



Massachusetts Gaming Commission

RFA-2 Application Review

Category 1 License for Casino: Region C

**Report to the Commissioners for: Category # 2 – Finance**

**Commissioner Enrique Zuniga**

**April, 2016**

## Contents

### **1. Introduction**

- Criteria ----- 2
- Rating System ----- 3
- RFA – 2 Category # 3 Question List ----- 4

### **2. Overall Rating (Provisional) ----- 5**

### **3. Criteria Rating Summary ----- 6**

### **4. Review Detail**

- Criterion 1      Financial Capability ----- 7
- Criterion 2      Investment Plan ----- 11
- Criterion 3      Market Assessment ----- 15
- Criterion 4      Operations Plan ----- 18

### **5. Appendix**

- A. Financial Capability
- B. Investment Plan
- C. Market Assessment
- D. Operations Plan

# 1. Introduction

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

## Criteria

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

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

## Rating System

Color coding and rating explanation

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

## **Question List**

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

## 2. Overall Rating (Provisional)

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

**Sufficient/  
Very Good**

### **Brockton/MG&E**

Brockton/MG&E has demonstrated that they have the financial capabilities and necessary capital required to develop and operate their proposed project. Brockton/MG&E's view of the market opportunity demonstrates a solid understanding of existing awarded casino licenses in Massachusetts (specifically market differentiation from Everett/Wynn). The operations plan submitted aligns with this view of the market opportunity.

While Brockton/MG&E's investment plan (e.g. spending of contingency amounts required to meet \$500 million eligible capital threshold) acknowledges future potential Region C competition (i.e. Taunton casino), their market assessment does not fully appreciate the potential magnitude of this competition. Brockton/MG&E is relying upon their experience in other competitive markets to effectively compete for a share of the Massachusetts casino market with a Taunton casino. This experience however is not fully comparable to the Massachusetts market as they will not be the closest casino to the core population base in the Boston market (Everett/Wynn will be the closest casino).

Overall, Brockton/MG&E's proposal is sufficient with very good elements, namely the financial strength (ability to obtain project capital) and the operations plan (alignment with the market opportunity).

### 3. Criteria Rating Summary

<b>Criteria Rating Summary</b>	
Below is a summary of the ratings for the review detail areas.	
	<b>Brockton/MG&amp;E</b>
<b>Criterion 1: Financial Capability</b>	<b>Very Good/Outstanding</b>
<b>Criterion 2: Investment Plan</b>	<b>Sufficient/Very Good</b>
<b>Criterion 3: Market Assessment</b>	<b>Sufficient</b>
<b>Criterion 4: Operations Plan</b>	<b>Very Good</b>

## 4. Review Detail

<b>Criterion 1: Financial Capability</b>	
Financial capability of Applicant to develop (construct and open) and operate the proposed Category 1 facility. Specific focus areas include: <ul style="list-style-type: none"> <li>• Ability of Applicant to obtain project capital.</li> <li>• Current financial strength of Applicant.</li> <li>• Applicant’s expected project return over 15 year term (term of license).</li> </ul>	
<b>Brockton/MG&amp;E</b>	
Statement of Findings	<u>Ability to Obtain Capital</u> Demonstrated the availability of financing for the project: The net worth of the entities and related entities of Brockton Gaming, LLC demonstrates the ability to fund the equity component of the project. While the majority of assets are non-liquid, the Applicant provided a bank letter indicating that the owners of Brockton Gaming, LLC have access to a credit facility with over \$ <b>[redacted]</b> of undrawn funds available (at the time of financial suitability submission). <ul style="list-style-type: none"> <li>• Highly confident letters provided from three banks.</li> </ul>
	<u>Current Financial Strength</u> <ul style="list-style-type: none"> <li>• The financial strength of the Applicant is based upon the provider of equity to the project (Brockton Gaming, LLC). The net worth of entities and related entities of Brockton Gaming, LLC demonstrates financial strength.</li> </ul>
	<u>Expected Returns</u> <ul style="list-style-type: none"> <li>• Plan proposed produces a commercially reasonable return on investment in both competition scenarios. If revenue projections do not materialize (due likely to the Applicant’s underestimation of the impact of a second casino in Region C) projected returns while positive could be below what would be considered reasonable.</li> </ul>
Overall Findings	Demonstrated that they possess the financial capabilities to develop and operate their proposed Category 1 facility.
<b>Criterion 1 Rating</b>	<b>Very Good/Outstanding</b>



