



FINANCE
COMMISSIONER ENRIQUE ZUNIGA

PRESENTATION

CATEGORY 1 – MGM SPRINGFIELD RESORT CASINO

JUNE 10, 2014



APPLICANT SUMMARY

MGM Resorts International (NYSE – MGM)

- MGM currently owns/operates 19 casinos
 - 14 casinos located in Nevada, 10 of which are located on the Las Vegas Strip (16,428 slots and 890 tables).
 - 4 casinos located elsewhere in the United States including Detroit, Mississippi, and Illinois.
 - Only International casino is MGM Macau (████████ ownership).
- In 2013, MGM domestic casinos generated \$1.7 billion in slot revenue and \$861 million in table revenue. MGM Macau generated an additional \$3.3 billion in total revenue.
- MGM is currently developing a resort in Cotai (Macau), and was recently awarded a license to develop a resort in Prince George's County, Maryland
- Applicant to MA is Blue Tarp Redevelopment, LLC ("Springfield/MGM") –
MGM Springfield: Joint venture between MGM Resorts International (████████) and Paul Picknelly (████████)

APPLICANT- WHAT THEY ARE PROPOSING

Category 1 Applications- Project Summaries	
Applicant	Springfield/ MGM
Name	MGM Springfield
Location	Springfield
Construction Period	27 months
Opening Date	Subject to certain factors including license award
Gaming	
Slots	3,000
Table Games	100
Area (sf)	126,701
Non-Gaming	
F&B Outlets	8
F&B Seats	2,065
Hotel (rooms)	250
Entertainment	Bowling Alley, Cinema, Radio/TV Studio
Exhibition/Meeting Space (sf)	19,388
Retail	8,000 sf branded retail 35,000 sf outdoor retail
Parking (spaces)	3,853

Source: HLT Advisory Inc. based on Applicant's submission.

APPLICATION- BACKGROUND FINANCE SECTION

- Application document organized under four broad areas:
 - Financial and Capital Structure.
 - Maximize Revenues to the Commonwealth.
 - Realize Maximum Capital Investment (Land and Infrastructure).
 - Offer Highest and Best Value to Create a Secure and Robust Gaming Market.
- 38 detailed questions in Finance Section:
 - Questions 2-13, 2-14, 2-15, 2-16, 2-17 and 2-33 not rated
 - Additional information ascertained from Economic Development and Building and Site Design sections.
- The broad areas and detailed questions relate to the Commission’s vision for expanded gaming in the State that is rooted in the State’s gaming legislation (“objectives”).

FINANCE – TEAM OF ADVISORS



Rob Scarpelli



Katia Muro



Drew Chamberlain



Matthew Klas



FRAMEWORK- FINANCE TEAM APPROACH

The assessment was undertaken through four interrelated areas:

1. Financial Capability

- I. Ability to obtain project capital
- II. Current financial strength of Applicants
- III. Expected project returns

2. Investment Plan

- I. Commitment to spend required capital
- II. Timing of Development
- III. Consistency between quality/scope of facility, expected market penetration and financial results

3. Market Assessment

- I. Gaming revenue projections and market share, inside and outside of defined market area

4. Operations Plan

- I. Understanding of internal controls
- II. Consistency of business plan with expected financial returns
- III. Financial projection analysis

1. FINANCIAL CAPABILITY

The focus of this component was on assessing the financial capabilities of the Applicant to develop (construct and open) and operate the proposed Category 2 facility.

Specific assessment areas included:

- I. Applicant's ability to obtain project capital
- II. Current financial strength of Applicant
- III. Applicant's expected project returns over the 15 year term of the license

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

Expectations of Applicant:

- Evidence of access to and availability of capital required to fund project cost as submitted

Assessment Approach:

- Reviewed financing plan as submitted by Applicant
- Reviewed accompanying background materials (commitment letters, promissory notes, credit facilities, SEC filings, annual reports, public representations, as well as Phase 1 Suitability Reports)
 - ✓ Access to significant historical and detailed financial information, given MGM is public company

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

MGM is proposing two alternatives for their funding plan:

Option 1: Fund the project through its corporate credit facility, existing cash, cash from existing operations as well as distributions received from existing unrestricted subsidiaries.

- In the event that MGM refinances certain convertible bonds over the next three years, there would be sufficient cash flow available to fund the development from operating capital

Based on December 31, 2013 10-K

- MGM had \$1.2 billion of available borrowing capacity under its senior credit facility.
- MGM had \$1.71 billion in EBITDA for the year ended December 31, 2013. For this same period they had \$857 million in interest expense and \$562 million in capital expenditures.
- Current assets at December 31, 2013 amounted to \$2.7 billion while current liabilities amounted to \$2.2 billion.

