

June 15, 2022



Cindy Page

Clerk

Cavan Monaghan

988 County Road 10

Millbrook, ON L0A 1G0,

Dear Ms. Page,

I am very pleased to present our proposal to open a new bingo centre at Kawartha Downs. Enclosed, you shall find comprehensive information about our proposed business, a thorough assessment of opportunities in the marketplace, a detailed plan for seizing them, and the benefits for local charities and the Township of Cavan Monaghan.

Our vision is to develop a comprehensive community entertainment venue which would include charitable gaming, concerts, fairs & festivals, and sports grounds for community amateur sports, all within the existing and permitted Kawartha Downs property.

Concerning the bingo centre, our intent is to provide bingo gaming in the same facility that houses Shoreline Casinos. We are excited about the prospect of providing a different form of gaming and entertainment for the community.

We have received a letter from the AGCO that Kawartha Downs is suitable for registration. Included in this proposal are:

- a) Zoning permit
- b) Copy of letter from AGCO regarding suitability for registration
- c) Map identifying lo

I thank you for your time and attention.

Yours sincerely,

Richard Weldon

Managing Partner

Romspen Mortgage Investment Fund

162 Sutherland Street, Suite 300, Toronto ON M5R 3N5

KAWARTHA DOWNS CHARITABLE GAMING CENTRE (BINGO)

PROPOSAL TO TOWNSHIP OF CAVAN MONAGHAN IMPLEMENTATION OF CHARITABLE GAMING (BINGO)

June 15, 2022

TABLE OF CONTENTS

Content	Page Number
1. Executive Summary	4
2. Zoning Approval	5
3. Site Map	6
4. Certificate of Registration – Suitability	7
5. Proposed Operations	8
6. Estimated Attendance & Player Spend by Session	9
7. Estimated Profits for Charities	9
8. Estimated Hall Operator Costs & Profits	9
9. List of Charities	10
10. Operator Background	10
11. Cash & Inventory Reconciliation	11
12. Bingo Floor Plan	12
13. Summary	13
14. Appendices	14

1. EXECUTIVE SUMMARY

- Kawartha Downs has a vision to develop a comprehensive entertainment venue which includes charitable gaming, concerts, fairs & festivals, and sports grounds for community amateur sports at 1382 County Road 28, Farmerville, Ontario K0L 1V0
- The charitable gaming venue is anticipated to generate over **\$6 million** over a five-year period for charities in the Cavan Monaghan community
- Kawartha Downs has concurrence from Ontario Lottery and Gaming Corporation (OLG) and Shorelines Casino
- Kawartha Downs has submitted its Business Plan and Market Assessment Study to the Alcohol and Gaming Commission of Ontario (AGCO) and has received their Letter of Suitability to proceed to submit a proposal to the Township of Cavan Monaghan

2. ZONING APPROVAL

The following is Notice of Passing of Zoning By-law for the Kawartha Downs gaming facility located at: **1382 County Rd 28, Fraserville, Ontario K0L 1V0**. See Appendix 1



Notice of Passing of a Zoning By-law Township of Cavan Monaghan

Take Notice that the Council of the Township of Cavan Monaghan passed By-law No. 2012-69 on the 7th day of August, 2012 under Section 34 of the Planning Act, R.S.O., 1990 as amended.

And Take Notice that any person or agency may appeal to the Ontario Municipal Board in respect of the By-law by filing with the Clerk of the Township of Cavan Monaghan not later than the 4th day of September, 2012 a notice of appeal setting out the objection to the By-law and reasons in support of the objection. The notice of appeal must be accompanied by a certified cheque or money order for \$125.00 payable to the Minister of Finance.

Only individuals, corporations and public bodies may appeal a Zoning By-law to the Ontario Municipal Board. A notice of appeal may not be filed by an unincorporated association or group. However, a notice of appeal may be filed in the name of an individual who is a member of the association or the group on its behalf. If you wish to appeal to the Ontario Municipal Board, a copy of an appeal form is available from the Ontario Municipal Board website at www.omib.gov.on.ca or from the Township of Cavan Monaghan Municipal Office at 988 County Road 10, R.R. #3, Millbrook, Ontario.

An explanation of the purpose and effect of the By-law, describing the lands to which the By-law applies, and a key map showing the location of the lands to which the By-law applies are on the back of this notice. The complete By-law is available for inspection in the Municipal Office at 988 County Road 10, Millbrook, Ontario during regular office hours (8:30 a.m. to 4:30 p.m.).

Dated at the Township of Cavan Monaghan this 13th day of August, 2012.

Elana Arthurs, Clerk
Township of Cavan Monaghan

988 County Road 10
Millbrook, Ontario L0A 1J0
www.cavanmonaghan.net
Phone: (705) 932-2501
Fax: (705) 932-2454
Email: services@caumonaghan.net

4. CERTIFICATE OF REGISTRATION - SUITABILITY

Letter of Suitability from AGCO. See Appendix 2.

Alcohol and Gaming Commission of Ontario
Commission des alcools et des jeux de l'Ontario
90 Sheppard Avenue East
Suite 200
Toronto ON M2N 5A4

Commission des alcools et des jeux de l'Ontario
90 Avenue Sheppard Est
Bureau 200
Toronto ON M2N 5A4



January 17, 2022

Via Email
ronko@romspen.ca

Ron Ko
RIC (KDL) Inc.
1382 County Road 28
RR 1
Fraserville ON K0L 1V0

Re: RIC (KDL) Inc. - New Bingo Hall Application

Dear Ron,

This will acknowledge receipt of your email received on January 12, 2022 concerning the "Operator - Charitable - 3 or less events per week" application submitted by RIC (KDL) Inc. on December 20, 2021. You have also indicated that the Business Plan and Market Study are expected to be submitted shortly.

Based on the eligibility review that was conducted on Romspen Holdings Inc. and its affiliated entities between 2016-2018, it has already been determined that RIC (KDL) Inc. has been found suitable for registration.

As per the "Criteria and Procedures for Establishing Bingo Halls", please accept this letter as confirmation that "RIC (KDL) Inc." is suitable for registration. Please note that this does not constitute a Certificate of Registration as described under the Act, but merely an acknowledgement from the Registrar that, based on a review of the application to date, RIC (KDL) Inc. appears to be "suitable" for registration.

We look forward to the submission of the Business Plan and Market Study. Please continue to keep us informed of any new developments as they occur.

Should you require any additional information, please don't hesitate to contact me directly.

Sincerely,

A handwritten signature in blue ink that reads "Gary White".

Gary White
Senior Manager, Specialized Eligibility

5. PROPOSED OPERATIONS

For the first six months, Kawartha Downs will operate three days per week on Thursdays/Fridays/Saturdays offering three (3) sessions each day. After six months and once the operations proves that it can attract the necessary attendance, Kawartha Downs intends to move to open five days per week – operating on Tuesday/Wednesday/Thursday/Friday/Saturday.

The sessions are Early Afternoon (1:00PM-3:00PM), Late Afternoon (4:30PM-6:30PM); and Evening (7:00PM-9:00PM).

Total prizes available for all three sessions are expected to be \$17,175 (including jackpot progressive prizes that may roll to the next session). Total regular (guaranteed paid out during the session) prizes are expected to be \$6,175 per day. The following illustrates each session's Bingo program, and prices.

EARLY AFTERNOON

Game	Price/Book	Pattern to Match	Prize Amount	Prize Type
1	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
2	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
3	\$2/Strip	Inside Square	\$150	Fixed
INTERMISSION				
4	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
5	\$2/Strip	Inside Square	\$250	Fixed
6	\$3/Strip	Full Card	\$1,000	Fixed
		Progressive under 55 #s	\$2,500	Fixed
TOTAL PRIZES AVAILABLE			\$ 4,275.00	
TOTAL REGULAR PRIZES			\$ 1,775.00	

LATE AFTERNOON SESSION

Game	Price/Book	Pattern to Match	Prize Amount	Prize Type
1	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
2	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
3	\$2/Strip	Inside Square	\$150	Fixed
INTERMISSION				
4	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
5	\$2/Strip	Inside Square	\$ 250.00	Fixed
6	\$3/Strip	Full Card	\$ 1,000.00	Fixed
		Progressive under 54 #s	\$ 3,500.00	Fixed
TOTAL PRIZES AVAILABLE			\$ 5,275.00	
TOTAL REGULAR PRIZES			\$ 1,775.00	

EVENING

Game	Price/Book	Pattern to Match	Prize Amount	Prize Type
1	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
2	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
3	\$2/Strip	Inside Square	\$250	Fixed
INTERMISSION				
4	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
5	\$2/Strip	Outside Square	\$ 500.00	Fixed
6	\$3/Strip	Full Card	\$ 1,500.00	Fixed
		Progressive under 53 #s	\$ 5,000.00	Fixed
TOTAL PRIZES AVAILABLE			\$ 7,625.00	
TOTAL REGULAR PRIZES			\$ 2,625.00	

Full sized charts can be found in Appendix 3.

6. ESTIMATED ATTENDANCE AND PLAYER SPEND BY SESSION

Estimates for Kawartha downs attendance and spend are derived from industry norms across the province. The estimates used for Kawartha Downs were adjusted for a level of conservatism in order to duly achieve success. Full projections on Attendance can be found in Appendix 4.

	SESSION		
	Early Afternoon	Late Afternoon	Evening
Average Attendance (est)	55	95	110
Average Spend Per Play (est)	\$75	\$90	\$120

7. ESTIMATED PROFITS FOR CHARITIES

For full five year consolidated financial projections, please refer to Appendix 5 and Business Plan plus Market Study.

Over a five-year period, it is estimated that charities would derive over \$6 million from charitable gaming. Annual charity revenues are estimated to be:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Charity Revenue (\$)	\$1,048,835	\$1,223,067	\$1,254,909	\$1,287,547	\$1,321,000	\$6,135,358

8. ESTIMATED HALL OPERATING COST TO OPERATOR AND PROFITS

For full cost estimates to operator, please refer to Appendix 5. These costs, which is solely the responsibility of the operator, comprises: equipment, bingo paper, furniture & fixtures, legal fees, travel, office supplies, rent, repair & maintenance, utility, marketing, and salaries & wages.

Hall operator profits are anticipated to be approximately \$250k-\$400k per year with a total 5-year profit of approximately \$1.6 million.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Operating Costs (est)	\$1,028,5222	\$1,228,145	\$1,189,895	\$1,201,939	\$1,234,284	\$5,862,785
Operator Profits (est)	\$253,388	\$266,715	\$343,882	\$371,729	\$400,272	\$1,635,986

Please see attach Business Plan for full operating model, financials, and costs in Appendix 5.

9. LIST OF CHARITIES

Charities that will participate in the Kawartha Downs Bingo Hall initially will be as follows. Given AGCO's policies, once a Bingo Hall becomes profitable for charities, other charities should be included to spread the benefits to the community.

Charity	Contact
1. Community Care Millbrook 22 King Street East Millbrook, ON L0A 1G0	Karen Morton Mobile: (705) 932-2011
2. Maple Leaf Cavan Football Club Inc. 1845824 Provincial (Ontario) 24 King Street East PO Box 274 Millbrook, ON L0A 1G0	Angela Penello Mobile: (705) 927-5785 Home: (705) 944-5789
3. Millbrook District Lions Club 920 Larmer Line Fraserville, ON K0L 1V0	John French Email: jsfrench@nexiom.net

10. OPERATOR BACKGROUND

The applicant is Romspen Mortgage Investment Fund
162 Sutherland Street, Suite 300, Toronto ON M5R 3N5. Currently, Romspen is the property owner of Kawartha Downs.

The General Manager for Bingo is Kevin Goetz. A staffing plan will be prepared with delineation of roles & responsibilities, segregation of duties, and hiring plan. In addition, a full staff training plan will be developed for management to ensure staff and charities comply to charitable gaming regulatory policies & procedures which meet AGCO's Lottery License Policy Manual and Standards.

Cash Reconciliation

(Only complete light blue highlighted areas. The spreadsheet will calculate for you.)

Date

Charity Name

Volunteer Name

PC Fund #

Approved Petty Cash Fund Amount

(This is the float amount Charity designates for Session)

Currency on Hand From Sales	Quantity	Total
0.01 x	=	-
0.05 x	=	-
0.10 x	=	-
0.25 x	=	-
1.00 x	=	-
5.00 x	=	-
10.00 x	=	-
20.00 x	=	-
50.00 x	=	-
100.00 x	=	-

Total Cash on Hand \$ -

Receipts on Hand (amount reimbursed)

Advance(s)

LESS:

Total Prizes Amount Paid Out to Players

Total Reconciled Petty Cash \$ -

NET CASH RECEIPTS \$

Charity Manager Signature

Operator Staff Signature

12. BINGO FLOOR PLAN

Complete gaming, HVAC, and exit floor plans are attached in Appendix 6. The Charitable gaming floor will be adjacent to the casino floor. Charitable gaming will be contained within four walls to minimize noise disturbances for casino players.

The Charitable Gaming floor will locate near the existing bar and restaurant. Kawartha Downs intends to utilize the food & beverage services to deliver a full entertainment experience to its players. Maximum seating will be 240 players; however, average attendance per session is anticipated to be between 55 and 110.

Full plans can be found in Appendix 6.



13. Summary

Kawartha Downs and Romspen intends to give back to the community that has supported Kawartha Downs for many years.

There is now great demand, more than ever, for charitable donations from households and support from all levels of governments. Kawartha Downs wants to continue to thrive in and support its community by providing a new channel of fundraising for local charities and non-profit organization in the Cavan Monaghan area.

Kawartha Downs envisions broader plans in addition to charitable gaming centre to support the community. With the support of Cavan Monaghan, Kawartha Downs hopes to build a community centre, a place of choice where local residences can meet while helping to enrich the area.

The initiative has several success factors: 1.) financial returns to charities and commercial operator, 2.) a venue that provides benefits to the community beyond gaming but also for sporting events, arts, festivals, and a place to meet; 3.) assist in the community to grow and deliver on providing services to address demand for sports/recreation, arts, education, safe neighbourhoods, and healthy environment.

If this initiative proves successful, local community charities would benefit by receiving over \$6 million over 5 years for the good causes they support in the Cavan Monaghan area.

APPENDIX 1



Notice of Passing of a Zoning By-law Township of Cavan Monaghan

Take Notice that the Council of the Township of Cavan Monaghan passed By-law No. 2012-69 on the 7th day of August, 2012 under Section 34 of the Planning Act, R.S.O., 1990, as amended.

And Take Notice that any person or agency may appeal to the Ontario Municipal Board in respect of the By-law by filing with the Clerk of the Township of Cavan Monaghan not later than the 4th day of September, 2012 a notice of appeal setting out the objection to the By-law and reasons in support of the objection. The notice of appeal must be accompanied by a certified cheque or money order for \$125.00 payable to the Minister of Finance.

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An explanation of the purpose and effect of the By-law, describing the lands to which the By-law applies, and a key map showing the location of the lands to which the By-law applies are on the back of this notice. The complete By-law is available for inspection in the Municipal Office at 988 County Road 10, Millbrook, Ontario during regular office hours (8:30 a.m. to 4:30 p.m.).

Dated at the Township of Cavan Monaghan this 13th day of August, 2012.

**Elana Arthurs, Clerk
Township of Cavan Monaghan**

988 County Road 10
Millbrook, Ontario L0A 1G0
www.cavanmonaghan.net

Phone: (705) 932-2929
Fax: (705) 932-3458
Email: services@cavanmonaghan.net

APPENDIX 2

**Alcohol and Gaming
Commission of Ontario**

90 Sheppard Avenue East
Suite 200
Toronto ON M2N 0A4

**Commission des alcools
et des jeux de l'Ontario**

90, avenue Sheppard Est
Bureau 200
Toronto ON M2N 0A4



January 17, 2022

Via Email

ronko@sympatico.ca

Ron Ko
RIC (KDL) Inc.
1382 County Road 28
RR 1
Fraserville ON K0L 1V0

Re: RIC (KDL) Inc. - New Bingo Hall Application

Dear Ron,

This will acknowledge receipt of your email received on January 12, 2022 concerning the "Operator – Charitable – 3 or less events per week" application submitted by RIC (KDL) Inc. on December 20, 2021. You have also indicated that the Business Plan and Market Study are expected to be submitted shortly.

Based on the eligibility review that was conducted on Romspen Holdings Inc. and its affiliated entities between 2016-2018, it has already been determined that RIC (KDL) Inc. has been found suitable for registration.

As per the "Criteria and Procedures for Establishing Bingo Halls", please accept this letter as confirmation that "RIC (KDL) Inc." is suitable for registration. Please note that this does not constitute a Certificate of Registration as described under the *Act*, but merely an acknowledgement from the Registrar that, based on a review of the application to date, RIC (KDL) Inc. appears to be "suitable" for registration.

We look forward to the submission of the Business Plan and Market Study. Please continue to keep us informed of any new developments as they occur.

Should you require any additional information, please don't hesitate to contact me directly.

Sincerely,

A handwritten signature in cursive script that reads "Gary White".

Gary White
Senior Manager, Specialized Eligibility

APPENDIX 3

Proposed Bingo Program

EARLY AFTERNOON

Game	Price/Book	Pattern to Match	Prize Amount	Prize Type
1	\$3/Book	2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
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		2 Lines	\$ 25.00	Fixed
3	\$2/Strip	Inside Square	\$150	Fixed
INTERMISSION				
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		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
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6	\$3/Strip	Full Card	\$1,000	Fixed
		Progressive under-55 #s	\$2,500	Fixed

TOTAL PRIZES AVAILABLE	\$ 4,275.00
TOTAL REGULAR PRIZES	\$ 1,775.00

LATE AFTERNOON SESSION

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		2 Lines	\$ 25.00	Fixed
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INTERMISSION				
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		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
5	\$2/Strip	Inside Square	\$ 250.00	Fixed
6	\$3/Strip	Full Card	\$ 1,000.00	Fixed
		Progressive under-54 #s	\$ 3,300.00	Fixed

TOTAL PRIZES AVAILABLE	\$ 5,275.00
TOTAL REGULAR PRIZES	\$ 1,775.00

EVENING

Game	Price/Book	Pattern to Match	Prize Amount	Prize Type
1	\$3/Book	2 Lines	\$ 25.00	Fixed
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		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
3	\$2/Strip	Inside Square	\$250	Fixed
INTERMISSION				
4	\$3/Book	2 Lines	\$ 25.00	Fixed
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		2 Lines	\$ 25.00	Fixed
		2 Lines	\$ 25.00	Fixed
5	\$2/Strip	Outside Square	\$ 500.00	Fixed
6	\$3/Strip	Full Card	\$ 1,500.00	Fixed
		Progressive under-53 #s	\$ 5,000.00	Fixed

TOTAL PRIZES AVAILABLE	\$ 7,625.00
TOTAL REGULAR PRIZES	\$ 2,625.00

APPENDIX 4

APPENDIX 5



January 5, 2022

Gary White
Senior Manager, Specialized Eligibility Licensing and Registration Branch
Alcohol and Gaming Commission of Ontario
90 Sheppard Ave East
Ste 200
Toronto, ON
M2N 0A4

Dear Mr. White,

We are very pleased to present our business plan for Kawartha Downs Bingo Centre. Enclosed, you shall find comprehensive information about our business, a thorough assessment of opportunities in the marketplace, and a detailed plan for seizing them.

