

DOVER DOWNS GAMING & ENTERTAINMENT, INC.

LOTTERY AND GAMING COMMISSION STUDY GROUP

PRESENTATION

OCTOBER 8, 2013

DOVER DOWNS GAMING & ENTERTAINMENT, INC.

COMPANY OVERVIEW

Who we are: Dover Downs Gaming & Entertainment, Inc. NYSE: DDE

- Started out as Dover Downs, Inc. 1969 – 45 years operating in Delaware.
- Went public in 1996 as Dover Downs Entertainment, Inc.
- Separated from Motorsports in 2002 and became Dover Downs Gaming & Entertainment, Inc.
- Operating subsidiary: does business as Dover Downs Hotel & Casino

Dover Downs Hotel & Casino

- 1790 Total employees (including 302 subcontractor employees)
 - 2nd largest private sector employer in Kent County
 - 95% Delawareans
- \$52.1 million Total payroll & benefits (including subcontractors)
- \$285 million total capital investment 1996 - present.
- 407 Delaware Business vendors
- \$15.5 million annual expenditures to Delaware Business Vendors.
- \$1.1 billion to General Fund (1997-August 2013)

DOVER DOWNS HOTEL & CASINO

2012 CITY, COUNTY, STATE PAYMENTS

CITY

Real Estate Tax	277,082	
Slot Machine and Table Fee	372,875	
Electric Payments	2,700,520	
Water Payments	<u>154,743</u>	<i>Total</i>
		<u>3,505,220</u>

COUNTY

Real Estate Tax		
School	865,304	
Vocational	62,189	
County	<u>113,123</u>	<i>Total</i>
		<u>1,040,616</u>

STATE

Slot Gaming Taxes	75,201,448	
Slot License Fee	1,540,000	
Table Gaming Taxes	7,215,182	
Table License Fee	2,241,000	
Sports Wagering Taxes	367,195	
Corporate Income Tax	903,000	*
Franchise Tax	180,000	
Payroll Tax	1,353,000	
Gross Receipts Tax	533,000	
Hotel Occupancy Tax	375,000	
Uncashed Casino Tickets to State	112,502	
Unclaimed Jackpots to State	16,529	
Uncashed Parimutuel Tickets to State	<u>64,513</u>	<i>Total</i>
		<u>90,102,369</u>

TOTAL TO CITY, COUNTY, STATE

94,648,205

*was \$3mm in 2008. Will be close to \$0 in 2013

NOTE: This excludes payments to horsemen, vendors and all other operating expenses

alzheimer's  association™

DELAWARE COUNCIL ON GAMBLING PROBLEMS, INC.



Big Brothers Big Sisters
of Delaware



A community free from hunger
www.fbd.org



Putting the Pieces Together

DELAWARE
HOSPICE

Since 1982



Kent County &
Greater Dover
DELAWARE
Convention and Visitors Bureau

Greater Dover
COMMITTEE



BOYS & GIRLS CLUBS
OF DELAWARE



DELAWARE STATE UNIVERSITY
DOVER, DELAWARE 19901



American
Red Cross
of the Delmarva Peninsula

Together, we can save a life



United Way of Delaware



Delaware

DELAWARE
TECH 

◆ Dover ◆ Georgetown ◆ Stanton ◆ Wilmington

COMMUNITY CONTRIBUTIONS AND RECOGNITION

\$2,904,747 Corporate contributions **within Delaware** 1997-2013

\$ 144,561 Employee contributions **within Delaware** 2007-2013

RECOGNITION

NEWS JOURNAL “BEST IN THE BUSINESS” DOVER DOWNS HOTEL & CASINO

<u>YEAR</u>	<u>CATEGORY</u>
2000	Community Involvement
2001	Community Involvement
2002	Company to Watch
2003	Community Involvement
2004	Community Involvement
2006	Best Place to Work – Large Firm – Tourism & Gaming
2009	Top Work Places – Ranked #4 for large companies
2010	Top Work Places – Ranked #4 for large companies
2011	Top Work Places – Ranked #5 for large companies
2012	Top Work Places – Ranked #6 for large companies
2013	Top Work Places – Ranked #7 for large companies

RECOGNITION (continued)