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

- Option 2 proposes MGM contributes 25%-50% to the development with the remainder financed through project financing.
 - Commitment letters provided from two banks (Barclays and Deutsche Bank for [REDACTED] and [REDACTED] respectively) with limited conditions

The following table summarizes MGM's Option 2:

Financing Structure (\$Million)	
	Springfield/ MGM
Capital Required	\$825.0
Third Party Debt	\$412.5-\$618.8
Equity	\$206.3-\$412.5
Total	\$825.0
Project Financed by Debt	50%-75%
Project Financed by Equity	25%-50%
Total	100%
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

Assessment Results

MGM Springfield

Very Good

- Applicant has two strong alternatives for financing the project

1.2 CURRENT FINANCIAL STRENGTH

Expectations of Applicant:

- To ensure existing operations of Applicant would not negatively impact Massachusetts casino operation. Provide evidence of a strong balance sheet, reasonable levels of existing debt and positive operating results.

Assessment Approach:

- Reviewed financial statements submitted by Applicant for either the Applicant or the Applicant's equity provider and performed financial ratio analyses to assess financial strength.
 - ✓ Access to historical financial information, given MGM is public company

1.2 CURRENT FINANCIAL STRENGTH

	Capital Assets > \$4 billion					Capital Assets < \$4 billion			
	Las Vegas Sands Corp.	Wynn Resorts Ltd.*	MGM Resorts International*	Caesars Entertainment Corporation	Penn National Gaming, Inc.**	Mohegan Tribal Gaming Authority	Boyd Gaming Corporation	Pinnacle Entertainment, Inc.***	Station Casinos LLC
Current Assets (\$Million)	\$5,516	\$2,968	\$2,719	\$3,770	\$487	\$138	\$335	\$599	\$221
Current Liabilities (\$Million)	\$3,130	\$1,455	\$2,215	\$2,531	\$499	\$244	\$454	\$372	\$231
Current Ratio	1.76	2.04	1.23	1.49	0.98	0.57	0.74	1.61	0.96
Total Capital Assets (Net Book Value) (\$Million)	\$15,359	\$4,934	\$14,055	\$13,238	\$2,730	\$1,476	\$3,506	\$3,040	\$2,163
Net Revenue (\$Million)	\$13,770	\$5,620	\$9,810	\$8,560	\$2,899	\$1,340	\$2,894	\$1,488	\$1,261
Capital Asset Turnover	0.90	1.14	0.70	0.65	1.06	0.91	0.83	0.49	0.58
Long Term Debt (\$Million)	\$9,383	\$6,587	\$13,447	\$20,918	\$2,649	\$1,649	\$4,353	\$4,364	\$2,128
Total Shareholder Equity (\$Million)	\$7,665	-\$185	\$4,231	-\$3,122	\$2,250	\$199	\$470	\$214	\$658
Debt Equity Ratio	1.22	N/M	3.18	N/M	1.18	8.29	9.26	20.42	3.23
EBITDA (excludes unusual items) (\$Million)	\$4,416	\$1,294	\$1,712	\$1,700	\$687	\$309	\$573	\$270	\$328
Investment (\$Million)***	\$17,048	\$6,086	\$17,678	\$17,796	\$4,695	\$1,848	\$4,823	\$4,578	\$2,787
Return on Investment	26%	21%	10%	10%	15%	17%	12%	6%	12%
EBITDA (excludes unusual items) (\$Million)	\$4,416	\$1,294	\$1,712	\$1,700	\$687	\$309	\$573	\$270	\$328
Interest Expense (\$Million)	\$271	\$299	\$857	\$2,253	\$81	\$170	\$344	\$170	\$165
Times Interest Earned	16.28	4.33	2.00	0.75	8.44	1.82	1.66	1.59	1.99
Year End	12/31/2013	12/31/2013	12/31/2013	12/31/2013	12/31/2012	9/30/2013	12/31/2013	12/31/2013	12/31/2013

Source: HLT Advisory Inc. based on most recent annual audited financial statements from gaming companies.

*Shareholder's equity excludes that amount attributable to non-controlling interests. EBITDA excludes that amount attributable to non-controlling interests.

**Ratios used are for 2012, prior to Penn National Gaming splitting in to two entities (GLPI and Penn National Gaming).

***In August 2013, Pinnacle Entertainment Inc. acquired Ameristar Casinos, Inc.

****Investment is defined as long term debt plus shareholder's equity.

N/M-Not measurable.

