

CASINO LICENSE FORECASTS INSTRUCTIONS

**CASINO CONTROL COMMISSION
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

CCC-605 TO CCC-690: CASINO LICENSE FORECASTS

A. General Comments

1. In accordance with N.J.S.A. 5:12-80, 5:12-84, 5:12-85, and N.J.A.C. 19:43-4, each applicant for a casino license must produce information, documentation, and assurances concerning financial background and resources as may be required to establish by clear and convincing evidence the financial stability, integrity, and responsibility of the applicant. In order for the Casino Control Commission and the Division of Gaming Enforcement to evaluate the financial stability of each applicant for an initial plenary casino license or renewal thereof, and of each parent, and holding company of the applicant, forecasts shall be prepared for the applicant, parent and holding company as instructed and submitted to the Casino Control Commission and Division of Gaming Enforcement for review. The forecasts shall present, to the best of management's knowledge and belief, each entity's expected financial position, results of operations, and cash flows. The information shall be based on management's assumptions reflecting conditions it expects to exist and the course of action it expects to take.
2. For the casino licensee or applicant, the Casino Control Commission and the Division of Gaming Enforcement require that the following forecasts be completed and filed for such periods as requested by either agency:
 - Forecasted Balance Sheet, Form CCC-605
 - Forecasted Statement of Income, Form CCC-610
 - Schedule of Forecasted Net Revenue, Form CCC-612
 - Schedule of Forecasted Costs and Expenses, Form CCC-613
 - Forecasted Statement of Cash Flows, Form CCC-635
 - Schedule of Forecasted Capital Expenditures, Form CCC-636
 - Schedule of Forecasted Fixed Cash Requirements, Form CCC-640
 - Forecasted Statement of Capital and Maintenance Expenditures, Form CCC- 645
 - Summary of Significant Forecast Assumptions and Accounting Policies
 - Representation by Management, Form CCC-690

All dollar amounts in the Casino License Forecasts, including parenthetical amounts, shall be rounded to the nearest thousand, with the last three digits being omitted. If the dollar amounts appearing in the Summary of Significant Forecast Assumptions and Accounting Policies are not in thousands of dollars, the method of rounding shall be clearly indicated.

The Casino Control Commission and the Division of Gaming Enforcement reserve the right to request other information as may be necessary to supplement these filings.

3. Pursuant to 5:12 85(d) of the Act, any holding company of an applicant must also qualify under the standards of 5:12 84(a) and (d) of the Act. Accordingly, any holding company shall provide forecasted information for such periods as requested by the Casino Control Commission and/or the Division of Gaming Enforcement for the applicant's license renewal. The specific forecasts required for the holding company, and format thereof, will be specifically delineated in advance of the license hearing.

B. Preparation of the Casino License Forecasts

1. Forecasted Balance Sheet, Forecasted Statements of Income, and Forecasted Statements of Cash Flows (CCC-605, 610, and 635)
 - a. Prepare these forms for the forecast periods requested by the Casino Control Commission and/or the Division of Gaming Enforcement in the format provided and in accordance with the instructions used for preparing the Quarterly Report.
 - b. Forms CCC-610 and CCC-635 columns (c), (d), (e), and (f) shall reflect the amounts for each quarter of the year. Column (g) shall reflect the cumulative amounts for the year.
2. Schedule of Forecasted Net Revenue (CCC-612)
 - a. The purpose of the Schedule of Forecasted Net Revenue is to provide additional information to supplement lines 1 through 7 of Form CCC-610, Forecasted Statements of Income.
 - b. In column (c), enter the applicable revenue or promotional allowances forecasted for the requested forecast period. In column (d), enter the applicable revenue or allowances for the comparable prior period. The amounts to be entered in columns (c) and (d) are more fully described as follows:

<u>Line</u>	<u>Description</u>
1(c),(d)	Enter slot machine revenue for the requested forecast period and the comparable prior period (accounts 10-3100 through 10-3889).

