode Island, the greater the impacts on Rhode Island gaming facilities.

In assessing the impacts of Massachusetts gaming on the existing Rhode Island facilities, we have relied primarily upon a gravity model analysis utilizing the methodologies and methods described in the previous section, in concert with the most updated projected opening dates for each Massachusetts casino.

Although gaming markets in the United States caught a bit of tailwind recently due to markedly decreasing gas prices beginning in very late 2014 and extending into 2015, unless gas prices continue to fall these same results are unlikely to continue very far into calendar 2016. With the notable exception of the last nine months, spending per adult and gross gaming revenues in reasonably supplied markets have been in steady decline since late 2012. To a large degree, this decline in spending per adult and gaming revenues is reflective of a material change in casino gaming market economics in the United States: baby boomers with less retirement savings after the 2008 market crash; an anemic recovery in the six years since that event; millennials and generation Xers that don't gamble at the levels of their parents (and showing a clear preference for table gaming when they do gamble); and the hollowing out of the middle class. All of these things are affecting consumer spending on gambling at some level. Beginning in 2013, stable gaming markets (markets without material supply additions or other changes) across the United States began to contract, or only marginally grow, on a year over year basis. Underlying these results is a decline in spending on machine gaming and marginal increases in table gaming, which we project for Rhode Island.

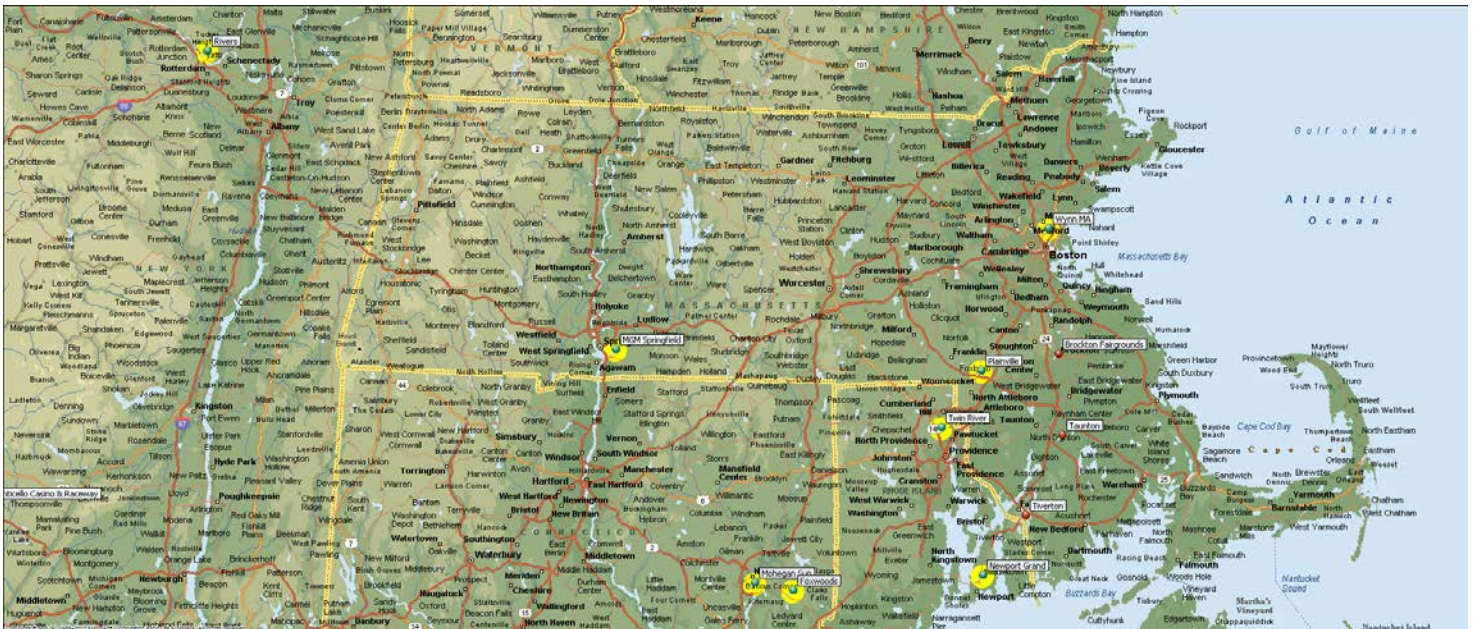
Timing

Upon consultation with the Department of Revenue, we have assumed in all four scenarios that casinos in Region A and Region C open in July 2018 (which is consistent with applicant's most recent information) and Region B (MGM Springfield) opens in late September early October 2018 (also per the most recent available information from the applicant.)²³

Exhibit 1.6 presents a map of the awarded and potential locations for gaming facilities in Massachusetts (awarded licenses are denoted with a green pin with yellow highlight, potential licenses a red pin).

