

MCK Land-Based Gaming Research

Phase 1 Summary
Presentation to Kahnawà:ke

Introduction

- Phase 1 began on April 26th
- Kahnawà:ke needs to generate its own revenue (motivation)
- Land-based gaming proven to be highly successful for First Nations

**Kahnawà:ke programs and services are 96% reliant
on federal/provincial funding**

- Government strategy is to reduce First Nations' funding
- Kahnawà:ke has already experienced funding cutbacks in several areas including education (**\$360,000**), capital projects (**\$1.015 million**) and the KOR Cultural Center (**\$27,000**)

5 Guiding Principles

- 1) The collective must be the prime beneficiary;
- 2) No lands slated for residential development will be considered for use;
- 3) Community members shall receive a dividend;
- 4) The social impacts of gaming will be addressed through immediate and effective measures;
- 5) There will be independent community management of gaming profits. In effect, a communal treasury would be developed to oversee and disperse monies

Objectives

- 1) Review preliminary findings of Phase 1 research
- 2) Explain the purpose of Phase 2 research

Phase 1 Key Information

How much did Phase 1 cost?

- Results came at no additional cost to the MCK

When did it take place?

- Phase 1 work was done over and above the employees' current job duties from April until September 2011

Who gathered the information for Phase 1?

MCK employees;

- Ryan Rice, B. Comm
- Paul Rice, B. Comm

What was looked at during Phase 1?

- Previous Land Based Gaming documentation was reviewed.
- Following that, 9 key areas were identified...

Summary of Phase 1 Research

- 1) Overview of Regional Gaming Market
- 2) Population Demographics Surrounding Kahnawà:ke
- 3) First Nations Gaming Activity in North America
- 4) Size and Scope of Gaming Facility
- 5) Location of Gaming Facility

Summary of Phase 1 Research

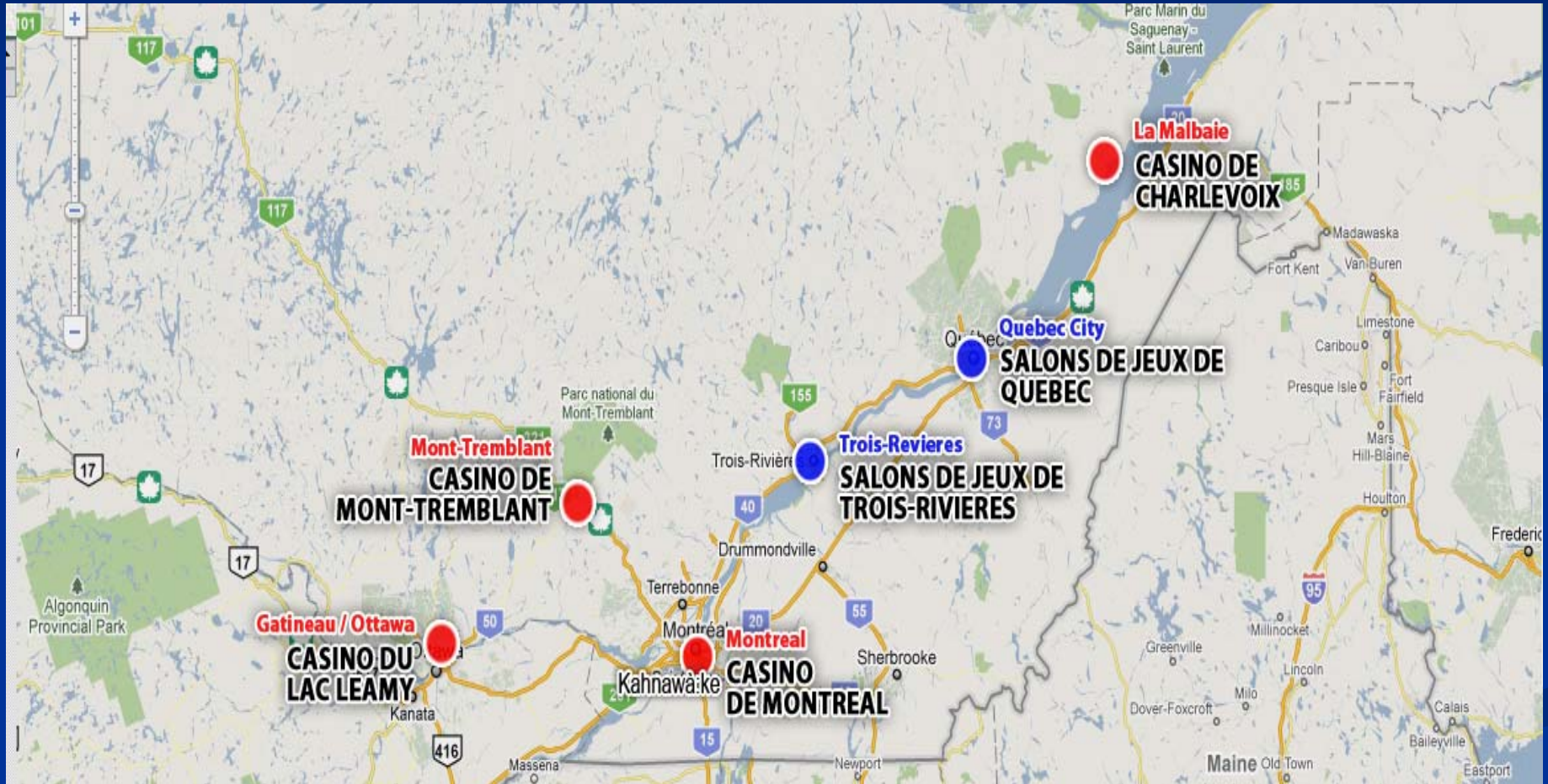
- 6) Social Impacts of Gaming Activity
- 7) Communication Strategy Throughout Gaming Project Process
- 8) Political Environment in Relation to Gaming
- 9) Allocation of Gaming Profits

