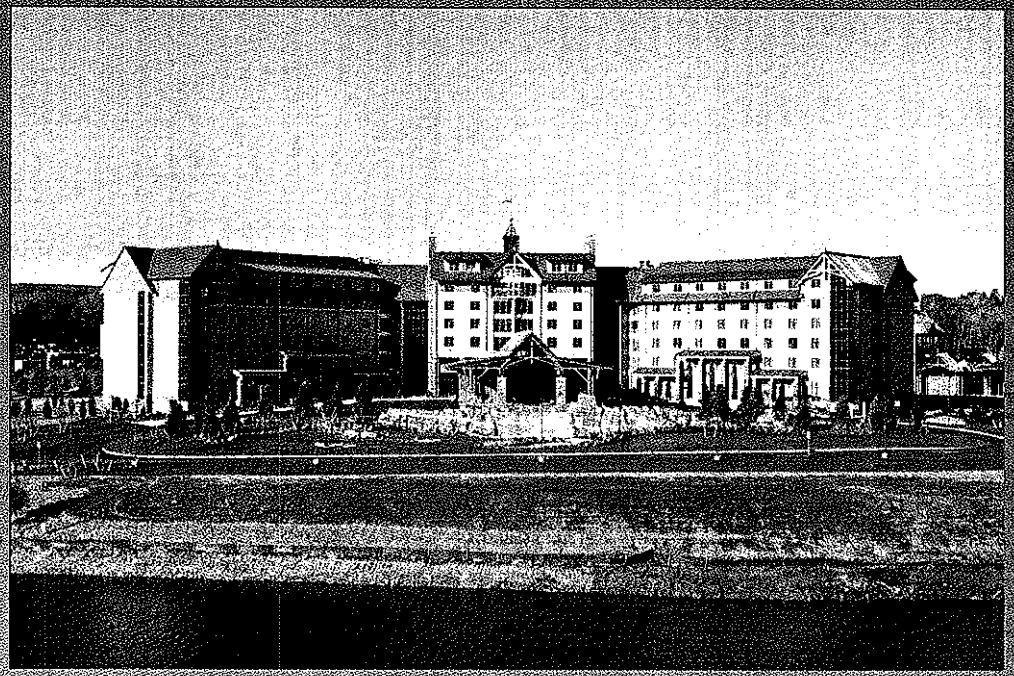
MOUNT AIRY CASINO



Pennsylvania Gaming Control Board

Petitions to Modify Gaming Floor

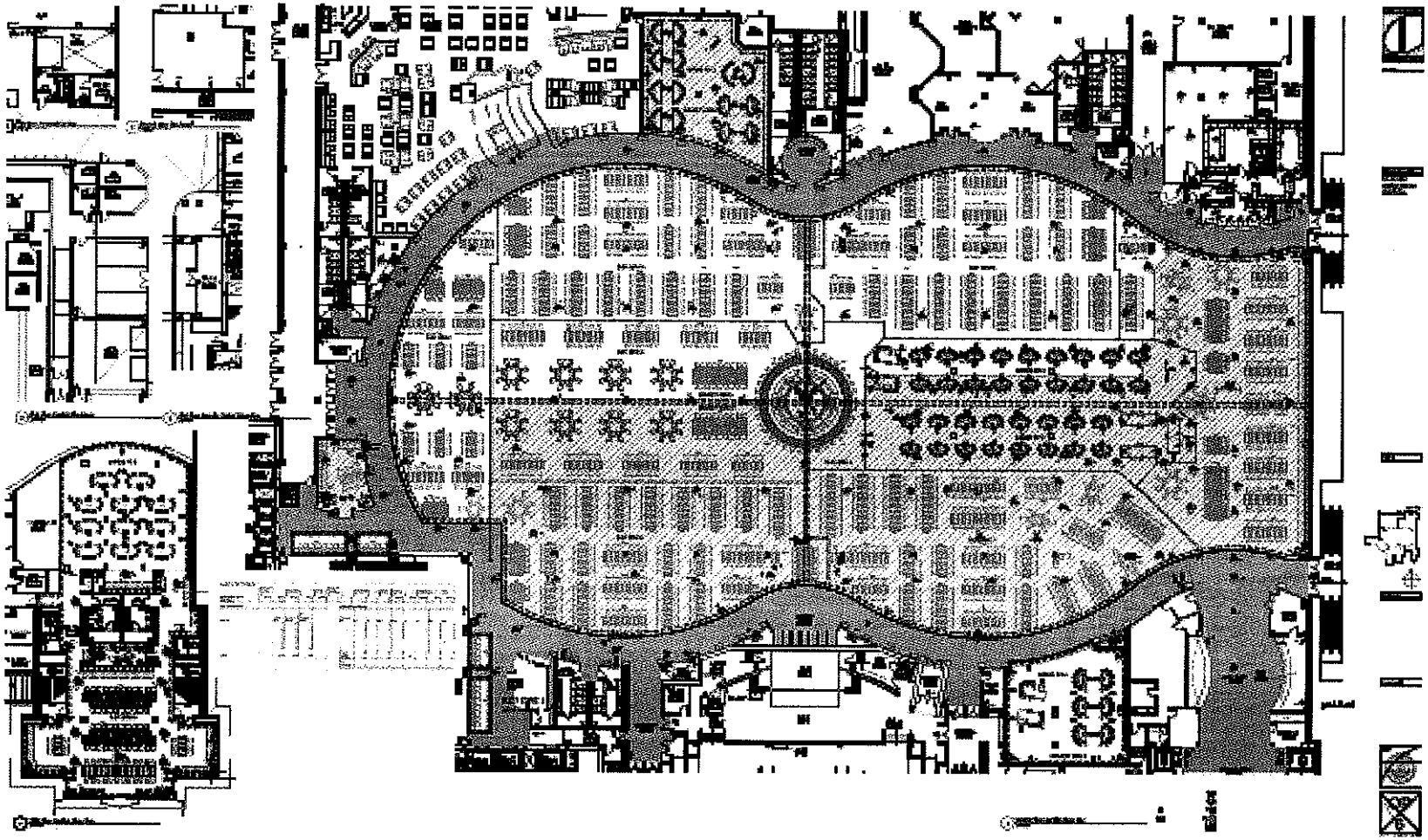
December 16, 2010

Two Petitions to Modify Gaming Floor

1. Petition to Reduce Slot Machine Count by 26
   - Based upon proximity to stairs, escalators and elevators
   - No objection from OEC

2. Petition to Reduce Slot Machine Count by 300
   - Based upon economic reasons:
     - Excess supply of slot machines
     - Cost savings

New Operating Plan (OP6)



Gaming Principle

- Slot machines do not generate revenue, people generate revenue
- Board has recognized more machines do not necessarily translate into more revenues if market demand is not present
- No anticipated impact on gross terminal revenue if the proposed reductions are permitted
- Commonwealth and Mt. Airy are partners

Impact of Reduction or Addition of Slot Machines at Other Facilities

Mohegan

	Aug. '09	Sept.'10