1.2 CURRENT FINANCIAL STRENGTH

MGM Resorts International (MGM) Analysis

MGM has a satisfactory current ratio at greater than 1.

MGM has a capital asset turnover ratio of 0.7 which is line with other publicly traded gaming companies with greater than \$4 billion in capital assets.

MGM with a debt/equity ratio greater than 3 indicates they have a high proportion of debt relative to equity. It should be noted they do have \$1.4 billion in convertible notes due in 2015. At this time the stock is trading at over 50% of the conversion price. If the notes were converted today, the debt/equity ratio would decrease to just above 2.

MGM has a return on investment level of 10% and a times interest earned ratio of 2.0. These two measures are satisfactory compared to a number of other companies.

1.2 CURRENT FINANCIAL STRENGTH

Assessment Results

MGM Springfield

Sufficient/Very Good

- Current ratio: 1.23
- Debt/Equity Ratio: 3.18
- ROI: 10%
- Times Interest Earned: 2.00

While MGM current financial ratios demonstrate financial strength, their debt to equity ratio is higher than ideal. It may improve given convertible notes due in 2015 (\$1.4 billion)

1.3 EXPECTED RETURNS

Expectations of Applicant:

- Earn a commercially reasonable return on investment and ability of Applicant to pay back development costs over term of license (15 years).

Assessment Approach:

- Return on investment calculation based on Applicant's submitted 15-year EBITDA. This calculated return was assessed under two annual discount rates (4%-15% as contained in application document).

1.3 EXPECTED RETURNS

Applicant's expected project returns (15 years, length of license):

Internal Rate of Return based on the Applicant's submitted 15 year EBITDA. In addition, the rate of return was assessed under two discount rates (4% and 15%)

ROI (No discount rate): [REDACTED]

ROI (Discount rate 4%): [REDACTED]

ROI (Discount rate 15%): [REDACTED]

1.3 EXPECTED RETURNS

Assessment Results

MGM Springfield

Very Good

- Plan produces commercially reasonable ROI
- Investment is recouped over 15 year term
- Positive ROI can still be achieved after 15% discount rate

2. INVESTMENT PLAN

The focus of this component was on assessing the suitability of the proposed physical facility plan to compete in the market over the term of the license.

Specific assessment areas included:

- I. Commitment to spend required capital
- II. Timing of total development
- III. Consistency between quality/scope of proposed facility and expected market penetration and financial results

2.1 REQUIRED CAPITAL

Expectations of Applicant:

- Provide evidence that capital budget includes eligible capital expenses of at least \$500 million.

Assessment Approach:

- Reviewed Applicant's submitted capital budgets and determined eligible and ineligible expenses.

2.1 REQUIRED CAPITAL: ELIGIBLE COSTS

Eligible Costs:

• Construction Costs (Building, A&E, Insurance, Permits, etc.):	\$408,292,000
• Plus FF&E (Slots, other)	<u>\$107,500,000</u>
Subtotal Eligible Costs:	\$515,792,000

Other Ineligible Costs: \$309,000,000

(includes licensing fee, land, financing, start-up supplies, etc.)

Total Development Budget: \$825,000,000

2.1 REQUIRED CAPITAL

Assessment Results

Meets Requirement

- Meets the \$500 minimum capital required threshold

2.2 PROJECT TIMELINES

Expectations of Applicant:

- Provided a reasonable development timeline for opening the permanent facility.

Assessment Approach:

- Reviewed planned timelines. Note: Time to obtain necessary permits not considered.

2.2 PROJECT TIMELINES

- MGM anticipates construction to be complete 27 months from the start of construction.
- Projected opening date is subject to license award date.
- MGM's timeline is reasonable given the size and scope of the development and site location. It must be noted that development plans have not yet been finalized (e.g. contractor has not yet been selected)

Category 1 Development Schedule	
	Springfield/ MGM*
Category 1 License Awarded	n/p
Start of Construction	July-07-14
Construction Completion	27 months
Opening Date	n/p

Source: HLT Advisory Inc. based on Applicant's submission.
n/p- Not provided.
**MGM stated project opening date is subject to certain factors including the license award.*

2.2 PROJECT TIMELINES

Assessment Results

MGM Springfield

Very Good

- Provided a reasonable timeline for opening of permanent facility.

2.3 CONSISTENCY WITH FINANCIALS

Expectations of Applicant:

- Consistency between size and scope of facility and operating and financial plans.

Assessment Approach:

- Reviewed capital budget and building renderings in connection with operating and financial plans.

