

Operations Plan

Massachusetts Gaming Commission

February 2014

Operations Plan: Introduction

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

Key considerations:

- Applicant's understanding of internal controls.
- Consistency of business plan with a "local market 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.
- All Applicants recognize the importance of internal controls and have experience working in a regulated environment:

Summary of Applicant's Internal Control Submissions			
	Leominster/PPE	Plainville/Penn National	Raynham/PR
Jurisdiction Provided	Maryland (Maryland Live!)	Ohio (Hollywood Casino-Toledo)	Pennsylvania (Parx Casino-Philadelphia)
Details	Accounting records, forms and documents, standard financial and statistical reports, annual audit and other regulatory reporting, record retention, complimentary services, organization chart, surveillance system design standards and operating procedures, surveillance department minimum staffing levels, security department operating procedures and minimum staffing levels, weapon possession, access to central monitor and control system equipment, key controls, cage design, cage accounting procedures, check cashing and cash equivalents, wire transfers, customer deposits, credit authorization, credit verification, counter check procedures, ATMs, Debit and Credit Cards, player tracking, gaming tickets, promotional play, ticket redemption units, jackpot payouts, bill validators and cash boxes, count room design and accounting controls, signage, player complaints, self-exclusion, responsible gaming plan. Internal Controls are developed by operator and submitted for approval to gaming commission.	Organization structure, code of conduct, reporting violations, conflicts of interest, job responsibilities and duties, forms, records and documents, standard financial reports, signature requirements and signature cards, cage operating controls, slot operating controls, key controls, meter readings and statistical reports, staffing levels, check cashing, customer deposits, credit approval, complimentaries, bill validators, slot drop and count, IT plan, Internal Audit plan, marketing controls, responsible gaming,	Duty to inform, general provisions, vendor registration, slot machine standards, count procedures, reporting requirements, complimentaries, surveillance manual, access matrix, organization charts, job descriptions, security standard operating procedures, drop procedures, cage policies and procedures, currency transaction reporting and suspicious transactions, check cashing, wire transfers, cash equivalents, customer deposits, ATMs, responsible gaming, internal audit, ticket redemption units, forms, records, employee licensing.

Source: HLT Advisory Inc. based on Applicant submissions.

Consistency of Business Plan: Introduction

Expectations of Applicant:

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

Assessment Approach:

- Reviewed and assessed key components of the business plan to assess Applicant's understanding of local casino market/operating strategies. These key components are:
 - Parking plan
 - Slot product plan
 - Food and beverage plan
 - Entertainment plan
 - Marketing plan

Consistency of Business Plan: Parking Plan

Parking is a fundamental component of a gaming facility's ability to accommodate expected market demand.

- The general "rule of thumb" for a gaming facility is one parking space per gaming position (1:1 ratio). The Category 2 license is permitted to offer 1,250 slot machines. All Applicants have provided more than 1,250 parking spaces.
- While the "rule of thumb" is a 1:1 ratio, higher performing facilities require more parking. The table opposite provides an assessment of the ability of the Applicant's proposed parking plan (i.e. number of spaces) to accommodate their projected revenue.
- All Applicants have a similar range of average number of parking turns per day (2.4-3.0)

Category 2 - Slot Facility Parking Analysis			
	Leominster/ PPE Year 1	Plainville/Penn National Year 1	Raynham/PR Year 3
First Year of Permanent Operations			
Total Gaming Revenues*			
Average Revenue per Patron**			
Annual Number of Patrons			
Average Number of Patrons per Day	5,359	6,615	8,219
Number of Patrons per Vehicle**	1.5	1.5	1.5
Number of Patron Vehicles	3,573	4,410	5,479
Employee Vehicles per Day**	400	400	400
Total Vehicles per Day	3,973	4,810	5,879
Number of Parking Spaces	1,601	1,620	2,425
Number of Turns per Day***	2.5	3.0	2.4

Source: HLT Advisory Inc. based on Applicant submissions.
 *Applicant's revenue estimates.
 **HLT estimates.
 ***Total vehicles per day / number of parking spaces.

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 types of machines (e.g. denomination, game type, hold strategy, leased/owned, etc.)

All Applicants did not provide a detailed slot product plan. Plainville/Penn National did however note that their slot plan would be based on their experience (slot performance data) of operating 30,000 slot machines in 21 facilities.

The table opposite summarizes the Applicants' proposed split in owned/leased product. Typically leased machines would account for less than [REDACTED] of total machines on a gaming floor. Leominster/PPE is proposing [REDACTED] to [REDACTED] lease product.