Our vision is to develop a comprehensive community entertainment venue which would include charitable gaming, concerts, fairs & festivals, and sports grounds for community amateur sports, all within the existing and permitted Kawartha Downs property.

We are currently working with the township of Cavan-Monaghan and local charities and non-profit organizations to bring this vision to reality. We are excited about an opportunity to give back to the community that has been supportive of Kawartha Downs and Speedway. We are equally excited to add value with complementary products for our tenant, the Shoreline Casino at Kawartha Downs.

We will be applying soon for the Charitable Gaming Supplier: *Operator Registration*. I have attached our Business Plan for the charitable gaming component of our vision. We are eager to hear your comments and answer any questions you may have.

I thank you for your time and attention.

Yours sincerely,

Richard Weldon
Managing Partner
Romspen Mortgage Investment Fund

operating as:

KAWARTHA DOWNS BINGO CENTRE

BUSINESS PLAN

January 5, 2022

TABLE OF CONTENTS

	PAGE
Executive Summary	1
Business Description	2
The Marketplace	4
Sales & Marketing	6
Business Operations	7
Financials	8

EXECUTIVE SUMMARY

Kawartha Downs & Speedway intends to launch a Charitable Gaming venue on its property.

There is great demand, more than ever, for charitable donations from households and support from all levels of governments. As such, Kawartha Downs & Speedway wants to continue to thrive in and support its community by providing a new channel of fundraising for local charities and non-profit organizations in the Cavan-Monaghan area.

Kawartha Downs & Speedway envisions broader plans in addition to a charitable gaming centre to support the community. With the support of Cavan-Monaghan, Kawartha Downs & Speedway hopes to build a community centre, a place of choice where local residences can meet while helping to enrich the area.

This initiative has several success factors: 1.) financial returns to charities and the commercial operator, 2.) a venue that provides benefits to the community beyond gaming but also for sporting events, arts, festivals, and a place to meet; 3.) assist in the community to grow and deliver on providing services to address demand for sports/recreation, arts, education, safe neighbourhoods, and healthy environment.

In addition to the soft benefits of this plan, the financial benefits to local charities are clear. They will receive over \$1 million annually, while the commercial operator expects a modest return of \$250,000-\$400,000 per annum.

1. BUSINESS DESCRIPTION

1.1 Business Overview

Legal Name of Business	RIC (KD) Inc. Note that there are three (3) companies involved at Kawartha Downs & Speedway: a.) RIC (KDL) Inc. – lands and leasing b.) RIC (KDHR) Inc. – horse racing c.) KD (F&B) Inc. – food & beverage
Incorporation Date:	March 10, 2017
Business Address	1382 County Rd 28, RR1, Fraserville, Ontario. K0L 1V0
Business Telephone Number	(705) 939-6316
Email:	tmurrin@kawarthadowns.com
Structure of Business Incorporation	Ontario incorporated
Major Shareholders (> 5%)	a) Romspen (100%)
Nature of Business	Kawartha Downs Bingo Centre
Bank and Branch Address	CIBC (provided to AGCO previously)

1.2 Business Background

Romspen Mortgage Investment Fund was founded by Richard Weldon. Rompsen is the sole real estate owner of Kawartha Downs & Speedway.

Kawartha Downs & Speedway (KD&S) was established to provide horse (harness) and stock car racing entertainment to the Peterborough area. Since inception, the business has grown from offering harness racing to stock car racing to a new casino gaming customer experience, as a landlord to Great Canadian Gaming. Located in Cavan-Monaghan township, KD&S has and continues to service an estimated 250,000 people of the Kawartha area.

Currently there is greater demand than ever for charitable donations from households and support from all levels of governments. Some studies have indicated that there are fewer donors to charities today while charitable needs and funding requirements continue to grow. Smaller local, community charities find it difficult to compete with larger and more established charities or non-profit organizations for donations. As such, there is demand from many local charities in the Cavan-Monaghan area to support the good-causes they provide to their community.

1.3 Personal Goals

Richard Weldon

My personal motivation is to assist our community, Cavan-Monaghan, to achieve part of their mission and create a local centre that would act as a community recreation centre while generating funds to help local charities.

I want to:

- a.) assist the charities to provide much needed community services;
- b.) provide stable sports facilities that the community can use to ensure children's health, learn about sportsmanship, and develop leadership;
- c.) assist in providing an entertainment venue where locals can go to concerts or community/amateur theatre;
- d.) and finally, to provide fuller gaming experiences to help fund our overall vision.

1.4 Business Vision

KD&S is committed to providing a unique entertainment and gaming experience to all types of customers. Our overall business vision extends beyond just charitable gaming. We want to become a community centre for Cavan-Monaghan that provides destination entertainment. We envision all forms of entertainment such as charitable gaming, harness racing, casino gaming, music concerts, local theatre performances, fairs & festivals, and sports grounds for community amateur sports and events.

KD&S is currently working with the township of Cavan-Monaghan and local charities and non-profit organization to bring this vision to reality. It is Cavan-Monaghan's goal to assist

community groups to continue their work to provide support to address local sports, recreation, arts, education, safe neighbourhoods, and healthy environment.

1.5 Business Objectives

To achieve our long-term vision, KD&S needs to begin to take small and controlled steps. We aim to build each component so that we move to subsequent stages always from a solid business position. Our first stage would be to assist charities to generate revenues for their community causes.

Short-term Objectives

- a) Implement a charitable gaming operation
- b) Test the viability of the charitable gaming operation by implementing:
 - i Paper Bingo as base gaming offer;
 - ii Break Open Tickets (both Instant Win & Event based formats); and
 - iii 50/50 raffles.
- c) Develop a unique customer entertainment experience that will position KD&S differently than any other gaming operations.

This plan how we will reach the short-term objectives only.

2. PRODUCT OVERVIEW

2.1 Description

Kawartha Downs Bingo Centre will operate traditional paper bingo gaming under the provisions of 207(1)(b) of Criminal Code of Canada; it does not look to operate under OLG's mandate.

2.2 Competitive Advantage

There are currently 59 bingo centres across Ontario but only one (1) within a 30 km radius of KD&S.

As the Peterborough area has about 250,000 population, there is good opportunity to tap into the sizeable trading area. KD&S can offer a unique well-rounded gaming and entertainment product which includes horse racing, casino, and bingo gaming. It is also envisioned that bingo gaming would offer differentiated programs that offer both 75- and 90-number bingo games and a variety of ongoing promotion that appeals to the target customer demographics.

3. MARKET PLACE

3.1 Industry Trends

After many years of decline, gross charitable gaming revenue have stabilized at \$2.26 billion in Canada. Ontario Break Open Ticket market continues to garner \$300 million

annually; Ontario Hospital Lotteries generate approximately \$275 million annually; Ontario 50/50 Raffles continue to grow and generate about \$350 million; and Ontario bingo gaming has stabilized and grown from \$350 million annually to approximately \$600 million¹ today.

3.2 Demographic Trends

Charitable Gaming continues to appeal to players that are: predominantly female (70% female, 30% male). We anticipate that like the average bingo player, potential customers of KD&S would frequent the facility 2 to 3 sessions per week spending on average about \$50 to \$120 per session (depending on the session).

With the introduction of single event sports betting, there is also opportunities for KD&S to work with product companies that offer bingo based on outcomes of sporting events, online bingo, or even sports betting. This could expand its demographic reach to attract more males to KD&S. This would be part of the future expansion of gaming to fulfil KD&S' longer term vision.

3.3 Social & Economic Trends

There is more demand than ever for charitable donations from households and support from all levels of governments. Charities need funding to sustain the benefits that they bring to their communities.

Furthermore, funding from governments is limited as a result of the impact of the pandemic. Governments are taking on more debt and thus less funding available for charities. In addition, the economic impact of the pandemic has hit many communities and more social programs are required.

3.4 Regulatory Trends and Industry Outlook

Ontario's gaming market is beginning to open up to offshore operators with the regulatory changes to iGaming and sports betting. This would mean greater competition for the entertainment dollar from players which can impact charitable funding efforts.

4. MARKET SIZE & ASSESSMENT

See attached

¹ CGAO estimate

5. COMPETITION

Listed in order of size of competition within a 30 kilometre radius of KD&S:

1. Peterborough Shoreline Casino offering slots and table games.
2. Delta Bingo & Gaming, 1019 Clonsilla Avenue, Peterborough, ON K9J 5Y2. Bingo games, Tap 'N Play, 50/50 raffles.

As Shoreline Casinos is a tenant at KD&S, we are working with Shoreline Casinos to build a symbiotic and sensible gaming entertainment venue for area customers.

5.1 Competitive Opportunities & Challenges

KD&S will offer a unique experience - with partner Great Canadian Gaming offering slots, while KD&S to offer a variety of bingo games, break open tickets, 50/50 raffles, and ongoing promotions all in one facility.

Initially, the marketing positioning would be to create a one-stop-shopping (full service) for gaming entertainment with solid customer care and gaming experience that others cannot provide. In the long term, KD&S will be positioned to be a key place of choice for the community to meet.

6. CUSTOMERS/PLAYERS

6.1 Customer Segments (Lifestyle & Psychographics)

Customers cohorts for KD&S can be broken into:

1. Older female gamers that want a night out
2. Younger females with family that want to spend fun and time with their friends or older family members
3. Younger female and male players that want a change from bars and casino entertainment
4. Female and male residences that support Cavan-Monaghan community services and want to see benefits for their community

6.2 Target Customers (Demographics)

1. Core bingo players (Females, 45+ years of age)
2. Infrequent bingo players (Females/Males 25-45 years of age)
3. Potential gaming players (Females/Males 18-25 years of age that likes to play lotteries, go to casinos but have not played in a bingo centre)

7. SALES & MARKETING

7.1 Positioning

Ultimately, KD&S will be positioned to be a *"A place of choice for the community to meet while enriching the area"*. It will be marketed as a community gathering place where adults can participate in gaming entertainment in which the proceeds give back to the community; as well as a place where families can go for concerts, local sporting events and enjoy art & festivals.

7.2 Pricing

Pricing strategy will be attractive and competitive with other area bingo facilities while sustaining positive cash flow.

7.3 Advertising & Promotion

KD&S will develop a comprehensive Marketing Plan that includes strategies and tactics for brand development, player acquisition, advertising and communications, and new media to reach target and potential customers.

8. BUSINESS OPERATIONS

8.1 Staffing Plan

KD&S will develop a Staffing and Hiring Plan. The plan will include related positions and the appropriate training required. As an example, KD&S will require the proper full-time-equivalent to ensure that the operation is sustainable and effective; it intends to include, but not limited to, roles such as Gaming Manager, Administrative/Reconciliation, Point of Sales & Cashiers, Bingo Caller, On-Floor Gaming Representatives, Technical Support, and Services Support.

An extensive training plan will be developed with the assistance of industry consultants and vendors.

8.2 Suppliers

KD&S have had discussion with major Charitable Materials suppliers. KD&S shall purchase its gaming supplies only from licensed vendors and manufacturers.

8.3 Alliances

KD&S is currently working with the municipality of Cavan-Monaghan, finalizing its vision and plans. In addition, Cavan-Monaghan charitable groups have reached out to participate and put effort into implementing a Charitable Gaming Centre. The initial charitable groups will be:

- a.) Millbrook & District Lions Club
- b.) Community Care Peterborough & Area
- c.) Maple Leaf Cavan FC

As KD&S grows, other charities will be invited to participate to share in the benefits generated through the gaming facilities. Also, more volunteers will be required to assist in the gaming site with increased customer attendance.

9. Financials

9.1 Financial Highlights

- KD&S anticipates to initially invest up to \$175,000 in capital expense to launch
- KD&S is projected to do \$2.4 million in Net Gaming revenue (gross sales less payout) in Year-1 with anticipated conservative growth on base Charitable Gaming products.
- Charity revenue is anticipated to be up to \$1.3 million annually.
- Net profit to KD&S is projected to be \$250,000 - \$400,000 annually (before interest and taxes)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Total
Net Gaming Revenue						
Paper Bingo	\$ 1,004,061	\$ 1,351,094	\$ 1,351,094	\$ 1,351,094	\$ 1,351,094	\$ 6,408,435
Paper BOT	\$ 1,023,264	\$ 1,023,264	\$ 1,023,264	\$ 1,023,264	\$ 1,023,264	\$ 5,116,320
Raffle (Chase the Ace)	\$ 386,991	\$ 386,991	\$ 386,991	\$ 386,991	\$ 386,991	\$ 1,934,954
Total - Net Gaming Revenue	\$ 2,414,316	\$ 2,761,348	\$ 2,761,348	\$ 2,761,348	\$ 2,761,348	\$ 13,459,710
Growth Factor (CAGR)	0.0%	2.5%	2.5%	2.5%	2.5%	
Total - Net Gaming Revenue with Growth Factor	\$ 2,414,316	\$ 2,830,382	\$ 2,901,142	\$ 2,973,670	\$ 3,048,012	\$ 14,167,522
Less Marketing (Shared)	\$ 83,571	\$ 112,455	\$ 112,455	\$ 112,455	\$ 112,455	\$ 533,392
TOTAL CONTRIBUTION	\$ 2,330,745	\$ 2,717,927	\$ 2,788,686	\$ 2,861,215	\$ 2,935,557	\$ 13,634,130
Less Charity Revenue						
Charity Share (\$)	45% \$ 1,048,835	\$ 1,223,067	\$ 1,254,909	\$ 1,287,547	\$ 1,321,000	\$ 6,135,358
Operator Share (\$)	55% \$ 1,281,910	\$ 1,494,860	\$ 1,533,777	\$ 1,573,668	\$ 1,614,556	\$ 7,498,771
Less Operator Expense						
Gaming License	\$ 10,200	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 58,200
Market Study	\$ 35,000					\$ 35,000
Cost of Goods Sold						
Equipment (Bingo)	\$ 35,000					\$ 35,000
Bingo Paper	2.50% \$ 139,285	\$ 187,426	\$ 187,426	\$ 187,426	\$ 187,426	\$ 888,987
Furniture & Fixtures + Security	\$ 30,000	\$ 50,000				\$ 80,000
Cost of Paper BOT Sold	\$ 216,000	\$ 351,000	\$ 359,775	\$ 368,769	\$ 377,989	\$ 1,673,533
Cost of Raffle Supply Services	\$ 116,097	\$ 119,000	\$ 121,975	\$ 125,024	\$ 128,150	\$ 610,245
Accounting Fees	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 75,000
Legal Fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000
Travel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Supplies	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repair & Maintenance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000
Utility	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 100,000
Salary & Wages	\$ 335,940	\$ 397,720	\$ 397,720	\$ 397,720	\$ 397,720	\$ 1,926,820
Marketing (Over & Above Shared Mktg Cost)	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 250,000
Total	\$ 1,028,522	\$ 1,228,145	\$ 1,189,895	\$ 1,201,939	\$ 1,214,284	\$ 5,862,785
Net Operator EBITDA	\$ 253,388	\$ 266,715	\$ 343,882	\$ 371,729	\$ 400,272	\$ 1,635,986
Other Revenue						
Food & Beverage Gross Revenue	1.5% \$ 83,571	\$ 112,455	\$ 112,455	\$ 112,455	\$ 112,455	\$ 533,392
Cost of Good Sold	65.0% \$ 54,321	\$ 73,096	\$ 73,096	\$ 73,096	\$ 73,096	\$ 346,705
Labour	35.0% \$ 29,250	\$ 39,359	\$ 39,359	\$ 39,359	\$ 39,359	\$ 186,687
Net Operator F&B EBITDA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operator EBITDA	\$ 253,388	\$ 266,715	\$ 343,882	\$ 371,729	\$ 400,272	\$ 1,635,986

Cash Flow

KD&S anticipates operating in the red for the first six months after launch. It expects to be cash positive within the first year.

Cash Flow

	MONTH-1	MONTH-2	MONTH-3	MONTH-4	MONTH-5	MONTH-6	MONTH-7	MONTH-8	MONTH-9	MONTH-10	MONTH-11	MONTH-12	TOTAL
Net Bingo	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 83,672	\$ 1,004,061
Net BOT	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 85,272	\$ 1,023,264
Net Raffle	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 32,249	\$ 386,991
Total Net Gaming	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 201,193	\$ 2,414,316
Less Marketing	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 6,964	\$ 83,571
Total Contribution	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 194,229	\$ 2,330,745
Less Charity Revenue 45%	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 87,403	\$ 1,048,835
Total Operator	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 106,826	\$ 1,281,910
Less OpEx	\$ 232,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 72,377	\$ 1,028,522
Cash Flow	\$ (125,551)	\$ (91,102)	\$ (56,653)	\$ (22,204)	\$ 12,245	\$ 46,694	\$ 81,143	\$ 115,592	\$ 150,041	\$ 184,490	\$ 218,939	\$ 253,388	

IRR for first 12-months is anticipated at 18%.