# of machines	2,245	2,445 (+200)
GTR	$19.2M	$ 18M (- $1.2M)

Rivers

	Aug. '10	Sept. '10
# of machines	2,888	2,948 (-60)
GTR	$21.4M	$20.5M (-$900K)

Impact of Reduction or Addition of Slot Machines at Other Facilities

Meadows

	Mar. '10	April. '10	May '10
# of machines	3,645	3,556 (-89)	3,477 (-79)
GTR	$21.5M	$21.7M (+200k)	$23.9M (+2.2M)

Parx

	Mar. '10	April. '10	May '10
# of machines	3,294	3,373 (+79)	3,291 (-82)
GTR	$36.5M	$35.3M (-1.2M)	$37.1M (+1.8M)

Mount Airy Peak Slot Machine Occupancy

January – June 2010

- Average Day: 36.8%
- Average Peak Weekday: 31.1%
- Average Peak Weekend: 53.9%
- Highest Peak Occupancy: 69.3%

Win Per Unit Per Day
Jan – Sept 2010

Mount Airy	Pa Industry Average
$167	$251

* Statistics from PGCB Website

Win per Unit Comparables

Operating efficiency, utilization, and win per unit are all directly proportional. Mount Airy's WPS of about $165 to $168 shows that the property could utilize its slot product more effectively.