1) Regional Gaming Market

Quebec Market

- Loto Quebec operates 4 casinos and 2 smaller gaming halls in Quebec;
 - Casino de Montreal
 - Casino du Lac Leamy
 - Casino de Charlevoix
 - Casino de Mont-Tremblant
 - Quebec City Gaming Hall
 - Trois Rivieres Gaming Hall

Quebec Market



2010 Quebec Snapshot

Gaming Mix

<u>Casino / Hall</u>	<u>Location</u>	<u>Gaming Machines</u>	<u>Table Games</u>
Montreal	Parc Jean-Drapeau	2700	115
Charlevoix	La Malbaie	950	25
Lac Leamy	Hull/Gatineau	1800	75
Mont Tremblant	Mont Tremblant	500	16
Quebec City (Hall)	Quebec City	335	0
Trois Rivieres (Hall)	Trois Rivieres	200	0
Total		6485	231

Regional Market

Akwesasne Mohawk Casino

- 1600 slots, 22 table games
- Mohawk Bingo Palace and poker area
- 1 hour from Kahnawà:ke

Rideau Carleton Raceway

- 1250 slots, no table games and horse track betting
- 1.5 hours from Kahnawà:ke

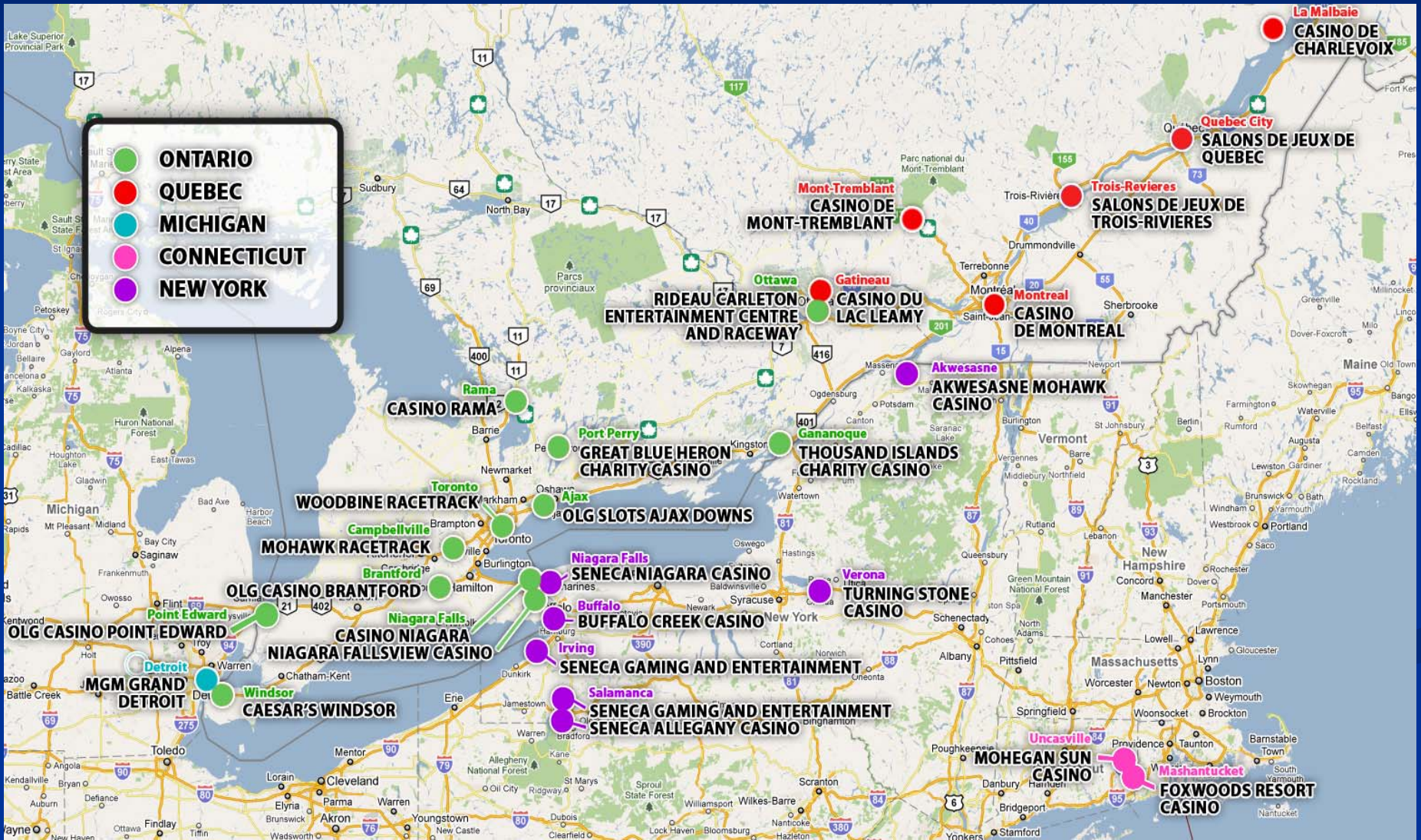
1000 Islands Casino in Gananoque

- 500 slots, 22 table games and poker area
- 2.5 hours from Kahnawà:ke

Regional Gaming Market Assessment

- Positive for Kahnawà:ke from a market share standpoint
- Lower number of gaming facilities in close proximity to Kahnawà:ke (unlike Niagara region)

