



Exhibit 2-b

See attached Casino Resort Market Assessment for Springfield, Mass prepared by Strategic Market Advisors

Casino Resort Market Assessment

Springfield, Massachusetts

December, 2012

Completed by:
Strategic Market Advisors
7 Crest Drive
Suite A
Somersworth, NH 03878

Western New England University
1215 Wilbraham Road
Springfield, MA 01119

Table of Contents

Introduction	4
Engagement Overview	4
The Hollywood Casino Springfield	6
Location and Access	10
Current Gaming Environment.....	11
Existing Competition	11
Connecticut	11
Rhode Island.....	12
New York.....	12
Revenue in Southern New England	13
Proposed Expansions of Casino Gaming.....	14
Massachusetts	14
New Hampshire.....	15
Qualitative Discussion of Proposed Competitive Environment.....	15
Local Market	17
Population.....	17
The Local Economy	18
Incomes.....	18
Employment.....	19
Local Market Methodology.....	20
Background	21
Market Areas.....	22
Methodology.....	23
Calibration.....	24
Assumptions.....	25
Revenue Forecasts	25
Tourist Market	27
Trip Characteristics	27
Hotel Performance.....	28
Tourist Revenue	28
Hotel Guest Revenue	30
Motorist Market.....	32
Summary of Gross Gaming Revenue and Conclusions	33

Hotel Market Analysis	35
Methodology	35
Major Assumptions	36
Area Lodging Environment	36
Marriott Springfield	36
Sheraton Springfield Monarch Place Hotel	37
Hilton Garden Inn Springfield	37
Residence Inn West Springfield	37
Potential Developments	37
Lodging Performance within the Competitive Set	38
Hollywood Casino Springfield Forecasted Performance	39
Existing Hotel Market	40
Demand	40
Penetration Analysis of Hotel Demand	40
Casino Generated Lodging Demand	43
Estimated Hotel Performance	43
Economic Impact Analysis	45
Structure of an Economic Impact Analysis	45
Methodology	46
Construction Phase	47
Operations Phase	50
Summary and Conclusions	52
Disclaimer	54

Introduction

Strategic Market Advisors (“SMA”) was retained by Penn National Gaming, Inc. (“Penn”) to evaluate the performance of a proposed casino resort to be built in Springfield, Massachusetts. The planned 300,000 square-foot (“sq. ft.”) casino hotel will reinvigorate downtown Springfield by creating a regional entertainment destination. Current plans include a casino offering between 2,000 and 3,000 slot machines and 100 table and poker games, a 258-room hotel, 20,000 sq. ft. of convention and meeting space, an array of food and beverage options, and a spa to be located at the northwest end of Main Street. The proposed location is currently home to the Peter Pan Bus Lines, which offers a regional bus terminal for several bus lines, and The Springfield Republic, the city’s newspaper, and both of these businesses will be relocated within the city. The casino resort will reflect Springfield’s existing architecture in its appearance and further incorporate the community by including the refurbishment of the Paramount Theater, which will be used as a live entertainment venue, and the redevelopment of Union Station. When combined with the relocation of news reporting and broadcasting services to an existing downtown location and the development of other parcels within the city for printing purposes, the proposal effectively extends the cumulative investment and economic effects to several previously identified keys for the reinvigoration of the City of Springfield and its downtown area.

Penn started operations in 1972 and currently owns, operates, or has interests in 28 facilities in 19 jurisdictions. The firm operates a total of 31,700 gaming machines, 725 tables, and 2,400 hotel rooms. Fourteen of its properties operate under the successful Hollywood brand. The Hollywood theme blends elements of Hollywood’s progression from the Golden Era to today in a classic, art deco style that appeals to a broad range of potential customers. Penn will manage the Springfield operations and will jointly own the facility with its local partner and business leader, Peter Picknelly (via a family trust).

The legalization of casino gaming in the Commonwealth of Massachusetts was in part justified by the industry’s increasingly competitive nature in surrounding states. Three of the five states that border Massachusetts currently host casino gaming¹ and Massachusetts residents drive an estimated \$908.7 million of revenue in other New England casinos² in addition to other locations outside New England. Legislation enabling casino resort development in Massachusetts was signed into law by Governor Deval Patrick in November of 2011 and could ultimately permit up to five casino resorts and one slot parlor at a race track, also known as a racino. With the exception of the commercial license designated for the four western counties in the state, which includes Springfield, the proposed and likely locations all appear to be in the eastern part of the Commonwealth. This report assumes the legislation’s targeted development of three casino resorts, one in each of three designated regions, as well as a racino.

Engagement Overview

Strategic Market Advisors was retained to evaluate the potential development of a casino resort in Springfield, Massachusetts. The slot machines and table games would be complemented with hotel rooms, food and beverage outlets, meeting space, and a spa, creating a new, dynamic, and high-profile offering in the city’s downtown area. Specifically, SMA forecasted the gross gaming revenue (“GGR”) the casino resort would generate as well as its revenue from other on-site amenities and the economic impact the entire proposal would have on the surrounding community. In order to forecast the performance of the proposed expansion in gaming supply, SMA evaluated the location’s suitability, the

¹ Gaming in Connecticut is technically hosted on sovereign land held by Native American tribes

² (Clyde W. Barrow, 2012)

competitive environment for casino gaming, the demographics of the region's population, and tourism to the area. This research was used to both qualitatively and quantitatively support the resort's GGR forecasts, which were projected based on mutually exclusive and collectively exhaustive customer segments using a series of models that utilize proven methodologies.

A major source of visitation will be the already substantial local market for casino gamers. These potential customers already frequent more distant casinos, but will find the new facility a more convenient destination. A gravity model forecasts the revenue potential from this segment. The major components incorporated into the gravity model include the proposed size of the subject facility and its competitors, the amenities available at each facility, the regional adult population, and the distance those people live from each casino gaming alternative. In part due to its ability to include all of these elements, and also due to support from empirical evidence, the gravity model is widely seen as the most accurate modeling tool available to analysts forecasting casino gaming revenue. Other potential sources of revenue also rely on proven methodologies and assumptions based on other markets and Hollywood Casino properties.

Economic impacts which demonstrate the cumulative impact of the development include the one-time construction impacts based on the proposed master plan and the ongoing impact of the operations, which will be experienced in perpetuity. The economic impact analysis starts with the forecasted changes directly attributable to the proposed development and is therefore based on the proposed master plan for the facility, the related construction, and the forecasted revenue attributable to the operations once the facility is opened. The analysis translates these primary changes in the local economy into estimates of the impact within the broader economy.

The construction of the casino hotel facility was evaluated to isolate expenditures in the local community, leading to growth in employment in the construction and related industries. Projects at Union Station, Paramount Theater, and the two new locations for The Springfield Republican range from new construction to renovations to leasehold improvements. These projects are dependent on the construction of the facility at the current Peter Pan Bus Lines and Springfield Republican locations, and as such their impact on job creation and output was included in the analysis. Like other development projects, these impacts will occur once during the construction period.

The ongoing casino hotel operations will drive incremental revenue annually, and the associated economic impacts are expected to be generated in perpetuity. Aside from the new casino gaming revenue, the influx of new visitors will drive incremental expenditures in other industries and at local businesses. This will include sales at the facility on amenities such as the hotel, convention and meeting space, restaurants, bars and lounges, and a spa. Patrons will also visit the Paramount Theater, which will host live events for the Hollywood Casino Springfield, and will visit existing or planned businesses that cater to tourists like any other visitor to the city. This can include simple stops for fuel or retail shopping as well as expenditures at other hotels and restaurants or attractions such as the Naismith Memorial Basketball Hall of Fame or Six Flags New England.

The Hollywood Casino Springfield

The Hollywood Casino Springfield will incorporate 13.4 acres on the northwest end of downtown with existing and planned improvements to surrounding properties. The development's ability to reinvigorate the area was carefully planned to not only redevelop aging properties, but also to integrate surrounding elements of the community through reinvestment and bring more energy throughout the downtown area. The master plan includes surrounding properties and will restore a former cultural center, capitalize on approved government grants for community improvements, and meet goals set forth in the city's long-term development plan significantly earlier than originally envisioned. The result will be a revitalized North End.

The core of the project will be the redevelopment of the existing properties bound by Main Street and East Columbus Avenue, between Emery and the CSX railroad. The proposed development's 13.4-acre parcel will feature a vertical arrangement that will include the casino and hotel elements of the Hollywood Casino Springfield. The Hollywood brand is featured at 14 of Penn's properties and brings historical elements from Hollywood's Golden Era to today through a classic style that appeals to a broad range of potential customers. The casino resort will feature modern design elements to provide a high-quality environment and an entertaining customer experience. Amenities surrounding these core offerings will include 20,000 sq. ft. of convention and meeting space, an array of restaurants, bars and lounges, and a spa. The restaurants will include everything from a sports bar to a fine-dining experience with the goal of offering a variety of dining experiences and price points. Incremental marketing efforts related to the convention and meeting space are expected to lead to growth within this segment of visitors and have positive results on the other businesses within the downtown area.



The property will extend beyond this footprint to incorporate elements of the Springfield community including the Paramount Theater. Built in 1926 at a cost of \$1 million, the Paramount retains many of its original features including original mosaics covering the walls, an ornate dome on its ceiling, and detailed trim and lighting fixtures. Since the 1960's the property has seen sporadic use as a theater and night club. This important cultural landmark is now in disrepair, contributing to a rather drab presence in its immediate area along the Main Street thoroughfare. The Hollywood Casino Springfield master plan includes investing in the planned \$51 million restoration of the Paramount, enabling it to once again become a important and attractive venue for live events. The façade of the building will be a notable improvement in the surrounding area, and as a major property will help lift the notoriety of surrounding businesses, possibly inducing capital improvements to surrounding properties. The interior will be restored with specific attention given to its initial features, preserving the memory for future generations. Hollywood Casino Springfield will use the property to host its live events, and the Paramount will host non-affiliated events as well. The inclusion of the Paramount will both restore this important cultural landmark and appropriately incorporate it into the Hollywood theme. The net effect will drive visitation from the proposed casino resort south towards the core of downtown Springfield.

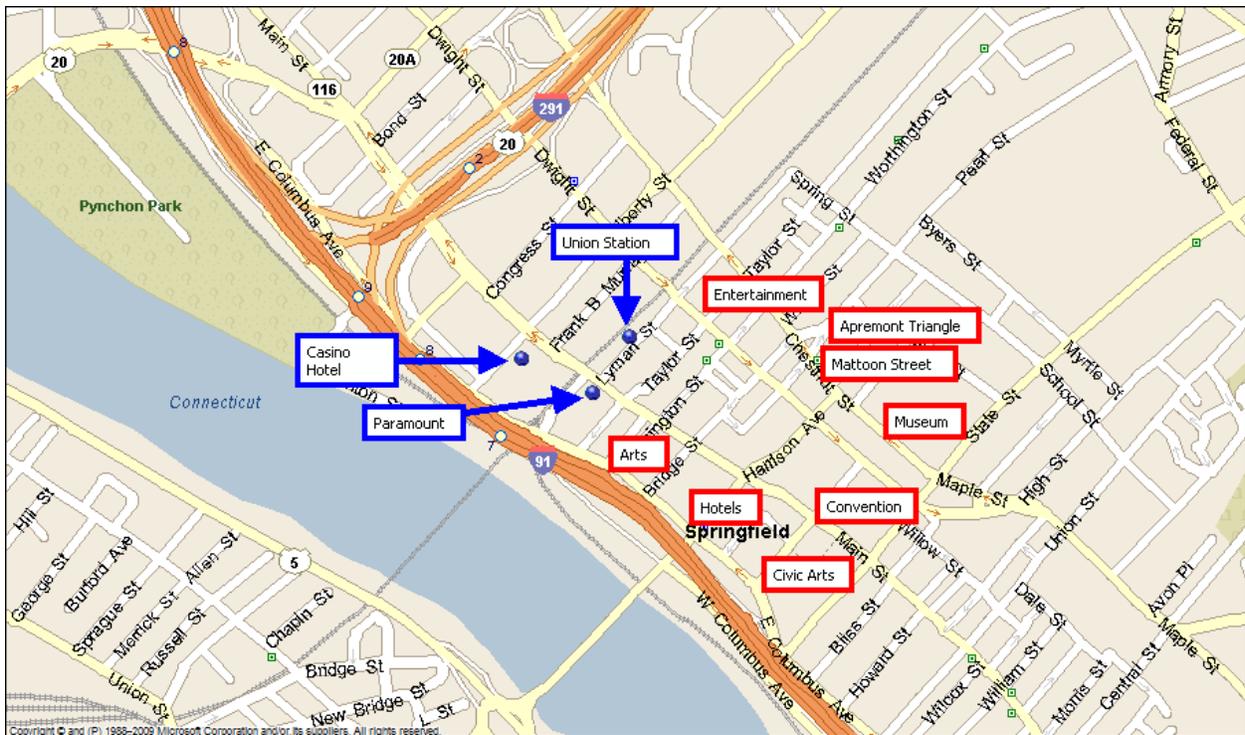
Businesses in the area will experience increased patronage, as people that make their way to the theater will park, dine, and shop before and after performances.

The Hollywood Casino Springfield will also reach east to the redevelopment of Union Station. Union Station is currently closed, with its substitute being no more than a train station consisting of a ticket window, waiting room, and vending machines. It functions only as a point of departure and arrival and has otherwise negligible positive economic impact on the downtown. The redevelopment of Union Station was the long-term project indicated in the Urban Land Institute's ("ULI") 2006 Advisory Services Panel Report for the City of Springfield. The only reason the project was not a more immediate priority was the clear indication that current market conditions did not justify the investment. The ULI indicated that a more well-defined plan for the facility should include state and federal investment and improved connections to the surrounding community. The City of Springfield has secured funding for the \$48.6 million first phase of the redevelopment, which includes the restoration of the terminal building, the construction of a 28-bay bus terminal and parking deck at the current location of the baggage building, and the restoration of the tunnel linking the rail boarding platforms. An additional \$30 million is required for the second phase, which includes administrative offices, additional parking, and development of commercial space for passenger amenities. This phase is currently unfunded. Overall, the restoration's goal is to provide a modern facility while restoring the building to its former glory.

The City of Springfield has asked Peter Pan Bus Lines, which currently operates the bus terminal in Springfield, to move its operations to the renovated Union Station. Peter Pan Bus Lines' analysis shows that while there are potential benefits to relocating, the move is currently not financially feasible without the sale and reuse of its existing property. However, the Hollywood Casino Springfield aims to create a financially viable solution for the community by redeveloping Peter Pan Bus Lines' current location and also ensuring funding for the second phase of the Union Station master plan. The relocation of the bus operations will be critical to the success of Union Station, as was experienced in a very similar redevelopment effort in Worcester and recognized in the ULI. Overall the proposal will leverage and supplement the secured first phase funding while creating a robust transportation hub for the community and reaching an important long-term goal well ahead of the envisioned time-frame. The redevelopment of Union Station is crucial to the revitalization of the downtown, and is not viable as a train station alone. The relocation of Peter Pan Bus Lines to Union Station can only be accomplished by facilitating re-use of the existing location. At present, no other opportunity outside of this proposal will enable this relocation. Importantly, this relocation retains all existing Peter Pan employment with the city.