Delaware Today Best of Delaware

- 2008 – Best Wine List (Michele's)
- 2008 – Best Restaurant Makeover (Michele's)
- 2009 – Best Place to Treat Yourself (Michele's)
- 2009 – Best Sunday Brunch (Michele's)
- 2010 – Best Music, Midstate (Dover Downs Hotel & Casino)
- 2010 – Best Nightspot, Midstate (Fire & Ice at Dover Downs Hotel & Casino)
- 2010 – Best Restaurant in Dover (Michele's)
- 2010 – Best Neighborhood Place (Frankie's)
- 2011 – Best Sushi in Dover (Michele's)
- 2011 – Best Family Style Restaurant (Frankie's)
- 2012 – Best Restaurant Variety (Dover Downs Hotel & Casino)
- 2013 – Best Sunday Brunch (Michele's)

DOVER DOWNS HOTEL & CASINO

24 MAJOR EVENTS HELD PER YEAR

Ray Charles

Hall & Oates

Kenny Rogers

Miss Delaware Pageant

Wayne Newton

Bill Cosby

George Carlin

Don Rickels

Chocolate Festival

Dionne Warwick

Pro Boxing

Chicago

Gallagher

Brew Festival

Montgomery Gentry

Beach Boys

Howie Mandel

Willie Nelson

RECOGNITION (continued)

- Delaware Employer Support of the Guard and Reserve Above & Beyond Award 2013
- Autism Delaware Noel Perry Smith Award for Outstanding Employer 2013
- *Forbes* Most Trustworthy Companies Distinction 2010
- State of Delaware Office of Highway Safety “HERO Award”
- *Smart Meetings* “Platinum Choice Award” 2011
- *Meetings East Magazine* “Best of the East Award”
2006, 2008, 2009, 2011, 2012
- AAA Four Diamond Award
2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012
- *Casino Player* magazine’s “Best of Gaming Award”
2003, 2004, 2005, 2006, 2007, 2008, 2009, 2012, 2013
- *Strictly Slots* magazine’s “Best of Gaming Award” 2010, 2012, 2013
- Delaware Lottery’s Customer Survey Report top overall scorer
2004, 2005, 2006, 2007

RECOGNITION (continued)

- Horizon Award for Website Redesign – Silver Award in the “Self Promotion/Company Identity” category 2008
- TripAdvisor Certificate of Excellence 2013

- Energy Efficient/High Performance Building Award
- Green Eco-Leaf Rating (4 out of 5)
- Green Hotel Certification
- Silver Tier Certification Green Concierge Award
Dover Downs is the first and only company in the U.S. to meet standard for Silver Tier certification.

CUSTOMER TESTIMONIALS

“We love staying at Dover Downs...it is our favorite place to go for a 2 or 3 day get-a-way!!! So clean and friendly. My husband can go to bed and I don't have to be afraid to stay down stairs at all!!!”

LC
Virginia Beach, VA

“The cleanest casino I have visited is Dover. That and the personnel are the reasons we keep coming back. We only live 50 min. from Atlantic City.”

AT
Toms River, NJ

“I love this place! We've been coming to Dover Downs for 15 years!! Truly is the best casino!!! Clean, great food, great staff!!

DS
Northampton, PA

“I come to Dover on an average of once a month and really enjoy the parties, the fresh clean public areas and bathrooms. The gifts are better than any other casino offers. My host is always reachable and returns my calls right away. I have casinos near my house in Philadelphia but enjoy the slots at Dover more. The people are always friendly and make it a special time.”

BC
Philadelphia, PA

“My wife and I have been to Atlantic City, Las Vegas, and several other casinos in the Maryland/Pennsylvania area. We consider Dover Downs to be the best casino we've ever visited. The quality of games, the food and hotel are always excellent.”