Expanded Regional Market



2) Population Demographics Surrounding Kahnawà:ke

Population Demographics Surrounding Kahnawà:ke

- 62% of Canada's Population in proximity to Kahnawà:ke
 - Ontario makes up 38%
 - Quebec makes up 24%
- Significant population growth in Montreal area
- Particularly in south shore municipalities
 - Candiac
 - Chambly
 - La Prairie
 - Brossard

Income Growth Surrounding Kahnawà:ke

- The amount of Quebec residents with an income level of \$50,000 or more has risen by 44.6% in the last 5 year
 - 2.1 million people have annual income of \$50,000 or more
- This creates a potential increase in disposable income for entertainment purposes

Population Demographics Assessment

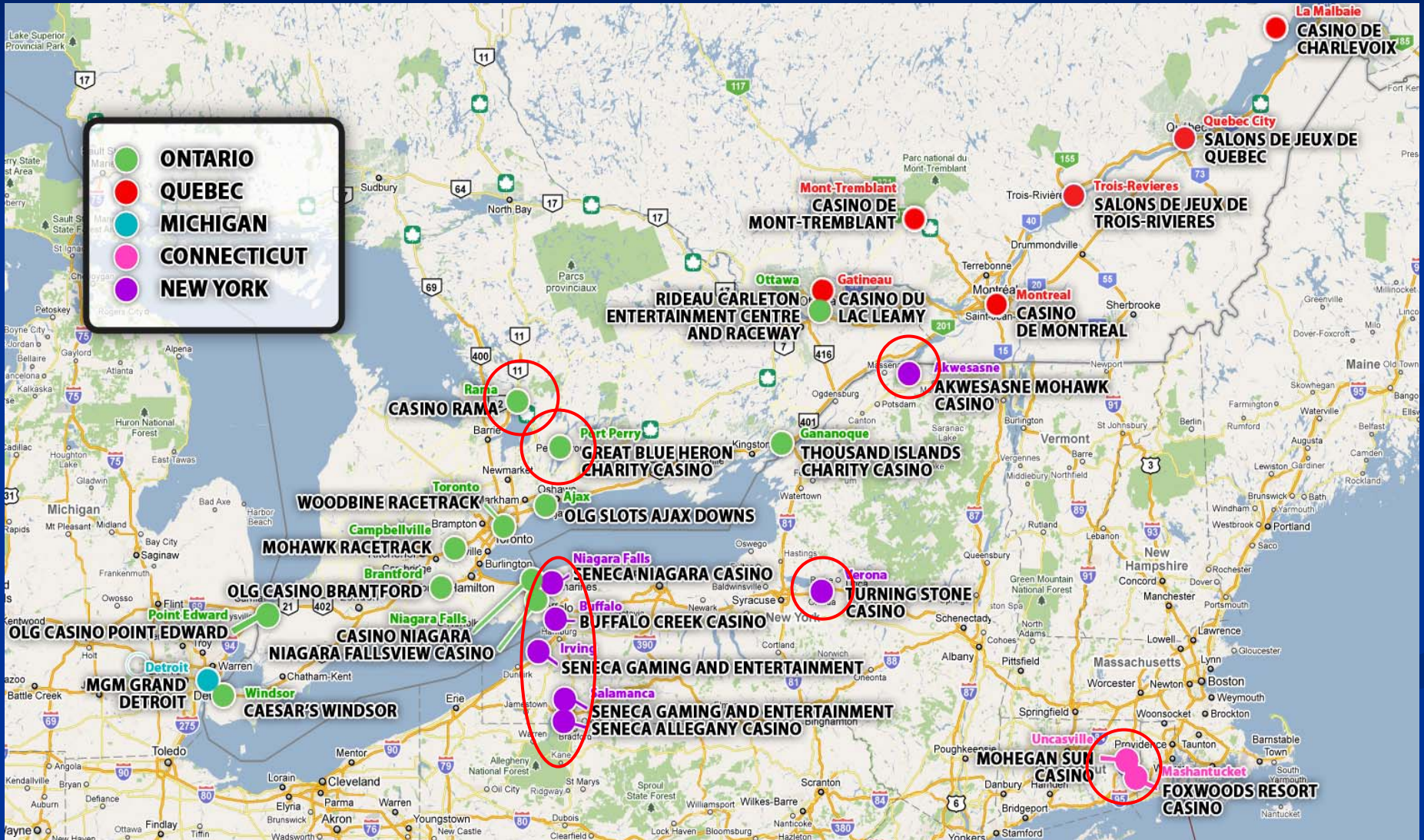
- Positive for a land based gaming project
- Surrounding Kahnawà:ke, populations are increasing and income levels are rising