The Springfield Republican will also need to be relocated. The news organization has evolved dramatically over the last decade and turned the industry's challenges into new opportunities and growth. The proposed move will continue to foster this remarkable performance by first establishing a new printing facility within the City of Springfield, but outside of the downtown area. The new printing facility will feature increased space for additional printing presses, which is a growing part of The Republican's business. The reporting, publishing, and broadcasting elements of the organization will be relocated to a central downtown Springfield location. The relocation will target existing and available space in the downtown area, where finding new tenants to lease a relatively large amount of vacant space is a noted objective of the ULI report and the community. Management envisions a dynamic, highly visible information hub on street level that will inject energy into the area and welcome residents and visitors as an integral part of the community. News broadcasting, interviews, and live events will be core attractions that will supplement the open spaces and internet access and collectively foster community involvement, sharing of ideas and perspectives, and the dissemination of information.

The cumulative improvements to The Springfield Republican, Peter Pan, Paramount, and Union Station parcels will dramatically improve the streetscape at the northwest end of downtown Springfield along Main Street and Lyman Street while bringing a new and energetic presence to an existing and centrally located space for The Republican's news, broadcasting, and entertainment operations. Improving Main Street was a specific recommendation in the ULI report, and the proposed improvements will anchor the northwest end of the downtown core. Within the context of that report, the area between the Hotel, Civic Arts, Arts, and Convention Center Cores and the proposed developments are expected to benefit. These areas are shown in the following map, with the ULI designated cores noted in red. Additional hotel rooms, the casino, and the additional meeting space will help to increase the City's notoriety and visitation by conventioners and exhibitors as well as leisure tourists staying at the property or others moving between the casino, their lodging, and other tourist attractions in the City. The renovated Paramount Theater and the existing arts facilities will also likely generate additional cross-visitation by both professionals and patrons, with the overall intention of increasing the attractiveness of the downtown area as an entertainment destination by broadening the offering. In summary, the master plan and its incorporation with specific downtown elements will lead to further patronage in surrounding businesses as tourists and residents make their way to the downtown area and between the existing and new attractions.



Location and Access

The location and access of the proposed development will be primary considerations to potential customers, and as such were reviewed. The development will be located along Main Street and at the northwest end of the downtown area. The location is near the intersection of Interstates 90 and 91. Interstate 90, also known as the Mass Pike, runs from Boston to the east and through Albany to the west. Interstate 91 runs north and south, from Vermont, south of Springfield, to Hartford and the Connecticut coastline. These two highways are the primary method by which distant travelers reach the proposed location, although all motorists using Interstate 90 will need to travel on Interstate 91 or 291 to reach the proposed Hollywood Casino Springfield.

Within the Springfield area more immediate highway access will be provided by Interstate 291, which runs between Interstates 90 and 91 and directly passed the proposed location. From the south, west, and north, a vehicle would reach Interstate 291 north and take the Exit 2, which is almost immediate as the vehicle enters from Interstate 91. The exit provides access to Dwight Street or Chestnut Street, which provide access to the site within a few blocks of travel along Congress and Liberty Streets. From the east, a vehicle would use Interstate 90 to reach Interstate 291, and then also use Exit 2 and reach the proposed location in a similar fashion. Access along Interstate 91 is also facilitated by exits 6 and 7, but these circuitous paths will not be preferred by drivers that know the area, including the property's local customer base.

In fact, many local visitors may also use this highway system to reach the property. However, the location at the intersection of Main and Liberty Streets is itself a significant crossroads within the northern part of the downtown area with good access for vehicles. The developer has indicated a commitment to invest in the needed traffic improvements. Signage will guide vehicles to either valet or self parking, which will be free for players in the casino and guests to the hotel. It is assumed that the net effect of the planned improvements, signage, and access will minimize delays for vehicles coming and going to and from the property.

Pedestrians will also be able to access the property along Main Street. Sidewalks run along both sides of Main Street from the property to the central downtown area, which is roughly three to six blocks away. Residents and visitors will benefit from the visibility of the property and immediate access along Main Street. Some storefronts between these two areas will receive substantial investments, including the Paramount Theater and Union Station. This will lead to investments in other private property along Main Street, including retail businesses, making the walk from the existing downtown core more pleasant.

Current Gaming Environment

The Northeast market in the United States, including New England, has become significantly more competitive in recent years. Gaming is currently available in three New England states, Connecticut, Rhode Island, and Maine, and in neighboring New York. For the proposed Hollywood Casino Springfield, the large casino resorts in Connecticut will present the primary competition, with less immediate competition for potential patrons from outer market areas coming from the Twin River facility in Rhode Island and facilities located in eastern New York. Facilities in Maine are distant enough that, when combined with the scale and scope of their operations, they do not attract meaningful patronage from Massachusetts.

The University of Massachusetts at Dartmouth estimates that \$908.7 million is spent by Massachusetts residents in other New England casinos. The strategic placement of the proposed casino resorts will both recapture some of this revenue as well as generate revenue from residents of other states.

Existing Competition

Connecticut

Two casino properties, Foxwoods and Mohegan Sun, are located in the eastern part of Connecticut. The properties pay 25% of slot revenue through a revenue sharing agreement with the state and no tax on table revenue. This leads to an effective tax rate of 18% of gross gaming revenue ("GGR"). The two massive Native American properties have historically competed for guests from Massachusetts and New York and even further. To attract guests relatively large distances, extensive arrays of amenities have been developed including hotels, meeting space, restaurants, nightclubs, retail shopping, and spas. The two Connecticut properties have evolved into two of the largest properties in the world when measured by the number of gaming positions they offer. In recent years, however, the number of slot machines offered in Connecticut has declined at these properties as increased competition from the Twin River facility in Rhode Island and newer facilities in New York have combined with the economic recession to impact business levels.

The Mashantucket Pequot Tribal Nation operate Foxwoods Resort Casino, which was expanded several times following its 1992 opening due to the success of the operations. In 2008 the attached MGM at Foxwoods was opened, and the property now operates approximately 6,200 slot machines and 360 table games in addition to 2,200 hotel rooms and an array of other amenities. The newer MGM section of the facility has a more modern and higher quality feel that leave it with a more up-market positioning when compared to the remainder of the facility, which has 3 other lodging options. MGM and Foxwoods are separated by a promenade that brings customers past approximately 85,000 sq. ft. of meeting space as well as approximately 30 retail outlets. The promenade extends into the Foxwoods end of the property, with six different casino gaming areas, retail outlets, and food and beverage outlets. Overall, while the facility does have a broad footprint, its size alone enables it to offer a range of customer experiences across dining, lodging, and gaming such that it is able to cater to clientele with varying preferences and budgets.

Mohegan Sun was opened in 1996 and currently offers approximately 5,800 slot machines, 325 table games, and approximately 1,200 hotel rooms in addition to 100,000 sq. ft. of meeting and convention space, food and beverage outlets, retail shops, a spa, and a 10,000-seat arena. While the property has also been expanded since its opening, it offers a more manageable environment that features a

consistent quality, look and feel throughout the facility. Overall Mohegan Sun's positioning, as reflected in the quality of its facility as well as its amenities and marketing, is high.

Based on public filings at Mohegan Sun and research conducted by the University of Massachusetts Dartmouth Center for Policy Analysis, the positioning, marketing, and locations of the facilities contribute to some differences in visitation patterns. In particular, Foxwoods tends to capture more of the Massachusetts and Rhode Island markets while Mohegan Sun captures more visitors from Connecticut and New York. These visitation patterns were taken into consideration in the development of our analysis for the proposed Hollywood Springfield Casino.

Rhode Island

Two casino properties operate in Rhode Island, Twin River and Newport Grand, under the state's lottery legislation. Newport Grand's remote and distant location does not make it a convenient alternative for many residents of Massachusetts when compared to Twin River. Under the lottery legislation, the properties pay 61.55% of GGR to the state, although 0.45% is dedicated to a marketing program which may include free play offered to patrons. Another 2.5% of GGR (up to \$500 million, with varying payment rates thereafter) is paid to the State's gaming systems provider, GTECH.

Twin River offers approximately 4,750 video lottery terminals ("VLT" or "VLTs") including 20 electronic gaming tables that offer blackjack, roulette, and craps. The property is located between Providence and Boston, and is convenient for people living in this densely populated and heavily traveled corridor. The high effective tax rate prevents the property from making substantial investments in hotel rooms or a broad array of amenities, leading to a limited capture of potential patrons. The amenities at the facility currently include a handful of restaurants and bars, a comedy club, and a 2,000-seat arena. The limited ability to make investments or market the property have driven a positioning and visitation pattern best described as convenience gaming. The property's location helps it achieve a high revenue number despite these challenges.

In November of 2012 Rhode Island voters approved the expansion of gaming at Twin River to include live table gaming. Management has indicated it will initially offer 65 table games starting in the summer of 2013 and could expand to 100 table games if demand warrants the additional supply. The table games will be subject to an 18% tax on gross gaming revenue. In SMA's analysis the addition of table games at Twin River was assumed.

New York

New York currently offers VLTs at race tracks in the state and also hosts several Native American tribes that offer both slot machines and table games. While none of these facilities are easily accessible from Springfield, the closest are located in Saratoga Springs and the New York City metropolitan area. Either location is approximately a 2-hour drive, and traffic patterns and congestion between Springfield and the nearby New York locations typically extend drive times and deter travel. According to the American Gaming Association, the effective tax on gross gaming revenue in New York is 66.5%. The tax code is complicated as it involves allowances for certain expenses, but the overall effect is that the tax structure is prohibitive in that these properties, like the Twin River facility in Rhode Island, are not able to make substantial capital expenditures and/or market to a broader geographical customer base. These properties experience extremely limited visitation from Massachusetts residents due to the dynamic created by the combined constraints of access and effective tax rates. It is likely that any visitation from

Massachusetts is in fact incidental, meaning that the primary purpose of being in New York is something other than visiting a casino.

Expansion to include the development of casino resorts has been discussed in New York recently. No legislation has passed either house of the legislature.

Revenue in Southern New England

The following table shows the revenue from slot machines in Connecticut and VLTs in Rhode Island over the last five calendar years. Over that period of time, Twin River is the only property that experienced revenue growth. Twin River opened its expanded facility in 2007, and the new supply did attract some additional play. Also benefiting Twin River was a broad economic slowdown, which benefited from its more convenient location. The MGM Foxwoods property opened a year later and suffered from worse timing, as financial markets were turbulent that year and financial firms were bailed out by the federal government. Revenue at Foxwoods declined in the face of the expansion, and the broad performance put financial pressure on all three of the large southern New England operators.

Win per machine per day averaged \$274 in 2011. Mohegan Sun generated \$309 per machine per day, the only property to generate a premium. Trends show that the broad decline in revenue has slowed and is showing signs of reaching a bottom.

Southern New England Electronic Gaming Machine Revenue						
	2007	2008	2009	2010	2011	CAGR ¹
Foxwoods						
Machine Revenue	\$783,357,701	\$728,024,927	\$684,424,106	\$649,020,622	\$633,815,234	-5.2%
Machine Count	7,240	7,734	7,641	6,964	6,440	-2.9%
Win/Machine/Day	\$296	\$257	\$245	\$255	\$270	-2.3%
Mohegan Sun						
Machine Revenue	\$901,151,565	\$842,873,026	\$763,879,790	\$736,157,773	\$712,346,164	-5.7%
Machine Count	6,061	6,300	6,752	6,405	6,318	1.0%
Win/Machine/Day	\$407	\$366	\$310	\$315	\$309	-6.7%
Twin River						
Machine Revenue	\$375,379,866	\$407,503,857	\$399,662,955	\$423,660,592	\$462,793,306	5.4%
Machine Count	4,237	4,748	4,741	4,749	4,748	2.9%
Win/Machine/Day	\$243	\$234	\$231	\$244	\$267	2.4%
Newport Grand						
Machine Revenue	\$72,701,038	\$67,546,725	\$61,505,924	\$53,297,539	\$50,071,495	-8.9%
Machine Count	1,074	1,244	1,484	1,182	1,097	0.5%
Win/Machine/Day	\$185	\$148	\$114	\$124	\$125	-9.4%
Total						
Machine Revenue	\$2,132,590,171	\$2,045,948,535	\$1,909,472,776	\$1,862,136,525	\$1,859,026,199	-3.4%
Machine Count	18,611	20,025	20,618	19,299	18,603	0.0%
Win/Machine/Day	\$314	\$279	\$254	\$264	\$274	-3.4%

Source: State reporting agencies

1) compounded annual growth rate

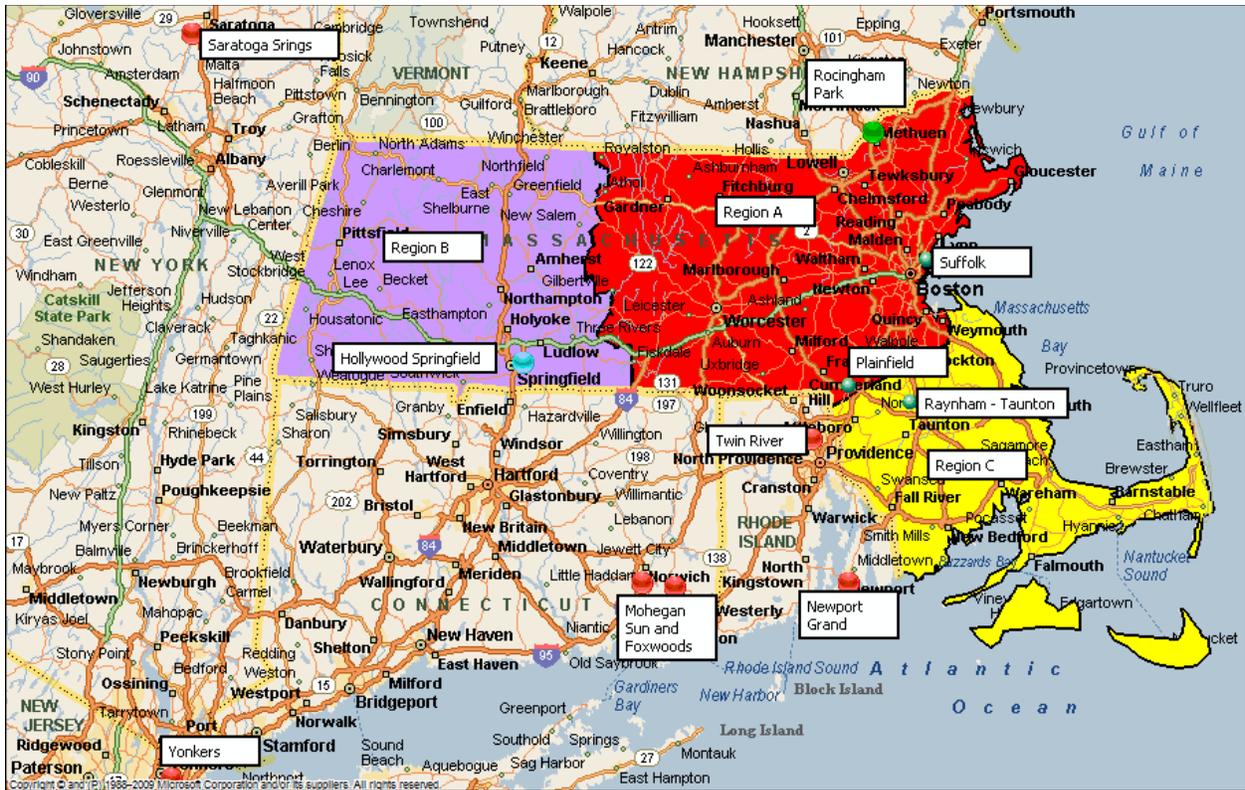
Table game revenue at the two Connecticut facilities is not included in the statistics above. According to its historical filings with the Securities and Exchange Commission, Mohegan Sun generates approximately 29.5% of its gross gaming revenue from table games. Assuming Foxwoods performs similarly, gross gaming revenue in southern New England was approximately \$2.4 billion in 2011.