Category 2 - Slot Facility Slot Product			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR
Percentage of Slot Machines			
Purchased	[REDACTED]	[REDACTED]	[REDACTED]
Leased	[REDACTED]	[REDACTED]	[REDACTED]
Total	100%	100%	100%
Number of Slot Machines			
Purchased	[REDACTED]	[REDACTED]	[REDACTED]
Leased	[REDACTED]	[REDACTED]	[REDACTED]
Total	1,250	1,250	1,250
First Permanent Year Slot Lease Expense	n/p	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on Applicant submissions.
n/p- Not provided

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

F&B is a fundamental amenity offering at any gaming facility. The table opposite summarizes the Applicants' F&B plans: expected revenue, core operating costs, use of F&B for marketing purposes (comped sales) and number of outlets/seats.

- Raynham/PR has estimated that F&B revenue would equate to [REDACTED] of gaming revenue. HLT would expect F&B revenue to be closer to 10% of gaming revenue.
- Raynham/PR has estimated that comped sales would account for [REDACTED] of total sales. HLT would expect that comped sales would account for less than 50% of total sales.

Category 2 - Slot Facility			
Food and Beverage Financial Information			
	Leominster/ PPE Year 1	Plainville/Penn National Year 1	Raynham/PR* Year 3
First Year of Permanent Operations			
Total Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
F&B Revenue	[REDACTED]	[REDACTED]	[REDACTED]
F&B Revenue as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
F&B Payroll	[REDACTED]	[REDACTED]	[REDACTED]
Promotional Allowances F&B	[REDACTED]	[REDACTED]	[REDACTED]
F&B Cost of Sales	[REDACTED]	[REDACTED]	[REDACTED]
F&B Payroll as % of F&B Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Percent of F&B Revenue Comped	[REDACTED]	[REDACTED]	[REDACTED]
F&B Cost of Sales Margin	[REDACTED]	[REDACTED]	[REDACTED]
<u>F&B Outlet 1</u>			
Name	n/p	Doug Flutie's Sports Pub	n/p
Number of Seats	200	150	216
Theme	n/p	Sports Pub	n/p
<u>F&B Outlet 2</u>			
Name	n/p	n/p	n/p
Number of Seats	220	180	197
Theme	n/p	Casual Flair	Food Court
<u>F&B Outlet 3</u>			
Name	n/p	n/p	n/a
Number of Seats	336	75	n/a
Theme	Food Court	Food Court	n/a
Total F&B Seats	756	405	413
Source: HLT Advisory Inc. based on Applicant sub missions.			
*Raynham did not provide number of seats for it's F&B outlets. One seat per 25sf was assumed.			
n/p- Not provided			
n/a- Not applicable			

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

A general “rule of thumb” to determine F&B seats is 1 seat per 4 slot machines (1,250/4=312.5) under typical market conditions (i.e. with no restrictions on number of devices).

- All three Applicants have proposed additional seating, with Leominster/PPE proposing over 45% more seating than the other two Applicants.
- Both Raynham/PR and Plainville/Penn National will be strained to accommodate consumer F&B demand during pre in-State competition period given number of device restrictions and market demand.
- Raynham/PR will be strained to accommodate consumer F&B demand post in-State competition period given their GGR projections (\$250 million).

Category 2 - Slot Facility Food and Beverage Financial Information			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR*
First Year of Permanent Operations	Year 1	Year 1	Year 3
Total Gaming Revenue	[REDACTED]		
F&B Revenue	[REDACTED]		
F&B Revenue as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
F&B Payroll	[REDACTED]		
Promotional Allowances F&B	[REDACTED]		
F&B Cost of Sales	[REDACTED]		
F&B Payroll as % of F&B Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Percent of F&B Revenue Comped	[REDACTED]	[REDACTED]	[REDACTED]
F&B Cost of Sales Margin	[REDACTED]	[REDACTED]	[REDACTED]
<u>F&B Outlet 1</u>			
Name	n/p	Doug Flutie's Sports Pub	n/p
Number of Seats	200	150	216
Theme	n/p	Sports Pub	n/p
<u>F&B Outlet 2</u>			
Name	n/p	n/p	n/p
Number of Seats	220	180	197
Theme	n/p	Casual Flair	Food Court
<u>F&B Outlet 3</u>			
Name	n/p	n/p	n/a
Number of Seats	336	75	n/a
Theme	Food Court	Food Court	n/a
Total F&B Seats	756	405	413
Source: HLT Advisory Inc. based on Applicant submissions.			
*Raynham did not provide number of seats for its F&B outlets. One seat per 25sf was assumed.			
n/p- Not provided			
n/a- Not applicable			

Consistency of Business Plan: Entertainment Plan

Entertainment is a common amenity found at most casinos.