2.3 CONSISTENCY WITH FINANCIALS: PROPOSED FACILITIES SUITABILITY

- Site location is situated in downtown core
- Slots: 3,000; Tables: 100
- Gaming Floor: 126,701 sf
- Hotel: 250 rooms (“four star”)
- Food & Beverage: 8 outlets (2,065 seats)
- Entertainment: Bowling Alley, Cinema, Radio/TV Studio
- Parking: 3,853 spaces
- Exhibition: 19,388 sf
- Retail: 8,000 sf branded retail and 35,000 sf outdoor retail

2.3 CONSISTENCY WITH FINANCIALS: PROPOSED FACILITIES SUITABILITY

- Gaming square footage proposed at MGM is slightly greater than required using square footage assumptions for slot machines and table games.
- Proposed F&B seats per position of 0.57 are reasonable given typical industry norms.
- Proposed parking (on-site) spaces per position of 1.07 are reasonable given typical industry norms (1:1). There is also the availability of additional parking in the downtown area.

Proposed Facility Suitability	
	Springfield/ MGM
Slot Machines	3,000
Table Games*	100
Gaming Positions	3,600
Slot Machine Square Footage**	90,000
Table Machine Square Footage**	30,000
Total Gaming Square Footage	120,000
Proposed Gaming Square Footage (sf)	126,701
Difference (Estimated vs. Proposed sf)	6,701
F&B Seats	2,065
F&B Seats per Position	0.57
Total Parking Spaces	3,853
Total Parking per Position	1.07

Source: HLT Advisory Inc. based on Applicant's submission and HLT estimates.

** Assumes 6 positions per table game.*

*** Assumes 30 sf per slot machine and 300 sf per table game.*

2.3 CONSISTENCY WITH FINANCIALS

Assessment Results

MGM Springfield

Outstanding

- Proposed size and scope of the facility is consistent with business and financial plans submitted
- Further, the proposed facility is consistent with a typical North American regional casino realizing it has been designed to “integrate” into the local community

3. MARKET ASSESSMENT - METHODOLOGY

- Builds on Category 2 market assessment (prior and post competition)
- Report in packet summarizes market assessment applicable to Category 1
 - “No competition” scenarios have been removed; the effect of two unsuccessful category 2 applicants has been removed;
- Key considerations:
 - Size of expected market (as measured by gross gaming revenue or “GGR”)
 - Individual facility’s gaming revenue projections and market shares
- Gaming revenues are a function of the size of the gaming market and competition. Size of gaming market is a function of adult population and propensity to game, and gaming supply in the market
- Key elements of the market assessment model include:
 - Geographic extent of total market area (market area extent)
 - Total gaming dollars (size of market)
 - Market shares after in-state competition

3. MARKET ASSESSMENT

- Proposed Category 1 facilities (Regions A & B) are similar in size and scope relative to existing competitors:
 - Three of four existing competitive casinos (RI & CT) contain between 4,500 and 6,300 slot machines, offer table games and have various ancillary facilities.
 - Category 1 facilities are proposed to offer between 3,000 and 4,240 slots and between 100 to 150 table games.
 - The Category 1 facilities will operate in an environment similar to existing competitors (i.e., similar tax rates on slot gaming). However, unlike existing competitors, Category 1 facilities will not allow smoking and tax rate will also be applicable on table gaming (no table tax in Connecticut and 18% table tax rate in Rhode Island).