Proposed Expansions of Casino Gaming

Massachusetts

Casino gaming in Massachusetts was approved in 2011 with the targeted development of up to three casino resorts and one slot parlor located at a race track, also referred to as a racino. A Category 1 license permits the operation of a casino resort offering slots and table games and requires an \$85 million licensing fee, minimum \$500 million investment, and 25% tax on gross gaming revenue in addition to fees offsetting regulatory costs and increases in public health expenditures. A Category 2 license permits the operation of a racino and requires a \$25 million licensing fee, minimum \$125 million investment, and a 40% tax on gross gaming revenue and additional 9% assessment for the Race Horse Development Fund.

Three regions are each allocated a Category 1 gaming license. Region A includes Suffolk, Middlesex, Essex, Norfolk, and Worcester counties. Suffolk Downs intends to apply for this license, with other interested parties also considering the Boston area. Region B includes the western part of the Commonwealth: Hampshire, Hampden, Franklin, and Berkshire counties. This license is assumed to go to Hollywood Casino Springfield in this study. Region C includes Bristol, Plymouth, Nantucket, Dukes, and Barnstable counties. Language in the legislation gives preference for this license to go to a Native American tribe, and the Mashpee have sought land in Taunton to be brought into Trust with the Bureau of Indian Affairs for gaming purposes. This process is complicated and the Mashpee have been unsuccessful to date. The Massachusetts Gaming Commission has signaled that it will move forward in this region and initiate an open bidding process similar to other regions sometime in the future if the Mashpee are unable to bring land into Trust. If a commercial casino is constructed and the Mashpee subsequently are able to acquire land and have it brought into Trust, two casinos could compete and would both likely be located in this region. A third, and more complicated process, is associated with a potential second Native American property that would be build on Martha's Vineyard.



The western part of Massachusetts is currently relatively free of competition from both inside its borders and from neighboring jurisdictions. The closest properties are in Connecticut, Rhode Island, and New York. While those markets do attract visits from western Massachusetts, the distance of those facilities causes a low level of penetration into the potential customer base with all of the revenue accruing at facilities located outside of the Commonwealth. This presents a substantial opportunity for the Hollywood Casino Springfield to retain revenue already being generated in the state, attract revenue from nearby residents of neighboring states, and further develop the market in the region.

New Hampshire

Attempts to legalize casino gaming in New Hampshire date back to 1999, but have gained momentum in recent years and were further enhanced by the November 2012 elections. While discussions have included a number of potential development scenarios, the most meaningful potential development relative to Massachusetts is the proposed Rockingham Park facility in Salem. This potential development is located close to Boston, and would largely draw from the eastern part of Massachusetts and southern New Hampshire. Previous legislation was under threat from the governor, whereas the governor elect has stated she supports casino gaming in the state.

Qualitative Discussion of Proposed Competitive Environment

The casino resorts planned for Massachusetts will likely be developed at budgets significantly above the required minimum investment of \$500 million. The 25% tax on gross gaming revenue will enable the resorts to compete against the Connecticut properties, which pay an effective tax rate of 18%. While Massachusetts properties will still be at a disadvantage on this metric alone, the proximity of the new facilities to key source markets within Massachusetts will more than overcome this dynamic and the facilities are expected to generate substantial gaming revenue.

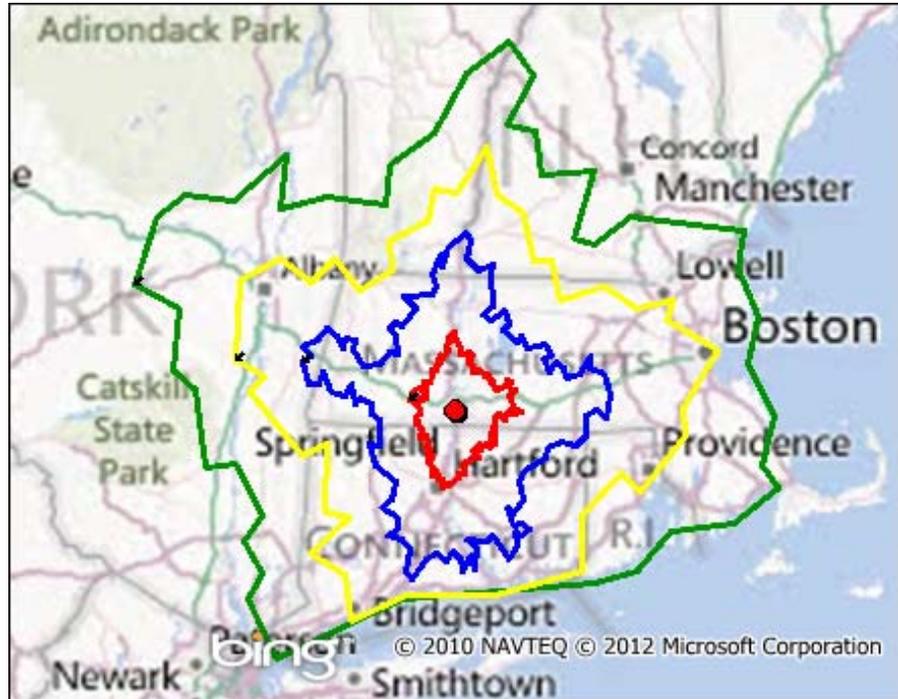
While Region B is less densely populated, it will also be subjected to less competition. Springfield is centrally located at the intersections of Interstates 90 and 91, putting it in an easily accessible location for both residents of the state as well as nearby states to the south, west, and north. In particular, the nearby Hartford metropolitan area will find the Hollywood Casino Springfield to be convenient compared to the existing alternatives. Competition is expected to come from assumed casino resorts at Suffolk Downs and Taunton and a racino in Plainville. In addition, this analysis assumes that table games are offered at Twin River. No expansion is assumed in New Hampshire or New York.

Local Market

As in other commercial casino markets, the local population will be a key source of visitation and revenue at the proposed Hollywood Springfield Casino. The demographics and economics in the region are therefore a key consideration.

The demographics including the population, adult population, and incomes were evaluated using a geographic information system ("GIS") that queried the population within 30, 60, 90, and 120-minute drive times from the proposed location.

As can be seen in the accompanying map, drive times cover a broad footprint in the densely populated Northeast. Major cities within the catchment area include Boston, Providence, Worcester, and Hartford. Following a discussion of the population economic metrics including income levels and unemployment are provided.



Population

In 2011, the total population within a 2-hour drive of the proposed development is estimated at 13.1 million. By 2016, the population is expected to reach 13.3 million, reflecting a compound annual growth rate ("CAGR") of 0.37%, lower than the national average of 0.83%. Adults over the age of 21 accounted for 9.6 million, or 73.5% of the total population living with a 2-hour drive of the proposed development in 2011. The adult market is projected to grow at 0.77% annually, faster than the total population, to reach 10.0 million by 2016.

The innermost drive time ring (0-30 minutes) contained an estimated 529,755 adults in 2011. This population is expected to grow over the next five years at a CAGR of 0.6% to reach 545,899 million adults by 2016. The population living within the drive time rings increases as the distance from Springfield increases. This is not atypical, as more distant drive time rings incorporate larger areas. Larger metropolitan areas are included in more distant regions, enhancing this dynamic and creating a significant addressable market. The 30-60 minute drive time ring includes Hartford and Worcester and accounts for approximately 14% of the forecasted 2016 adult population living within 120 minutes of the proposed location. The 60-90 minute drive time ring is projected to grow at 0.77% and reach 3.9 million adults in 2016. This region includes Boston, Providence, and Albany. The 90-120 minute ring is expected to be home to over 4.1 million adults by 2016, 41% of the total. This region includes many of the densely populated coastal suburbs of Boston, Rhode Island, and Connecticut, including parts of the New York City Metropolitan Statistical Area.

Population Statistics for Proposed Springfield Casino Hotel Area

Region	2011		2016		Total	21 and Over
	2011 Total Population	Population 21 and Over	2016 Total Population	Population 21 and Over	Population CAGR ¹	CAGR ¹
0-30 Miles	730,117	529,755	732,020	545,899	0.05%	0.60%
30-60 Miles	1,802,494	1,324,767	1,856,646	1,395,090	0.59%	1.04%
60-90 Miles	5,079,351	3,754,579	5,188,338	3,900,518	0.43%	0.77%
90-120 Miles	5,448,720	3,988,616	5,530,323	4,131,225	0.30%	0.71%
0-120 Miles	13,060,681	9,597,717	13,307,327	9,972,732	0.37%	0.77%
United States	311,873,842	223,064,863	325,105,102	235,211,009	0.83%	1.07%

Source: Strategic Market Advisors, Applied Geographic Solutions

1) compounded annual growth rate

The Local Economy

This section discusses income, employment by industry, and the labor force and unemployment rate in the Springfield area.

Incomes

The Average Annual Household Income (“AAHI”) for the area within a 2-hour drive of the proposed facility was over \$92,000 in 2011, 25% higher than the national average. The AAHI for the market is expected to grow 2.47% (slightly higher than the national average) per year over the next five years, reaching over \$104,000 by 2016. While the AAHI for the innermost drive time ring for 2016 is projected to be roughly equivalent to the national average, incomes in the 30-120 minute range from the proposed site appear to be higher. This dynamic reflects the diverse economies of the Boston and New York metropolitan areas and the region overall.

Income Statistics for Proposed Springfield Casino Hotel Area

Region	2011 AAHI ¹	2016 AAHI ¹	CAGR ²
0-30 Miles	\$71,643	\$80,712	2.41%
30-60 Miles	\$84,291	\$94,969	2.41%
60-90 Miles	\$92,080	\$104,214	2.51%
90-120 Miles	\$97,484	\$110,030	2.45%
0-120 Miles	\$92,088	\$104,051	2.47%
United States	\$73,458	\$81,974	2.22%

Source: Strategic Market Advisors, Applied Geographic Solutions

1) average annual household income

2) compounded annual growth rate

Employment

Springfield is the economic center of western Massachusetts with a concentration of businesses that are active in the Pioneer Valley area. It is home to regional services including the retail, entertainment, banking and finance, legal, and medical fields. Furthermore, the city is home to MassMutual Financial Group, one of Massachusetts's largest firms. Other major firms include manufacturers such as Smith and Wesson and health care providers such as Baystate Health. Regionally the Pioneer Valley is also referred to as the Knowledge Corridor and is home to 32 universities and liberal arts colleges. These institutions not only provide an educated work force, but also drive research and innovation that supports the local economy.

The following table shows labor statistics for the Springfield area as collected by the US Bureau of Labor Statistics. In September 2012, the most recent statistics available, unemployment in the area was 7.5%, a full percentage point above the rate of the Commonwealth of Massachusetts. Over 25,000 people could not find employment while the total number of nonfarm jobs was unchanged from a year earlier. Over this same timeframe, the number of jobs in Massachusetts had increased by 1.3%.

There as an estimated 7,600 jobs in the mining, lodging, and construction industry, down nearly 27% from a year earlier. The construction of the proposed casino resort and other related projects would create jobs in this industry, and that increase in employment will be projected later in this report. In addition, the ongoing operations would create positions in several sectors including leisure and hospitality, lodging, information technology, financial activities, and professional and business services. Those positions would be required for the ongoing operations to continue, and the new industry and subsequent employment would create jobs and help lower the unemployment rate.

Overall the distribution of jobs within the various sectors shows the dynamic nature of the region’s economy. For example, to offset the aforementioned loss in employment in the mining, lodging, and construction sector, employment in the leisure and hospitality and the professional and business services sectors increased. Given recent and broader economic challenges, this performance is impressive and demonstrates the economic stability of the region.

Springfield, MA Census Region Employment Statistics
September 2012

Labor Force Data	
Civilian Labor Force	342.0
Employment	316.4
Unemployment	25.6
Unemployment Rate (%)	7.5
Nonfarm Wage and Salary Employment	
Total Nonfarm	289.6
12-Month % Change	0.0
Mining, Lodging, and Construction	7.6
12-Month % Change	-26.9
Manufacturing	30.3
12-Month % Change	-3.2
Trade, Transportation, and Utilities	58.1
12-Month % Change	2.3
Information	3.9
12-Month % Change	-2.5
Financial Activities	15.5
12-Month % Change	0.6
Professional and Business Services	25.3
12-Month % Change	5.9
Education and Health Services	59.3
12-Month % Change	-1.5
Leisure and Hospitality	30.4
12-Month % Change	9.4
Other Services	10.6
12-Month % Change	0.0
Government	48.6
12-Month % Change	-1.4

Source: US Bureau of Labor Statistics
Note: Job numbers in thousands, not seasonally adjusted

Local Market Methodology

A gravity model was used to project the GGR to be generated by the proposed Springfield Hollywood Casino Resort. The major components incorporated into the gravity model include the proposed size of the subject facility and its competitors, the amenities available at each facility, the regional adult population, and the distance those people live from each casino gaming alternative. In part due to its ability to include all of these elements, and also due to support from empirical evidence, the gravity

model is widely seen as the most accurate modeling tool available to analysts forecasting casino gaming revenue.

Background

As gravity models quantify both the effects of size and distance, they have enjoyed great success in a number of applications. These include international trade, migration, trip distribution (transportation planning), and retail applications. In each instance, a function of mass is directly proportional to the attractiveness of each subject element. These can include the natural resources of a region, level of economic activity, or square footage of a proposed retail development. In addition, an inversely proportional relationship exists between visitation and distance. In other words, a greater distance makes visitation from any particular region less likely. This relationship has been shown to be exponential, such that the effects of a doubling in distance is amplified through a series of non-linear equations and leads to a precipitous loss in visitation.