Consolidated Financial Projections

Realistic View

1. BINGO REVENUE

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Total
Net Gaming Revenue							
Paper Bingo		\$ 1,004,061	\$ 1,351,094	\$ 1,351,094	\$ 1,351,094	\$ 1,351,094	\$ 6,408,435
Paper BOT	0	\$ 1,023,264	\$ 1,023,264	\$ 1,023,264	\$ 1,023,264	\$ 1,023,264	\$ 5,116,320
Raffle (Chase the Ace)		\$ 386,991	\$ 386,991	\$ 386,991	\$ 386,991	\$ 386,991	\$ 1,934,954
Total - Net Gaming Revenue		\$ 2,414,316	\$ 2,761,348	\$ 2,761,348	\$ 2,761,348	\$ 2,761,348	\$ 13,459,710
	Growth Factor (CAGR)	0.0%	2.5%	2.5%	2.5%	2.5%	
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Less Operator Expense							
Gaming License		\$ 10,200	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 58,200
Market Study		\$ 35,000					\$ 35,000
Cost of Goods Sold							\$ -
Equipment (Bingo)		\$ 35,000					\$ 35,000
Bingo Paper	2.50%	\$ 139,285	\$ 187,426	\$ 187,426	\$ 187,426	\$ 187,426	\$ 888,987
Furniture & Fixtures + Security		\$ 30,000	\$ 50,000				\$ 80,000
Cost of Paper BOT Sold		\$ 216,000	\$ 351,000	\$ 359,775	\$ 368,769	\$ 377,989	\$ 1,673,533
Cost of Raffle Supply Services		\$ 116,097	\$ 119,000	\$ 121,975	\$ 125,024	\$ 128,150	\$ 610,245
Accounting Fees		\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 75,000
Legal Fees		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000
Travel		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Supplies		\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 30,000
Rent		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repair & Maintenance		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000
Utility		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 100,000
Salary & Wages		\$ 335,940	\$ 397,720	\$ 397,720	\$ 397,720	\$ 397,720	\$ 1,926,820
Marketing (Over & Above Shared Mktg Cost)		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 250,000
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Net Operator EBITDA		\$ 253,388	\$ 266,715	\$ 343,882	\$ 371,729	\$ 400,272	\$ 1,635,986
Other Revenue							
Food & Beverage Gross Revenue	1.5%	\$ 83,571	\$ 112,455	\$ 112,455	\$ 112,455	\$ 112,455	\$ 533,392
Cost of Good Sold	65.0%	\$ 54,321	\$ 73,096	\$ 73,096	\$ 73,096	\$ 73,096	\$ 346,705
Labour	35.0%	\$ 29,250	\$ 39,359	\$ 39,359	\$ 39,359	\$ 39,359	\$ 186,687
Net Operator F&B EBITDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operator EBITDA		\$ 253,388	\$ 266,715	\$ 343,882	\$ 371,729	\$ 400,272	\$ 1,635,986

LABOUR COSTS

5 Days Per Week Operations

Position Title/Role	Hourly Wage	# of People	# of Hours/Session	# of Sessions/Month	# Months	Total Annual
Reconciliation (Admin/Acct/Prize)	\$ 16,000	1	4	20	12	\$ 15,360
POS Sales + Cashiers	\$ 16,000	2	3	20	12	\$ 23,040
Bingo Caller	\$ 20,000	1	3	20	12	\$ 14,400
On Floor Runners	\$ 16,000	1	3	20	12	\$ 11,520
Services Support (General/Tech/Security)	\$ 16,000	2	3	20	12	\$ 23,040
Total		7				\$ 87,360

Position Title/Role	Hourly Wage	# of People	# of Hours/Session	# of Days/Month	# Months	Total Annual
Reconciliation (Admin/Acct/Prize)	\$ 16,000	1	4	20	12	\$ 15,360
POS Sales + Cashier	\$ 16,000	5	3	20	12	\$ 34,560
Bingo Caller	\$ 20,000	1	3	20	12	\$ 14,400
On Floor Runners	\$ 16,000	2	3	20	12	\$ 23,040
Services Support (General/Tech/Security)	\$ 16,000	3	3	20	12	\$ 34,560
Total		10				\$ 121,920

Position Title/Role	Hourly Wage	# of People	# of Hours/Session	# of Days/Month	# Months	Total Annual
Reconciliation (Admin/Acct/Prize)	\$ 16,000	1	4	20	12	\$ 15,360
POS Sales + Cashier	\$ 16,000	4	3	20	12	\$ 46,080
Bingo Caller	\$ 20,000	1	3	20	12	\$ 14,400
On Floor Runners	\$ 16,000	2	3	20	12	\$ 23,040
Services Support (General/Tech/Security)	\$ 16,000	3	3	20	12	\$ 34,560
Total		11				\$ 133,440

Total All Sessions Staff Costs

\$ 342,720

Plus Session Manager Annual Waive

\$ 55,000

TOTAL ANNUAL LABOUR

\$ 397,720

3 Days Per Week Operations - months

Position Title/Role	Hourly Wage	# of People	# of Hours/Session	# of Sessions/Month	# Months	Total Annual
Reconciliation (Admin/Acct/Prize)	\$ 16,000	1	4	12	6	\$ 4,608
POS Sales	\$ 16,000	2	3	12	6	\$ 6,912
Bingo Caller	\$ 20,000	1	3	12	6	\$ 4,320
On Floor Runners	\$ 16,000	2	3	12	6	\$ 6,912
Services Support	\$ 16,000	1	3	12	6	\$ 3,456
Total		7				\$ 26,208

Position Title/Role	Hourly Wage	# of People	# of Hours/Session	# of Days/Month	# Months	Total Annual
Reconciliation (Admin/Acct/Prize)	\$ 16,000	1	4	12	6	\$ 4,608
POS Sales	\$ 16,000	2	3	12	6	\$ 6,912
Bingo Caller	\$ 20,000	1	3	12	6	\$ 4,320
On Floor Runners	\$ 16,000	2	3	12	6	\$ 6,912
Services Support	\$ 16,000	1	3	12	6	\$ 3,456
Total		7				\$ 26,208

Position Title/Role	Hourly Wage	# of People	# of Hours/Session	# of Days/Month	# Months	Total Annual
Reconciliation (Admin/Acct/Prize)	\$ 16,000	1	4	12	6	\$ 4,608
POS Sales	\$ 16,000	3	3	12	6	\$ 10,368
Bingo Caller	\$ 20,000	1	3	12	6	\$ 4,320
On Floor Runners	\$ 16,000	2	3	12	6	\$ 6,912
Services Support	\$ 16,000	1	3	12	6	\$ 3,456
Total		8				\$ 29,664

Total All Sessions Staff Costs

\$ 82,080

Plus Session Manager Annual Waive

\$ 55,000

TOTAL ANNUAL LABOUR

\$ 137,080



**THE
INNOVATION
GROUP**

Kawartha Downs Amenity Expansion Analysis

Fraserville, ON

Prepared for:

RIC (KDL) Inc.

November 2021

Prepared by:

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New Orleans, LA 70130
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Amenity Expansion Analysis, Kawartha Downs

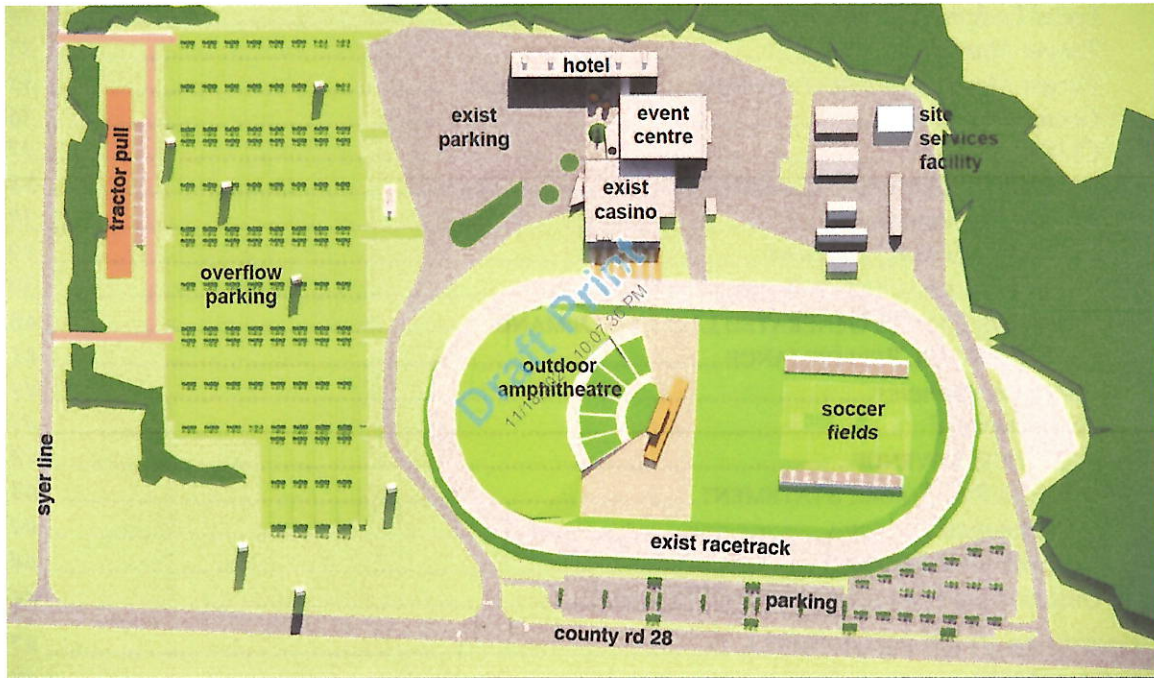
Table of Contents

INTRODUCTION.....	1
SITE ANALYSIS	2
ECONOMIC AND DEMOGRAPHIC ANALYSIS	5
POPULATION AND INCOME TRENDS	5
TOURISM.....	7
<i>Activities and Local Attractions.....</i>	7
<i>Weather.....</i>	7
TRAFFIC	8
COMPETITIVE GAMING ENVIRONMENT	10
<i>Shorelines Casino Peterborough.....</i>	10
<i>Shoreline Slots at Kawartha Downs</i>	10
<i>Delta Bingo and Gaming Peterborough.....</i>	10
CHARITABLE GAMING CENTRE ASSESSMENT	11
INTRODUCTION	11
INDUSTRY TRENDS.....	11
DEMOGRAPHIC PROFILE.....	13
<i>Bingo Player Profile</i>	13
<i>Local Kawartha Demographics.....</i>	14
<i>Kawartha Demand Analysis</i>	17
OPERATING PRO FORMA STATEMENT	22
<i>Net Gaming Revenue.....</i>	22
<i>Food & Beverage Revenue</i>	22
<i>Charitable Contribution.....</i>	22
<i>Operating Expenses</i>	22
EVENTS CENTRE ASSESSMENT	24
INTRODUCTION	24
<i>Assumptions</i>	24
INDUSTRY BACKGROUND.....	24
<i>U.S. Concert Trends in Casino Markets</i>	25
COMPETITIVE ENVIRONMENT	26
<i>Peterborough Memorial Centre.....</i>	26
<i>Tribute Communities Centre.....</i>	27
<i>Casino Rama Entertainment Centre.....</i>	27

COMPARABLE CASINO-ENTERTAINMENT FACILITIES	28
<i>The Colosseum at Caesar's Windsor</i>	28
<i>The Avalon Ballroom Theatre at Niagara Fallsview Casino Resort</i>	28
DEMAND ANALYSIS	29
HOTEL IMPLICATION	30
HOTEL MARKET ASSESSMENT	31
METHODOLOGY	31
IMPORTANCE OF HOTELS TO CASINO GUESTS	32
COMPETITIVE ENVIRONMENT	34
<i>Local Lodging Market</i>	34
<i>Target Market</i>	35
<i>Target Market Statistical Analysis</i>	35
<i>Occupancy Rate</i>	36
<i>COVID Impacts</i>	37
SUBJECT HOTEL DEMAND CALIBRATION.....	38
<i>Market Segmentation</i>	38
<i>Growth in Existing Demand</i>	39
PENETRATION ANALYSIS OF LOCAL DEMAND	39
GAMING AND EVENTS GENERATED LODGING DEMAND	40
ESTIMATED HOTEL PERFORMANCE.....	41
<i>Hotel Occupancies</i>	41
<i>Total Demand</i>	41
HOTEL ROOM REVENUE.....	43
OPERATING PRO FORMA STATEMENT	43
<i>Departmental Revenue</i>	44
<i>Departmental Expenses</i>	44
<i>Undistributed Operating & Fixed Expenses</i>	44
CONSOLIDATED PROFORMA	47
DISCLAIMER.....	48

INTRODUCTION

The Innovation Group was retained by RIC (KDL) Inc. to assess an amenity expansion at Kawartha Downs that would convert the property into an entertainment and recreation center serving the local predominately rural community. The elements assessed in this report includes development of a charitable gaming centre in the existing casino/grandstand, a hotel, and an entertainment and meeting facility. Additionally, the program being considered includes an outdoor amphitheatre and soccer fields, as shown in the following schematic:



The development plan includes a 150-room, 3-star hotel and a multi-purpose events center featuring 30,000 square feet of meeting space and 3,000 seats for entertainment.

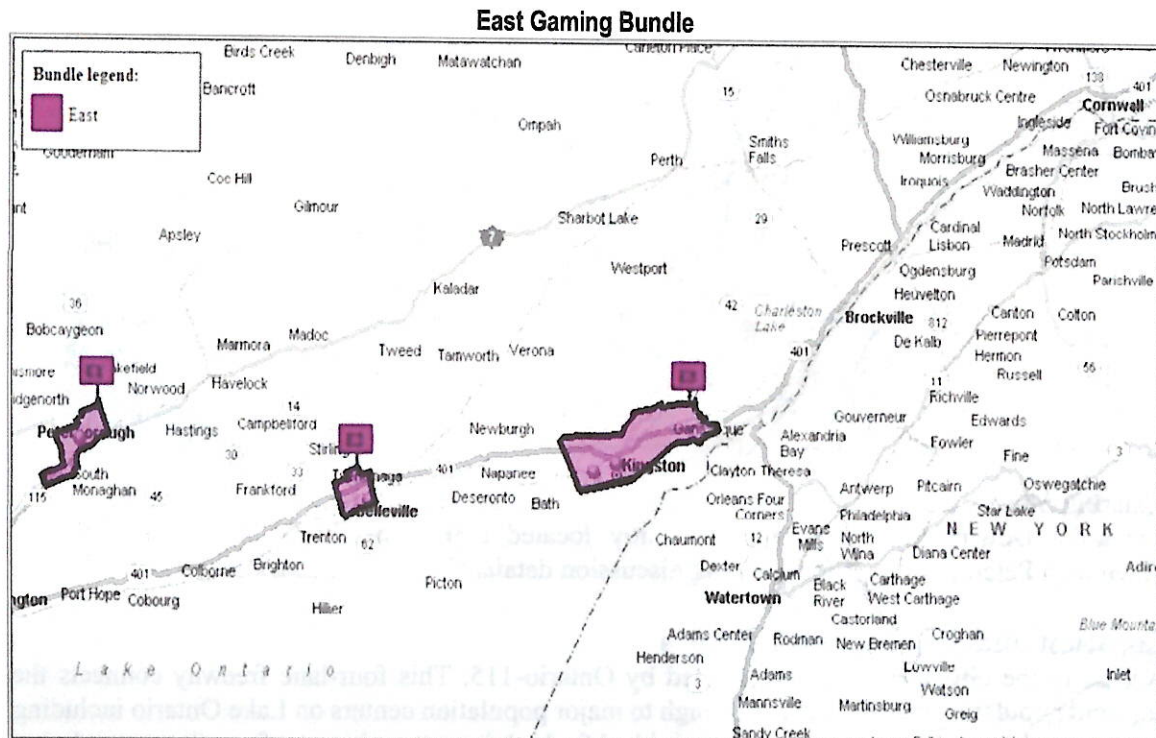
The Kawartha area is already a well-known tourist destination and one of the premium cottage destinations for GTA residents, and the demand is growing. This extensive spring-to-fall-oriented source of demand would contribute to the proposed entertainment centre's success. The Kawartha area has numerous golf courses, raising the potential for marketing golf "stay and play" packages, especially with the added draw of entertainment and gaming.

- Baxter Golf Club
- Keystone Links Golf and Country Club
- Liftlock Golf Club
- Black Diamond Gold and Country Club
- Kawartha Golf and Country Club

Site Analysis

Kawartha Downs falls within the East Gaming Bundle as defined by Ontario Lottery and Gaming (OLG). The East bundle combines three gaming zones, with Kawartha lying within zone E1. In September 2015, OLG awarded Great Canadian Gaming as the operator of the East Gaming Bundle.

This region abuts the Central and GTA Gaming bundle to the west and Ottawa Gaming Bundle to the north. The following map shows the location of gaming zones within in the East Bundle.

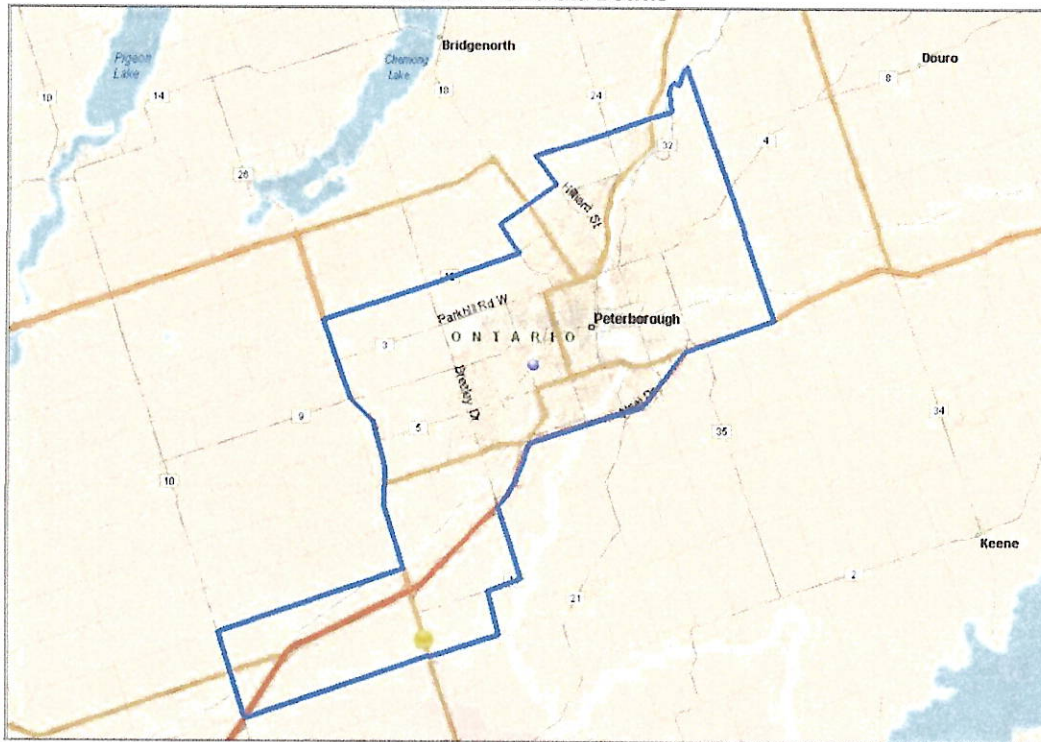


Source: OLG

The E1 zone includes the Township of Cavan Monaghan, the City of Peterborough and surrounding areas and is the second largest zone in the East Bundle in terms of size and population. The zone is currently occupied by a Shorelines casino in Peterborough and a small slot facility at Kawartha Downs. The majority of the 135,000 residents located within the gaming zone are located in Peterborough, approximately 15 km northeast of the facility, in neighborhoods along the Otonabee River.

The location is just south of ON-7 and ON-115 on Country Road 28 surrounded by undeveloped lands and residential properties. The property consists of one facility to house the grandstand, slot parlor and restaurant.

Zone E1: Kawartha Downs



Existing Site

Kawartha Downs & Speedway is currently located approximately 10 miles southwest of downtown Peterborough. The following discussion details the characteristics of the site.