- Raynham/PR's plan focuses on using 15,000 sf multi-purpose space to primarily host over [REDACTED] shows annually. These shows are estimated to generate [REDACTED] million in revenue and cost [REDACTED] million. The average ticket price needed to generate the stated revenue based on the number of seats and acts stated is not consistent with ticket prices at other casinos for cost of acts provided.
- Leominster/PPE's plan (based on current operations of Maryland Live!) focuses on providing consistent local live entertainment (primarily free of charge) with occasional "named" acts. A 430 seat (4,876 sf) venue is being proposed. Stated average cost per show and number of shows (acts) is not consistent with cost of sales contained in financial statements [REDACTED].
- Plainville/Penn National's plans include free live shows at Doug Flutie's Pub and occasional outdoor entertainment (2,000 seat sprung structure). Outdoor entertainment contemplated includes outdoor game shows (e.g. Price is Right) at [REDACTED] ticket, [REDACTED] comped and [REDACTED] sold. Plainville/Penn National provided limited details of their plan with their proposed outdoor component (did not provide complete revenue and cost estimates).

Category 2 - Slot Facility Entertainment Center			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR
Entertainment Center			
Size (s.f.)	4,876	n/a	15,871
Seats	430	n/a	995
Entertainment Plan*			
Number of Acts	[REDACTED]	n/p	[REDACTED]
Average Ticket Price	n/p	n/p	[REDACTED]
Utilization	n/p	n/p	[REDACTED]
Cost per Show	[REDACTED]	n/p	[REDACTED]
First Permanent Year**			
Entertainment Revenue	[REDACTED]		
Entertainment Cost of Sales	[REDACTED]		

Source: HLT Advisory Inc. based on Applicant submissions.
 *From submitted entertainment plans.
 **From submitted pro-forma financial statements.
 n/p- Not provided
 n/a- Not applicable

Consistency of Business Plan: Marketing Plan

The table opposite summarizes the Applicants' marketing plans.

Marketing Plan Comparison			
	Leominster/PPE	Plainville/Penn National	Raynham/PR
Competitive SWOT analysis provided			
Brand Name			
Essence			
Use of Independent Research			
Loyalty Program			
Name			
Existing Customer Base			
Tier Levels			
Effective Cost of Program			
Points Redeemable for			
Direct Mail Program			
Asian Marketing Program			
Advertising Plan			
Junkets			
Bus Program			
Promotions Strategy			
VIP Events			
Hosting programs			
Public Relations			
Entertainment			
Sports marketing cross marketing			
Cross Marketing with Local Partners			

Source: HLT Advisory Inc. based on Applicant submissions.

Consistency of Business Plan: Marketing Plan

Marketing Plan Comparison (Continued)			
	Leominster/PPE	Plainville/Penn National	Ravnham/PR
Work with Tourists Groups Maximize Facility Use-Seasonal Program Out of State Cross Marketing	[REDACTED]		
Marketing to In-State Visitors			
History of revenue			
Secure and Robust Gaming Mark at other Sites			
Technology			

Source: HLT Advisory Inc. based on Applicant submissions.

Consistency of Business Plan: Marketing Plan – Summary

Each Applicant's Marketing plan:

- Acknowledges that they are "local" casinos.
- Recognizes the importance of a loyalty program (primary marketing vehicle).
- Employ the use of traditional advertising mediums (e.g. television, radio and "outdoor" signage in addition to use of the internet).
- Stated they would "market" the proposed property to their existing database (it is unlikely however that the proposed "local" facility will benefit from this initiative).

Overall, while all Applicant's submissions address fundamental components of a marketing plan, Plainville/Penn National provided more detail in terms of tactical and creative expression examples (i.e. provided proposed marketing collateral material examples) of how they would execute their plan.

Plainville/Penn National has the ability to draw on market experience of 28 facilities compared to one each for Raynham/PR and Leominster/PPE.

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 local market casino and other industry benchmarks.