²³ We note that based upon the experience of the last three years, these projected opening dates are likely to quite fluid.

Exhibit 1.6: Map of Known and Potential Massachusetts Casino Locations



Source: Christiansen Capital Advisors, LLC

STATUS QUO SCENARIO 1: A RACINO IN PLAINVILLE AND CASINOS IN BROCKTON, EVERETT AND SPRINGFIELD

For the purposes of comparison with our previous study,²⁴ CCA was asked by the State of Rhode Island to generate a “status quo” scenario to assess the extent of the impact of gaming in Massachusetts on Rhode Island revenues assuming no changes at Twin River or Newport Grand, including the expansion of table gaming (and reduction in the number of VLTs) already underway at Twin River.

We assume that large casinos will open in Springfield, Everett, and Brockton, Massachusetts, according to the most recent projected opening dates of these facilities as well as the newly opened slots-only facility in Plainville, Massachusetts.

The resulting projections are presented in Exhibits 1.7 and 1.8.

²⁴ Christiansen Capital Advisors, LLC, for the Rhode Island Department of Revenue “Rhode Island Gaming and State Revenue Forecast,” November 4, 2014.

Exhibit 1.7: Status Quo Rhode Island Revenue Projections by Fiscal Year

GGR (in millions)	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$415.2	\$413.1	\$411.1	\$362.6	\$360.8	\$359.0	-2.7%
Twin River Tables	\$107.7	\$108.8	\$109.9	\$106.5	\$100.7	\$101.7	-1.1%
Newport Grand VLTs	\$40.2	\$38.7	\$37.3	\$30.9	\$30.3	\$29.7	-5.2%
Rhode Island Gaming Revenue	\$ 563.1	\$ 560.6	\$ 558.2	\$ 500.0	\$ 491.7	\$ 490.3	-2.6%

Net State Revenue (in millions)*	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$252.8	\$251.5	\$250.2	\$220.7	\$219.6	\$218.5	-2.7%
Twin River Tables	\$17.2	\$17.4	\$17.6	\$17.0	\$16.1	\$16.3	-1.1%
Newport Grand VLTs	\$23.9	\$23.0	\$22.8	\$18.9	\$18.5	\$18.2	-4.8%
Rhode Island Gov't Revenue	\$293.8	\$291.9	\$290.7	\$256.7	\$254.3	\$253.0	-2.8%

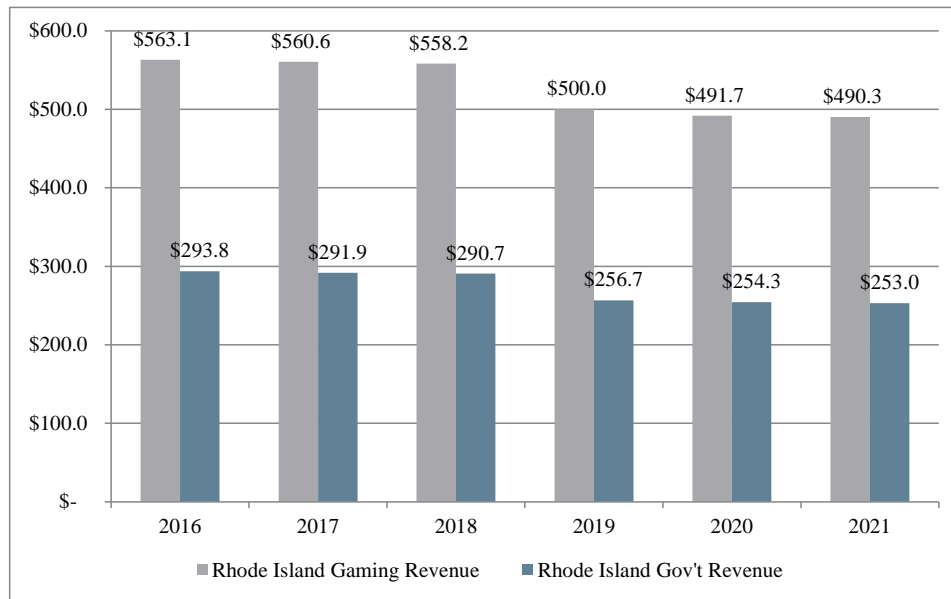
* Excludes payments to third parties, such as host municipalities.

Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit 1.7 presents these results in greater detail. We project that with anticipated competition from casinos and a racino in Massachusetts, Rhode Island gross gaming revenue from VLTs and table games will decline by approximately \$72.8 million, or 12.9 percent, over the next five years. We estimate that the State's share of these revenues will decline by about \$40.8 million over the same period.

Exhibit 1.8 summarizes and expresses in graphical form the results from Exhibit 1.7.

Exhibit 1.8: Status Quo Rhode Island Revenue Projections by Fiscal Year



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

GOING-FORWARD BASELINE SCENARIO 2: A RACINO IN PLAINVILLE AND CASINOS IN BROCKTON, EVERETT AND SPRINGFIELD

In order to assess the extent of the impact of gaming in Massachusetts on Rhode Island revenues, CCA was asked by the State of Rhode Island to generate going-forward baseline projections for Twin River and Newport Grand, assuming no meaningful additional changes (except for the expansion of table gaming and subsequent reduction of 272 VLTs already underway at Twin River) in those facilities, for the next six years (FY2016-FY 2021). CCA updated its previous scenario to provide a five year projection of Rhode Island gross gaming revenue, including net terminal income for Twin River and Newport Grand, and table game revenues at Twin River, assuming that large casinos open in Springfield, Everett, and Brockton, Massachusetts according to the most recent projected opening dates of these facilities and the newly opened slots-only facility in Plainville, Massachusetts.

The resulting projections are presented in Exhibits 1.9 and 1.10.

Exhibit 1.9: Going Forward Baseline Rhode Island Revenue Projections by Fiscal Year
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GGR (in millions)	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$415.2	\$413.1	\$411.1	\$362.6	\$360.8	\$359.0	-2.7%
Twin River Tables	\$115.2	\$116.9	\$118.7	\$106.5	\$101.2	\$102.7	-2.2%
Newport Grand VLTs	\$40.2	\$38.7	\$37.3	\$30.9	\$30.3	\$29.7	-5.2%
Rhode Island Gaming Revenue	\$ 570.6	\$ 568.7	\$ 567.0	\$ 500.0	\$ 492.3	\$ 491.4	-2.8%

Net State Revenue (in millions)*	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$252.8	\$251.5	\$250.2	\$220.7	\$219.6	\$218.5	-2.7%
Twin River Tables	\$18.4	\$18.7	\$19.0	\$17.0	\$16.2	\$16.4	-2.2%
Newport Grand VLTs	\$23.9	\$23.0	\$22.8	\$18.9	\$18.5	\$18.2	-4.8%
Rhode Island Gov't Revenue	\$295.0	\$293.2	\$292.1	\$256.7	\$254.4	\$253.1	-2.8%

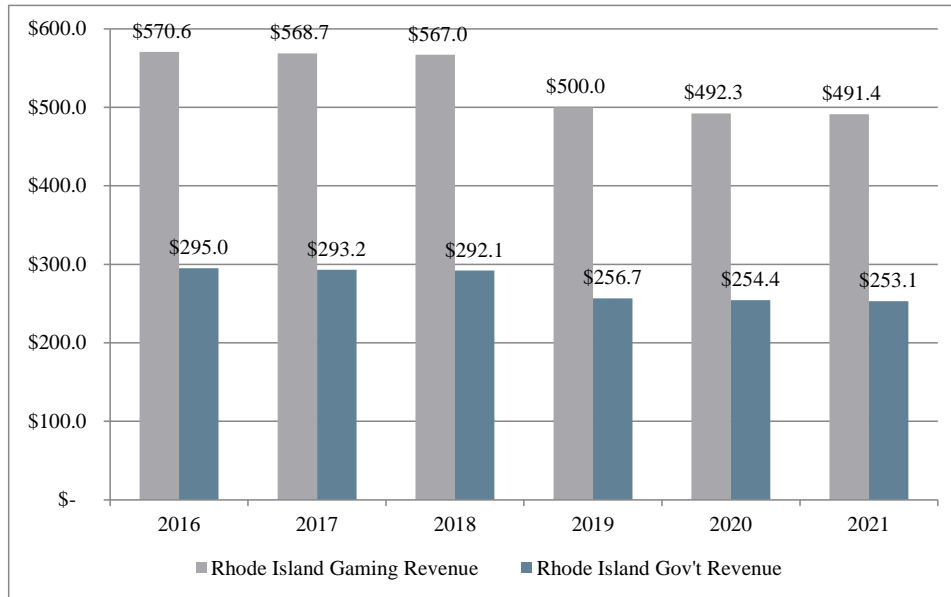
* Excludes payments to third parties, such as host municipalities.

Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit 1.9 presents these results in detail. We project that with anticipated competition from casinos and a racino in Massachusetts, Rhode Island gross gaming revenue from VLTs and table games will decline by approximately \$79.2 million, or 13.8 percent, over the next five years. We estimate that the State's share of these revenues will decline by about \$41.9 million over the same period.

Exhibit 1.10 summarizes and expresses in graphical form the results from Exhibit 1.9.

Exhibit 1.10: Going Forward Baseline Rhode Island Revenue Projections by Fiscal Year



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

ALTERNATIVE SCENARIO 3: A RACINO IN PLAINVILLE AND CASINOS IN BROCKTON, EVERETT AND SPRINGFIELD WITH HOTEL AT TWIN RIVER

The following scenario examines the impact of Massachusetts gaming as described above on the Twin River and Newport Grand facilities based on the current operations and plans for both facilities. For Twin River, this scenario includes a 200-room hotel constructed at the Twin River facility. For Newport Grand, this scenario includes the transfer of the ownership of Newport Grand to Twin River and the second extension of the Newport Grand master contract as entered into by Newport Grand and the Division of Lottery. In April of 2015, Governor Raimondo signed legislation that allowed Twin River to build a hotel at the facility (previously forbidden by State law). Twin River is currently seeking zoning approval for the hotel from the Town of Lincoln. Based upon currently available information we assume that the hotel opens in October of 2017, and does not cause meaningful construction disruptions at the Twin River facility.

The resulting projections are presented in Exhibits 1.11 and 1.12.

Exhibit 1.11: Rhode Island Revenue Projections w/Hotel at Twin River, by Fiscal Year

GGR (in millions)	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$415.2	\$413.1	\$417.7	\$380.7	\$378.8	\$376.9	-1.8%
Twin River Tables	\$115.2	\$116.9	\$125.3	\$111.8	\$113.5	\$115.2	0.0%
Newport Grand VLTs	\$40.2	\$38.7	\$37.3	\$30.9	\$30.3	\$29.7	-5.2%
Rhode Island Gaming Revenue	\$ 570.6	\$ 568.7	\$ 580.3	\$ 523.4	\$ 522.6	\$ 521.8	-1.7%

Net State Revenue (in millions)*	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$252.8	\$251.5	\$254.3	\$231.8	\$230.6	\$229.5	-1.8%
Twin River Tables	\$18.4	\$18.7	\$20.0	\$17.9	\$18.2	\$18.4	0.0%
Newport Grand VLTs	\$23.9	\$23.0	\$22.8	\$18.9	\$18.5	\$18.2	-4.8%
Rhode Island Gov't Revenue	\$295.0	\$293.2	\$297.2	\$268.6	\$267.3	\$266.1	-2.0%

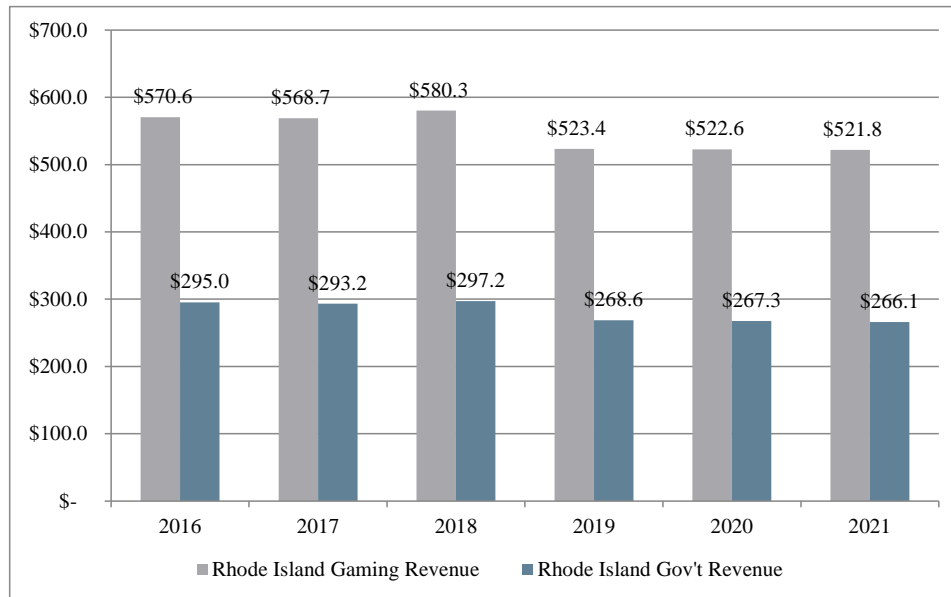
* Excludes payments to third parties, such as host municipalities.

Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit 1.11 presents these results in detail. We project that in this scenario Rhode Island gross gaming revenue from VLTs and table games will decline by approximately \$48.8 million, or 8.5 percent, over the next five years. We estimate that the State's share of these revenues will decline by \$28.9 million over the same period.

Exhibit 1.12 summarizes and expresses in graphical form the results from Exhibit 1.11.

Exhibit 1.12: Rhode Island Revenue Projections w/Hotel at Twin River by Fiscal Year



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

ALTERNATIVE SCENARIO 4: A RACINO IN PLAINVILLE AND CASINOS IN BROCKTON, EVERETT, SPRINGFIELD AND TAUNTON

The following scenario examines the impact of Massachusetts gaming on Rhode Island revenues if there are two casinos in Region C, specifically Rush Street’s property in Brockton and a Wampanoag facility in Taunton. For Twin River, this scenario includes a 200-room hotel constructed at the Twin River facility. For Newport Grand, this scenario includes the transfer of the ownership of Newport Grand to Twin River and the second extension of the Newport Grand master contract as entered into by Newport Grand and the Division of Lottery.

Exhibit 1.13 presents our estimates of the impacts of gaming in Massachusetts on Rhode Island with two casinos in Region C. We project that even with the positive benefits of a hotel at Twin River total gaming revenue will decline from \$570.6 million in FY 2016 to \$473.4 million by FY 2021, a decline of 17 percent. The State’s share of this revenue will decline from \$295.0 million in FY 2016 to \$245.7 million in FY 2021, a decline of 16.7 percent.

Exhibit 1.13: Revenue Projections w/Taunton Casino, by Fiscal Year

GGR (in millions)	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$415.2	\$413.1	\$417.7	\$352.3	\$350.5	\$348.8	-3.2%
Twin River Tables	\$115.2	\$116.9	\$125.3	\$99.0	\$93.6	\$95.0	-3.5%
Newport Grand VLTs	\$40.2	\$38.7	\$37.3	\$30.9	\$30.3	\$29.7	-5.2%
Rhode Island Gaming Revenue	\$570.6	\$568.7	\$580.3	\$482.2	\$474.4	\$473.4	-3.4%

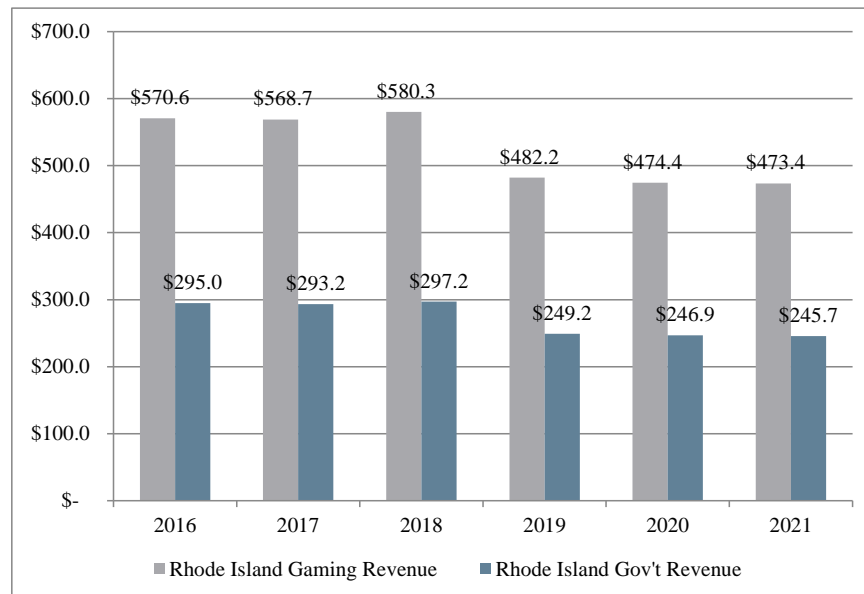
Net State Revenue (in millions)*	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$252.8	\$251.5	\$254.3	\$214.4	\$213.4	\$212.3	-3.2%
Twin River Tables	\$18.4	\$18.7	\$20.0	\$15.8	\$15.0	\$15.2	-3.5%
Newport Grand VLTs	\$23.9	\$23.0	\$22.8	\$18.9	\$18.5	\$18.2	-4.8%
Rhode Island Gov't Revenue	\$295.0	\$293.2	\$297.2	\$249.2	\$246.9	\$245.7	-3.3%

* Excludes payments to third parties, such as host municipalities.

Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC estimates.

Exhibit 1.14 summarizes and expresses in graphic format the results presented in Exhibit 1.13.

Exhibit 1.14: Revenue Projections w/Taunton Casino, by Fiscal Year



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

ALTERNATIVE SCENARIO 5: A RACINO IN PLAINVILLE, CASINOS IN BROCKTON, EVERETT, SPRINGFIELD, NEWPORT IS CLOSED AND A CASINO OPENS IN TIVERTON, RHODE ISLAND

The following scenario consists of a five-year projection of Rhode Island gross gaming revenue assuming that the Newport Grand site is closed and its operations are transferred to a new facility with VLTs and table games in Tiverton, Rhode Island. Upon consultation with the Rhode Island Department of Revenue, we assume this new facility opens in October of 2018. In Massachusetts, this scenario assumes large casinos open in Springfield, Everett, and Brockton according to the most recent projected opening dates of these facilities and the newly opened slots-only facility in Plainville, Massachusetts.

For Twin River, this scenario includes a 200-room hotel constructed at the Twin River facility that opens in October of 2017, and does not cause meaningful construction disruptions at the Twin River facility.

A NEW CASINO IN TIVERTON, RHODE ISLAND

Twin River Worldwide Holdings, which recently completed the purchase of Newport Grand, is proposing to transfer that license to an 80,000 square foot casino in Tiverton, Rhode Island off Route 81 only hundreds of feet from the Massachusetts border in Fall River. Twin River is proposing a facility that resembles the town's public library. The casino would have 1,000 to 1,200 slot machines and 25 to 35 table games, and Twin River has stated it is looking at amenities such as a full-service restaurant and entertainment and possibly an attached three-story 80-room hotel.²⁵

It will be up to the Town Council in Tiverton to consider putting the matter to a town-wide vote; further, Tiverton will have to petition the General Assembly to place a question on the ballot, which the Twin River group hopes will be ready for the November 2016 elections. According to a timeline included with the plans recently submitted to the Town Council, Twin River could deliver a "definitive" proposal to the Town Council that includes details on environmental, market, economic impact, and traffic issues by November 9, 2015. Twin River has stated that Newport Grand will remain open until a new gambling facility is built. We also understand that the Tiverton Casino will not be built if table games are not approved for that location. Newport Grand will remain in operation under a no-table games scenario in Tiverton

Our review of the experience of markets similar to Rhode Island suggests that VLTs, while an attractive product, are not as attractive as a full-blown casino (slots and tables). Virtually without exception, the gambling public prefers a broad spectrum of games, including traditional three reel machines, low denomination machines (penny and nickel slots), video machines, house-banked table games, and non-house banked table games such as poker. Restrictions on the types of games allowed or denomination limits have been shown to limit gross gaming revenues. If the Tiverton Casino is allowed to be built and offer table games the impacts of new casinos in Massachusetts on Rhode Island GGR could be somewhat mitigated.

²⁵ <http://www.heraldnews.com/article/20151014/NEWS/151018282>

For the purposes of this analysis, we assume that the upcoming local and statewide votes on a casino in Tiverton are positive, and that a 1,200 VLT and 30 table game casino without a hotel substantially similar to the plans Twin River has provided the Tiverton Town Council opens in October 2018. For Rhode Island’s share of gaming revenue we have assumed the state will receive the same percentage on VLTs as it does from Twin River and the table games will be taxed at 18% unless (or until) VLT revenues decline year over year at Tiverton in which case the rate would be reduced to 16%.

Exhibit 1.16 presents our estimates of the impacts of gaming in Massachusetts on Rhode Island revenue if Twin River adds a 200-room hotel and Newport is closed and a new casino opens in Tiverton, Rhode Island. We project that in this scenario total gaming revenue will increase from \$570.6 million in FY 2016 to \$615.5 million by FY 2021, an increase of 7.3 percent. The state’s share of this revenue will grow from \$295.0 million in FY 2016 to \$313.9 million in FY 2021, an increase of 6.4 percent.