Gravity models have been in use in these various economic and social applications since the late 1920s and are named for Newton's law of universal gravitation, after which the model is factored. This physical law states that the attraction between two masses is directly proportional to their size and inversely proportional to the distance that separates them. Isaac Newton's law takes the form:

$$F=G * \frac{m_1*m_2}{d^2}$$

Where:

F= the force attracting two objects

G= the gravitational constant

m₁ = the mass of the first object

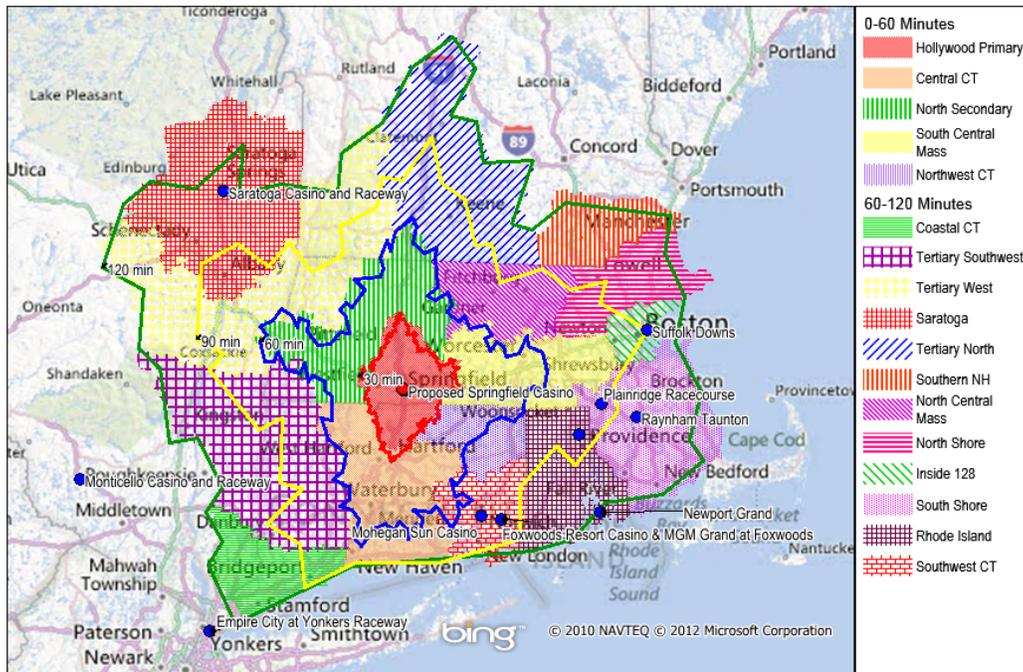
m₂ = the mass of the second object

d = the distance separating the two masses

In its application to casino gaming, the force is visitation, the gravitational constant is an attractiveness factor, the two masses reflect the size of the facility and the population, and the distance separates the two masses. For this analysis, block group data on populations and incomes collected from the US Census and updated by third-parties was used.

Market Areas

The first step in developing the gravity model is to define market areas. The catchment area of the model was designed to include the population living within a day trip of the proposed facility, estimated to be up to a 2-hour drive, and was further segmented into seventeen market areas. Each market area is defined to incorporate a number of factors including competition in the region, distance, the transportation network, accessibility, income levels, and competing forms of entertainment. For each defined market area shown in the following map demographics were compiled. Particular consideration was paid to the area within a 30-minute drive of the proposed location due to the unique characteristics of the regional economy, the road network in the area, and the lack of immediate competition.



The following table reflects the population and incomes for each of the designated markets. The market areas, which are largely comprised of the area within a two-hour drive of the proposed facility, had a population of 9.8 million and an average annual household income of \$92,766 in 2011. This is nearly \$20,000 higher than the national average. The core Hollywood Primary market that lies within a 30-minute drive time of the facility had an estimated adult population of 523,247 in 2011. The AAHI for this submarket is \$73,616, roughly equivalent to the national average.

Many of the markets outside of a 30-minute drive from the proposed location have incomes significantly higher than average. This includes three of the five markets that lie within a 60-minute drive of Springfield. For the markets between a one and two-hour drive of Springfield, there are essentially two groups. The markets in eastern Massachusetts and along the coastline are generally characterized by higher incomes and populations. Many of the markets to the west and north are characterized by smaller populations and income levels similar to the national average. These markets are expected to feature less competition, which will help the Springfield property capitalize on its location near the intersection of Interstates 90 and 91.

Market Area Demographics						
Market	Population			Average Annual Household Income ("AAHI")		
	2011	2016	CAGR ¹	2011	2016	CAGR ¹
Hollywood Primary	523,247	539,877	0.6%	\$73,616	\$82,576	2.3%
Central CT	1,130,887	1,196,047	1.1%	\$87,988	\$99,170	2.4%
North Secondary	124,502	129,027	0.7%	\$70,605	\$79,308	2.4%
South Central Mass	669,200	690,645	0.6%	\$107,251	\$121,581	2.5%
Northeast CT	104,206	112,947	1.6%	\$83,269	\$92,943	2.2%
Coastal CT	722,311	759,688	1.0%	\$148,130	\$164,397	2.1%
Tertiary Southwest	636,072	667,713	1.0%	\$93,593	\$104,252	2.2%
Tertiary West	198,264	207,284	0.9%	\$70,872	\$79,887	2.4%
Saratoga	695,661	737,480	1.2%	\$74,780	\$84,217	2.4%
Tertiary North	174,743	180,962	0.7%	\$74,935	\$84,982	2.5%
Southern NH	406,074	410,274	0.2%	\$93,036	\$106,376	2.7%
North Central Mass	208,971	214,896	0.6%	\$85,554	\$96,842	2.5%
North Shore	761,795	792,706	0.8%	\$104,237	\$116,562	2.3%
Inside 128	1,408,926	1,443,848	0.5%	\$91,450	\$104,241	2.7%
South Shore	1,035,218	1,070,358	0.7%	\$89,795	\$102,923	2.8%
Rhode Island	775,476	785,090	0.2%	\$77,831	\$91,302	3.2%
Southeast CT	230,387	247,477	1.4%	\$84,543	\$93,380	2.0%
Total	9,805,940	10,186,319	0.8%	\$92,766	\$104,921	2.5%

Source: Strategic Market Advisors, Applied Geographic Solutions

1) compounded annual growth rate

Methodology

Gaming behavior is defined for each market area by propensity and frequency. **Propensity** is defined as the percentage of adults that will visit a casino over a year and increases with the number and accessibility of facilities. Propensity typically drops precipitously as the distance required for a patron to travel increases. **Frequency** is the average number of times an adult will visit a casino. Like propensity, frequency is influenced by the number and accessibility of facilities available to any particular market area. When facilities are a greater distance, gaming behavior in a region will not be as high as if they were proximate. However, all other things being held constant, such as incomes and cost of living, those individuals will have higher gaming budgets on the occasion they visit a facility, thus offsetting to some degree less frequent visitation. It is important to note that more distant guests are more likely to take advantage of lodging, leading to increased overall average spending on gaming as well as other amenities, such as food and beverage and entertainment.

The adult population, propensity, and frequency are used to calculate the number of gamer visits generated by each region over a given year. Any one player may deviate from these assumed averages. These visits are then distributed throughout the market based on the distance from each region to each

market, with closer facilities receiving a greater share of visits than more distant ones, all other things being constant. In attracting gamer visits, facilities are distinguished from one-another by two metrics. The first is the number of **gaming positions** offered by each facility. The number of gaming positions is the number of players that can be accommodated at any one point in time and is calculated by adding the number of slot machines and the number of seats at table games. Thus, facilities with a greater number of gaming positions become more attractive to players.

The second element distinguishing each facility when distributing gamer visits is the **attraction factor**. Attraction factors are indexed and applied to the number of gaming positions to adjust for differences in facilities. They adjust for a number of factors outside of the number of gaming positions and can account for differences in the amenities available at a facility, the appeal of the facility within the market, branding, management's effectiveness marketing to and rewarding players, the variety of games, odds, and other factors. Attraction factors differentiate between the facilities in the market, and a facility with an attraction factor lower than the index is considered, overall, to be less attractive based on these factors, whereas a facility with an attraction factor greater than the index is deemed to be above average. A sub-set of attraction factors account for the transportation network, to reflect the challenges in road networks, congestion, bottlenecks, and other deterrents between any one market area and facility.

Each of these factors; adult population, propensity, frequency, gaming positions, and attraction factors, are used to distribute gamer visits originating in each region to each facility. The distribution of gamer visits therefore incorporates and quantifies information including the size of a facility, its amenities, its marketing efforts, rewards programs, and appeal to calculate and distribute gamer visits within the catchment area. For each market area, and specific to each facility, an **average win** is then applied. Average win tends to increase with disposable income levels and distance traveled. Projected GGR is then calculated by multiplying the estimated number of visits and the average win.

Calibration

Calibration is the initial step in preparing the model for forecasting future performance. Calibration integrates the recently observed dynamics in the catchment area by incorporating the observed performance to form a basis for further analysis. Information on gaming behavior and average win (also referred to as win per visit) is estimated based on other, comparable markets, disposable incomes in the region, information gathered through interviews with managers, data gathered in public filings, reported travel statistics from the Massachusetts Department of Transportation and Peter Pan Bus Lines, publicly available survey data, reported revenue levels from the existing properties in the region, confidential information shared by operators in this and other market areas, and our previous experience in and knowledge of the Northeast market. Adjustments were made to the model to account for win estimated to come from outside of the catchment area.

Gaming behavior is adjusted to forecast the total number of gamer visits originating within each market area. Next, gamer visits are distributed to the existing facilities based on adjustments to attraction factors, with minute adjustments enabled by attraction factors that are specific to each market for each facility. An iterative process of adjustments is undertaken to all of these factors to hone the model's forecasts to reflect the existing visitation patterns and revenue levels.

The gaming behavior and average win used in the calibration are included in the following table. The dependence of the existing operators on populations living in Massachusetts is focused on the eastern part of the Commonwealth and should be noted as this supports the notion that there is a significant market opportunity in the Springfield area.

Calibrated Gaming Behavior: 2011			
Market	Propensity	Frequency	Average Win
Hollywood Primary	28.0%	5.0	\$83
Central CT	34.0%	6.5	\$100
North Secondary	22.0%	5.0	\$80
South Central Mass	32.0%	6.0	\$100
Northeast CT	36.0%	8.0	\$88
Coastal CT	22.0%	5.0	\$120
Tertiary Southwest	24.0%	5.5	\$92
Tertiary West	30.0%	6.5	\$75
Saratoga	34.0%	8.0	\$74
Tertiary North	18.0%	4.0	\$82
Southern NH	22.0%	5.0	\$92
North Central Mass	28.0%	6.0	\$82
North Shore	22.0%	5.0	\$105
Inside 128	24.0%	5.0	\$90
South Shore	36.0%	8.0	\$86
Rhode Island	41.0%	12.5	\$80
Southeast CT	39.0%	11.0	\$82

Source: Strategic Market Advisors

Assumptions

In order to forecast revenue for the proposed Hollywood Casino Springfield Resort, a series of assumptions were made including:

- The Hollywood Casino Springfield will be constructed as described herein and open on January 1, 2017 with 2019 being the first year of stabilized operations; and
- The facility will be constructed as described earlier in this report; and
- The expansion of casino gaming will only include the addition of table games at Twin River and the development of two other casino resorts and one racino in the eastern part of Massachusetts over the forecasted period; and
- A gaming tax of 25% will be assessed on GGR; and
- Economic conditions will continue to gradually improve; and
- The facility is managed by a professional, experienced management team that will initiate marketing efforts throughout the market in advance of opening.

Revenue Forecasts

From the calibration the first step in modeling future revenue was to account for forecasted growth in population and incomes. The forecasted change in these demographics accounts for changes upon opening of the proposed resort. Introductions to supply including the subject facility, other expected additions in the Commonwealth of Massachusetts, and expansions at existing facilities were added to

the available supply in the region. Corresponding adjustments to gaming behavior are also made to account for changes in supply. As in other markets, the addition of a casino is expected to lead to an increase in gaming behavior in underserved areas. These increases are expected to affect market areas within proximity to the proposed facilities, including proximate market areas that will be targeted through marketing efforts. Therefore, the overall market will grow with the addition of the new developments and subsequent accessibility, supply, and marketing efforts.

The next table shows the subsequent estimated gaming visits, average win, and GGR by market and in total for visits from the local market for the first full year of operations. As the table shows, the local market is expected to drive an estimated \$343.6 million in GGR in its first full year of operations.

Estimated Win for Proposed Hollywood Springfield			
Market	Visits	Average Win	Total Win
Hollywood Primary	1,680,774	\$86	\$145,154,128
Central CT	917,047	\$104	\$95,418,712
North Secondary	103,286	\$83	\$8,597,535
South Central Mass	123,567	\$104	\$12,857,183
Northwest CT	41,572	\$92	\$3,806,479
Coastal CT	64,276	\$125	\$8,025,546
Tertiary Southwest	299,123	\$96	\$28,633,807
Tertiary West	149,403	\$78	\$11,659,065
Saratoga	239,735	\$77	\$18,458,901
Tertiary North	43,333	\$85	\$3,697,241
Southern NH	13,931	\$96	\$1,333,515
North Central Mass	32,999	\$85	\$2,815,543
North Shore	16,749	\$109	\$1,829,821
Inside 128	1,509	\$94	\$141,268
South Shore	4,567	\$89	\$408,687
Rhode Island	6,408	\$83	\$533,432
Southwest CT	2,423	\$85	\$206,728
Total	3,740,702	\$92	\$343,577,591
Source: Strategic Market Advisors			

Tourist Market

With a convenient location near the intersections of the two major interstates in the area, Springfield is both a gateway to Pioneer Valley and a destination itself. It is the largest city in western Massachusetts and has become a cultural and entertainment hub as well as a business center. As a cultural hub the city offers five museums in the heart of its downtown, coordinated with the nearby Dr. Seuss National Memorial, as well as live performances at venues such as its Symphony Hall. Families enjoy attractions such as The Zoo in Forest Park, the Naismith Memorial Basketball Hall of Fame, and Six Flags New England. As a regional economic hub, the city also attracts a substantial number of people visiting for business, a position bolstered by the MassMutual Center's ability to host larger groups as well as sporting events and concerts.

