

**HOST COMMUNITY AGREEMENT
SUMMARY OF PRINCIPAL TERMS
AUGUST 29, 2013**

This is a summary of the principal terms of the Host Community Agreement (the “Agreement”) entered by and between the Town of Palmer (the “Town”) and Mohegan Sun Massachusetts, LLC (“Mohegan Sun”). This summary does not reflect every detail or provision of the Agreement but, its basic and principal business terms. All details and provisions are reflected in the actual Agreement.

1. Section I – The Project

Mohegan Sun is an applicant before the Massachusetts Gaming Commission (the “Commission”) to obtain a Category 1 license to develop and operate a resort gaming establishment and associated hotel, retail and entertainment facilities (the “Project”) on property containing approximately 152 acres of land located on Thorndike Street and Breckenridge Street in Palmer.

Mohegan Sun’s plans for the Project and improvements for and expansion of various components of public infrastructure represent a total investment of approximately One Billion Dollars (\$1,000,000,000). In addition to the resort casino, the Project includes restaurants, two hotels, retail space, a cinema and a family-oriented water park.

Mohegan Sun expects to obtain substantial completion of the Project within 27 months from the date of award of the Gaming License.

Conceptual plans, showing Mohegan Sun’s general design intention for the Project, are attached to the Agreement as Exhibit A.

2. Section II – Impacts and Benefits of the Project

Pursuant to studies conducted and prepared by independent, third-party professional consultants and engineers, the Parties determined that the Project will have impacts upon:

- (a) Services required of the Town’s Department of Public Works;
- (b) General law enforcement responsibilities of the Town’s Police Department;
- (c) Fire protection services by the Palmer Fire District No. 1 (the “District”);
- (d) Water service provided by Palmer Water District No. 1 (the “District”);
- (e) Ambulance service;
- (f) Municipal sewer services provided by the Town;
- (g) Inspection and permitting services provided by the Town; and

- (h) The level of aid and grant funding to be received by the Town.

Additional, unknown impacts of the Project may be mitigated through the Town's permitting process for the Project or through grants from the Gaming Licensing Fund or the Gaming Local Aid Fund.

The Project represents a significant expansion of the Town's and the District's property tax base, expanded opportunities for employment during construction and expanded opportunities for full-time and part-time employment to staff and operate the Project.

3. Section III – Mitigation Obligations of Mohegan Sun

- (a) Public Infrastructure Improvements.

Mohegan Sun shall be responsible for completing or funding improvements to the Town's sewer system, roadways, and the District's public water system. While the infrastructure improvements are required for the Project, the Parties recognize that some portion of this work will have a direct benefit to the general public. The infrastructure improvements are described in Exhibits B, C and D to the Agreement.

- (i) The sewer improvements identified are of an estimated value of \$6,400,000, of which approximately \$2,600,000 will have a direct benefit to the general public.

- (ii) The roadway improvements identified are of an estimated value of \$4,100,000, all of which are expected to have a direct benefit to the general public.

- (iii) The water system improvements identified are of an estimated value of \$14,000,000, of which approximately \$5,500,000 will have a direct benefit to the general public.

- (iv) Improvements to Exit 8 and Route 32 (subject to state and/or federal approvals) are of an estimated value of \$16,500,000, all of which will have a direct benefit to the general public.

The Town agrees to cooperate in the permitting and inspection required for the infrastructure improvements. Mohegan Sun is required to enter a separate, independent agreement with the District, to allow for the completion of the public water system improvements.

- (b) Community Impact Fee to be Paid by Mohegan Sun.

Mohegan Sun shall pay to the Town a Community Impact Fee, consisting of an Annual Mitigation Payment, a Gaming Revenue Payment and One-time and Pre-Opening Payments.

- (i) Annual Mitigation Payment.

The Annual Mitigation Payment is an initial sum of \$15,200,000, which shall include a credit for all real and personal property taxes payable by Mohegan Sun to the Town and the District. The Parties intend to enter a "PILOT Agreement" to secure an annual payment in lieu

of taxes of \$13,200,000. The PILOT Agreement payments will be credited towards the total, required Annual Mitigation Payment. If a PILOT Agreement is not available or entered, the Parties may pursue special legislation to authorize a similar type agreement. If a PILOT Agreement is not entered, the Annual Mitigation Payment will continue to include a credit for taxes paid by Mohegan Sun to the Town and the District.