3) First Nations' Gaming Activity in North America

First Nations' Gaming Activity

<u>First Nations Casinos by Distance</u>	<u>Gaming Machines</u>	<u>Table Games</u>	<u>Poker Tables</u>
Akwesasne Mohawk Casino	1,600	19	0
Great Blue Heron Charity Casino	545	60	12
Casino Rama	2,400	110	12
Turning Stone Resort Casino	2,400	77	32
Seneca Allegany Casino & Hotel	2,085	33	0
Seneca Buffalo Creek Casino	457	0	0
Seneca Gaming and Entertainment	301	0	12
Seneca Gaming and Entertainment	650	0	0
Seneca Niagara Casino & Hotel	4,205	105	16
Foxwoods Resort Casino	6,500	457	97
Mohegan Sun Casino	6,405	337	40

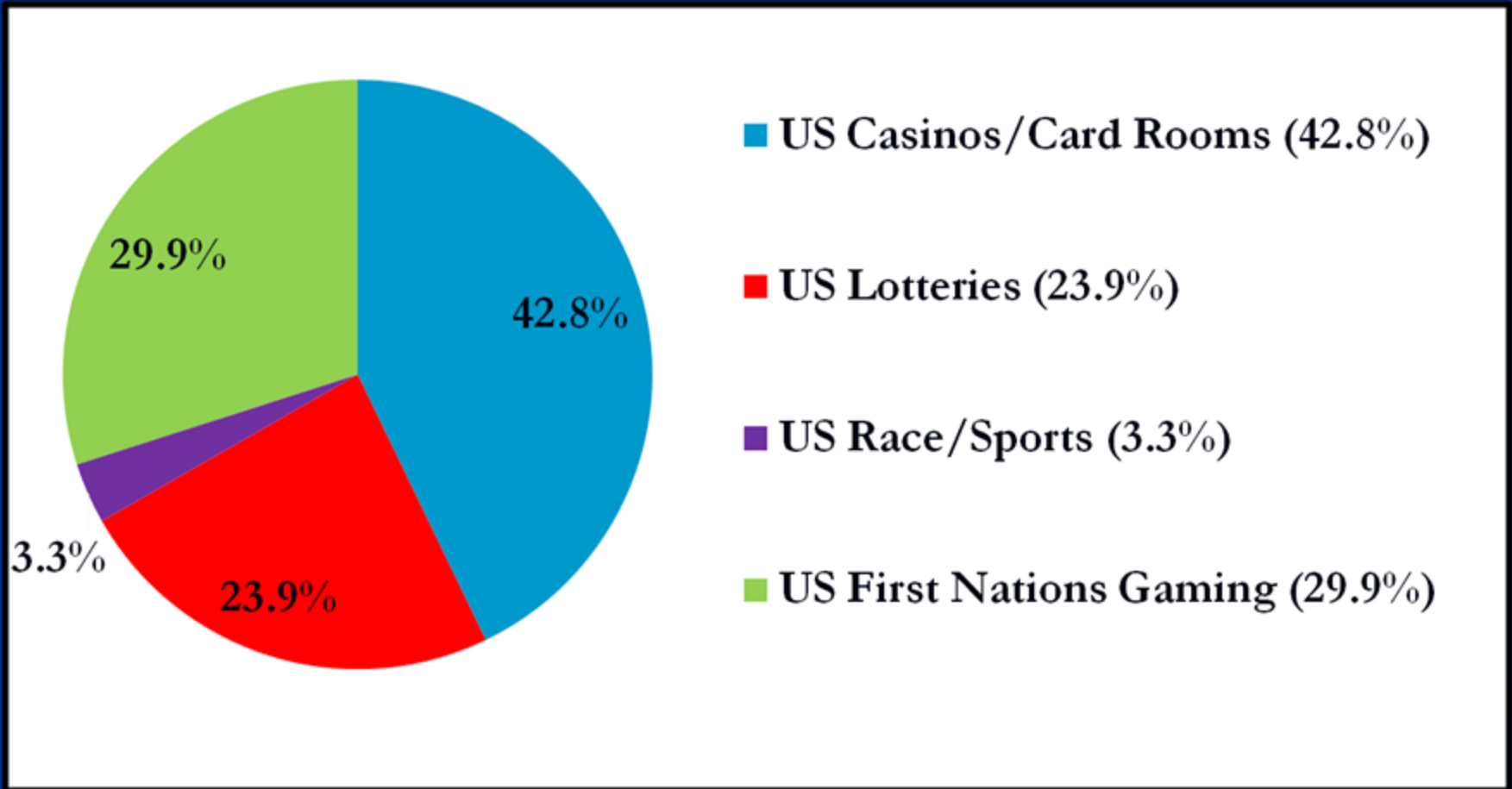
Expanded Regional Market



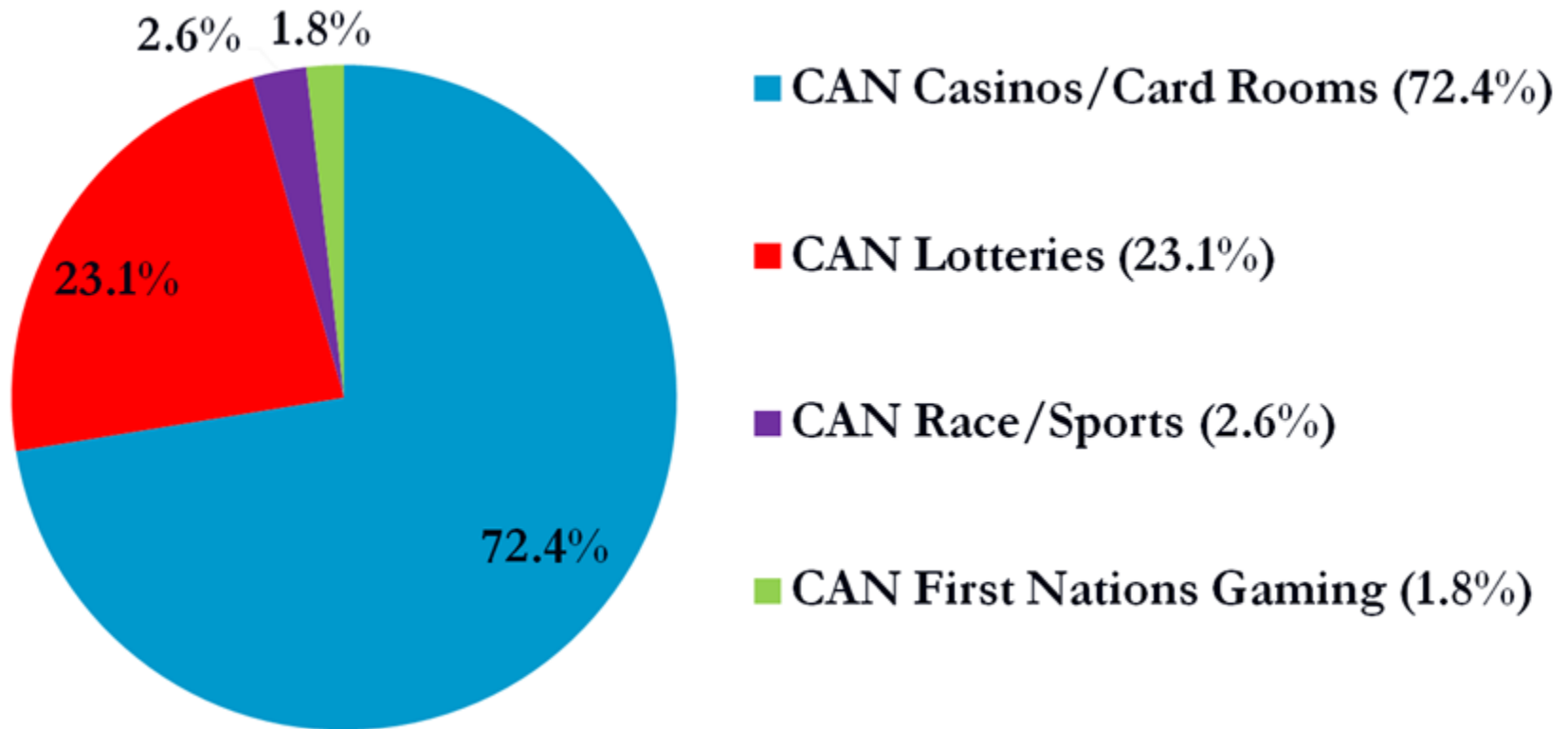
North American Gaming Revenue

- \$102.6 Billion – 2009
- Canadian Revenue \$14.4 Billion – 2009
- US Revenue \$88.2 Billion – 2009
- First Nations' gaming makes up 26.4% of the Market

2009 U.S. Gaming Revenue



2009 Canadian Gaming Revenue



First Nations' Gaming Activity Assessment

- Positive, First Nations' casinos in North East have been financially successful
- Proceeds are invested into program services to better their communities
- First Nations gaming in Canada is underdeveloped