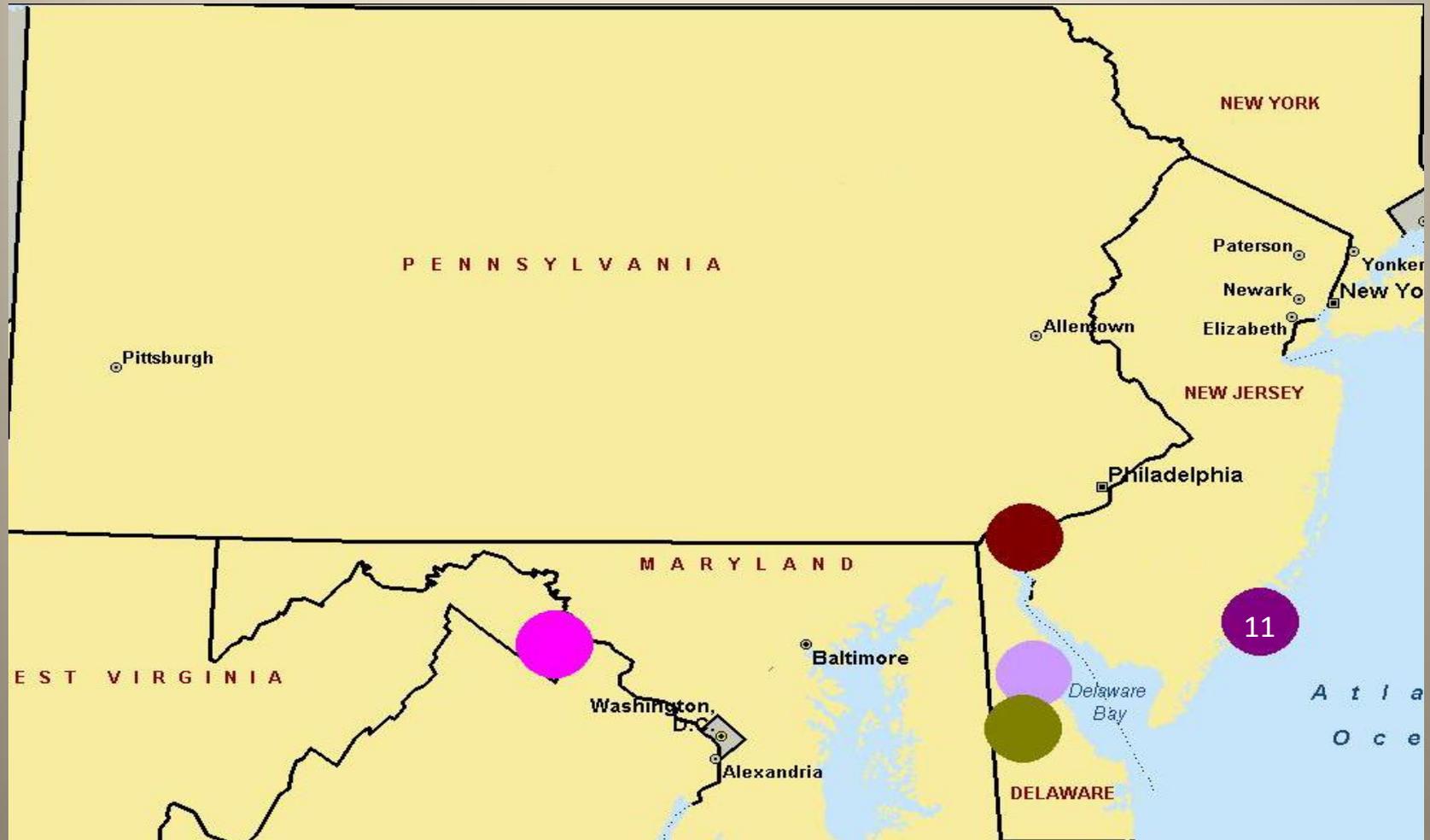
MK
Davidsonville, MD

“I have been visiting Dover Downs for many, many years and of all the casinos I have played at, Dover Downs is my favorite. I try to visit Dover Downs at least once a month. I love the atmosphere, the friendliness of its staff, the variety of slot machines, the variety of food choices, and having the hotel accessible from the casino. Of course, the free slot play they offer to their Capital Club members is awesome! The fact you can use your comp dollars for food, etc., is also a great plus.

For the past several years, I have only been playing slots at Dover Downs. I consider it “my” casino and do not play at any others. Keep up the good work Dover Downs! And let me win a jackpot soon, please! ☺”

