



Massachusetts Gaming Commission

RFA-2 Application Review

Category 1 License for Casino: Region B – MGM Springfield

Report to the Commissioners for: Category # 2 – Finance

Commissioner Enrique Zuniga

June 10, 2014

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1. Introduction

The questions from Section 2 - Finance of the RFA-2 application were allocated among 4 established criteria (Financial Capability, Investment Plan, Market Assessment, and Operations Plan).

Criteria

Section 2 is comprised of 4 Criteria and 10 Sub-Criteria:

- Criterion 1 (Questions 2-2, 2-5 to 2-7, 2-11 to 2-17,2-29):
 - Criterion 1.1 (Questions 2-7 and 2-16):
 - Criterion 1.2 (Questions 2-5,2-6, 2-12 to 2-15, 2-17, 2-29):
 - Criterion 1.3 (Questions 2-2 and 2-11):
 - Criterion 2 (Questions 2-1, 2-3, 2-4, 2-8, 2-10, 2-27, 2-28, 2-30):
 - Criterion 2.1 (Questions 2-1, 2-3, 2-4, 2-8, 2-27, 2-28):
 - Criterion 2.2 (Questions 2-10 and 2-30):
 - Criterion 2.3 (Question 2-8):
 - Criterion 3 (Questions 2-18, 2-19, 2-21, 2-23, 2-26):
 - Criterion 4 (Questions 2-9, 2-11, 2-19, 2-20, 2-22 to 2-25, 2-31 to 2-38):
 - Criterion 4.1 (Question 2-22):
 - Criterion 4.2 (2-9, 2-11, 2-19, 2-20, 2-23 to 2-25, 2-31 to 2-38):
 - Criterion 4.3 (2-9, 2-11, 2-19, 2-20, 2-23 to 2-25, 2-31 to 2-38):
- | | |
|--|---|
| | <u>Financial Capability</u>
Ability of Applicant to Obtain Project Capital
Current Financial Strength of Applicant
Applicant's Expected Project Return Over Term of License |
| | <u>Investment Plan</u>
Commitment to Spend Required Capital
Timing of Total Development
Consistency Between Quality/Scope of Proposed Facility and
Expected Market Penetration and Financial Results |
| | <u>Market Assessment</u>
Gaming Revenue Projections and Market Share |
| | <u>Operations Plan</u>
Applicant's Understanding of the Importance of Internal Controls
Consistency of Business Plan with Financial Results
Financial Projection Analysis |

Rating System

Color coding and rating explanation

INSUFFICIENT	Failed to present a clear plan to address the topic, or failed to meet the minimum acceptable criteria of the Commission.
SUFFICIENT	Comprehensible and met the minimum acceptable criteria of the Commission; and/or provided the required or requested information.
VERY GOOD	Comprehensive, demonstrates credible experience and plans, and /or excels in some areas.
OUTSTANDING	Uniformly high quality, and demonstrates convincing experience, creative thinking, innovative plans and a substantially unique approach.

Question List

- 2-1 Application Fee and Community Disbursements
- 2-2 Licensing Fee
- 2-3 Minimum Capital Investment
- 2-4 Land
- 2-5 Audited Financial Statements
- 2-6 Unaudited Financials and SEC Filings
- 2-7 Financing Structure
- 2-8 Budget
- 2-9 Significant Economic Downturn
- 2-10 Timeline for Construction
- 2-11 Pro-Forma Cash Flow
- 2-12 Credit Arrangements and Financial Commitments
- 2-13 Breaches of Contract
- 2-14 Administrative and Judicial Proceedings
- 2-15 Bankruptcy Filings
- 2-16 Minority sources of financing
- 2-17 Documentation of Financial Suitability and Responsibility
- 2-18 Revenue Generation
- 2-19 Projected Gaming Revenue
- 2-20 Projected Non-Gaming Revenue
- 2-21 Projected Tax Revenue to the Commonwealth
- 2-22 Internal Controls
- 2-23 Maximizing In-State Revenue
- 2-24 Customer Cross-Marketing
- 2-25 History of Revenue
- 2-26 Market Analysis
- 2-27 Capital Investment
- 2-28 Total Investment Outside the Property
- 2-29 Additional Financial Commitments
- 2-30 Construction Plan
- 2-31 Business Plan
- 2-32 Maximum Facility Use
- 2-33 Competition from Internet Gaming
- 2-34 Marketing Plan
- 2-35 New Revenue
- 2-36 Marketing to Out of State Visitors and use of Junkets
- 2-37 Marketing to In-State Visitors
- 2-38 Secure and Robust Gaming Market

2. Overall Rating (Provisional)

This section summarizes the overall ratings related to Section 2: Finance of the RFA-2 application – For further detail see Financial Appendices (Financial Capability, Investment Plan, Market Assessment, and Operations Plan)

Springfield/MGM

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 that 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.

VG

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 and that their plan will likely require modifications as it advances through the development process. For instance, a general contractor has not yet been selected. 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.

3. Criteria Rating Summary

Criteria Rating Summary	
Below is a summary of the ratings for the review detail areas.	
	Springfield/MGM
Criterion 1: Financial Capability	Very Good
Criterion 2: Investment Plan	Very Good/Outstanding
Criterion 3: Market Assessment	Very Good
Criterion 4: Operations Plan	Very Good

4. Review Detail

Criterion 1: Financial Capability	
Financial capability of Applicant to develop (construct and open) and operate the proposed Category 1 facility. Specific focus areas include:	
<ul style="list-style-type: none"> • Ability of Applicant to obtain project capital. • Current financial strength of Applicant. • Applicant’s expected project return over 15 year term (term of license). 	
Springfield/MGM	
Statement of Findings	<u>Ability to Obtain Capital</u> Demonstrated the availability of financing for the project: <ul style="list-style-type: none"> • Option 1- In the event MGM refinances the indebtedness owing over the next three years, there would be sufficient cash available to fund the development from operating capital. • Option 2- Commitment letters provided from two banks with limited conditions.
	<u>Current Financial Strength</u> <ul style="list-style-type: none"> • While MGM Resorts International’s key financial ratios demonstrate financial strength, they currently have a higher than ideal proportion of debt relative to equity (if some convertible notes due in 2015 were converted today into equity, MGM’s debt to equity ratio would improve).
	<u>Expected Returns</u> <ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment. • A positive return on investment can still be achieved even after applying a 15% discount rate.
Overall Findings	Demonstrated that they possess the financial strength to develop and operate their proposed Category 1 facility.
Criterion 1 Rating	Very Good

1.1 Ability of Applicant to Obtain Project Capital	
Expectations of Applicant	Evidence of access to capital required to fund project cost as submitted.
Assessment Approach	Reviewed financing plan as submitted by Applicant as well as accompanying background materials.
	Springfield/MGM
Summary of Facts	<ul style="list-style-type: none"> • Total Capital Required- \$825 million • MGM provided 2 options related to funding the project: <ul style="list-style-type: none"> • Option 1 proposes to fund the project through its corporate credit facility, existing cash, cash from existing operations as well as distributions received from existing subsidiaries. • Option 2 proposes MGM contributes 25%-50% to the development with the remainder financed through project financing. • As at December 31, 2013: <ul style="list-style-type: none"> • MGM had \$1.2 billion of available borrowing capacity under its senior credit facility. • MGM had \$1.71 billion in EBITDA, \$857 million in interest expense and \$562 million in capital expenditures. • Current assets amounted to \$2.7 billion while current liabilities amounted to \$2.2 billion. • Two commitment letters provided by Barclays and Deutsche Bank proving financing in an amount up to [REDACTED] and [REDACTED] respectively.
Statement of Findings	<p>Demonstrated the availability of financing for the project:</p> <ul style="list-style-type: none"> • Option 1- In the event MGM refinances the indebtedness owing over the next three years, there would be sufficient cash flow available to fund the development from operations. • Option 2- Commitment letters provided from two banks with limited conditions.
Rating	Very Good

1.2 Current Financial Strength of Applicant	
Expectations of Applicant	<ul style="list-style-type: none"> • Strong Balance Sheet (Current Ratio, net asset position) • Reasonable levels of debt (Debt Equity Ratio) • Positive operating results (Capital Asset Turnover, Return on Investment)
Assessment Approach	Reviewed financial statements (where applicable) submitted by Applicants and performed financial ratio analysis to assess financial strength of Applicant.
Springfield/MGM	
Summary of Facts	<p>Financial Statements Evaluated- MGM Resorts International 2013 10K.</p> <p>Key Financial Ratios</p> <ul style="list-style-type: none"> • Current Ratio: 1.23 • Capital Asset Turnover: 0.70 • Debt Equity Ratio: 3.18 • Return on Investment: 10% • Times Interest Earned: 2.00
Statement of Findings	While MGM Resorts International’s key financial ratios demonstrate financial strength, they currently have a higher than ideal proportion of debt relative to equity (if some convertible notes due in 2015 were converted today into equity, MGM’s debt to equity ratio would improve).
Rating	Sufficient/Very Good

1.3 Applicant’s Expected Return Over Term of License	
Expectations of Applicant	<ul style="list-style-type: none"> Earn a commercially reasonable return on investment.
Assessment Approach	Internal rate of return calculation based on Applicant submitted 15-year EBITDA. In addition the internal rate of return was assessed under two annual discount rates (4%-15%).
Springfield/MGM	
Summary of Facts	<ul style="list-style-type: none"> ROI (No Discount Rate): [REDACTED] ROI (Discount Rate 4%): [REDACTED] ROI (Discount Rate 15%): [REDACTED]
Statement of Findings	<ul style="list-style-type: none"> Plan proposed produces a commercially reasonable return on investment. A positive return on investment can still be achieved even after applying a 15% discount rate.
Rating	Very Good

Criterion 2: Investment Plan	
<p>The suitability of the proposed physical facility/complex plan to compete in the market over the life of the license. Specific focus areas include:</p> <ul style="list-style-type: none"> • Commitment to spend required capital. • Timing of total development. • Consistency between quality/scope of proposed facility and expected market penetration and financial results. 	
Springfield/MGM	
Statement of Findings	<p><u>Commitment to Spend Capital</u></p> <ul style="list-style-type: none"> • Eligible capital costs meet minimum capital investment requirement.
	<p><u>Timing of Development</u></p> <ul style="list-style-type: none"> • Provided a reasonable timeline for opening facility given the size and scope (complexity) of the development and the site location. It must be noted that development plans have not yet be finalized (e.g. a contractor has not yet been selected).
	<p><u>Consistency Between Quality/Scope and Results</u></p> <ul style="list-style-type: none"> • Proposed size and scope of facility is consistent with business and financial plans submitted. Further, the proposed facility is consistent with a typical North American regional casinos realizing it has been designed to “integrate” into the local community.
Overall Findings	Proposed a well thought out facility concept plan that “integrates” into the local market. This plan is well thought out, it is complex and not yet finalized (e.g. a contractor has yet to be selected).
Criterion 2 Rating	Very Good/Outstanding

2.1 Commitment to Spend 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.
	Springfield/MGM
Summary of Facts	<ul style="list-style-type: none"> • Eligible Construction Cost: \$408.3 million • Eligible FF&E Cost: \$107.5 million • Total Eligible Costs: \$515.8 million
Statement of Findings	Eligible capital costs meet minimum capital investment requirement.
Rating	Meets Requirement

2.2 Timing of Total Development	
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.
Springfield/MGM	
Summary of Facts	<ul style="list-style-type: none"> Applicant proposed construction timeline of 27 months with opening date subject to license award.
Statement of Findings	Provided a reasonable timeline for opening facility given the size and scope (complexity) of the development and the site location. It must be noted that development plans have not yet been finalized (e.g. a contractor has not yet been selected).
Rating	Very Good

2.3 Consistency Between Quality/Scope of Proposed Facility and Expected Market Penetration and Financial Results	
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.
Springfield/MGM	
Summary of Facts	<ul style="list-style-type: none"> • Site location situated in downtown core • Slots: 3,000 • Tables: 100 • Gaming Floor: 126,701 sq. ft. • Hotel: 250 rooms (“Four star”) • F&B: 8 outlets (2,065 seats) • Entertainment: Bowling Alley, Cinema, Radio/TV Studio • Parking: 3,853 spaces • Exhibition Space/Meeting Space: 19,388 sf • Retail: 8,000 sf branded retail and 35,000 sf outdoor retail
Statement of Findings	Proposed size and scope of facility is consistent with business and financial plans submitted. Further, the proposed facility is consistent with typical North American regional casinos realizing it has been designed to “integrate” into the local community.
Rating	Outstanding

Criterion 3: Market Assessment	
<p>The viability of the proposed facility and operations plan (specifically the marketing component) to penetrate the available gaming market. Specific focus areas include:</p> <ul style="list-style-type: none"> Gaming revenue projections and market share. Given the competitive environment, the likely gaming revenue range that could be generated is between [REDACTED] and [REDACTED] prior to revenue generated from outside the defined market area (inflow). 	
Springfield/MGM	
Statement of Findings	<p><u>Gaming Revenue Projections and Market Share</u></p> <ul style="list-style-type: none"> Year 3 GGR (net of free play): <ul style="list-style-type: none"> Defined market area: [REDACTED] Outside the defined market area (Inflow): [REDACTED] Total: [REDACTED]
Overall Findings	Gaming revenue projections are within the likely market performance range with reasonable inflow expectations that are consistent with the marketing programs submitted by the Applicant.
Criterion 3 Rating	Very Good

Criterion 4: Operations Plan	
Reasonableness of the Applicant’s operating plan given the current and likely future gaming environment in Massachusetts. Specific focus areas include:	
<ul style="list-style-type: none"> • Applicants understanding of the importance of internal controls. • Consistency of operation plans with expected financial results. 	
	Springfield/MGM
Statement of Findings	<u>Understanding of Internal Controls</u> <ul style="list-style-type: none"> • Applicant recognizes the importance of internal controls and has experience working in a regulated environment. Further the Applicant provided certain draft standards documents for MGC to consider.
	<u>Consistency of Business Plan/Marketing Plan with Expected Returns</u> <p>All operational and marketing plans were clearly articulated and represent a cohesive strategy that align with a North American regional casino facility in Springfield.</p> <ul style="list-style-type: none"> • Slot product plan is reasonable. • Table product plan is reasonable. • Size and scope of food and beverage offerings are in line with expectations of a North American regional casino. • Hotel plan is in line with expectations of a North American regional casino. • Retail plan is consistent with the urban integration design of the project. • Parking plan is consistent with the urban integration design of the project (specific to Springfield). • Marketing approach is consistent with that which would be employed by a typical North American regional casino operator with the added value of accessing M-Life database customers.
	<u>Financial Projection Analysis</u> <ul style="list-style-type: none"> • Financial projections are consistent with the Applicant’s market expectations, its proposed facility plans and the business/marketing plans submitted.
Overall Findings	Demonstrated a sound operations plan for their Category 1 gaming facility.
Criterion 4 Rating	Very Good

4.1 Applicant’s Understanding of the Importance of Internal Controls	
Expectations of Applicant	Applicant demonstrates an understanding of the importance of a strong internal control environment.
Assessment Approach	Reviewed submitted internal control manuals and history of experience with other gaming regulators.
	Springfield/MGM
Summary of Facts	<ul style="list-style-type: none"> • MGM operates in 4 jurisdictions (Nevada, Mississippi, Michigan and Macau). • Cited Nevada as “benchmark” for regulation development in Massachusetts. • Provided draft internal control standards proposed for Massachusetts specific to slots, table games, Cage and Credit and Currency Transaction Reporting. • Provided security and surveillance standards and role of both internal and external auditors to ensure strong control environment. • Publically traded organization.
Statement of Findings	Applicant recognizes the importance of internal controls and has experience working in a regulated environment. Further the Applicant provided certain draft standards documents for MGC to consider.
Rating	Outstanding

4.2 Consistency of Business Plan/Marketing Plan with Expected Financial Returns	
Expectations of Applicant	Business plans/marketing plans are representative of that of a North American regional market casino and demonstrate connection to financial projections.
Assessment Approach	Reviewed business and marketing plans as submitted to assess whether Applicant understood strategies to be employed operating a North American regional market casino.
Springfield/MGM	
Summary of Facts	<p>Slot Product Plan:</p> <ul style="list-style-type: none"> • Provided a detailed plan. <p>Table Product Plan:</p> <ul style="list-style-type: none"> • Provided a detailed plan. <p>Food & Beverage Plan:</p> <ul style="list-style-type: none"> • Provided for 2,065 seats in eight outlets. • Sales estimated at [REDACTED] of gaming revenue and [REDACTED] comped. <p>Hotel Plan:</p> <ul style="list-style-type: none"> • 250 rooms (“Four star” hotel). • Occupancy- 92.3%. • Average Daily Rate- \$186. <p>Retail/Other Plan:</p> <ul style="list-style-type: none"> • 33,300 sf of outdoor retail. • 3 small internal retail stores (8,000 sf). • Owned/operated bowling alley and cinema. <p>Parking Plan:</p> <ul style="list-style-type: none"> • Provided for 3,853 spaces. <p>Marketing Plan:</p> <ul style="list-style-type: none"> • Outlined components of a North American regional casino’s marketing plan (e.g. implement a loyalty program, use of all advertising mediums, leverage existing player database). • M-Life database customers ([REDACTED] worldwide and [REDACTED] within 100 miles of Springfield).
Statement of Findings	<p>All operational and marketing plans were clearly articulated and represent a cohesive strategy that align with a North American regional casino facility in Springfield.</p> <ul style="list-style-type: none"> • Slot product plan is reasonable. • Table product plan is reasonable. • Food and beverage plan is reasonable. • Hotel plan is reasonable. • Retail plan is reasonable. • Parking plan is reasonable • Marketing approach is consistent with that which would be employed by a typical North American regional casino operator with the added value of accessing M-Life database customers.
Rating	Very Good

4.3 Financial Projection Analysis	
Expectations of Applicant	Financial projections and related key performance indicators are consistent with industry averages, and are reflective of the proposed business plan.
Assessment Approach	Assessed the financial projections for consistency with industry norms, and evaluated the projections with the proposed business plan..
	Springfield/MGM
Summary of Facts	<ul style="list-style-type: none"> • Provided financial projections in the format requested.
Statement of Findings	Financial projections are consistent with the Applicant’s market expectations, its proposed facility plans and the business/marketing plans submitted.
Rating	Very Good

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Financial Strength

Massachusetts Gaming Commission
June 2014

Introduction

The financial strength and capacity of the Applicant to develop (construct and open) and operate the proposed facility.

Key Considerations:

- Ability of Applicant to obtain project capital.
- Current financial strength of Applicant.
- Applicant's expected project return over 15 year term (term of license).

Ability to Obtain Capital: Introduction

Expectations of Applicant:

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

Assessment Approach:

- Reviewed financing plan as submitted by Applicant as well as accompanying background materials.

Ability to Obtain Capital: Funding Structure

MGM provided 2 options related to funding the project:

- Option 1 proposes to fund the project through its corporate credit facility, existing cash, cash from existing operations as well as distributions received from existing unrestricted subsidiaries.
- Option 2 proposes MGM contributes 25%-50% to the development with the remainder financed through project financing. 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>	

Ability to Obtain Capital: Springfield/MGM

The legal name of the Applicant is Blue Tarp reDevelopment, LLC. Blue Tarp reDevelopment, LLC is 99% owned by MGM International and 1% owned by Paul C. Picknelly.

MGM has suggested two financing alternatives for the development:

- Option 1 – Fund the development through its corporate credit facility, existing cash, cash flow from existing operations as well as distributions received from existing unrestricted subsidiaries.
- Option 2 – Fund the development through project financing comprised of 25% to 50% equity and the remainder obtained through project financing.

Option 1

Based on December 31, 2013 10-K

- As at December 31, 2013 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.

Ability to Obtain Capital: Springfield/MGM

Option 1 (Continued)

The following represents a high level estimate of the next three years projected cash availability for the development as contemplated under Option 1. This analysis contemplates that the only developments under consideration during this period are the recently awarded Maryland project and the Massachusetts casino. The analysis assumes the Macau development (\$2.9 billion) is financed through project financing.

In the event MGM refinances the indebtedness owing over the next three years, there would be sufficient cash available to fund the development from operating capital.

Projected Cash Available for MGM Three Year Period (\$Million)		
Key Financial Factors	Annualized Estimate	Three Year Period
Working Capital		\$504
Existing Borrowing Capacity		\$1,200
EBITDA*	\$1,712	\$5,137
Interest Expense*	-\$857	-\$2,571
Capital Expenditures*	-\$562	-\$1,686
Maryland Development**		-\$925
Cash Available Before Capital Mkt. Transactions		\$1,659
Capital Market Transactions***		-\$1,050
Cash Available After Capital Mkt. Transactions		\$609

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

* Based on MGM2013 10K adjusted for non-controlling interest.

** Estimated development cost for recently awarded facility in Maryland, (MGM press release).

*** Total of \$2.5 billion of capital market transactions to be completed over next three years related to refinancing existing indebtedness. Assumes convertible notes of \$1.45 billion will be converted into equity without additional capital required.

Ability to Obtain Capital: Springfield/MGM

Option 2

Option 2 contemplates MGM contributing 25% to 50% equity to the development with the remainder financed through project financing.

Springfield/MGM Project Financing (\$Million)			
Proposed Equity	Equity	Debt	Total
Equity at 25%	\$206	\$619	\$825
Equity at 50%	\$413	\$413	\$825

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

Barclays confirmed in writing that they were highly confident they would be able to arrange project financing up to \$619 million with MGM's contributing the balance in equity.

Deutsche Bank Securities confirmed in writing that they were highly confident they would be able to arrange project financing up to \$770 million providing MGM contributed 25% to 35% equity. Their letter stated they understood the total project cost to equal \$985 million.

Financial Strength: Introduction

Expectations of Applicant:

- Strong balance sheet (current ratio and net asset position).
- Reasonable levels of debt (debt/equity ratio).
- Positive operating results (capital asset turnover and return on investment).

Assessment Approach:

- Reviewed financial statements (where applicable) submitted by the Applicant and performed financial ratio analysis to assess financial strength of Applicant.

Financial Strength: Definition of Ratios

Liquidity Ratios-Liquidity ratios are meant to provide information about an organization's ability to meet its short-term financial obligations. Liquidity ratios are not meant to assess the long-term sustainability of an organization, moreover, they are short-term in nature, defined within a one year time frame. In respect of liquidity ratios we used the current ratio for our analysis.

Financial Leverage Ratios-Financial leverage ratios provide information about an organization's debt structure and its ability to repay long-term debt. In respect of financial leverage ratio, we used a debt/equity ratio in our analysis.

Asset Turnover Ratios-Asset turnover ratios provide information about how efficiently an organization is making use of its assets. The more times an organization can turnover its assets (in terms of revenue) the greater the productivity of the operation. In respect of asset turnover ratios we used the capital asset turnover ratio in our analysis.

Profitability Ratios-Profitability ratios provide information about a company's ability to generate profits. In respect of our profitability ratios we utilized a return on investment ("ROI") ratio and a times interest earned ratio in our analysis.

Financial Strength: Financial Ratios, Publicly Traded Gaming Companies

Financial Ratios - Publicly Traded Gaming Companies									
	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.

Financial Strength: Ratio Analysis

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 publically 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.

Expected Project Return: Introduction

Expectations of Applicant:

- Earn a commercially reasonable return on investment.

Assessment Approach:

- Internal rate of return calculation based on Applicant submitted 15-year EBITDA. In addition the internal rate of return was assessed under two annual discount rates (4%-15%).

Expected Project Return: Applicant's Internal Rate of Return

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

Applicant's financial projections show a healthy financial return. Even applying a 15% discount rate to future earnings stream, the Applicant projects a positive financial return, albeit below that of similar sized companies profiled on page 10.

Internal rate of Return Calculation	
	Springfield/ MGM
EBITDA (\$Million)	
Year 1	\$97.4
Year 2	\$148.6
Year 3	\$155.4
Year 4	\$159.6
Year 5	\$163.9
Year 6	\$168.3
Year 7	\$172.8
Year 8	\$177.0
Year 9	\$181.2
Year 10	\$185.7
Year 11	\$190.2
Year 12	\$194.8
Year 13	\$199.5
Year 14	\$204.3
Year 15	\$209.3
Total EBITDA (\$Million)	\$2,608.0
Average EBITDA (\$Million)	\$173.9
Development Budget (\$Million)*	\$800.0
Internal Rate of Return**	19.5%
Internal Rate of Return (4% discount rate)**	15.0%
Internal Rate of Return (15% discount rate)**	4.1%
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i> <i>*Development budget does not contain \$25 million working capital.</i> <i>**Calculation based on EBITDA, does not take into consideration debt versus equity financing, provides for terminal value at end of 15 years based on earnings multiple of 5.</i>	

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Investment Plan

Massachusetts Gaming Commission
June 2014

Investment Plan: Introduction

The suitability of the proposed physical facility/complex plan to compete in the market over the life of the license.

Key issues to investigate:

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

Required Capital: Introduction

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.

Required Capital: Development Budget

- MGM's total development budget is \$825 million.

Category 1 Projected Development Budget	
	Springfield/ MGM
Construction	
Building - Casino	\$65,757,000
Building - Hotel	\$83,032,000
Building - Retail/Entertainment	\$48,072,000
Building - Other	\$40,830,000
Architectural and Engineering	\$22,000,000
Fit-Out - F&B/Retail/Apartment	\$55,469,000
Parking Garage	\$93,132,000
Total Construction	\$408,292,000
FF&E	
Gaming Equipment	\$82,000,000
Other FF&E	\$25,500,000
Total FF&E	\$107,500,000
Other Costs	
License and Application Fee	\$85,000,000
Start-up Capital and Cage Cash	\$25,000,000
Financing Costs	\$58,000,000
Project Contingencies	\$24,425,000
Land	\$50,133,000
Pre-opening Expenses	\$30,000,000
Host Community Payment	\$5,150,000
Operating Supplies	\$31,500,000
Total Other Costs	\$309,208,000
Total Budgeted Cost	\$825,000,000
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	
<i>n/p- Not provided.</i>	

Required Capital: Eligible Costs

- MGM's eligible capital cost is \$515.8 million which meets the \$500 million requirement.

Category 1 Projected Development Budget- Eligible Costs	
	Springfield/ MGM
<u>Eligible Capital Costs</u>	
Construction	
Building - Casino	\$65,757,000
Building - Hotel	\$83,032,000
Building - Retail/Entertainment	\$48,072,000
Building - Other	\$40,830,000
Architectural and Engineering	\$22,000,000
Fit-Out - F&B/Retail/Apartment	\$55,469,000
Parking Garage	\$93,132,000
Total Construction	\$408,292,000
FF&E	
Gaming Equipment	\$82,000,000
Other FF&E	\$25,500,000
Total FF&E	\$107,500,000
Total Eligible Costs	\$515,792,000
<p><i>Source: HLT Advisory Inc. based on Applicant's submission and HLT's interpretation of eligible capital costs.</i></p> <p><i>n/p- Not provided.</i></p>	

Required Capital: Ineligible Costs

- MGM's ineligible costs total \$309.2 million.

Category 1 Projected Development Budget- Ineligible Costs	
	Springfield/ MGM
Total Eligible Costs	\$515,792,000
<u>Ineligible Budgeted Costs</u>	
License and Application Fee	\$85,000,000
Start-up Capital and Cage Cash	\$25,000,000
Financing Costs	\$58,000,000
Project Contingencies	\$24,425,000
Land	\$50,133,000
Pre-opening Expenses	\$30,000,000
Host Community Payment	\$5,150,000
Operating Supplies	\$31,500,000
Total Ineligible Costs	\$309,208,000
<hr/>	
Total Budgeted Cost	\$825,000,000
<hr/>	
<i>Source: HLT Advisory Inc. based on Applicant's submission and HLT's interpretation of eligible capital costs.</i>	

Project Timeline: Introduction

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.

Project Timeline: Applicant's Proposed Timing

- 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.