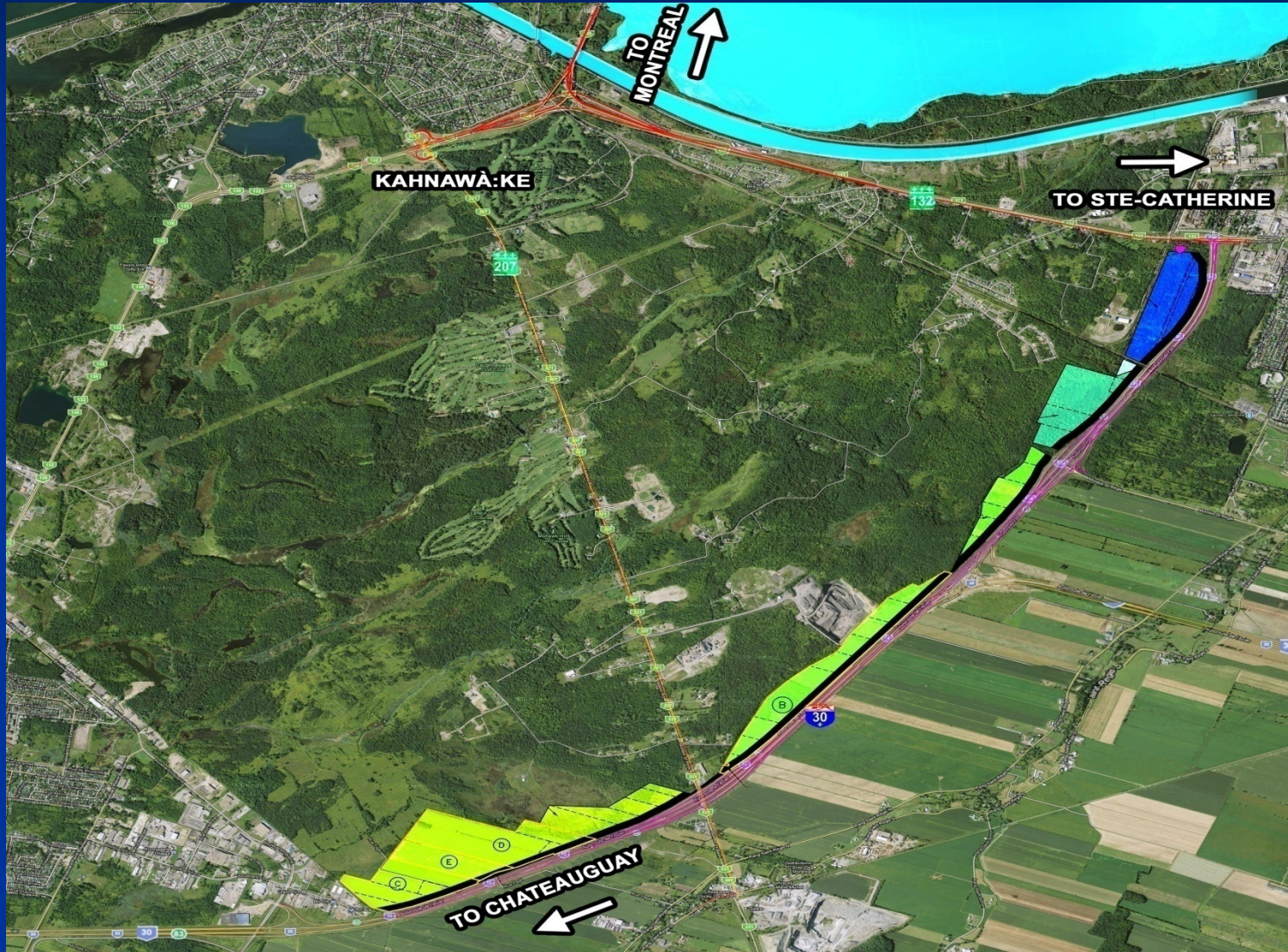
4) Size and Scope of Gaming Facility

Size and Scope of Gaming Facility

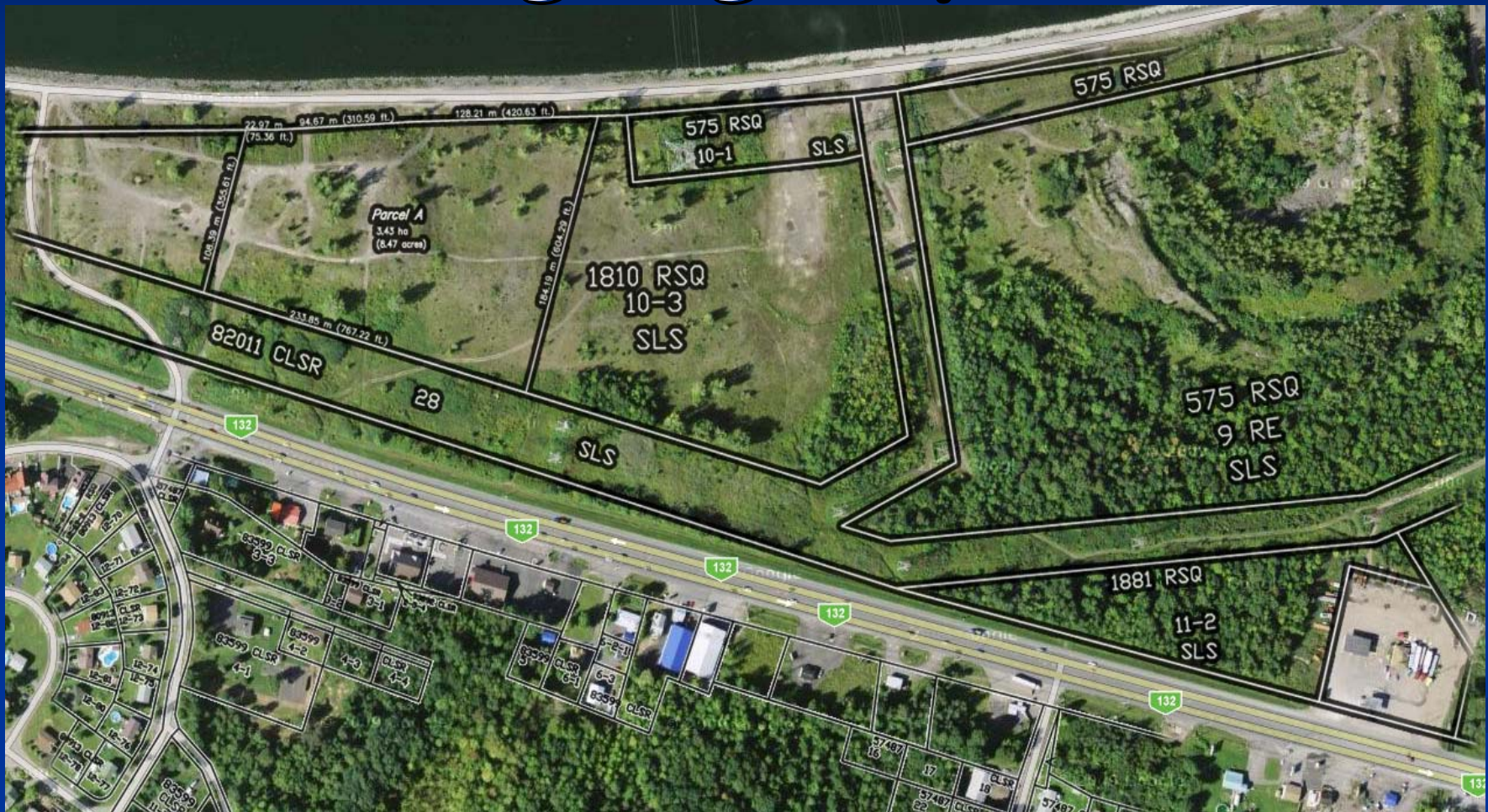
- Future Gaming Market Assessment report will help identify the most feasible size of a casino facility
- Bingo and poker are not being considered in the future casino facility
- Potential locations are a limitation