Exhibit 1.15: Revenue Projections w/Tiverton Casino, by Fiscal Year

GGR (in millions)	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$415.2	\$413.1	\$417.7	\$370.7	\$368.8	\$367.0	-2.3%
Twin River Tables	\$115.2	\$116.9	\$125.3	\$106.1	\$107.7	\$109.3	-1.0%
Newport Grand VLTs	\$40.2	\$38.7	\$37.3	\$7.7			N/A
Tiverton VLTs				\$84.0	\$104.2	\$112.0	N/A
Tiverton Tables				\$20.4	\$25.3	\$27.2	N/A
Rhode Island Gaming Revenue	\$570.6	\$568.7	\$580.3	\$588.9	\$606.0	\$615.5	1.6%

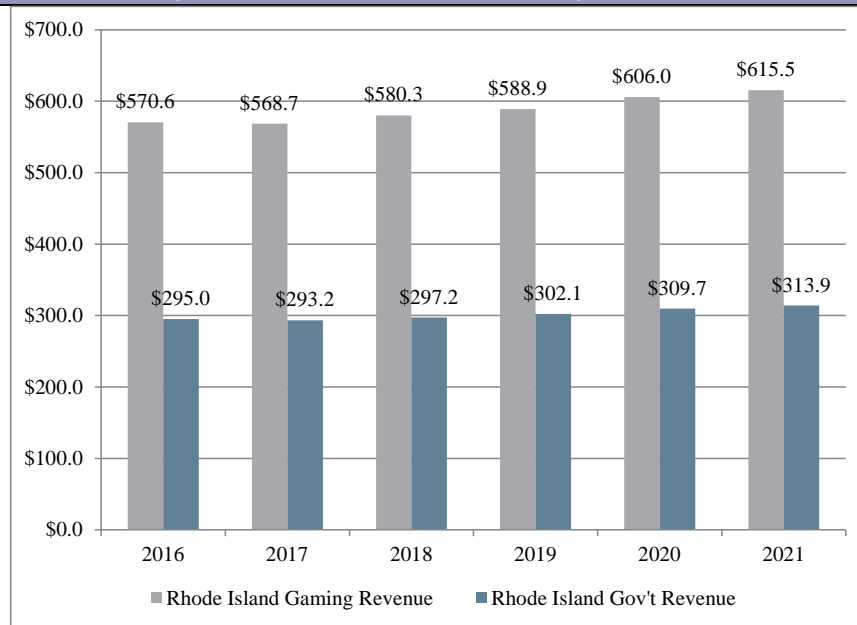
Net State Revenue (in millions)*	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$252.8	\$251.5	\$254.3	\$225.6	\$224.5	\$223.4	-2.3%
Twin River Tables	\$18.4	\$18.7	\$20.0	\$17.0	\$17.2	\$17.5	-1.0%
Newport Grand VLTs	\$23.9	\$23.0	\$22.8	\$4.7	\$0.0	\$0.0	N/A
Tiverton VLTs				\$51.1	\$63.4	\$68.2	N/A
Tiverton Tables				\$3.7	\$4.6	\$4.9	N/A
Rhode Island Gov’t Revenue	\$295.0	\$293.2	\$297.2	\$302.1	\$309.7	\$313.9	1.3%

* Excludes payments to third parties, such as host municipalities.

Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit 1.16 summarizes and expresses in graphic form the results presented in Exhibit 1.15.

Exhibit 1.16: Revenue Projections w/Tiverton Casino, by Fiscal Year



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

A CASINO IN TIVERTON, RHODE ISLAND AND IN TAUNTON, MASSACHUSETTS

CCA created models of a scenario with casinos in Tiverton, Brockton, and a Class III tribal casino in Taunton, Massachusetts. The results of this modeling indicate that, assuming a third casino in Brockton, (which intercepts traffic from the suburbs south of Boston) casinos in Taunton and Tiverton are mutually exclusive, at least in the form that Twin River and the Wampanoags contemplate. One, or both, of these facilities are likely be significantly downsized if all three of these projects move forward.

The projections presented herein are based upon the accompanying assumptions. Some of these assumptions will inevitably not materialize, and unanticipated events and circumstances will occur. Actual results may therefore vary from our projections, and such variations may be material.



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Rhode Island Gaming and State Revenue Forecast

Appendix

Prepared by: Christiansen Capital Advisors, LLC
Prepared for: The Rhode Island Department of Revenue
October 30, 2015

APPENDIX A: ESTIMATES OF RHODE ISLAND GAMING AND STATE REVENUE IN THE ABSENCE OF MASSACHUSETTS CASINOS

For comparison purposes, CCA was also asked to prepare estimated projections of Rhode Island gaming revenue and the state's share of those revenues in the absence of competition from Massachusetts casinos, assuming no operational or physical changes at Twin River or Newport Grand.