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.*

Consistency with Financials: Introduction

Expectations of Applicant:

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

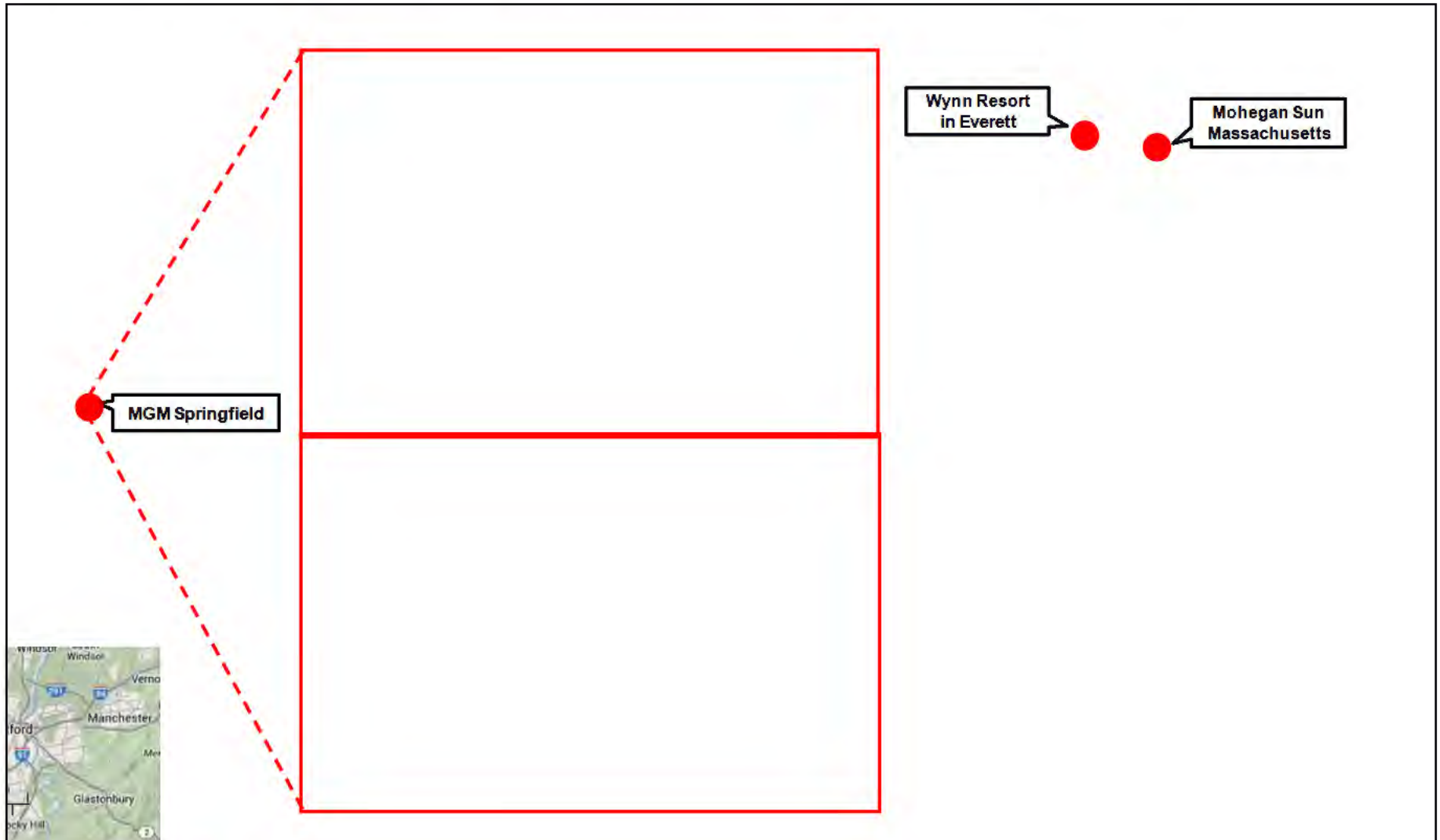
Assessment Approach:

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

Consistency with Financials: Project Overview

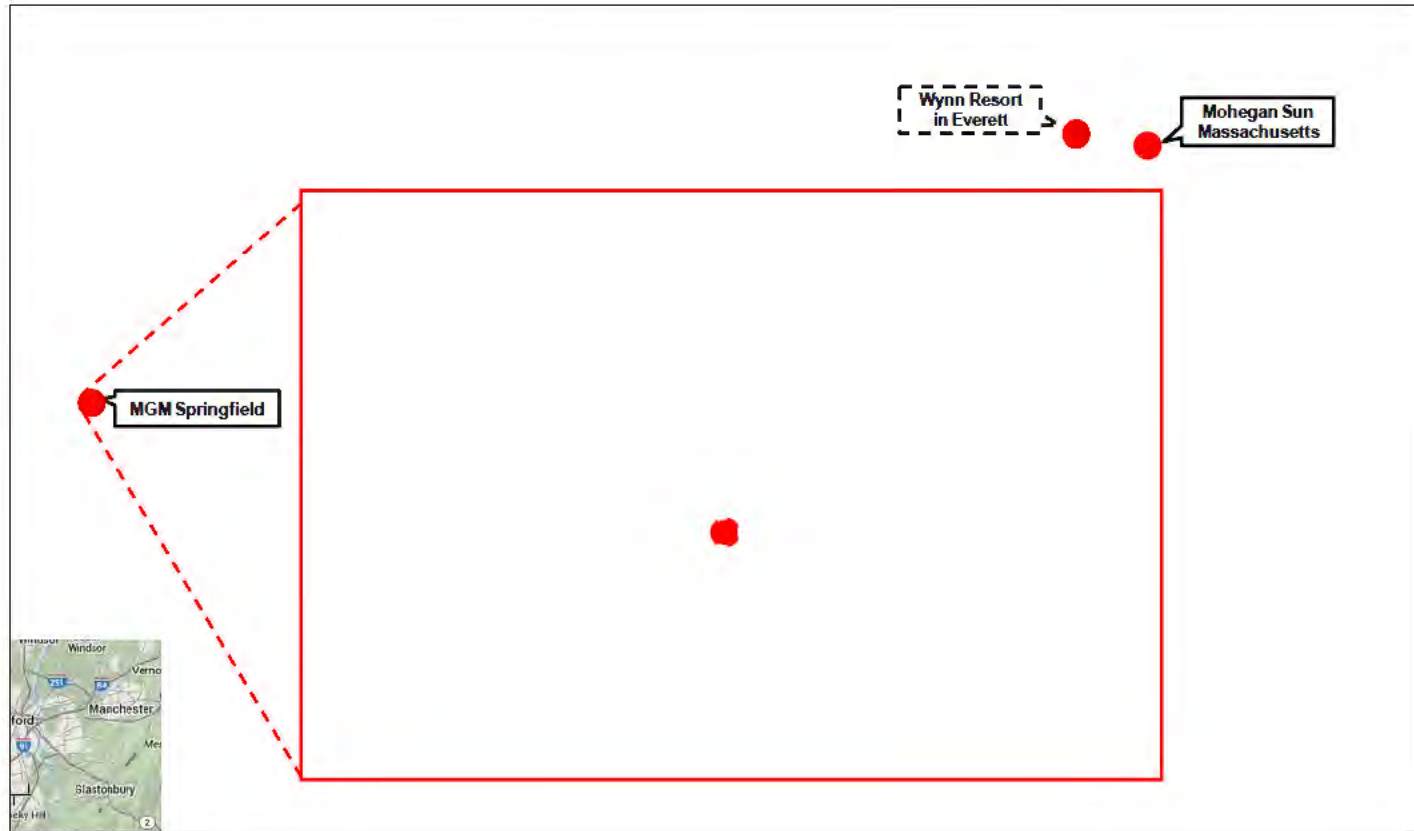
Category 1 Applications- Project Summaries	
Applicant	Springfield/ MGM
Name	MGM Springfield
Location	Springfield
Construction Period	27 months
Opening Date	Subject to certain factors including license award
Gaming	
Slots	3,000
Table Games	100
Area (sf)	126,701
Non-Gaming	
F&B Outlets	8
F&B Seats	2,065
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
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	

Consistency with Financials: Springfield/MGM



Consistency with Financials: Springfield/MGM

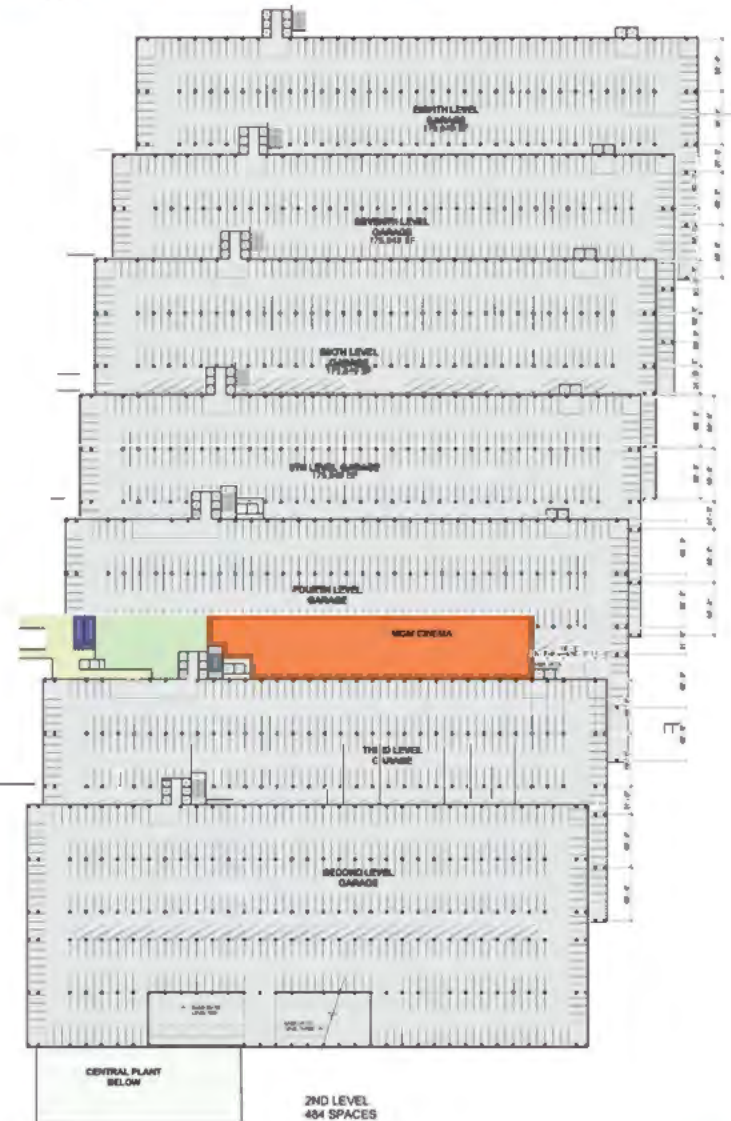
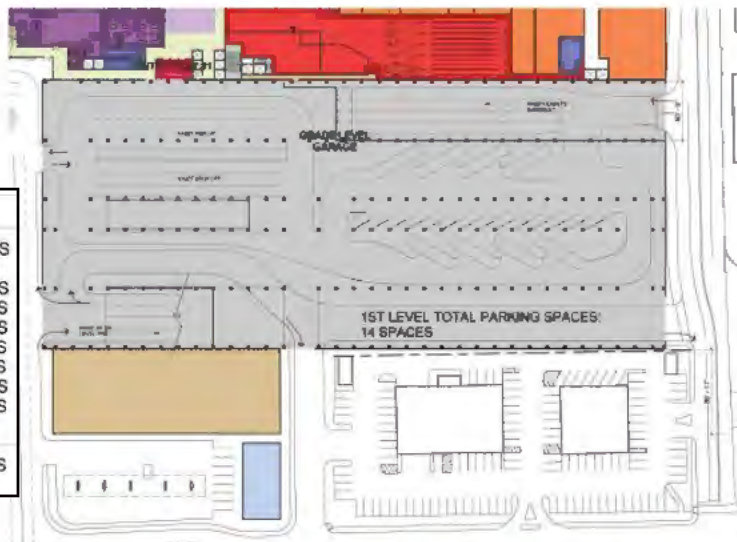
- Located in the City of Springfield.
- Located on an approximately 14.5 acre site bounded by: State Street to the north, Main Street to the east, Union Street to the south, and Columbus Avenue to the west.



Consistency with Financials: Springfield/MGM

- Plan includes a 9-level (8-storey) 3,784 spot parking garage.
- Additional 69 surface parking spots available consisting of:
 - 47 spot Armory surface parking lot (30-minute parking).
 - 7 spot E Columbus retail lot.
 - 15 spot Daycare center lot.
- Employee parking planned in parking garage, available offsite if necessary.

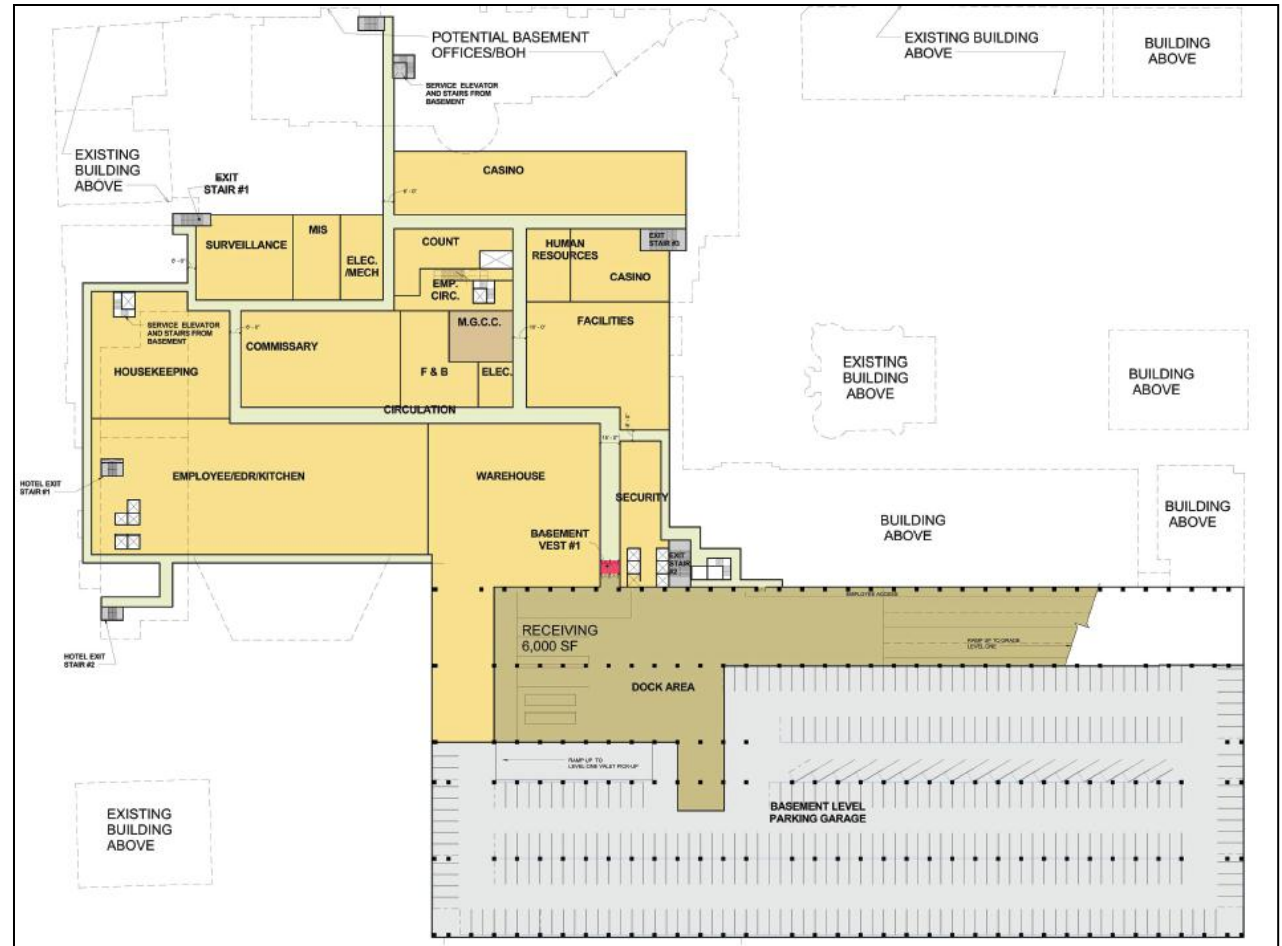
PARKING DATA	
BASEMENT	357 SPACES
LEVEL ONE	14 SPACES
LEVEL TWO	484 SPACES
LEVEL THREE	491 SPACES
LEVEL FOUR	461 SPACES
LEVEL FIVE	476 SPACES
LEVEL SIX	464 SPACES
LEVEL SEVEN	491 SPACES
LEVEL EIGHT	524 SPACES
TOTAL GARAGE PARKING SPACES 3,762 SPACES	



Consistency with Financials: Springfield/MGM

Basement Level

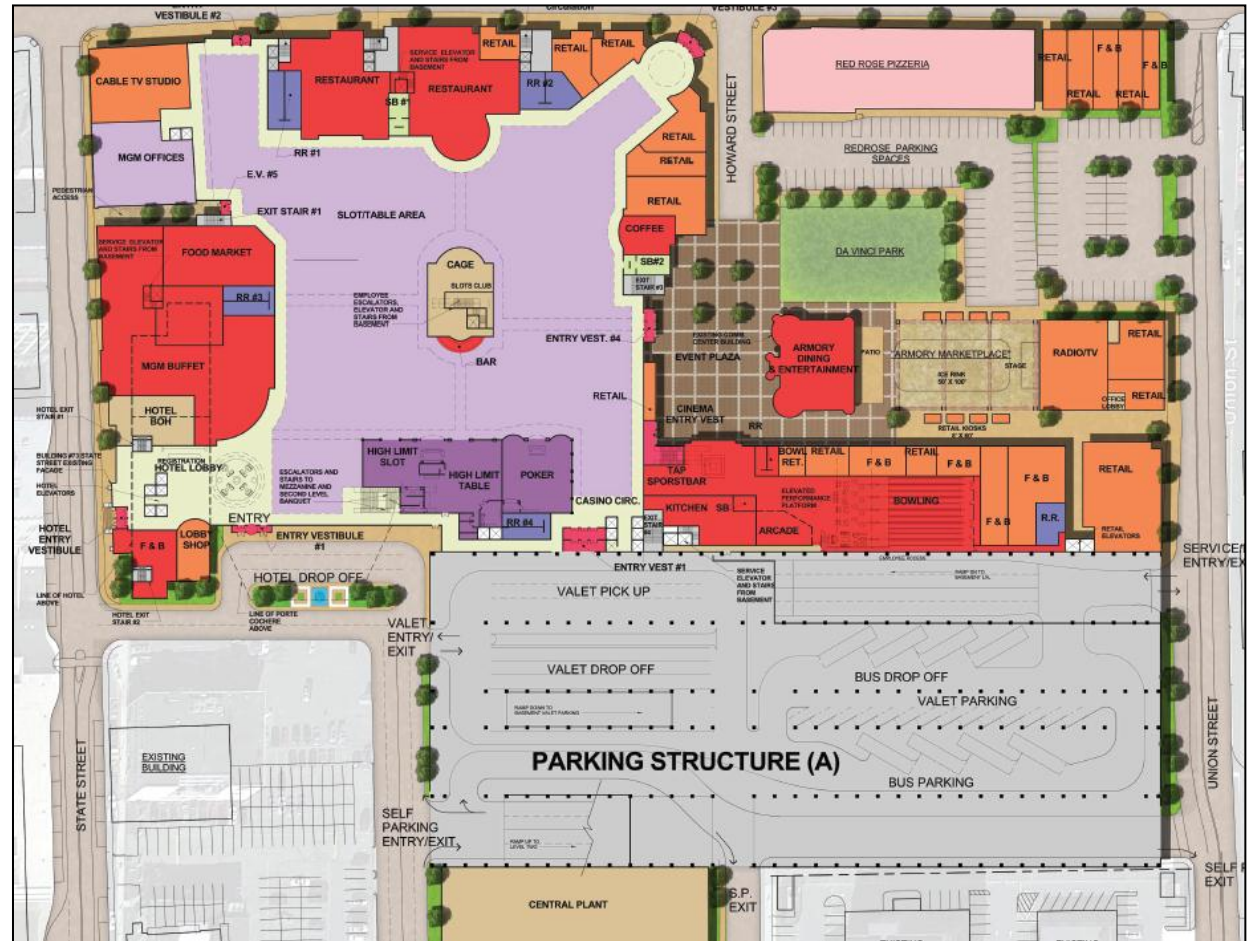
- 141,197 sf back of house (yellow).
- 41,619 sf dock area (brown).
- Basement level of parking garage (grey).



Consistency with Financials: Springfield/MGM

Level 1

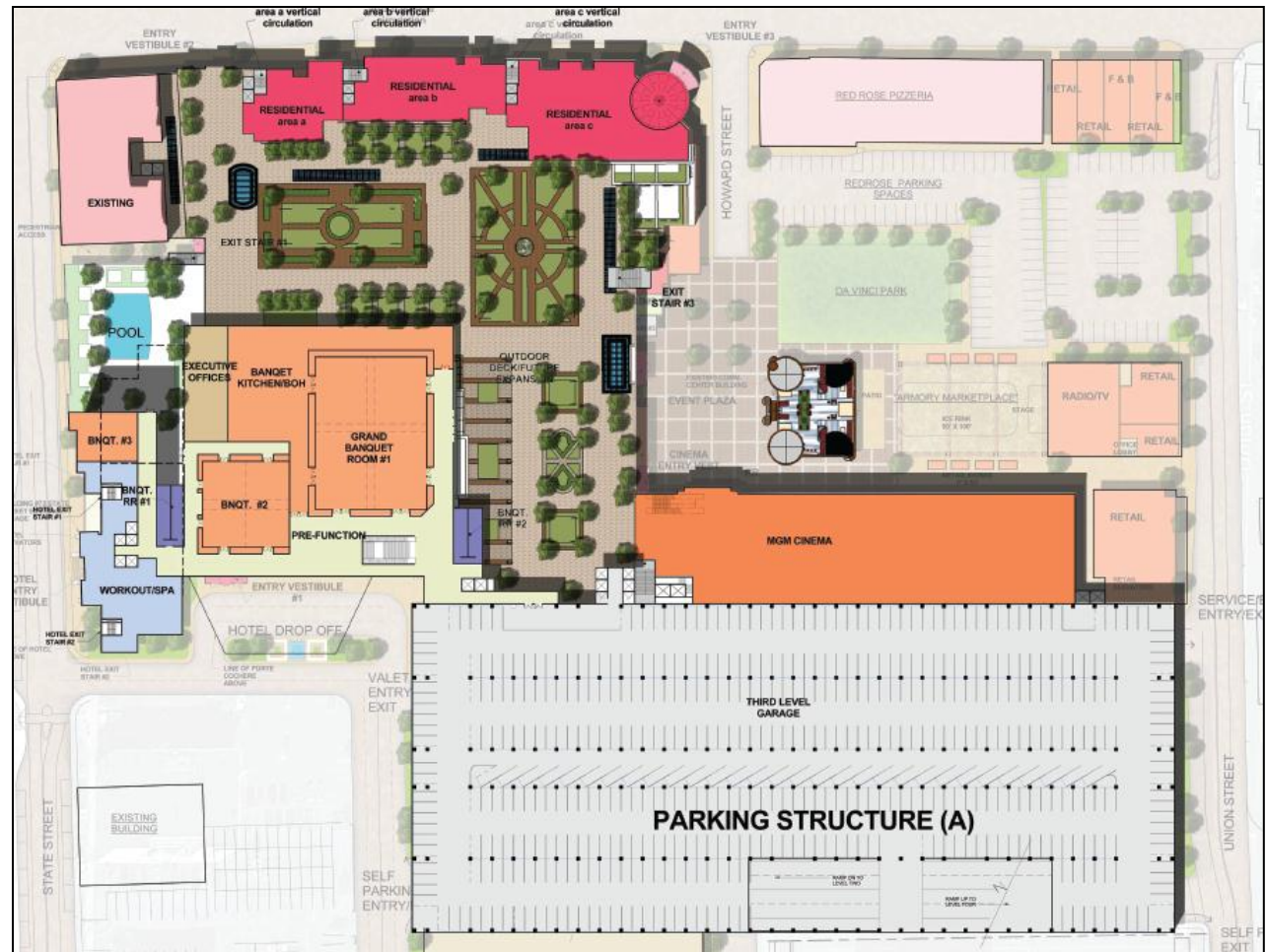
- 126,701 sf gaming area (purple).
- 71,450 sf of food and beverage and 22,000 sf bowling alley (red).
- 40,982 sf of retail (orange).
- Level 1 of parking garage containing valet pick up/drop off and bus drop off and parking (grey).



Consistency with Financials: Springfield/MGM

Level 2

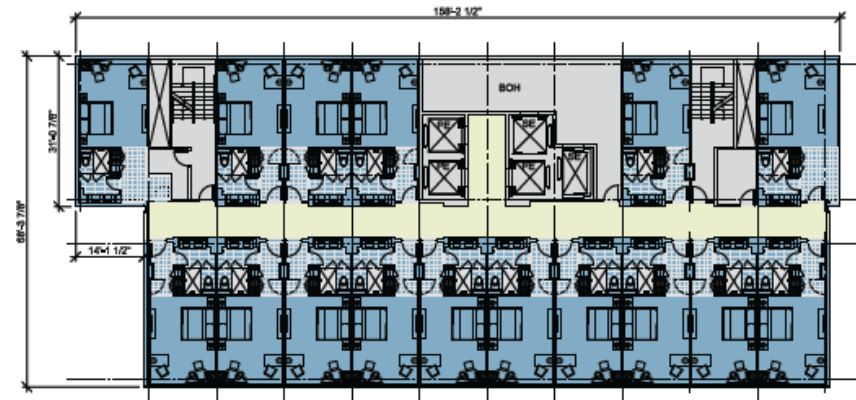
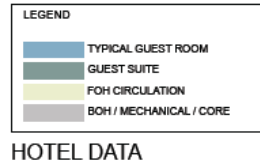
- 45,859 sf of convention space (19,388 sf rentable space) located above the casino (light orange).
- 45,000 sf cinema (dark orange) adjacent to parking garage.
- 21,659 sf of residential apartments (dark pink). First level of 64,800 sf, 4-storey apartment building (54 apartment suites).



Consistency with Financials: Springfield/MGM

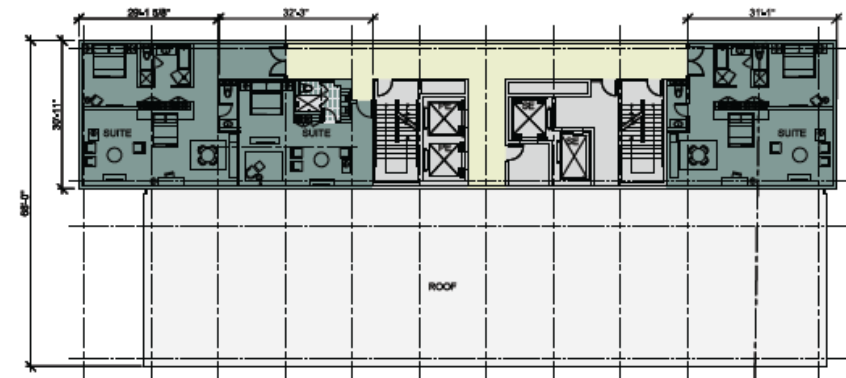
Hotel (170,104 sf)

- 250 room “four star” hotel located at west corner of the complex (rooms range from 400 sf to 900 sf).



TYPICAL FLOOR PLAN

1/8" = 1'-0"



TYPICAL SUITE FLOOR PLAN

1/8" = 1'-0"



Consistency with Financials: Scope of Core Gaming Facility Components

- 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
<hr/>	
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.*

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Market Assessment

Massachusetts Gaming Commission

June 2014



Draft for Internal Discussion
Purposes Only

Introduction

As part of the evaluation of Category 2 applications, HLT prepared a market assessment that included revenue estimates for each the three proposed Category 2 sites as well as for all Category 1 resort casinos (one in each of the permitted Regions). The complete market assessment was made public as part of the Category 2 application evaluation process.

The remainder of this report and appendices (under separate cover) summarize those sections of the full market assessment that are applicable to the Category 1 applications. Components of the full market assessment that are not longer applicable for Category 1 casinos and as such were removed, include:

- All No Competition Scenarios (i.e., Category 2 facilities before the introduction of Category 1 casinos).
- Full Competition Scenarios (low and high market share estimates) for the two unsuccessful Category 2 application sites.
- Full Competition Scenario Low for Plainville/Penn. Note: the market performance of the Category 1 casinos in Regions A and B did not change and the market performance estimate for Region C did not materially change under the low and high market share estimates.

In addition, some wording was modified to reflect the focus on Category 1 casinos as opposed to Category 2 casinos.

In order to assess the reasonableness of the Category 1 Applicants' revenue projections, a number of assumptions and estimates were made. These assumptions and estimates are stated in the appropriate sections of this report.

Market Assessment: Introduction

Reasonableness of Applicants' revenue projections given current and future competitive marketplace. Category 1 casinos will have to generate visitation and revenue from the broad regional market area that is currently being served by casinos located in neighbouring states and that will also be served by a future Category 2 casino located in Plainville, Massachusetts.

Key considerations:

- Size of expected market (as measured by Gross Gaming Revenue or "GGR")
- Individual facility's gaming revenue projections and market share (after all in-state casinos are developed)

An individual facility's gaming revenues (or market share) is dependant upon both the overall size of the gaming market and competition. The size of gaming markets is a function of the adult population (and its propensity to game) and gaming supply available in the market. The size of a gaming market can be stated in terms of GGR per adult (total GGR divided by adult population). Competition is a function gaming supply (e.g. size and scope of facilities and operating characteristics) available in the market.

Market Assessment: Methodology & Structure of Report

To complete the assessment of all the Applicants' gaming revenue projections, a market assessment model was developed.