Financial Projections: Operating Statement

- Gaming revenue (net of free play) in the first permanent year of operations ranges from [REDACTED] million at Leominster/PPE to [REDACTED] million at Raynham/PR.
- In all expense categories, Raynham/PR's total expense amounts are far in excess of the other two operators (Note: Plainville/Penn National's "Other Expenses" includes [REDACTED] million in Horse Racing Expenses).
- EBITDA after related party transactions and gaming taxes ranges from [REDACTED] million at Leominster/PPE to [REDACTED] million at Plainville/Penn National.
- Net income before income taxes ranges from [REDACTED] million at Raynham/PR to [REDACTED] million at Plainville/Penn National.

Category 2 - Slot Facility			
Casino Complex Projected Income Statements- First Year Permanent Operations			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR
Total Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Non-Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Payroll (inclusive of benefit costs)	[REDACTED]	[REDACTED]	[REDACTED]
Total Marketing	[REDACTED]	[REDACTED]	[REDACTED]
Total Other Expenses	[REDACTED]	[REDACTED]	[REDACTED]
Total Expenses	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA before undernoted	[REDACTED]	[REDACTED]	[REDACTED]
Gaming Taxes (49%)	[REDACTED]	[REDACTED]	[REDACTED]
Related Party Transactions*	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA	[REDACTED]	[REDACTED]	[REDACTED]
Interest	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]
Net Income before Income Taxes	[REDACTED]	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on Applicant submissions.
 Note: A slot fee and responsible gaming fee were included in Penn National's financials but removed for comparability purposes.
 *Related party transactions include a "Management/Consulting Fee" included in Raynham's operating statements and an "Earn-Out Fee" included in Penn National's operating statements.

Financial Projections: Operating Statement

- Gaming revenue (net of free play) with competition ranges from [REDACTED] million at Plainville/Penn National to [REDACTED] million at Raynham/PR.
- When revenues decrease under competition, Raynham/PR and Plainville/Penn National significantly cut total operating expense amounts. Horse Racing expenses of [REDACTED] million is included in Plainville/Penn National's Other Expenses.
- EBITDA after related party transactions and gaming taxes ranges from [REDACTED] million at Plainville/Penn National to [REDACTED] million at Raynham/PR.
- Net income before income taxes ranges from [REDACTED] million at Plainville/Penn National to [REDACTED] million at Raynham/PR.

Category 2 - Slot Facility			
Casino Complex Projected Income Statements- Operations with Competition			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR
Total Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Non-Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Payroll (inclusive of benefit costs)	[REDACTED]	[REDACTED]	[REDACTED]
Total Marketing	[REDACTED]	[REDACTED]	[REDACTED]
Total Other Expenses	[REDACTED]	[REDACTED]	[REDACTED]
Total Expenses	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA before undernoted	[REDACTED]	[REDACTED]	[REDACTED]
Gaming Taxes (49%)	[REDACTED]	[REDACTED]	[REDACTED]
Related Party Transactions*	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA	[REDACTED]	[REDACTED]	[REDACTED]
Interest	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]
Net Income before Income Taxes	[REDACTED]	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on Applicant submissions.
 Note: A slot fee and responsible gaming fee were included in Penn National's financials but removed for comparability purposes.
 *Related party transactions include a "Management/Consulting Fee" included in Raynham's operating statements and an "Earn-Out Fee" included in Penn National's operating statements.

Financial Projections: EBITDA Ratios

- EBITDA before gaming taxes and related party transactions as a percentage of gaming revenue ranges from [REDACTED] to [REDACTED] in the first permanent year of operations, and [REDACTED] to [REDACTED] with competition. An analysis of Applicant's other properties shows an EBITDA before gaming tax range of [REDACTED] to [REDACTED] of gaming revenue (this is consistent with Applicant's submissions given that these other properties have table games).
- EBITDA after gaming taxes and related party transactions after competition ranges from [REDACTED] to [REDACTED] of gaming revenue. This is consistent with Applicant's other gaming operations which range from [REDACTED] to [REDACTED] of gaming revenue.

EBITDA - Ratios			
	Leominster/ PPE	Plainville/Penn National	Raynham/ PR
<u>First Permanent Year</u>			
EBITDA Before Gaming Tax and Related Party Transactions as % of Gaming Revenue	[REDACTED]		
EBITDA as % of Gaming Revenue	[REDACTED]		
<u>Competition</u>			
EBITDA Before Gaming Tax and Related Party Transactions as % of Gaming Revenue	[REDACTED]		
EBITDA as % of Gaming Revenue	[REDACTED]		

Source: HLT Advisory Inc. based on Applicant submissions.