<b>1.1 Ability of Applicant to Obtain Project Capital</b>	
Expectations of Applicant	Evidence of access to capital required to fund project cost as submitted.
Assessment Approach	Reviewed financing plan as submitted by Applicant as well as accompanying background materials.
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<ul style="list-style-type: none"> <li>• Total Capital Required- \$677.5 million</li> <li>• Financing Structure: <ul style="list-style-type: none"> <li>– Equity- \$172.5 million (25% of total required capital): <ul style="list-style-type: none"> <li>• \$100 million common equity (proposed \$90 million from Brockton Gaming, LLC and \$10 million from Sweeney Investments, LLC). \$55 million preferred equity at interest rate of <b>[redacted]</b> per annum. Brockton Gaming, LLC will contribute \$49.5 million to \$55 million, depending on if Sweeney Investments, LLC exercises right to opt in for up to \$5.5 million of preferred equity. \$17.5 million preferred equity at interest rate of <b>[redacted]</b> per annum. Brockton Gaming, LLC will contribute \$15.75 million to \$17.5 million, depending on if Sweeney Investments, LLC exercises right to opt in for up to \$1.75 million of excess preferred equity.</li> </ul> </li> <li>– Third Party Debt- \$505 million (75% of total required capital). Net worth of individuals and trusts that own Brockton Gaming, LLC is \$ <b>[redacted]</b> . An additional \$ <b>[redacted]</b> of net worth is available from grantors and trustees. While the majority of assets are non-liquid, the Applicant provided a bank letter indicating that the owners of Brockton Gaming, LLC have access to a credit facility with over \$ <b>[redacted]</b> – of undrawn funds available (at the time of financial suitability submission). Three “highly confident” letters from Credit Suisse, Wells Fargo, and Goldman Sachs providing financing for up to \$ <b>[redacted]</b> , \$ <b>[redacted]</b> , and \$ <b>[redacted]</b> respectively.</li> <li>– All highly confident letters indicate confidence in arranging financing in scenarios with and without a tribal casino located in Taunton.</li> </ul> </li> </ul>
Statement of Findings	<p>Demonstrated the availability of financing for the project:</p> <p>The net worth of the entities and related entities of Brockton Gaming, LLC demonstrates the ability to fund the equity component of the project. While the majority of assets are non-liquid, the Applicant provided a bank letter indicating that the owners of Brockton Gaming, LLC have access to a credit facility with over \$ <b>[redacted]</b> of undrawn funds available (at the time of financial suitability submission).</p> <ul style="list-style-type: none"> <li>• Highly confident letters provided from three banks.</li> </ul>
Rating	<b>Outstanding</b>

**1. 2 Current Financial Strength of Applicant**

Expectations of Applicant	<ul style="list-style-type: none"> <li>• Strong Balance Sheet (Current Ratio, Net Asset Position)</li> <li>• Reasonable levels of debt (Debt Equity Ratio)</li> <li>• Positive operating results (Capital Asset Turnover, Return on Investment)</li> </ul>
Assessment Approach	Reviewed financial statements (where applicable) submitted by Applicant and performed financial ratio analysis to assess financial strength of Applicant.
	<b>Brockton/MG&amp;E</b>
Summary of Facts	<p>Brockton Gaming, LLC and Sweeney Investment, LLC are providing the equity component of the project financing. The owners of Brockton Gaming, LLC have sufficient net worth to fund the project (at the time of financial suitability submission).</p> <p>While Neil Bluhm affiliated entities have significant (i.e. controlling) ownership interests in Rivers Casino Pittsburgh, Rivers Casino Des Plaines, and Sugarhouse Casino Philadelphia, these casinos are not being used by Brockton/MG&amp;E to directly support project financing and as such an analysis of these casinos is not being used to demonstrate the financial strength of Brockton/MG&amp;E. That said, a financial ratio analysis was completed for these three casino projects and the resulting ratios demonstrate financial strength.</p>
Statement of Findings	The financial strength of the Applicant is based upon the provider of equity to the project (Brockton Gaming, LLC). The net worth of entities and related entities of Brockton Gaming, LLC demonstrates financial strength.
Rating	<b>Outstanding</b>