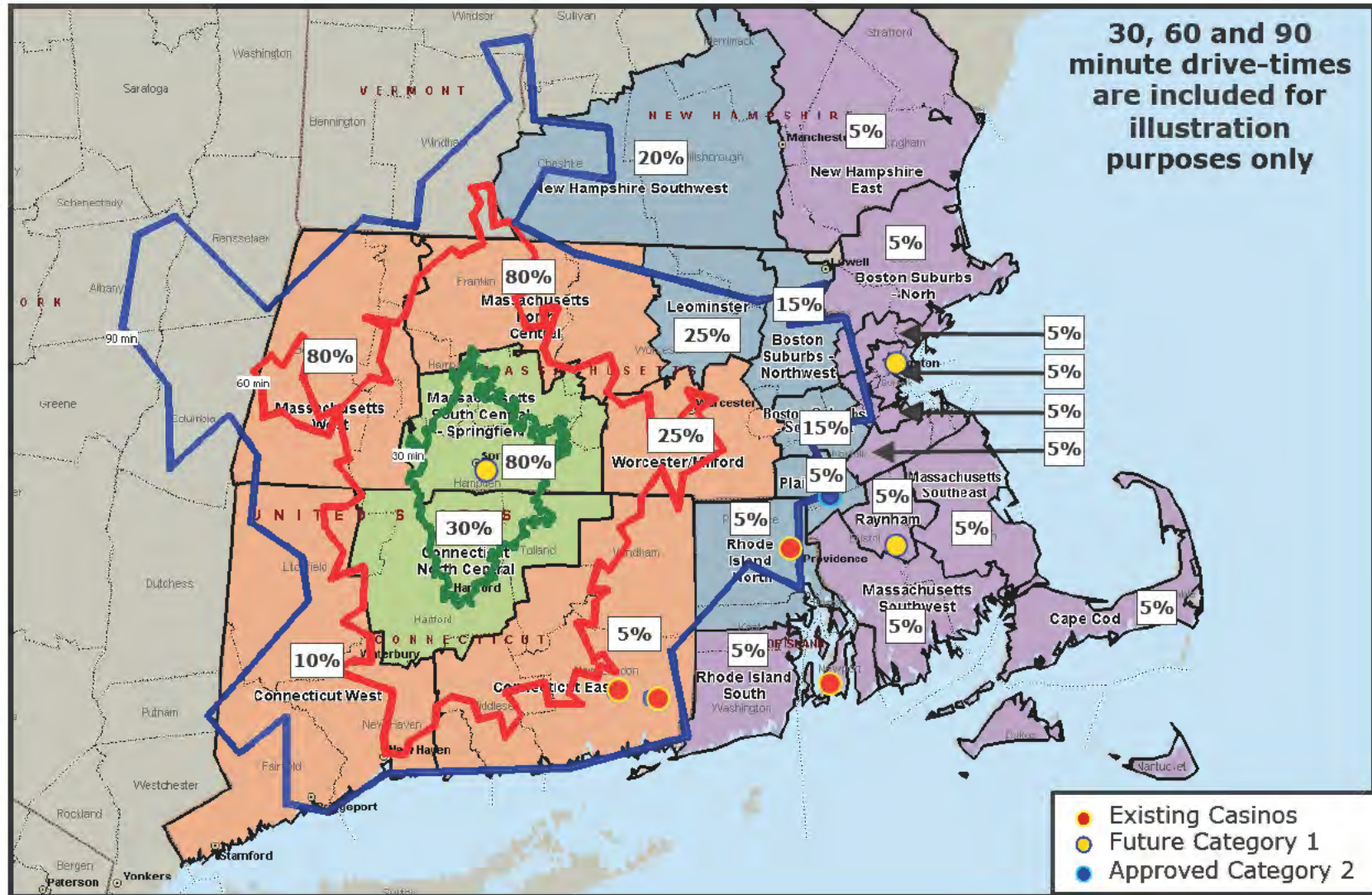
3. MARKET ASSESSMENT – SIZE OF MARKET

With a GGR/adult level ranging from \$300 to \$350 and a current adult population of 8.9 million, the current size of the defined Massachusetts casino market area is estimated between \$2.7 and \$3.1 billion.