Key elements of the model include:

- Geographic extent of total market area (Market Area Extent)
- Total gaming dollars available in the defined market area (Size of Market)
- Market Shares After In-State Competition (awarded Category 2 site and one Category 1 in each of the identified Regions)

Prior to summarizing the research that was undertaken to create the model and the results of the various model runs that were completed, the Applicant's gaming revenue projections are presented.

A separate document ("Market Assessment: Appendices") contains detailed model result tables and research material related to size of market that are summarized in this report.

Applicant's Projections: Introduction

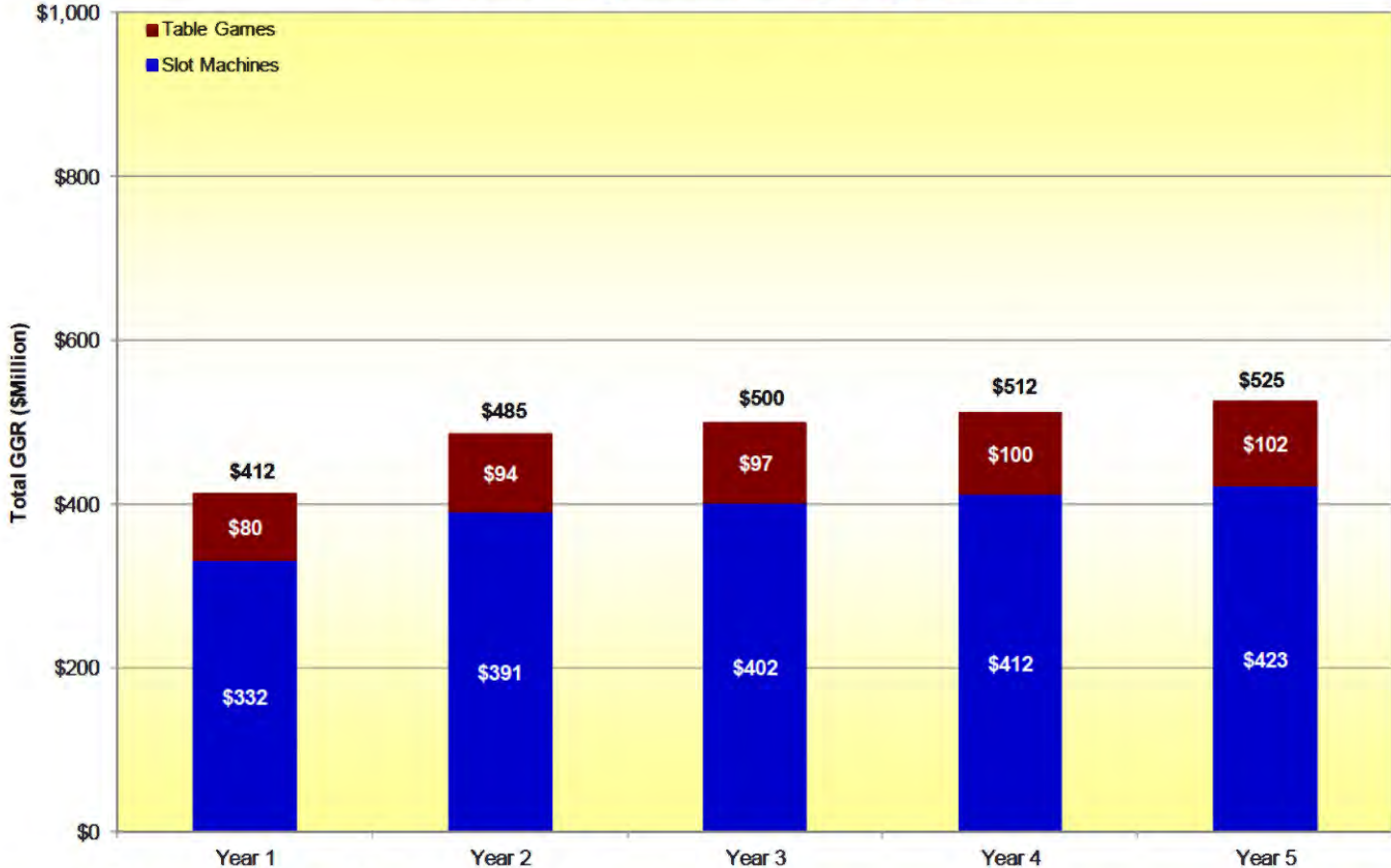
The Applicant's projections are summarized on the following page. The Applicant retained a third party consultant to undertake a market assessment. The assessment was directly or indirectly used by the Applicant to arrive at its projection estimates.

The projections summarized represent the base case scenario as contained in the Applicant's submission.

Note: The Applicant assumes a Category 1 casino was operational in each of three designated Massachusetts casino regions and one Category 2 casino was operational in Southeast Massachusetts.

Applicant's Projections: First Five-Year Period

Total GGR* Projections for Springfield/MGM



Source: HLT Advisory Inc. based on information from MGM's Submission.
 * Gaming Revenues or GGR is net of free play.
 Note: MGM's financial projections are not consistent with the market assessment estimates prepared by Union Gaming Analytics. MGM's financial projections are lower than market assessment estimates.



Applicant's Projections: Summary

- With all in-state competition, total projected GGR for the Category 1 casino in Region B was estimated at \$500 million.
 - Springfield/MGM (Region B) - \$500.0 million (Year 3)

Market Area Extent: Introduction

Key factors in determining geographic extent of casino market areas are:

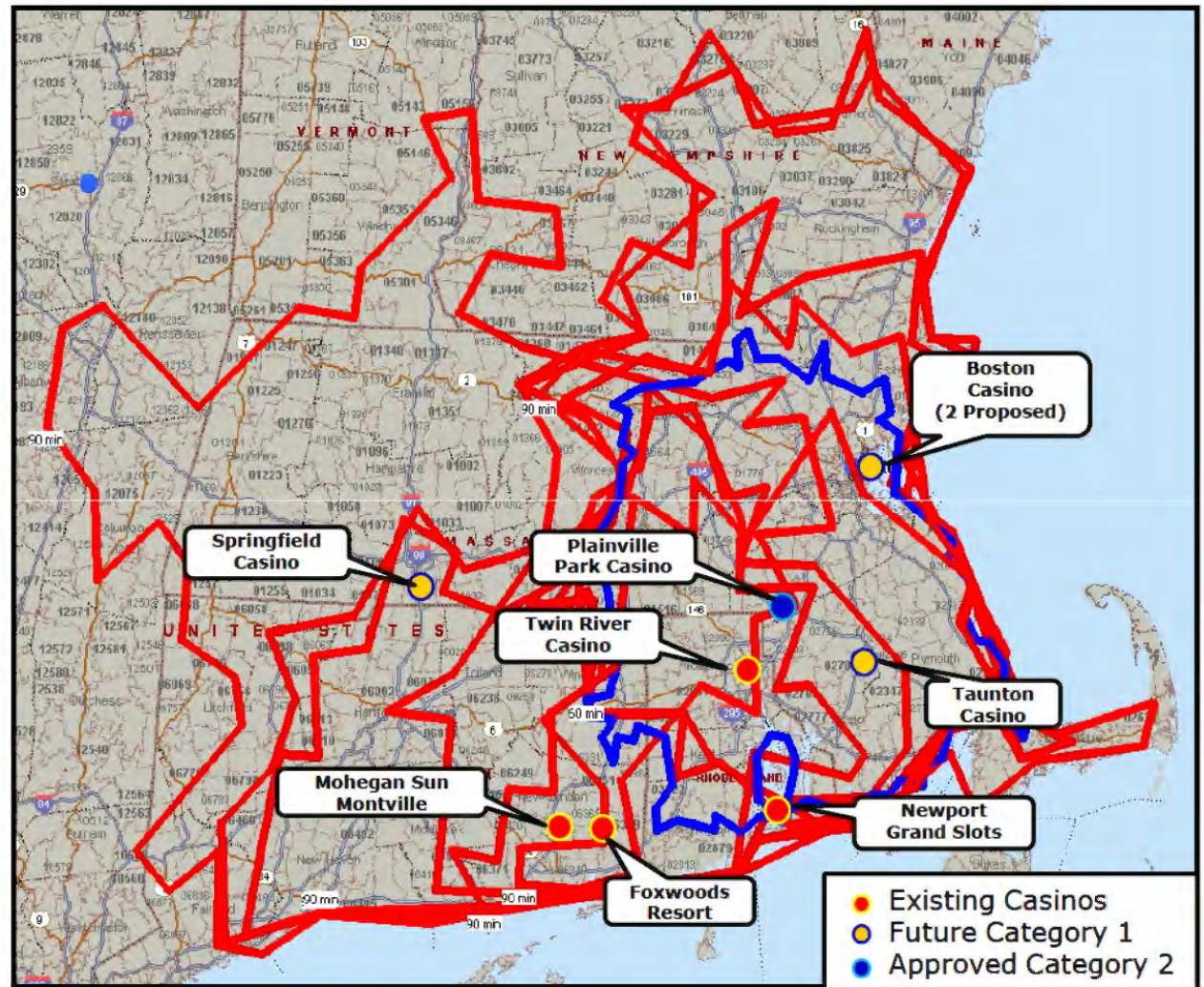
- Size and scope of casino facilities (including number of devices, non-gaming amenities, operating characteristics and tax rate)
- Location of existing and future competitive facilities (including size and scope of the same)
- Drive times (existing road networks) – assumed 90 minutes from “full-service” casinos.

Market Area Extent: Geographic Extent

Red lines represent 90-minute drive times from all full-service casinos (except the Category 2 casino).

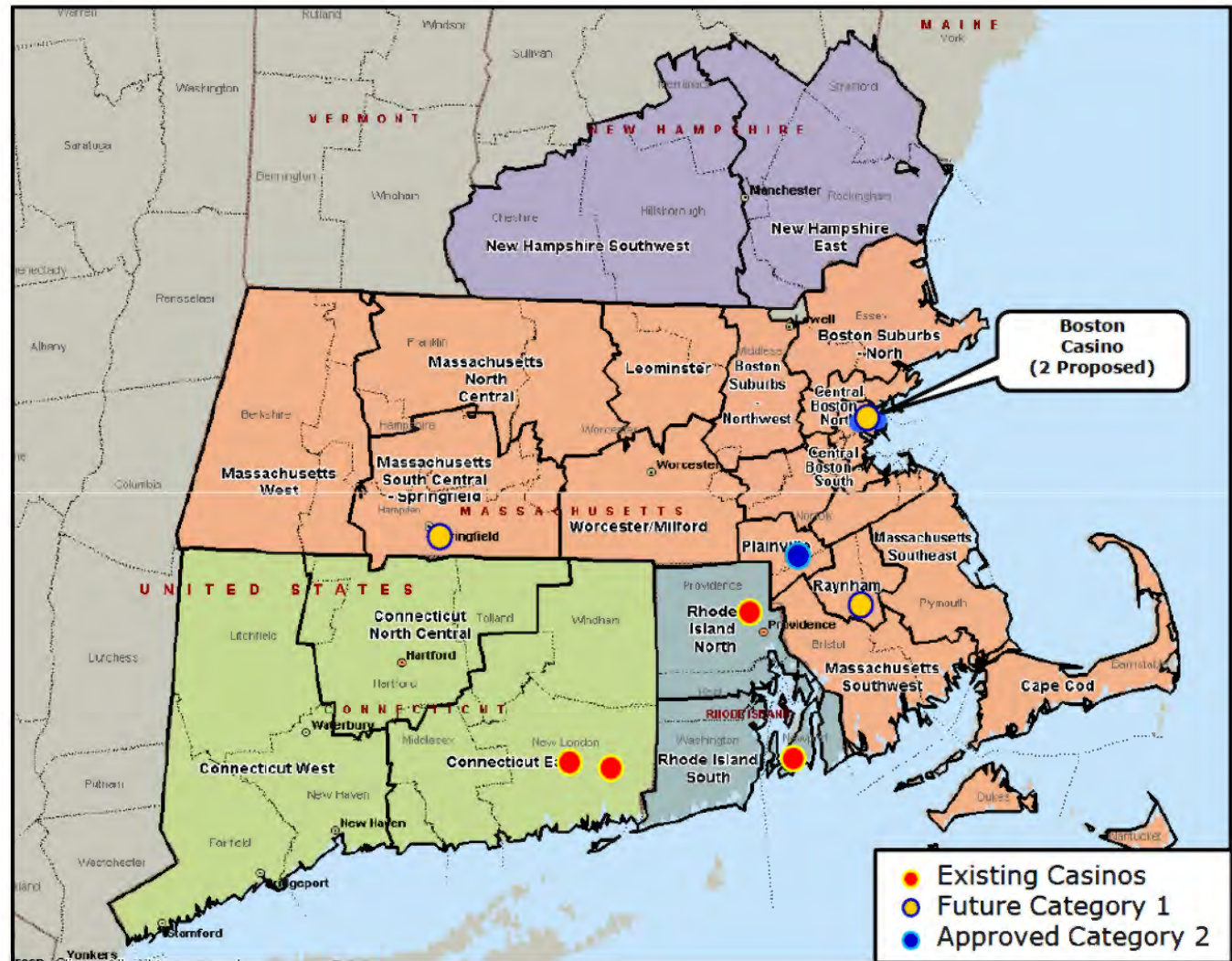
Blue line represents 60-minute drive times from the approved Category 2 casino (Plainville/ Penn National).

Generally, the States of Massachusetts, Rhode Island and Connecticut (and Southern New Hampshire) are within a 90-minute drive time from multiple casinos.



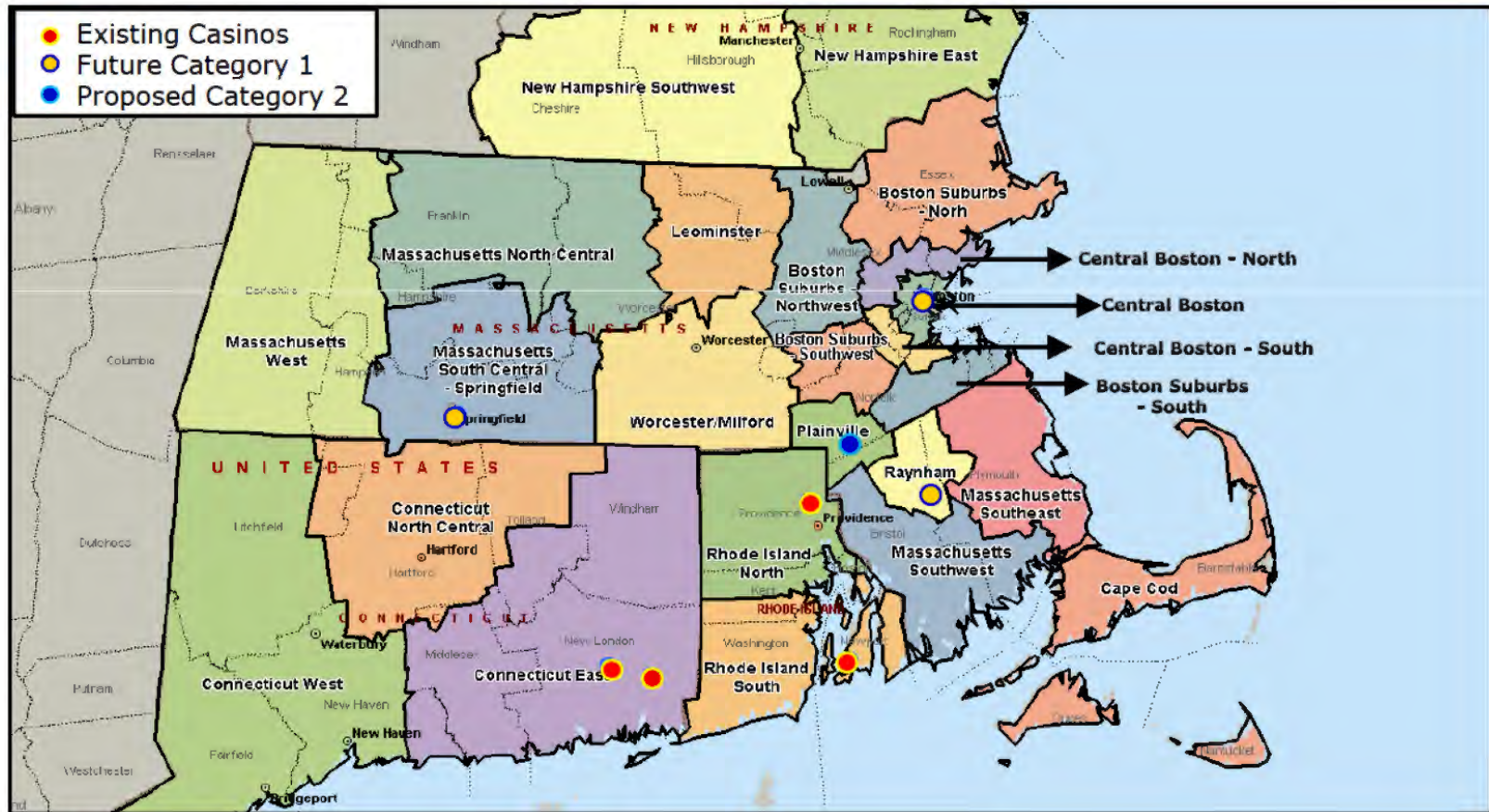
Market Area Extent: Geographic Extent

Total market area extent based on approximately 90-minute drive times from all existing and potential future facilities - includes all of Massachusetts, Rhode Island and Connecticut as well as the southern portion of New Hampshire.



Market Area Extent: Sub-Market Areas

The total market area was divided into 24 sub-market areas to facilitate market share estimates. Each sub-market area has been delineated based on location of existing and proposed facilities, existing road networks, and zip code boundaries.



Market Area Extent: Existing Adult Population

- The defined market area contains a total population of about 12.1 million.
- Market area adult population (aged 21+) represents about 73% of the total population (or 8.9 million).
- About 55% of the total market area adult population resides in Massachusetts.

Market Area Total and Adult Population				
Market Areas	Total Population	Adult Population	Adults as % of Total	% Dist. Of Adults
<u>Massachusetts Market Areas</u>				
Central Boston	1,026,502	781,625	76.1%	8.8%
Central Boston - North	517,581	386,575	74.7%	4.4%
Central Boston - South	306,392	228,442	74.6%	2.6%
Subtotal Central Boston	1,850,475	1,396,642	75.5%	15.8%
Boston Suburbs - North	698,466	506,576	72.5%	5.7%
Boston Suburbs - Northwest	438,244	315,355	72.0%	3.6%
Boston Suburbs - Southwest	264,882	187,800	70.9%	2.1%
Boston Suburbs - South	241,478	179,337	74.3%	2.0%
Subtotal Boston Suburbs	1,643,070	1,189,068	72.4%	13.4%
Raynham	205,423	144,658	70.4%	1.6%
Plainville	147,783	102,830	69.6%	1.2%
Massachusetts Southwest	426,143	317,485	74.5%	3.6%
Massachusetts Southeast	321,460	230,619	71.7%	2.6%
Cape Cod	246,346	194,390	78.9%	2.2%
Subtotal Southern Massachusetts	1,347,155	989,982	73.5%	11.2%
Leominster	207,554	150,114	72.3%	1.7%
Worcester/Milford	554,342	394,984	71.3%	4.5%
Massachusetts North Central	150,122	111,892	74.5%	1.3%
Massachusetts South Central - Springfield	615,030	435,035	70.7%	4.9%
Massachusetts West	144,477	109,573	75.8%	1.2%
Subtotal West & Central Massachusetts	1,671,525	1,201,598	71.9%	13.6%
Subtotal Massachusetts	6,512,225	4,777,290	73.4%	54.0%
<u>Neighbouring States Market Areas</u>				
New Hampshire Southwest	369,978	268,310	72.5%	3.0%
New Hampshire East	623,464	453,493	72.7%	5.1%
Subtotal New Hampshire Areas	993,442	721,803	72.7%	8.2%
Rhode Island North	796,817	579,520	72.7%	6.5%
Rhode Island South	257,142	189,311	73.6%	2.1%
Subtotal Rhode Island	1,053,959	768,831	72.9%	8.7%
Connecticut East	645,871	468,861	72.6%	5.3%
Connecticut North Central	1,003,760	734,366	73.2%	8.3%
Connecticut West	1,908,541	1,382,839	72.5%	15.6%
Subtotal Connecticut	3,558,172	2,586,066	72.7%	29.2%
Subtotal Neighbouring States	5,605,573	4,076,700	72.7%	46.0%
Total Market Area	12,117,798	8,853,990	73.1%	100.0%

Source: HLT Advisory Inc. based on US Census Bureau population estimates

Size of Market: Introduction

The size of gaming markets is a function of the adult population (and its propensity to game) and gaming supply available in the market. The size of a gaming market can be stated in terms of GGR per adult (total GGR divided by adult population).

Factors impacting size of market:

- Adult population in market area
- Number of facilities
- Number of gaming devices
- Scope of gaming facilities (amenities)
- Acceptance of gaming as a form of entertainment

To determine the size of the market, HLT reviewed the market assessment report prepared by the State when it was considering introducing casinos (this report did not include a Category 2 casino) and identified and assessed comparable markets.

Size of Market: Spectrum 2010 Report Prepared for State

Key Assumptions:

- Three resort casinos located in the geographic centre of the identified Massachusetts Regions.
- Market area for each casino based on a 2-hour drive time.
- Given results and assumptions of the Spectrum 2010 Report, the size of identified gaming markets (excluding incremental from hotel rooms) ranges from \$250 to \$350 GGR/adult, with an average of \$300/Adult for the combined market area.

Win/Adult Estimates Based on Spectrum 2010 Report				
	Region 1	Region 2	Region 3	State
<u>Primary Presentation (Moderate Case)</u>				
Adult Population	7,938,447	7,186,209	7,296,008	9,426,446
Total GGR Captured by State Casinos	\$496,700,731	\$488,999,275	\$373,365,810	\$1,359,065,816
GGR/Adult Captured by State Casinos	\$63	\$68	\$51	\$144
State Share of total	20.0%	20.0%	20.0%	47.6%
Estimated Total Market GGR/Adult	\$313	\$340	\$256	\$303
<u>Secondary Presentation (Moderate Case)</u>				
Adult Population	7,867,726	7,030,110	7,769,099	9,426,446
Total GGR Captured by State Casinos	\$492,275,818	\$478,377,173	\$397,575,793	\$1,368,228,784
GGR/Adult Captured by State Casinos	\$63	\$68	\$51	\$145
State Share of total	20.0%	20.0%	20.0%	48.1%
Estimated Total Market GGR/Adult	\$313	\$340	\$256	\$302
<u>Alternate Presentation (Moderate Case)</u>				
Adult Population	7,867,726	7,030,110	7,769,099	9,426,446
Total GGR Captured by State Casinos	\$989,474,395	\$466,417,744	\$411,490,946	\$1,867,383,085
GGR/Adult Captured by State Casinos	\$126	\$66	\$53	\$198
State Share of total	40.2%	19.5%	20.7%	65.2%
Estimated Total Market GGR/Adult	\$313	\$340	\$256	\$304
<p><i>Source: HLT Advisory Inc. based on Spectrum Gaming Group, Market Analysis, Gross Gaming Revenue Projections: An Update (prepared for the Massachusetts Legislature), March 31, 2010 and HLT assumptions.</i></p> <p><i>Note: Spectrum refers to Region 1, Region 2 and Region 3. Region 1 is located in northeast Massachusetts (currently known as Region A). Region 2 is located in southeast Massachusetts (currently known as Region C) and Region 3 is central/western Massachusetts (currently known as Region B).</i></p>				

Appendix A Contains a detailed summary of Spectrum 2010 Report.

Size of Market: Comparison Markets

Key characteristics identified to determine comparable markets included:

- 3 to 5 main facilities
- Urban core and suburban locations
- Total market GGR~\$1.0 billion

Comparison markets identified:

- Pittsburgh - Pennsylvania
- Philadelphia – Pennsylvania

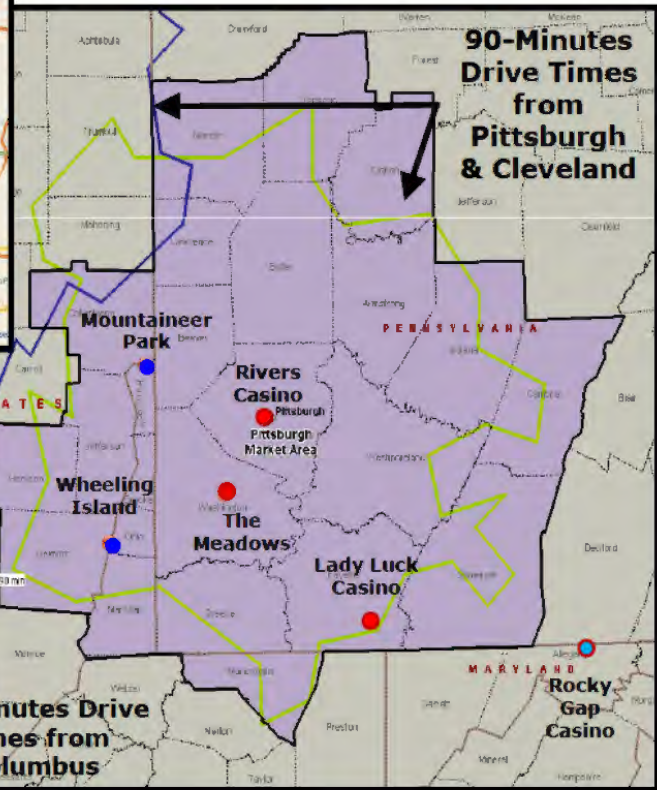
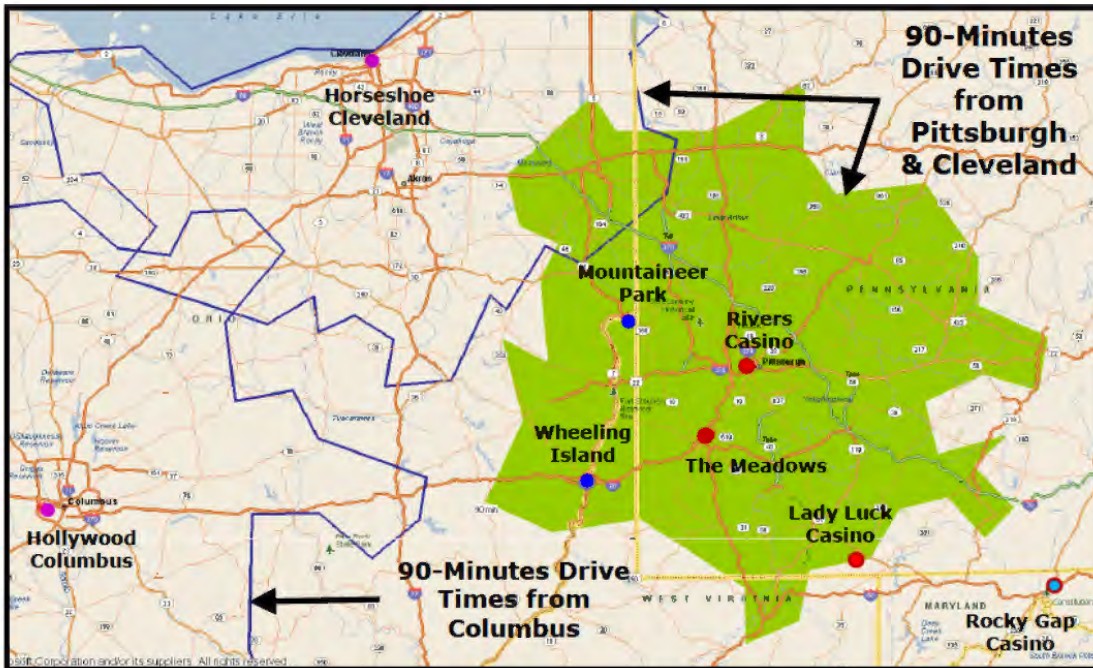
For each comparison market identified, the current GGR per adult was estimated. Factors that were assessed included:

- A market area was defined based on a typical drive time (up to 120 minutes) and the location of competitive facilities.
- Total adult population.
- Gaming tax rates.
- Current performance of market area facilities (revenue by type of devices and number of devices).
- Total market area gaming revenue trend (generated by market area facilities).

Size of Market: Comparison Markets

Pittsburgh – Pennsylvania

Market area defined based on counties within approximate 90-minute drive time from Pittsburgh (i.e., purple shaded area) due to location of competitive casinos.



State Gaming Taxes		
	Slots/VLTs	Tables
Pennsylvania	55.0%	16.0%
West Virginia	53.0%	35.0%

Source: HLT Advisory Inc. based on information from the American Gaming Association and/or State data.