5) Location of Gaming Facility

Option #1 MTQ Returned Lands



Option #2 Commercial Lands Along Highway 132



Option #3 Purchase of Land

- Within Kahnawà:ke
 - Accessibility to roadways
 - Proximity to current and future residential areas
- Outside of the community
 - Jurisdictional issues
 - Tax issues

6) Social Impacts of Gaming Activity

Creating Value from the Social Impact Study

- The social impacts of gaming will be in the forefront of project planning
 - Education, prevention and treatment of problem gaming
- A social impact analysis report for Kahnawà:ke would need to be produced
 - Kahnawà:ke is unique compared to other First Nations
 - Previous reports were not specific to Kahnawà:ke

Creating Value from the Social Impact Study

- In several reported examples within the US, through the use of gaming proceeds, First Nations have actually decreased their crime and unemployment rates, while increasing their education levels and overall standard of living
- The Social Impact Analysis Report to be produced during Phase 2 will provide greater detail as to how Kahnawà:ke will be affected by introducing a gaming facility

**7) Communications Strategy
Throughout Gaming
Project Process**

Communications Goals

- To be completely transparent with all information
- To gauge community feedback
- To inform community members of the facts of First Nations gaming
- Prepare all Phase 2 summary reports for distribution to community

Communications Goals

- To conduct an accurate community survey on the gaming project
- To respond to inquiries and to provide progress information to the community related to the gaming project in a timely manner
- To correct misinformation

8) Political Environment in Relation to Gaming

Kahnawà:ke - Quebec Politics

- No First Nations casinos in Quebec
- 16 in Canada, nearly 300 hundred operating in the US
- No relationship regarding land-based gaming between Kahnawà:ke and Quebec
- Loto Quebec controls all gaming activities in Quebec, outside of Kahnawà:ke

First Nations Gaming Agreements

- All long term First Nations casinos in the US and Canada have some form of gaming agreement with their state or province
- The gaming agreements in the US vary from state to state
- Pequots and Mohegans pay 25% of gaming revenue for exclusivity within the state of Connecticut
- Akwesasne Mohawk Casino pays 25% of gaming machine profits to NY, but with limited exclusivity

First Nations Gaming Agreements

- Some US agreements are based on social impact studies with the surrounding area of the First Nation casino
- The details of Provincial/First Nations gaming agreements are currently unavailable.
- The majority of information comes from the US

Political Environment Assessment

- Quebec unlikely to engage Kahnawà:ke in formal discussion until there is definitive evidence of community approval
- With no precedent established in Quebec, the details of some form of gaming agreement is yet to be determined
- The Economic Impact Analysis Report will be a valuable tool to be used when negotiating with Quebec