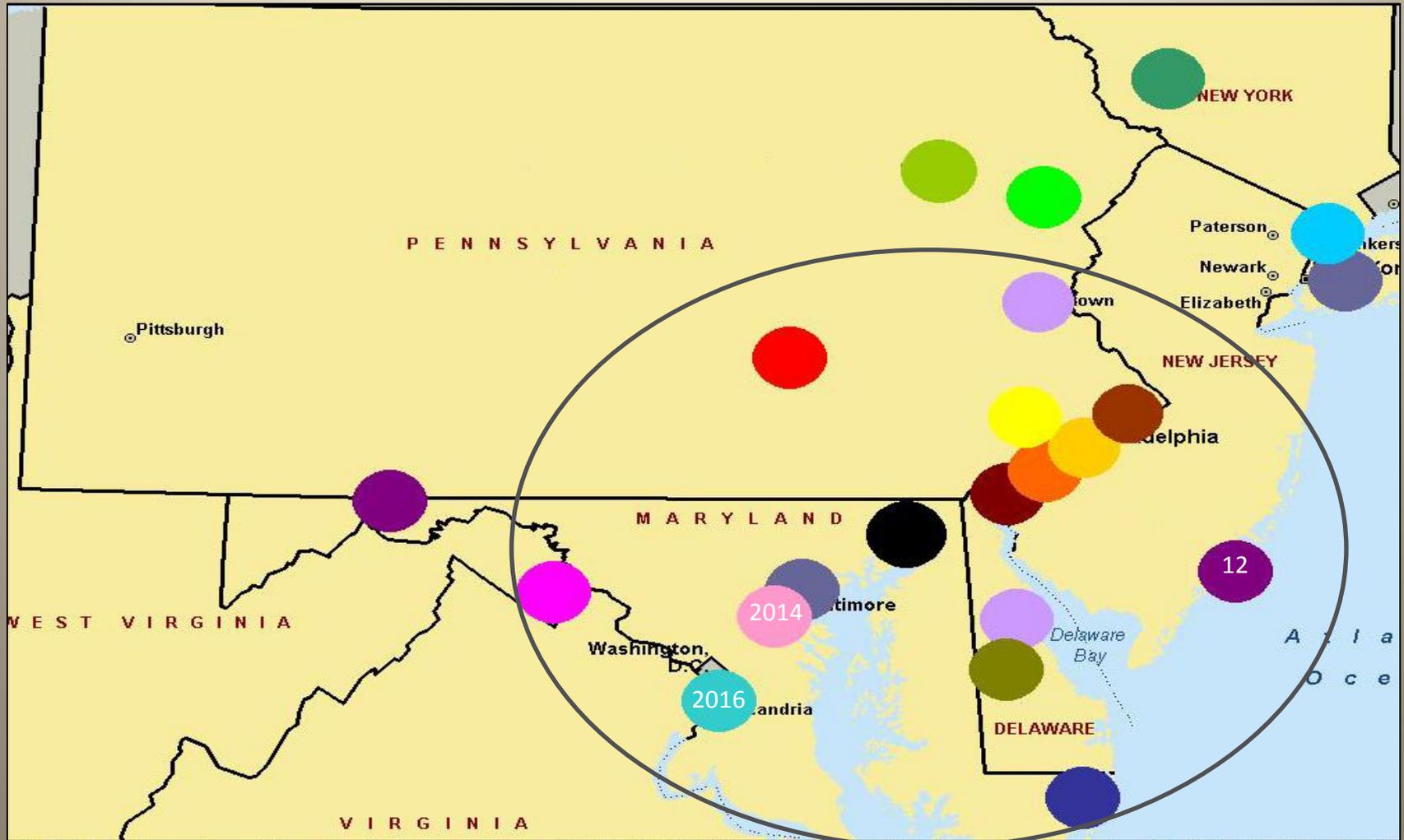
LK
North Beach, MD

IN 1996 WE COMPETED WITH 14 MID-ATLANTIC CASINOS



DELAWARE – 3
NEW JERSEY – 11
WEST VIRGINIA - 1

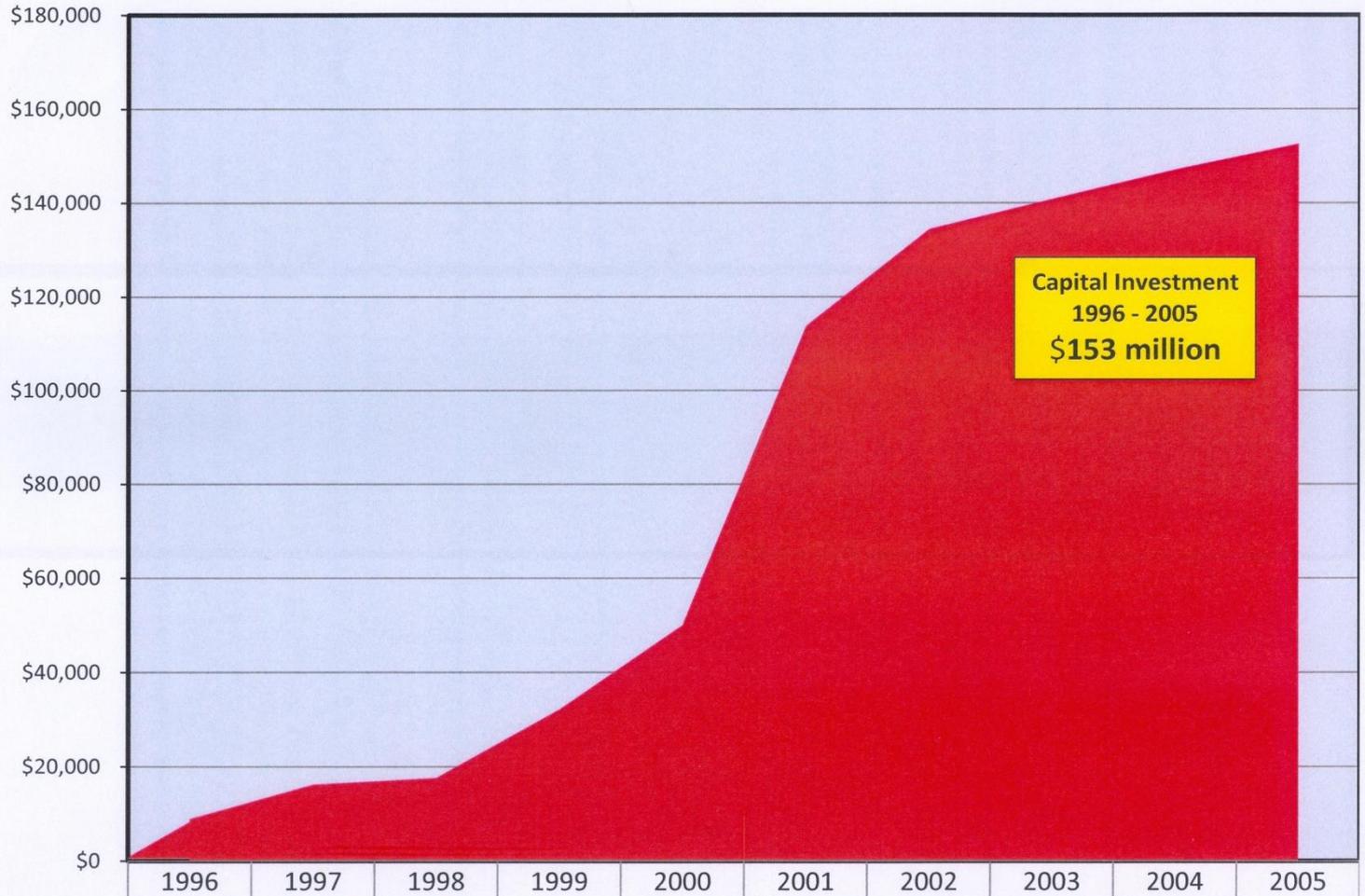
**IN 2013 WE COMPETE WITH 24 OF 31 MID-ATLANTIC CASINOS
 IN 2016 WE WILL COMPETE WITH 26 OF 33 MID-ATLANTIC CASINOS**



DELAWARE - 3
 MARYLAND - 6
 PENNSYLVANIA - 8

NEW JERSEY - 12
 NEW YORK - 3
 WEST VIRGINIA - 1

Dover Downs Capital Spending The First 10 Years: 1996 - 2005 (Pre-Competition) (in thousands)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
■ Cumulative Capital Spending	\$8,817	\$16,162	\$17,581	\$32,076	\$49,935	\$113,762	\$134,414	\$140,797	\$147,126	\$152,638

tourism & gaming

AHEAD OF THE COMPETITION

Casinos expand and renovate to lure more players; beaches stay popular

By STEVEN CHURCH
The News Journal

The threat of competition will dominate Delaware's gaming industry in the coming year, while tourism officials expect the beach resorts to continue to be the state's main tourist attraction.

Pennsylvania officials are preparing to award gambling licenses that will lead to a handful of slots parlors within an hour's drive of Wilmington.

A harness racing track and slots casino is scheduled to open in Chester, Pa., next year, while five companies are competing for the right to build two casinos in Philadelphia, a 30-minute drive from Wilmington. Industry observers say that in next few years, slots parlors could approved in



Dover Downs (top, as it is today) plans an expansion (above) that will double the size of the hotel.

and from the beach resorts in southern Delaware and Ocean City (Md.), McGlynn said. That means Dover Downs is unlikely to take as big a hit as Delaware Park, which is only about 45 minutes from Chester.