Location and Site Ingress / Egress

Access to the city is primarily facilitated by Ontario-115. This four-lane freeway connects the adjacent population center of Peterborough to major population centers on Lake Ontario including Oshawa and Toronto. The site's location is ideal for both ingress and egress from these population centers. The site is just 1 mile off ON-115 via exits toward Country Road, also known as Peterborough Rd 28. The site is also connected to population centers on Lake Ontario to the east, such as Belleville and Kingston, via Peterborough Rd 28.

Surrounding Land Use

The current site is in Fraserville, Ontario, a small community loosely connected to Peterborough. The surrounding area is relatively undeveloped, with the exception of a Pepsi Co Beverage manufacturing plant and a handful of adjacent residences.

Kawartha Downs and Speedway Site



ECONOMIC AND DEMOGRAPHIC ANALYSIS

This section assesses specific economic and demographic characteristics within the Ontario market that can affect future demand for gaming and hospitality. The analysis will evaluate the area’s potential to draw new sources of leisure demand as well as continuing its support of existing facilities in the area.

Population and Income Trends

Income is an important indicator of a region’s economic well-being and the discretionary spending power of its residents.

For the purposes of the analysis, the population within 30 km of the proposed site was assessed along with a profile of Cavan Monaghan. For the 30 km ring, the adult population was broken down by age cohort for use in the charitable gaming assessment. We compare the local area with Ontario averages for context.

Kawartha Downs 0-30 km Ring Demographics			
	2020	2025	CAGR
Population	174,161	182,098	0.9%
18-24	14,118	13,454	-1.0%
25-34	21,824	22,510	0.6%
35-44	19,482	21,519	2.0%
45-54	21,036	21,374	0.3%
55-64	27,222	25,531	-1.3%
65 and older	40,547	45,693	2.4%
Total 18 and older	144,229	150,081	0.8%
Households	70,348	73,320	0.8%
Families	50,343	52,278	0.8%
Without Children at Home	46.50%	46.39%	
With Children at Home	53.50%	53.61%	
1 Child	48.09%	48.11%	
2 Children	37.61%	37.60%	
3 or More Children	14.30%	14.29%	
Average Household Size	2.4	2.4	
Average Family Size	2.8	2.8	
Median Household Income	CA\$77,882	CA\$87,948	2.5%
Average Household Income	CA\$96,050	CA\$108,999	2.6%
Per capita Income	CA\$38,797	CA\$43,888	2.5%

Source: ESRI, Arc GIS: The Innovation Group; CAGR=Compound Annual Growth Rate

Cavan Monaghan has a slightly higher percentage of families with children at home and significantly higher income.

Cavan Monaghan Demographics

	2020	2025	CAGR
Population	9,539	9,985	0.9%
Households	3,357	3,508	0.9%
Families	2,854	2,983	0.9%
Without Children at Home	44.71%	44.79%	
With Children at Home	55.29%	55.21%	
1 Child	44.23%	44.08%	
2 Children	38.34%	38.74%	
3 or More Children	17.43%	17.18%	
Average Household Size	2.8	2.8	
Average Family Size	2.9	2.9	
Median Household Income	CA\$101,651	CA\$112,657	2.1%
Average Household Income	CA\$116,148	CA\$129,387	2.2%
Per capita Income	CA\$40,875	CA\$45,457	2.1%

Source: ESRI, Arc GIS: The Innovation Group; CAGR=Compound Annual Growth Rate

For context, population growth in Ontario as a whole is higher than in the local area, and the percentage of families with children is higher. Household income in Cavan Monaghan is higher than the provincial average, although Ontario has higher per capita income than the 30km-ring has and Cavan Monaghan.

Ontario Demographics

	2020	2025	CAGR
Population	14,666,590	15,580,597	1.2%
Households	5,556,994	5,882,553	1.1%
Families	4,054,332	4,286,384	1.1%
Without Children at Home	37.53%	37.54%	
With Children at Home	62.47%	62.46%	
1 Child	44.45%	44.44%	
2 Children	39.46%	39.48%	
3 or More Children	16.10%	16.08%	
Average Household Size	2.6	2.6	
Average Family Size	2.9	2.9	
Median Household Income	CA\$85,934	CA\$96,898	2.4%
Average Household Income	CA\$111,867	CA\$127,903	2.7%
Per capita Income	CA\$42,385	CA\$48,291	2.6%

Source: ESRI, Arc GIS: The Innovation Group; CAGR=Compound Annual Growth Rate

Tourism

The Innovation Group collected tourism data from the Ontario Ministry of Tourism, Culture and Sport (OMTCS) as well as the City of Peterborough. OMTCS produced yearly tourism profiles which include a number of metrics on tourism at both the Ontario level and for several regional areas. Data is available for varying length of time depending on the metric. Some data is available as far back as 2008.

Activities and Local Attractions

The Kawartha and Peterborough areas offer several attractions to regional tourists, highlighted by the ecological destinations of the Kawartha Lakes. National and provincial parks make up a large portion of the land, with only a couple scatter cities, such as Cobourg on the shores of Lake Ontario and Peterborough on the Otonabee River. In the cities, tourists travel from the greater Ontario region for concert, festivals, museums, and cultural events.

Kawartha Lakes

The Kawartha Lakes are situated just north of Peterborough and less than two hours from Toronto. The lakes are surrounded by provincial parks, such as the Kawartha Highlands Provincial Park, and the Queen Elizabeth II Wildlands Provincial Park. Camping, hiking and canoeing are all popular activities at the lakes and in the parks. These activities are sensitive to the seasons and are only popular in the spring, summer and early fall.

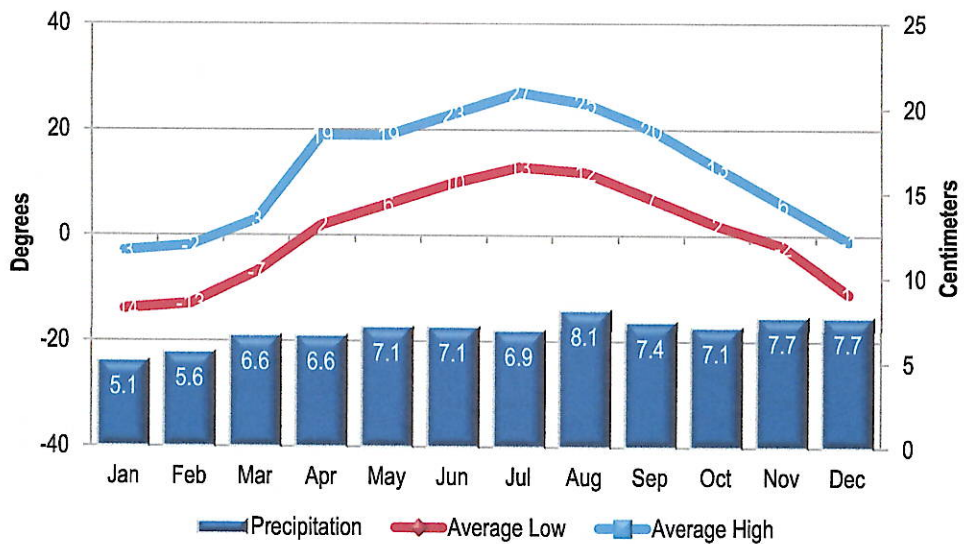
Peterborough

The city of Peterborough offers a number of cultural attractions, including museums, concert halls, a zoo, and seasonal festivals. The Art Gallery of Peterborough is a free admission gallery for all ages to experience contemporary art from a dynamic range of artists. This contemporary art gallery is complemented by niche and historic museums, such as the Canadian Canoe Museum and the Lang Pioneer Village Museum. The city also offers restaurants, bars, and breweries to meet the needs of year-round and seasonal tourists.

Weather

The Kawartha region receives approximately 83 centimeters of rain per year. January has the least amount of precipitation, averaging about 5 centimeters, with temperatures ranging from an average high of -3 to an average low -14 degrees. August received the most rain, followed by high precipitation level in November and December. Winter precipitation is snow fall because of the below freezing temperatures during the months from November to March. This extreme cold season keeps people inside during the coldest months. The most temperate months in Ontario are the late spring and summer months of May through September.

Kawartha Region Weather Patterns



Source: The Weather Channel

Traffic

The Kawartha Downs location is directly off the Ontario-115, a regional highway connecting Ontario-401 and Ontario-407 to Peterborough. The ON-407 extension, shown on the following map, opened in December 2019, drastically reducing the drive time to the Kawartha location from the GTA.



Source: The Innovation Group

The latest data for Annual Average Daily Traffic (AADT; the average volume of vehicles that cross a stretch of highway in either direction in a day) from the Ministry of Transportation is 2016. Approximately 25,000 cars travel on ON-115 near the Kawartha Downs exit. This figure has been fairly steady with AADT volumes growing at a modest 1.2% Compounded Annual Growth Rate. The largest growth in vehicle volumes has come during the winter, at 1.4%, although the volume is lower than in the summer.

Traffic Counts						
Location	Distance (km)	Year	Average Annual Daily Traffic			
			AADT	Summer	Summer Weekday	Winter
ON-115 Stretch	4.7	2014	24,300	28,900	28,900	20,600
		2015	24,600	29,300	29,300	20,900
		2016	24,900	29,600	29,600	21,200
		C.A.G.R.	1.2%	1.2%	1.2%	1.4%

Source: Ontario Ministry of Transportation; Highway Standards Branch; Traffic Office

COMPETITIVE GAMING ENVIRONMENT

There are three gaming facilities within 30 km of Kawartha Downs: Shorelines Casino Peterborough, Shoreline Slots at Kawartha Downs, and Delta Bingo Peterborough.

Shorelines Casino Peterborough

This is a new facility in the East Gaming bundle, previously awarded to the Great Canadian Gaming Corporation by OLG for a 20-year operating agreement. Great Canadian opened the 50,000-square-foot casino in October 2019. It has table games, over 500 slot machines, a restaurant and bar, and a buffet (which is currently closed due to COVID). There is no hotel.

Shoreline Slots at Kawartha Downs

This facility was the original casino in the E1 zone of the East Gaming bundle; the Great Canadian Gaming Corporation moved the main casino to the new Peterborough casino but 150 machines have been retained at Kawartha Downs. In 2016, the casino was transferred to the Shoreline brand. The existing facility is located at Kawartha Downs and Speedway on County Road 28 in rural Fraserville. The small community is 15 km southwest of Peterborough on Ontario Highway 115, surrounded by undeveloped lands. There are virtually no commercial developments in the immediate area and only a handful of residential homes. The 5/8 mile harness racetrack opened in 1972, adding the inner 3/8 mile paved speedway and OLG slot facility in 1999.

Delta Bingo and Gaming Peterborough

Delta Bingo and Gaming features live and electronic bingo as well as what Delta advertises as “Vegas-style machines,” which are second-generation electronic Break Open Ticket devices (Tap “N Play) provided by IGT and Diamond Gaming. Delta Bingo has 62 Tap “N Play machines and operating hours are 10 AM-Midnight Monday-Wednesday and 10 AM-2 AM Thursday-Sunday. Live bingo sessions are held at 1 PM and 7 PM Thursday-Sunday.

CHARITABLE GAMING CENTRE ASSESSMENT

Introduction

Charitable gaming in Ontario consists of session bingo (or live bingo), electronic bingo machines (Play on Demand or POD), raffles, and Break Open Tickets (also known in the industry as pull-tabs) in paper and electronic forms, the latter being termed Tap ‘N Play devices. There are 37 bingo halls with electronic gaming that is regulated by OLG and 22 additional bingo halls regulated by the AGCO (Alcohol and Gaming Commission Ontario). OLG reports aggregate financial results of the 37 gaming centres but there is no public reporting of the financial results of the AGCO-regulated facilities.

Industry Trends

Across North America, charitable bingo—much like horse and dog racing—has been declining as a result of competition from other forms of gambling, particularly casino gaming. Although the pure bingo player does not typically cross over to machine gaming, the demographic profile of machine players and bingo players is very similar, and thus the casual bingo player has switched more and more to casino gaming. As for the dedicated bingo player, the increasing opportunities for high stakes bingo has led to the decline of charitable in many US states.

The following data from Texas shows how live bingo has declined while alternative forms such as pull-tabs have helped charities maintain revenue flow.

Charitable Gaming Revenue in Texas			
	Attendance	Bingo Card Sales	Pull Tab Sales
2009	17,834,674	\$374,585,169	\$318,705,419
2010	17,625,187	\$372,245,845	\$327,188,234
2011	16,777,821	\$362,293,559	\$343,834,670
2012	16,363,763	\$360,354,775	\$363,160,080
2013	15,858,584	\$350,179,110	\$369,466,027
2014	15,616,387	\$346,532,176	\$393,216,005
2015	14,843,568	\$347,255,426	\$409,517,353
2016	15,200,801	\$346,399,863	\$415,089,123
2017	14,657,864	\$344,093,976	\$432,492,747
2018	13,928,289	\$345,060,139	\$467,338,876
% Change	-21.9%	-7.9%	46.6%

Source: Texas Lottery Commission; The Innovation Group

As in other markets, Ontario had seen charitable bingo revenue decline before instituting new electronic forms of gaming.

According to OLG’s 2019-2020 Annual Report, charitable revenue growth in FY2020 (ending March 2020) resulted from the addition of two new centres, in the GTA in October 2019 and in Tecumseh in March 2020, and the addition of 1,000 new “electronic products” as the existing 31 centres also transitioned to a new business model:

In fiscal 2018–19, OLG finalized a new Charitable Gaming business model that is more sustainable for all stakeholders and allows greater flexibility for service providers to grow their business. OLG began implementing the new model in early fiscal 2019–20 and by August 1, 2019, all Charitable Gaming Centres had successfully transitioned.

Charitable Gaming Revenue in Ontario

<u>FY Ending</u>	<u>Gross Win/Proceeds</u>
2014	73,817
2015	114,875
2016	165,953
2017	153,044
2018	172,096
2019	183,000
2020	201,000

Source: OLG; The Innovation Group

Based on trends before closures in response to COVID-19, OLG says FY2020 was on track for charitable revenue of \$210 million, or more than \$6.5 million per centre. Four new centres were added in FY2021, in Greater Toronto Area, Windsor, Nepean and Ottawa, bringing the total to 37. Locations are shown in the following table.

Ontario Charitable Gaming Centre Locations

Barrie	Niagara Falls	St. Catharines
Brampton	Oakville	St. Thomas
Cambridge	Ottawa-Bingoland	Tecumseh
Chatham	Ottawa-Capital	Sudbury
Downsview	Pembroke	Thunder Bay
Fort Erie - Delta	Penetanguishene	Timmins
Fort Erie - Golden Nugget	Peterborough	Toronto
Hawkesbury	Pickering	Val Caron
Kingston – Community Spirit	Richmond Hill	Welland
Kingston – PLAY!	Sarnia	Windsor - All Star Gaming Centre
Leamington	Scarborough - Dolphin Bingo	Windsor - Breakaway
Mississauga	Scarborough - Rama Gaming House	Windsor - Paradise
Newmarket		

Source: OLG; The Innovation Group

Demographic Profile

Bingo Player Profile

The Bingo player cohort tends to be similar throughout the world. They share similar demographics such as gender, age, economic status, education levels, and psychographics. Surveys of bingo players in the US and Canada show that bingo patrons tend to be female, older, less educated, and have lower income. One of the most comprehensive surveys, conducted by the Texas Lottery Commission in 2003, is dated but still representative of player demographics.

The following two tables illustrate:

Texas Patrons by Age

Age 18 to 20	1%
Age 21 to 24	2%
Age 25 to 34	9%
Age 35 to 44	16%
Age 45 to 49	11%
Age 50 to 54	12%
Age 55 to 59	11%
Age 60 to 64	12%
Age 65 and over	25%

Source: Texas Lottery Commission; The Innovation Group

Texas Patrons by Education

Less than High School	18%
High School Grad	40%
Some College	23%
College degree or vo-tech	17%
Post-Grad School	2%

Source: Texas Lottery Commission; The Innovation Group

Bingo is a high-frequency activity. Although 50% of those surveyed reported playing only once or twice per week, 18% replied six or seven days per week. The average was 3.07 days per week. There was no category for less than once a week.

Frequency of Days per Week

One	25%
Two	25%
Three	17%
Four	8%
Five	7%
Six	12%
Seven	6%
Average	3.07

Source: Texas Lottery Commission; The Innovation Group

Bingo patrons in Texas are also predominantly female (83%), although research in Canada places that percentage at under 70%.

Local Kawartha Demographics

For the purpose of the charitable gaming analysis, we have identified the demographic profile of the 30-km ring from Kawartha Downs. We have further identified the portion that overlaps with the Peterborough 30-km ring to estimate the shared market with and impact on Delta Bingo from the proposed operation of the Kawartha centre. The shared market is shown in the Overlapping column in the table below. The column “Kawartha Only” represents the geography to the south and west of Kawartha that does not overlap with the Peterborough 30-km ring.