9) Allocation of Gaming Profits

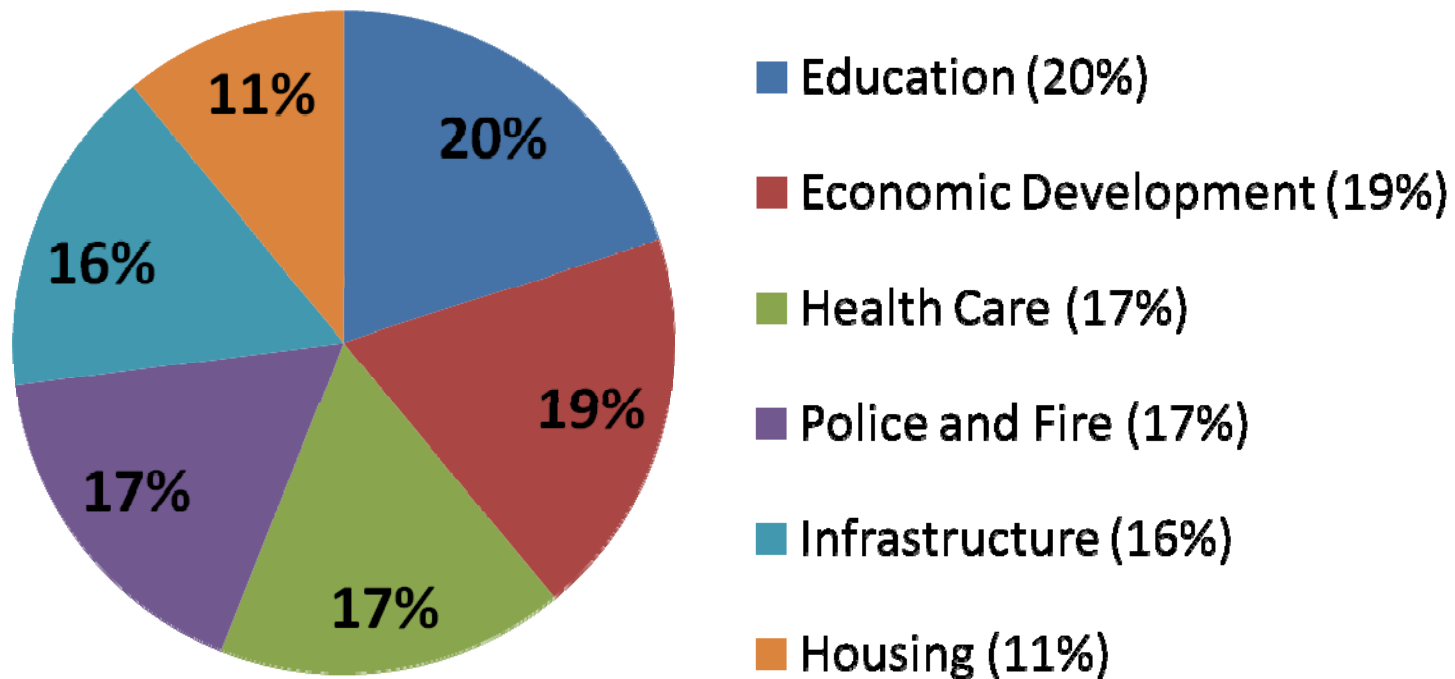
Treasury in a Gaming Context

- Independent of the MCK
- Is only responsible for gaming proceeds, not current funding agreements
- Priorities for the community would be determined by the treasury committee in consultation with the community

Treasury Functions

- Distribution of funds
- Identifying community priorities
- Ensuring the highest quality of accounting practice and procedure
- Internal auditing practices on an annual basis
- Cash management and timely distribution schedules

National Indian Gaming Association Review: Revenue Distribution (US)



Potential Areas of Funding Allocations

- Dividends to individual community members
- Education at all levels
- Medical, dental and prescriptions
- Language and culture
- Sports and recreation
- Youth services
- Elderly assistance
- Problem gaming treatment
- Housing initiatives
- Water network expansion
- Disability services
- And much more...

Phase 1 Conclusion

- All Phase 1 research data was either positive or neutral in relation to the MCK moving forward into Phase 2 research
- All Phase 1 data was preliminary in nature

Moving to Phase 2

- The primary goal is to secure professional gaming research reports from a highly experienced consulting firm
- Maintain a constant flow of accurate information to the community

Gaming Reports

1. **Gaming Market Assessment** – Demand/Supply analysis looking at the frequency and propensity of clients to help determine the most effective size of the property. **Five-year financial projections** are developed based on the market assessment
2. **Economic Impact Analysis** – Address the economic benefits of the facility's construction and gaming operation, both in Kahnawà:ke and surrounding region
3. **Social Impact Analysis** – Assess the positive and negative social impacts of the gaming in Kahnawà:ke

Gaming Reports

- All three gaming reports are targeted to be completed before end of the calendar year

Relevant Comparative Info

- KPMG report from 2002 was \$100,000 and only included the Gaming Market Assessment Report
- Consulting firm will be The Innovation Group of Littleton, Colorado.
 - First Nations experience
 - Independent third party
 - Not associated with any development companies **CORRECTION: The Innovation Group will not be involved in the financing, construction or management of a casino in Kahnawà:ke – Correction Made October 11, 2011**

Communications

■ Technical Survey

- 400 completes, randomly dialed in the community.
- Compilation of results will take 2-3 weeks.
- IPSOS Reid Firm can conduct the field work in November.

■ Videotaped First Nation's Visits

- Akwesasne Mohawk Casino
- Seneca Casinos (Near Buffalo)
- Great Blue Heron Casino (Near Oshawa)
- Casino Rama (Near Orillia)

■ Information Website

- Maintained by MCK Communications at minimal cost

What to expect for Phase 2

- Summary reports of all 3 gaming reports produced by gaming consultants
- Detailed results of the technical survey
- Video documentary of other First Nations with gaming facilities

Phase 2 Budget Breakdown

<u>Professional Reports/Studies</u>	<u>Cost</u>
Gaming Market Assessment & Financial Projections (Five Years)	\$ 31,000
Economic Impact Analysis	\$ 24,500
Social Impact Analysis	\$ 15,100
Consultant Travel (at Cost)	\$ 5,000
Sub - Total	\$ 75,600
<u>Communications</u>	
Professional Technical Survey	\$ 14,000
Video Production - First Nation's Gaming Site Visits & Interviews	\$ 10,000
Information Website	\$ 1,500
Sub - Total	\$ 25,500
<u>Miscellaneous/Contingency</u>	
Sub - Total	\$ 13,900
Grand Total	\$ 115,000

Questions? Comments?

5 Guiding Principles

- 1) The collective must be the prime beneficiary;
- 2) No lands slated for residential development will be considered for use;
- 3) Community members shall receive a dividend;
- 4) The social impacts of gaming will be addressed through immediate and effective measures;
- 5) There will be independent community management of gaming profits. In effect, a communal treasury would be developed to oversee and disperse monies