Applicants Other Gaming Operations - EBITDA			
	Penn	Parx Philadelphia	Maryland Live!*
EBITDA Before Gaming Tax as % of Gaming Revenue	[REDACTED]		
EBITDA as % of Gaming Revenue	[REDACTED]		
Year End	12/31/2012	12/30/2012	YTD (8 months) 8/31/2013

Source: HLT Advisory Inc. based on Applicant submitted financial statements and publically available financial statements.
n/a- Not available.
*Maryland Live! EBITDA before gaming taxes is for the year ended December 31, 2012.

Financial Projections: Operating Revenue

- Total revenue in the first permanent year ranges from [REDACTED] million at Leominster/PPE to [REDACTED] million at Raynham/PR.
 - With competition, total revenue decreases at all sites. Plainville/Penn National anticipates the greatest decrease in revenue ([REDACTED] decrease).
 - Raynham/PR's projections include [REDACTED] million in entertainment revenue in their first permanent year, and [REDACTED] million with competition.
 - Plainville/Penn National's revenue totals include horse racing revenue ranging from [REDACTED] million to [REDACTED] million.

Category 2 - Slot Facility Casino Complex Projected Revenues- First Year Permanent			
	Leominster/ PPE Year 1	Plainville/Penn National Year 1	Raynham/PR Year 3
<u>Gaming Revenues</u>			
Slot Win	[REDACTED]	[REDACTED]	[REDACTED]
Free Play	[REDACTED]	[REDACTED]	[REDACTED]
Total Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
<u>Non-Gaming Revenue</u>			
Food and Beverage	[REDACTED]	[REDACTED]	[REDACTED]
Entertainment Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Retail Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Horse Racing	[REDACTED]	[REDACTED]	[REDACTED]
Other Non-Gaming	[REDACTED]	[REDACTED]	[REDACTED]
Other Income	[REDACTED]	[REDACTED]	[REDACTED]
Total Non-Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on Applicant submissions.

Category 2 - Slot Facility Casino Complex Projected Revenues- Operations with Competition			
	Leominster/ PPE* Year 4	Plainville/Penn National Year 4	Raynham/PR Year 5
<u>Gaming Revenues</u>			
Slot Win	[REDACTED]	[REDACTED]	[REDACTED]
Free Play	[REDACTED]	[REDACTED]	[REDACTED]
Total Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
<u>Non-Gaming Revenue</u>			
Food and Beverage	[REDACTED]	[REDACTED]	[REDACTED]
Entertainment Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Retail Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Horse Racing	[REDACTED]	[REDACTED]	[REDACTED]
Other Non-Gaming	[REDACTED]	[REDACTED]	[REDACTED]
Other Income	[REDACTED]	[REDACTED]	[REDACTED]
Total Non-Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on Applicant submissions.
 *PPE only provided free play for Year 1 and Year 5 of operations. The proportion of Year 5 free play (21.3% of gross gaming revenue) was used to estimate Year 4 free play.

Financial Projections: Gaming Revenue/Unit

- Slot machine productivity can be assessed based on win/unit/day. Win/unit/day projections inclusive of free play for the first permanent year range from [redacted] at Leominster/PPE to [redacted] at Raynham/PR. This is consistent with limited market competition and a restriction on number of devices that can be offered.
- Win/unit/day in the industry is generally in the \$200-\$300 range as demonstrated by the Applicant's other properties (consistent with no real limits on number of devices).
- Ontario provides an example of a "monopoly" type market where the total number of slot machines/facilities permitted has been restricted for various reasons (i.e. municipal zoning restrictions, facility space restrictions). Some of this win/unit/day experience is consistent with Applicants' projections.

Gaming Revenue- Win per Unit per Day			
	Leominster/ PPE	Plainville/Penn National	Raynham/ PR
<u>First Permanent Year</u>			
Slot Machines			
Win/Unit/Day (Inclusive of Free Play)			
Win/Unit/Day (Net of Free Play)			
<u>Competition</u>			
Slot Machines			
Win/Unit/Day (Inclusive of Free Play)			
Win/Unit/Day (Net of Free Play)			

Source: HLT Advisory Inc. based on Applicant submissions.