The total sum payable as the Annual Mitigation Payment will be subject to an escalator, commencing in the sixth year of operation of the casino, such that the sum shall increase by no less than 1% and no greater than 2%, of the prior year's Annual Mitigation Payment.

If the amount payable as property taxes exceeds the sum of the Annual Mitigation Payment, Mohegan Sun will be entitled to a credit of such excess amount against other payments otherwise due to the Town.

(ii) The Gaming Revenue Payment.

In addition to the Annual Mitigation Payment, Mohegan Sun will pay to the Town a sum equal to one quarter of one percent (0.25%) of Gross Gaming Revenue (as defined in the Act), generated at the Project (the "Gaming Revenue Payment").

In the event the Gross Gaming Revenue exceeds \$400,000,000 in any operating year, Mohegan Sun shall pay to the Town an additional sum equal to two percent (2%) of the Gross Gaming Revenue generated in excess of \$400,000,000.

The Gaming Revenue Payment shall be paid to the Town in quarterly installments.

(iii) One-time and Pre-Opening Payments.

Mohegan Sun shall pay to the Town the following, additional sums:

A. On the date the Agreement is approved by the Town Council and made effective, Mohegan Sun shall pay to the Town the sum of \$200,000;

B. Within 30 days of Mohegan Sun receiving a Gaming License and paying the license fee to the Gaming Commission, Mohegan Sun shall pay to the Town of sum of \$200,000;

C. Fifteen (15) months after the commencement of construction of the Project (as determined by the date of issuance of a building permit), Mohegan Sun shall pay to the Town the sum of \$2,540,000;

D. As required by the Gaming Act, Mohegan Sun shall reimburse the Town for all reasonable costs incurred by the Town in conducting the Town election concerning the Project; and

E. Mohegan Sun shall advance to the Town, approximately 12 months prior to the opening of the casino, a payment of \$1,250,000. This payment is to enable the Town to retain additional personnel, to be trained and on staff, by the date of opening.

Mohegan Sun is entitled to a credit against the Gaming Revenue Payment, in annual increments of \$250,000, to recognize and account for the advance payment.

4. Section IV – Distribution of Community Impact Fee

The Town intends to apply the Community Impact Fee payments to mitigate the impacts of the Project. The initial, proposed allocation of the Community Impact Fee payments received by the Town is shown on Exhibit E to the Agreement, but the Town has no obligation to apply the payments as proposed. Nonetheless, the Town intends to apply the payments as follows:

(a) Departmental Mitigation.

(i) Police Services:

A. \$816,000 from the Annual Mitigation Payment for expansion of the Town's Police Department; and

B. \$260,000 from the One-time payment for equipment and training at the Police Department.

(ii) Fire Services:

A. \$875,000 from the Annual Mitigation Payment for full-time staffing of the Fire District; and

B. \$1,580,000 from the One-time Payment for the purchase of new firefighting equipment, for fire inspection services and to partially fund improvements to the Fire District's station house.

(iii) Ambulance/E.M.S. Services:

A. \$450,000 from the Annual Mitigation Payment to expand available ambulance service; and

B. \$600,000 from the One-time Payment for the purchase of an additional ambulance and contribution to renovations to the ambulance garage.

(iv) Department of Public Works:

A. \$225,000 from the Annual Mitigation Payment for additional staffing at the Department of Public Works; and

B. \$530,000 from the Annual Mitigation Payment to pay the Town's anticipated and estimated debt service for the design, construction and equipping of a new Department of Public Works garage facility, estimated to cost \$6,600,000.

(v) **Inspectional Services:**

\$168,800 from the Annual Mitigation Payment to enable the Town to retain an additional full-time building inspector, an additional full-time Health Inspector and a part-time clerk.

(vi) **Permit Fees:**

Mohegan Sun agrees to pay all reasonable costs to enable the Town to retain outside consultants and temporary staff to review permit applications and plans for the Project; and

(b) **Community Mitigation Program.**

The Town intends to apply the Gaming Revenue Payments and a portion of the One-time Payment as follows:

(i) **Community Impact:** \$750,000 for municipal programs, including cultural, recreational and educational programs;

(ii) **Economic Development:** \$250,000 to support the Town's Economic Development programs, recommended by the Town's Director of Economic Development and other groups, such as the Palmer Redevelopment Authority;

(iii) **A general mitigation fund for the benefit of the Bondsville Fire & Water District, Three Rivers Fire & Water District Thorndike Fire & Water District:** \$295,200; to assist these Districts in providing mutual aid and a higher demand for services related to the Project; and

(iv) **Streetscape Improvements:** From the One-time Payment, the Town intends to apply the sum of \$500,000 to fund streetscape improvements, to be completed in the Town's business and commercial districts.