Kawartha Downs 0-30 km Ring Demographics

	2020		2025		CAGR	
	Overlapping	Kawartha Only	Overlapping	Kawartha Only	Overlapping	Kawartha Only
Adult Population						
18-24	11,956	2,162	11,291	2,072	-1.1%	-0.9%
25-34	18,812	3,012	19,498	3,192	0.7%	1.2%
35-44	16,594	2,888	18,631	3,157	2.3%	1.8%
45-54	17,314	3,722	17,652	3,598	0.4%	-0.7%
55-64	22,187	5,035	20,496	4,666	-1.6%	-1.5%
65 and older	33,301	7,246	38,447	8,499	2.9%	3.2%
Gender						
Male	58,134	11,922	60,827	12,480	0.9%	0.9%
Female	62,030	12,143	65,188	12,704	1.0%	0.9%
Education						
Did not graduate high school	17,971	3,731	16,636	3,423	-1.5%	-1.7%
Graduated High School	35,183	7,593	36,319	7,869	0.6%	0.7%
Attended some college	10,618	2,329	10,132	2,270	-0.9%	-0.5%
Graduated College	57,649	10,756	64,289	11,913	2.2%	2.1%
Marital Status						
Married	69,653	15,304	72,898	15,861	0.9%	0.7%
Divorced or Separated	12,155	2,283	12,828	2,398	1.1%	1.0%
Never married	31,657	5,331	32,369	5,371	0.4%	0.1%
Widowed	7,955	1,492	9,280	1,846	3.1%	4.4%

Source: ESRI, ArcGIS; The Innovation Group. CAGR=Compound Annual Growth Rate

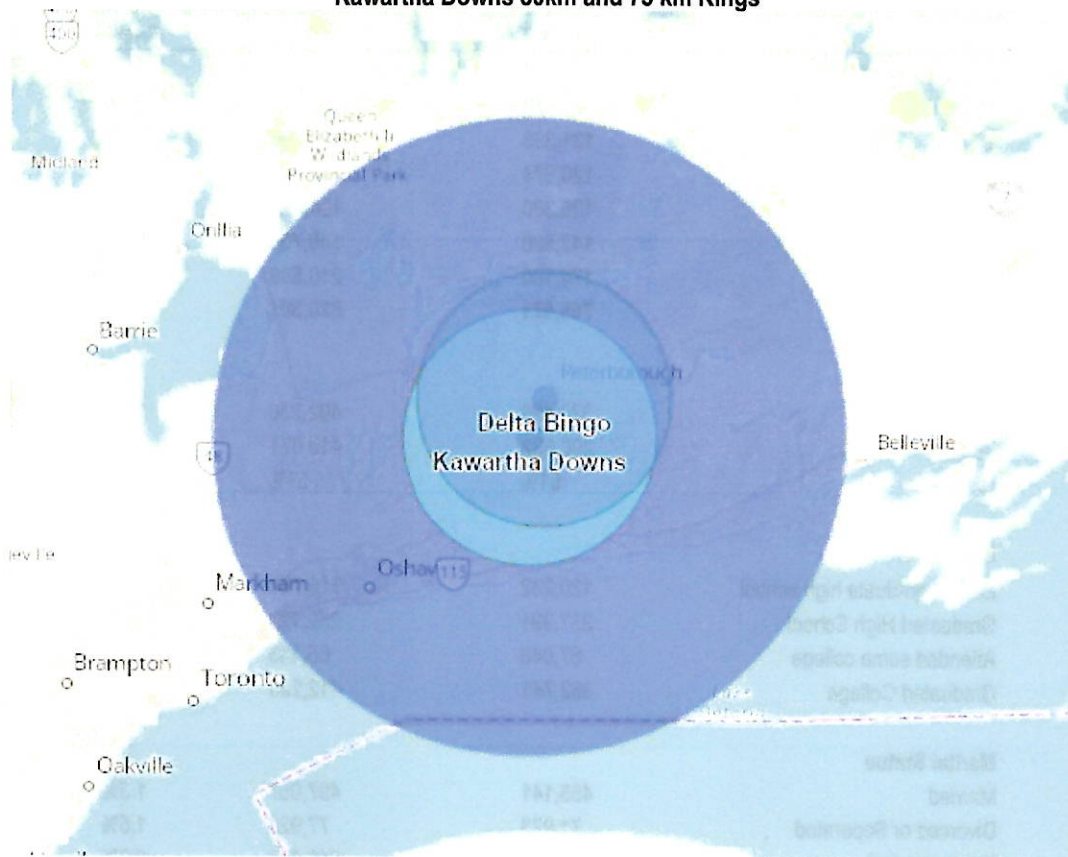
We also identified demographics in the 30-75 km radius of Kawartha Downs. This market area is expected to supply incidental visits and players drawn by the expansive entertainment offerings at the property, which are to include an events centre, slot machine casino, horse racing, indoor sports facility, and hotel.

Kawartha Downs 30-75 km Ring Demographics

	2020	2025	CAGR
Adult Population			
18-24	80,973	80,884	0.0%
25-34	121,338	128,796	1.2%
35-44	120,674	134,346	2.2%
45-54	126,300	124,972	-0.2%
55-64	142,596	140,704	-0.3%
65 and older	174,190	210,599	3.9%
Total	766,071	820,301	1.4%
Sex			
Male	375,438	402,230	1.4%
Female	390,632	418,071	1.4%
% Female	51%	51%	
Education			
Did not graduate high school	120,232	113,784	-1.1%
Graduated High School	237,991	252,129	1.2%
Attended some college	67,048	65,233	-0.5%
Graduated College	362,741	412,220	2.6%
Marital Status			
Married	465,141	497,057	1.3%
Divorced or Separated	71,973	77,926	1.6%
Never married	207,982	216,992	0.9%
Widowed	42,916	51,391	3.7%

Source: ESRI, ArcGIS; The Innovation Group. CAGR=Compound Annual Growth Rate

Kawartha Downs 30km and 75 km Rings



Kawartha Demand Analysis

The demand analysis is performed by applying participation rates to each of the four demographic categories. The results are then averaged for an estimate of total market visits. Lastly, capture rates are estimated for Kawartha Downs. Participation rates are a blend of propensity (percentage of the population playing bingo at least once a year) and frequency (number of bingo visits per year, on average). As discussed above, bingo is a low-propensity, high-frequency activity. The high frequency leads to a small average budget compared to casino gaming, where win per visit (WPV) can reach \$100 or more.

The demand analysis is based on 2023 population projections; this is assumed to be the first full stabilized year of operation.

Kawartha Downs Bingo Demand 2023: by Age Cohort

	Overlapping 0-30km	Kawartha Only 0-30km	30-75km
Adult Population			
18-24	11,557	2,108	80,919
25-34	19,224	3,120	125,813
35-44	17,816	3,049	128,877
45-54	17,517	3,648	125,503
55-64	21,172	4,814	141,461
65 and older	36,389	7,998	196,035
Participation Rate			
18-24	0.46	0.46	0.46
25-34	2.94	2.94	2.94
35-44	2.22	2.22	2.22
45-54	1.85	1.85	1.85
55-64	3.30	3.30	3.30
65 and older	3.19	3.19	3.19
Total Market Visits			
18-24	5,345	975	37,425
25-34	56,483	9,167	369,668
35-44	39,552	6,770	286,107
45-54	32,406	6,748	232,181
55-64	69,945	15,902	467,326
65 and older	116,080	25,513	625,353
Total	218,430	48,163	1,324,860

Source: ESRI, ArcGIS; The Innovation Group.

Kawartha Downs Bingo Demand 2023: by Sex

	Overlapping 0-30km	Kawartha Only 0-30km	30-75km
Adult Population			
Male	59,750	12,257	391,513
Female	63,925	12,480	407,096
Participation Rate			
Male	1.27	1.27	1.27
Female	2.38	2.38	2.38
Total Market Visits			
Male	75,995	15,589	497,956
Female	152,375	29,747	970,375
Total	228,370	45,336	1,468,331

Source: ESRI, ArcGIS; The Innovation Group.

Kawartha Downs Bingo Demand 2023: by Education

	Overlapping 0-30km	Kawartha Only 0-30km	30-75km
Education			
Did not graduate high school	17,170	3,546	116,363
Graduated High School	35,865	7,759	246,474
Attended some college	10,326	2,294	65,959
Graduated College	61,633	11,450	392,428
Participation Rate			
Did not graduate high school	2.80	2.80	2.80
Graduated High School	3.11	3.11	3.11
Attended some college	1.90	1.90	1.90
Graduated College	0.33	0.33	0.33
Total Market Visits			
Did not graduate high school	48,076	9,929	325,817
Graduated High School	111,539	24,129	766,534
Attended some college	19,620	4,358	125,322
Graduated College	20,339	3,779	129,501
Total	199,574	42,195	1,347,174

Source: ESRI, ArcGIS; The Innovation Group.

Kawartha Downs Bingo Demand 2023: by Marital Status

	Overlapping 0-30km	Kawartha Only 0-30km	30-75km
Marital Status			
Married	71,600	15,638	484,291
Divorced or Separated	12,559	2,352	75,545
Never married	32,084	5,355	213,388
Widowed	8,750	1,704	48,001
Participation Rate			
Married	1.65	1.65	1.65
Divorced or Separated	2.63	2.63	2.63
Never married	1.06	1.06	1.06
Widowed	3.60	3.60	3.60
Total Market Visits			
Married	118,140	25,803	799,079
Divorced or Separated	33,030	6,186	198,683
Never married	34,009	5,676	226,191
Widowed	31,500	6,136	172,804
Total	216,679	43,801	1,396,757

Source: ESRI, ArcGIS; The Innovation Group.

Kawartha Downs Bingo Demand 2023

	Overlapping 0-30km	Kawartha Only 0-30km	30-75km
Age	218,430	48,163	1,324,860
Sex	228,370	45,336	1,468,331
Education	199,574	42,195	1,347,174
Marital Status	216,679	43,801	1,396,757
Average	215,763	44,874	1,384,280
Kawartha Capture	20%	90%	2%
Kawartha Visits	43,153	40,386	27,686

Source: ESRI, ArcGIS; The Innovation Group.

To determine the capture rates for the first two segments, we compared the population in Cavan Monaghan, the host census area for Kawartha Downs, with Peterborough, the host census area for Delta Bingo. Cavan Monaghan has one-tenth the population of Peterborough; therefore, we estimate that approximately 10% of the Overlapping population will be closer to Kawartha. Additionally, we have applied a further 10% capture to Kawartha given the expected strength of its entertainment offerings and on the premise that players like to try their luck at different properties. In other words, on the 20% capture we attribute half to greater proximity and half to stochastic factors and the totality of the entertainment package at Kawartha. Conversely, we have assumed that 10% of the Kawartha Only visits will accrue to Delta Bingo.

Local Population Comparison

	Cavan Monaghan	Peterborough	CM/Peterborough
Total	8,830	81,032	10.9%
20 and over	6,880	64,762	10.6%

Source: Statistics Canada, 2016 Census; The Innovation Group.

For the 30-75km ring, we have estimated a small capture based on the expansive entertainment offerings planned for Kawartha Downs. In total, 111,225 bingo visits are forecast for Kawartha Downs.

The revenue forecast has been segmented by game type based on historical trends. As noted, average WPV (win per visit) is estimated to be considerably lower than at casinos; for 2023, total WPV at Kawartha Downs is forecast to be \$38, with nearly half going to electronic break-open-tickets (eBOT).

Kawartha Downs Charitable Net Gaming Revenue 2023

	Visits	Average WPV	Net Gaming Revenue
eBOT		\$18.00	\$2,002,044
Paper BOT		\$8.00	\$889,797
Session Bingo		\$9.00	\$1,001,022
Raffle		\$3.00	\$333,674
Total	111,225	\$38.00	\$4,226,538
Diverted from Competitors	43,153		\$1,639,801
Market Growth	68,072		\$2,586,736

Source: The Innovation Group.

Of the \$4.2 million in net revenue, we estimate that area gaming overall would benefit with \$2.6 million in market growth. Since charities receive 45% of net revenues, this would represent \$1.2 million in new funding to local charities.

As a comparison to other gaming markets with similar number of gaming centres, there are three other similar population sized markets containing two charitable gaming centres: Fort Erie, Kingston, and Windsor. While Peterborough does have a smaller population than Kingston and Windsor, it has a much larger population than Fort Erie. It should be noted that Peterborough and area has summer vacation traffic. Population from larger centres migrate to the Kawartha area during the summer months.

Comparison of Municipal Total Population 2016

Peterborough	Fort Erie	Kingston	Windsor
81,032	30,710	123,798	217,188

Source: Statistics Canada, 2016 Census; The Innovation Group.

Operating Pro Forma Statement

This section highlights the statements of prospective Earnings before Interest, Taxes, Depreciation, Amortization (“EBITDA”) for the proposed charitable gaming operation. Estimates of income and expenses for the proposed charitable gaming operation have been prepared assuming that 2023 will be the first full year of operation. Below is a description of the revenues and expenses and their associated assumptions.

Net Gaming Revenue

Net gaming revenue is discussed in the demand assessment above. It is net of prize payouts but before charitable contribution and operator expenses. A ramp up of 8% is forecast for year two based on the addition of the hotel and events centre in 2024, followed by annual growth of 2.5%. The charitable gaming operation is expected to operate in existing space at Kawartha allowing it to open earlier than the hotel and events centre, which will be new builds.

Food & Beverage Revenue

Food & beverage revenue is estimated based on a 33% capture of visitation at an average spend of \$5 in year one.

Charitable Contribution

Charities receive 45% of net gaming revenue.

Operating Expenses

Only operating expenses are included, no start-up or capital costs. Expenses not running at a fixed percentage of annual revenue are estimated to increase by 2% annually.

Cost of Goods

Cost of goods for gaming were estimated based on the expertise of a third-party consultant, Ron Ko, former director of operations for OLG in charge of charitable gaming operations. eBot cost of goods are projected at 20% of eBot revenue.

Food & beverage cost of goods are projected at 45% of F&B revenue.

General & Administrative

G&A expenses include accounting and legal fees, gaming license, insurance, office supplies, and marketing costs.

Property Operations

Includes repair and maintenance and utility costs.

Salaries & Wages

Salaries and wages for gaming were estimated based on the expertise of Ron Ko. Food and beverage labor costs are estimated at 35% of F&B revenue.

Kawartha Downs Charitable Gaming 5-Year Proforma					
	2023	2024	2025	2026	2027
Net Gaming Revenue					
eBot	\$2,002,044	\$2,162,208	\$2,216,263	\$2,271,669	\$2,328,461
Paper Bingo	\$1,001,022	\$1,081,104	\$1,108,131	\$1,135,835	\$1,164,231
Paper BOT	\$889,797	\$960,981	\$985,006	\$1,009,631	\$1,034,872
Raffle	\$333,674	\$360,368	\$369,377	\$378,612	\$388,077
Total NGR	\$4,226,538	\$4,564,661	\$4,678,777	\$4,795,746	\$4,915,640
Food & Beverage Revenue	\$183,521	\$190,935	\$195,727	\$200,640	\$205,676
Total Net Revenue	\$4,410,058	\$4,755,595	\$4,874,504	\$4,996,387	\$5,121,316
Less Charity Share of NGR	\$1,901,942	\$2,054,097	\$2,105,450	\$2,158,086	\$2,212,038
Operator Expenses					
Cost of Goods Sold					
eBot	\$400,409	\$432,442	\$443,253	\$454,334	\$465,692
Bingo Paper	\$128,193	\$138,449	\$141,910	\$145,458	\$149,094
Paper BOT	\$216,000	\$233,280	\$239,112	\$245,090	\$251,217
Raffle Supply Services	\$116,097	\$125,385	\$128,520	\$131,733	\$135,026
Food & Beverage	\$82,584	\$85,921	\$88,077	\$90,288	\$92,554
General & Administrative	\$103,184	\$106,844	\$108,740	\$110,675	\$112,649
Property Operations	\$48,066	\$49,028	\$50,008	\$51,008	\$52,029
Salary & Wages	\$461,952	\$472,502	\$482,292	\$492,288	\$502,492
Total Expenses	\$1,556,486	\$1,643,849	\$1,681,913	\$1,720,873	\$1,760,753
Net Operator EBITDA	\$951,630	\$1,057,649	\$1,087,142	\$1,117,427	\$1,148,526
Margin (% of Net)	21.6%	22.2%	22.3%	22.4%	22.4%

Source: The Innovation Group; Ron Ko.

EVENTS CENTRE ASSESSMENT

Introduction

The following section presents an assessment of the events centre proposed for Kawartha Downs. Currently there is no entertainment centre or meeting space at the property. The proposed building program is for a 60,000-square-foot events centre comprised of a 3,000-seat entertainment centre and 30,000 square feet of meeting space. The entertainment centre will host live music, comedy performances, production shows, mixed martial arts, and eSports events. The following assessment includes background information on the entertainment industry and its relationship with casinos as well as the local competitive environment. Given this research, the section then assesses potential demand and top-line revenue projections, including incremental gaming revenue, for the proposed event centre.

Assumptions

The Innovation Group made the following major assumptions in creating its events centre market assessment:

- The events centre will include high-quality features, such as top-of-the-line audio and visual equipment as well as dressing rooms, that attract talent;
- The facility will employ an aggressive marketing program and budget for talent fees capable of driving ticket sales;
- An experienced facility management team and/or a management company will operate the theater;
- The facility will include food and beverage operations commensurate with other facilities in the marketplace; and
- The event centre's first full year of operation shall be 2024.

Industry Background

Entertainment venues are often found in destination casinos since nightlife and entertainment are very popular with gaming patrons. As reported in the *Portrait of American Gamblers*, nightlife and live entertainment scored highly when gamers in the Midwest of the United States were asked which casino amenities were important. Approximately 44% of gamers in the region responded that live entertainment is an extremely or very important casino feature. More specifically, concerts were rated extremely or very important by 33% of respondents. Other events, such as production shows, boxing events and adult revue shows, were each deemed extremely or very important by about 20%, 10% and 8% of respondents, respectively. Nearly 82% of local-market gamers attend at least one live entertainment show a year, with 24% attending seven times or more.

In Ontario, anecdotal evidence suggests that if anything, entertainment is even more important to Canadian gamers. Casinos in Windsor, Niagara Falls, and Rama all have significant entertainment

facilities and schedules. The Avalon Theatre at Fallsview has 1,560 seats and features over 260 shows per year. Casino Rama has a 5,000-seat centre that features approximately 100 shows annually, although formerly it offered up to 150. The Colosseum at Casino Windsor has 5,000 seats.

Entertainment venues typically have between 1,200 and 3,700 seats, but can range from small, multi-use spaces seating 500 or 700, to large, dedicated venues, such as Mohegan Sun's 10,000-seat arena, which hosts a WNBA team as well as large concerts. There are three basic types of permanent indoor facilities (besides large-scale arenas): multi-use space, such as a bingo hall or convention room, that is periodically used for shows with simple floor-level seating; multi-use space with retractable tiered seating; and dedicated theaters, such as the 1,500-seat wrap-around theater at the Beau Rivage in Mississippi.

Entertainment centres at casinos are often loss-leaders, with the primary revenue benefit found on the casino floor, not on the balance sheet of the centre itself. Especially in the first few years of operation, it is expected that an event centre will be unprofitable or barely profitable on a stand-alone basis. Most facilities make a profit from their event centres due to the incremental gaming revenue that comes from visitors drawn by the entertainment. An entertainment centre can be a valuable marketing tool for rewarding valued players and attracting a younger demographic to the property.

Some casino entertainment venues have events on Friday or Saturday nights, while others schedule mid-week shows in order to draw patrons to the casino on off-peak nights. An added advantage to mid-week performances is that many headlining performers can be persuaded to reduce their fee when they are scheduled to perform in a nearby city on a surrounding weekend. Based on conversations with the client, the proposed event centre will host both weekend and mid-week shows.

Ticket prices and types of performers must be carefully selected to induce incremental gaming revenue. Some operators offer low ticket prices in order to bring in as many patrons to the property as possible. However, this strategy can be self-defeating if audiences buy below-market-value tickets and do not visit the gaming floor. In fact, filling up the parking lot with such patrons can actually decrease revenues with regular gaming customers avoiding the property on busy concert nights.

U.S. Concert Trends in Casino Markets

The concert industry's leading trade clearinghouse Pollstar maintains a database of tour schedules and ticket sales results for music venues of all types and sizes, including various casino venues around the country. The following table shows the available data along with adult population (18 and over) and penetration estimates. Most of the casinos in the table below run between 18 and 34 shows per year with an average ticket price of \$47.