<u>Line</u>	<u>Description</u>
2(c),(d)	Enter table and other games revenue for the requested forecast period and the comparable prior period (accounts 10-3000 through 10-3085 and 10-3090).
3(c),(d)	Enter simulcasting revenue for the requested forecast period and the comparable prior period (account 10-3900).
4(c),(d)	The sum of lines 1 through 3. This amount must agree with line 1(g) of Form CCC-610 for the corresponding forecast period.
5(c),(d)	Enter promotional allowances for casino revenue (bus coin and other cash comps) for the requested forecast period and the comparable prior period (account 6245 for all departments).
6(c),(d)	The amount of line 4 less line 5.
7(c),(d)	Enter rooms revenue for the requested forecast period and the comparable prior period (accounts 20-3200 through 20-3299, less account 20-3900). This amount must agree with line 2(g) of Form CCC-610 for the corresponding forecast period.
8(c),(d)	Enter promotional allowances for rooms for the requested forecast period and the comparable prior period (accounts 20-3290 and 20-3295).
9(c),(d)	The amount of line 7 less line 8.
10(c),(d)	Enter food and beverage revenue for the requested forecast period and the comparable prior period (accounts 40-3300 through 40-3499, plus 40-3890, less 40-3910 and 40-3920). This amount must agree with line 3(g) of Form CCC-610 for the corresponding forecast period.
11(c),(d)	Enter promotional allowances for food and beverage for the requested forecast period and the comparable prior period (accounts 40-3390, 40-3395, 40-3490, and 40-3495).
12(c),(d)	The amount of line 10 less line 11.
13(c),(d)	Enter other revenue for the requested forecast period and the comparable prior period (accounts 10-3890, the sum of accounts 3500 through 3599 less 3900 for departments 60 through 78, accounts 79-3800 through 79-3899, and account 91-3710). This amount must agree with line 4(g) of Form CCC-610 for the corresponding forecast period.
14(c),(d)	Enter other promotional allowances for the requested forecast period and the comparable prior period (accounts 3530, 3535, 3540, 3545, 3590, and 3595 for departments 60 through 78). (Note - The sum of lines 5, 8, 11, and 14 must agree with the amount reported on line 6(g) of Form CCC-610 for the corresponding forecast period.)

<u>Line</u>	<u>Description</u>
15(c),(d)	The amount of line 13 less line 14.
16(c),(d)	The sum of lines 6, 9, 12, and 15 for the requested forecast period and the comparable prior period. This amount must agree with line 7(g) of Form CCC-610 for the corresponding forecast period.

- c. Columns (e) and (f) are the favorable or unfavorable variance between column (c) and column (d) for lines 1 through 16.
- d. In column (g), enter a description of the primary factors contributing to the variances in columns (e) and (f). If necessary, additional pages may be attached.

3. Schedule of Forecasted Costs and Expenses (CCC-613)

- a. The purpose of the Schedule of Forecasted Costs and Expenses is to provide additional information to supplement lines 8, 9, and 15 of Form CCC-610, Forecasted Statements of Income.
- b. Lines 1 through 9 are used to provide a breakdown of the major components of Cost of Goods and Services (line 8 of Form CCC-610.)
 - On lines 1(b) through 8(b), list the major components of Costs of Goods and Services for the requested forecast period which are expected to incur a significant variance. ("Other" should not exceed 5.0% of total caption variance.)
 - In columns (c) and (d) of lines 1 through 8, enter the expenses for the requested forecast period and the comparable prior period.
 - Line 9(c) is the sum of lines 1(c) through 8(c). Line 9(d) is the sum of lines 1(d) through 8(d). The amount reported on line 9(c) must agree with line 8(c) of Form CCC-610 for the corresponding forecast period.
- c. Lines 10-18 are used to provide a breakdown of the major components of Selling, General and Administrative (line 9 of Form CCC-610.)
 - On lines 10(b) through 17(b), list the major components of Selling, General, and Administrative for the requested forecast period which are expected to incur a significant variance. ("Other" should not exceed 5.0% of total caption variance.)