Size of Market: Comparison Markets

Pittsburgh – Pennsylvania

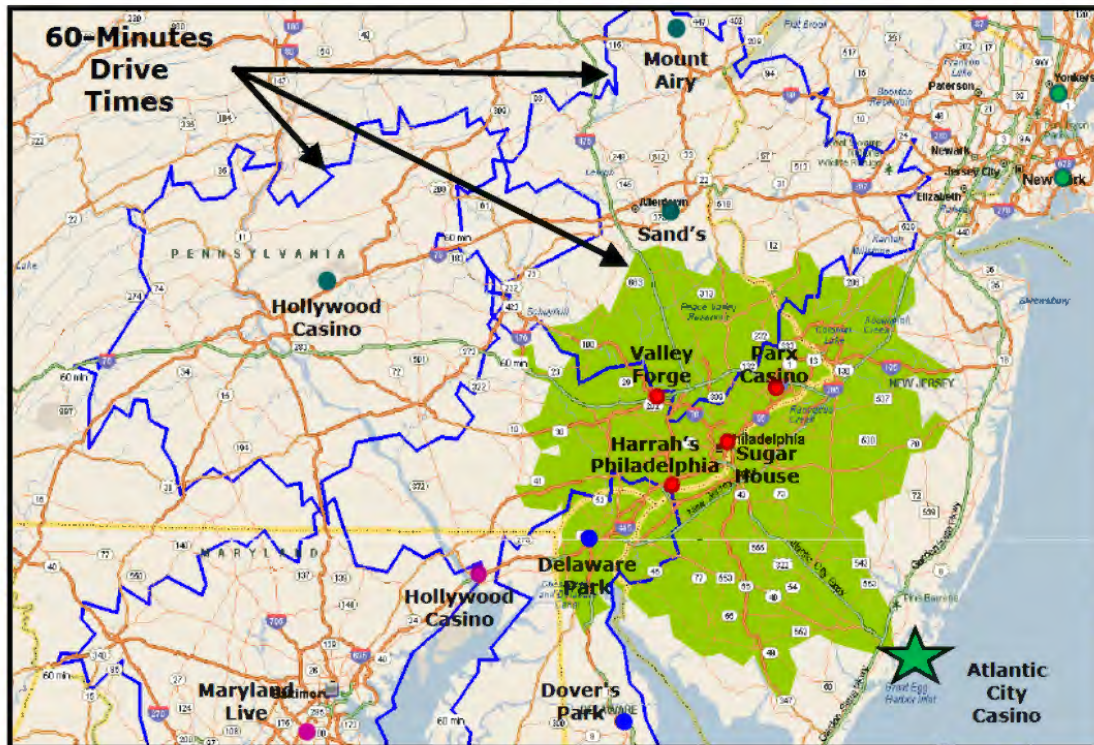
- Market area adult population (21+) estimated at 2.7 million.
- Five casino within market area (three in Pennsylvania and two in West Virginia) generating currently total GGR of \$919.1 million.
- If all GGR generated at the identified facilities originates from within the defined market area, the Pittsburgh market has a captured GGR per adult rate of ~\$350.
- That said, a substantial portion of the West Virginia casinos' business likely originates from Ohio (beyond the defined Pittsburgh market area). If half of West Virginia casinos' GGR originates outside the defined market area, the Pittsburgh market area has a captured GGR per adult rate of ~\$300.

Pittsburgh Market Area GGR and GGR/Adult Estimates			
	GGR	GGR % Distribution	GGR/ Adult
Adult Population	2,651,862		
<i>Pennsylvania Casinos</i>			
Slot Win	\$524,184,895	57.0%	\$198
Table Win	\$105,273,685	11.5%	\$40
Subtotal Pennsylvania	\$629,458,580	68.5%	\$237
<i>West Virginia Casinos</i>			
Slot Win	\$259,719,313	28.3%	\$98
Table Win	\$29,971,943	3.3%	\$11
Subtotal West Virginia	\$289,691,257	31.5%	\$109
Total Pittsburgh Market Area	\$919,149,837	100.0%	\$347

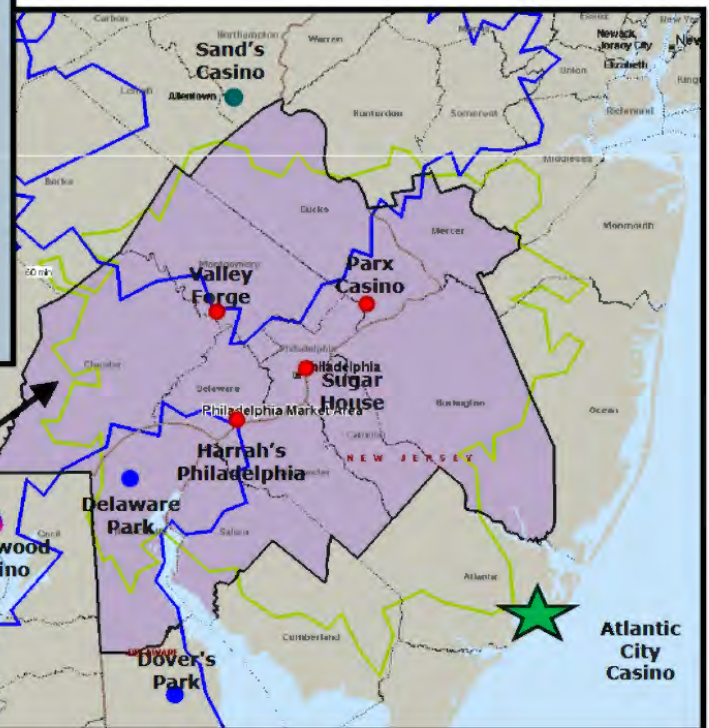
Source: HLT Advisory Inc. based on information from Pennsylvania Gaming Control Board, West Virginia Lottery, US Census Bureau and HLT estimates.

Appendix B contains a detailed summary of Pittsburgh market area analysis.

Size of Market: Comparison Markets Philadelphia – Pennsylvania



Market area defined based on counties within approximate 60-minute drive time from Philadelphia (i.e., purple shaded area) due to location of competitive casinos.



State Gaming Taxes		
	Slots/VLTs	Tables
Pennsylvania	55.0%	16.0%
Delaware	59.5%	35.0%

Source: HLT Advisory Inc. based on information from the American Gaming Association and/or State data.

Size of Market: Comparison Markets Philadelphia – Pennsylvania

- Market area adult population (21+) estimated at 4.6 million.
- Five casino within market area (four in Pennsylvania and one in Delaware).
- Total current GGR \$1.3 billion.
- If all GGR generated at identified facilities originates from within the defined market area, the Philadelphia market area has a captured GGR per adult rate of ~\$300.

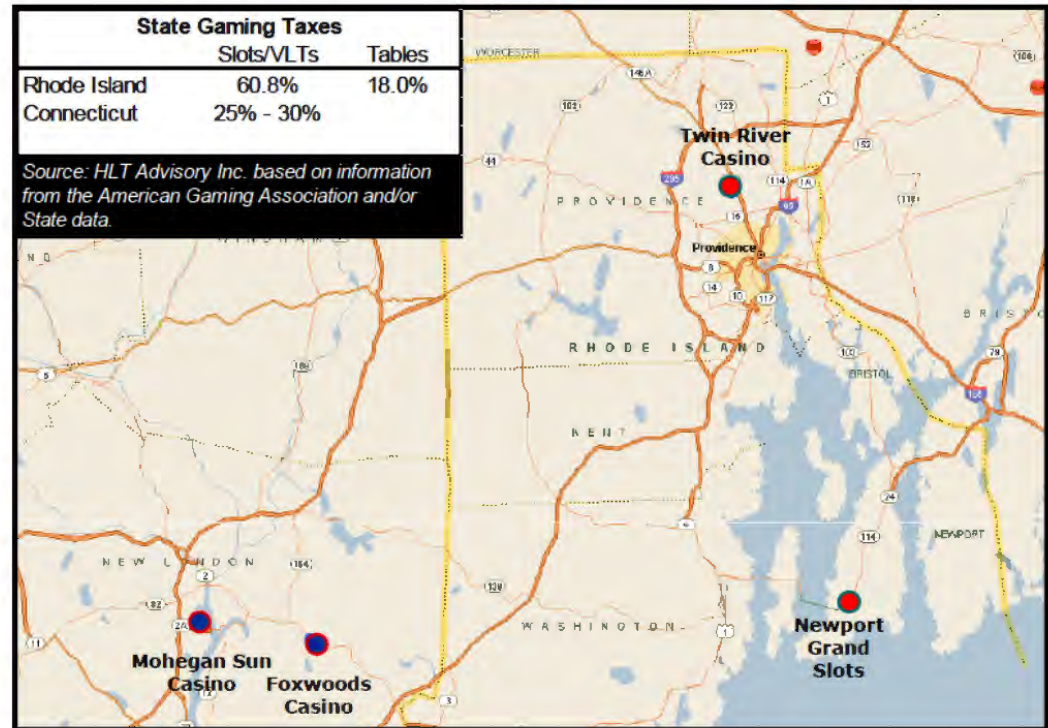
Philadelphia Market Area GGR and GGR/Adult Estimates			
	GGR	GGR % Distribution	GGR/ Adult
Adult Population	4,559,573		
<i>Pennsylvania Casinos</i>			
Slot Win	\$857,026,385	63.7%	\$188
Table Win	\$311,299,389	23.1%	\$68
Subtotal Pennsylvania	\$1,168,325,773	86.8%	\$256
<i>Delaware Casinos</i>			
Slot Win	\$148,339,200	11.0%	\$33
Table Win	\$29,066,199	2.2%	\$6
Subtotal Delaware	\$177,405,399	13.2%	\$39
Total Philadelphia Market Area	\$1,345,731,172	100.0%	\$295
<i>Source: HLT Advisory Inc. based on information from Pennsylvania Gaming Control Board, Delaware Lottery, US Census Bureau and HLT estimates.</i>			
<i>Appendix B contains a detailed summary of Philadelphia market area analysis.</i>			

Size of Market: Existing Market Area Competition Rhode Island

Based on secondary information sources, HLT estimates that 50% of casinos' GGR originates from the State of Massachusetts.

Rhode Island Casinos - Characteristics		
	Twin River	Newport
<u>Gaming Devices</u>		
Slots	4,500	1,000
Tables	66	
<u>F&B Facilities</u>		
F&B Outlets	2	1
Food Court	3	
<u>Other Ancillary Facilities</u>		
Entertainment Outlets	2	1
Entertainment	29,000 sf and 200 seats	400 seats
<u>Other Characteristics</u>		
Smoking Allowed	Yes	Yes

Source: HLT Advisory Inc. based on data from casino annual reports, State gaming commission reports, and casino websites.



Rhode Island Casino Performance (\$Million)										
Casino Name	2006	2007	2008	2009	2010	2011	2012	12-Months Ending		
								Aug-12	Aug-13	% Dist.
<u>Slot Revenue</u>										
Twin River*	\$329	\$375	\$407	\$400	\$424	\$463	\$478	\$478	\$474	90.9%
Newport	\$77	\$73	\$68	\$62	\$53	\$50	\$50	\$52	\$48	9.1%
Subtotal Slot GGR	\$407	\$448	\$475	\$461	\$477	\$513	\$528	\$530	\$521	100.0%

* Table games implemented at Twin River in June 2013.
Source: HLT Advisory Inc. based on data from Rhode Island Lottery.

Size of Market: Existing Market Area Competition

Existing Competitive Facilities – Connecticut

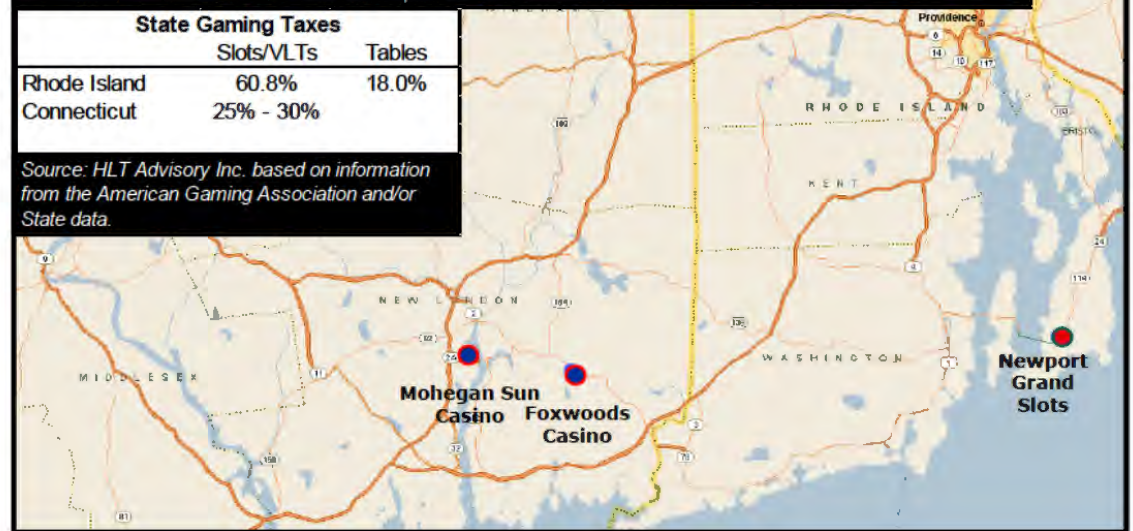
Based on secondary information sources, HLT estimates that 30% of casinos' GGR originates from the State of Massachusetts.

Connecticut Casinos - Characteristics		
	Mohegan Sun	Foxwoods
<u>Gaming Devices</u>		
Slots*	5,559	6,229
Tables	330	350
<u>F&B Facilities</u>		
F&B Outlets	17	17
Food Court	4	2
<u>Other Ancillary Facilities</u>		
Entertainment Outlets	3	2
Entertainment	10,000 seats 400 seats 350 seats	4,000 seats 1,500 seats
Additional Convention Space	100,000 sf	50,000 sf
Hotel Rooms	1,200	2,205
<u>Other Characteristics</u>		
Smoking Allowed	Yes	Yes
Tax Rate	25%-30% of slot revenue	

Source: HLT Advisory Inc. based on data from casino annual reports, State gaming commission reports, and casino websites.
* Connecticut slot machines totals based on December 2012 as reported by the State of Connecticut.

Connecticut Casino Performance (\$Million)								
Casino Name	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E	% Dist.
<u>Slot Revenue</u>								
Mohegan Sun	\$922	\$856	\$780	\$746	\$711	\$675	\$616	53.1%
Foxwoods	\$803	\$748	\$688	\$650	\$637	\$605	\$545	46.9%
Subtotal Slot GGR	\$1,725	\$1,604	\$1,468	\$1,396	\$1,348	\$1,280	\$1,160	100.0%
<u>Table Revenue</u>								
Mohegan Sun	\$360	\$375	\$306	\$296	\$305	\$291	\$265	49.9%
Foxwoods	\$342	\$359	\$355	\$335	\$312	\$296	\$267	50.1%
Subtotal Table GGR	\$702	\$734	\$661	\$631	\$617	\$587	\$532	100.0%
<u>Total GGR</u>								
Mohegan Sun	\$1,282	\$1,231	\$1,086	\$1,042	\$1,016	\$966	\$881	52.1%
Foxwoods	\$1,145	\$1,107	\$1,043	\$985	\$949	\$902	\$811	47.9%
Total GGR	\$2,427	\$2,338	\$2,129	\$2,027	\$1,965	\$1,868	\$1,693	100.0%

Estimates for FY2012 and FY2013 based on data reported by the State of Connecticut, data presented in the Mashantucket Pequot Tribal Nation Bondholder Presentation (Aug 2012) and HLT estimates.
Source: HLT Advisory Inc. based on the Mashantucket Pequot Tribal Nation Bondholder Presentation (Aug 2012), information from the State of Connecticut Department of Consumer Protection and HLT estimates.



Size of Market: Existing Market Area Competition

Existing Competitive Facilities - RI & CT

Category 1 & 2 casinos will have to compete with established Rhode Island and Connecticut casinos for a share of the market.

- Twin Rivers (Rhode Island) has a market competitive advantage over the Category 2 casino due to its size and scope of gaming offering (4,500 slot machines and 66 table games), and smoking. Its gaming tax rate and amenity offerings is similar to the Category 2 casino.
- Category 1 casinos on the other hand will have a competitive advantage over Twin Rivers casino due to its greater range of non-gaming amenities and lower tax rate.
- The Connecticut casinos have a market competitive advantage over the Category 2 casino due to their size and scope of gaming offering (over 5,500 slot machines each and 300 table games each), their amenity facility offerings (hotel rooms and meeting space, multiple food and beverage outlets, and multiple entertainment facilities), their tax rate and smoking.
- The size and scope, amenities offering and tax rate (for slot gaming only) of Category 1 casinos is very similar to Connecticut casinos (except for smoking and no table gaming tax) and as such, Category 1 casinos should be able to effectively compete with Connecticut casinos.

Size of Market: Massachusetts Market Area Potential GGR/Adult - Conclusions

- Based on the review of the Spectrum Report and identified comparison markets, HLT believes that a GGR/adult level ranging between \$300 and \$350 is appropriate to estimate the size of the Massachusetts casino market.
- Connecticut and Rhode Island casinos currently penetrate the Massachusetts market (estimated at ~\$750 million) and will compete with Massachusetts casinos in the future for a share of the market (in total, the broader regional market will contain eight casinos when fully developed).
 - Both Rhode Island and Connecticut casinos have significant competitive advantages over the Category 2 casino.
 - Category 1 casinos have a competitive advantage over Rhode Island casinos and the Category 2 casino, and will be able to effectively compete with Connecticut casinos.

Size of Market: Massachusetts Market Area Potential GGR Estimate - Conclusions

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.

Market Shares: Introduction

The market performance of the proposed Category 1 facilities will be dependent on:

- Size and Scope of propose facility.
- Operating environment compared to competitive casinos (e.g., number of and type of gaming devices permitted including restrictions, tax rates, smoking policy, amenity facilities and use of the same to drive visitation, etc.).
- Proximity to competitive facilities.
- Proximity to market area population.
- Facility capacity constraints (e.g. number of permitted gaming devices, parking, etc.).

Market Shares: Competitive Environment

- Proposed Category 1 facilities are similar in size and scope relative existing competitors:

- Three of four existing competitive casinos 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.

	Proposed Category 1 and Competitive Casino Characteristics							
	Massachusetts				Rhode Island		Connecticut	
	Region B Springfield/ MGM	Region A Revere/ Mohegan	Everett/ Wynn	Category 2 Plainville/ Penn National	Twin River	Newport	Mohegan Sun	Foxwoods
Gaming Devices								
Slots*	3,000	4,240	3,072	1,250	4,500	1,000	5,559	6,229
Tables	100	120	150		66		330	350
F&B Facilities								
F&B Outlets	7	20	9	2	2	1	17	17
Food Court	1	n/p	n/p	1	3		4	2
Other Ancillary Facilities								
Entertainment Outlets		1	2	1	2	1	3	2
Entertainment	To partner with existing centres (e.g., Mass Mutual & Symphony Hall/CityStage)	38,000 sf (950 seat) multi-purpose venue	1,000 seat multi-purpose venue, 500 seat outdoor amphitheatre	< 100 seats	29,000 sf and 200 seats	400 seats	10,000 seats 400 seats 350 seats	4,000 seats 1,500 seats
Additional Convention Space	19,388 sf						100,000 sf	50,000 sf
Hotel Rooms	1 Hotel (250 rooms)	2 Hotels (325 and 175 rooms)	1 Hotel (500 rooms)				1,200	2,205
Retail	8,000 sf branded retail 35,000 sf outdoor retail	Sub-contracted the Retail, Dining & Entertainment ("RDE") complex is 150,000 sf	89,140 sf in retail corridor (premium retail stores and restaurants)		2 retail outlets		39 retail outlets	24 retail outlets
Other Characteristics								
Smoking Allowed	No	No	No	No	Yes	Yes	Yes	Yes
Tax Rate	25% of total GGR	25% of total GGR	25% of total GGR	49% of slot revenue	60.8% of slot revenue 18% of table revenue		25%-30% of slot revenue	

Source: HLT Advisory Inc. Based on casino annual reports, state gaming commission reports, individual casino websites and Applicants' submissions.
n/p: not provided.
* Connecticut slot machines totals based on December 2012 as reported by the State of Connecticut.

- 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 be also applicable on table gaming (no table tax in Connecticut and 18% tax rate in Rhode Island).

Market Shares: Full Competition

Key Assumption/Notes:

1. Size of market under full competition (i.e., including the awarded Category 2 casino) has been estimated based on a \$300 GGR/adult, a \$350 GGR/adult as well as on a blended GGR/adult level. The blended GGR/adult level has been generally based on the following assumptions:
 - \$375 for areas with a casino.
 - \$325 for areas adjacent to casino markets.
 - \$275 for all other areas.

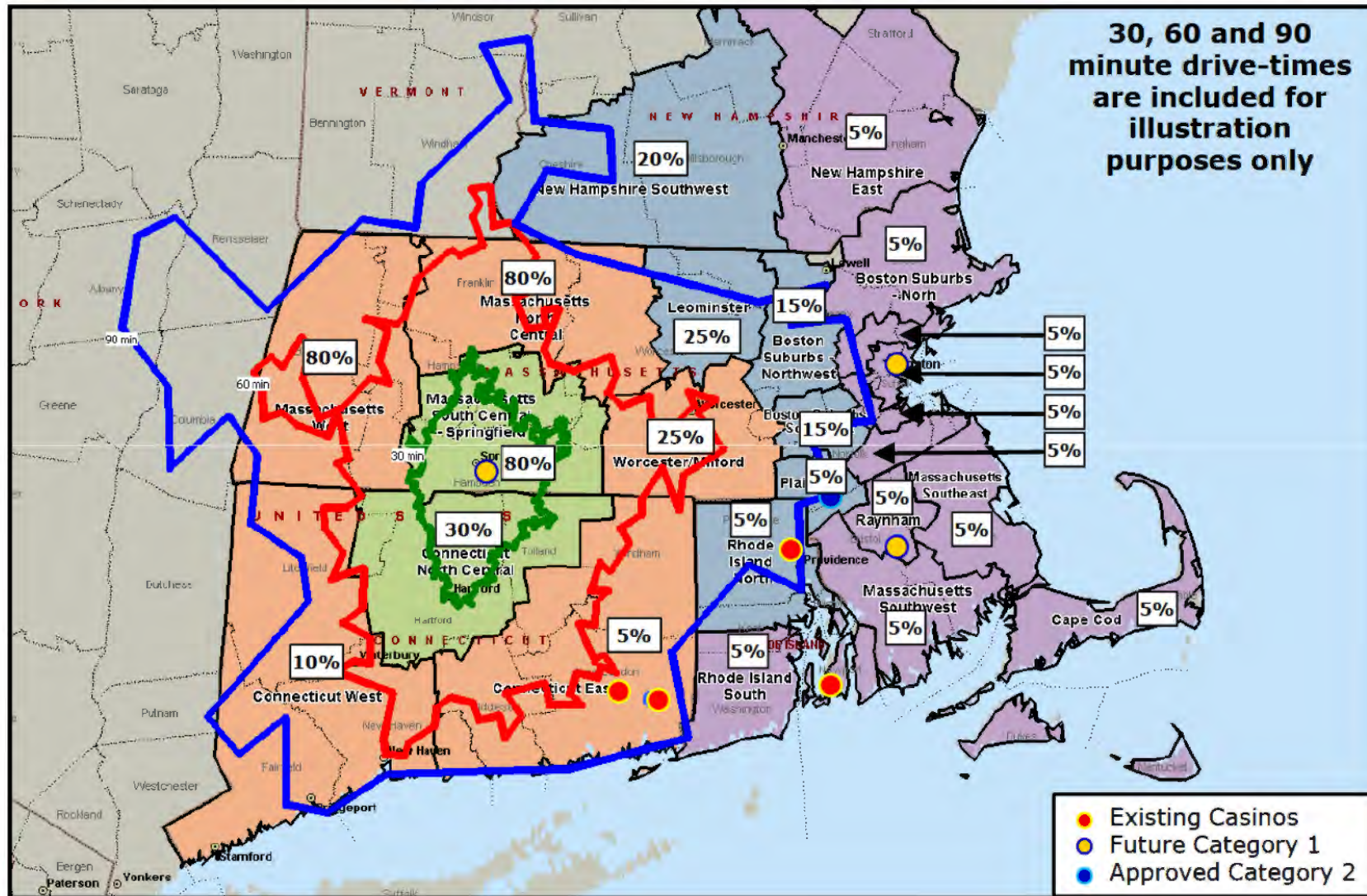
Note: GGR/adult includes both slot and table GGR.

2. Three Category 1 facility locations assumed for the proposed of this assessment: Boston (Region A), Springfield (Region B) and Taunton (Region C).
3. Inflow from beyond the defined market area has not be estimated for Category 1 facilities.
4. For the purposes of this analysis, timing (i.e. when a facility will be operational) was not factored into the analysis, nor was potential future market area population increases.

Appendix C contains all the detailed market share and GGR estimate tables under Full Competition for all future Massachusetts gaming facilities (including the approved Category 2 casino).

Market Shares: Full Competition

Region B (Springfield) – Market Shares Results



Market Shares: Full Competition

Region B (Springfield) – Market Shares Results

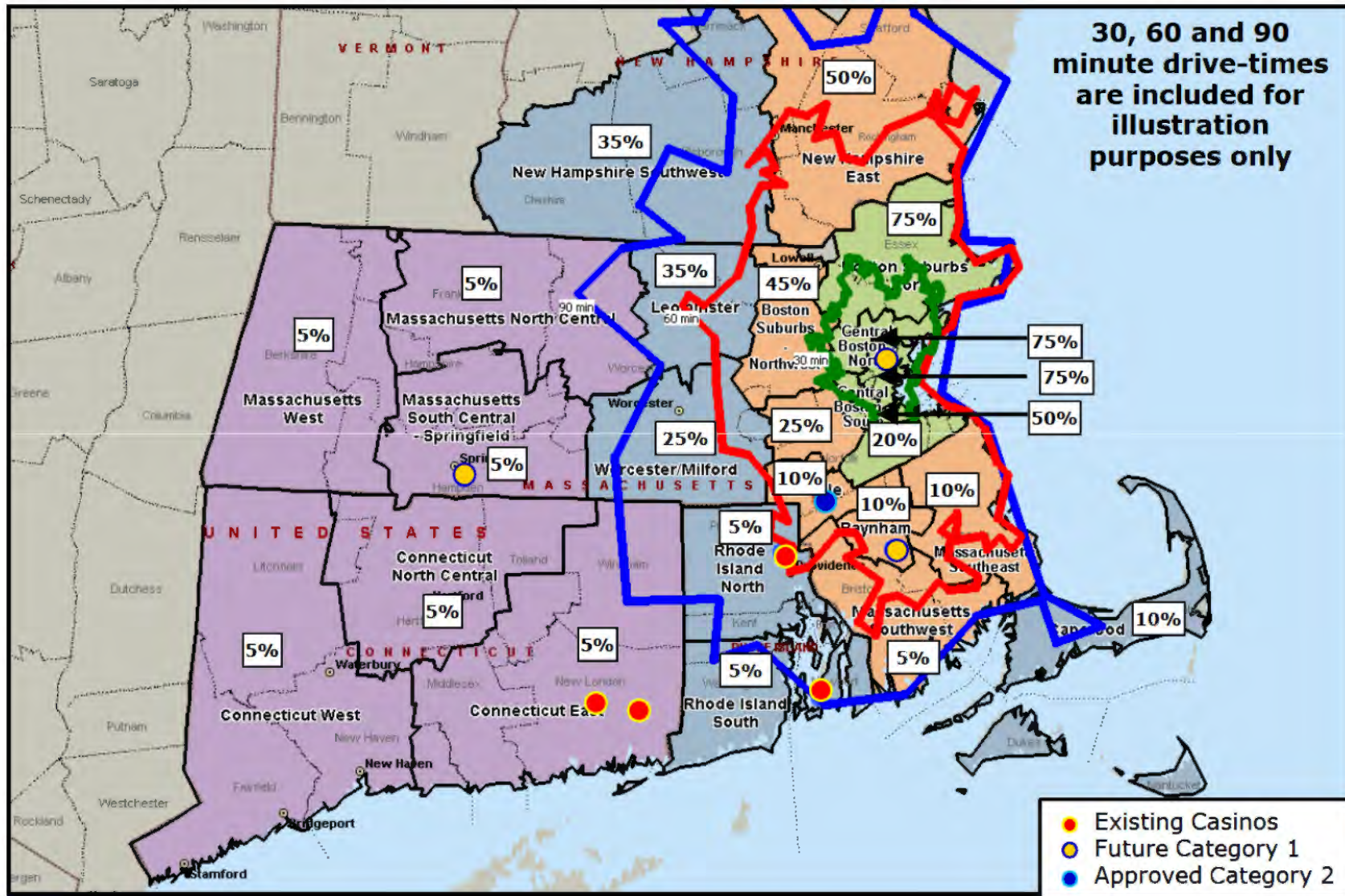
Sub-market areas have been organized (generally) by drive times for illustration purposes only.

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.