In the absence of new competition, these Rhode Island facilities would perform very much as they have over the past two or three years, which is broadly consistent with experience in most gaming markets in the United States. Although gaming caught a bit of tail-wind recently due to markedly decreasing gas prices beginning in very late 2014 and extending into 2015, unless gas prices continue to fall these is unlikely to continue very far into calendar 2016. Beginning in 2013, stable gaming markets (markets without material supply additions or other changes) across the United States began to contract, or only marginally grow, on a year over year basis. Underlying these results is a decline in spending on machine gaming and marginal increases in table gaming. Thus, we would expect that after another small increase in FY 2016 due to the lingering effect of lower prices for transportation, Rhode Island gaming revenue would conform to prevailing U.S. trends.

The resulting projections are presented in Exhibits A.1 and A.2.

Exhibit A.1: Rhode Island Revenue Projections w/o Massachusetts Casinos, by Fiscal Year

GGR (in millions)	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$479.2	\$476.8	\$474.5	\$472.1	\$469.7	\$467.4	-0.5%
Twin River Tables	\$109.8	\$111.5	\$113.2	\$114.9	\$116.6	\$118.3	1.5%
Newport Grand VLTs	\$46.3	\$45.4	\$44.5	\$43.6	\$42.7	\$41.9	-1.9%
Rhode Island Gaming Revenue	\$ 635.4	\$ 633.7	\$ 632.1	\$ 630.5	\$ 629.0	\$ 627.6	-0.2%

Net State Revenue (in millions)*	2016	2017	2018	2019	2020	2021	5 Year CAGR
Twin River VLTs	\$291.7	\$290.3	\$288.8	\$287.4	\$285.9	\$284.5	-0.5%
Twin River Tables	\$17.6	\$17.8	\$18.1	\$18.4	\$18.7	\$18.9	1.5%
Newport Grand VLTs	\$27.5	\$26.9	\$27.3	\$26.7	\$26.2	\$25.6	-1.3%
Rhode Island Gov't Revenue	\$336.8	\$335.1	\$334.2	\$332.5	\$330.8	\$329.1	-0.5%

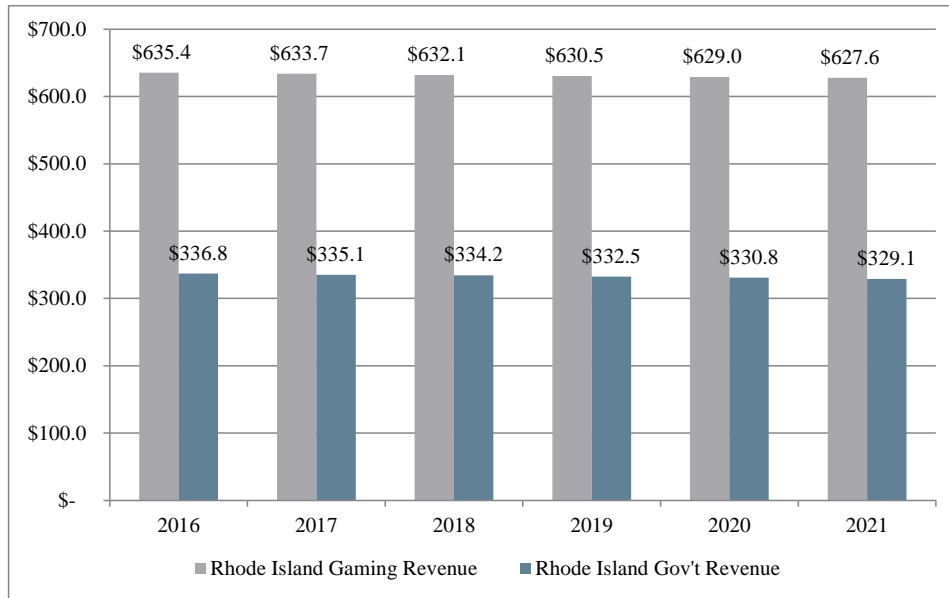
* Excludes payments to third parties, such as host municipalities.

Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates

Exhibit A.1 presents these results in detail. We project that in this scenario Rhode Island gross gaming revenue from VLTs and table games would decline only slightly (by approximately \$7.8 million or 1.2 percent) over the next five years. We estimate that the State’s share of these revenues will decline by \$7.7 million over the same period.

Exhibit A.2 summarizes and expresses in graphical form the results from Exhibit A.1.

Exhibit A.2: Rhode Island Revenue Projections w/o Massachusetts Casinos, by Fiscal Year



Source: Rhode Island Department of Revenue, Christiansen Capital Advisors, LLC. estimates