Market Areas	Market Area Adult Population and Total GGR Potential				
	Adult Population	At \$300/Adult		At \$350/Adult	
		GGR/Adult	Total Market GGR	GGR/Adult	Total Market GGR
<u>Massachusetts Market Areas</u>					
Central Boston	781,625	\$300	\$234,487,500	\$350	\$273,568,750
Central Boston - North	386,575	\$300	\$115,972,500	\$350	\$135,301,250
Central Boston - South	228,442	\$300	\$68,532,600	\$350	\$79,954,700
Subtotal Central Boston	1,396,642	\$300	\$418,992,600	\$350	\$488,824,700
Boston Suburbs - North	506,576	\$300	\$151,972,800	\$350	\$177,301,600
Boston Suburbs - Northwest	315,355	\$300	\$94,606,500	\$350	\$110,374,250
Boston Suburbs - Southwest	187,800	\$300	\$56,340,000	\$350	\$65,730,000
Boston Suburbs - South	179,337	\$300	\$53,801,100	\$350	\$62,767,950
Subtotal Boston Suburbs	1,189,068	\$300	\$356,720,400	\$350	\$416,173,800
Raynham	144,658	\$300	\$43,397,400	\$350	\$50,630,300
Plainville	102,830	\$300	\$30,849,000	\$350	\$35,990,500
Massachusetts Southwest	317,485	\$300	\$95,245,500	\$350	\$111,119,750
Massachusetts Southeast	230,619	\$300	\$69,185,700	\$350	\$80,716,650
Cape Cod	194,390	\$300	\$58,317,000	\$350	\$68,036,500
Subtotal Southern Massachusetts	989,982	\$300	\$296,994,600	\$350	\$346,493,700
Leominster	150,114	\$300	\$45,034,200	\$350	\$52,539,900
Worcester/Milford	394,984	\$300	\$118,495,200	\$350	\$138,244,400
Massachusetts North Central	111,892	\$300	\$33,567,600	\$350	\$39,162,200
Massachusetts South Central - Springfield	435,035	\$300	\$130,510,500	\$350	\$152,262,250
Massachusetts West	109,573	\$300	\$32,871,900	\$350	\$38,350,550
Subtotal West & Central Massachusetts	1,201,598	\$300	\$360,479,400	\$350	\$420,559,300
Subtotal Massachusetts	4,777,290	\$300	\$1,433,187,000	\$350	\$1,672,051,500
<u>Neighbouring States Market Areas</u>					
New Hampshire Southwest	268,310	\$300	\$80,493,000	\$350	\$93,908,500
New Hampshire East	453,493	\$300	\$136,047,900	\$350	\$158,722,550
Subtotal New Hampshire Areas	721,803	\$300	\$216,540,900	\$350	\$252,631,050
Rhode Island North*	579,520	\$300	\$173,856,000	\$350	\$202,832,000
Rhode Island South*	189,311	\$300	\$56,793,300	\$350	\$66,258,850
Subtotal Rhode Island	768,831	\$300	\$230,649,300	\$350	\$269,090,850
Connecticut East	468,861	\$300	\$140,658,300	\$350	\$164,101,350
Connecticut North Central	734,366	\$300	\$220,309,800	\$350	\$257,028,100
Connecticut West	1,382,839	\$300	\$414,851,700	\$350	\$483,993,650
Subtotal Connecticut	2,586,066	\$300	\$775,819,800	\$350	\$905,123,100
Subtotal Neighbouring States	4,076,700	\$300	\$1,223,010,000	\$350	\$1,426,845,000
Total Market Area	8,853,990	\$300	\$2,656,197,000	\$350	\$3,098,896,500

Source: HLT Advisory Inc. estimates.

3. MARKET ASSESSMENT – MARKET SHARES



3. MARKET ASSESSMENT – MARKET SHARES

Sub-market areas have been organized (generally) by drive times for illustration purposes only.

Springfield (Region B) Category 1 Casino - Summary of GGR Estimates				
Market Areas	Market Shares	At \$300/ Adult	Blended GGR/ Adult	At \$350/ Adult
Massachusetts South Central - Springfield	80.0%	\$104,408,400	\$130,510,500	\$121,809,800
Connecticut North Central	30.0%	\$66,092,940	\$71,600,685	\$77,108,430
Markets Within 0-30 Minutes		\$170,501,340	\$202,111,185	\$198,918,230
Worcester/Milford	25.0%	\$29,623,800	\$32,092,450	\$34,561,100
Massachusetts North Central	80.0%	\$26,854,080	\$29,091,920	\$31,329,760
Massachusetts West	80.0%	\$26,297,520	\$24,106,060	\$30,680,440
Connecticut East	5.0%	\$7,032,915	\$8,791,144	\$8,205,068
Connecticut West	10.0%	\$41,485,170	\$38,028,073	\$48,399,365
Markets Within 30-60 Minutes		\$131,293,485	\$132,109,646	\$153,175,733
Leominster	25.0%	\$11,258,550	\$10,320,338	\$13,134,975
Boston Suburbs - Northwest	15.0%	\$14,190,975	\$13,008,394	\$16,556,138
Boston Suburbs - Southwest	15.0%	\$8,451,000	\$9,155,250	\$9,859,500
Plainville	5.0%	\$1,542,450	\$1,928,063	\$1,799,525
Rhode Island North	5.0%	\$8,692,800	\$10,866,000	\$10,141,600
New Hampshire Southwest	20.0%	\$16,098,600	\$14,757,050	\$18,781,700
Markets Within 60-90 Minutes		\$60,234,375	\$60,035,094	\$70,273,438
Central Boston	5.0%	\$11,724,375	\$14,655,469	\$13,678,438
Central Boston - North	5.0%	\$5,798,625	\$6,281,844	\$6,765,063
Central Boston - South	5.0%	\$3,426,630	\$3,712,183	\$3,997,735
Rhode Island South	5.0%	\$2,839,665	\$3,549,581	\$3,312,943
Raynham	5.0%	\$2,169,870	\$2,712,338	\$2,531,515
Massachusetts Southwest	5.0%	\$4,762,275	\$5,159,131	\$5,555,988
Massachusetts Southeast	5.0%	\$3,459,285	\$3,747,559	\$4,035,833
Cape Cod	5.0%	\$2,915,850	\$2,672,863	\$3,401,825
Boston Suburbs - North	5.0%	\$7,598,640	\$6,965,420	\$8,865,080
Boston Suburbs - South	5.0%	\$2,690,055	\$2,914,226	\$3,138,398
New Hampshire East	5.0%	\$6,802,395	\$6,235,529	\$7,936,128
Markets Beyond 90-Minutes		\$54,187,665	\$58,606,141	\$63,218,943
Subtotal Market Area		\$416,216,865	\$452,862,066	\$485,586,343