Market Shares: Full Competition

Region A (Boston) – Market Shares Results



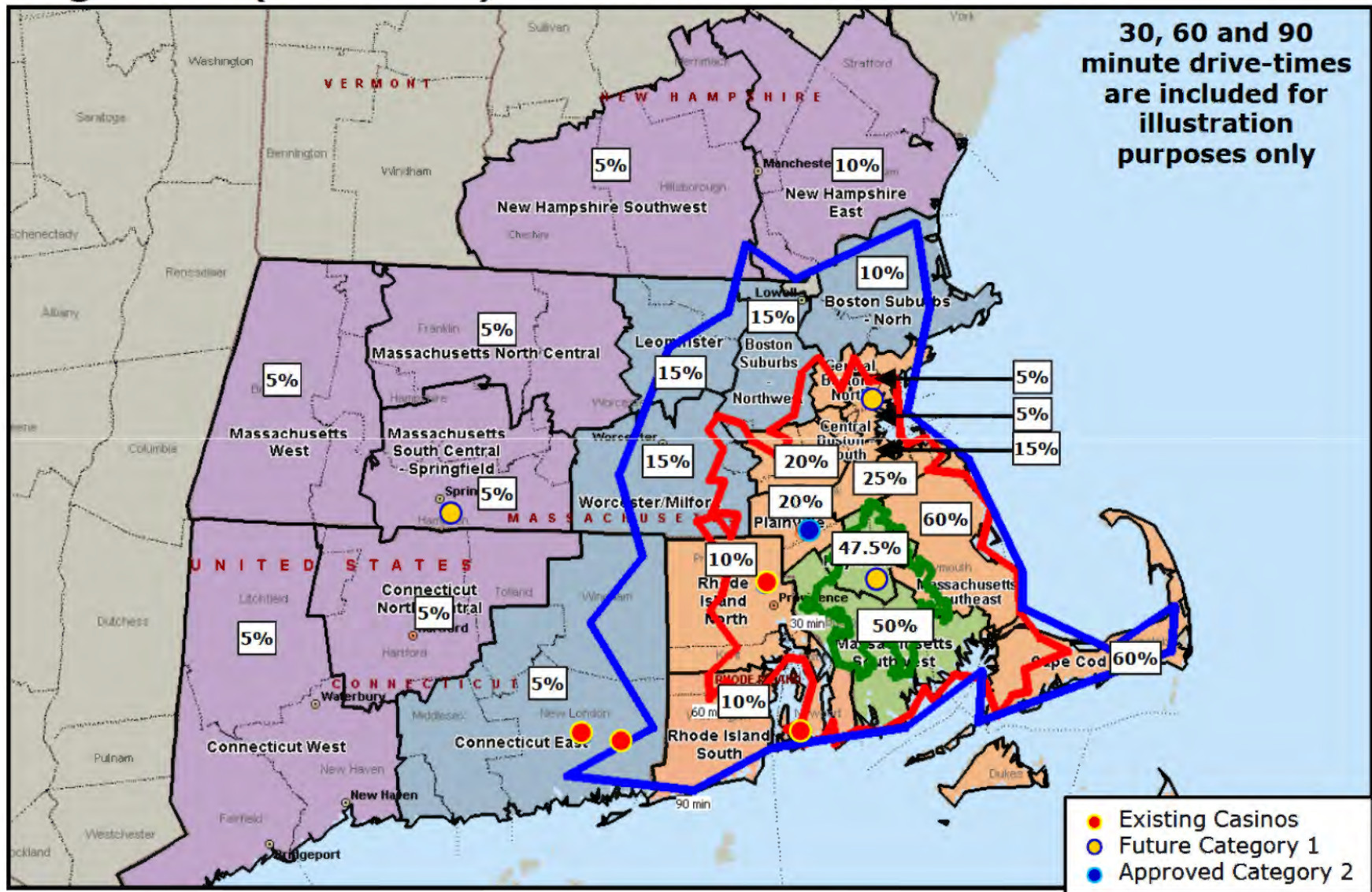
Market Shares: Full Competition Region A (Boston) – GGR Estimates

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

Boston (Region A) Category 1 Casino - Summary of GGR Estimates				
Market Areas	Market Shares	At \$300/ Adult	Blended GGR/ Adult	At \$350/ Adult
Central Boston	75.0%	\$175,865,625	\$219,832,031	\$205,176,563
Central Boston - North	75.0%	\$86,979,375	\$94,227,656	\$101,475,938
Central Boston - South	50.0%	\$34,266,300	\$37,121,825	\$39,977,350
Boston Suburbs - North	75.0%	\$113,979,600	\$104,481,300	\$132,976,200
Boston Suburbs - South	20.0%	\$10,760,220	\$11,656,905	\$12,553,590
Markets Within 0-30 Minutes		\$421,851,120	\$467,319,718	\$492,159,640
New Hampshire East	50.0%	\$68,023,950	\$62,355,288	\$79,361,275
Boston Suburbs - Northwest	45.0%	\$42,572,925	\$39,025,181	\$49,668,413
Boston Suburbs - Southwest	25.0%	\$14,085,000	\$15,258,750	\$16,432,500
Raynham	10.0%	\$4,339,740	\$5,424,675	\$5,063,030
Plainville	10.0%	\$3,084,900	\$3,856,125	\$3,599,050
Massachusetts Southwest	5.0%	\$4,762,275	\$5,159,131	\$5,555,988
Massachusetts Southeast	10.0%	\$6,918,570	\$7,495,118	\$8,071,665
Cape Cod	10.0%	\$5,831,700	\$5,345,725	\$6,803,650
Markets Within 30-60 Minutes		\$149,619,060	\$143,919,993	\$174,555,570
New Hampshire Southwest	35.0%	\$28,172,550	\$25,824,838	\$32,867,975
Leominster	35.0%	\$15,761,970	\$14,448,473	\$18,388,965
Worcester/Milford	25.0%	\$29,623,800	\$32,092,450	\$34,561,100
Rhode Island North	5.0%	\$8,692,800	\$10,866,000	\$10,141,600
Rhode Island South	5.0%	\$2,839,665	\$3,549,581	\$3,312,943
Markets Within 60-90 Minutes		\$85,090,785	\$86,781,341	\$99,272,583
Massachusetts North Central	5.0%	\$1,678,380	\$1,818,245	\$1,958,110
Massachusetts South Central - Springfield	5.0%	\$6,525,525	\$8,156,906	\$7,613,113
Massachusetts West	5.0%	\$1,643,595	\$1,506,629	\$1,917,528
Connecticut East	5.0%	\$7,032,915	\$8,791,144	\$8,205,068
Connecticut North Central	5.0%	\$11,015,490	\$11,933,448	\$12,851,405
Connecticut West	5.0%	\$20,742,585	\$19,014,036	\$24,199,683
Markets Beyond 90-Minutes		\$48,638,490	\$51,220,408	\$56,744,905
Subtotal Market Area		\$705,199,455	\$749,241,459	\$822,732,698
<i>Source: HLT Advisory Inc. estimates.</i>				

Market Shares: Full Competition

Region C (Taunton) – Market Shares Results



Market Shares: Full Competition Region C (Taunton) – GGR Estimates

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

Taunton (Region C) Category 1 Casino - Summary of GGR Estimates				
Market Areas	Market Shares	At \$300/ Adult	Blended GGR/ Adult	At \$350/ Adult
Raynham	47.5%	\$20,613,765	\$25,767,206	\$24,049,393
Massachusetts Southwest	50.0%	\$47,622,750	\$51,591,313	\$55,559,875
Markets Within 0-30 Minutes		\$68,236,515	\$77,358,519	\$79,609,268
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	15.0%	\$10,279,890	\$11,136,548	\$11,993,205
Boston Suburbs - South	25.0%	\$13,450,275	\$14,571,131	\$15,691,988
Boston Suburbs - Southwest	20.0%	\$11,268,000	\$12,207,000	\$13,146,000
Plainville	20.0%	\$6,169,800	\$7,712,250	\$7,198,100
Massachusetts Southeast	60.0%	\$41,511,420	\$44,970,705	\$48,429,990
Cape Cod	60.0%	\$34,990,200	\$32,074,350	\$40,821,900
Rhode Island North	10.0%	\$17,385,600	\$21,732,000	\$20,283,200
Rhode Island South	10.0%	\$5,679,330	\$7,099,163	\$6,625,885
Markets Within 30-60 Minutes		\$158,257,515	\$172,440,459	\$184,633,768
Boston Suburbs - North	10.0%	\$15,197,280	\$13,930,840	\$17,730,160
Boston Suburbs - Northwest	15.0%	\$14,190,975	\$13,008,394	\$16,556,138
Leominster	15.0%	\$6,755,130	\$6,192,203	\$7,880,985
Worcester/Milford	15.0%	\$17,774,280	\$19,255,470	\$20,736,660
Connecticut East	5.0%	\$7,032,915	\$8,791,144	\$8,205,068
Markets Within 60-90 Minutes		\$60,950,580	\$61,178,050	\$71,109,010
New Hampshire East	10.0%	\$13,604,790	\$12,471,058	\$15,872,255
New Hampshire Southwest	5.0%	\$4,024,650	\$3,689,263	\$4,695,425
Massachusetts North Central	5.0%	\$1,678,380	\$1,818,245	\$1,958,110
Massachusetts South Central - Springfield	5.0%	\$6,525,525	\$8,156,906	\$7,613,113
Massachusetts West	5.0%	\$1,643,595	\$1,506,629	\$1,917,528
Connecticut North Central	5.0%	\$11,015,490	\$11,933,448	\$12,851,405
Connecticut West	5.0%	\$20,742,585	\$19,014,036	\$24,199,683
Markets Beyond 90-Minutes		\$59,235,015	\$58,589,584	\$69,107,518
Subtotal Market Area		\$346,679,625	\$369,566,611	\$404,459,563

Source: HLT Advisory Inc. estimates.



Reasonableness of Applicant's Revenue Projections

Introduction

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.

Reasonableness of Applicant's Revenue Projections Springfield/MGM

MGM's casino will generate \$436.7 million or 87.4% 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 \$62.9 million or 12.6% 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	\$436.7	87.4%
<i>Other Sources of Revenue</i>					
Outside HLT's Defined Market Area**	n.a.	n.a.	n.a.	\$16.7	3.3%
MassMutuel Centre	n.a.	n.a.	n.a.	\$4.2	0.8%
Hall of Fame	n.a.	n.a.	n.a.	\$2.3	0.5%
Traffic Counts	n.a.	n.a.	n.a.	\$11.8	2.4%
Tourist	n.a.	n.a.	n.a.	\$6.7	1.3%
Hotel	n.a.	n.a.	n.a.	\$21.2	4.2%
Total Other Sources	n.a.	n.a.	n.a.	\$62.9	12.6%
Total GGR	\$416.2	\$452.9	\$485.6	\$499.5	100.0%

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.

Reasonableness of Applicant's Revenue Projections Summary

- 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).

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Market Assessment Appendices

Massachusetts Gaming Commission
June 2014

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- Appendix A: Summary of Spectrum 2010 Report
- Appendix B: Comparison Markets
- Appendix C: “Full Competition” Detailed Tables

Appendix A: Spectrum 2010 Report

In February 2008, Spectrum was retained by the Commonwealth of Massachusetts to analyze the proposal to authorize three commercial destination casino resorts in the State and to project its potential impacts. The report was titled "*Comprehensive Analysis: Projecting and Preparing for Potential Impact of Expanded Gaming on Commonwealth of Massachusetts*" and dated August 1, 2008 ("Spectrum 2008 Report").

In 2010, Spectrum updated the original estimates prepared in 2008. The updated report was titled "*Market Analysis, Gross Gaming Revenue Projections: An Update*" and dated March 31, 2010 ("Spectrum 2010 Report").

It should be noted, that Spectrum did not consider the introduction of a Category 2 (slots only) facility in the State in both of their reports.

The following pages provide a summary of the Spectrum 2010 Report.

Appendix A: Spectrum 2010 Report Assumptions

- Three resort casinos, each located in the geographic centre of the three designated regions.

Note: Spectrum refers to Region 1, Region 2 and Region 3. Region 1 is located in northeast Massachusetts (currently known as Region A). Region 2 is located in southeast Massachusetts (currently known as Region C) and Region 3 is central/western Massachusetts (currently known as Region B).

- Market area based on a 2-hour drive time from each resort casino location. Market area population calculated based on both counties and zip codes.
- Three year projections for each resort casino:
 - Opening Year One (2014)
 - Ramp-up Year Two (2015)
 - Stabilized Year Three (2016)
- Report contains three sets of projections/presentations (i.e., Primary, Secondary and Alternate Presentation). Each set contains projections under a slow, a moderate and a high case.

Appendix A: Spectrum 2010 Report Assumptions

- Each set of projections/presentations can be summarized as follows:
 1. Primary Presentation assumes the following:
 - Two-hour drive time population estimates based on county level geography.
 - Year three (stabilized year) – each facility will capture 20.0% of total visits generated from market area.
 - Each casino with 3,000 slots, 100 tables, 40 poker tables and 2,000-room hotel.
 2. Secondary Presentation assumes the following:
 - Two-hour drive time population estimates based on zip code level geography.
 - Year three (stabilized year) – each facility will capture 20.0% of total visits generated from market area.
 - Each casino with 3,000 slots, 100 tables, 40 poker tables and 2,000-room hotel.

Appendix A: Spectrum 2010 Report Assumptions

3. Alternate Presentation assumes the following:

- Two-hour drive time population estimates based on zip code level geography.
- Region 1 casino with 5,000 slots, 160 tables, 70 poker tables and 2,000-room hotel.
- Region 2 and 3 casinos with 2,500 slots, 100 tables, 40 poker tables and 1,500-room hotel.
- Year three (stabilized year) – each facility's share of total market visitation based on Spectrum's gravity model:
 - Region 1 (Boston) = 40.2%
 - Region 2 = 19.5%
 - Region 3 = 20.7%

Appendix A: Spectrum 2010 Report Assumptions

- Key revenue modeling assumptions:
 - Adult population: 73.2% of total population (US Census Bureau)
 - Gaming Incidence Rate: 28.0% (Harrah's National Survey)
 - Avg. Annual Trips: 6.7 (Harrah's National Survey)
 - Region's Share of Visits: 20.0% for each region for primary and secondary projections. Alternative projection estimated at 40.2% for Region 1, 19.5% for Region 2 and 20.7% for Region 3
 - Gaming Value of Visits: \$150 (based on Atlantic City Model), but adjusted by region and future inflation
 - Gross Slot Win: 68.1% of total GGR (Atlantic City Average)
 - Gross Table Win: 29.9% of total GGR (Atlantic City Average)
 - Gross Poker Win: 2.0% of total GGR (Atlantic City Average)
 - Tax Rate: 27.0% of GGR after \$100,000 minimum
 - Incremental GGR from hotel estimated based on:
 - * Casino to capture 36.0% of total hotel visitors
 - * Each captured visitor to spend 2.5 times the amount of gaming value/visit

Appendix A: Spectrum 2010 Report

Primary Projections - Results

Table below presents the results for Year Three (2016) under the moderate case.

Primary Presentation (Moderate Scenario) - Year 3				
	Region 1	Region 2	Region 3	State-Wide
<i>Market Area Win</i>				
Adult Population	7,938,447	7,186,209	7,296,008	9,426,446
Gaming Participation Rate	28%	28%	28%	28%
Gaming Population	2,222,765	2,012,139	2,042,882	2,639,405
Avg. Visits/Gaming Pop	6.7	6.7	6.7	6.7
Total Gaming Visits	14,892,527	13,481,328	13,687,311	17,684,013
Region's Share of Total	20.0%	20.0%	20.0%	47.6%
Total Region's Visit	2,978,505	2,696,266	2,737,462	8,412,233
Gaming Value/Visit	\$167	\$181	\$136	\$162
GGR from Market	\$496,700,731	\$488,999,275	\$373,365,810	\$1,359,065,816
<i>Incremental Win</i>				
Number of Rooms	2,000	2,000	2,000	6,000
Available Room Nights	730,000	730,000	730,000	2,190,000
Incremental Room Nights Capture Rate Beyond 2 hrs.	37%	37%	37%	37%
Incremental Room Nights Captured Beyond 2 hrs.	270,100	270,100	270,100	810,300
Gaming Value/Room	\$404	\$404	\$404	\$404
Incremental GGR from Hotel	\$109,092,222	\$109,092,222	\$109,092,222	\$327,276,665
Total GGR	\$605,792,953	\$598,091,497	\$482,458,032	\$1,686,342,481
<i>Source: Spectrum Gaming Group, Market Analysis, Gross Gaming Revenue Projections: An Update (prepared for the Massachusetts Legislature, March 31, 2010.</i>				

Note: HLT has assumed that incremental win from hotel rooms is not generated from the defined market area for the purposes of the analysis in this report.

Appendix A: Spectrum 2010 Report Secondary Projections - Results

Table below presents the results for Year Three (2016) under the moderate case.

Secondary Presentation (Moderate Scenario) - Year 3				
	Region 1	Region 2	Region 3	State-Wide
<i>Market Area Win</i>				
Adult Population	7,867,726	7,030,110	7,769,099	9,426,446
Gaming Participation Rate	28%	28%	28%	28%
Gaming Population	2,202,963	1,968,431	2,175,348	2,639,405
Avg. Visits/Gaming Pop	6.7	6.7	6.7	6.7
Total Gaming Visits	14,759,854	13,188,486	14,574,830	17,684,013
Region's Share of Total	20.0%	20.0%	20.0%	48.1%
Total Region's Visit	2,951,971	2,637,697	2,914,966	8,504,634
Gaming Value/Visit	\$167	\$181	\$136	\$161
GGR from Market	\$492,275,818	\$478,377,173	\$397,575,793	\$1,368,228,784
<i>Incremental Win</i>				
Number of Rooms	2,000	2,000	2,000	6,000
Available Room Nights	730,000	730,000	730,000	2,190,000
Incremental Room Nights Capture Rate Beyond 2 hrs.	37%	37%	37%	37%
Incremental Room Nights Captured Beyond 2 hrs.	270,100	270,100	270,100	810,300
Gaming Value/Room	\$404	\$404	\$404	\$404
Incremental GGR from Hotel	\$109,092,222	\$109,092,222	\$109,092,222	\$327,276,665
Total GGR	\$601,368,040	\$587,469,395	\$506,668,015	\$1,695,505,449
<i>Source: Spectrum Gaming Group, Market Analysis, Gross Gaming Revenue Projections: An Update (prepared for the Massachusetts Legislature, March 31, 2010.</i>				

Note: HLT has assumed that incremental win from hotel rooms is not generated from the defined market area for the purposes of the analysis in this report.

Appendix A: Spectrum 2010 Report Alternate Projections - Results

Table below presents the results for Year Three (2016) under the moderate case.

Alternate Presentation (Moderate Scenario) - Year 3				
	Region 1	Region 2	Region 3	State-Wide
<i>Market Area Win</i>				
Adult Population	7,867,726	7,030,110	7,769,099	9,426,446
Gaming Participation Rate	28%	28%	28%	28%
Gaming Population	2,202,963	1,968,431	2,175,348	2,639,405
Avg. Visits/Gaming Pop	6.7	6.7	6.7	6.7
Total Gaming Visits	14,759,854	13,188,486	14,574,830	17,684,013
Region's Share of Total	40.2%	19.5%	20.7%	65.2%
Total Region's Visit	5,933,461	2,571,755	3,016,990	11,522,206
Gaming Value/Visit	\$167	\$181	\$136	\$162
GGR from Market	\$989,474,395	\$466,417,744	\$411,490,946	\$1,867,383,085
<i>Incremental Win</i>				
Number of Rooms	2,000	1,500	1,500	6,000
Available Room Nights	730,000	547,500	547,500	2,190,000
Incremental Room Nights Capture Rate Beyond 2 hrs.	37%	37%	37%	37%
Incremental Room Nights Captured Beyond 2 hrs.	270,100	202,575	202,575	810,300
Gaming Value/Room	\$339	\$339	\$339	\$339
Incremental GGR from Hotel	\$109,716,982	\$82,287,736	\$82,287,736	\$274,292,454
Total GGR	\$1,099,191,377	\$548,705,480	\$493,778,682	\$2,141,675,539
<i>Source: Spectrum Gaming Group, Market Analysis, Gross Gaming Revenue Projections: An Update (prepared for the Massachusetts Legislature, March 31, 2010.</i>				

Note: HLT has assumed that incremental win from hotel rooms is not generated from the defined market area for the purposes of the analysis in this report.

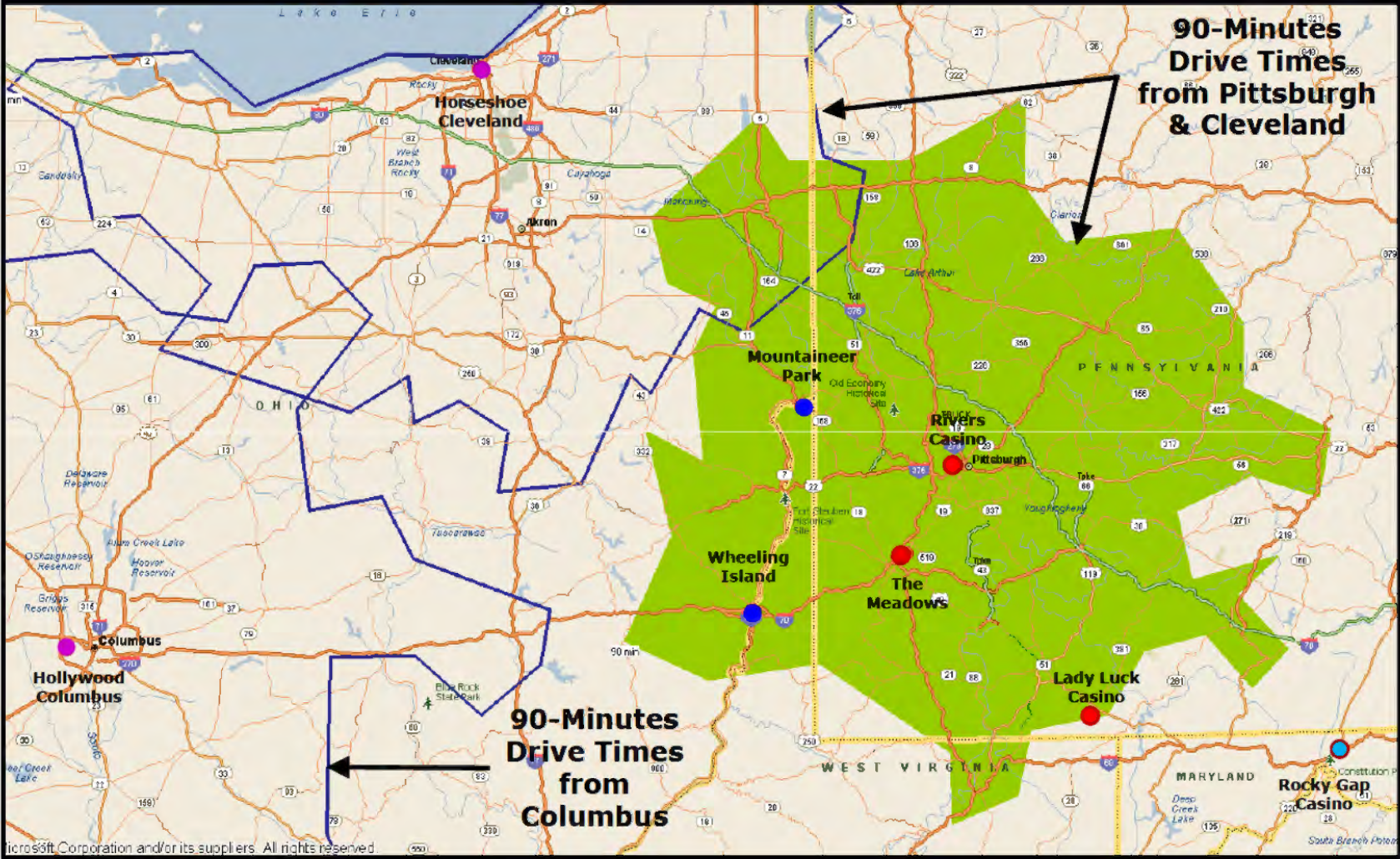
Appendix A: Spectrum 2010 Report

Market GGR/Adult

Given the assumptions and results of the Spectrum 2010, the size of defined market area (not including incremental win from hotel rooms) ranges from \$250 to \$350 GGR per adult for each casino. Combine the total market has a GGR/adult rate of ~\$300.

Win/Adult Estimates Based on Spectrum 2010 Report				
	Region 1	Region 2	Region 3	State
<u>Primary Presentation (Moderate Case)</u>				
Adult Population	7,938,447	7,186,209	7,296,008	9,426,446
Total GGR Captured by State Casinos	\$496,700,731	\$488,999,275	\$373,365,810	\$1,359,065,816
GGR/Adult Captured by State Casinos	\$63	\$68	\$51	\$144
State Share of total	20.0%	20.0%	20.0%	47.6%
Estimated Total Market GGR/Adult	\$313	\$340	\$256	\$303
<u>Secondary Presentation (Moderate Case)</u>				
Adult Population	7,867,726	7,030,110	7,769,099	9,426,446
Total GGR Captured by State Casinos	\$492,275,818	\$478,377,173	\$397,575,793	\$1,368,228,784
GGR/Adult Captured by State Casinos	\$63	\$68	\$51	\$145
State Share of total	20.0%	20.0%	20.0%	48.1%
Estimated Total Market GGR/Adult	\$313	\$340	\$256	\$302
<u>Alternate Presentation (Moderate Case)</u>				
Adult Population	7,867,726	7,030,110	7,769,099	9,426,446
Total GGR Captured by State Casinos	\$989,474,395	\$466,417,744	\$411,490,946	\$1,867,383,085
GGR/Adult Captured by State Casinos	\$126	\$66	\$53	\$198
State Share of total	40.2%	19.5%	20.7%	65.2%
Estimated Total Market GGR/Adult	\$313	\$340	\$256	\$304
<i>Source: HLT Advisory Inc. based on Spectrum Gaming Group, Market Analysis, Gross Gaming Revenue Projections: An Update (prepared for the Massachusetts Legislature, March 31, 2010 and HLT assumptions.</i>				

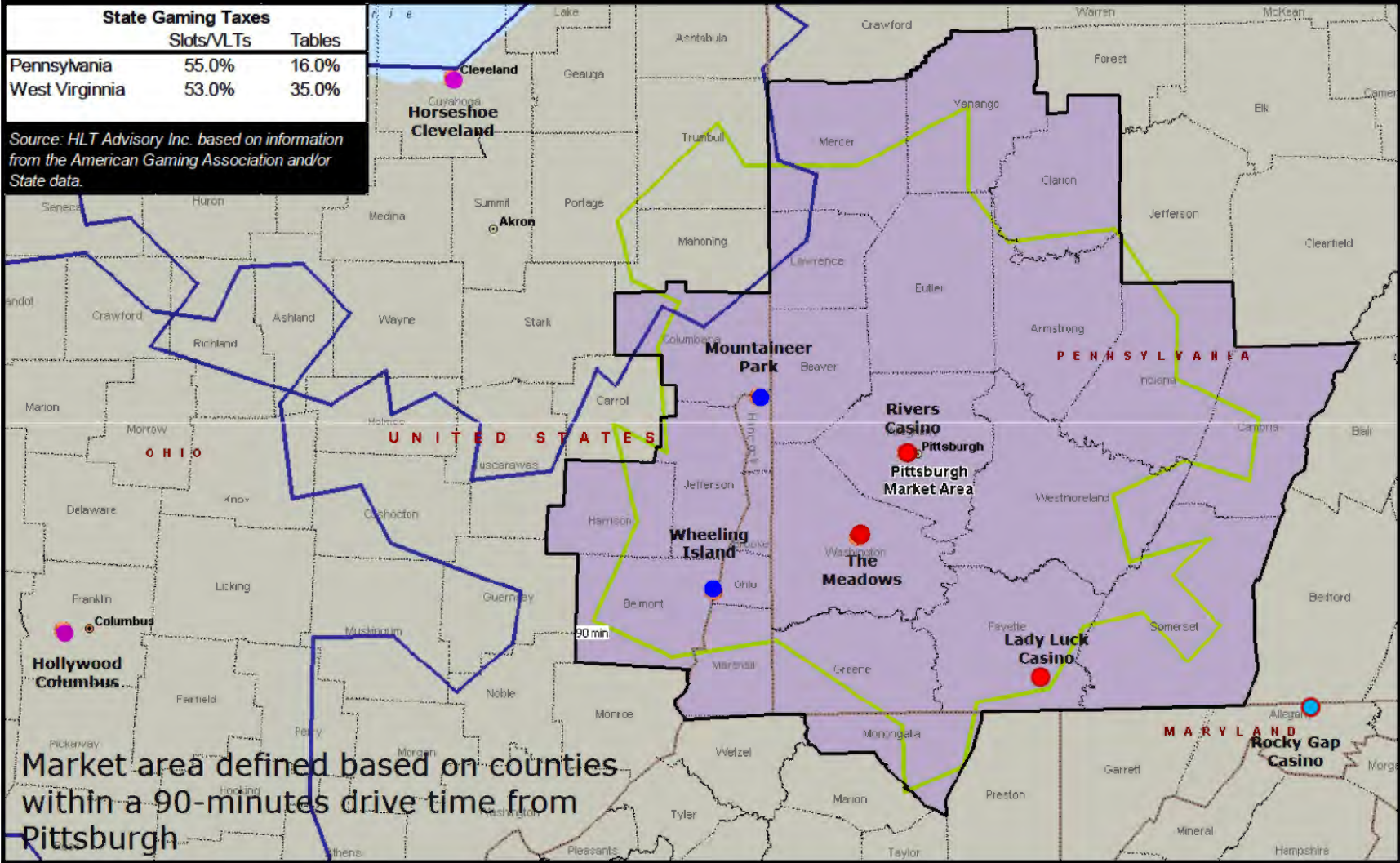
Appendix B: Comparison Markets Pittsburgh



Appendix B: Comparison Markets Pittsburgh

State Gaming Taxes		
	Slots/VTs	Tables
Pennsylvania	55.0%	16.0%
West Virginia	53.0%	35.0%

Source: HLT Advisory Inc. based on information from the American Gaming Association and/or State data.