- In columns (c) and (d) of lines 10 through 17, enter the expenses for the requested forecast period and the comparable prior period.
 - Line 18(c) is the sum of lines 10(c) through 17(c). Line 18(d) is the sum of lines 10(d) through 17(d). The amount reported on line 18(c) must agree with line 9(c) of Form CCC-610 for the corresponding forecast period.
- d. Line 19-23 is to be used to provide a breakdown of the major components of Other Charges from Affiliates (line 15 of Form CCC-610).
- On line 19 (b) to 22(b), list the major components of Other Charges from Affiliates for the requested forecast period which are expected to incur a significant variance. (“Other” should not exceed 5.0% of total caption variance.)
 - In columns (c) and (d) of line 19 through 22, enter the expenses for the requested forecast period and comparable prior period.
 - Line 23(c) is the sum of line 19(c) through 22(c). Line 23(d) is the sum of line 19(d) through 22(d). The amount reported on line 23(c) must agree with line 15(c) of Form CCC-610 for the corresponding forecast period.
- f. In column (g), enter a description of the primary factors contributing to the variance in columns (e) and (f). If necessary, additional pages may be attached.
4. Schedule of Forecasted Capital Expenditures (CCC-636)
- a. The Schedule of Forecasted Capital Expenditures is used to provide details of the forecasted capital expenditures reported on line 48(c) of Forecasted Statement of Cash Flows, Form CCC-635.
 - b. In column (a), enter the major categories of forecasted capital expenditures.
 - c. In column (b), enter a description of the forecasted capital expenditures listed in column (a).
 - d. In column (c), enter the forecasted dollar amount of the capital expenditures listed in column (a). The total of column (c) should agree with the amount reported on line 48(c) of Forecasted Statement of Cash Flows, Form CCC-635.

- e. If the total amount reported on the Miscellaneous Projects line is a significant portion of the total amount of forecasted capital expenditures, additional information may be required.

5. Schedule of Forecasted Fixed Cash Requirements (CCC-640)

- a. The purpose of the Schedule of Forecasted Fixed Cash Requirements is to provide a detailed schedule of a licensee or applicant's upcoming fixed cash requirements.

- b. Debt Principal Repayments

- Each debt obligation equal to or greater than \$5.0 million shall be separately identified. Debt obligations under \$5.0 million may be grouped together and labeled "Other".
- On lines 1 through 7, columns (c) through (f), report the scheduled principal repayments for each debt obligation listed in column (b).

- c. Debt Interest Payments

- On lines 9 through 15, columns (c) through (f), report the scheduled interest payments for each debt obligation listed in column (b).

- d. Capital and Operating Lease Payments

- Each capital or operating lease that has annual payments equal to or greater than \$1.0 million shall be separately identified. Capital or operating leases with annual payments under \$1.0 million may be grouped together and labeled "Other".
- On lines 17 through 25, columns (c) through (f), report the scheduled payments (principal and interest) for each capital or operating lease listed in column (b).

- e. Other Contractual Payments -

- Any other contractual payments not captured in the preceding lines, including properties' real estate tax payments that have annual payments equal to or greater than \$1.0 million shall be separately identified. Contractual obligations with annual payments under \$1.0 million may be grouped together and labeled "Other".

- On lines 27 through 32, columns (c) through (f), report the schedule payments for each contract listed in column (b).
- f. Total Forecasted Fixed Cash Requirements [Line 34, columns (c) through (g)]
- This is the sum of lines 8, 16, 26 and 33 for each applicable column.