Applicants Other Properties Win per Unit per Day						
	Penn National					
	Maryland Live! Casino	Parx Philadelphia	Hollywood Casino at Charlestown Races	Hollywood Casino Grantville, PA	Hollywood Casino Bangor	Hollywood Casino Perryville
Slot Machines	4,415	3,361	3,500	2,469	925	1,500
Slot Revenue (\$millions)	\$434.1	\$373.5	\$392.2	\$244.0	\$56.2	\$98.6
Win/Unit/Day	\$269	\$304	\$307	\$271	\$166	\$180
Year End	9/30/2013	9/30/2013	12/31/2012	12/31/2012	12/31/2012	12/31/2012

Source: HLT Advisory Inc. based on information from State Lottery/Gaming Agencies reports and company annual reports.

Ontario Slots at Racetracks FY 2013 Win per Unit per Day							
	Ajax	Flamboro	Georgian Downs	Mohawk	Rideau Carleton	Western Fair	Woodbine
Slot Machines	800	800	1,003	875	1,250	743	2,704
Slot Revenue (\$millions)	\$180.3	\$121.6	\$125.6	\$150.2	\$139.6	\$102.2	\$593.3
Win/Unit/Day	\$617	\$416	\$343	\$470	\$306	\$377	\$601

Source: HLT Advisory Inc. based on Ontario Lottery and Gaming Corporation annual and quarterly reports.

Financial Projections: Payroll

- Total casino payroll in the first permanent year of operations ranges from [REDACTED] million at Plainville/Penn National to [REDACTED] million at Raynham/PR. Included in the [REDACTED] million payroll at Plainville/Penn National is [REDACTED] million in horse racing, so comparable payroll number is [REDACTED] million.
- With competition, payroll at Leominster/PPE and Raynham/PR remain relatively consistent, whereas Plainville/Penn National decreases payroll significantly ([REDACTED] decrease).

Category 2 - Slot Facility			
Casino Complex Projected Payroll- First Year Permanent Operations			
	Leominster/ PPE Year 1	Plainville/Penn National Year 1	Raynham/PR Year 3
<u>Payroll (inclusive of benefit costs)</u>			
Slots	[REDACTED]		
Security			
Surveillance			
Cage			
Marketing			
Food and Beverage			
Entertainment			
Other Non-Gaming			
Administration			
Horse Racing			
Facilities			
Total Payroll (inclusive of benefit costs)			

Source: HLT Advisory Inc. based on Applicant submissions.

Category 2 - Slot Facility			
Casino Complex Projected Payroll- Operations with Competition			
	Leominster/ PPE Year 4	Plainville/Penn National Year 4	Raynham/PR Year 5
<u>Payroll (inclusive of benefit costs)</u>			
Slots	[REDACTED]		
Security			
Surveillance			
Cage			
Marketing			
Food and Beverage			
Entertainment			
Other Non-Gaming			
Administration			
Horse Racing			
Facilities			
Total Payroll (inclusive of benefit costs)			

Source: HLT Advisory Inc. based on Applicant submissions.

Financial Projections: Payroll Ratios

- Casino operations payroll in the first permanent year and with competition at Leominster/PPE and Plainville/Penn National are relatively consistent (██████ of gaming revenue in first permanent year, ██████ with competition). Casino operations payroll at Raynham/PR is a lower percentage of gaming revenue.
- Total payroll (in the first permanent year and with competition) as a percentage of total revenue is the lowest at Plainville/Penn National, in the ██████ range. Leominster/PPE has the highest projections in the ██████ range.

Gaming Payroll - Ratios			
	Leominster/ PPE	Plainville/Penn National	Raynham/ PR
<u>First Permanent Year</u>			
Slots as % of Gaming Revenue			
Security as % of Gaming Revenue			
Surveillance as % of Gaming Revenue			
Cage as % of Gaming Revenue			
<u>Casino Operations as % of Gaming Revenue</u>			
<u>Competition</u>			
Slots as % of Gaming Revenue			
Security as % of Gaming Revenue			
Surveillance as % of Gaming Revenue			
Cage as % of Gaming Revenue			
<u>Casino Operations as % of Gaming Revenue</u>			