Source: HLT Advisory Inc. estimates.

3. REVENUE PROJECTIONS

To assess the reasonableness of the Applicant's revenue projections, HLT focused on the geographic source (i.e. market area) of expected revenues and compared that to HLT's market assessment.

The source of the Applicant's revenue was based on specific geographic market area segments as highlighted in the Applicant's third-party market assessment report. The report defined a market area and identified other sources of gaming revenues. These market areas did not align completely with the HLT defined market area nor its defined sub-market areas. To compare the Applicant's revenue projections to HLT's market assessment, HLT used information contained in the third-party market assessment report to estimate the portion of projected gaming revenues (Year 3 as contained in the Applicant's financials) that is likely to be generated from within the HLT defined market area.

HLT's market assessment acknowledged that Category 1 casinos could generate revenue from beyond the defined market area (termed "inflow") but did not provide estimates. The ability of each casino to generate inflow is based on the location and amount of competition in the area beyond the defined market area as well as casino specific targeted marketing programs.

3. REVENUE PROJECTIONS

Applicant Projections:

The Applicant's projections are detailed in the packet and start at [REDACTED] in GGR (year 1) and are normalized in year 3 at ~ [REDACTED]

The Applicant retained a third party to undertake their market assessment which represents the base case scenario in the Applicant's submission

The Applicant assumes a Category 1 casino is operational in each of the three designated MA regions and one Category 2 casino was operational in Southeast MA

3. REVENUE PROJECTIONS

MGM's casino will generate [REDACTED] or [REDACTED] of its total revenue from HLT's defined market area. This amount is similar to HLT's estimate under the blended GGR/ adult level.

In addition, MGM's casino could also generate inflow of about [REDACTED] or [REDACTED] of total revenue.

Note: while some of the "other sources of revenue" likely will be generated by residents of the defined market area, HLT has assumed that these other sources represent inflow for the purposes of this assessment.

Projected GGR for Springfield Category 1 Casino HLT Estimates vs. MGM Financial Projections					
Gaming Revenues by Areas	HLT Estimate			MGM's Financial Projection	
	At \$300	Blended	At \$350	Year 3	% Dist.
HLT's Defined Market Area*	\$416.2	\$452.9	\$485.6	[REDACTED]	[REDACTED]
<i>Other Sources of Revenue</i>					
Outside HLT's Defined Market Area**	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
MassMutuel Centre	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
Hall of Fame	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
Traffic Counts	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
Tourist	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
Hotel	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
Total Other Sources	n.a.	n.a.	n.a.	[REDACTED]	[REDACTED]
Total GGR	\$416.2	\$452.9	\$485.6	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on information from Union Gaming Analytics, MGM Resorts International, Springfield Market Study - Appendix Update, November 2013 and HLT estimates.

n.a.: Not available

* \$436.7 million in GGR for Year 3 are estimated to come from within the defined HLT market area based on information provided in MGM's third party market assessment and HLT estimates.

** Given the market area defined by Union Gaming, this area includes parts of New York and Vermont. In total \$16.4 million in GGR are estimated to come from this area - which is equal to 10% of the total GGR generated from within regional market (i.e., 60-120 minutes drive time) based on Union Gaming market assessment.

3. REVENUE PROJECTIONS

- MGM's revenue projections are consistent with HLT's market assessment
- Further, MGM's inflow estimates are reasonable and consistent with their marketing program submitted (i.e., leverage existing visitation to the Springfield area and New York State given Springfield's location relative to New York)

3. MARKET ASSESSMENT

Gaming Revenue Projections & Market Share

MGM Springfield

Very Good

- Year 3 GGR (net of free play) projections are within the likely market performance range with reasonable inflow expectations that are consistent with the marketing programs submitted by the applicant

4. OPERATIONS PLAN

The focus of this component was on assessing the reasonableness of the Applicant's operating plan given the current and likely future gaming environment in Massachusetts.