6. Forecasted Statement of Capital and Maintenance Expenditures (CCC-645)

- a. The Forecasted Statement of Capital and Maintenance Expenditures shall be completed for the periods as requested by the Casino Control Commission.
- b. Pursuant to N.J.A.C. 19:43-4.1, capital and maintenance expenditures are defined as expense items related to the approved casino hotel which are incurred in connection with furniture, fixtures, equipment and facilities, and capitalized costs. This shall include acquisition, replacement, repairs, refurbishment, renovation, improvements, maintenance, including public area housekeeping, and labor.
- c. The lines on the form shall be completed as described below:

<u>Line</u>	<u>Description</u>
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1	Capital Expenditures should equal the sum of all amounts representing the acquisition of property and equipment (related accounts 1700 through 1799, but excluding accounts 1701, 1702, 1740 and 1742 and amounts related to CRDA acquisitions). Land acquisitions that are not part of the approved casino facility should not be included.
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Columns (c), (d), (e) - Enter on this line the actual capital expenditures for the three prior calendar years. Depending upon an applicant's license renewal period, column (e) may be based on actual expenditures through a certain quarter and estimated expenditures for the remainder of the calendar year.

Line

Description

Columns (f) and (g) - Enter on this line the forecasted capital expenditures for the two upcoming calendar years.

Column (h) - The sum of columns (c) through (g).

2

Maintenance Expense totals should include applicable costs relating to property operation and maintenance (department 92 on CCC-910) as well as allocable costs from other departments incurred in maintaining the facility.

Columns (c), (d), and (e) - Enter on this line the actual maintenance expense for the appropriate calendar years. Depending upon an applicant's license renewal period, column (e) may be based on actual maintenance expense through a certain quarter and estimated maintenance expense for the remainder of the calendar year.

Columns (f) and (g) - Enter on this line the forecasted maintenance expense for the two upcoming calendar years.

Column (h) - The sum of columns (c) through (g).

3

Total Payroll should include those costs related to labor expenses and associated benefits directly from maintenance departments (engineering, property operations and facilities) and/or related functions. This should include applicable payroll and benefits from related accounts 92-5100 to 5500. However, expenses related to non-public areas (re: back of the house operations) should not be included.

Columns (c), (d), and (e) - Enter on this line the actual total payroll expense for the facilities department for the appropriate calendar years. Depending upon an applicant's license renewal period, column (e) may be based on actual payroll expense through a certain quarter and estimated payroll expense expenditures for the remainder of the calendar year.

Line

Description

Columns (f) and (g) - Enter on this line the forecasted total payroll expense for the facilities department for the two upcoming calendar years.

Column (h) - The sum of columns (c) through (g).

4

Public Area Housekeeping should include those expenses relating to general housekeeping and janitorial activities if calculated separately from maintenance and payroll totals. These should not include costs applicable to non-public areas.

Columns (c), (d), and (e) - Enter on this line actual public area housekeeping expense for the appropriate calendar years. Depending upon an applicant's license renewal period, column (e) may be based on actual public area housekeeping expense expenditures through a certain quarter and estimated public area housekeeping expense expenditures for the remainder of the calendar year.

Columns (f) and (g) - Enter on this line the forecasted cost of public area housekeeping expense for the two upcoming calendar years.

Column (h) - The sum of columns (c) through (g).

5, 6,
7

Column (b) - Enter on these lines any other capital and maintenance expenditures not listed above. Eligibility under the financial stability regulations will be determined by the Casino Control Commission on an individual basis.

Columns (c), (d), and (e) - Enter on this line actual expense for the appropriate calendar years. Depending upon an applicant's license renewal period, column (e) may be based on actual expenditures through a certain quarter and estimated expenditures for the remainder of the calendar year.

<u>Line</u>	<u>Description</u>
	Columns (f) and (g) - Enter on this line the forecasted expense for the two upcoming calendar years.
	Column (h) - The sum of columns (c) through (g).
8	Column (c) through (h) - The sum of lines 1 through 7.
9	Columns (c), (d), (e) - Enter on this line actual net revenue for the three prior calendar years. The amounts reported in columns (c) and (d) must agree with line 7(c) of Form CCC-210 for the corresponding periods. (If any prior year's net revenue has been amended, use the most current number.) Depending upon an applicant's license renewal period, column (e) may be based on actual net revenue through a certain quarter and estimated net revenue for the remainder of the calendar year. Columns (f) and (g) - Enter on this line forecasted net revenue for the two upcoming calendar years. These amounts must agree with line 7(c) of Form CCC-610 for the corresponding forecast year. Column (h) - The sum of columns (c) through (g).
10	Columns (c) through (h) - The amount of line 8 divided by line 9, rounded to the nearest tenth of a percentage point.