Market area defined based on counties within a 90-minutes drive time from Pittsburgh

Appendix B: Comparison Markets

Pittsburgh

Pittsburgh Market Area Population by County				
State	County	Total population	Gamer Population 21+	Gamer Population % of Total
Pennsylvania	Cambria	141,584	107,820	76%
Pennsylvania	Clarion	39,646	29,167	74%
Pennsylvania	Venango	54,272	41,018	76%
Pennsylvania	Mercer	115,655	85,827	74%
Pennsylvania	Butler	184,970	136,433	74%
Pennsylvania	Armstrong	68,409	52,545	77%
Pennsylvania	Indiana	88,218	64,426	73%
Pennsylvania	Westmoreland	363,395	279,715	77%
Pennsylvania	Lawrence	89,871	67,586	75%
Pennsylvania	Beaver	170,245	129,967	76%
Pennsylvania	Allegheny	1,229,338	936,219	76%
Pennsylvania	Somerset	76,957	60,024	78%
Pennsylvania	Fayette	135,660	104,084	77%
Pennsylvania	Washington	208,716	157,700	76%
Pennsylvania	Greene	38,085	28,928	76%
Subtotal		3,005,021	2,281,458	76%
Ohio	Columbiana	106,507	80,113	75%
Ohio	Harrison	15,714	11,844	75%
Ohio	Jefferson	68,389	51,740	76%
Ohio	Belmont	69,671	53,733	77%
		260,281	197,430	76%
West Virginia	Hancock	30,305	23,377	77%
West Virginia	Brooke	23,853	18,335	77%
West Virginia	Ohio	44,075	33,246	75%
West Virginia	Monongalia	100,332	73,149	73%
West Virginia	Marshall	32,674	24,867	76%
		231,239	172,974	75%
Total Pittsburgh Market Area		3,496,541	2,651,862	76%

Source: HLT Advisory Inc. based on US Census Bureau and HLT estimates.

Population and Gaming Supply

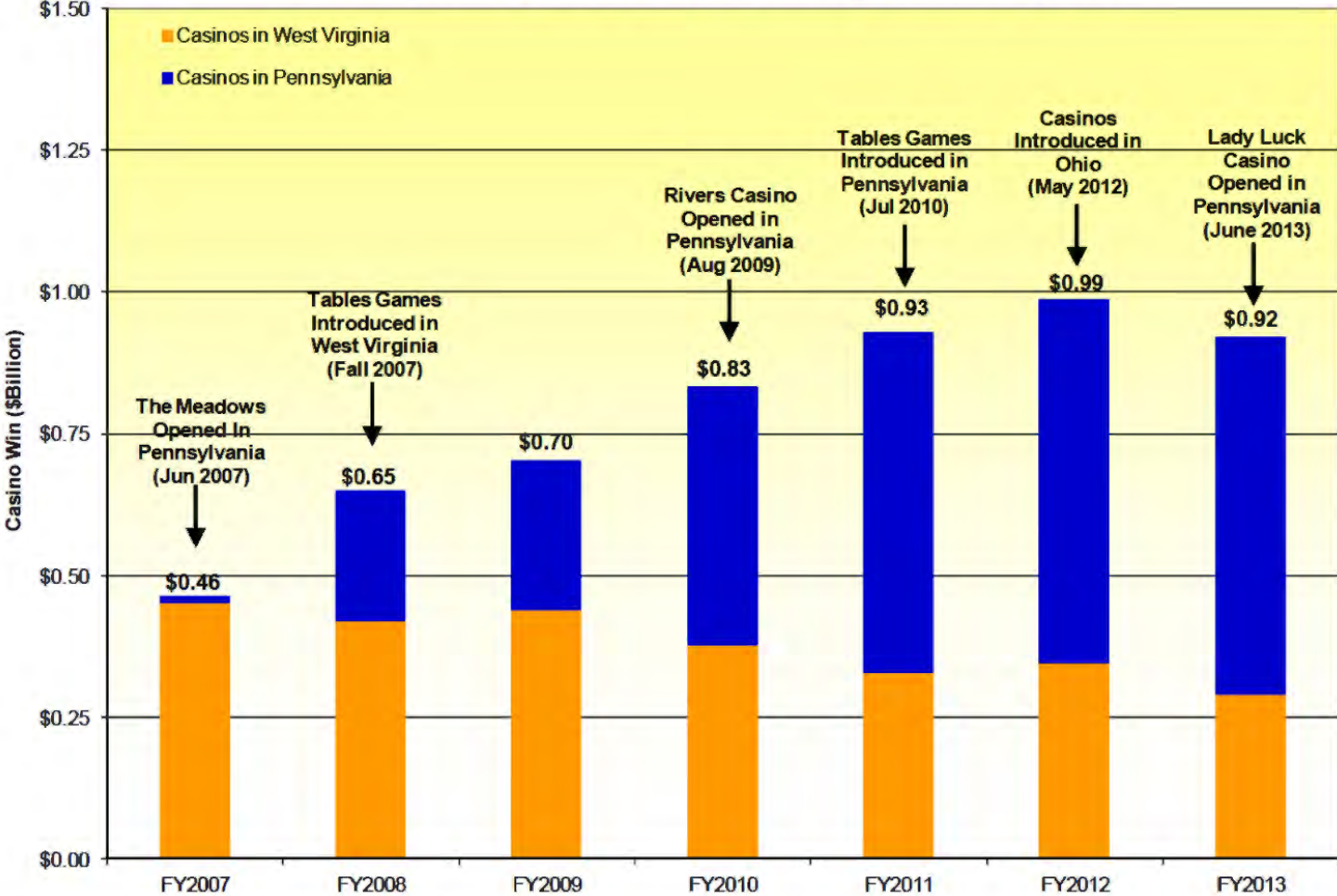
- Market Area Adult Population (21+) estimated at 2.7 million.
- Five casino within market area (three in Pennsylvania and two in West Virginia).
- Total current GGR \$919.1 million.

	Pittsburgh Market Area Existing Casino Facilities					
	Current Performance*			Number of Devices		
	Slots	Tables	Total	Slots	Tables	
<i>Pennsylvania Casinos</i>						
Rivers Casino	\$283,332,873	\$69,280,996	\$352,613,869	2,960	113	
The Meadows	\$240,805,246	\$35,983,833	\$276,789,078	3,316	75	
Lady Luck*	\$46,777	\$8,856	\$55,633	600	28	
Subtotal	\$524,184,895	\$105,273,685	\$629,458,580	6,876	216	
<i>West Virginia</i>						
Mountaineer Park	\$160,785,428	\$21,803,634	\$182,589,063	1,992	51	
Wheeling Island	\$98,933,885	\$8,168,309	\$107,102,194	1,406	33	
Subtotal	\$259,719,313	\$29,971,943	\$289,691,257	3,398	84	
Total Pittsburgh Market	\$783,904,208	\$135,245,628	\$919,149,837	10,274	300	

* FY2013 ending June 2013.
 ** Casino opened in June 2013.
 Source: HLT Advisory Inc. based on information from Pennsylvania Gaming Control Board, West Virginia Lottery and casino city.

Appendix B: Comparison Markets Pittsburgh

Pittsburgh Area Casino Gross Gaming Revenue Trends



Source: HLT Advisory Inc. based on data from the Pennsylvania Gaming Control Board.



Appendix B: Comparison Markets Pittsburgh

Pittsburgh Area Casino Performance (\$Million)*								
Casino Name	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Slot Revenue								
The Meadows		\$13.4	\$231.2	\$264.5	\$261.1	\$250.5	\$251.4	\$240.8
Rivers Casino					\$195.5	\$262.6	\$283.4	\$283.3
Lady Luck**								\$0.0
Subtotal Pennsylvania		\$13.4	\$231.2	\$264.5	\$456.5	\$513.1	\$534.8	\$524.2
% Change			1625%	14%	73%	12%	4%	-2%
Mountaineer Park	\$252.3	\$249.5	\$216.6	\$198.0	\$174.2	\$160.6	\$177.8	\$160.8
Wheeling Island	\$196.8	\$200.5	\$156.5	\$158.9	\$128.5	\$121.2	\$124.0	\$98.9
Subtotal West Virginia	\$449.1	\$450.0	\$373.1	\$356.9	\$302.7	\$281.8	\$301.8	\$259.7
% Change			-17%	-4%	-15%	-7%	7%	-14%
Subtotal Slots	\$449.1	\$463.4	\$604.3	\$621.4	\$759.2	\$794.9	\$836.6	\$783.9
Table Revenue								
The Meadows						\$32.0	\$35.7	\$36.0
Rivers Casino						\$57.7	\$70.0	\$69.3
Lady Luck**								\$0.0
Subtotal Pennsylvania						\$89.7	\$105.7	\$105.3
% Change							18%	0%
Mountaineer Park			\$26.3	\$49.2	\$44.5	\$30.0	\$30.0	\$21.8
Wheeling Island			\$19.1	\$32.2	\$28.5	\$14.5	\$12.8	\$8.2
Subtotal West Virginia			\$45.4	\$81.4	\$73.0	\$44.5	\$42.9	\$30.0
% Change				79%	-10%	-39%	-4%	-30%
Subtotal Tables			\$45.4	\$81.4	\$73.0	\$134.3	\$148.6	\$135.2
Gaming Revenues								
The Meadows		\$13.4	\$231.2	\$264.5	\$261.1	\$282.5	\$287.1	\$276.8
Rivers Casino					\$195.5	\$320.3	\$353.4	\$352.6
Lady Luck**								\$0.1
Subtotal Pennsylvania		\$13.4	\$231.2	\$264.5	\$456.5	\$602.8	\$640.5	\$629.5
% Change				14%	73%	32%	6%	-2%
Mountaineer Park	\$252.3	\$249.5	\$242.9	\$247.3	\$218.6	\$190.7	\$207.8	\$182.6
Wheeling Island	\$196.8	\$200.5	\$175.6	\$191.0	\$157.1	\$135.7	\$136.8	\$107.1
Subtotal West Virginia	\$449.1	\$450.0	\$418.5	\$438.3	\$375.7	\$326.4	\$344.7	\$289.7
% Change			-7%	5%	-14%	-13%	6%	-16%
Total Pittsburgh	\$449.1	\$463.4	\$649.7	\$702.8	\$832.2	\$929.2	\$985.2	\$919.1

* FY ending June 30.

** Casino opened in June 2013.

Source: HLT Advisory Inc. based on information from Pennsylvania Gaming Control Board and West Virginia Lottery.

Appendix B: Comparison Markets

Pittsburgh - Captured GGR/Adult Estimate

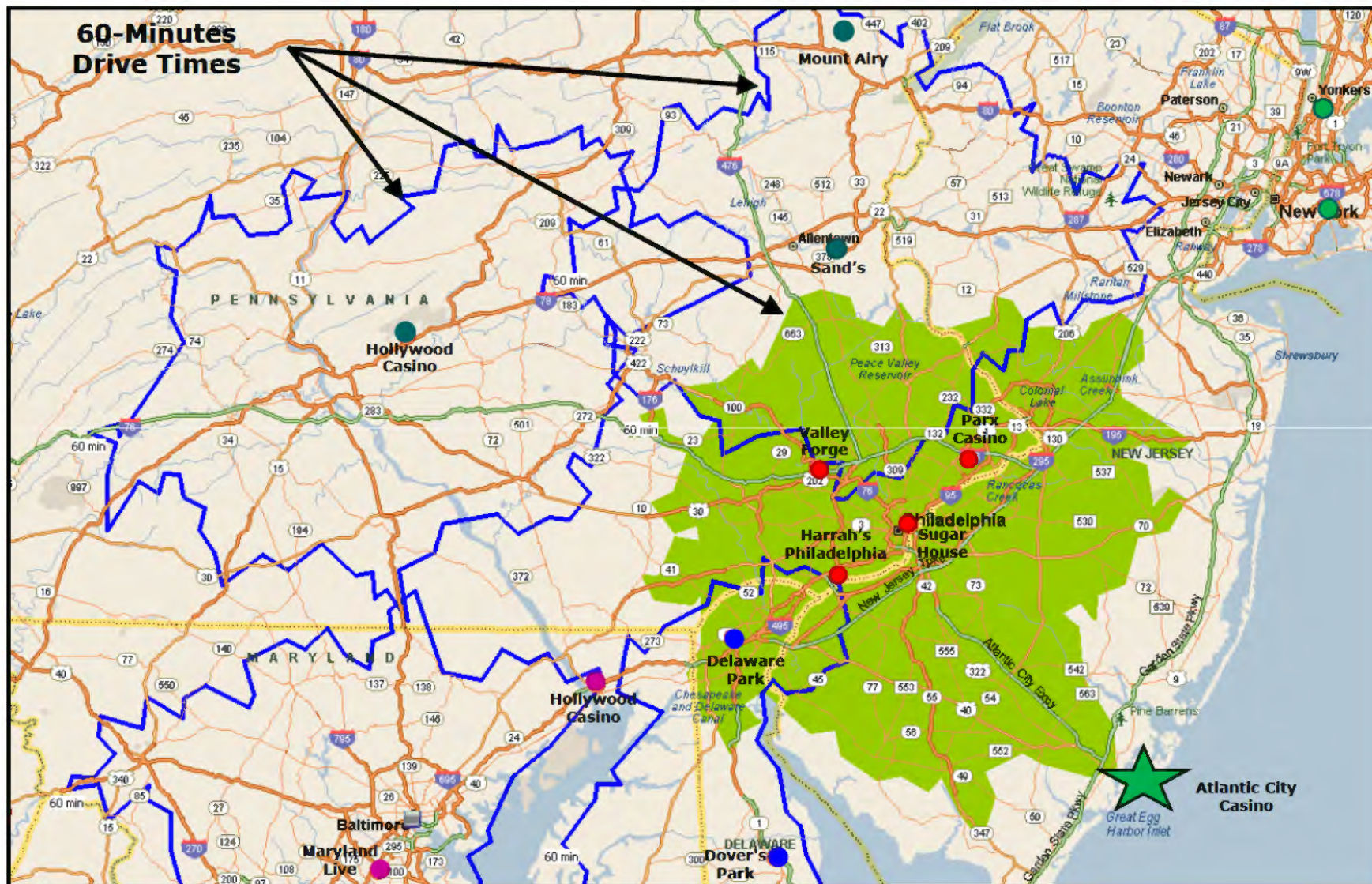
If we assumed all GGR generated at the identified facilities originates from within the defined market area (~90 minute drive-time from Pittsburgh urban core), the Pittsburgh market has a captured GGR per adult rate of ~\$350. That said, a substantial portion of the West Virginia casinos’ business likely originates from Ohio (beyond the defined Pittsburgh market area).

If we assumed that half of West Virginia casinos’ GGR originates outside the defined market area, the Pittsburgh market area has a captured GGR per adult rate of ~\$300.

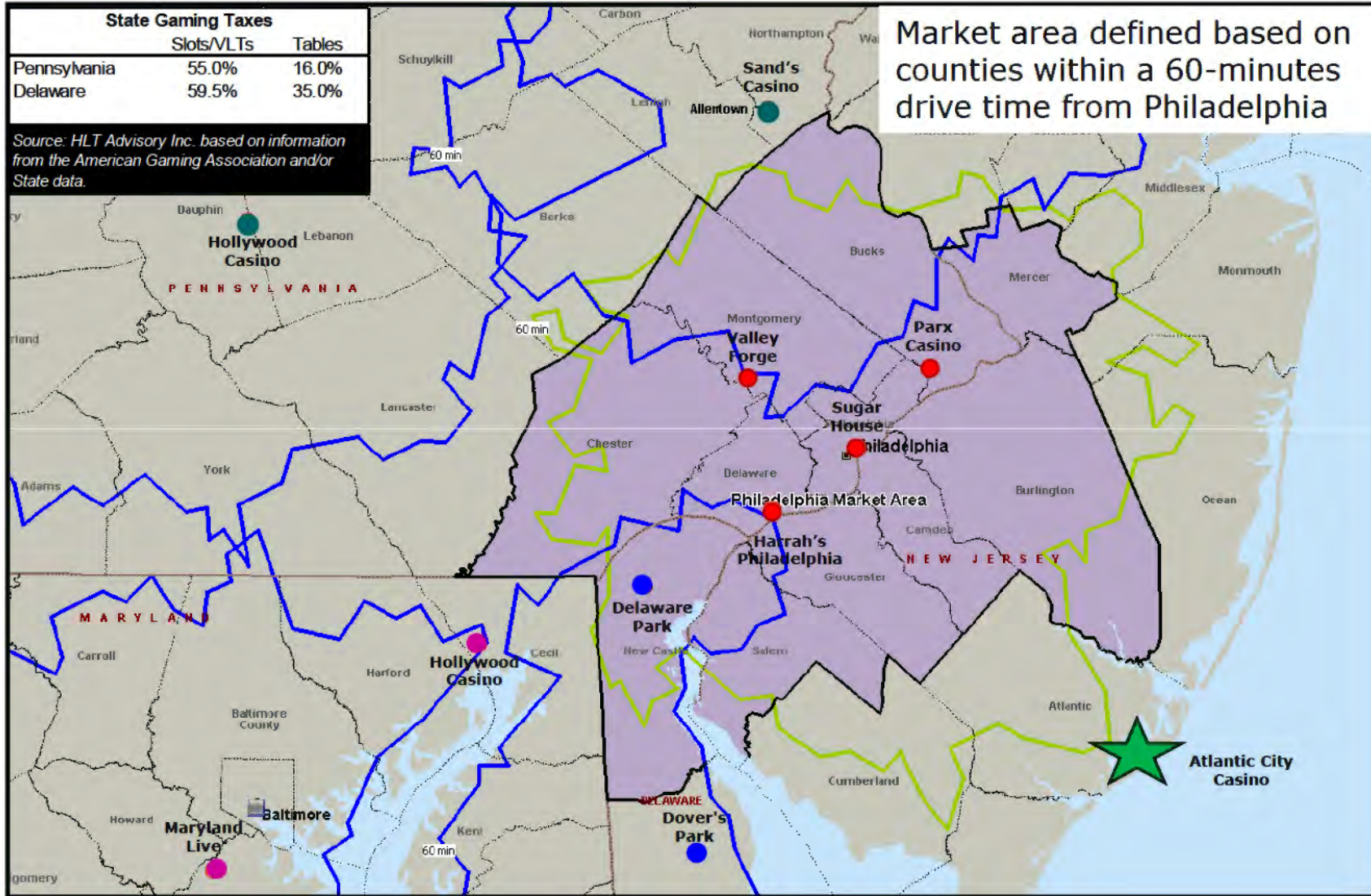
Pittsburgh Market Area GGR and GGR/Adult Estimates			
	GGR	GGR % Distribution	GGR/Adult
Adult Population	2,651,862		
<i>Pennsylvania Casinos</i>			
Slot Win	\$524,184,895	57.0%	\$198
Table Win	\$105,273,685	11.5%	\$40
Subtotal Pennsylvania	\$629,458,580	68.5%	\$237
<i>West Virginia Casinos</i>			
Slot Win	\$259,719,313	28.3%	\$98
Table Win	\$29,971,943	3.3%	\$11
Subtotal West Virginia	\$289,691,257	31.5%	\$109
Total Pittsburgh Market Area	\$919,149,837	100.0%	\$347
<i>Source: HLT Advisory Inc. based on information from Pennsylvania Gaming Control Board, West Virginia Lottery, US Census Bureau and HLT estimates.</i>			



Appendix B: Comparison Markets Philadelphia



Appendix B: Comparison Markets Philadelphia



Appendix B: Comparison Markets Philadelphia

Pittsburgh Market Area Population by County				
State	County	Total population	Gamer Population 21+	Gamer Population % of Total
Pennsylvania	Bucks	627,053	465,150	74%
Pennsylvania	Chester	506,575	361,632	71%
Pennsylvania	Delaware	561,098	403,686	72%
Pennsylvania	Montgomery	808,460	597,409	74%
Pennsylvania	Philadelphia	1,547,607	1,112,813	72%
Subtotal Pennsylvania		4,050,793	2,940,690	73%
Delaware	New Castle	546,076	391,477	72%
Subtotal Delaware		546,076	391,477	72%
New Jersey	Burlington	451,336	332,574	74%
New Jersey	Camden	513,539	370,772	72%
New Jersey	Gloucester	289,586	209,074	72%
New Jersey	Mercer	368,303	266,737	72%
New Jersey	Salem	65,774	48,250	73%
Subtotal New Jersey		1,688,538	1,227,406	73%
Total Philadelphia		6,285,407	4,559,573	73%

Source: HLT Advisory Inc. based on US Census Bureau and HLT estimates.

Population and Gaming Supply

- Market Area Adult Population (21+) estimated at 4.6 million.
- Five casino within market area (four in Pennsylvania and one in Delaware).
- Total current GGR \$1.3 billion.

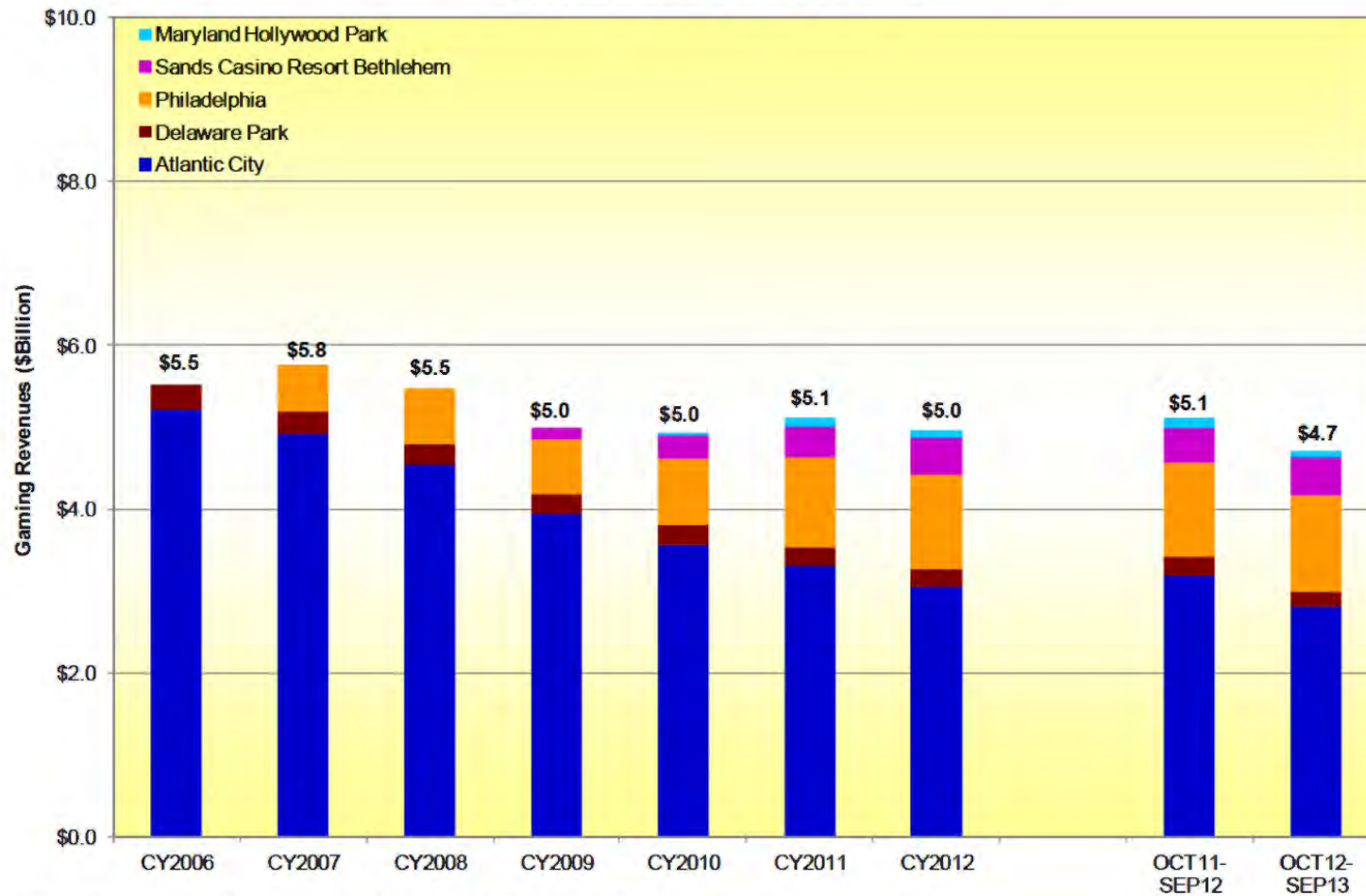
Casinos	Philadelphia Market Area Existing Casino Facilities			Number of Devices	
	Current Performance*			Slots	Tables
	Slots	Tables	Total		
<i>Pennsylvania Casinos</i>					
Parx Casino	\$373,491,166	\$116,073,435	\$489,564,601	3,361	166
Harrah's Philadelphia	\$240,437,437	\$78,189,710	\$318,627,148	2,805	126
SugarHouse Casino	\$183,028,836	\$84,520,980	\$267,549,816	1,604	58
Valley Forge Casino Resort	\$60,068,946	\$32,515,263	\$92,584,209	600	50
Subtotal	\$857,026,385	\$311,299,389	\$1,168,325,773	8,370	400
<i>Delaware Casinos</i>					
Delaware Park	\$148,339,200	\$29,066,199	\$177,405,399	2,298	45
Subtotal	\$148,339,200	\$29,066,199	\$177,405,399	2,298	45
Total Philadelphia	\$1,005,365,585	\$340,365,588	\$1,345,731,172	10,668	445

* Twelve months ending September 2013.

Source: HLT Advisory Inc. based on the Pennsylvania Gaming Control Board and Delaware Lottery monthly reports.

Appendix B: Comparison Markets Philadelphia

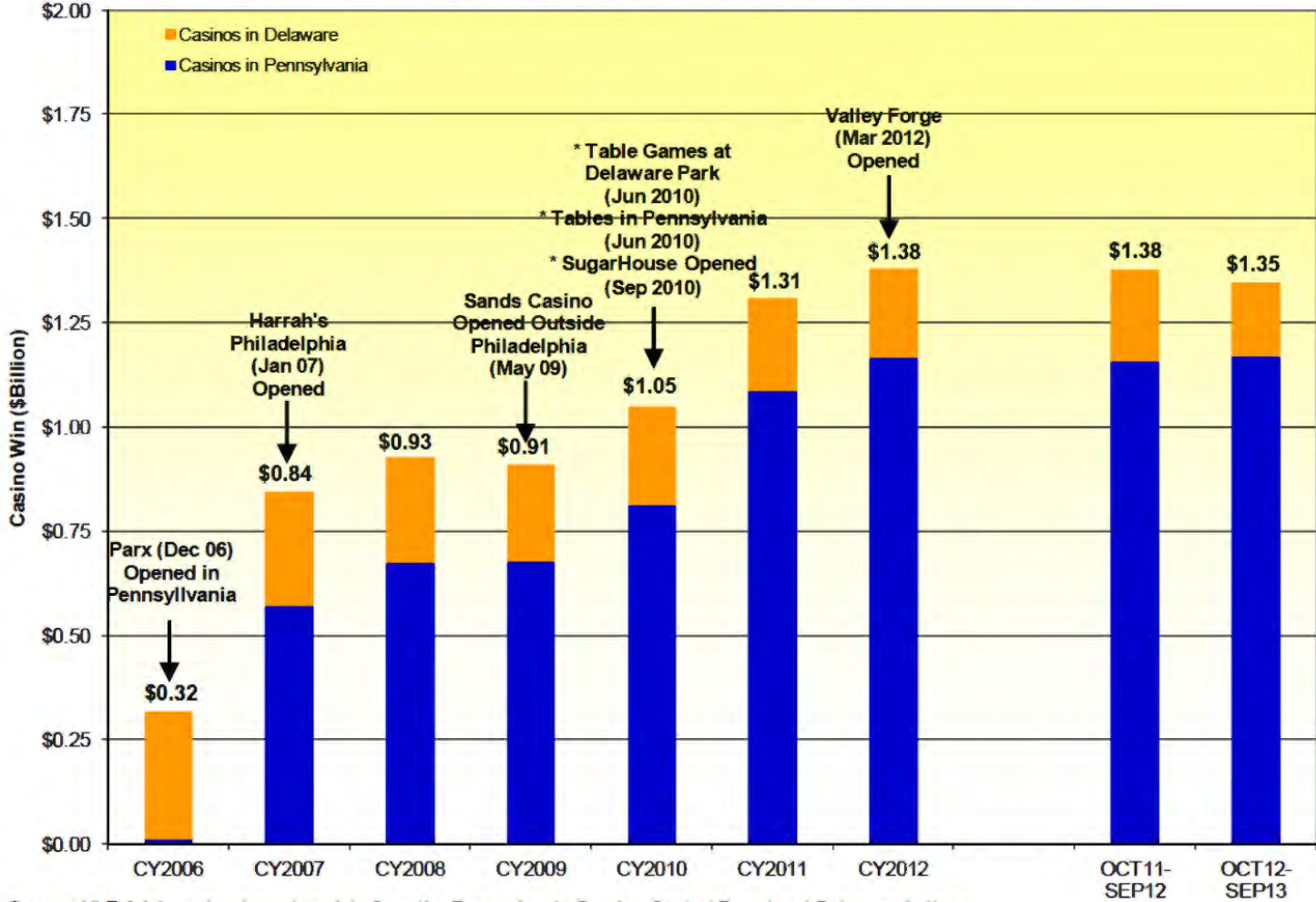
Casino Revenue Performance in the Broader Regional Casino Market Area



Source: HLT Advisory Inc. based on data available from various State gaming entities.