The Delaware Lottery, which oversees the three racinos, has estimated that 29 percent of players at Delaware Park are from Pennsylvania. The number of players from Pennsylvania at Harrington Raceway's Midway Slots is about 3 percent.

Going to the beach

Delaware's tourism industry will continue to be dominated by Sussex County's beach resorts.

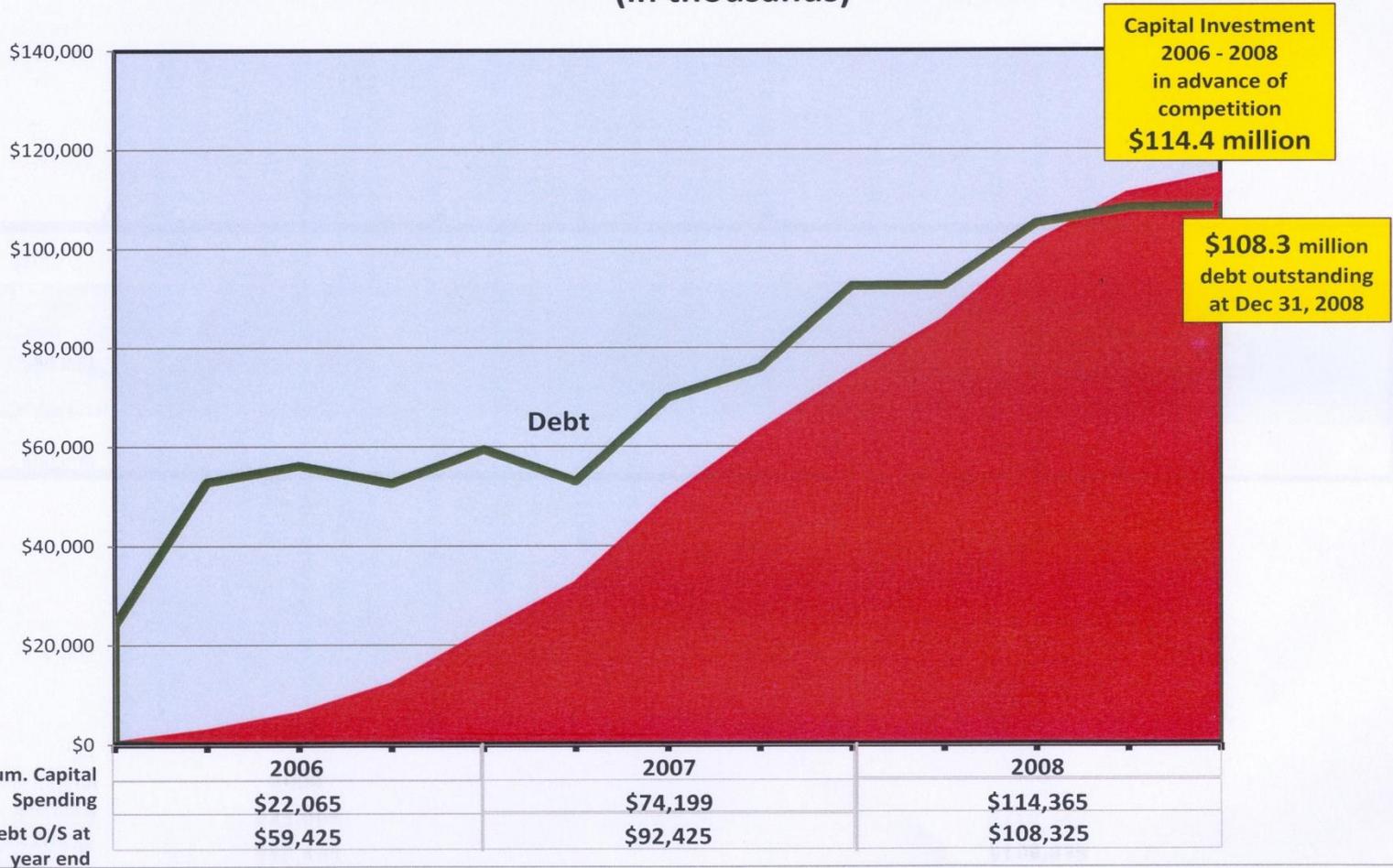
"Down at the beaches, there has been a push to turn those resort areas into more than just a summertime thing," said Mike Helmar with Economy.com, based in West Chester, Pa.