Trip Characteristics

The Greater Springfield Convention and Visitors Bureau ("GSCVB") conducted a survey to better understand tourists' travel planning process and trip characteristics. The GSCVB collected 487 respondents in its most recent survey, conducted in 2008. In that survey, 29% of visitors reported being on a day trip to the area while 71% reported staying overnight. The median party size includes two adults and roughly half of all parties have children. When considering that 60% of all survey respondents report being on a leisure trip, and another 22% are visiting friends or family, it appears that the region attracts a lot of groups traveling for leisure purposes, with families being a significant component. The following table shows the primary purpose of survey respondents' trips and does not add up to 100% due to a rounding error.

Primary Purpose of Trip	
Pleasure Vacation	60%
Visit Friends or Family	22%
Business	6%
Meeting or Convention	5%
Personal	5%
In transit	3%

Source: Greater Springfield Convention and Visitors Bureau

Nearly half of all visitors to the region stay in a hotel or motel, three times the number of people that stay with friends or family, the next most popular accommodation. No other lodging choice was noted by more than 3% of respondents. Overnight parties reported an average stays of 4.9 nights, a number that may be skewed slightly by those visiting friends and family, who tend to stay longer.

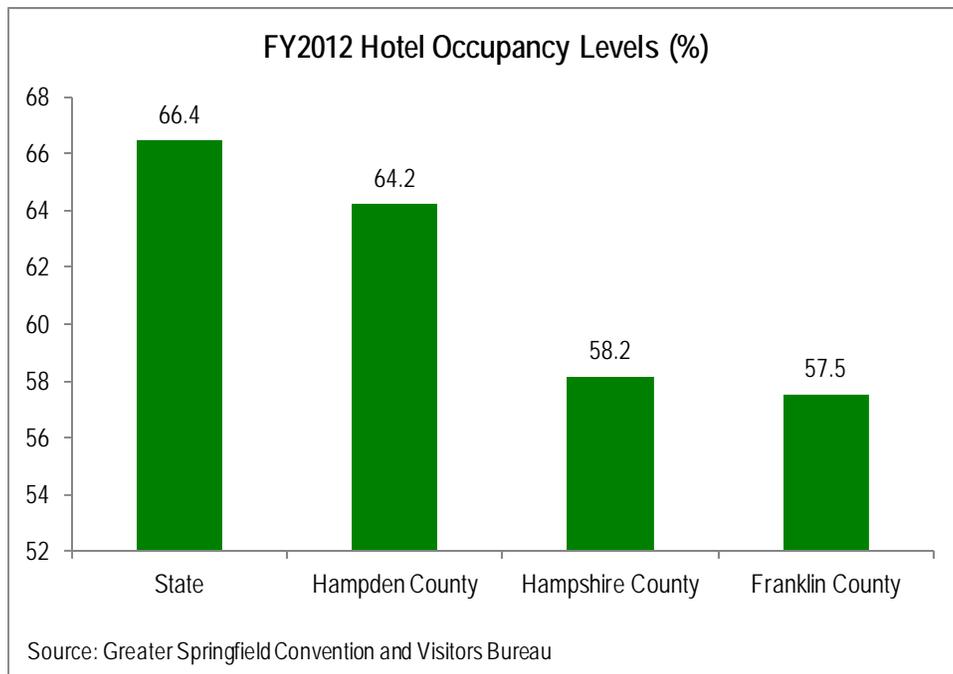
Lodging Choices	
Hotel or motel	49%
Did not stay overnight	29%
Homes of friends or family	16%
Bed and Breakfast	3%
Campground	3%
Rented residence	3%
Other	5%

Source: Greater Springfield Convention and Visitors Bureau
Note: more than one response permitted

The survey indicated that 93% of respondents were very or somewhat satisfied, which supports an estimated 64% rate of repeat visitation. This positive perception and familiarity with the region can benefit the proposed development, which will offer a new entertainment alternative. As an activity typically affiliated with nighttime activity, the proposed Hollywood facility will complement many of the existing entertainment alternatives in the area.

Hotel Performance

The following table shows the performance of the hotel inventory in Massachusetts and Pioneer Valley during the 2012 fiscal year. Overall, the Commonwealth outperformed the region, with an occupancy level of 66.4% in the year ending June of 2012. In comparison, Hampden County had an occupancy level of 64.2%, more than a 2% difference. Within the western region, Hampden’s occupancy rate was higher than Hampshire or Franklin counties. The higher performance was likely partially due to Springfield’s role in the region. These occupancy levels are shown in the following table.



Tourist Revenue

A series of assumptions were made in evaluating the potential gaming revenue from tourists to the area and was largely based on the performance of regional casinos in this and other regions of the country. Many of these assumptions are intuitive. For example, the majority of day trips were expected to originate within a two-hour drive. This is true of most markets, where more than a four-hour round-trip drive tends to be a level beyond which most people find too time consuming to be worthwhile for a single day. Furthermore, the characteristics of day trips that originate from outside that distance do not typically permit time for additional activities. For example, parents coming to the area to drop off a son or daughter at a local college will be consumed with that task, as would a business person with a specific reason for visiting the area, such as a meeting.

Other exclusions are based on choices of lodging. First, only those staying in a hotel or motel are included in the addressable market. Many of the relatively smaller group of overnight tourists staying in others' homes, second homes, campgrounds, and other accommodations are largely people visiting friends and family. These visitors are more focused on traditional family activities. Meanwhile others may have lower travel budgets, as reflected in their choice of lodging, which would preclude them from casino gaming during their trips. The final reason for excluding this segment of visitors is that these accommodations are more likely to be outside of a reasonable catchment area for the incidental capture of a tourist. Second homes, bed and breakfasts, and campgrounds in particular tend to be in more rural parts of the region.

For this reason, SMA considered the 2,445 hotel and motel rooms located in Springfield and West Springfield. Approximately 25% of these rooms are located at the nearby Marriott and Sheraton properties, and the remainder of the hotel inventory is largely limited service properties with national brands. Based on the historical hotel performance in Hampden County and the subset of those hotels defined as the competitive set and detailed later in this report, it was assumed that the area hotels achieve 68% occupancy in 2018. An average length of stay and average number of adults per room was estimated based on visitors' trip characteristics to arrive at an estimated 257,911 unique adult visitors.

A capture rate of 6% of these visitors is forecasted based on the incidental capture of tourists in other markets as well as national averages. An average win of \$75 is based on the idea that gaming is not the primary purpose for effectively all of these visitors, the prevailing hotel room rates in the area, and comparisons to the local market as well as other jurisdictions. The following table shows these assumptions and subsequent estimate of \$1.2 million in GGR from tourists staying in area hotels.

Tourist GGR: First Stabilized Year	
Rooms	2,445
Occupancy	68.0%
Length of Stay	4.0
Adults/Room	1.7
Unique Adult Visitors	257,911
Capture Rate	6.0%
Gamer Visits	15,475
Average Win per Visit	\$75
Total Win	\$1,160,599
Source: Strategic Market Advisors, Smith Travel Research	

Hotel Guest Revenue

Guests of the proposed hotel will also be a source of visitation to the proposed casino, which will be a central amenity at the property. The number of room nights accommodated at the subject property was forecasted earlier in this report based on purpose of visit. The number of adult visitors to the property is shown in the following table and based on estimates of trip characteristics as detailed in the GSCVB survey. Gaming behavior, as reflected in propensity and frequency, was estimated based on the performance of other Hollywood properties and assumptions based on the customer segment. This results in an estimated 47,196 gamer visits to the casino in 2017 growing to 57,290 gamer visits in the fifth year of operations. This performance is shown in the following table.

Estimated Casino Gamer Visits from Hollywood Casino Springfield Hotel					
	2017	2018	2019	2020	2021
Adult Hotel Guests					
Leisure	28,459	30,014	30,932	30,873	30,801
Business	2,566	2,707	2,922	2,917	2,910
Group	2,976	3,013	3,142	3,136	3,129
Personal	974	925	907	906	904
In Transit	865	821	806	804	803
Visiting Friends and Family	3,330	3,161	3,103	3,097	3,089
Casino	33,232	37,220	39,825	41,418	43,075
Propensity					
Leisure	40.0%	40.0%	40.0%	40.0%	40.0%
Business	20.0%	20.0%	20.0%	20.0%	20.0%
Group	20.0%	20.0%	20.0%	20.0%	20.0%
Personal	5.0%	5.0%	5.0%	5.0%	5.0%
In Transit	25.0%	25.0%	25.0%	25.0%	25.0%
Visiting Friends and Family	30.0%	30.0%	30.0%	30.0%	30.0%
Casino	90.0%	90.0%	90.0%	90.0%	90.0%
Frequency					
Leisure	1.3	1.3	1.3	1.3	1.3
Business	1.1	1.1	1.1	1.1	1.1
Group	1.1	1.1	1.1	1.1	1.1
Personal	1.1	1.1	1.1	1.1	1.1
In Transit	1.0	1.0	1.0	1.0	1.0
Visiting Friends and Family	1.0	1.0	1.0	1.0	1.0
Casino	1.0	1.0	1.0	1.0	1.0
Gamer Visits					
Leisure	14,799	15,607	16,085	16,054	16,017
Business	565	596	643	642	640
Group	655	663	691	690	688
Personal	54	51	50	50	50
In Transit	216	205	202	201	201
Visiting Friends and Family	999	948	931	929	927
Casino	29,909	33,498	35,843	37,276	38,768
Total	47,196	51,568	54,444	55,842	57,290
Source: Strategic Market Advisors					

The next table details the average win for each guest segment. Assumptions for average win are based on the hotel's forecasted average daily rate, which is typically indicative of a tourists' overall budget, comparisons between each customer segment, and the performance of other Hollywood properties. The casino segment was based on the performance of the local market and the ability of management to identify and reward its customers through its player rewards program. Average win was estimated to grow at 2.5% annually, roughly the rate of inflation. As shown in the following table, average win is forecasted to grow from \$8.6 million in 2017 to \$11.9 million in the fifth year of operations.

Estimated GGR from Hollywood Casino Springfield Hotel					
	2017	2018	2019	2020	2021
Gamer Visits					
Leisure	14,799	15,607	16,085	16,054	16,017
Business	565	596	643	642	640
Group	655	663	691	690	688
Personal	54	51	50	50	50
In Transit	216	205	202	201	201
Visiting Friends and Family	999	948	931	929	927
Casino	29,909	33,498	35,843	37,276	38,768
Total	47,196	51,568	54,444	55,842	57,290
Average Win per Visit					
Leisure	\$80	\$82	\$84	\$86	\$88
Business	\$75	\$77	\$79	\$81	\$83
Group	\$75	\$77	\$79	\$81	\$83
Personal	\$60	\$62	\$63	\$65	\$66
In Transit	\$55	\$56	\$58	\$59	\$61
Visiting Friends and Family	\$75	\$77	\$79	\$81	\$83
Casino	\$240	\$246	\$253	\$259	\$265
Total Win					
Leisure	\$1,183,894	\$1,279,797	\$1,351,914	\$1,383,069	\$1,414,339
Business	\$42,339	\$45,782	\$50,654	\$51,831	\$53,000
Group	\$49,104	\$50,957	\$54,468	\$55,723	\$56,988
Personal	\$3,214	\$3,129	\$3,145	\$3,220	\$3,293
In Transit	\$11,894	\$11,571	\$11,644	\$11,905	\$12,187
Visiting Friends and Family	\$74,925	\$72,901	\$73,352	\$75,040	\$76,718
Casino	\$7,190,443	\$8,254,664	\$9,053,212	\$9,650,724	\$10,287,738
Total Win	\$8,555,813	\$9,718,801	\$10,598,387	\$11,231,512	\$11,904,264
Source: Strategic Market Advisors					

Motorist Market

The proposed facility is located alongside an Interstate highway that accordingly carries some motorists from outside the catchment area. Interstate 91 has averaged roughly 75,000 cars daily³ over the last five years, as is shown in the following table. The proposed casino will enjoy great visibility along the highway, both due to its location and signage, and as such some of these motorists will make an unplanned stop at the property.

Average Annual Daily Traffic on Interstate 91				
2007	2008	2009	2010	2011
72,107	73,070	75,312	76,382	72,949

Source: Massachusetts Department of Transportation

Average annual daily traffic (“AADT”) grew an average of 1.5% annually between 2007 and 2010 before dropping to near 2007 levels in 2011. It is possible that the roadway experienced an unplanned closure due to tornado damage in 2011, but the cause of the drop was unclear to the Massachusetts Department of Transportation (“MassDOT”). This pattern is unusual and SMA’s forecasts are based on the performance as of 2010. Based on Mass DOT’s traffic counts, 6% of the vehicles in this area are trucks. SMA omits trucks from the addressable market as many drivers have schedules that prohibit unplanned stops. In addition, it was estimated that 20% of all automobile traffic is non-local. It is this non-local traffic that is assumed to not be part of the catchment area and is therefore the addressable market in this context. This results in an estimated 16,113 daily passenger cars that would consider stopping at the subject property. A capture rate of 1% assumed for these potential cars is based on our knowledge of other, similar properties. With an average of 1.8 adults per car and an assumed average win of \$35, the proposed Hollywood Casino Springfield was estimated to generate \$3.7 million from the intercept of non-local traffic.

Traffic Intercept	
Estimated AADT	85,707
Percent Trucks	6%
Percent Non-Local	20%
Estimated Addressable Market	16,113
Capture	1.0%
Average Number of Adult Passengers	1.8
Annual Gamer Visits	105,862
Average Win	\$35
Traffic Intercept	\$3,705,181

Source: Strategic Market Advisors

³ Average annual daily traffic (“AADT”)

Summary of Gross Gaming Revenue and Conclusions

The Hollywood Casino Springfield is assumed to open in 2017. Management is expected to adjust its operations and marketing strategies as it builds brand awareness following its opening. SMA assumed 2019 will be the first year of stabilized operations. Revenue for the first stabilized year of operations is expected to reach an estimated \$359.0 million, as is shown in the following table. The local market is expected to be the major source of revenue for the proposed facility, not unlike other regional casinos.

GGR by Segment for First Stabilized Year of Operations Hollywood Casino Springfield			
Market	Visitors	Average Win	Total Win
Local Population	3,740,702	\$92	\$343,577,591
Hotel Guests	18,601	\$83	\$1,545,176
Casino Hotel Guests	35,843	\$246	\$9,053,212
Tourists	15,475	\$75	\$1,160,599
Motorists	105,862	\$35	\$3,705,181
Total	3,916,483	\$92	\$359,041,758

Source: Strategic Market Advisors

The following table shows the annual win and win per slot machine for the first five years of operations. Growth in visitation was estimated to be higher in earlier years as management builds awareness for the facility in the market, hones its marketing message, and builds its customer base. Win was anticipated to also grow over the forecasted period, but at a somewhat slower rate that reflects inflation and optimizing the mix of games on the floor and matures in years four and five at a discount to the forecasted growth in incomes. This conservative forecast is lower than that experienced in other developments.