Appendix B: Comparison Markets Philadelphia

Philadelphia Market Area Casino Gross Gaming Revenue



Source: HLT Advisory Inc. based on data from the Pennsylvania Gaming Control Board and Delaware Lottery.



Appendix B: Comparison Markets

Philadelphia - Captured GGR/Adult Estimate

If we assume all GGR generated at identified facilities originates from within the defined market area (~60 minute drive-time from Philadelphia urban core), the Philadelphia market area has a captured GGR per adult rate of ~\$300.

Philadelphia Market Area GGR and GGR/Adult Estimates			
	GGR	GGR % Distribution	GGR/ Adult
Adult Population	4,559,573		
<i><u>Pennsylvania Casinos</u></i>			
Slot Win	\$857,026,385	63.7%	\$188
Table Win	\$311,299,389	23.1%	\$68
Subtotal Pennsylvania	\$1,168,325,773	86.8%	\$256
<i><u>Delaware Casinos</u></i>			
Slot Win	\$148,339,200	11.0%	\$33
Table Win	\$29,066,199	2.2%	\$6
Subtotal Delaware	\$177,405,399	13.2%	\$39
Total Philadelphia Market Area	\$1,345,731,172	100.0%	\$295
<i>Source: HLT Advisory Inc. based on information from Pennsylvania Gaming Control Board, Delaware Lottery, US Census Bureau and HLT estimates.</i>			

Appendix C: Full Competition Market Shares by Facility

Market Areas	Massachusetts Gaming Facilities - Full Competition (%)									
	Category 2 Penn	Category 1 - Resort Casinos			Total Massachusetts	Rhode Island	Connecticut	Total Captured	Uncaptured	Total Market
	Boston	Springfield	Taunton							
Massachusetts Market Areas										
Central Boston	5.0%	75.0%	5.0%	5.0%	90.0%	5.0%	5.0%	100.0%	0.0%	100.0%
Central Boston - North	5.0%	75.0%	5.0%	5.0%	90.0%	5.0%	5.0%	100.0%	0.0%	100.0%
Central Boston - South	15.0%	50.0%	5.0%	15.0%	85.0%	5.0%	10.0%	100.0%	0.0%	100.0%
Subtotal Central Boston										
Boston Suburbs - North	0.0%	75.0%	5.0%	10.0%	90.0%	5.0%	5.0%	100.0%	0.0%	100.0%
Boston Suburbs - Northwest	5.0%	45.0%	15.0%	15.0%	80.0%	5.0%	15.0%	100.0%	0.0%	100.0%
Boston Suburbs - Southwest	25.0%	25.0%	15.0%	20.0%	85.0%	7.5%	7.5%	100.0%	0.0%	100.0%
Boston Suburbs - South	30.0%	20.0%	5.0%	25.0%	80.0%	7.5%	12.5%	100.0%	0.0%	100.0%
Subtotal Boston Suburbs										
Raynham	22.5%	10.0%	5.0%	47.5%	85.0%	10.0%	5.0%	100.0%	0.0%	100.0%
Plainville	40.0%	10.0%	5.0%	20.0%	75.0%	12.5%	12.5%	100.0%	0.0%	100.0%
Massachusetts Southwest	10.0%	5.0%	5.0%	50.0%	70.0%	15.0%	15.0%	100.0%	0.0%	100.0%
Massachusetts Southeast	15.0%	10.0%	5.0%	60.0%	90.0%	5.0%	5.0%	100.0%	0.0%	100.0%
Cape Cod	0.0%	10.0%	5.0%	60.0%	75.0%	15.0%	10.0%	100.0%	0.0%	100.0%
Subtotal Southern Massachusetts										
Leominster	5.0%	35.0%	25.0%	15.0%	80.0%	5.0%	15.0%	100.0%	0.0%	100.0%
Worcester/Milford	5.0%	25.0%	25.0%	15.0%	70.0%	15.0%	15.0%	100.0%	0.0%	100.0%
Massachusetts North Central	0.0%	5.0%	80.0%	5.0%	90.0%	0.0%	10.0%	100.0%	0.0%	100.0%
Massachusetts South Central - Springfield	0.0%	5.0%	80.0%	5.0%	90.0%	0.0%	10.0%	100.0%	0.0%	100.0%
Massachusetts West	0.0%	5.0%	80.0%	5.0%	90.0%	0.0%	10.0%	100.0%	0.0%	100.0%
Subtotal West & Central Massachusetts										
Subtotal Massachusetts										
Neighbouring States Market Areas										
New Hampshire Southwest	0.0%	35.0%	20.0%	5.0%	60.0%	0.0%	10.0%	70.0%	30.0%	100.0%
New Hampshire East	0.0%	50.0%	5.0%	10.0%	65.0%	5.0%	10.0%	80.0%	20.0%	100.0%
Subtotal New Hampshire Areas										
Rhode Island North	7.5%	5.0%	5.0%	10.0%	27.5%	52.5%	20.0%	100.0%	0.0%	100.0%
Rhode Island South	0.0%	5.0%	5.0%	10.0%	20.0%	60.0%	20.0%	100.0%	0.0%	100.0%
Subtotal Rhode Island										
Connecticut East	0.0%	5.0%	5.0%	5.0%	15.0%	5.0%	80.0%	100.0%	0.0%	100.0%
Connecticut North Central	0.0%	5.0%	30.0%	5.0%	40.0%	0.0%	60.0%	100.0%	0.0%	100.0%
Connecticut West	0.0%	5.0%	10.0%	5.0%	20.0%	0.0%	80.0%	100.0%	0.0%	100.0%
Subtotal Connecticut										
Subtotal Neighbouring States										

Source: HLT Advisory Inc. estimates.

Appendix C: Full Competition GGR at \$300/Adult

Massachusetts Gaming Facilities - Full Competition with \$300/Adult													
Market Areas	Adult Population	GGR/Adult	Total Market GGR	Category 1 - Resort Casinos				Total Massachusetts	Rhode Island	Connecticut	Total Captured	Uncaptured	Total Market
				Category 2 Penn	Boston	Springfield	Taunton						
Massachusetts Market Areas													
Central Boston	781,625	\$300	\$234,487,500	\$11,724,375	\$175,865,625	\$11,724,375	\$11,724,375	\$211,038,750	\$11,724,375	\$11,724,375	\$234,487,500	\$0	\$234,487,500
Central Boston - North	386,575	\$300	\$115,972,500	\$5,798,625	\$86,979,375	\$5,798,625	\$5,798,625	\$104,375,250	\$5,798,625	\$5,798,625	\$115,972,500	\$0	\$115,972,500
Central Boston - South	228,442	\$300	\$68,532,600	\$10,279,890	\$34,266,300	\$3,426,630	\$10,279,890	\$58,252,710	\$3,426,630	\$6,853,260	\$68,532,600	\$0	\$68,532,600
Subtotal Central Boston	1,396,642	\$300	\$418,992,600	\$27,802,890	\$297,111,300	\$20,949,630	\$27,802,890	\$373,666,710	\$20,949,630	\$24,376,260	\$418,992,600	\$0	\$418,992,600
Boston Suburbs - North	506,576	\$300	\$151,972,800	\$0	\$113,979,600	\$7,598,640	\$15,197,280	\$136,775,520	\$7,598,640	\$7,598,640	\$151,972,800	\$0	\$151,972,800
Boston Suburbs - Northwest	315,355	\$300	\$94,606,500	\$4,730,325	\$42,572,925	\$14,190,975	\$14,190,975	\$75,685,200	\$4,730,325	\$14,190,975	\$94,606,500	\$0	\$94,606,500
Boston Suburbs - Southwest	187,800	\$300	\$56,340,000	\$14,085,000	\$14,085,000	\$8,451,000	\$11,268,000	\$47,889,000	\$4,225,500	\$4,225,500	\$56,340,000	\$0	\$56,340,000
Boston Suburbs - South	179,337	\$300	\$53,801,100	\$16,140,330	\$10,760,220	\$2,690,055	\$13,450,275	\$43,040,880	\$4,035,083	\$6,725,138	\$53,801,100	\$0	\$53,801,100
Subtotal Boston Suburbs	1,189,068	\$300	\$356,720,400	\$34,955,655	\$181,397,745	\$32,930,670	\$54,106,530	\$303,390,600	\$20,589,548	\$32,740,253	\$356,720,400	\$0	\$356,720,400
Raynham	144,658	\$300	\$43,397,400	\$9,764,415	\$4,339,740	\$2,169,870	\$20,613,765	\$36,887,790	\$4,339,740	\$2,169,870	\$43,397,400	\$0	\$43,397,400
Plainville	102,830	\$300	\$30,849,000	\$12,339,600	\$3,084,900	\$1,542,450	\$6,169,800	\$23,136,750	\$3,856,125	\$3,856,125	\$30,849,000	\$0	\$30,849,000
Massachusetts Southwest	317,485	\$300	\$95,245,500	\$9,524,550	\$4,762,275	\$4,762,275	\$47,622,750	\$66,671,850	\$14,286,825	\$14,286,825	\$95,245,500	\$0	\$95,245,500
Massachusetts Southeast	230,619	\$300	\$69,185,700	\$10,377,855	\$6,918,570	\$3,459,285	\$41,511,420	\$62,267,130	\$3,459,285	\$3,459,285	\$69,185,700	\$0	\$69,185,700
Cape Cod	194,390	\$300	\$58,317,000	\$0	\$5,831,700	\$2,915,850	\$34,990,200	\$43,737,750	\$8,747,550	\$5,831,700	\$58,317,000	\$0	\$58,317,000
Subtotal Southern Massachusetts	989,962	\$300	\$296,994,600	\$42,006,420	\$24,937,185	\$14,849,730	\$150,907,935	\$232,701,270	\$34,689,525	\$29,603,805	\$296,994,600	\$0	\$296,994,600
Leominster	150,114	\$300	\$45,034,200	\$2,251,710	\$15,761,970	\$11,258,550	\$6,755,130	\$36,027,360	\$2,251,710	\$6,755,130	\$45,034,200	\$0	\$45,034,200
Worcester/Milford	394,984	\$300	\$118,495,200	\$5,924,760	\$29,623,800	\$29,623,800	\$17,774,280	\$82,946,640	\$17,774,280	\$17,774,280	\$118,495,200	\$0	\$118,495,200
Massachusetts North Central	111,892	\$300	\$33,567,600	\$0	\$1,678,380	\$2,854,080	\$1,678,380	\$30,210,840	\$0	\$3,356,760	\$33,567,600	\$0	\$33,567,600
Massachusetts South Central - Springfield	435,035	\$300	\$130,510,500	\$0	\$6,525,525	\$104,408,400	\$6,525,525	\$117,459,450	\$0	\$13,051,050	\$130,510,500	\$0	\$130,510,500
Massachusetts West	109,573	\$300	\$32,871,900	\$0	\$1,643,595	\$26,297,520	\$1,643,595	\$29,584,710	\$0	\$3,287,190	\$32,871,900	\$0	\$32,871,900
Subtotal West & Central Massachusetts	1,201,598	\$300	\$360,479,400	\$8,176,470	\$55,233,270	\$198,442,350	\$34,376,910	\$296,229,000	\$20,025,990	\$44,224,410	\$360,479,400	\$0	\$360,479,400
Subtotal Massachusetts	4,777,290	\$300	\$1,433,187,000	\$112,941,435	\$558,679,500	\$267,172,380	\$267,194,265	\$1,205,987,580	\$96,254,693	\$130,944,728	\$1,433,187,000	\$0	\$1,433,187,000
Neighbouring States Market Areas													
New Hampshire Southwest	268,310	\$300	\$80,493,000	\$0	\$28,172,550	\$16,098,600	\$4,024,650	\$48,295,800	\$0	\$8,049,300	\$56,345,100	\$24,147,900	\$80,493,000
New Hampshire East	453,493	\$300	\$136,047,900	\$0	\$68,023,950	\$6,802,395	\$13,604,790	\$88,431,135	\$6,802,395	\$13,604,790	\$108,838,320	\$27,209,580	\$136,047,900
Subtotal New Hampshire Areas	721,803	\$300	\$216,540,900	\$0	\$96,196,500	\$22,900,995	\$17,629,440	\$136,726,935	\$6,802,395	\$21,654,090	\$165,183,420	\$51,357,480	\$216,540,900
Rhode Island North	579,520	\$300	\$173,856,000	\$13,039,200	\$8,692,800	\$8,692,800	\$17,385,600	\$47,810,400	\$91,274,400	\$34,771,200	\$173,856,000	\$0	\$173,856,000
Rhode Island South	189,311	\$300	\$56,793,300	\$0	\$2,839,665	\$2,839,665	\$5,679,330	\$11,358,660	\$34,075,980	\$11,358,660	\$56,793,300	\$0	\$56,793,300
Subtotal Rhode Island	768,831	\$300	\$230,649,300	\$13,039,200	\$11,532,465	\$11,532,465	\$23,064,930	\$59,169,060	\$125,350,380	\$46,129,860	\$230,649,300	\$0	\$230,649,300
Connecticut East	468,861	\$300	\$140,658,300	\$0	\$7,032,915	\$7,032,915	\$7,032,915	\$21,098,745	\$7,032,915	\$112,526,640	\$140,658,300	\$0	\$140,658,300
Connecticut North Central	734,366	\$300	\$220,309,800	\$0	\$11,015,490	\$66,092,940	\$11,015,490	\$88,123,920	\$0	\$132,185,880	\$220,309,800	\$0	\$220,309,800
Connecticut West	1,382,839	\$300	\$414,851,700	\$0	\$20,742,585	\$41,485,170	\$20,742,585	\$82,970,340	\$0	\$331,881,360	\$414,851,700	\$0	\$414,851,700
Subtotal Connecticut	2,586,066	\$300	\$775,819,800	\$0	\$38,790,990	\$114,611,025	\$38,790,990	\$192,193,005	\$7,032,915	\$576,593,880	\$775,819,800	\$0	\$775,819,800
Subtotal Neighbouring States	4,076,700	\$300	\$1,223,010,000	\$13,039,200	\$146,519,955	\$149,044,485	\$79,485,360	\$388,089,000	\$139,185,690	\$644,377,830	\$1,171,652,520	\$51,357,480	\$1,223,010,000
Total Market Area	8,853,990	\$300	\$2,656,197,000	\$125,980,635	\$705,199,455	\$416,216,865	\$346,679,625	\$1,594,076,580	\$235,440,383	\$775,322,558	\$2,604,839,520	\$51,357,480	\$2,656,197,000

Source: HLT Advisory Inc. estimates

Appendix C: Full Competition GGR with Blended GGR/Adult

Massachusetts Gaming Facilities - Full Competition with Blended GGR/Adult													
Market Areas	Adult Population	GGR/Adult	Total Market GGR	Category 1 - Resort Casinos				Total Massachusetts	Rhode Island	Connecticut	Total Captured	Uncaptured	Total Market
				Category 2 Penn	Boston	Springfield	Taunton						
Massachusetts Market Areas													
Central Boston	781,625	\$375	\$293,109,375	\$14,655,469	\$219,832,031	\$14,655,469	\$14,655,469	\$263,798,438	\$14,655,469	\$14,655,469	\$293,109,375	\$0	\$293,109,375
Central Boston - North	386,575	\$325	\$125,636,875	\$6,281,844	\$94,227,656	\$6,281,844	\$6,281,844	\$113,073,188	\$6,281,844	\$6,281,844	\$125,636,875	\$0	\$125,636,875
Central Boston - South	228,442	\$325	\$74,243,650	\$11,136,548	\$37,121,825	\$3,712,183	\$11,136,548	\$63,107,103	\$3,712,183	\$7,424,365	\$74,243,650	\$0	\$74,243,650
Subtotal Central Boston	1,396,642	\$353	\$492,989,900	\$32,073,860	\$351,181,513	\$24,649,495	\$32,073,860	\$439,978,728	\$24,649,495	\$28,361,678	\$492,989,900	\$0	\$492,989,900
Boston Suburbs - North	506,576	\$275	\$139,308,400	\$0	\$104,481,300	\$6,965,420	\$13,930,840	\$125,377,560	\$6,965,420	\$6,965,420	\$139,308,400	\$0	\$139,308,400
Boston Suburbs - Northwest	315,355	\$275	\$86,722,625	\$4,336,131	\$39,025,181	\$13,008,394	\$13,008,394	\$69,378,100	\$4,336,131	\$13,008,394	\$86,722,625	\$0	\$86,722,625
Boston Suburbs - Southwest	187,800	\$325	\$61,035,000	\$15,258,750	\$15,258,750	\$9,155,250	\$12,207,000	\$51,879,750	\$4,577,625	\$4,577,625	\$61,035,000	\$0	\$61,035,000
Boston Suburbs - South	179,337	\$325	\$58,284,525	\$17,485,358	\$11,656,905	\$2,914,226	\$14,571,131	\$46,627,620	\$4,371,339	\$7,285,566	\$58,284,525	\$0	\$58,284,525
Subtotal Boston Suburbs	1,189,068	\$290	\$345,350,550	\$37,080,239	\$170,422,136	\$32,043,290	\$53,717,365	\$293,263,030	\$20,250,516	\$31,837,004	\$345,350,550	\$0	\$345,350,550
Raynham	144,658	\$375	\$54,246,750	\$12,205,519	\$5,424,675	\$2,712,338	\$25,767,206	\$46,109,738	\$5,424,675	\$2,712,338	\$54,246,750	\$0	\$54,246,750
Plainville	102,830	\$375	\$38,561,250	\$15,424,500	\$3,856,125	\$1,928,063	\$7,712,250	\$28,920,938	\$4,820,156	\$4,820,156	\$38,561,250	\$0	\$38,561,250
Massachusetts Southwest	317,485	\$325	\$103,182,625	\$10,318,263	\$5,159,131	\$5,159,131	\$51,591,313	\$72,227,838	\$15,477,394	\$15,477,394	\$103,182,625	\$0	\$103,182,625
Massachusetts Southeast	230,619	\$325	\$74,951,175	\$11,242,676	\$7,495,118	\$3,747,559	\$44,970,705	\$67,456,058	\$3,747,559	\$3,747,559	\$74,951,175	\$0	\$74,951,175
Cape Cod	194,390	\$275	\$53,457,250	\$0	\$5,345,725	\$0	\$32,074,350	\$40,092,938	\$8,018,588	\$5,345,725	\$53,457,250	\$0	\$53,457,250
Subtotal Southern Massachusetts	989,982	\$328	\$324,399,050	\$49,190,958	\$27,280,774	\$16,219,953	\$162,115,824	\$254,807,508	\$37,488,371	\$32,103,171	\$324,399,050	\$0	\$324,399,050
Leominster	150,114	\$275	\$41,281,350	\$2,064,068	\$14,448,473	\$10,320,338	\$6,192,203	\$33,025,080	\$2,064,068	\$6,192,203	\$41,281,350	\$0	\$41,281,350
Worcester/Milford	394,984	\$325	\$128,369,800	\$6,418,490	\$32,092,450	\$32,092,450	\$19,255,470	\$89,858,860	\$19,255,470	\$19,255,470	\$128,369,800	\$0	\$128,369,800
Massachusetts North Central	111,892	\$325	\$36,364,900	\$0	\$1,818,245	\$29,091,920	\$1,818,245	\$32,728,410	\$0	\$3,636,490	\$36,364,900	\$0	\$36,364,900
Massachusetts South Central - Springfield	435,035	\$375	\$163,138,125	\$0	\$8,156,906	\$130,510,500	\$8,156,906	\$146,824,313	\$0	\$16,313,813	\$163,138,125	\$0	\$163,138,125
Massachusetts West	109,573	\$275	\$30,132,575	\$0	\$1,506,629	\$24,106,060	\$1,506,629	\$27,119,318	\$0	\$3,013,258	\$30,132,575	\$0	\$30,132,575
Subtotal West & Central Massachusetts	1,201,598	\$332	\$399,286,750	\$8,482,558	\$58,022,703	\$226,121,268	\$36,929,453	\$329,555,980	\$21,319,538	\$48,411,233	\$399,286,750	\$0	\$399,286,750
Subtotal Massachusetts	4,777,290	\$327	\$1,562,026,250	\$126,827,614	\$606,907,125	\$299,034,005	\$284,836,501	\$1,317,605,245	\$103,707,919	\$140,713,086	\$1,562,026,250	\$0	\$1,562,026,250
Neighbouring States Market Areas													
New Hampshire Southwest	268,310	\$275	\$73,785,250	\$0	\$25,824,838	\$14,757,050	\$3,689,263	\$44,271,150	\$0	\$7,378,525	\$51,649,675	\$22,135,575	\$73,785,250
New Hampshire East	453,493	\$275	\$124,710,575	\$0	\$62,355,288	\$6,235,529	\$12,471,058	\$81,061,874	\$6,235,529	\$12,471,058	\$99,768,460	\$24,942,115	\$124,710,575
Subtotal New Hampshire Areas	721,803	\$275	\$198,495,825	\$0	\$88,180,125	\$20,992,579	\$16,160,320	\$125,333,024	\$6,235,529	\$19,849,583	\$151,418,135	\$47,077,690	\$198,495,825
Rhode Island North	579,520	\$375	\$217,320,000	\$16,299,000	\$10,866,000	\$10,866,000	\$21,732,000	\$59,763,000	\$114,093,000	\$43,464,000	\$217,320,000	\$0	\$217,320,000
Rhode Island South	189,311	\$375	\$70,991,625	\$0	\$3,549,581	\$3,549,581	\$7,099,163	\$14,198,325	\$42,594,975	\$14,198,325	\$70,991,625	\$0	\$70,991,625
Subtotal Rhode Island	768,831	\$375	\$288,311,625	\$16,299,000	\$14,415,581	\$14,415,581	\$28,831,163	\$73,961,325	\$156,687,975	\$57,662,325	\$288,311,625	\$0	\$288,311,625
Connecticut East	468,861	\$375	\$175,822,875	\$0	\$8,791,144	\$8,791,144	\$8,791,144	\$26,373,431	\$8,791,144	\$140,658,300	\$175,822,875	\$0	\$175,822,875
Connecticut North Central	734,366	\$325	\$238,668,950	\$0	\$11,933,448	\$71,600,685	\$11,933,448	\$95,467,580	\$0	\$143,201,370	\$238,668,950	\$0	\$238,668,950
Connecticut West	1,382,839	\$275	\$380,280,725	\$0	\$19,014,036	\$38,028,073	\$19,014,036	\$76,056,145	\$0	\$304,224,580	\$380,280,725	\$0	\$380,280,725
Subtotal Connecticut	2,586,066	\$307	\$794,772,550	\$0	\$39,738,628	\$118,419,901	\$39,738,628	\$197,897,156	\$8,791,144	\$588,084,250	\$794,772,550	\$0	\$794,772,550
Subtotal Neighbouring States	4,076,700	\$314	\$1,281,580,000	\$16,299,000	\$142,334,334	\$153,828,061	\$84,730,110	\$397,191,505	\$171,714,648	\$665,596,158	\$1,234,502,310	\$47,077,690	\$1,281,580,000
Total Market Area	8,853,990	\$321	\$2,843,606,250	\$143,126,614	\$749,241,459	\$452,862,066	\$369,566,611	\$1,714,796,750	\$275,422,567	\$806,309,243	\$2,796,528,560	\$47,077,690	\$2,843,606,250

Source: HLT Advisory Inc. estimates.

