

# HUSCH BLACKWELL

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Clarence Greeno  
Missouri Gaming Commission  
3417 Knipp Drive  
Jefferson City, MO 65109

Re: Comments on Economic Analysis of Casino Applicants for Missouri's Gaming License Prepared by MERIC

Dear Mr. Greeno,

Casino Celebration LLC ("Casino Celebration") has reviewed the Economic Analysis prepared by MERIC and released by the Commission on Friday. Two key components of the study merit further scrutiny by the Missouri Gaming Commission before the commissioners vote on which applicant should be prioritized for the 13<sup>th</sup> gaming license. The gross revenue numbers utilized in the study take the projections of the Isle of Capri at face value despite the fact that the projections assign a win per gamer that is 20% higher than the state average. Further, the cannibalization projections, specifically for the St. Louis market, are over generalized and do not reflect an accurate depiction of the market.

**Gross Revenue Considerations:** A review of Casino Celebration's extensive market study, data published by the Missouri Gaming Commission, and detailed demographic reports, demonstrate that the MERIC analysis drastically over estimates the gaming revenues that are achievable for the proposed Isle of Capri casino location in Cape Girardeau. The Cape Girardeau location is projected by the applicant and the MERIC study to produce approximately \$81MM in average annual gaming revenues. These projections are not realistic, when compared to the actual gaming revenues at other existing "Out-State" casinos. The closest comparable existing Out-State casino is the Isle of Capri facility in Booneville, MO. The Booneville location produced \$102MM in revenues in fiscal year 2010, with a higher gaming aged population and a higher household income within the critical 50 mile radius of the facility. See the details in the table below. Furthermore, based on Isle of Capri's projected annual admissions for the Cape Girardeau facility in their application, to achieve the \$81MM in annual gaming revenues, the win per admission would be approximately \$43. The win per admission of \$43 is 20% higher than any other existing casino in the state during fiscal year 2010, and 23% higher than the Isle of Capri in Booneville.

	<b>Boonville</b>	<b>Cape Girardeau</b>
Major Access Road	Interstate 70	Interstate 55
Average Daily Traffic Counts	40,000	17,000
Distance From Major Access To Facility	3 miles	7 miles

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	<b>Boonville</b>	<b>Cape Girardeau</b>
Driving Time From Major Access To Facility	7 minutes	7 minutes
Gaming Aged Population (50 mile radius)	355,800	338,800
Median Household Income (50 mile radius)	\$45,800	\$39,200
Nearest Casino	Ameristar – Kansas City, MO (106 Miles)	Harrah's – Metropolis, IL (70 Miles) Lady Luck – Caruthersville, MO (86 Miles)
Annual Gaming Revenue	\$102 million (Fiscal Year 2010)	\$81 million (Projected)
Admissions	2.9 million	1.9 million
Win Per Admission	\$35.28	\$42.63

**Assuming that the Cape Girardeau location is able to achieve the 1.9 million annual admissions, at a more realistic \$33.00 win per admission (the average of all existing Out-State casino in fiscal year 2010) the Cape Girardeau location's annual gaming revenues would fall to \$62.7MM.**

Casino Celebrations average annual gaming revenue projection of \$126MM, with 4.0 million annual admissions equates to \$31.50 in winnings per admission. The fiscal year 2010 average win per admission for the St. Louis market was \$31.67. Given the uncertainty of the economic recovery Casino Celebration believes it is necessary to rely on conservative, market based assumptions when projection revenues for each of the applicants.

**Cannibalization Estimates:** The MERIC study overestimates the Casino Celebration share take from other existing Missouri casinos. On page 13 of the MERIC study, the Lumiere Place casino opening is utilized to provide a baseline of share take from the St. Louis market. The "net new revenues" from this opening were approximately 62% when only factoring in other Missouri casinos. However, when projecting revenues for Casino Celebration this number arbitrarily drops to 45%. This adjusted percentage also does not take into account the proximity of a property to casinos in other states.

It should also be noted that when computing market share take in a densely populated urban market such as the St. Louis market drive time radius analysis is much more appropriate than use of a simplistic 30 mile radius. Casino Celebration principals have been active members of the St. Louis gaming market for almost 20 years. They know from experience that drive times are paramount when considering market segmentation. The closest casino from a drive time to the Casino Celebration location is the Argosy Casino on the Alton Belle riverboat. The Argosy

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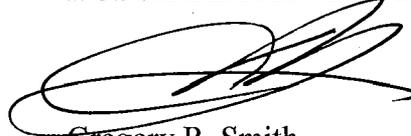
is the oldest casino in the St. Louis market and has failed to upgrade its facility to market standards since opening in the early 1990's. The largest portion of market share take for the Casino Celebration will come directly from the Alton Belle, an Illinois based facility. Utilizing the percentage of net new revenues experienced by Lumiere (62%), the Casino Celebration net new revenues to Missouri would increase to \$76MM.

Additionally, the study does not compare the disparity of impact of the market share take on existing Missouri casinos by Isle and Casino Celebration. One is manageable and the other is potentially fatal to a competing facility. The projected impact of the proposed Isle location on the existing Caruthersville facility is approximately \$4MM, or 10% of the Caruthersville fiscal year 2010 gaming revenues. This level of impact would be extremely detrimental to the Caruthersville facility. The market share take projection for the Casino Celebration (which we've stated is extremely high in our opinion) accounts for \$54MM taken from existing Missouri casinos, or only 5% of the market. A Cape Girardeau casino location would put all the jobs and revenues of the Caruthersville location at risk, while the Casino Celebration's impact would be manageable.

In conclusion, Casino Celebration urges the Commissioners to further scrutinize at least two of the key components of MERIC's analysis. By looking further into the gross revenue projections of the applicants and the market share take analysis, it is our opinion that the risks to the state of Missouri increase substantially with the Cape Girardeau location.

	<b>Casino Celebration, St. Louis</b>	<b>Isle of Capri, Cape Girardeau</b>
Adjusted Win Per Admission	\$31.50	\$33.00
Admissions	4.0 million	1.9 million
Adjusted Gross Gaming Revenues	\$126 million	\$62 million
Market Share Take	\$50 million	\$4 million
<b>Adjusted Net New Revenues</b>	<b>\$76 million</b>	<b>\$58 million</b>

Very truly yours,  
HUSCH BLACKWELL LLP



Gregory R. Smith