Specific assessment areas included:

- I. Applicant's understanding of internal controls.
- II. Consistency of business plan with a "destination casino" and to financial projections.
- III. Applicant's financial projections are consistent with their business plans.

4.1 INTERNAL CONTROLS

Expectations of Applicant:

- Demonstrates understanding of the importance of a strong internal control environment.
- Experience working in a regulated environment.

Assessment Approach:

- Reviewed submitted internal control manuals and history of Applicant experience with other gaming regulators.

4.1 INTERNAL CONTROLS

Assessment Results

MGM Springfield

Outstanding

- Operates in 4 jurisdictions (Nevada, Mississippi, Michigan, Macau)
- Cited Nevada as “benchmark” for regulation development in MA
- Applicant recognizes the importance of internal controls and has experience working in a highly regulated environment. Further, the Applicant provided certain draft standard documents for MGC to consider.

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Expectations of Applicant:

- Business plan is consistent with a local market casino and demonstrates connection to financial projections

Assessment Approach:

- Reviewed and assessed key components of the business plan to assess Applicant's understanding of regional casino market/operating strategies
- Reviewed the Applicant's budgets and financial projections to ensure they reflect the operational plans and programs provided throughout the responses of the application and they are consistent with a local market casino and other industry benchmarks

Note: Consists of all responses contained in Finance Section

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results

- i. Parking Plan: Provided for 3,853 parking spaces. Parking space per gaming position of 1.07 (rule of thumb is 1:1). MGM intends to have employees park at top level, or secure off-site parking for employees if necessary. MGM will offer parking free of charge, consistent with urban integration project
- ii. Slot Product Plan: Provided detailed plan, and is reasonable given the size and number of gaming positions
- iii. Table Product Plan: Detailed plan. Win/unit/day is consistent with what would be expected of a North American casino resort
- iv. Hotel Plan: 250 rooms (“four star” hotel). Occupancy at 92.3%, average daily rate \$186, including agreements with nearby hotels. Plan is reasonable.
- v. Food & Beverage Plan: 2,056 seats in eight outlets, with a mix of product offering. Sales estimated at [REDACTED] of Gaming Revenues and [REDACTED] of F&B comped. Plan is reasonable

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results

- vi. Retail Plan: 33,000 sf of outdoor retail; 3 small internal stores (8,000 sf); owned & operated bowling alley and cinema. Retail plan is consistent with the urban integration and overall downtown development concept.
- vii. Marketing Plan: Included components of a North American regional casino resort. Marketing plan includes implementation of loyalty program, use of all advertising mediums, leveraging existing player database. M-life customers [REDACTED] worldwide and [REDACTED] within 100 miles of Springfield). Further, MGM plans to run a robust bus program, entertainment with their partnerships (MassMutual, Symphony Hall/City Stage) as well as other special events. Marketing plan is detailed and includes other important aspects including promotions strategy and local partnerships

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results

MGM Springfield

Very Good

- Overall business plan (gaming product, slot mix, table mix, F&B, retail, hotel, parking, marketing) is consistent with what would be employed by a typical North American casino operator with the added value of accessing M-life database of customers

4.3 FINANCIAL PROJECTIONS

Assessment Results

MGM Springfield

Very Good

- Financial projections are consistent with the Applicant's market expectations, its proposed facility and the business and marketing plans submitted

AGGREGATE RATINGS

I. Financial Strength

Very Good

II. Investment Plan

Very Good/Outstanding

III. Market Assessment

Very Good

IV. Operations Plan

Very Good

SUMMARY – MGM SPRINGFIELD

Very Good

MGM has demonstrated that they have the financial capabilities and direct access to funds required to develop and operate a successful Category 1 facility. Their submission demonstrated they fully understand the current and future Massachusetts competitive marketplace. This understanding is reflected in the consistency (alignment) between their Investment, Market, and Operations plans submitted. Individually, their Investment, Market, and Operations plans are well thought out and support the urban integration theme of the total development proposed.

While there are many examples of casinos located in urban environments, the level of integration that has been incorporated in MGM's project plan can be considered ambitious. MGM has acknowledged that their Springfield plan is complex and entails a level of integration that they have not implemented in the past. The plan may require modifications as it advances through the development process. As the development evolves, changes/modifications will have to be assessed with regard to potential impacts on expected operational results (e.g. appeal of the broader site to attract potential customers and ability of the site to accommodate visitor volumes) and appropriate responses developed and implemented.

Overall, MGM's proposal is very good with outstanding elements.