Stabilized WPS - Comparable Casinos

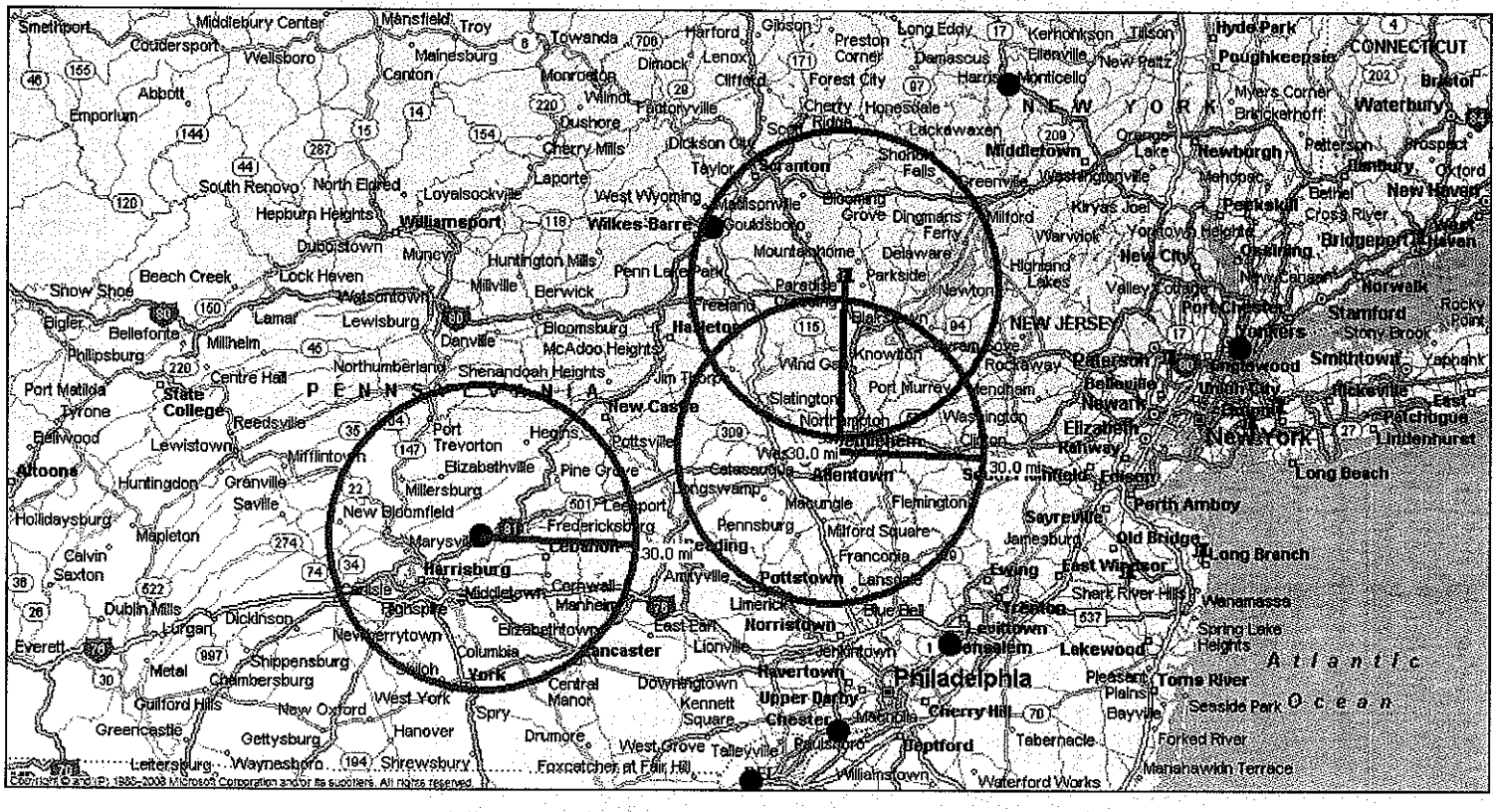
Casino	City	State	WPS
Belterra	Vevay	IN	$235
Blue Chip	Michigan City	IN	$235
Isle of Capri	Boonville	MO	$211
Grand Victoria	Rising Sun	IN	$196
St. Jo Frontier	St. Joseph	MO	$175
Tribal	Undisclosed	WA	$173
Tribal	Undisclosed	LA	$154
Mark Twain	La Grange	MO	$145