Over the first five years of operations the Hollywood Casino Springfield is expected to generate an estimated \$437.6 million in gaming tax revenue for the Commonwealth. It is estimated that approximately 13% of GGR will accrue on tables, lower than Connecticut but not unlike many other regional casino resorts. Offering 80 house-banked tables, the casino is expected to generate an average win per table per day of approximately \$1,600 once stabilized. Slot machines are expected to increase from 2,000 machines upon opening to 2,850 in the first stabilized year of operations. This will allow management to add the specific games that are popular within the market as it expands to accommodate demand. In the first stabilized year of operations, the Hollywood Casino Springfield is expected to generate an estimated \$300 per slot per day. The performance for the first five years of operations is shown in the following table.

Estimated GGR, Gaming Taxes, and Win per Position per Day					
	2017	2018	2019	2020	2021
Gross Gaming Revenue	\$306,577,408	\$338,377,359	\$359,041,758	\$368,393,880	\$378,004,767
Growth		10.4%	6.1%	2.6%	2.6%
State Gaming Tax Revenue	\$76,644,352	\$84,594,340	\$89,760,440	\$92,098,470	\$94,501,192
GGR by Position					
Table Win (13%)	\$39,855,063	\$43,989,057	\$46,675,429	\$47,891,204	\$49,140,620
Table Count	80	80	80	80	80
Win per Table per Day	\$1,365	\$1,506	\$1,598	\$1,640	\$1,683
Slot Win (87%)	\$266,722,345	\$294,388,302	\$312,366,330	\$320,502,676	\$328,864,147
Slot Count	2,000	2,500	2,850	2,850	2,850
Win per Slot per Day	\$365	\$323	\$300	\$308	\$316
Source: Strategic Market Advisors					

Hotel Market Analysis

SMA forecasted the revenue that would be generated by the planned 258-room hotel planned for the Hollywood Casino Springfield. Similar to many hotel resorts, the main driver of guests at the hotel will be customers of its casino and meeting space amenities. These segments will be the primary focus of the facility's marketing efforts, although additional demand will be attracted from the existing market for accommodations. Details on each segment of demand will be presented in support of the proposed hotel's forecasted performance in this section of the report.

Methodology

In order to determine the performance and appropriate size for the planned hotel, SMA examined both the demand patterns in the existing hotel market, including group demand driven in part by meeting and convention space, and lodging demand that would be generated by future guests of the casino. Casino demand generated in the local market is forecasted earlier in this report, and these guests will occasionally chose to stay at the hotel as a matter of convenience and in many cases as part of rewards programs developed by management.

Hotels adjacent to casinos have become critical marketing tools for regional casino resort operators. As such, demand for lodging from casino customers was examined. To quantify casino demand, SMA utilized the casino projections detailed earlier in this report and made certain assumptions with regards to hotel room discounting policies that management would likely utilize with its hotel. SMA then quantified the number of room nights of demand that would be generated by the casino's guests.

In addition to casino demand, a downtown Springfield hotel will attract guests from the existing lodging market. Large segments include leisure, business, and convention travelers, and these and smaller segments each have different motivations and preferences when choosing lodging. Accordingly, the proposed hotel will capture guests within each segment based on its positioning and appeal relative to those motivations and preferences. SMA projected that performance based on its cumulative experience, knowledge of other markets, and understanding of the downtown Springfield market.

With both casino demand and regional demand quantified, SMA projected the occupancy level and average daily rate ("ADR") for the proposed hotel. This was completed by evaluating each demand segment, published rack rates, the competitive environment, and assumptions with regards to the casino's rewards programs. In projecting ADR, careful consideration was given to the recommended quality of the hotel in relation to the quality of the existing hotels in the region.

To accomplish this research and analysis, SMA undertook several tasks:

- An investigation of tourism in the Springfield area, including the purpose of visit and length of stay;
- A review of the properties the proposed hotel will likely compete against and their performance, including occupancy, ADR, and demand as reported by Smith Travel Research ("STR");
- An assessment of the proposed location and facilities and their ability to compete in the broader hotel market;
- An evaluation of the demand that will result from casino guests; and
- An analysis of the cumulative demand from all sources and subsequent performance of the hotel.

Major Assumptions

To conduct the analysis, certain assumptions had to be made and included:

- The hotel will open on January 1, 2017;
- The proposed hotel will be run by a management team experienced in hotel casino operations that is also responsible for the casino;
- The proposed hotel will be marketed in advance of its opening and in conjunction with the casino, including a coordinated effort targeting the casino's player database;
- Hotel rooms will be included in broad-based booking systems and marketing efforts undertaken by third-parties;
- The hotel will achieve a four-star quality ranking;
- Amenities will include a pool, room service, business center, and meeting space;
- There will be no additions to the hotel supply in the area around Springfield during the forecasted period; and
- Growth in tourism and the economy will continue to gradually improve.

Area Lodging Environment

According to STR there are an estimated 2,445 hotel rooms in the Springfield area. This includes several hotels in the downtown Springfield area such as the Sheraton and Marriott hotel chains; some nearby, branded, upscale hotels; and many branded and non-branded limited service facilities. The two downtown hotels are the largest hotels in the market and generally considered to be of the highest quality and are distinguished on those metrics. These upper-upscale hotels are therefore the most comparable to the proposed 258-room Hollywood Casino Springfield's hotel, although like other casino hotels, the overall guest experience as reflected in the level of service and the quality of the finish will likely be higher than these branded chains.

The proposed hotel will therefore be considered among the top properties in the Springfield market, with the most immediate competitors also being located downtown. While the existing hotels are currently more centrally located in the downtown core, the new facility and improvements to the Paramount and Union Station will raise the profile of the area, which is only a few blocks from those existing properties. While the MassMutual Center, museums, businesses, and government offices will all continue to be more proximate to the existing hotels, it is likely that the Hollywood Casino Springfield will effectively stretch the core of the downtown area and that the increased visitation to the facility will drive commerce along the section of Main Street between the proposed facility and the current downtown core.

Accordingly, the two downtown hotels were selected as part of a competitive set that was taken into consideration in the forecasting process. STR, which provided data on the performance of this competitive set, required a broader set of hotels for comparison purposes. Accordingly, some of the nearby upscale hotels were included that may be considered less comparable than the two downtown properties. Following a brief description of each property, a review of their performance based on a customized query of STR data is presented.

Marriott Springfield

The Marriott Springfield offers 262 hotel rooms, including 3 suites, and 11,000 sq. ft. of meeting space. The property is centrally located at the intersection of Main Street and Boland Way, about four blocks

from the proposed Hollywood Casino Springfield. The property has two restaurants, a sports bar and a casual restaurant, and room service is available between 6AM and 12AM. Delivery from local restaurants is also available. Other amenities include a business center, fitness center, and pool.

Sheraton Springfield Monarch Place Hotel

The Sheraton is located across the intersection from the Marriott, and the two combine to form what the ULI report refers to as the Hotel Core within the downtown area. The hotel offers 325 guest rooms including 16 suites. A relatively expansive fitness center includes a steam room, sauna, massage therapy, racquetball, and fitness classes. The property also offers 32,000 sq ft of meeting space over two floors, helping it to attract larger groups. The Sheraton has two food and beverage options, a sports bar and casual dining restaurant, and a business center.

Hilton Garden Inn Springfield

The Hilton Garden Inn is located along the Connecticut River and beside the Naismith Memorial Basketball Hall of Fame. The property is near downtown but segregated from that area by Interstate 91, which is elevated in areas and disturbs the sense of continuity with the city. The property features 143 hotel rooms and suites, 3,052 sq. ft. of meeting space, a business center, and a lounge.

Residence Inn West Springfield

The Residence Inn offers 88 studio, one, and two-bedroom suites northwest of downtown Springfield and near the intersection of Interstates 90 and 91. The location is likely attracting some business demand due to its flag and commercial surrounding as well as transit motorists due to its location near two interstates. The property has a limited amount of meeting space, 625 sq. ft., which is likely adequate for its location and room count. The property has a business center, fitness center, indoor pool, and offers free breakfast.

Potential Developments

No potential additions to hotel room supply that will compete with the proposed hotel were uncovered in SMA's research. One hotel, a La Quinta located a few blocks from the proposed development site, recently reopened after \$4 million in renovations. The renovation left 60 rooms incomplete which could be prepared and enter the market on somewhat short notice. It is likely that as the hotel market improves this could occur and these rooms were incorporated into this analysis.

Lodging Performance within the Competitive Set

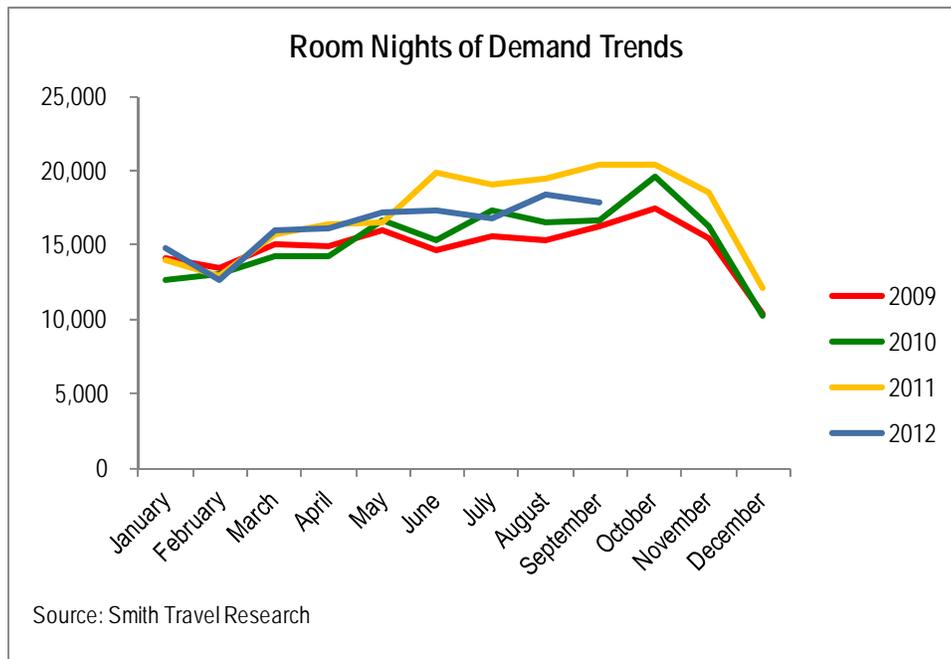
Following national trends, hotel performance within the competitive set peaked in 2007, when the revenue per available room ("RevPAR") reached \$75.87. This was due to a slightly higher ADR combined with slightly lower occupancy levels. The competitive set accommodated approximately 210,000 to 215,000 room nights of demand ("RND") in 2006 and 2007, performance that has dropped since then. In 2011 demand picked up substantially, although a review of monthly data indicates that this coincided with the time immediately following the tornado that struck the city, destroying several residences and businesses. This likely led to a rise in hotel demand from residents, disaster relief personnel, and those involved in the reconstruction effort. For comparison purposes, there has been a 7.3% rise in demand year to date when compared to the same period in 2010, but a 4.8% contraction when compared to 2011's enhanced performance. This broader and improving trend is expected to continue, based on economic forecasts. Recent performance of the competitive set is shown in the following table.

Hotel Performance: Competitive Set						
	Occupancy	Change	ADR	Change	RevPAR	Change
2006	71.9%		\$104.47		\$75.08	
2007	70.0%	-2.5%	\$108.32	3.7%	\$75.87	1.1%
2008	67.3%	-4.0%	\$110.44	2.0%	\$74.29	-2.1%
2009	59.6%	-11.3%	\$108.81	-1.5%	\$64.90	-12.6%
2010	61.0%	2.3%	\$108.72	-0.1%	\$66.34	2.2%
2011	68.5%	12.3%	\$113.26	4.2%	\$77.61	17.0%
2011 YTD	68.9%		\$111.73		\$76.95	
2012 YTD	65.5%	-4.8%	\$115.90	3.7%	\$75.95	-1.3%

	Supply	Change	Demand	Change	Revenue	Change
2006	299,665		215,346		\$22,497,908	
2007	299,665	0.0%	209,899	-2.5%	\$22,736,960	1.1%
2008	299,665	0.0%	201,570	-4.0%	\$22,261,524	-2.1%
2009	299,665	0.0%	178,734	-11.3%	\$19,448,758	-12.6%
2010	299,665	0.0%	182,846	2.3%	\$19,878,651	2.2%
2011	299,665	0.0%	205,337	12.3%	\$23,257,469	17.0%
2011 YTD	224,133		154,365		\$17,246,653	
2012 YTD	224,133	0.0%	146,889	-4.8%	\$17,023,873	-1.3%

Source: Smith Travel Research
Note: Year to Date ("YTD") information is through September

The historical performance and trends within the competitive set provide the foundation for forecasted growth in demand. The following chart shows that demand for accommodations within the competitive set is returning as the economy gradually improves. Through May of 2012, RND was roughly equivalent to 2011. Starting in June performance diverges due to the dynamics explained earlier. This is a positive sign as performance appears to once again be converging. Through September, RND has been greater in 2012 than 2010 in all but two months. This encouraging trend demonstrates that in the absence of the one-time influence on demand performance within the competitive set continues to improve. A review of the raw data provided by STR is consistent with broader, national tourism trends indicating that the improvement in demand is attributable to gradual economic growth and is most evident in from business travelers but is noted in several other segments of demand.



Within the competitive set, and based on information provided by the GSCVB, demand was estimated to be generated predominately by the leisure (48.7%), business (26.3%), and group business (17.5%) segments. Remaining demand included individuals visiting friends and family, people traveling for personal reasons (such as medical treatment or funerals), and those stopping for the evening while they are in transit.

Hollywood Casino Springfield Forecasted Performance

The performance of the Hollywood Casino Springfield hotel will be based on two primary sources of demand, the existing hotel market as reflected within the competitive set and the unique demand generated by the casino. Each will be addressed independently.

These forecasts consider the proposed building plan, positioning, and appeal as reflected earlier in this report. Aside from the appeal of the facilities will be the yield management strategies employed by management. Similar to other casino hotels, management is expected to consider the performance of the room supply in conjunction with the expenditures overnight guests make in the casino. For casino guests this can include discounted or complementary rooms. From a performance and accounting perspective the ADR for this customer segment can be subsidized by the casino, which will promote

marketing efforts with a focus on times when demand is low. For other guests, pricing strategies will be dictated by the broader hotel market with consideration given to the overall quality of the hotel, the available meeting space, and the casino amenity. Overall, however, management is expected to focus on casino guests by allocating rooms for that segment of demand.

Existing Hotel Market

Demand

Trends within the competitive set point to continued improvement. This gradual trend is expected to continue as the economy slowly recovers, and the 2017 opening of the subject property is expected to be timed with a more stable economy and subsequent strength in visitation. Most economists agree that the economic recovery will be inconsistent, in that some periods of apparent contraction will interrupt, but not overtake, a gradual improvement in conditions. Therefore, the following forecasts of growth in annual demand are measured and moderate.