Appendix C: Full Competition GGR at \$350/Adult

Massachusetts Gaming Facilities - Full Competition with \$350/Adult													
Market Areas	Adult Population	GGR/Adult	Total Market GGR	Category 1 - Resort Casinos				Total Massachusetts	Rhode Island	Connecticut	Total Captured	Uncaptured	Total Market
				Category 2 Penn	Boston	Springfield	Taunton						
Massachusetts Market Areas													
Central Boston	781,625	\$350	\$273,568,750	\$13,678,438	\$205,176,563	\$13,678,438	\$13,678,438	\$246,211,875	\$13,678,438	\$13,678,438	\$273,568,750	\$0	\$273,568,750
Central Boston - North	386,575	\$350	\$135,301,250	\$6,765,063	\$101,475,938	\$6,765,063	\$6,765,063	\$121,771,125	\$6,765,063	\$6,765,063	\$135,301,250	\$0	\$135,301,250
Central Boston - South	228,442	\$350	\$79,954,700	\$11,993,205	\$39,977,350	\$3,997,735	\$11,993,205	\$67,961,495	\$3,997,735	\$7,995,470	\$79,954,700	\$0	\$79,954,700
Subtotal Central Boston	1,396,642	\$350	\$488,824,700	\$32,436,705	\$346,629,850	\$24,441,235	\$32,436,705	\$435,944,495	\$24,441,235	\$28,438,970	\$488,824,700	\$0	\$488,824,700
Boston Suburbs - North	506,576	\$350	\$177,301,600	\$0	\$132,976,200	\$8,865,080	\$17,730,160	\$159,571,440	\$8,865,080	\$8,865,080	\$177,301,600	\$0	\$177,301,600
Boston Suburbs - Northwest	315,355	\$350	\$110,374,250	\$5,518,713	\$49,668,413	\$16,556,138	\$16,556,138	\$88,299,400	\$5,518,713	\$16,556,138	\$110,374,250	\$0	\$110,374,250
Boston Suburbs - Southwest	187,800	\$350	\$65,730,000	\$16,432,500	\$16,432,500	\$9,859,500	\$13,146,000	\$55,870,500	\$4,929,750	\$4,929,750	\$65,730,000	\$0	\$65,730,000
Boston Suburbs - South	179,337	\$350	\$62,767,950	\$18,830,385	\$12,553,590	\$3,138,398	\$15,691,988	\$50,214,360	\$4,707,596	\$7,845,994	\$62,767,950	\$0	\$62,767,950
Subtotal Boston Suburbs	1,189,068	\$350	\$416,173,800	\$40,781,598	\$211,630,703	\$38,419,115	\$63,124,285	\$353,955,700	\$24,021,139	\$38,196,961	\$416,173,800	\$0	\$416,173,800
Raynham	144,658	\$350	\$50,630,300	\$11,391,818	\$5,063,030	\$2,531,515	\$24,049,393	\$43,035,755	\$5,063,030	\$2,531,515	\$50,630,300	\$0	\$50,630,300
Plainville	102,830	\$350	\$35,990,500	\$14,396,200	\$3,599,050	\$1,799,525	\$7,198,100	\$26,992,875	\$4,498,813	\$4,498,813	\$35,990,500	\$0	\$35,990,500
Massachusetts Southwest	317,485	\$350	\$111,119,750	\$11,111,975	\$5,555,988	\$5,555,988	\$55,559,875	\$77,783,825	\$16,667,963	\$16,667,963	\$111,119,750	\$0	\$111,119,750
Massachusetts Southeast	230,619	\$350	\$80,716,650	\$12,107,498	\$8,071,665	\$4,035,833	\$48,429,990	\$72,644,985	\$4,035,833	\$4,035,833	\$80,716,650	\$0	\$80,716,650
Cape Cod	194,390	\$350	\$68,036,500	\$0	\$6,803,650	\$3,401,825	\$40,821,900	\$51,027,375	\$10,205,475	\$6,803,650	\$68,036,500	\$0	\$68,036,500
Subtotal Southern Massachusetts	989,982	\$350	\$346,493,700	\$49,007,490	\$29,093,383	\$17,324,685	\$176,059,258	\$271,484,815	\$40,471,113	\$34,537,773	\$346,493,700	\$0	\$346,493,700
Leominster	150,114	\$350	\$52,539,900	\$2,626,995	\$18,388,965	\$13,134,975	\$7,880,985	\$42,031,920	\$2,626,995	\$7,880,985	\$52,539,900	\$0	\$52,539,900
Worcester/Milford	394,984	\$350	\$138,244,400	\$6,912,220	\$34,561,100	\$34,561,100	\$20,736,660	\$96,771,080	\$20,736,660	\$20,736,660	\$138,244,400	\$0	\$138,244,400
Massachusetts North Central	111,892	\$350	\$39,162,200	\$0	\$1,958,110	\$31,329,760	\$1,958,110	\$35,245,980	\$0	\$3,916,220	\$39,162,200	\$0	\$39,162,200
Massachusetts South Central - Springfield	435,035	\$350	\$152,262,250	\$0	\$7,613,113	\$121,809,800	\$7,613,113	\$137,036,025	\$0	\$15,226,225	\$152,262,250	\$0	\$152,262,250
Massachusetts West	109,573	\$350	\$38,350,550	\$0	\$1,917,528	\$30,680,440	\$1,917,528	\$34,515,495	\$0	\$3,835,055	\$38,350,550	\$0	\$38,350,550
Subtotal West & Central Massachusetts	1,201,598	\$350	\$420,559,300	\$9,539,215	\$64,438,815	\$231,516,075	\$40,106,395	\$345,600,500	\$23,363,655	\$51,595,145	\$420,559,300	\$0	\$420,559,300
Subtotal Massachusetts	4,777,290	\$350	\$1,672,051,500	\$131,765,008	\$651,792,750	\$311,701,110	\$311,726,643	\$1,406,985,510	\$112,297,141	\$152,768,849	\$1,672,051,500	\$0	\$1,672,051,500
Neighbouring States Market Areas													
New Hampshire Southwest	268,310	\$350	\$93,908,500	\$0	\$32,867,975	\$18,781,700	\$4,695,425	\$56,345,100	\$0	\$9,390,850	\$65,735,950	\$28,172,550	\$93,908,500
New Hampshire East	453,493	\$350	\$158,722,550	\$0	\$79,361,275	\$7,936,128	\$15,872,255	\$103,169,658	\$7,936,128	\$15,872,255	\$126,978,040	\$31,744,510	\$158,722,550
Subtotal New Hampshire Areas	721,803	\$350	\$252,631,050	\$0	\$112,229,250	\$26,717,828	\$20,567,680	\$159,514,758	\$7,936,128	\$25,263,105	\$192,713,990	\$59,917,060	\$252,631,050
Rhode Island North	579,520	\$350	\$202,832,000	\$15,212,400	\$10,141,600	\$10,141,600	\$20,283,200	\$55,778,800	\$106,486,800	\$40,566,400	\$202,832,000	\$0	\$202,832,000
Rhode Island South	189,311	\$350	\$66,258,850	\$0	\$3,312,943	\$3,312,943	\$6,625,885	\$13,251,770	\$39,755,310	\$13,251,770	\$66,258,850	\$0	\$66,258,850
Subtotal Rhode Island	768,831	\$350	\$269,090,850	\$15,212,400	\$13,454,543	\$13,454,543	\$26,909,085	\$69,030,570	\$146,242,110	\$53,818,170	\$269,090,850	\$0	\$269,090,850
Connecticut East	468,861	\$350	\$164,101,350	\$0	\$8,205,068	\$8,205,068	\$8,205,068	\$24,615,203	\$8,205,068	\$131,281,080	\$164,101,350	\$0	\$164,101,350
Connecticut North Central	734,366	\$350	\$257,028,100	\$0	\$12,851,405	\$77,108,430	\$12,851,405	\$102,811,240	\$0	\$154,216,860	\$257,028,100	\$0	\$257,028,100
Connecticut West	1,382,839	\$350	\$483,993,650	\$0	\$24,199,683	\$48,399,365	\$24,199,683	\$96,798,730	\$0	\$387,194,920	\$483,993,650	\$0	\$483,993,650
Subtotal Connecticut	2,586,066	\$350	\$905,123,100	\$0	\$45,256,155	\$133,712,863	\$45,256,155	\$224,225,173	\$8,205,068	\$672,692,860	\$905,123,100	\$0	\$905,123,100
Subtotal Neighbouring States	4,076,700	\$350	\$1,426,845,000	\$15,212,400	\$170,939,948	\$173,885,233	\$92,732,920	\$452,770,500	\$162,383,305	\$751,774,135	\$1,366,927,940	\$59,917,060	\$1,426,845,000
Total Market Area	8,853,990	\$350	\$3,098,896,500	\$146,977,408	\$822,732,698	\$485,586,343	\$404,459,563	\$1,859,756,010	\$274,680,446	\$904,542,984	\$3,038,979,440	\$59,917,060	\$3,098,896,500

Source: HLT Advisory Inc. estimates.

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Operations Plan

Massachusetts Gaming Commission
June 2014

Operations Plan: Introduction

Reasonableness of the Applicant's operating plan given the current and likely future gaming environment in Massachusetts.

Key issues to investigate:

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

Internal Controls: Introduction

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 experience with other gaming regulators.

Internal Controls: Applicants' Experience

- The internal control standards and extent of regulatory oversight have an impact on operating costs (of both the licensee and the commission).
 - Massachusetts internal controls are yet to be established.
- MGM operates in 4 jurisdictions (Nevada, Mississippi, Michigan and Macau).
- MGM stated/provided in their submission:
 - Cited Nevada as “benchmark” for regulation development in Massachusetts.
 - Provided draft internal control standards proposed for Massachusetts specific to slots, table games, Cage and Credit and Currency Transaction Reporting.
 - Provided security and surveillance standards and role of both internal and external auditors to ensure strong control environment.
 - Publically traded organization.
- MGM has extensive experience in ensuring a strong control environment.

Consistency of Business Plan: Introduction

Expectations of Applicant:

- Business plan is consistent with a regional casino and demonstrates connection to financial projections.

Assessment Approach:

- Reviewed and assessed key components of the business plan to assess Applicant's understanding of a regional casino market/operating strategies. These key components are:

- Slot product plan
- Table games product plan
- Food and beverage plan
- Hotel plan
- Retail/other plan
- Parking plan
- Marketing plan

Consistency of Business Plan: Slot Product Plan

A slot product plan is a fundamental component of a gaming facility's operations. Key elements would typically include number and types of machines (e.g. hold strategy, denomination mix, leased/owned, etc.)

- MGM proposed a reasonable slot product plan. Aspects of the plan summarized in the adjacent table are in line with expectations of a North American regional casino.

Category 1 - Resort Casinos Springfield/MGM Slot Product Mix					
By Denomination	Total	Mix %	By Type		
			Total	Mix %	
\$0.01	1,440	48.0%	Reel	1,050	35.0%
\$0.02	210	7.0%	Video Reel	1,680	56.0%
\$0.05	270	9.0%	Video Poker	210	7.0%
\$0.25	360	12.0%	E-Tables	60	2.0%
\$1.00	510	17.0%	Total	3,000	100.0%
\$5.00	150	5.0%			
\$10.00	30	1.0%			
\$25.00	16	0.5%			
\$50.00	7	0.2%			
\$100.00	7	0.2%			
Total	3,000	100.0%			

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

Category 1 - Resort Casinos Slot Product		Springfield/ MGM
Percentage of Slot Machines		
Purchased		94.2%
Leased		5.8%
Total		100%
Number of Slot Machines		
Purchased		2,827
Leased		173
Total		3,000
Gross Slot Win		\$462,565,996
Free Play		\$60,334,695
Net Slot Win		\$402,231,301
Win/Unit/Day (after deduction of free play)		\$367.33
Win/Unit/Day (before deduction of free play)		\$422.43
Slot Hold %		7.3%
% Rated Play		78%
VIP Room Slot		~60*

Source: HLT Advisory Inc. based on Applicant's submission.
n/p- Not provided.
*HLT Assumption based on games \$10 and above.

Consistency of Business Plan: Table Product Plan

A table game product plan is a fundamental component of a gaming facility's operations. Key elements would typically include number and types of tables games.

- MGM has provided VIP space to accommodate 17-20 games (based on 250 to 300 sf per table).
- MGM projected a win/unit/day that is in the range that would be expected for a North American regional casino.
- MGM proposed a reasonable table product plan. Aspects of the plan summarized in the adjacent table are in line with expectations of a North American regional casino.

Category 1 - Resort Casinos	
Table Product	Springfield/ MGM
Table Game Mix	
Blackjack	38
Baccarat	3
Mini-Baccarat	3
Roulette	10
Craps	6
Big Six	1
Spanish 21	2
Pai Gow	5
Caribbean Stud	2
3-Card/4-Card Poker	5
Poker	25
Total	100
VIP Room	
Square Footage	5,100
Tables	n/p
Table Win (Excluding Poker)	\$89,549,853
Poker Win	\$7,740,147
Win/Unit/Day (Excluding Poker)	\$3,271
Win/Unit/Day (Poker)	\$848
Table Hold %	19.3%
% Rated Play	74%
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	
<i>n/p- Not provided.</i>	

Consistency of Business Plan: Comparables

- MGM Grand Detroit's and Mohegan Sun Connecticut's slot win/unit/day are approximately \$300.
- MGM Grand Detroit's and Mohegan Sun Connecticut's table win/unit/day range from ~\$2,200-~\$2,500.
- MGM's proposed slot win/unit/day and table win/unit/day are above Detroit and Mohegan but are in line with expectations of a North American regional casino. Higher win per unit levels are likely due to lower number of units proposed (3,000 slot machines and 100 tables).

Win per Unit per Day - Comparable Properties		
	Mohegan Sun Connecticut	MGM Detroit*
Slot Revenue	\$615,767,898	\$437,976,000
Table Revenue	\$265,464,383	\$83,424,000
Slots	5,559	4,000
Tables	330	90
Slot Win/Unit/Day	\$303	\$300
Table Win/Unit/Day	\$2,204	\$2,540

Source: HLT Advisory Inc. based on company annual reports, Michigan Gaming Control Board data and HLT estimates.

*Assumes MGM Detroit slot and table win distribution is consistent with the Detroit market (84% slot win and 16% table win).

Consistency of Business Plan: Food and Beverage (F&B) Plan

- MGM provided a detailed food and beverage plan which included appropriately themed restaurants. Total 2,065 food seats.
- Size and scope of food and beverage offerings are in line with expectations of a North American regional casino.

Category 1 - Resort Casino Food and Beverage Plan	
	Springfield/ MGM*
<u>F&B Outlet 1</u>	
Name	Emporium
Number of Seats	619
Theme	Market-style Buffet
<u>F&B Outlet 2</u>	
Name	Tagliata
Number of Seats	172
Theme	Italian Steakhouse
<u>F&B Outlet 3</u>	
Name	Belly Q2 Pan-Asian Food Lounge
Number of Seats	265
Theme	Pan-Asian dining
<u>F&B Outlet 4</u>	
Name	TAP Sports Bar
Number of Seats	291
Theme	Sports bar
<u>F&B Outlet 5</u>	
Name	The Armory
Number of Seats	397
Theme	Contemporary Dining and Entertainment
<u>Other F&B Outlets</u>	
Name	Roasting Plant, Frigo's Deli, B.Good Burgers
Number of Seats	322
Theme	Coffee Bar, Deli, Fast Food
<i>Source: HLT Advisory Inc. based on Applicant's submission. * F&B seats estimated using building square footage and total seats provided. n/p- Not provided</i>	

Consistency of Business Plan: Food and Beverage (F&B) Plan

- MGM has provided a reasonable food and beverage plan given the number of patrons expected (8 million) and use of food and beverage as a driver of gaming revenue with 60% being comped.
- MGM plans to own and operate all food and beverage outlets.

Category 1 - Resort Casino Food and Beverage Financial Information	
	Springfield/ MGM
Total Gaming Revenue	\$499,521,301
F&B Revenue	\$88,439,123
F&B Revenue as % of Gaming Revenue	18%
F&B Payroll	\$44,499,099
Promotional Allowances F&B	\$52,602,757
F&B Cost of Sales	\$25,432,316
F&B Payoll as % of F&B Revenue	50.3%
Percent of F&B Revenue Comped	59.5%
F&B Cost of Sales Margin	28.8%

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

Category 1 - Resort Casino Food and Beverage Analysis	
	Springfield/ MGM
<u>Food and Beverage Outlets</u>	
Number of Food Outlets	8
Number of Seats	2,065
Number of Covers in Outlets	2,559,188
Number of Patrons	8,124,278
Covers as % of Patrons	31.5%
Average Covers	\$20.21
Covers per day	7,011
Estimated turns per day	3.40
Food Revenue*	\$51,713,775
Bar Revenue*	\$31,689,716
Bar Revenue per Patron	\$3.90

*Source: HLT Advisory Inc. based on Applicant's submission.
As submitted in financial template. Does not include room service and banquet F&B revenue.

Consistency of Business Plan: Hotel Plan

- MGM's hotel plan is in line with expectations of a North American regional casino.
- MGM is proposing to use the hotel for marketing purposes (48% of hotel revenue will be "comped" to casino customers). In addition they state they plan on using the hotel for convention visitors (30% of total room inventory).
- MGM states they do not believe the 250 room hotel will be sufficient to meet demand in peak periods. They are proposing to contract out an additional 4,800 room nights annually from neighboring hotels which presently run at 55% occupancy.

Category 1 - Resort Casino Hotel Analysis	
	Springfield/ MGM
Number of Rooms	250
Occupancy %	92.3%
Average Daily Rate	\$186
RevPAR	\$172
Hotel Revenue	\$15,685,961
% Hotel Rooms Comped	48.2%

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

Consistency of Business Plan: Retail/Other Plan

- MGM proposes a retail plan consisting of 33,300 sf of outdoor retail space (15 planned tenants), 3 small internal retail stores, an owned/operated bowling alley and an owned/operated cinema.
- MGM's retail plan is consistent with the urban integration design of the project. Cinema and bowling alley expected to be at level to "repatriate" downtown visitation.

Category 1 - Resort Casino Other Revenue	
	Springfield/ MGM
Retail/Other Revenue	
Retail (Owned)	\$4,654,388
Leased Retail Block	\$2,468,900
Bowling/Movie (Excluding F&B)	\$7,371,572
Other	\$8,538,779
Total Retail/Other Revenue	\$23,033,640

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

Category 1 - Resort Casino Retail Analysis	
	Springfield/ MGM
<u>Third Party Retail</u>	
Square Footage	33,300
Theme	Outdoor Plaza (up to 15 tenants)
<u>Owned Retail</u>	
<u>Retail Outlet 1</u>	
Name	n/p
Square Footage	4,036
Theme	Jewellery
<u>Retail Outlet 2</u>	
Name	Impulse, an MGM-branded store
Square Footage	3,106
Theme	Essentials Retail
<u>Retail Outlet 3</u>	
Name	n/p
Square Footage	540
Theme	Retail Kiosk

Source: HLT Advisory Inc. based on Applicant's submission.
n/p- Not provided

Consistency of Business Plan: Parking Plan

- The general “rule of thumb” for a gaming facility is one parking space per gaming position (1:1 ratio). MGM provided a parking space per gaming position ratio of 1.07.
- MGM intends to have employees park on the top level of the parking garage, but have indicated they can secure offsite parking if necessary.
- MGM intends to offer the parking garage free of charge. This strategy is in alignment with other gaming facilities in the market where parking is offered free of charge.
- MGM’s parking plan is consistent with the urban integration design of the project (specific to Springfield).

Category 1 - Resort Casino Parking Analysis	
	Springfield/ MGM
Annual Number of Patrons*	8,124,278
Average Number of Patrons per Day	22,258
% Arriving by Vehicle**	85%
Average Number of Patrons Arriving by Vehicle per Day	18,920
Number of Patrons per Vehicle**	1.5
Number of Patron Vehicles	12,613
Employee Vehicles per Day	750
Total Vehicles per Day	13,363
Number of Parking Spaces	3,853
Number of Turns per Day***	3.5

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

** Applicant's patron estimates.*

*** HLT estimates.*

**** Total vehicles per day / number of parking spaces.*

Consistency of Business Plan: Marketing Plan

Marketing Strategies	Market Focus and Marketing Activities Springfield/MGM
Marketing Strategies	
In-State	<ul style="list-style-type: none"> Leveraging M Life loyalty program. Cross-marketing (other MGM resorts and other venues). Collaborating with local and regional tourism agencies. Sponsoring and promoting regional events. Partnering with local and regional bus operators.
Out of State (cross marketing)	<ul style="list-style-type: none"> Marketing initiatives are heavily weighted towards "M Life" database. Other out-of-state initiatives include: leveraging MGM brand, cross-marketing with existing MGM resorts, collaboration with local tourism, CVBs, MassMutual Center, local entertainment venues and attractions, sponsoring and promoting regional special events, and leveraging transportation.
Entertainment	<ul style="list-style-type: none"> MGM intends to drive business to downtown Springfield through partnership with entertainment venues (MassMutual Center, Symphony Hall/CityStage). Events such as: concerts, ice skating, sporting events, festivals, farmers markets, craft fairs, headliner entertainment.
Sports (cross marketing)	<ul style="list-style-type: none"> Sports - College Basketball at MassMutual, Springfield Armor, "Express Comps" to Boston professional sports, Museum Quadrangle/Basketball Hall of Fame, "Express Comps" to golf.
Local Partners (cross marketing)	<ul style="list-style-type: none"> Entertainment - MassMutual, Symphony Hall/CityStage, MPAC, Six Flags. Sports - college basketball at MassMutual, Springfield Armor, "Express Comps" to Boston professional sports, Museum Quadrangle/Basketball Hall of Fame, "Express Comps" to outside organizations. Convention/Meetings - MassMutual Center (joint marketing/sales programs). Believe they will have to outsource 4,800 room nights to local hotels.
Food and Beverage	<ul style="list-style-type: none"> F&B comps are provided to M Life members. MGM will partner with local partners with respect to farmers market and festival events.

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

Loyalty Program	Marketing Activities Springfield/MGM
Name	<ul style="list-style-type: none"> M Life.
Existing Customer Base	<ul style="list-style-type: none"> 60+ million worldwide (430k members within 100 miles of Springfield).
Tier Levels	<ul style="list-style-type: none"> 5 levels (Sapphire, Pearl, Gold, Platinum, NOIR).
Points Redeemable for	<ul style="list-style-type: none"> Free play, discounts on rooms, shows and participating retail shops, presale tickets to events, concerts and fights, discounts on "Express Comps", priority hotel check-in, valet, taxi service, complimentary limo service, guaranteed hotel, show, restaurant reservations, access to exclusive online offers from "M Life".
GGR from Cardholders	<ul style="list-style-type: none"> ~75%
Return to Customer Cost of Loyalty Program	<ul style="list-style-type: none"> ~4%-8% dependent on whether redeemed for free play or express comps.
Other Marketing Activities	
Direct Mail Program	<ul style="list-style-type: none"> M Life customers in the Midwest, Northeast, Southeast and Eastern Canada along with the 430k members within 100 miles of Springfield.
Advertising Plan	<ul style="list-style-type: none"> Planned use of a variety of advertising methods to non-M Life customers - digital, print, radio, direct mail, billboards, email, attendance at consumer travel shows. Affiliate marketing (300+ websites), travel trade advertising, mobile apps (SMS, QR Code Program), online media, search engine optimization, social media, collaboration with tourism agencies.

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

Consistency of Business Plan: Marketing Plan

Marketing Activities (cont'd)	
Springfield/MGM	
Junkets	<ul style="list-style-type: none"> • "Currently, we have not targeted junket operators for MGM Springfield." While MGM made this statement in narrative, they did provide junkets data (see page 16).
Bus Program	<ul style="list-style-type: none"> • 3k buses, 90% of which consist of day trips. • 130k annual patrons, 80% from out of state. • \$11m in annual gaming revenue. • Target cities include Hartford CT, Syracuse NY, Providence RI, Boston MA, Albany NY, Brattleboro VT, Worcester MA.
Promotions Strategy	<ul style="list-style-type: none"> • Slot and table games events. • Poker tournaments. • Giveaways. • Exclusive marketing deals with local sports teams, colleges, and entertainment venues.
Public Relations	<ul style="list-style-type: none"> • Ongoing media coverage, on-site media center, employ PR firm(s) for media relations strategy, collaboration with Greater Springfield Convention and Visitors Bureau, collaborate with local partners (e.g., MassMutual, Basketball Hall of Fame), media fam trips each year, red carpet events.
Grand Opening	<ul style="list-style-type: none"> • Multi-day itinerary, media outlets from hospitality, travel, trade, entertainment etc., collaborate with Greater Springfield Conventions and Visitors Bureau to serve as media hosts, partner with local attractions to showcase Springfield, press conference, fireworks, red carpet, celebrity appearances.

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

Consistency of Business Plan: Marketing Plan

- MGM has projected that they would receive 137,766 bus customers (377 per day). This represents approximately 9-10 buses per day. They estimate total annual revenue from the bus program would amount to \$11 million. MGM has proposed bus operations out of 7 major centers to service the property (Hartford CT, Syracuse NY, Providence RI, Boston MA, Albany NY, Brattleboro VT, and Worcester MA).
- MGM stated in their response that they had not targeted junket operators as part of their program, however, they did provide the attached in their financial projections. They stated they may employ a chartered air program, but this would not represent a significant level of business.

Category 1 - Resort Casino Bus/Junket Plan	
	Springfield/ MGM
Bus:	
Number of Customers	137,766
Total Bus Expenses (subsidies and offers)	\$6,765,678
Average cost per customer	\$49
Junket:	
Number of Customers	627
Total Junket Expenses (subsidies, comps, offers)	\$2,186,956
Average cost per customer	\$3,488
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	
<i>n/p- Not provided.</i>	
<i>n/a- Not applicable.</i>	

Financial Projections: Marketing

- The adjacent table provides a summary of MGM Springfield marketing costs. These cost are in alignment with the marketing and business plan put forth by the Applicant.

Marketing Expense Summary	
	Springfield/ MGM
Free Play	\$60,334,695
<i>as % of Slot Revenue</i>	<i>13%</i>
Promotional Allowances	
Food and Beverage	\$52,602,757
Hotel	\$7,563,418
Other	\$5,454,728
Total Promotional Allowances	\$65,620,904
<i>as % of total gaming revenue</i>	<i>13%</i>
Marketing	
Advertising/Sponsorship	\$13,883,915
External "Comps"	\$1,060,294
Promotions	\$1,388,392
Special Events	\$1,666,070
Bus/Junket Subsidies	\$2,776,783
Other Marketing	\$1,295,646
Total Marketing	\$22,071,100
<i>as % of total gaming revenue</i>	<i>4%</i>

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

Consistency of Business Plan: Marketing Plan – Summary

Springfield/MGM

- MGM’s marketing approach is consistent with that which would be employed by a typical North American regional casino operator with the added value of accessing M-Life database customers (60 million worldwide and 430k within 100 miles of Springfield).
- MGM has extensive operating experience in casinos of all size and scope and have referenced their experience in significant regional markets (i.e. Detroit and Mississippi) as the basis for their marketing plan in Springfield.
- Well established, recognized worldwide brand, with significant “bench-strength” in developing marketing programs.
- To provide bus (line and charter), air (through junkets) and rail (through Amtrak) transportation programs.
- Marketing expenditures (financial projections) are consistent with the proposed marketing plan.

Financial Projections: Introduction

Expectations of Applicant:

- Financial projections and related key performance indicators are consistent with their business plans.

Assessment Approach:

- 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 resort casino and other industry benchmarks.

Note: All financial projections presented in this section are for Year 3 of operations (assumed to be stabilized year of operations).

Financial Projections: Operating Statement

- MGM projects \$627 million in total revenue (\$500 million gaming revenue).
- Payroll as percent of total revenue equals 22%.
- Marketing costs (excluding free play and promotional allowances) equals 4% of gaming revenue.
- EBITDA as percent of gaming revenue equals 31%.

Category 1 - Resort Casinos	
Casino Complex Projected Income Statements	
	Springfield/ MGM
Gaming Revenue	\$499,521,301
Non-Gaming Revenue	\$127,158,724
Total Revenue	\$626,680,025
Less: Promotional Allowances	\$65,620,904
Net Revenue	\$561,059,121
Payroll (Inclusive of Benefit Costs)	\$134,770,474
Marketing	\$22,071,100
Other Expenses	\$120,694,556
Total Expenses	\$277,536,130
<i>Payroll as % of Total Revenue</i>	<i>22%</i>
<i>Marketing as % of Gaming Revenue</i>	<i>4%</i>
EBITDA before undernoted	\$283,522,991
Gaming Taxes	\$128,072,682
EBITDA	\$155,450,309
<i>EBITDA as % of Gaming Revenue</i>	<i>31%</i>
Interest	\$36,142,540
Deprecitation	\$43,160,632
Net Income before Income Taxes	\$76,147,137
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	

Financial Projections: Operating Revenue

MGM's revenue projections are in line with a typical North American regional casino and are consistent with business plans submitted:

- MGM projects total complex revenue of \$627 million, \$500 million (80%) of which consists of gaming revenue. Slots account for the majority of total gaming revenue (~80%).
- MGM's non-gaming revenue primarily consists of Food and Beverage revenue (70%). 52% of the non-gaming revenue will be "comped" to gaming customers.
- Food and Beverage revenue as a % of gaming revenue is 17.7%. Of this revenue, 59% will be comped.

Category 1 - Resort Casinos	
Casino Complex Projected Revenue	
	Springfield/ MGM
<i>Gaming Revenues</i>	
Table Games Win	\$97,290,000
Gross Slot Win	\$462,565,996
Free Play	\$60,334,695
Net Slot Win	\$402,231,301
Total Gaming Revenue	\$499,521,301
<i>Non-Gaming Revenue</i>	
Food and Beverage	\$88,439,123
Hotel Revenue	\$15,685,961
Entertainment Revenue	\$6,083,336
Convention/Meeting Space Revenue	\$0
Retail Revenue	\$4,654,388
Other Non-Gaming	\$2,468,900
Other Income	\$9,827,015
Total Non-Gaming Revenue	\$127,158,724
Gross Revenue	\$626,680,025
<i>Promotional Allowances</i>	
Food and Beverage	-\$52,602,757
Hotel	-\$7,563,418
Entertainment	\$0
Other	-\$5,454,728
Total Promotional Allowances	-\$65,620,904
Net Revenue	\$561,059,121
<i>Source: HLT Advisory Inc. based on Applicant's submission.</i>	

Financial Projections: Operating Revenue

- MGM's non-gaming revenue as a percent of gaming revenue projection of 25.5% is in line with other North American regional casinos such as Mohegan Sun casinos and OLG resort casinos.

Non-Gaming Revenue - Ratios			
	Springfield/ MGM	Comparables	
		Mohegan Tribal Gaming Authority*	OLG Resort Casinos**
F&B Revenue as % of Gaming Revenue	17.7%	7.2%	10.0%
Hotel Revenue as % of Gaming Revenue	3.1%	3.4%	4.0%
Entertainment, Retail, and Other Revenue as % of Gaming Revenue	4.6%	10.0%	6.0%
Total Non-Gaming Revenue as % of Gaming Revenue	25.5%	20.6%	20.0%
For the year ended		30-Sep-13	31-Mar-11

Source: HLT Advisory Inc. based on Applicant's submission, publically available financial data, and HLT estimates.

**Mohegan Sun Connecticut has a number of third party restaurant operations.*

***OLG Resort Casinos include Fallsview Casino, Casino Niagara, Casino Rama and Casino Windsor.*

Financial Projections: Payroll Ratios

- The adjacent table shows departmental payroll costs as a percentage of the relevant revenue volume indicator.
- The percentages on the adjacent table are in line with HLT expectations of a North American regional casino.

Gaming Payroll - Ratios	
	Springfield/ MGM
Slots as % of Slot Revenue	2.4%
Table as % of Table Revenue	24.5%
Security as % of Gaming Revenue	1.6%
Surveillance as % of Gaming Revenue	0.3%
Cage as % of Gaming Revenue	1.4%
Casino Operations as % of Gaming Revenue	10.1%

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

Other Payroll - Ratios	
	Springfield/ MGM
F&B as % of F&B Revenue	50.3%
Hotel as % of Hotel Revenue	28.6%
Marketing as % of Gaming Revenue	0.6%
Other Non-Gaming as % of Gaming Revenue	1.4%
Administration as % of Gaming Revenue	2.8%
Facilities as % of Gaming Revenue	2.2%

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

Total Payroll - Ratios	
	Springfield/ MGM
Total Payroll as % of Gaming Revenue	27.0%
Total Payroll as % of Total Revenue	21.5%

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

Financial Projections: Other Expenses

- MGM provided additional expense amounts totaling \$71 million, the largest being the community payments/local taxes (\$27 million).
- Other expenses include human resources, apartment expenses, spa expenses, bowling/movie expenses, and other miscellaneous expenses.

Other Expenses Summary	
	Springfield/MGM
Insurance	\$3,841,871
Property Taxes/Host Agreement Payments	\$27,131,520
Professional Fees	\$5,021,088
Repairs and Maintenance	\$4,371,500
Utilities	\$8,601,152
Supplies	\$2,530,792
Other Expenses	\$19,508,250
Total Other Expenses	\$71,006,172
<i>as % of Gaming Revenue</i>	<i>14.2%</i>

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