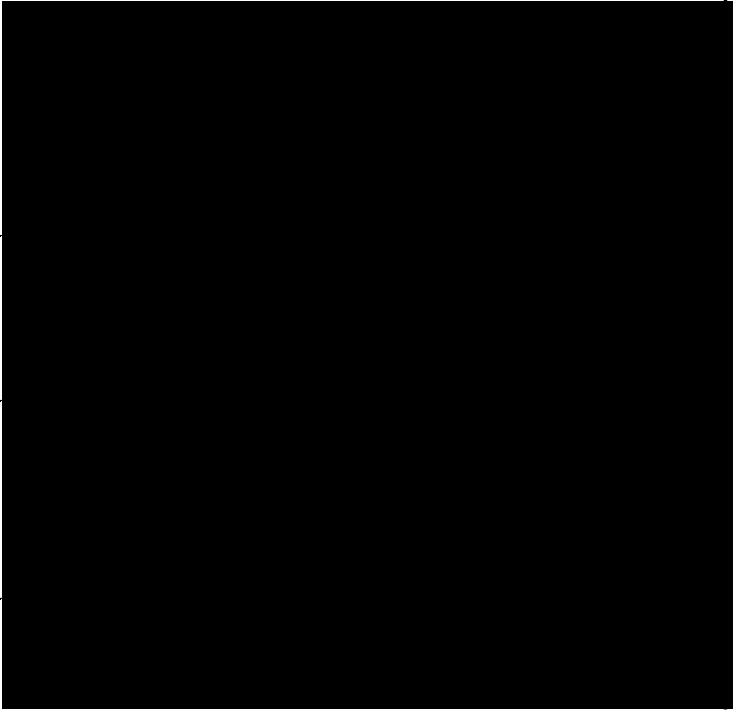
Source: HLT Advisory Inc. based on Applicant submissions.

Total Payroll - Ratios			
	Leominster/ PPE	Plainville/Penn National	Raynham/ PR
<u>First Permanent Year</u>			
Total Payroll as % of Gaming Revenue			
Total Payroll as % of Total Revenue			
<u>Competition</u>			
Total Payroll as % of Gaming Revenue			
Total Payroll as % of Total Revenue			

Source: HLT Advisory Inc. based on Applicant submissions.

Financial Projections: FTE Levels

- FTE's proposed by the Applicants for Year 1 range from 471 at Raynham/PR to 671 at Leominster/PPE, and in a stabilized year range from 404 at Plainville/Penn National to 635 at Raynham/PR. (Note: Raynham/PR not all F&B seats and entertainment component operational in Year 1)
- Plainville/Penn National's FTE totals in both Year 1 and the stabilized year include 77 horse racing FTEs.
- Raynham/PR's 16 slot FTE's is not reasonable at a 1,250 slot machine facility.

Category 2 - Slot Facility Casino Complex Projected Staffing Levels						
	Leominster/PPE		Plainville/Penn National		Raynham/PR	
	Year 1	Year 5	Year 1	Year 4	Year 1	Year 3
FTEs						
Gaming/Slot Operations						
Slots						
Cage						
Surveillance						
Security						
Marketing						
Compliance						
Other						
Sub Total						
Non-Gaming						
F&B						
Other						
Sub Total						
Facilities						
Maintenance/Cleaning						
Parking/Valet						
Other						
Sub Total						
Administration						
Total	671	615	575	404	471	635

Source: HLT Advisory Inc. based on Applicant submissions.
 Note: Applicants were asked to provide staffing levels for year 1 of operations as well as a stabilized year. These periods do not directly correspond with the first permanent year and competition year used in the financial operating statement analysis.

Financial Projections: Payroll per FTE

- Payroll per FTE proposed by the Applicants for Year 1 range from [REDACTED] at Plainville/Penn National to [REDACTED] at Raynham/PR, and in a stabilized year range from [REDACTED] at Plainville/Penn National to [REDACTED] at Raynham/PR.
- Raynham/PR's payroll per FTE is the highest, specifically in slots, compliance, maintenance, and administration. Average payroll per FTE in these areas is higher than what would reasonably be expected at the Category 2 facility.
- Plainville/Penn National's payroll per FTE between Years 1 and 4 for most categories show no change. This is inconsistent with what would be expected.

Category 2 - Slot Facility					
Casino Complex Projected Payroll/FTE					
Leominster/PPE		Plainville/Penn National		Raynham/PR	
Year 1	Year 5	Year 1	Year 4	Year 1	Year 3
<u>Payroll/FTE</u>					
Gaming/Slot Operations					
Slots					
Cage					
Surveillance					
Security					
Marketing					
Compliance					
Other					
Sub Total					
Non-Gaming					
F&B					
Other					
Sub Total					
Facilities					
Maintenance/Cleaning					
Parking/Valet					
Other					
Sub Total					
Administration					
Total					

Source: HLT Advisory Inc. based on Applicant submissions.

Note: Applicants were asked to provide staffing levels for year 1 of operations as well as a stabilized year. These periods do not directly correspond with the first permanent year and competition year used in the financial operating statement analysis.