Most of the casinos in the table below run between 18 and 30 shows per year, although Imperial Palace offers 86 shows at a 1,450-seat venue. Soaring Eagle in Michigan offers 29 shows annually; many of which are offered in their 3,260 capacity venue while other larger outdoor concerts are

held during the summer, which accounts for the greater occupancy rates. Soaring Eagle generates over \$300 million in gaming revenue annually and has over 4,200 slot machines, 514 hotel rooms, and over 70,000 square feet of flexible meeting space. Outside of Nevada and Atlantic City, the Imperial Palace in Biloxi, Mississippi has one of the most extensively utilized theaters in the country. Headliner music and comedy acts are featured between 3 and 5 times per month, and the theater also hosts mixed martial arts and boxing performances regularly. Penetration ratios vary widely depending upon the intensity of utilization as well as the competing entertainment options in the area. The Soaring Eagle penetrates 28% of its 0-50 mile area whereas Coeur d'Alene only penetrates 1.1%; however, there is very little in the way of competing entertainment venues in the Coeur d'Alene area comparatively.

Casino Entertainment Centre Statistics

	Capacity	Avg Tickets Sold	Occupancy*	Annual Events	Annual Attendance	Adult Pop 0-50	Ratio	Ticket Price
Harrah's Council Bluffs	3,000	1,273	42.4%	6	7,638	825,138	0.9%	\$33
Ameristar KC	1,318	1,087	82.5%	3	3,261	1,826,987	0.2%	\$58
Beltterra	1,500	1,255	83.7%	12	15,060	1,812,215	0.8%	\$49
Paragon	2,500	1,078	43.1%	26	28,028	311,261	9.0%	\$37
Jackson Rancheria	1,722	594	34.5%	6	3,564	2,202,369	0.2%	\$40
Coeur d'Alene	1,800	1,339	74.4%	5	6,695	596,935	1.1%	\$54
Isleta	2,500	5,776	231.0%	8	46,208	717,493	6.4%	\$38
Soaring Eagle	3,260	5,946	182.4%	29	172,434	615,629	28.0%	\$38
Imperial Palace	1,450	1,251	86.3%	86	107,586	545,442	19.7%	\$55
San Manuel	3,700	2,044	55.2%	10	20,440	5,925,097	0.3%	\$89
Chinook Winds	1,300	1,301	100.1%	18	23,418	357,547	6.5%	\$39
Metropolis	1,200	2801	233.4%	4	11,204	397,299	4.8%	\$39

Source: Pollstar; Property Websites; The Innovation Group

* Venues where occupancy exceeds 100% include attendance at outdoor venues, such as auxiliary parking lots where total capacity exceeds what their dedicated venue can hold.

Competitive Environment

The Innovation Group identified two local facilities (in Peterborough and Oshawa) that report to Pollstar, as well as Casino Rama, which would be considered a competitive casino-based entertainment center for the northern and northeastern side of the GTA.

Pollstar data for 2015-2019 was obtained and analyzed; the figures in this report reflect 5-year averages during this period.

Peterborough Memorial Centre



The Peterborough Memorial Centre is located in the heart of Peterborough on Lansdowne Street just east of Parkway. The facility hosts a dynamic variety of events including concerts and theatre productions with stadium seating as well as trade shows and conferences on the floor. The space is also the home of sporting events and tournaments for Hockey and Lacrosse teams, specifically the Peterborough Petes (Major Jr. “A” Ontario Hockey League Club) and the Ontario Lacrosse Association’s Peterborough Lakes Major Series Lacrosse Team. The facility is considered a “community facility” and is publicly owned and operated by the City of Peterborough. Parking is available surrounding the location and there are 5 food and beverage concessions in the main concourse (East Concourse) of the facility.

Tribute Communities Centre



The Tribute Communities Centre is a multi-purpose arena space in Downtown Oshawa. The facility has hosted large concert events including famous artists like Elton John, Motley Crue, and Bob Dylan, children’s shows like Disney Live! and The Wiggles, and other shows like Cirque du Soleil. The arena is also a major sporting arena, particularly for Hockey events. The space does not have a professional hockey team; however, the Toronto Maple Leafs have played games there. The arena has also hosted international hockey matches, and scouting events.

Casino Rama Entertainment Centre



Casino Rama Entertainment Centre is in Orillia, Ontario on the north banks of Lake Simcoe. The Entertainment Centre is operated by the adjacent casino and was developed to drive casino visitation. The Centre features a 5,000-seat concert space that attracts several top performers from around the world. Performances include music concerts, comedy shows, and theatre productions. The space is active nearly every weekend with shows on Fridays, Saturdays and Sundays.

Proximity to both summer outdoors destinations, such as lakes and trailheads, and winter destinations, such as ski slopes, keep the facility operating indoor entertainment events year-round.

As shown in the following table, Casino Rama averages approximately 80 shows a year, reported attendance of 340,000, and an average ticket price of \$59. It should be noted that casinos typically comp a high percentage of tickets that may not be reflected in the Pollstar data, and non-concert events like production shows are not included. At one time, Rama had total attendance of approximately 500,000 per year. The two local non-casino competitors have much smaller concert schedules, with the Peterborough facility hosting just 7 concerts per year and the Oshawa facility 20 concerts per year.

Theatre	Location	Average Capacity	Average Occupancy	Avg Shows per Year	Avg Ticket Price
Tribute Communities Centre	Oshawa	3,404	89%	19.6	\$63.05
Peterborough Memorial Centre	Peterborough	3,099	78%	6.8	\$76.86
Casino Rama Entertainment Centre	Orillia	4,979	86%	79.2	\$59.32

Source: Pollstar; The Innovation Group.

Comparable Casino-Entertainment Facilities

There are two additional casinos in Ontario with major entertainment facilities. Although these facilities would only indirectly compete with the proposed entertainment center, they act as comparables for analysis of demand for such spaces in southern Ontario. It should be noted that casinos typically comp a high percentage of tickets that may not be reflected in the Pollstar data.

The Colosseum at Caesar’s Windsor

The Colosseum at Caesar’s Windsor is an entertainment venue designed for musical concerts, comedy shows, and special performances. The Las Vegas style space, with a capacity of 5,000, hosts approximately 60 major musical artists per year. Pollstar data shows average occupancy of 79% for 1.1 shows per week.

The Avalon Ballroom Theatre at Niagara Fallsview Casino Resort

The Avalon Ballroom Theatre is located at the Niagara Fallsview Casino Resort in Niagara Falls. This facility is considerably smaller than The Colosseum; however, it is one of the largest in the popular tourist destination of Niagara Falls. This entertainment space features big ticket performing and musical artists that driving average ticket prices up to about \$80, as well as dozens of smaller “B” acts and non-concert shows that are not included in the Pollstar data. Based on the calendar on the Fallsview website, we estimate the facility hosted up to 260 shows per year pre-Covid.

Event Center Comparables 2015-2019

Theatre	Average Capacity	Average Occupancy	Avg Shows per Year	Avg Ticket Price
The Colosseum at Caesar's Windsor	4,805	79%	53.4	\$58.45
The Avalon Ballroom Theatre at Fallsview Casino Resort	1,337	54%	48.2	\$79.91

Source: Pollstar, The Innovation Group.

Demand Analysis

In regards to concert events (music and comedy), a mixture of three tier levels is common. Top-tier headliners above \$250,000, other “A” acts in the \$100,000-\$200,000 range, and “B” level acts in the \$50,000-\$75,000 range.

In addition to musicians and comedians, gaming centres host production shows, boxing, mixed martial arts, and other sporting events. Kawartha would also be a good location to host eSports events. Production shows are still hosted in Las Vegas, and they also are popular in Ontario.

A total of 74 events annually are forecast with an average occupancy level of 64.5%. Revenues are estimated to total \$7.5 million.

Kawartha Downs Entertainment Forecast

	Number of Events	Occupancy Level	Total Attendance	Average Ticket Price	Total Revenue
Top Tier Concerts	6	90%	16,200	\$85.00	\$1,377,000
A & B Tier Concerts	34	64%	65,700	\$60.14	\$3,951,000
Other Events	34	60%	61,200	\$35.00	\$2,142,000
Total	74	64.46%	143,100	\$52.20	\$7,470,000

Source: The Innovation Group

Concession and merchandise sales are also significant revenue generators during concerts and other events. Moreover, based on penetration of group meeting demand in the hotel market assessment and given the size of the meeting space of 30,000 gross square feet, we estimate meeting attendance will stabilize in year two at nearly 20,000 and generate revenue of approximately \$1 million.

Total revenue is projected to gross over \$10 million in Year One. Expenses are estimated at \$8.7 million in Year One, which results in EBITDA of \$1.3 million.

Events Centre Proforma

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues					
Entertainment					
Ticket Sales	\$7,470,000	\$8,067,600	\$8,309,628	\$8,558,917	\$8,815,684
Concessions	\$1,805,141	\$1,949,553	\$2,008,039	\$2,068,280	\$2,130,329
Subtotal	\$9,275,141	\$10,017,153	\$10,317,667	\$10,627,197	\$10,946,013
Meetings	\$750,633	\$1,007,587	\$1,032,396	\$1,052,560	\$1,070,448
Total Revenue	\$10,025,774	\$11,024,740	\$11,350,063	\$11,679,757	\$12,016,461
Expenses					
Talent	\$5,950,000	\$6,128,500	\$6,312,355	\$6,501,726	\$6,696,777
Production	\$652,500	\$672,075	\$688,877	\$699,210	\$706,202
Advertising	\$482,400	\$496,872	\$506,809	\$514,412	\$519,556
Salaries and Wages	\$512,874	\$528,260	\$544,108	\$554,990	\$566,089
Concession COGS	\$626,063	\$644,844	\$657,741	\$667,607	\$674,283
Meetings	\$464,459	\$615,303	\$617,409	\$623,490	\$628,465
Total Expenses	\$8,688,295	\$9,085,854	\$9,327,300	\$9,561,434	\$9,791,373
EBITDA	\$1,337,479	\$1,938,886	\$2,022,763	\$2,118,322	\$2,225,088
EBITDA %	14.4%	19.4%	19.6%	19.9%	20.3%

Source: The Innovation Group

Hotel Implication

A portion of guests attending shows will also stay overnight at the casino hotel, as shown in the following table. These visits are estimated to result in nearly 6,400 hotel room nights of demand. Additionally, providing rooms for performers and staff is estimated to generate 1,700 room nights.

Events Centre Hotel Impact

Total Attendance	143,100
Hotel Capture	8.0%
Attendance hotel	11,448
Double Occupancy Factor	1.8
Room Nights of Demand	6,360

Source: The Innovation Group

HOTEL MARKET ASSESSMENT

The Hotel Market Assessment that follows will address the potential increased capture rate of local and out of market share from the addition of a hotel to the Kawartha Downs amenity offerings. The projections of this assessment assume that Kawartha Downs will expand its amenity offerings to include a new 3,000-seat events centre that will showcase regional and national acts to attract patrons and to expand its gaming offerings with a charitable bingo operation. Further assumptions regarding the events centre and charitable gaming centre can be found in the entertainment assessment portion of this report.

Methodology

The first step in the assessment process was to gain a thorough understanding of the existing regional hotel market, including the casino and non-casino hotel segments. The Innovation Group relied upon a previous site visit to the area and based on the information gathered, The Innovation Group believes that in addition to introducing an overnight gamer segment, the proposed hotel would further penetrate several target markets. In the end, the sizing was analyzed to account for sufficient penetration into the existing casino database as well as the local market without having to turn away visits due to lack of space.

Thus, the incremental room night demand forecast was segregated into five major components, including the overnight gamer (casino demand), group demand (segmented into group tour and group meeting), commercial and leisure tourists demand; the latter four representing more traditional non-gaming hotel demand.

Of salience to this assessment, the Kawartha area is already well known as a destination “cottage area” for GTA residents, and it has numerous golf courses, raising the potential for marketing golf “stay and play” packages. The following quality courses are proximate to the proposed hotel:

- *Baxter Golf Club*
- *Keystone Links Golf and Country Club*
- *Liftlock Golf Club*
- *Black Diamond Gold and Country Club*
- *Kawartha Golf and Country Club*

Next, we estimated the proposed hotel’s penetration into the five potential hotel markets. The room night demand estimate for these components of demand was based on the current supply and demand profile, combined with assumptions regarding future growth. In order to gauge potential capture, The Innovation Group analyzed the proposed hotel’s location, quality and scope, including amenity package, in relation to the target market. In order to forecast future growth, we analyzed data on the regional population and tourism growth trends, as well as the historical performance of the relevant hotels.

Finally, estimated room rates are applied to the room night demand for the proposed hotel in order to forecast room revenue. The appropriate Average Daily Rate (ADR) was established in conjunction with estimating penetration with the goal of maximizing overall revenue. We

analyzed the competitive environment and prevailing room rates for the purpose of finding the price point that maximizes the benefits of the potential hotel.

Importance of Hotels to Casino Guests

The Innovation Group recently completed a survey on *Consumer Behavior in the Gaming Industry*, which has a comprehensive listing of casino gamers’ characteristics in the U.S. The observations and conclusions compiled in this publication were developed from a nationally representative sample of 1,260 active casino gamblers.

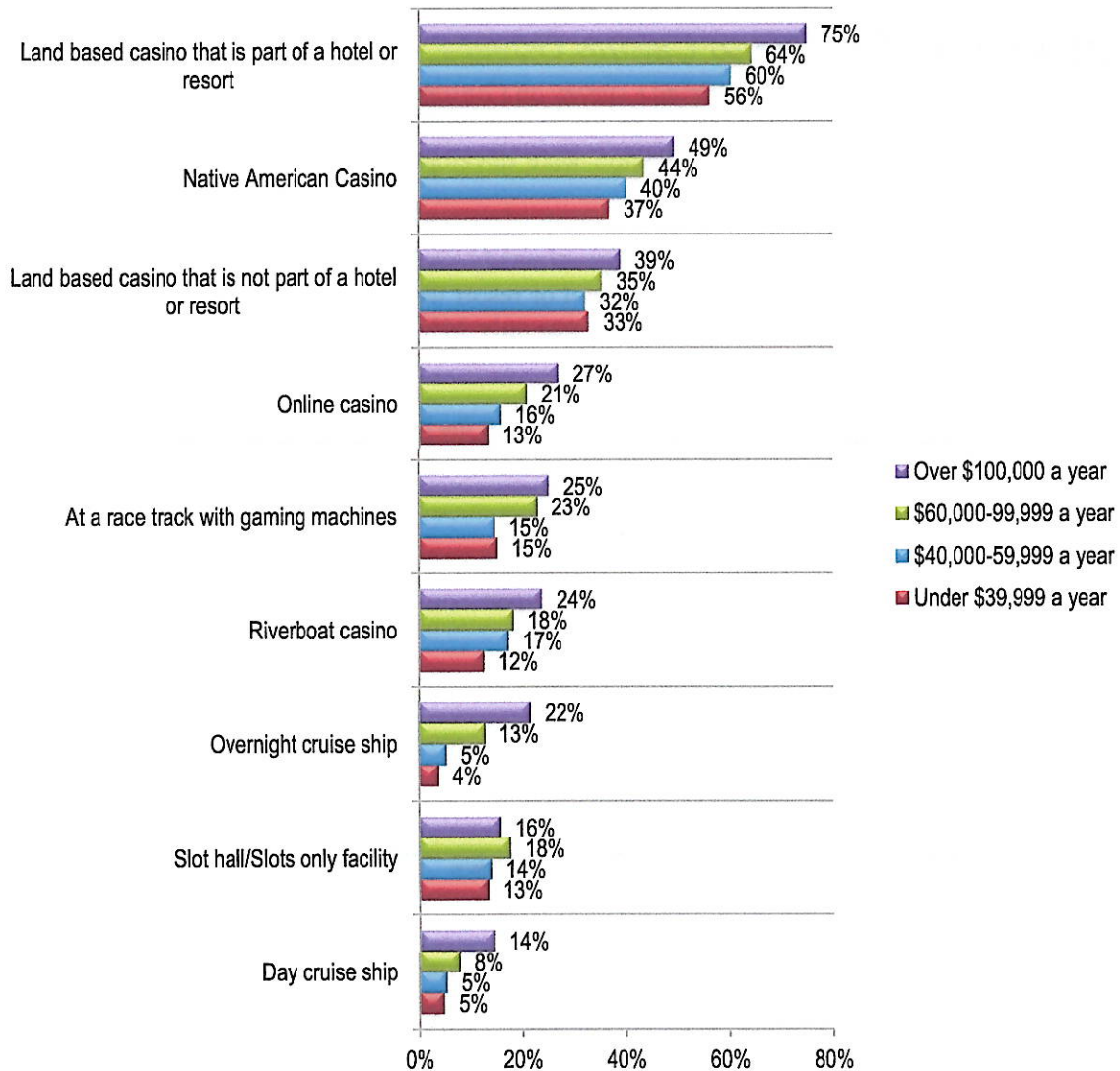
As can be seen in the table that follows, approximately six in ten active casino gamblers have visited a land-based casino that is part of a hotel or resort while respondents who visited a land-based casino that is not part of a hotel or resort was only 34%.

Type of Casinos Visited Most Frequently for the Purposes of Gambling	
Type of Casino	Casino Gamblers Percentage
Land based casino that is part of a hotel or resort	63%
Native American Casino	42%
Land based casino that is not part of a hotel or resort	34%
At a race track with gaming machines	19%
Online casino	18%
Riverboat casino	17%
Slot hall/Slots only facility	15%
Overnight cruise ship	10%
Day cruise ship	7%
Other	1%

Source: The Innovation Group

Additionally, land-based casinos that are part of a hotel or resort typically do a better job of attracting gamers with higher income levels. Over 75% of people making \$100,000 or more per year report staying and gaming at land based casinos with attached hotels, while only 39% of those same participants say they game at a land based casino that is not part of a resort or hotel.

Types of Casinos Visited by Income Segment



Source: The Innovation Group Consumer Behavior in the Gaming Industry Survey

The hotel opportunity is also a key element to enhancing the effectiveness of the casino's player's club program. Survey respondents were asked the reasons that they considered a specific players club to be the best. Offering free rooms and room discounts were noted as two top reasons that a players club was rated most effective. In fact, over eight in ten gamers said that they would be motivated to visit a casino more often if they were offered a free hotel room.

Similarly, nearly seven in ten would be motivated by a discounted hotel room. The following table provides a list of the most motivational casino promotions according to survey respondents in a player's reward club.

Most Motivational Casino Promotions



Source: The Innovation Group Consumer Behavior in the Gaming Industry Survey
 Note: Only survey respondents that have a player's reward club card answered this question.

Competitive Environment

There are several non-gaming hotels in the area that the proposed hotel will compete with. The following sections will highlight some of these competitors. We provide two trend analyses: 2013 through 2019, and a COVID impact analysis through the most recent month of available data, September 2021.

Local Lodging Market

The regional competitive supply includes 14 hotels within generally 25 kilometers for a total of 931 rooms as provided by STR (formerly Smith Travel Research). As shown below, the market has a large selection of economy and midscale hotels; however, they are not considered competition as their clientele will vary from what the quality of a casino hotel will attract. The table below gives more detailed information about the competitive hotels offered within the immediate local market.