Tourism spending in Delaware, fueled by trips to the beaches, rose 10.2 percent,

We have spent \$285 million
in Capital Investments

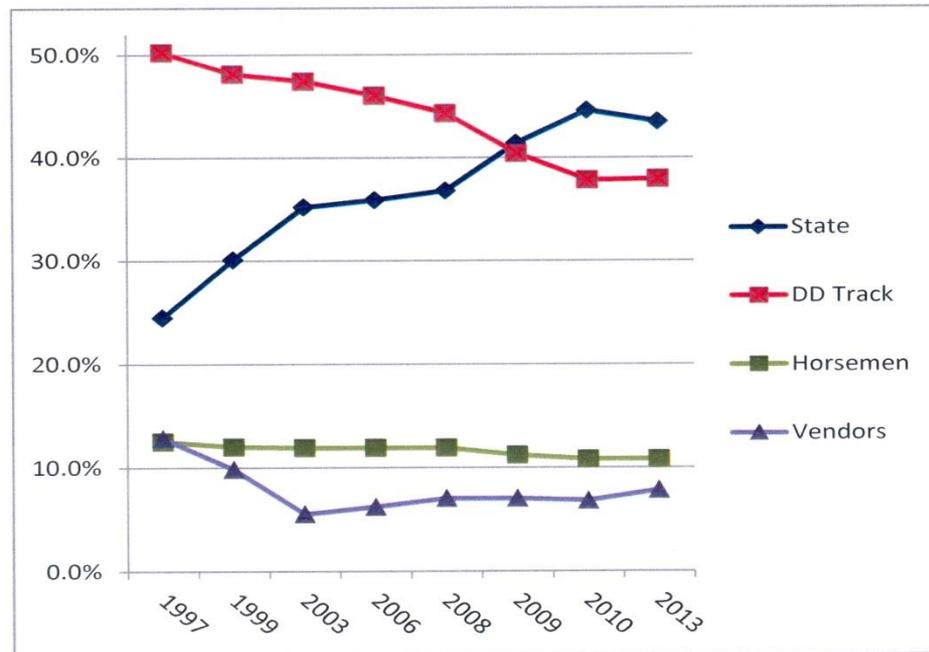


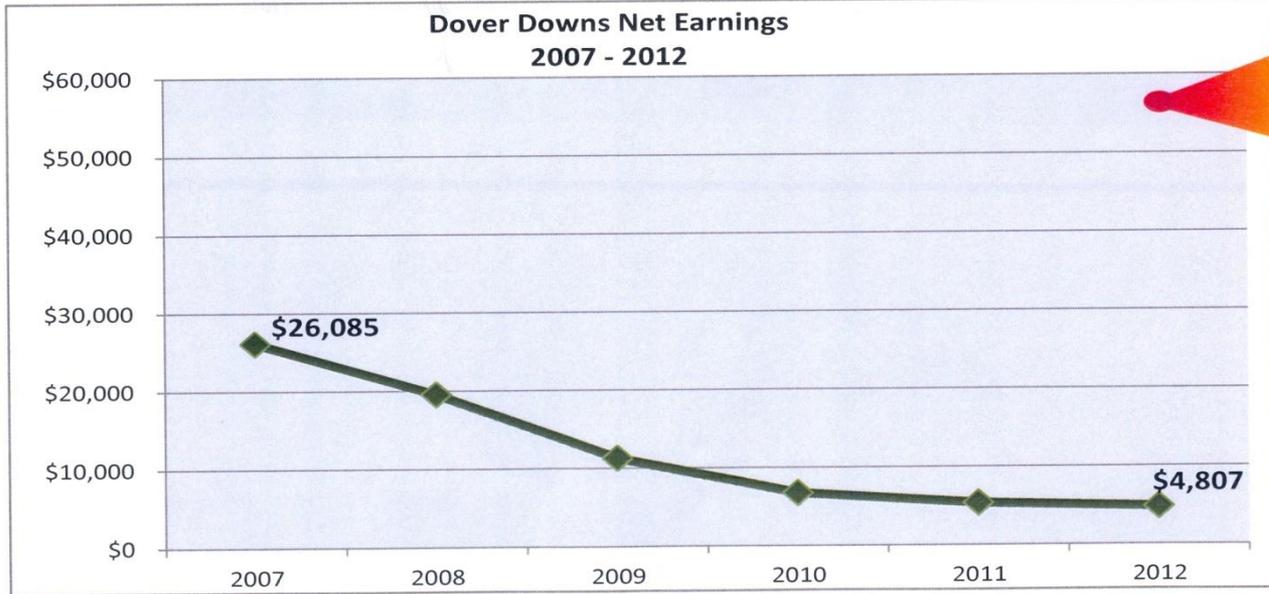
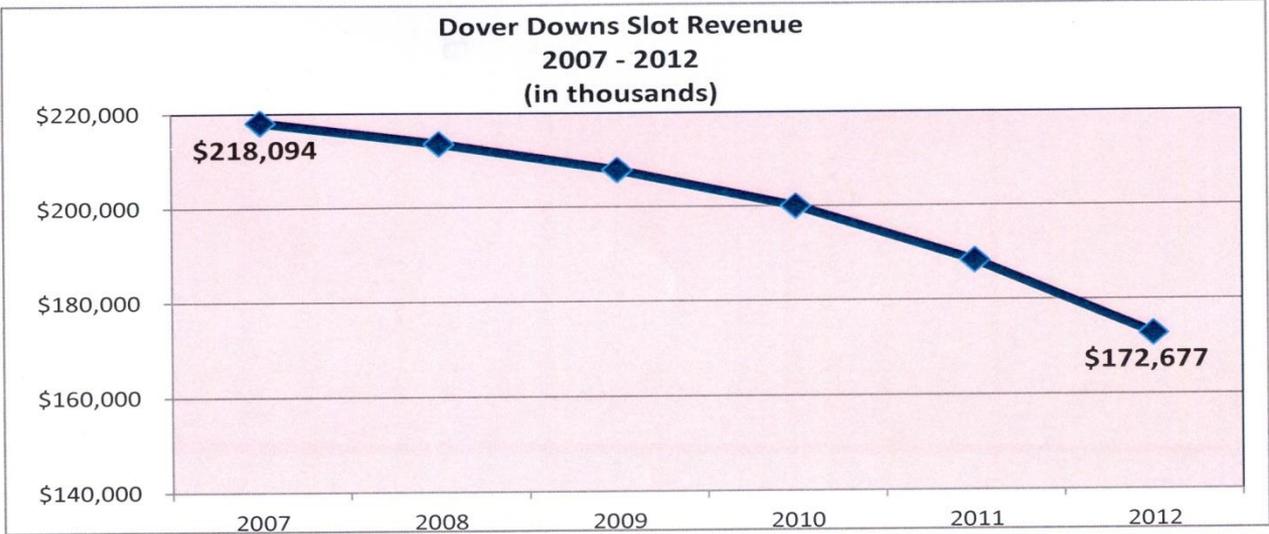
Dover Downs Capital Spending & Debt Incurred Capital Reinvestment Ramp Up: 2006 - 2008 (Competition Expanding) (in thousands)



Evolution of Slots Revenue Sharing Model

<u>Share of Revenue</u>	<u>1997</u>	<u>1999</u>	<u>2003</u>	<u>2006</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2013</u>
State	24.5%	30.1%	35.2%	35.9%	36.8%	41.4%	44.6%	43.5%
DD Track (before expenses)	50.2%	48.1%	47.4%	46.0%	44.3%	40.4%	37.8%	37.9%
Horsemen	12.5%	12.0%	11.9%	11.9%	11.9%	11.2%	10.8%	10.8%
Vendors	12.8%	9.8%	5.5%	6.2%	7.0%	7.0%	6.8%	7.8%





Dover Downs Results
Since Maryland Live Expansion

	Net Loss 9 Months Ended <u>30-Jun-13</u>
4th Quarter 2012	(\$528,000)
1st Quarter 2013	(283,000)
2nd Quarter 2013	<u>491,000</u>
Last 9 Months Net Loss	(\$320,000)

Key Takeaways

- 1996 – 15 casinos in market – Atlantic City, W. Virginia, Delaware
- 2013 – 31 casinos in market (33 in 2016) – Atlantic City, W. Virginia, Pennsylvania, Maryland, Delaware
- We invested \$285mm to build a destination facility at Dover Downs to remain as competitive as possible
- Our share of the Slot Revenue has been legislated from 50% to about 38%
- Our Slot Revenue has fallen from \$218mm in 2007 to \$150mm this year
- The result is we now operate at a net loss, and have \$55mm in debt
- 150 employees laid off in the past 4 years
- Since inception, we've generated \$1.1 billion for Delaware's General Fund. We can still be a major provider of jobs and revenue to the State, but we have a dire need for a revision of the revenue sharing model to account for the dramatic changes in our operating environment.