Comparable Traits:

- Full casino offering (machines and table games in place)
- Mid-market design aesthetic
- Non-urban location
- Average personal wealth (compared to inflated urban incomes)
- Oligopoly market where limited licenses are in place
- Distribution limited to approximately one casino per 50-mile concentric ring
- Proximate to at least one mid-sized feeder city

Overall Supply Has Increased

The May 2009 opening of Sands Bethlehem introduced 3,000 additional machines in the market in direct competition to Mount Airy.



Leading to Diminished Performance

The addition of Sands Bethlehem was accretive for the Commonwealth, but the proximity to Mount Airy led to some loss in market share and requiring adjustments in supply.

Quarterly Performance

Period	Q-4	Q-3	Q-2	Q-1	Q1	Q2	Q3	Q4	Q5	Q6
Starts	May-08	Aug-08	Nov-08	Feb-09	May-09	Aug-09	Nov-09	Feb-10	May-10	Aug-10
Mount Airy										
Slot Revenue ($M)	$48.8	$48.1	$40.3	$46.8	$42.7	$40.0	$32.9	$34.3	$37.9	$38.3
Slot Machines	2,523	2,522	2,515	2,513	2,504	2,501	2,487	2,451	2,306	2,450
WSD	$210	$208	$174	$209	$185	$174	$144	$159	$179	$170
Change (YOY)		254.3%	20.9%	16.6%	-11.8%	-16.2%	-17.3%	-24.0%	-3.6%	-2.2%
Sands Bethlehem										
Slot Revenue ($M)					$49.9	$57.2	$56.4	$63.6	$67.9	$65.0
Slot Machines					2,998	2,888	3,100	3,186	3,082	3,032
WSD					$181	$216	$213	$215	$214	$199
Change (YOY)									18.1%	-7.6%
Mount Airy + SB										
Slot Revenue ($M)	$48.8	$48.1	$40.3	$46.8	$92.6	$97.3	$89.3	$97.9	$105.8	$103.4
Change (YOY)		961.5%	20.5%	14.9%	89.9%	102.0%	121.8%	109.1%	14.2%	6.3%
Slot Machines	2,523	2,522	2,515	2,513	5,502	5,389	5,587	5,637	5,388	5,482
Change (YOY)		199.6%	-0.3%	-0.4%	118.1%	113.7%	122.2%	124.3%	-2.1%	1.7%
WSD	$210	$208	$174	$209	$183	$196	$174	$197	$213	$205
Change (YOY)		254.3%	20.9%	16.6%	-12.9%	-5.5%	-0.2%	-5.7%	16.6%	4.5%
Penn Hollywood										
Slot Revenue ($M)	$49.4	$50.6	$48.1	$61.1	$63.2	$59.7	$57.7	$65.0	$67.4	$62.4
Slot Machines	2,050	2,219	2,227	2,276	2,315	2,359	2,363	2,380	2,422	2,487
WSD	$262	$248	$235	$302	$297	$275	$265	$310	$302	$273
Change (YOY)				35.0%	13.2%	11.1%	13.1%	2.8%	1.9%	-0.9%

Cost Savings

- Approximately $500,000 in capital replacement costs
- Approximately $40,000 annually in operating costs

Mount Airy
CASINO ♦ RESORT