Local Hotel Supply

Name of Establishment	City & State	Class	Rooms
Super 8 Peterborough	Peterborough, ON	Economy Class	82
Comfort Hotel & Suites Peterborough	Peterborough, ON	Upper Midscale Class	103
Quality Inn Peterborough	Peterborough, ON	Midscale Class	117
Nite Owl Motel	Peterborough, ON	Economy Class	11
Clear View Terrace Motel	Peterborough, ON	Economy Class	19
Blue Jay Motel	Peterborough, ON	Economy Class	16
Motel 6 Peterborough	Peterborough, ON	Economy Class	85
Best Western Plus Otonabee Inn	Peterborough, ON	Upper Midscale Class	101
Holiday Inn Peterborough Waterfront	Peterborough, ON	Upper Midscale Class	153
Peterborough Inn	Peterborough, ON	Economy Class	170
Peterborough Suites	Peterborough, ON	Midscale Class	32
Knights Court Motel	Peterborough, ON	Economy Class	12
Clearview Lodge	Peterborough, ON	Economy Class	19
Robyns Motel	Peterborough, ON	Economy Class	11
Total			931

Source: STR, The Innovation Group

Target Market

Unfortunately, none of the hotels listed above provide segmentation data to STR though a few do provide occupancy, ADR and RevPAR. As a result, the following hotels were selected from the above group as a competitive set for the proposed hotel. The following table lists the 4 hotels for which historical average daily room rates and occupancy rates were available for the region. These 4 properties account for 474 hotel rooms and should be considered as a representative sample of how the market is performing for properties attracting a mix of regional highway travelers, business travelers, and vacationers.

Target Market Supply

Name of Establishment	City & Province	Class	Rooms
Comfort Hotel & Suites Peterborough	Peterborough, ON	Upper Midscale Class	103
Quality Inn Peterborough	Peterborough, ON	Midscale Class	117
Best Western Plus Otonabee Inn	Peterborough, ON	Upper Midscale Class	101
Holiday Inn Peterborough Waterfront	Peterborough, ON	Upper Midscale Class	153
Total			474

Source: Smith Travel Research, The Innovation Group

Target Market Statistical Analysis

After low occupancies in 2013 and 2014, the market experienced average annual occupancies above 64% from 2015 through 2019, with a peak of 66.8% in 2018. Average daily rates (“ADR”) and Revenue per available room (“RevPAR”) have increased since 2013, indicating a healthy regional market with increasing demand potential.

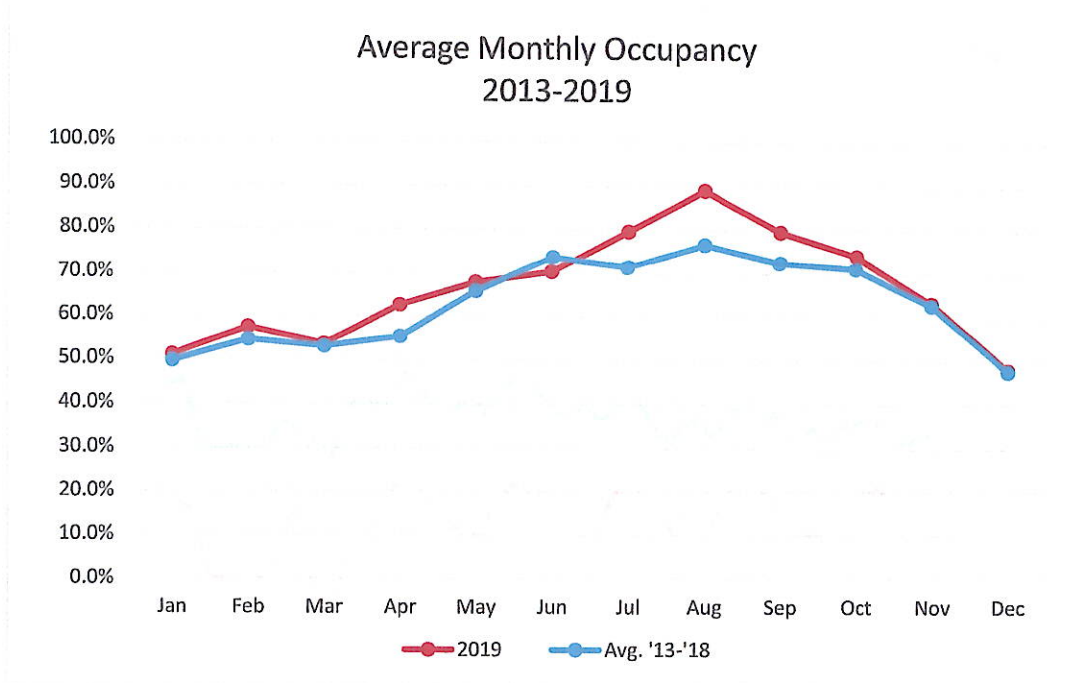
Target Market Statistics

Year	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2013	56.8%		\$108		\$61	
2014	58.8%	3.7%	\$107	-0.9%	\$63	2.7%
2015	64.3%	9.3%	\$108	1.5%	\$70	10.9%
2016	65.0%	1.1%	\$114	5.0%	\$74	6.1%
2017	65.2%	0.3%	\$116	1.9%	\$75	2.2%
2018	66.8%	2.4%	\$126	8.5%	\$84	11.1%
2019	66.4%	-0.6%	\$126	0.4%	\$84	-0.2%
5-Year C.A.G.R.	2.4%		3.4%		5.9%	

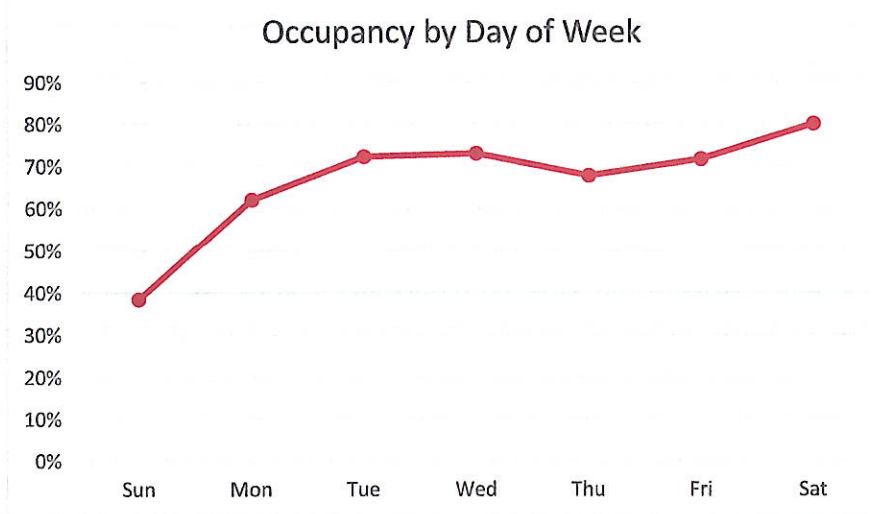
Source: STR; The Innovation Group

Occupancy Rate

Seasonality is obviously a significant factor in the Peterborough area, as average six-year occupancies dip below 50% yet reach as high as 74% in the summer, on average (and 89% in August 2019). Summer and fall months have the highest occupancies, while December thru March are below 55%.

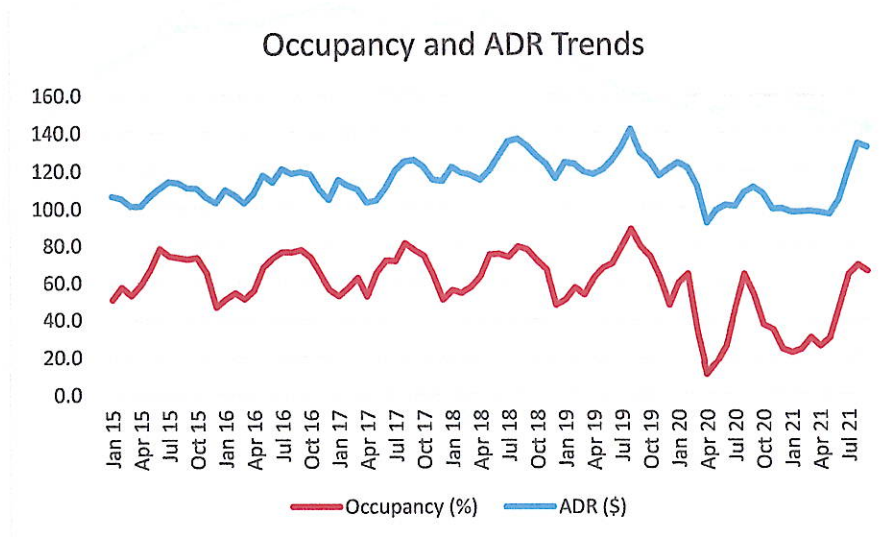


Hotel room demand is the highest on the weekends. However, the two other busiest days are Tuesday and Wednesday indicating a strong commercial and group demand. Sunday has the lowest occupancy, as is typical in most markets.



COVID Impacts

Occupancies and ADR plunged in March 2020 and again in October 2020 as COVID waves hit Ontario. The hotel market had a rebound from July-September 2020 before plunging again from the second wave last winter.



Occupancies have started to recover in recent months, reaching nearly 70% in August. They remain approximately 20% below 2019 levels, which is a large improvement compared to more than 50% down in May.

Recent Monthly Occupancy (%)			
	2019	2021	% Change
May	67.9	30.3	-55.5%
Jun	70.4	47.0	-33.2%
Jul	79.5	64.5	-18.9%
Aug	89.0	69.6	-21.8%
Sep	79.6	66.2	-16.8%

Source: STR; The Innovation Group

Subject Hotel Demand Calibration

The first phase in the forecasting process was to calibrate the hotel model demand according to existing market conditions. This calibration represents the starting point for forecasting future revenue based on market growth and proposed expansions. This section details our methodology and outcomes for each demand segment.

Given the disruptions caused by COVID, we anticipate occupancy will stabilize at approximately 58% by 2022. For modeling purposes we have applied an occupancy of 50% for 2021 and a sharp recovery in 2022 albeit not to pre-COVID levels.

Market Segmentation

A lodging market's demand is generated by several different segments of travelers. Each of the segments use lodging accommodations for different reasons, travel for different durations, and are rate sensitive to varying degrees. Based on our fieldwork, area analysis, and knowledge of comparable markets, we have identified the following non-casino demand segments in our analysis:

Non-Casino Business Mix		
Current Business Mix	RND	%
Group Tour	4,325	5%
Group Meetings	21,626	25%
Tourist	51,903	60%
Commercial	8,651	10%
Total	86,505	100%

Source: The Innovation Group

Group Tour Demand

Group-tour demand is generated by tourists who travel in groups by bus charter. The local attractions, live entertainment, and associated hotel amenities could be draws of mid-week and off-season business to complement the casino segment.

Group Meeting Demand

Group meeting demand is comprised of conventions and association meetings, trade shows, and leisure-oriented SMERF (social, military, educational, religious, and fraternal) groups. This segment generally works well with leisure hotels since it helps fill mid-week demand.

Tourist Demand

The tourist or leisure demand segment consists of individuals and families either spending time in the area or passing through en route to other destinations. Leisure demand is strongest on the weekends and during holiday periods throughout the year. These peak periods of demand are negatively correlated with commercial and group meeting visitation and, therefore, have a stabilizing effect in markets where both types of demand may be captured. However, this group tends to conflict with the more lucrative casino demand, therefore an adequate balance must be measured against the costs.

Commercial Demand

The commercial demand is characterized as business travelers.

Growth in Existing Demand

We reviewed and evaluated the existing performance of the assumed competitive properties to establish demand for current hotel operations; however, future growth of the market also needs to be considered. Factors affecting growth in demand include:

- Accessibility to the area;
- Growth in per capita income;
- Historical growth in room nights of hotel demand;
- Growth in the supply of area hotels and their marketing efforts; and
- Development of other tourist attractions in the area.

The Innovation Group determined that demand for hotel rooms in the region is anticipated to show mild normative increases following partial recovery in 2022 and induced growth in 2024 resulting from the addition of the Kawartha expansion. The following table summarizes.

Market Demand Growth Rates					
	2022	2023	2024	2025	2024
Group Tour	15.00%	1.00%	5.00%	1.00%	1.00%
Group Meetings	15.00%	1.00%	5.00%	1.50%	1.50%
Tourist	15.00%	1.50%	2.00%	1.50%	1.50%
Commercial	15.00%	1.00%	1.00%	1.00%	1.00%

Source: The Innovation Group

Penetration Analysis of Local Demand

The degree of market penetration by a subject property is referred to as “Market Share”. If a hotel’s actual penetration in each market segment is equal to the hotels’ share of supply, it should achieve what is referred to as its “Fair Share”. At 150 rooms, the subject property’s fair share of the projected local ambient demand is calculated to be 24.04%. Any deviation from fair share, either positive or negative, usually is a result of three reasons:

- The hotel is likely to be more or less competitive than other hotels in any particular market segment;
- Peak demand for a particular segment conflicts with peak gaming demand (especially tourism); and
- There is a period of time required after opening for a hotel to reach its full penetration.

The proposed Kawartha hotel is forecast to exceed its fair share in the tourism and group segments given the property’s entertainment and leisure offerings and meeting facility and the potential for golf packages. Business travelers typically like to stay near city centers and at flagged hotels; therefore, a strong discount to fair share is projected.

Kawartha Adjustments to Fair Share					
Penetration Rates	2024	2025	2026	2027	2028
Group Tour	80%	105%	105%	105%	105%
Group Meetings	90%	115%	115%	115%	115%
Tourist	105%	110%	110%	110%	110%
Commercial	15%	20%	20%	20%	20%

Source: The Innovation Group

Gaming and Events Generated Lodging Demand

Hotel demand generated by the slot casino will be driven by the convenience factor as some of the existing gaming visitors will be traveling a great enough distance to warrant an overnight stay. Furthermore, some gamers may desire to have a weekend trip away and will choose the hotel as their destination if the facility can offer attractions and/or recreational amenities in addition to the existing and proposed facilities.

Events-related demand and bingo-related demand is estimated based on penetration of the events centre and bingo patrons as discussed in previous sections of this report. Additionally, capture of patrons of the Shorelines Slot facility is estimated from a highly conservative estimate of gaming visits. According to the most recently available data from OLG (OLG stopped reported visits after 2016), Kawartha generated nearly 700,000 gaming visits in 2016, most of which is expected to have migrated to the Peterborough property but a portion retained by Kawartha.

Kawartha Gaming Visits	
	Gaming Visits
2011	786,957
2012	786,202
2013	730,118
2014	670,025
2015	659,212
2016	686,851

Source: OLG; The Innovation Group

Elsewhere throughout Canada and the United States, gaming facilities have had great success with hotel developments. These successes stem from a variety of attractions, such as retail, entertainment, and food and beverage at a hotel as well as a particular hotel being a well-known branded facility.

Events and Gaming-Related Room Nights of Demand

	Visits	Capture Rate	Overnight Visits	Double Occupancy Factor	Length of Stay	Annual RND
Events Center Guests			11,448	1.8	1	6,360
Events Center performers			1,700	1	1	1,700
Slot Local	61,301	0.50%	307	1.5	1.1	225
Slot Distant	11,333	5.00%	567	1.8	1.3	409
Bingo local	83,539	0.50%	418	1.5	1.1	306
Bingo distant	27,686	2.25%	623	1.5	1.2	498
Total	197,007		15,062			9,499

Source: The Innovation Group

Estimated Hotel Performance

Hotel Occupancies

In calculating occupancy, consideration was given to weekend versus weekday demand for each demand category. It was estimated for this analysis that 90% of commercial demand, 85% of group meetings and group tour, 65% of events and gaming-related demand, and 40% of tourism demand would occur during midweek.

Total Demand

The following table shows hotel RND by segment, based on the total number of rooms (150).

Hotel RND by Segment

Segment	2024	2025	2026	2027	2028
Total Rooms	150	150	150	150	150
RNA	54,750	54,750	54,750	54,750	54,750
Group Tour	1,014	1,345	1,358	1,372	1,385
Group Meetings	5,706	7,400	7,474	7,549	7,625
Tourist	15,597	16,585	16,834	17,087	17,343
Commercial	366	493	498	503	508
Events & Gaming Related	9,499	9,974	10,173	10,377	10,480
Total Demand	32,183	35,797	36,337	36,887	37,341
Occupancy Rate	58.8%	65.4%	66.4%	67.4%	68.2%

Source: The Innovation Group

The following table shows hotel RND percentage by segment, based on the total hotel RND.

Hotel RND % by Segment

Segment	2024	2025	2026	2027	2028
Group Tour	3.2%	3.8%	3.7%	3.7%	3.7%
Group Meetings	17.7%	20.7%	20.6%	20.5%	20.4%
Tourist	48.5%	46.3%	46.3%	46.3%	46.4%
Commercial	1.1%	1.4%	1.4%	1.4%	1.4%
Events & Gaming Related	29.5%	27.9%	28.0%	28.1%	28.1%

Forecast Revenues

This prospective revenue analysis is based on some basic assumptions regarding the environment in which the proposed hotel would operate. These assumptions include the following:

- The proposed hotel will be managed and staffed by competent personnel;
- The proposed hotel will be professionally and aggressively marketed to the public; and
- The facilities and amenities of the hotel will be developed similar to those outlined in this report.

In estimating future average daily rates for the proposed hotel, the following factors were considered:

- Average room rates achieved by the hotels in the directly competitive market and more specifically competitive casino hotels in the Peterborough region;
- Historical average annual growth of average rates in the regional hotel market;
- The expected future demand, primarily during peak periods;
- The hotel's facilities and amenities;

- The quality and condition of the hotels in the existing directly competitive markets; and
- Estimated market segmentation and the degree of premium/discount from rack rates by market segment.

The associated revenues were primarily based on competitive casino hotels in the region and existing ADR rates.

ADR Assumptions						
	Midweek Rate	Weekend Rate	2025	2026	2027	2028
Group Tour	\$105.00	\$130.00	1.0%	1.0%	1.0%	1.0%
Group Meetings	\$105.00	\$130.00	1.0%	1.0%	1.0%	1.0%
Tourist	\$120.00	\$145.00	1.0%	1.0%	1.0%	1.0%
Commercial	\$120.00	\$145.00	1.0%	1.0%	1.0%	1.0%
Events & Gaming Related	\$105.00	\$130.00	1.0%	1.0%	1.0%	1.0%

Source: The Innovation Group

Hotel Room Revenue

In summary, based on a 150-room, upper-midscale hotel, we estimated room revenue in 2024 at nearly \$3.8 million. Our room revenue forecast increases to about \$4.5 million by 2028.