The following table shows SMA’s assumed growth in RND. Demand through September of 2012 was assumed to stay constant through the end of the year. However, the broader positive trends evident in the hotel sector are forecasted to continue, albeit at a more conservative rate, between 2013 and the 2017 opening of the proposed Hollywood Casino Springfield. Upon opening, an increase in the group segment is forecasted based on the planned convention and meeting space at the proposed facility and the associated, dedicated sales staff that will market the facilities. In 2018 and on a conservative and stabilized average growth rate of 2.3% was assumed.

Estimated Growth in RND by Segment						
	2012	2013	2014	2015	2016	2017
Leisure	-3.5%	2.0%	2.1%	2.2%	2.3%	2.3%
Business	-5.5%	2.2%	2.3%	2.4%	2.3%	2.3%
Group	-9.0%	2.0%	2.1%	2.2%	2.3%	6.0%
Personal	-2.0%	2.0%	2.1%	2.2%	2.3%	2.3%
In Transit	-1.0%	2.0%	2.1%	2.2%	2.3%	2.3%
Visiting Friends and Family	-0.5%	2.0%	2.1%	2.2%	2.3%	2.3%
Combined	-4.8%	2.0%	2.1%	2.2%	2.3%	2.9%

Source: Strategic Market Advisors

Penetration Analysis of Hotel Demand

The penetration of RND from non-casino guests is based on the tastes and preferences that characterize each segment. Each segment’s comparison within the competitive set utilizes a fair-share comparison to forecast the performance of the subject property. This calculation leverages the proposed share of room supply within the market to estimate performance. As an example, if a hotel were to offer 10 rooms in a market that has a total of 100 rooms, its fair share would be 10%. If the hotel were to attract 10% of the demand within a segment it would be said to achieve 100% of its fair share within the broader market. SMA based estimates on that 100% figure, and if the subject property is expected to have an overall advantage within a particular segment it may be projected to achieve a premium relative to its fair share, say 110%. This would indicate a 10% premium relative to the market for any number of factors unique to each segment and discussed below.

Within any segment, any one hotel property may achieve a premium or discount to its fair share for a number of reasons. Broadly these reasons can be characterized in two ways: the appeal of the hotel within any particular segment and the timeframe necessary for a new property to reach its stabilized performance.

The Hollywood Casino Springfield, relative to its competitive set, will have a somewhat unique position. The hotel will have 258 hotel rooms, making it comparable in size to the Marriott and smaller than the Sheraton. The quality of the finish of the hotel's public spaces and rooms as well as its service standards will be higher. The Hollywood brand does have 14 existing properties that garner some recognition, though not on the scale of the other hotels in the competitive set which operate these brands in hundreds of facilities. Aside from these factors, the central location, meeting space, and casino amenity will be its primary distinguishing elements. The positioning towards entertainment, including the array of food and beverage options, is expected to combine with the other amenities and resonate with potential guests seeking entertainment as part of their stay. Demand from casino guests will limit the room supply available for the existing market segments. This will be particularly true on weekends, when casino demand peaks.

Within the leisure segment, the central location, restaurants and bars, and casino amenity will appeal to potential customers. This will be partially offset by the subset of this segment that includes families, which may try to avoid the age restrictions that characterize casino environments and may also be focused on existing family attractions such as the Naismith Memorial Basketball Hall of Fame or Six Flags New England. Overall, the additional amenities will appeal within the leisure segment, particularly those without children, and the hotel is expected to capture a premium to its fair share that will be focused on parties traveling without children.

Within the business segment, the location will not resonate as well as the Hotel Core properties, as it will not enjoy as attractive of a location. In addition, all four of the hotels within the competitive set cater to business travelers, who participate in their rewards programs which feature hundreds of locations. Some corporate travel agents are bound by contracts to those operators or even have guidelines that discourage booking at casino hotels. For these reasons, the proposed hotel is expected to attract a discount to its fair share within this segment.

The 20,000 sq. ft. of meeting space will be sufficient for some groups and could complement larger groups with meetings centered at the MassMutual Center. However, being slightly further from the MassMutual Center and the central part of downtown, in addition to not being part of a business-centric national hotel brand, will cause a lower capture of groups and particularly MICE (Meetings, Incentives, Conventions, and Exhibitions). The facility may appeal to other groups based on their specific reason for meeting. For example, many social groups may find the combined amenities to be an attractive and entertaining facility for their purposes. Overall, these factors are expected to lead to a diminished capture of groups when compared to the competitive set.

For the remaining groups, which combined comprise a small portion of overall demand, the proposed hotel is expected to have a lower capture of guests than its fair share. For each segment the hotel will have some disadvantages. For example, due to the limited room supply, rooms will be less likely to be available with short notice. People in transit and people traveling for medical purposes or funerals are characterized by near-term bookings. The limited room supply will also lead to higher prices, and each of these segments may be price sensitive to some extent. The fair share assumptions, which mature over a three-year period, are shown in the following table.

Fair Share Assumptions					
	2017	2018	2019	2020	2021
Leisure	90.0%	100.0%	105.0%	105.0%	105.0%
Business	45.0%	50.0%	55.0%	55.0%	55.0%
Group	75.0%	80.0%	85.0%	85.0%	85.0%
Personal	40.0%	40.0%	40.0%	40.0%	40.0%
In Transit	35.0%	35.0%	35.0%	35.0%	35.0%
Visiting Friends and Family	75.0%	75.0%	75.0%	75.0%	75.0%
Source: Strategic Market Advisors					

Casino Generated Lodging Demand

Hotels located at regional casino resorts such as the proposed Hollywood Casino Springfield have proven to be effective marketing tools to enhance the attractiveness of the facility's amenities while retaining customers for a greater period of time. The following table shows the casino gamer visits generated by customers that live within approximately a two-hour drive of the proposed facility. While the capture of gamer visits in a hotel can vary widely, with only a marginal capture of guests residing in the immediate vicinity of a property, capture rates can increase to 6% - 8% for outer market areas. It was assumed that 1.2 gamers are accommodated per room, and the length of stay will generally be short but increase with the distance traveled. As shown in the following table, it is estimated that 43,906 RND will be generated by casino guests. It is assumed that casino demand will increase over the forecasted period in-step with visitation.

Casino Guest RND: First Stabilized Year of Operations						
Market	Gamer Visits	Captured Overnight	Annual Visits	Nights	Occupancy Factor	RND
Hollywood Primary	1,680,774	5/week	260	1.0	1.2	217
Central CT	917,047	1.0%	9,170	1.1	1.2	8,406
North Secondary	103,286	1.5%	1,549	1.1	1.2	1,420
South Central Mass	123,567	1.5%	1,854	1.1	1.2	1,700
Northwest CT	41,572	1.5%	624	1.1	1.2	572
Coastal CT	64,276	3.0%	1,928	1.2	1.2	1,928
Tertiary Southwest	299,123	2.5%	7,478	1.2	1.2	7,478
Tertiary West	149,403	2.0%	2,988	1.2	1.2	2,988
Saratoga	239,735	4.5%	10,788	1.4	1.2	12,586
Tertiary North	43,333	4.0%	1,733	1.4	1.2	2,022
Southern NH	13,931	5.0%	697	1.5	1.2	871
North Central Mass	32,999	4.5%	1,485	1.5	1.2	1,856
North Shore	16,749	5.0%	837	1.5	1.2	1,046
Inside 128	1,509	5.5%	83	1.5	1.2	104
South Shore	4,567	5.5%	251	1.5	1.2	314
Rhode Island	6,408	4.0%	256	1.4	1.2	299
Southwest CT	2,423	3.5%	85	1.4	1.2	99
Total	3,740,702		42,066	1.3	1.2	43,906

Source: Strategic Market Advisors

Estimated Hotel Performance

The total estimated demand for rooms was evaluated for peak season as well as weekends and weekdays. It was assumed that marketing efforts are moderately successful at driving RND towards times when demand is more elastic. These operating characteristics as well as the assumptions detailed earlier in this report were incorporated into the forecasting process. At peak times the hotel will not be able to meet all requests and the 258-room hotel will operate at capacity.

The ADR is based on the prevailing rates in the existing hotel market. Compared to its competitive set, the hotel should be able to achieve a premium due to its positioning and limited supply within the broader hotel market. The casino segment will also comprise a significant portion of the accommodated demand, and ADR for this segment is based on casino marketing efforts. As hotel rooms for casino

guests are in part subsidized by their casino expenditures, ADR from the casino segment tends to be lower than for other segments and leads to a decline in the property-wide ADR. Occupancy levels are expected to be higher than the competitive set based on the additional demand driven by the casino amenity, with hotel revenue growing from \$9.6 million in its first year of operations to \$11.0 million in 2019, its first stabilized year of operations.

Estimated Springfield Casino Resort Performance					
	2017	2018	2019	2020	2021
Occupancy	78.8%	84.6%	89.0%	90.7%	92.4%
ADR	\$137	\$137	\$139	\$141	\$143
Total Revenue (\$M)	\$10.13	\$10.94	\$11.64	\$12.02	\$12.42
Source: Strategic Market Advisors					

Economic Impact Analysis

An economic impact analysis of the proposed Hollywood Casino Springfield was conducted to forecast the impact that the new economic activity in the emerging gaming industry will have on the broader Springfield economy. The economic impact analysis starts with the forecasted changes directly attributable to the proposed development and is therefore based on the proposed master plan for the facility, the related construction, and the forecasted revenue attributable to the operations once the facility is opened. The objective of the analysis is to translate these primary changes in the local economy into estimates of the impact within the broader economy.

Structure of an Economic Impact Analysis

The economic impact analysis examines the anticipated benefits of new spending during two distinct phases of the proposed Springfield Hollywood Casino development, construction and operations. The construction phase of the project is distinguished from the ongoing operations as construction is a one-time event, and the associated benefits accrue only during the construction phase of the project. These benefits will include the construction of the casino resort, the investments made in surrounding properties, and the relocation of both Peter Pan Bus Lines and The Republican. These substantial investments will be one time enhancements to the City's economy and will support a number of jobs and significant earnings in construction related jobs – currently a highly depressed portion of the regional economy. The ongoing casino and hotel operations will differ in this regard, as once operations commence their economic impacts will continue and adjust proportionally as the business grows.

For each stage, two categories of impacts will be evaluated. The first is the economic impacts within the private sector. This includes the new operations and their impact on other businesses in the region. The second is the public impact, commonly referred to as the fiscal impact, which reflects the taxes that will be collected by local, state, and federal governments. These taxes are computed based on the total expenditures across the economy resulting from the newly established operations.

The examined benefits of an economic impact study commences with the total spending generated in the subject industries, which in this case include the construction and then a second phase for the ongoing casino gaming, lodging, and food and beverage operations. Using the ongoing operations as an example, expenditures are traced to the activities of patrons of the new entertainment option as spending in the casino, hotel, and food and beverage elements of the development. The forecasted revenue detailed earlier in this report will be the foundation of the analysis, with some further analysis being conducted to forecast employment and incomes. Other sources of ancillary revenue, including potential spending on live events, were not included at this point in time. However, based on comparable developments, the elements included should reflect the majority of the spending attributable to the new development. Changes in these sectors are traced to the activities of patrons of the casino, and that of the casino operator. The resulting **direct impacts** will reflect these elements in terms of employment, labor income, value added, and output. These metrics are explained below.

The next stage is the acquisition of goods and services by these operations from other businesses. This would include spending on the raw ingredients necessary for the food and beverage outlets or on services such as laundering or maintenance. These additional expenditures at existing and possibly new businesses will drive growth including additional investments in plant and equipment and hiring, training, and retaining employees. The resulting **indirect impacts** reflect similar dynamics within each respective industry as the direct impacts.

The **induced impact** quantifies increased employment and household earnings, and how the increase in household incomes affects the broader economy. This impact reflects household spending and the re-circulation of household incomes through the economy, as spending will subsequently rise with incomes on a variety of goods and services. It is important to remember that the casino and hotel operations will result in both new and sometimes better employment opportunities for City residents, as well as increased employment opportunities in existing City businesses that will be supported by the Hollywood Casino.

For both the construction and operations phases of the proposed development, the economic impact analysis will forecast the direct, indirect, and induced effects in terms of:

1. **Employment**, the number of total jobs created.
2. **Labor Income**, which has two components. The first component consists of the total compensation that the employers pay to employees: wages and salaries, benefits, and employer-paid payroll taxes (e.g. employer side of social security, unemployment taxes, etc). The second component of labor income is proprietor income, which consists of payments received by self-employed individuals and unincorporated business owners.
3. **Value Added**, which is the difference between the total value of an industry or firm's output and the cost of the intermediate goods it uses to produce final products. Value added is the sum of labor income, taxes on production and imports, and "other property type income" (corporate profits, capital consumption allowances, payments for rent, dividends, royalties, and interest income).
4. **Output or Total Spending**, which represents the total value of production. Output is the sum of the value of intermediate goods and value added. Thus, labor income is also a component of output. It is important to note that, for retail and wholesale firms, output is equal to gross retail or wholesale margins and not gross retail or wholesale sales. In other words, the economic impact of a retail store is measured only in terms of the value that the retailer adds to the sale of goods or expenditures made to operate the store; it does not include the cost of the goods sold by the retailer.

A second element includes the fiscal benefits that will accrue to the broader public through taxes collected by federal, state, and local governments. Gaming taxes that will accrue to the state per the enabling legislation are the primary and most immediate benefit that is referenced. However, this economic impact study will also evaluate the increased revenue in a number of taxes that will be encountered by businesses and individuals. These include state and local taxes on sales, property, motor vehicles, and other licensing as well as taxes on income and corporate profits.

Methodology

This input-output analysis hinges on extensive economic research conducted by the Bureau of Economic Analysis, the Department of Commerce, and other federal and state government entities to measure the relative sizes and inter-relations between various sectors of the economy. Input-output distinguishes between these complex relationships and is therefore the most commonly employed methodology. Analyses are typically conducted on a national, state, or county level although other study regions can be designed. In this case, SMA utilized a county-level analysis, with specific local insights provided by Western New England University.

The input-output methodology commences with a change in final demand within an industry, which triggers a flow of activities. This initial change is referred to as a direct change, as the sector producing

the final good or service must increase production. Changes in spending for that industry grow as additional inputs, such as the acquisition of raw materials or hiring additional employees. The sector experiencing the growth will also purchase additional inputs from other sectors, which in turn do the same. This secondary activity in other sectors is referred to as indirect effects, and this activity leads to further job creation. The cumulative changes related to increases in household incomes and resulting changes in household spending are referred to as induced effects. The analysis therefore translates the initial forecasted changes as those dollars work their way through the economy, sometimes referred to as a ripple effect, and allows one to examine the impact on the entire economy.