<b>1.3 Applicant's Expected Return Over Term of License</b>	
Expectations of Applicant	<ul style="list-style-type: none"> <li>• Earn a commercially reasonable return on investment.</li> </ul>
Assessment Approach	Internal rate of return calculation based on Applicant submitted 15-year EBITDA.
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<ul style="list-style-type: none"> <li>• Return on Investment (Without Taunton Casino): 21%</li> <li>• Return on Investment (With Taunton Casino): 15%</li> </ul>
Statement of Findings	Plan proposed produces a commercially reasonable return on investment in both competition scenarios. If revenue projections do not materialize (due likely to the Applicant's underestimation of the impact of a second casino in Region C) projected returns while positive could be below what would be considered reasonable.
Rating	<b>Very Good</b>

**Criterion 2: Investment Plan**

The suitability of the proposed physical facility/complex plan to compete in the market over the life of the license. Specific focus areas include:

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

Brockton/MG&E	
Statement of Findings	<p><u>Commitment to Spend Capital</u></p> <ul style="list-style-type: none"> <li>• If Brockton/MG&amp;E spends all budgeted contingency costs they will meet the minimum eligible capital investment requirement.</li> </ul> <p><u>Timing of Development</u></p> <ul style="list-style-type: none"> <li>• Provided a reasonable timeline for opening facility given the size and scope (complexity) of the development and the site location.</li> </ul> <p><u>Consistency Between Quality/Scope and Results</u></p> <ul style="list-style-type: none"> <li>• Proposed size and scope of facility is consistent with business and financial plans submitted – casino positioned to penetrate the local market (attempts to complement awarded Region A casino proposal).</li> </ul>
Overall Findings	<p>The Applicant will meet the minimum required capital investment (in terms of eligible capital costs) if budgeted contingency costs are spent on eligible capital items. The Applicant has proposed a facility positioned to penetrate the local market.</p> <p>The proposed facility (investment and facility program) differentiates itself from the awarded Region A casino (attempts to be complementary as opposed to directly competitive) and is financially prudent given the potential of an Indian casino in Region C.</p>
<b>Criterion 2 Rating</b>	<b>Sufficient/Very Good</b>

<b>2.1 Commitment to Spend Required Capital</b>	
Expectations of Applicant	Provide evidence that capital budget includes eligible capital expenses of at least \$500 million.
Assessment Approach	Reviewed Applicant's submitted capital budgets and determined eligible and ineligible expenses.
	<b>Brockton/MG&amp;E</b>
Summary of Facts	<ul style="list-style-type: none"> <li>• Total Eligible Costs: \$478.3 million</li> <li>• Contingency Costs <ul style="list-style-type: none"> <li>– Contingency Hard Costs - \$17.9 million</li> <li>– Contingency Soft Costs- \$4.2 million</li> </ul> </li> <li>• Total Eligible Costs (if contingency spent): \$500.4 million</li> </ul>
Statement of Findings	If Brockton/MG&E spends all budgeted contingency costs they will meet the minimum eligible capital investment requirement.
Rating	<b>Meets Requirement (with conditions that budgeted contingency costs are actually spent on eligible items)</b>

<b>2.2 Timing of Total Development</b>	
Expectations of Applicant	Provided a reasonable development timeline for opening the permanent facility.
Assessment Approach	Reviewed planned timelines. Note: Time to obtain necessary permits not considered.
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<ul style="list-style-type: none"> <li>• Applicant proposed construction timeline of 38-41 months with opening date in May 2019.</li> </ul>
Statement of Findings	Provided a reasonable timeline for opening facility given the size and scope (complexity) of the development and the site location.
Rating	<b>Very Good</b>

<b>2.3 Consistency Between Quality/Scope of Proposed Facility and Expected Market Penetration and Financial Results</b>	
Expectations of Applicant	Consistency between size and scope of facility and operating and financial plans.
Assessment Approach	Reviewed capital budget and building renderings in connection with operating and financial plans.
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<ul style="list-style-type: none"> <li>• Site location situated on Brockton Fairgrounds</li> <li>• Slots: 2,100</li> <li>• Tables: 124</li> <li>• Gaming Floor: 91,900 sq. ft.</li> <li>• Hotel: 250 rooms</li> <li>• F&amp;B: 6 outlets (770 seats)</li> <li>• Parking: 3,003 spaces</li> <li>• Exhibition Space/Meeting Space: 15,600 sf</li> <li>• Retail: 1,000 sf</li> </ul>
Statement of Findings	Proposed size and scope of facility is consistent with business and financial plans submitted – casino positioned to penetrate the local market (attempts to complement awarded Region A casino proposal).
Rating	<b>Sufficient/Very Good</b>

**Criterion 3: Market Assessment**

The viability of the proposed facility and operations plan (specifically the marketing component) to penetrate the available gaming market. Specific focus areas include:

- Gaming revenue projections and market share (without Taunton casino).
- Gaming revenue projections and market share (with Taunton casino).

