



— PERRYVILLE, MD —

1201 Chesapeake Overlook Pkwy ★ Perryville, MD 21903

August 3, 2012

Senator Nancy Jacobs
James Senate Office Building, Room 323
Annapolis, MD 21401

Dear Senator Jacobs:

Over the past four years, Penn National Gaming and Hollywood Casino at Perryville have been part of the Cecil County community. We have appreciated the relationship with our host community and are proud of the many accomplishments we have achieved over these four years, including the 300 plus jobs we've created and the over \$11 million in gaming revenue we have generated for both Perryville and the County collectively.

As we testified to the governor's gaming workgroup in June, we built the Perryville casino knowing that competition from the Anne Arundel and Baltimore locations would eventually have an impact on us. We invested based on those estimations and now, with the Anne Arundel location open, have the tangible data from Anne Arundel's true impact to the Perryville location.

We want to provide you the courtesy, as our elected official in Annapolis, that we have recently notified the Maryland State Lottery Agency of our intention to return 400 to 500 machines to the State from our gaming floor. Since the opening of Maryland Live! in Anne Arundel, our revenues are trending at a decline rate of nearly 30% in our year over year comparisons for the month of July. March 2012 was our peak month for revenues since opening in September 2010. While the July revenues for our facility are not currently public, early internal data suggests our revenue decline will be close to 40% from our peak month of March 2012.

We are making this adjustment now in response to the impact of Maryland Live! as well as in anticipation of Baltimore's opening as we expect that Baltimore will have an even greater impact on Perryville's revenues than Anne Arundel has thus far.

As a result, our current "win per unit" or WPU (a measure of how much use a particular video lottery terminal gets in a given day) is \$150/day, a steep drop from our \$261/day in March 2012. By reducing our machine count on the gaming floor, we hope to bring the WPU to approximately \$207/day. This is still well below our peak \$261/day but closer in line to the \$250/day rate we strive for in our

410.378.8500 ★ hollywoodcasinoperryville.com

Please play responsibly, for help visit mdgamblinghelp.org or call 1-800-522-4700.

operations across the country. It is important to note that actual performance of the facility is far below the state's projected performance in its 2008 estimations. The state's initial projection for the Perryville casino was \$210/day WPU with 2,500 machines. Today, we have 1,500 machines and are requesting the reduction described above. In gross gaming revenue terms, the state estimated that the Perryville site would generate \$191 million annually. In reality, we are trending to generate \$85 million annually, less than 50% off the state's initial gross gaming revenue projections for this facility.

Reducing the number of machines on the gaming floor will also help improve the patron experience. A cursory look around the Perryville floor quickly reveals underutilized and empty machines. In a business that depends on energy and customer perception, this perception can be contagious and quickly become reality. Simply put, the higher the slot occupancy, the more appealing the facility, which in turn leads to a more positive customer experience. The perception of a vibrant facility is mutually beneficial because it encourages return visits.

The reduction of slots at Perryville will provide some cost savings to the property which can be reinvested in other amenities at the property such as a new casual dining restaurant and marketing. We hope to have the machines off the floor by the end of the year. This could also provide the state some cost-saving as it will have to purchase 400 – 500 fewer machines for the Maryland Live expansion or the new facilities in Rocky Gap and Baltimore. It should also alleviate some of the ongoing maintenance costs that the state would incur if these machines remained on the gaming floor.

Please don't hesitate to contact me if you have any additional questions regarding this matter. I can be reached at 410-378-1111. We hope and strive to minimize any impacts on local gaming revenues as a result of this action. Given that the machines are currently underutilized, we anticipate little impact to local gaming revenues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Hayles', with a stylized, flowing script.

Bill Hayles
Vice President and General Manager
Hollywood Casino, Perryville

Cc: Mayor Jim Eberhardt
Cecil County Commission President, James T. Mullin