5. Section V – Other Obligation of Mohegan Sun

(a) **Hotel and Meals Taxes.**

If the Town adopts the local option to implement a tax on hotel occupancy and meals, the Project is estimated to generate \$900,000 - \$1,400,000 in hotel occupancy taxes and \$225,000 in meals taxes, annually.

(b) **Motor Vehicle Excise Taxes.**

Mohegan Sun shall garage all vehicles owned by it and principally used in connection with the Project in the Town.

(c) **Employment.**

Mohegan Sun intends for the Project to be constructed pursuant to a Project Labor Agreement, with opportunities for local residents to participate as subcontractors and employees.

Mohegan Sun has entered into a memorandum of understanding with a consortium of area community colleges to assist in the development of training and workforce development initiatives, to help ensure that new, permanent jobs are filled by local and area residents. Mohegan Sun will continue to hold job fairs to promote employment opportunities at the Project.

(d) Promotion of Business Opportunities.

Mohegan Sun shall work with the Town to hold vendor fairs to promote opportunities for contracts with the Project for both construction and the pre-opening phase of the Project.

(e) Local and Regional Marketing Program.

Mohegan Sun shall encourage local businesses to participate in its “Player’s Club Card Program”, providing “redemption opportunities” for casino patrons at participating local businesses.

(f) Ongoing Community Mitigation.

Mohegan Sun shall work with the Town to establish a “Business Advisory Board”. Mohegan Sun shall cooperate in the study and/or preparation of any health impact assessments relative to the health impacts associated with or attributed to the Project.

Mohegan Sun shall reimburse the town for all costs associated with the referendum election, as required by the Act.

6. Section VI – General Provisions

(a) Town’s Cooperation.

The Town agrees to cooperate in seeking to designate the entire Project site as a “priority development site”, facilitating the processing and timely review of all applications for local permits and approvals for the Project, and assisting in seeking local authorization to petition for special legislation, if necessary, to authorize the issuance of additional liquor licenses for the Project.

(b) Transfer of Interests.

Mohegan Sun may transfer its interest in the Agreement only to a successor or assignee of the Gaming License, as may be approved pursuant to the Act.

(c) Dispute Resolution Clause.

If not resolved pursuant to required negotiations, a limited class or category of disputes shall be subject to binding arbitration.

(d) Re-opening of the Agreement

The Parties shall negotiate in good faith an amendment to the Agreement if a “triggering event” occurs, as described in and subject to the regulations of the Commission (205 CMR 127.00).

In addition, the Agreement provides that the Parties shall negotiate in good faith any amendments to the Agreement if (i) the scope of the Project increases materially and results in a significant and material adverse impact, or (ii) the Town experiences material increases in public school enrollments or in the per person residency in existing housing, due to or arising from the Project.

Mohegan Sun must demonstrate compliance with the suitability requirements imposed by state law as implemented and administered by the Commission and Mohegan Sun must obtain a positive determination of suitability from the Commission in order to proceed with its application for a gaming license. This process is underway. *As of the date of this summary, the Commission has not yet completed its suitability investigation of Mohegan Sun and, therefore, has not made a determination of suitability with respect to Mohegan Sun and may not make such a determination prior to the election.*

The Commission will make its determination of suitability after completing a thorough background investigation of Mohegan Sun. As part of the background checks, the Commission reviews such things as the integrity, honesty, good character and reputation of the applicant; the financial stability, integrity and background of the applicant; the business practices and the business ability of the applicant to establish and maintain a successful gaming establishment; and whether the applicant has a history of compliance with gaming licensing requirements in other jurisdictions. The Commission will not permit Mohegan Sun to proceed with its application for a gaming license unless it determines that the applicant is suitable to operate a gaming facility in Massachusetts.

This summary is qualified in its entirety by the actual Agreement. Capitalized terms not defined in this summary, but used in this summary, are the same as in the Agreement. A complete copy of the Agreement is available at the office of the Palmer Town Clerk, posted on the Town's website at: www.townofpalmer.com and on the website of the Massachusetts Gaming Commission at www.massgaming.com. This summary has been approved by Town Counsel, pursuant to M.G.L. 23K §15(13).