Hotel Performance Summary					
Summary	2024	2025	2026	2027	2028
Number of Rooms	150	150	150	150	150
Annual Room Nights Available	54,750	54,750	54,750	54,750	54,750
Occupancy	58.8%	65.4%	66.4%	67.4%	68.2%
RND	32,183	35,797	36,337	36,887	37,341
ADR	\$123.10	\$123.72	\$124.96	\$126.22	\$127.51
Room Revenue	\$3,961,804	\$4,428,762	\$4,540,773	\$4,655,672	\$4,761,253

Source: The Innovation Group

Operating Pro Forma Statement

This section highlights the statements of prospective Earnings before Interest, Taxes, Depreciation, Amortization (“EBITDA”) for the proposed hotel. The prospective financial statements are based upon operating characteristics of comparable hotels in other jurisdictions as well as The Innovation Group’s extensive industry experience, and take into consideration existing and assumed future market dynamics. In addition, certain other assumptions with regard to the project were made and include the following:

- The proposed project will be built in substantially the manner, and with the amenities, as portrayed by in this report;
- The proposed facility will be professionally managed and marketed to the public.

Estimates of income and expenses for the proposed hotel have been prepared assuming that 2024 will be the first full year of operation. Below is a description of the revenues and expenses and their associated assumptions.

Departmental Revenue

Rooms

Room Revenues for Hotel operations are as projected in the Hotel Market Assessment above.

Room Service

Revenues for room service operations are estimated at to be a calculation anticipating that 15% of all occupied rooms will order room service, at a cost of \$50 per room.

In-Room Entertainment

Revenues for use of telephone, internet and movie rental are estimated at \$2.50 per occupied room.

Other Income

Other income is a catch-all for all other services and items that will be purchased through any sundry store, vending operations, dry cleaning services, etc. This is estimated to be approximately \$3.75 per occupied room.

Departmental Expenses

Rooms

Room expense consists of items relating to the operation of the hotel, including upkeep of guestrooms and public space, insurance costs and a reserve for replacement. Salaries, wages, and employee benefits account for a substantial portion of this category. Commissions and reservation expenses are usually based on room sales and are, therefore, highly volume sensitive. Linen, operating supplies, other operating expenses, and uniforms are only slightly affected by changes in volume. Room expenses are projected at 35% of room revenues.

Room Service

Room service expenses margin is expected to be 85% of room revenue.

In-Room Entertainment

In-Room Entertainment expenses margin is expected to be 75% of room revenue.

Other Expenses

Other expenses consist of miscellaneous hotel revenue sources. Based on historical information, miscellaneous hotel items expenses are estimated at 65% of revenues.

Undistributed Operating & Fixed Expenses

General and Administrative

Administrative and general expense includes the salaries and wages of all administrative personnel. Expense items related to the management and operation of the property is allocated in this category. Administrative and general expense is anticipated to equate to 9% of hotel revenue based upon comparable situations in other markets.

Marketing Expense

Marketing expenses include payroll costs to staff the sales department as well as advertising, sales and promotional costs. Marketing expense has been forecast at 7% of total hotel revenue.

Property Operations and Maintenance

Property Operations and Maintenance Expense includes payroll and related expenses as well as other expenses necessary for painting, decoration, and repairs to the building, grounds, and equipment. This expense is estimated to be \$1,400 per room in 2024, rising with inflation thereafter.

Management Fee

A management fee is allocated equaling 4% of total hotel revenue in 2024, rising with inflation thereafter.

Energy

Energy fees are estimated at \$9 per room night of demand.

Insurance

Insurance costs are estimated at \$800 per room in 2024, rising with inflation thereafter.

The following table shows revenues, expenses and EBITDA margins for the proposed hotel.

Hotel Pro Forma, Five Year Forecast (000s)					
	2024	2025	2026	2027	2028
DEPARTMENTAL REVENUE:					
Rooms	\$3,962	\$4,429	\$4,541	\$4,656	\$4,761
Room Service	\$241	\$275	\$286	\$298	\$309
In-Room Entertainment	\$80	\$89	\$91	\$92	\$93
Other Income	\$121	\$134	\$136	\$138	\$140
Total Revenues	\$4,404	\$4,928	\$5,054	\$5,184	\$5,304
DEPARTMENTAL EXPENSES					
Rooms	\$1,387	\$1,550	\$1,589	\$1,629	\$1,666
Room Service	\$205	\$234	\$243	\$253	\$263
In-Room Entertainment	\$60	\$67	\$68	\$69	\$70
Other Expenses	\$78	\$87	\$89	\$90	\$91
Total Departmental Expenses	\$1,731	\$1,938	\$1,989	\$2,042	\$2,090
DEPARTMENTAL INCOME	\$2,674	\$2,989	\$3,065	\$3,142	\$3,214
UNDISTRIBUTED OPERATING EXPENSES:					
General and Administrative	\$396	\$423	\$434	\$445	\$455
Marketing	\$308	\$329	\$338	\$346	\$354
Property Operations and Maintenance	\$210	\$215	\$221	\$226	\$232
Energy	\$290	\$283	\$290	\$298	\$305
Total Operating Expenses	\$1,204	\$1,250	\$1,283	\$1,315	\$1,346
HOUSE PROFIT	\$1,469	\$1,689	\$1,731	\$1,775	\$1,813
FIXED EXPENSES					
Management Fee	\$176	\$197	\$202	\$207	\$212
Insurance	\$120	\$123	\$126	\$129	\$132
Total Fixed Expenses	\$296	\$320	\$328	\$337	\$345
EBITDA	\$1,173	\$1,369	\$1,403	\$1,438	\$1,469
EBITDA MARGIN	26.64%	27.77%	27.76%	27.74%	27.69%

Source: The Innovation Group

CONSOLIDATED PROFORMA

The following table shows revenues, expenses and EBITDA margins for the proposed development. For 2028, Charitable Gaming revenue is increased by 2.5% and expenses by 2.0%.

Kawartha Consolidated Pro Forma						
	2023	2024	2025	2026	2027	2028
Total Net Revenue						
Charitable Gaming	\$4,410,058	\$4,755,595	\$4,874,504	\$4,996,387	\$5,121,316	\$5,249,349
Events Centre		\$10,025,774	\$11,024,740	\$11,350,063	\$11,679,757	\$12,016,461
Hotel		\$4,404,321	\$4,927,680	\$5,054,210	\$5,184,137	\$5,303,766
Total	\$4,410,058	\$19,185,690	\$20,826,924	\$21,400,659	\$21,985,210	\$22,569,576
Less Charity Share of NGR	\$1,901,942	\$2,054,097	\$2,105,450	\$2,158,086	\$2,212,038	\$2,267,339
Total Expenses						
Charitable Gaming	\$1,556,486	\$1,643,849	\$1,681,913	\$1,720,873	\$1,760,753	\$1,795,968
Events Centre		\$8,688,295	\$9,085,854	\$9,327,300	\$9,561,434	\$9,791,373
Hotel		\$3,231,098	\$3,559,025	\$3,651,213	\$3,745,913	\$3,834,961
Total	\$1,556,486	\$13,563,242	\$14,326,791	\$14,699,386	\$15,068,100	\$15,422,302
Net Operator EBITDA	\$951,630	\$3,568,351	\$4,394,683	\$4,543,187	\$4,705,072	\$4,879,935
Margin (% of Net)	21.6%	18.6%	21.1%	21.2%	21.4%	21.6%

Source: The Innovation Group

DISCLAIMER

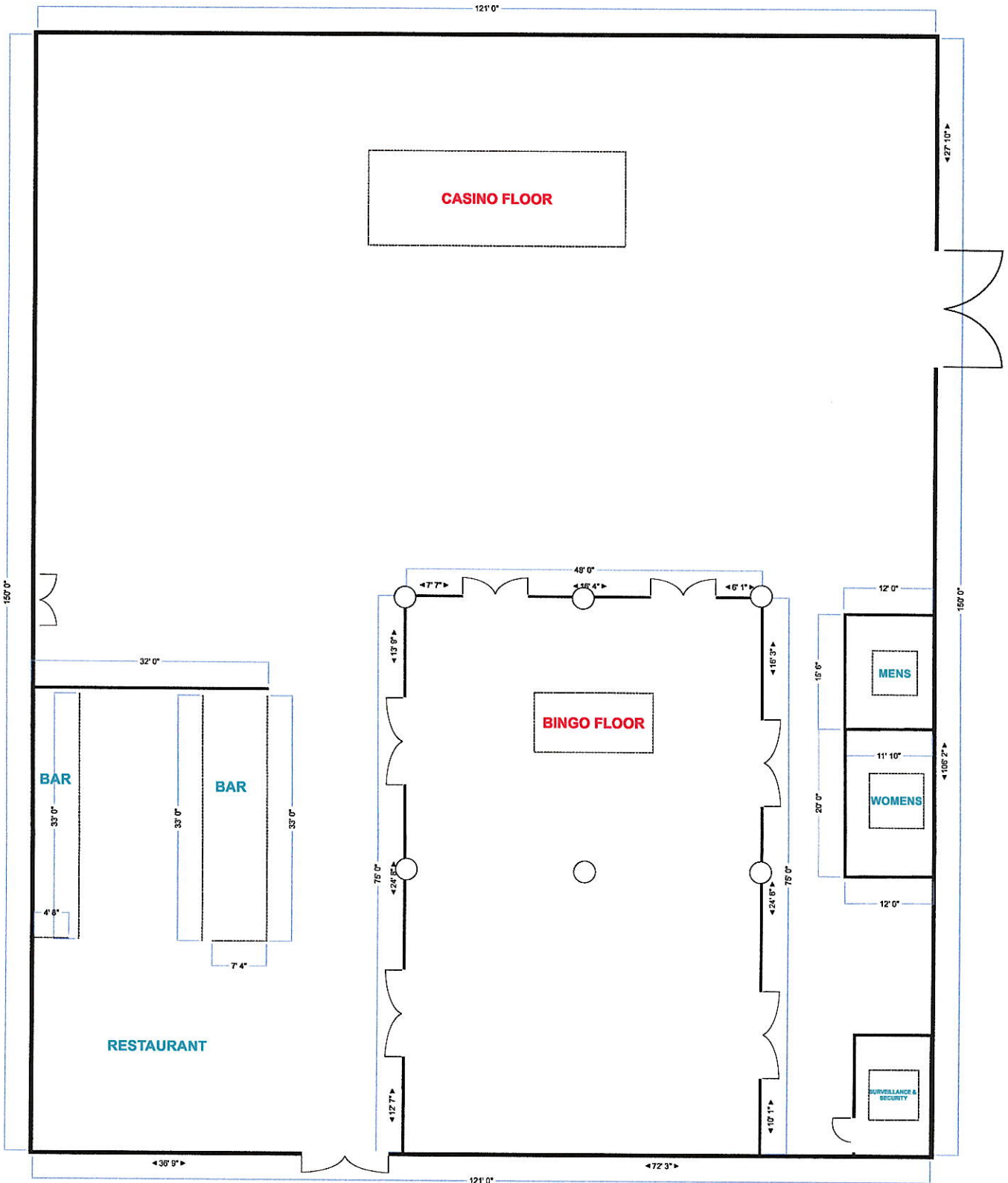
Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

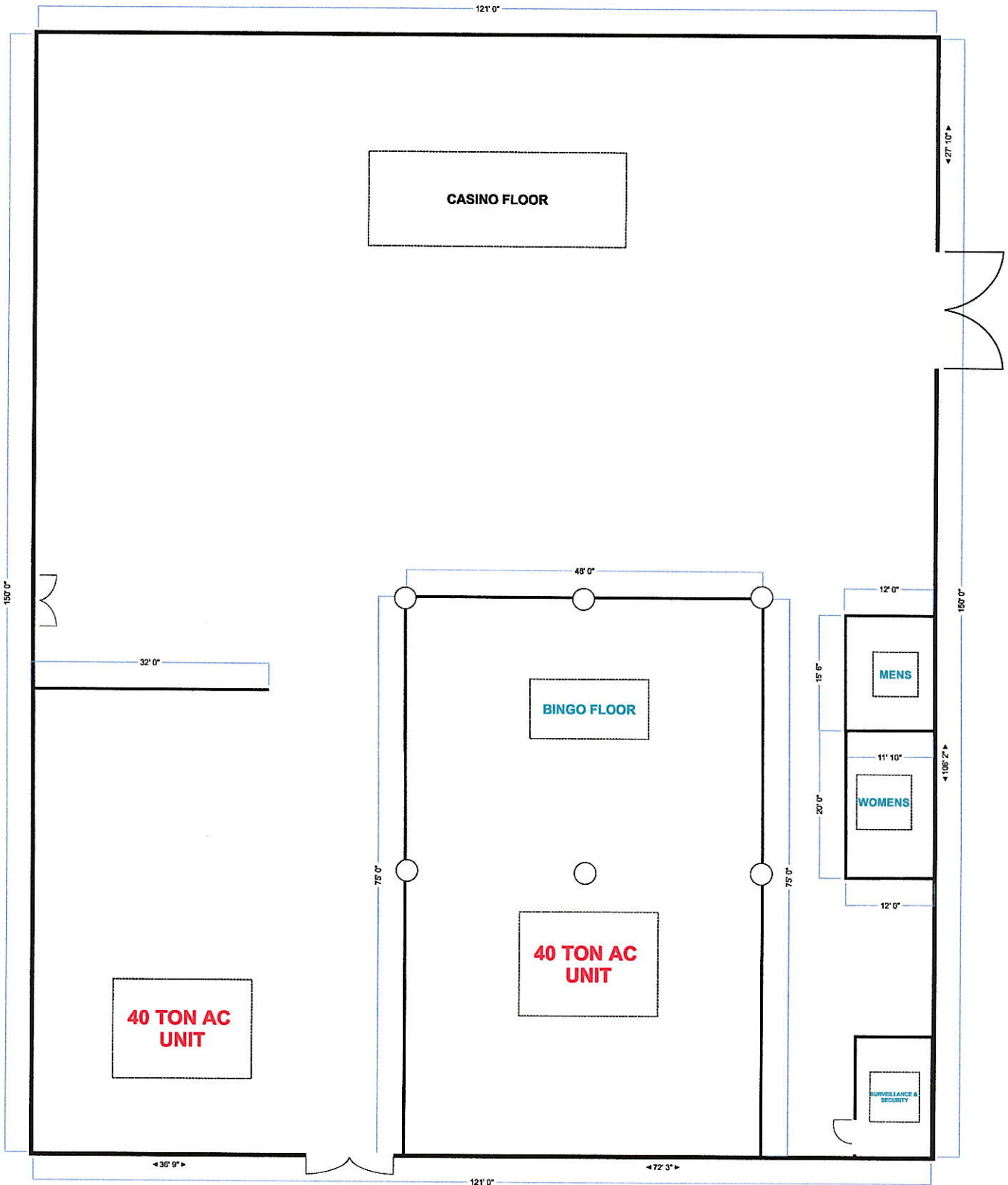
Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

APPENDIX 6

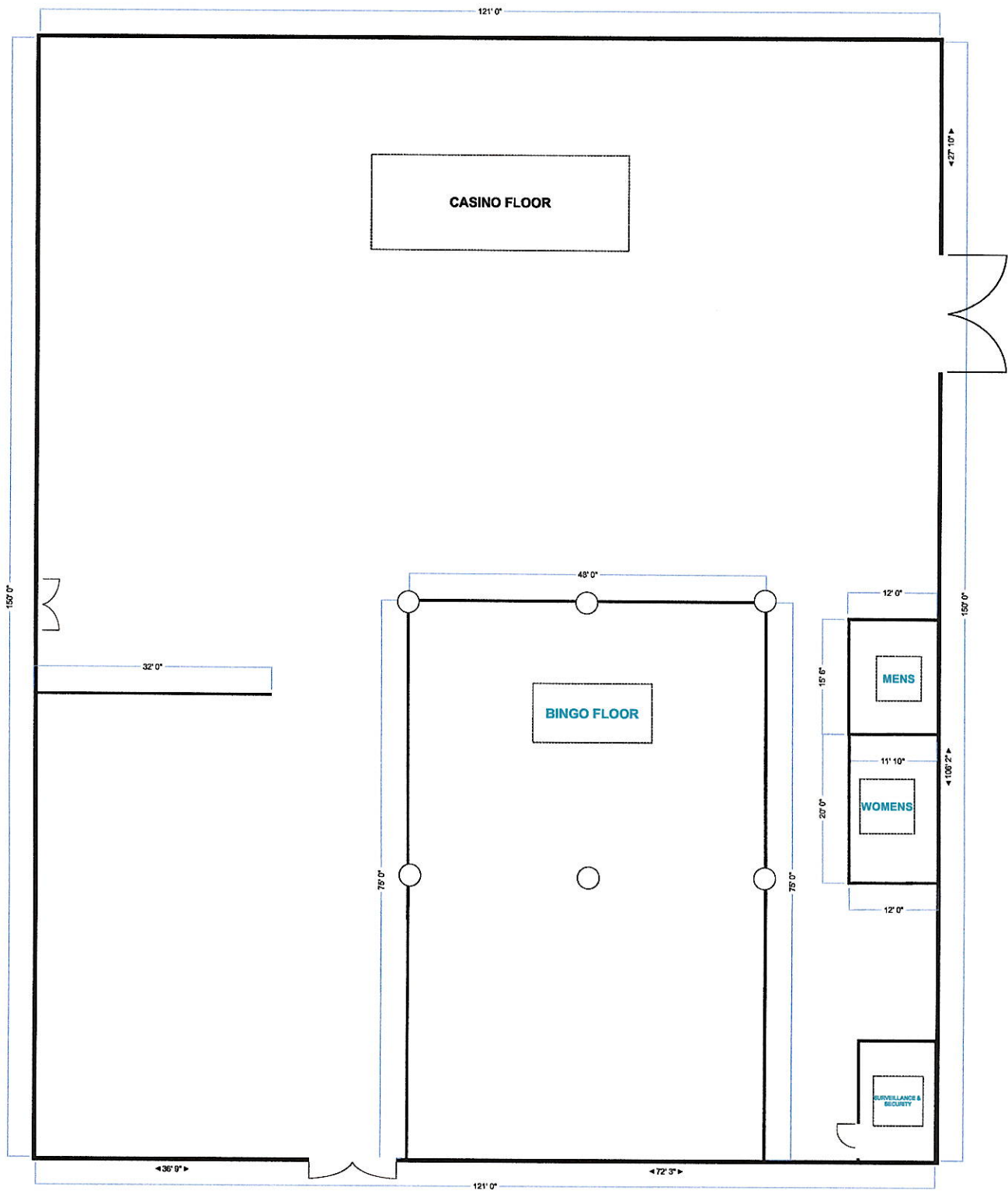
GAMING FLOOR



HVAC DRAWING
ROOF VIEW



EXITS



**FIRE EXIT
3 X 46" DOORS**