Financial Projections: Marketing

Given the high tax rate relative to competition (except Rhode island) and the other competitive disadvantage of the Category 2 license relative to competition (e.g. limited on number of slot machines), Free Play will be a core component of the Category 2 Applicants' marketing plan.

- Raynham/PR's free play amount of [REDACTED] in both the first permanent year of operation (pre competition) and after competition is higher than expected in relation to their projected win/unit/day level net of free play (of [REDACTED] pre competition and [REDACTED] post competition– see page 18).
- Leominster/PPE's free play amount of [REDACTED] post competition is higher than what would be expected in relation to their projected win/unit/day level net of free play of [REDACTED] (see page 18).
- Plainville/Penn National's free play amount pre and post competition is consistent with what would be expected, given their projected win/unit/day levels net of free play.

Marketing - Ratios			
	Leominster/ PPE	Plainville/Penn National	Raynham/ PR
<u>First Permanent Year</u>			
Free Play as % of Gaming Revenue (inclusive of free play)	[REDACTED]	[REDACTED]	[REDACTED]
F&B Comps as % of F&B Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Internal Comps as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
External Comps as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Loyalty Program as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Advertising/Sponsorship as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Promotions as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Special Events as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Other Marketing as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
<u>Competition</u>			
Free Play as % of Gaming Revenue (inclusive of free play)	[REDACTED]	[REDACTED]	[REDACTED]
F&B Comps as % of F&B Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Internal Comps as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
External Comps as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Loyalty Program as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Advertising/Sponsorship as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Promotions as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Special Events as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]
Other Marketing as % of Gaming Revenue	[REDACTED]	[REDACTED]	[REDACTED]

Source: HLT Advisory Inc. based on Applicant submissions.

Financial Projections: Marketing

Total marketing spend as a percentage of gaming revenue (excluding free play) ranges from [REDACTED] to [REDACTED] in the first permanent year and after competition. This range is consistent with what would be expected for a local casino. All three Applicants are within this range.

Total Marketing - Ratios			
	Leominster/ PPE	Plainville/Penn National	Raynham/ PR
<u>First Permanent Year</u>			
Total Marketing Soft Costs* as % of Gaming Revenue (inclusive of free play)	[REDACTED]		
Total Marketing Hard Costs** as % of Gaming Revenue (excluding free play)	[REDACTED]		
Total Marketing as % of Gaming Revenue (inclusive of free play)	[REDACTED]		
Total Marketing as % of Gaming Revenue (excluding free play)	[REDACTED]		
<u>Competition</u>			
Total Marketing Soft Costs* as % of Gaming Revenue (inclusive of free play)	[REDACTED]		
Total Marketing Hard Costs** as % of Gaming Revenue (excluding free play)	[REDACTED]		
Total Marketing as % of Gaming Revenue (inclusive of free play)	[REDACTED]		
Total Marketing as % of Gaming Revenue (excluding free play)	[REDACTED]		
<i>Source: HLT Advisory Inc. based on Applicant submissions.</i>			
<i>*Soft Costs include Free Play and Promotional Allowances (Internal "Comps").</i>			
<i>**Hard Costs include Loyalty Program, Advertising/Sponsorship, External "Comps", Promotions, Special Events, and Other Marketing.</i>			

Financial Projections: Other Expenses

Category 2 - Slot Facility						
Casino Complex Projected Other Expenses						
	First Permanent Year			Competition		
	Leominster/ PPE Year 1	Plainville/Penn National Year 1	Raynham/PR Year 3	Leominster/ PPE Year 4	Plainville/Penn National Year 4	Raynham/PR Year 5
<u>Other Expenses</u>						
Insurance						
Property Taxes/Host Agreement Payments						
Professional Fees						
Contract Maintenance						
Uniforms						
Repairs and Maintenance						
Utilities						
Supplies						
Human Resources						
Other Expenses*						
Total Other Expenses						
<u>Other Expenses as % of Gaming Revenue</u>						
Insurance						
Property Taxes/Host Agreement Payments						
Professional Fees						
Contract Maintenance						
Uniforms						
Repairs and Maintenance						
Utilities						
Supplies						
Human Resources						
Other Expenses						
Total Other Expenses *						

Source: HLT Advisory Inc. based on Applicant submissions.

*Does not include F&B Cost of Sales, Entertainment Cost of Sales, Horse Racing Expenses, Gaming Expenses, and Slot Lease Expenses.