The methodology and software used for this analysis was initially developed in 1979 by the USDA Forest Service. Known as IMPLAN (IMPact analysis for PLANning), the system incorporates 528 industrial sectors through a complex system of metrics and accounts for purchasing that is conducted within the study area versus those that are made in other areas. One potential issue is the lack of historical data within the model specifically for casino gaming in the study area. This is in part due to the fact that the industry is compiled with other entertainment options such as amusement parks, and also due to the fact that there is no historical gaming industry in Hampden County that would be reflected in the various data sets used to build the model. SMA modifies the assumptions related to the casino gaming industry to create multipliers that are consistent with the forecasted hiring, salaries, and gaming tax structure in order to produce a more accurate evaluation. The existing tax structure for indirect business taxes, payroll taxes, and corporate profits are preserved.

Construction Phase

The construction related to the proposed casino resort includes several elements: the construction of the main facility, the investments at the nearby Paramount Theater and Union Station, relocation of the Peter Pan Bus Lines terminal, and The Republican's move to two new locations within the city. Estimates of the total anticipated expenditure of \$827 million are based on the master plan for the main facility and third-party estimates for other parcels. In each case, details of the elements within those expenditures were gathered so that only local expenditures that will impact the economy were forecasted.

The construction phase of the project is expected to take place over a 2.5 year period. The first six months of the development will primarily include a planning phase during which the development team will coordinate its local efforts with the community, including local general contractors and other construction-related elements, and provide plans and seek approvals from local public agencies. In an effort to be expedient efforts to prepare the site will be undertaken, but the significant construction effort starts following the local approval process and is scheduled for the following 2-year period.

It is important to note that the sale of land does not create an economic impact, as it represents an exchange of assets, however the commissions and other associated costs are part of the economic impact as these are revenue for the parties that facilitate transactions. All real estate transactions in this analysis were treated accordingly.

Of the \$827 million in construction costs, \$723 million will be spent at the primary facility to be built at the present location of Peter Pan Bus Lines and The Springfield Republican. The project includes over 440,000 sq. ft. of space with the major components including the space for casino gaming and the hotel. This includes the public spaces such as the gaming floor, hotel rooms, and meeting and convention space as well as administrative space for back of house functions such as employee breaks, secure areas

for controlling currency, space for security and surveillance personnel, cleaning and maintenance, and administrative and management functions. The construction budget provides insight into each of these elements and differentiates between hard costs such as excavation or pouring concrete and soft costs such as environmental consultants and inspections. These costs were evaluated and exceptions were made for expenses that would clearly not be reasonable to account for in forecasting the local economic impacts. For example, major slot machine manufacturers are located outside of Springfield, so these hard costs were not incorporated into the forecasted local economic impacts. As an example of soft costs, \$85 million in licensing fees goes directly to the Commonwealth of Massachusetts and while some of those funds may eventually make it into the local economy there is no clear reason to attribute the entire economic impact of those funds to the Springfield economy.

The remaining \$106 million includes the restoration of the Paramount Theater, the unfunded second phase of the Union Station rehabilitation, outfitting existing and unused street-level office space at a central downtown location for The Springfield Republican, and the construction of a new printing facility outside of the downtown area and in a more appropriate space for industrial activity. A similar review of these budgets was conducted, with omissions made for highly technical printing equipment that comes from Michigan, for example. In some cases detailed expenditures were estimated based on broader budgets. For example, the Springfield Redevelopment Authority's analyses indicate that the second phase of Union Station is a \$30 million project. Details on the labor, materials, and furniture, fixtures, and equipment within this budget are based on other, similar projects.

The broad range of projects involved in the development team's master plan will create jobs across the spectrum within the construction industry. For example, the construction of the casino hotel is a relatively large project that will require a general contractor with the resources to build what will be one of the largest properties in the City. The project has a wide range of technical requirements as casinos typically include a relatively large and flexible electrical supply for slot machines and highly secure access, security, and surveillance requirements. These and other elements of the facility will require a wide range of skilled construction workers and craftsmen. In contrast, the restoration of the Paramount Theater's original features including period details such as mosaics and woodwork will require artisans and craftsmen skilled in those more sensitive restoration projects. Yet another element includes the finishing of office space in the downtown area or the construction of a new printing facility. These significant expenditures are likely suitable for firms that do not have the resources for the relatively larger casino hotel element, thereby providing an opportunity for these firms to benefit from the execution of the master plan.

Omitting expenses that will clearly not be made in the local economy led to an estimated \$528 million in local expenditures. The nearly \$300 million difference is largely attributable to three elements, the land sale, the licensing fee, and the purchase of gaming-specific equipment such as slot machines that are not manufactured in the area. The construction and renovation elements do include costs for materials; labor including salaries and benefits; design, legal, insurance, and general contracting services; and purchases of furniture, fixtures, and equipment that will be made in the local economy. The construction costs associated with the proposal that were applicable to the economic impact are shown in the following table.

Estimated Construction Budget	
Project	Budget
Casino Hotel Facility	\$432,522,062
Other Facilities	\$95,930,471
Total	\$528,452,533

Source: Strategic Market Advisors, Springfield Gaming and Redevelopment LLC, Western Mass Gaming Ventures LLC

The economic impacts related to these construction costs are detailed in the following table. The direct, indirect, and induced effects are quantified in employment, expressed in the number of jobs, and labor income, value added, and output, as defined earlier in this report. Direct employment, in the case of construction, is represented in the number of man-years of labor. As an example, an estimated employment of 10 jobs could be 20 people working for six months or 5 people working for two years. The majority of the expenses are expected to be incurred over the 2-year construction period, indicating that the project will create an estimated 2,500 jobs.

Estimated Economic Impact of Master Plan Construction				
Effect	Employment	Labor Income	Total Value Added	Output
Direct	2,890	\$162,518,031	\$200,757,112	\$456,860,012
Indirect	740	\$42,743,133	\$67,271,948	\$116,089,731
Induced	1,367	\$59,968,555	\$115,483,837	\$181,873,049
Total	4,998	\$265,229,719	\$383,512,897	\$754,822,791

Source: Strategic Market Advisors; Penn National Gaming, Inc.; Minnesota IMPLAN Group, Inc.

In the unemployment section of this report it was detailed that there are 7,600 people working in the mining, lodging, and construction sector and another 25,600 people unemployed in the Springfield area. Maintaining and increasing employment in this industry is dependent on new projects, particularly as existing projects are near completion (for example the Western New England University Center for the Sciences and Pharmacy) or not active (proposed biomass incinerator facility). The influx of approximately 2,500 jobs for a two-year period of time will represent approximately one-third of the current level of employment in the industry and approximately 10% of the unemployed individuals.

The next table shows the forecasted fiscal impacts of the construction stage. These one-time impacts are based on the above results and incorporate the city’s property tax code and the total investment (including dollars spent out of the region) in the subject facilities as it is expected to represent the value on which an assessment would be made. All of these fiscal impacts are expected to be one-time benefits that accrue during the construction phase. The one-time property tax assessment is based on assumptions regarding the timing of the investment and timing of tax payments.

Estimated Fiscal Impact of Proposed Hollywood Springfield Casino Construction					
	Employee Compensation	Proprietor Income	Indirect Business Tax	Households	Corporations
State and Local					
Dividends					\$49,494
Social Ins Tax- Employee Contribution	\$257,572				
Social Ins Tax- Employer Contribution	\$596,772				
Indirect Bus Tax: Sales Tax			\$5,733,730		
Indirect Bus Tax: Property Tax			\$15,623,136		
Indirect Bus Tax: Motor Vehicle Lic			\$136,840		
Indirect Bus Tax: Severance Tax					
Indirect Bus Tax: Other Taxes			\$787,666		
Indirect Bus Tax: S/L NonTaxes			\$928,191		
Corporate Profits Tax					\$1,646,505
Personal Tax: Income Tax				\$7,624,218	
Personal Tax: NonTaxes (Fines- Fees)				\$811,616	
Personal Tax: Motor Vehicle License				\$172,729	
Personal Tax: Property Taxes				\$153,702	
Personal Tax: Other Tax (Fish/Hunt)				\$17,337	
Total State and Local Tax	\$854,344		\$23,209,563	\$8,779,602	\$1,695,999
Federal					
Social Ins Tax- Employee Contribution	\$12,191,879	\$1,800,436			
Social Ins Tax- Employer Contribution	\$12,018,713				
Indirect Bus Tax: Excise Taxes			\$1,927,651		
Indirect Bus Tax: Custom Duty			\$756,253		
Indirect Bus Tax: Fed NonTaxes			\$1,287,744		
Corporate Profits Tax					\$6,552,586
Personal Tax: Income Tax				\$20,984,645	
Total Federal Tax	\$24,210,592	\$1,800,436	\$3,971,648	\$20,984,645	\$6,552,586
Source: Strategic Market Advisors; Minnesota IMPLAN Group, Inc.					

Operations Phase

The establishment of the casino resort in Springfield will create a vibrant new destination and a new source of visitation to the City, casino gamers, while enhancing its attractiveness to leisure visitors and groups attending meetings and conventions. Revenue at the facility will be largely driven by casino gamers and the casino’s subsequent use of rewards to host players at the property’s hotel and restaurants. At times, the casino as well as its customers will also choose other lodging and dining establishments in the City. Based on prior experience, incremental patronage can also include local tourist and cultural attractions, retail outlets, filling stations, and parking facilities. Many of these estimates are dependent on a number of factors that make them difficult to forecast at this time. This includes marketing efforts and investments made to attract these new tourists. In particular, it seems that the building plan and location provides an opportunity for retailers to establish operations proximate to the proposed operations and capitalize on the substantial visibility that would result.

Spending at other hotel and food and beverage establishments were forecasted at this point in time based on our understanding of these specific elements. SMA believes that additional impacts are likely if investments similar to those discussed here are made. The estimated revenue for the more clearly defined demand segments is shown in the following table.

Estimated Revenue: First Full Year of Operations		
Revenue	On-Site	Off-Site
Casino Gaming	\$359,041,758	
Hotel	\$11,637,781	\$1,280,156
Food and Beverage	\$13,383,448	\$1,070,676
Source: Strategic Market Advisors		

The following table demonstrates the collective economic impact of the proposed development. The casino operations, including the lodging and food and beverage amenities, will create an estimated 1,908 positions across its facility, with another 32 direct jobs being created at nearby food and beverage and lodging establishments. Approximately 616 more permanent jobs will be created in the economy based on this new activity. Overall, 2,556 jobs are created in the local economy with a total increase in output of approximately \$477 million.

Estimated Economic Impact of Operations				
Effect	Employment	Labor Income	Total Value Added	Output
Direct	1,939	\$72,107,507	\$329,703,819	\$386,413,819
Indirect	125	\$6,808,274	\$12,251,432	\$21,012,728
Induced	491	\$22,912,087	\$44,102,288	\$69,437,236
Total	2,556	\$101,827,867	\$386,057,539	\$476,863,783
Source: Strategic Market Advisors; Penn National Gaming, Inc.; Minnesota IMPLAN Group, Inc.				

The most recent and confirmed statistics for the Springfield area report that 25,600 people are unemployed, leading to a 7.5% unemployment rate. The creation of 2,556 jobs represents approximately 10% of the unemployed workforce. Given the wide range of positions that would be created, in terms of both function and required education and training, and the number of colleges in the region, it is extremely likely that these jobs can be filled in the local workforce. This would lead to a decline in the unemployment rate to 6.75%, assuming other salient factors remain constant. In addition, and importantly, it is likely that some of these potential employees are currently dependent on public assistance programs. The new positions will create a higher degree of independence and lead to a drop in this dependency, alleviating some public sector expenditures.

The next table shows the fiscal impacts of the ongoing operations. State and local governments will benefit from nearly \$43.9 million in tax revenue. This includes an estimated \$25.6 million in annual property tax that is directly attributable to the proposed master plan, another \$2.6 million in other property tax increases at other businesses, and \$4.6 million in taxes on corporate profits.

Estimated Fiscal Impact of Proposed Hollywood Springfield Casino Ongoing Operations					
	Employee Compensation	Proprietor Income	Indirect Business Tax	Households	Corporations
State and Local					
Dividends					\$135,651
Social Ins Tax- Employee Contribution	\$111,614				
Social Ins Tax- Employer Contribution	\$258,600				
Indirect Bus Tax: Sales Tax			\$5,652,087		
Indirect Bus Tax: Property Tax			\$28,354,387		
Indirect Bus Tax: Motor Vehicle Lic			\$134,891		
Indirect Bus Tax: Severance Tax					
Indirect Bus Tax: Other Taxes			\$776,451		
Indirect Bus Tax: S/L NonTaxes			\$914,974		
Corporate Profits Tax					\$4,512,692
Personal Tax: Income Tax				\$2,898,407	
Personal Tax: NonTaxes (Fines- Fees)				\$308,543	
Personal Tax: Motor Vehicle License				\$65,664	
Personal Tax: Property Taxes				\$58,431	
Personal Tax: Other Tax (Fish/Hunt)				\$6,591	
Total State and Local Tax	\$368,828		\$35,757,154	\$3,324,495	\$4,644,118
Federal					
Social Ins Tax- Employee Contribution	\$5,283,115	\$179,192			
Social Ins Tax- Employer Contribution	\$5,208,077				
Indirect Bus Tax: Excise Taxes			\$1,900,203		
Indirect Bus Tax: Custom Duty			\$745,484		
Indirect Bus Tax: Fed NonTaxes			\$1,269,408		
Corporate Profits Tax					\$17,959,131
Personal Tax: Income Tax				\$7,977,482	
Total Federal Tax	\$10,588,703	\$178,581	\$3,937,713	\$8,047,403	\$18,073,642
<i>Source: Strategic Market Advisors; Minnesota IMPLAN Group, Inc.</i>					

Summary and Conclusions

The Hollywood Casino Springfield represents an \$827 million investment in facilities within the City of Springfield. This includes not only the casino hotel itself, but also the relocation of healthy companies within the city limits, thereby retaining those jobs while creating new ones. The master plan includes investments in specific community projects including Union Station and Paramount Theater that will restore and preserve these properties while reinvigorating dormant but historically significant landmarks that could fall into further disrepair. The wide range of projects will require specific skills from artisans and craftsmen as well as the largest general contractors in the City and will create an estimated 2,500 jobs annually over roughly a two-year construction period. The ongoing operations will also create approximately 2,500 jobs including over 1,900 jobs at the facility itself. These jobs will exist in perpetuity, meaning that beyond the finite construction period there will still be 2,500 new jobs in the City. This alone will lead to an estimated 10% drop in the unemployed labor force, a substantial

improvement that will further enhance public finances by removing people from assistance programs. The new facilities will also drive an increase in public revenue through gaming taxes, increased hotel taxes, food and beverage taxes, and other related fees and levies. One notable tax increase will be an estimated \$28.4 million increase in property taxes paid to the City of Springfield, including \$25.6 million that is directly attributable to the master plan.

Disclaimer

Certain information included in this report contains forward-looking estimates, projections and/or statements. Strategic Market Advisors has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, Strategic Market Advisors accepts no liability in relation to the estimates provided herein.