7. Summary of Significant Forecast Assumptions and Accounting Policies

- a. Disclose the significant assumptions used in the preparation of all forecasted financial statements and schedules for the requested forecast period including, but not limited to:

- The basis or rationale for the assumptions used (key factors that are basic to future operations and serve as the foundation for the financial forecast) shall be identified and disclosed.
- Particularly sensitive assumptions from which there is a relatively high probability of variation shall be disclosed. Quantification of the potential effects of variations in those assumptions on the financial forecast shall also be disclosed.
- Assumptions reflecting anticipated conditions that are expected to be significantly different from current conditions shall be disclosed unless such changes are otherwise reasonably apparent.
- The Casino License Forecasts shall be prepared on a basis consistent with the accounting principles expected to be used when the actual historical financial statements covering the prospective period are later prepared. Disclosure of significant accounting principles and policies used in the preparation of the Casino License Forecasts shall be made.
- Indicate what, if any, actual financial data is included in the forecast.
- If the Casino License Forecasts gives effect to changes in accounting principles from those used in prior period historical financial statements, the changes should be disclosed and reported for the period in which they are expected to be made as would be required in reporting such accounting changes in historical financial statements.
- The assumptions shall contain full disclosure of all forecasted related party transactions.

b. Forecasted Balance Sheets

Changes during the course of the prospective period and their effects shall be disclosed. Among the significant balance sheet assumptions that should be disclosed are the following:

- Anticipated new financings or refinancings of the present debt structure
- Anticipated equity offerings
- Anticipated repurchases of stock
- Significant capital expenditures
- Investment activity

c. Forecasted Statements of Income

Changes during the course of the requested forecast period and their effects shall be disclosed. Among the assumptions that should be disclosed, are the following:

- Casino revenue - Changes in industry win and applicant's market share, average number of tables and slot machines and changes in the mix of the units, credit play, etc.
- Costs and expenses - Food and beverage costs, payroll and related expenses (e.g., number of employees, union/nonunion, wage scales, pending union negotiations, adoption of pension plans), contract entertainment, marketing expenses (e.g., promotions, advertising expenses, air charter, bus programs), charges from affiliates, interest expense, etc.

FILING THE CASINO LICENSE FORECASTS

1. Representation by Management (CCC-690)

- a. The Representation by Management form shall be signed on the applicant's behalf by the chief executive officer, chief gaming executive or financial vice president if the applicant is a corporation; by a general partner or the financial director if the applicant is a partnership; by the chief executive officer or chief gaming executive if the applicant is any other form of business association; or by the proprietor if the applicant is a sole proprietorship.
- b. The preparation date of the Casino License Forecasts shall be disclosed in the space provided.

2. The Casino License Forecasts and related correspondence may be filed electronically with the Casino Control Commission and Division of Gaming Enforcement by the due date at the following addresses:

For the Commission: feu@ccc.state.nj.us

For the DGE: ofi@njdge.org

3. In the event that the licensee or applicant wishes to hand deliver a hard copy of the Casino License Forecasts, they must be received by the Casino Control Commission and Division of Gaming Enforcement by the due date at the following addresses:

Casino Control Commission
Division of Financial Evaluation
Financial Evaluation Unit
Tennessee Avenue and Boardwalk
Arcade Building
Atlantic City, New Jersey 08401

Department of Law and Public Safety
Division of Gaming Enforcement
Office of Financial Investigations
140 East Front Street
P.O. Box 047
Trenton, New Jersey 08625