Note: Given that sufficient project details of the Tribal casino are not known at this time, market estimates for two casinos in Region C have a higher degree of uncertainty.

	<b>Brockton/MG&amp;E</b>
Statement of Findings	<p><u>Gaming Revenue Projections and Market Share (Without Taunton Casino):</u> Gaming revenue projections with no Taunton casino (Brockton/MG&amp;E is the only casino in Region C) are within the range of expected market results.</p> <p><u>Gaming Revenue Projections and Market Share (With Taunton Casino):</u> The Applicant believes it can effectively compete with the Taunton casino (with no gaming tax) for a share of the Greater Boston market. This belief is based on their location relative to the Greater Boston area population base and their experience operating in competitive markets (i.e. Philadelphia, Chicago, and Pittsburgh). HLT’s Scenario 1 aligns with this belief (no competitive advantage for the Taunton casino).</p> <ul style="list-style-type: none"> <li>• MG&amp;E’s estimate of \$327 million is aggressive (above higher end of expected range) compared to HLT’s estimated range of \$252 to \$294 million (assumed 10% inflow).</li> </ul> <p>While MG&amp;E does not contemplate a scenario in which Taunton has a competitive advantage (e.g. either through increased marketing spend and/or greater size and scope of facility), HLT’s Scenario 2 considers the potential impact of such a competitive advantage (difficult to fully appreciate/quantify due to lack of project details). HLT’s Scenario 2 estimated range of \$207 to \$241 million (assumed 10% inflow) is well below MG&amp;E’s projected gaming revenue of \$327 million.</p>
Overall Findings	<p>Gaming revenue projections without a Taunton casino are within the expected range.</p> <p>Gaming revenue projections (assuming no competitive advantage associated with either increased marketing spend and/or greater size and scope of facility) with a Taunton casino are aggressive (above higher end of expected range).</p> <p>MG&amp;E does not contemplate a scenario in which Taunton has a competitive advantage (e.g. either through increased marketing spend and/or greater size and scope of facility; difficult to fully appreciate/quantify due to lack of project details). HLT considered a scenario in which the Taunton casino has a competitive advantage. Under this scenario the potential impact is ~\$50 million (difference between HLT’s scenario 1 and scenario 2).</p>
<b>Criterion 3 Rating</b>	<b>Sufficient</b>



<b>3.1 Gaming Revenue Projections and Market Share (Without Taunton Casino)</b>	
Expectations of Applicant	Understanding of market dynamics (current and future).
Assessment Approach	<p>Compiled and summarized entire view of Massachusetts market based on existing reports and comparable markets:</p> <ul style="list-style-type: none"> <li>• In the scenario with no Taunton casino, the likely gaming revenue range that could be generated is between \$347 and \$405 million prior to revenue generated from outside the defined market area (inflow) with no Taunton casino.</li> </ul>
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<ul style="list-style-type: none"> <li>• Year 2 GGR (net of free play): <ul style="list-style-type: none"> <li>– HLT Market Area: \$375.6 million</li> <li>– Inflow: \$28.7 million</li> <li>– Total GGR: \$404.3 million</li> </ul> </li> </ul>
Statement of Findings	Gaming revenue projections with no Taunton casino (Brockton/MG&E is the only casino in Region C) are within the range of expected market results.
Rating	<b>Very Good</b>

<b>3.2 Gaming Revenue Projections and Market Share (With Taunton Casino)</b>	
Expectations of Applicant	Understanding of market dynamics (current and future).
Assessment Approach	<p>Compiled and summarized entire view of Massachusetts market based on existing reports and comparable markets:</p> <ul style="list-style-type: none"> <li>• In Scenario 1 where Taunton casino has no competitive advantage, the likely gaming revenue range that could be generated is between \$227 and \$265 million prior to revenue generated from outside the defined market area (inflow).</li> <li>• In Scenario 2 where Taunton casino has a competitive advantage (marketing or capital investment), the likely gaming revenue range that could be generated is between \$186 and \$217 million prior to revenue generated from outside the defined market area (inflow).</li> </ul>
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<ul style="list-style-type: none"> <li>• Year 2 GGR (net of free play): <ul style="list-style-type: none"> <li>– HLT Market Area: not provided</li> <li>– Inflow: not provided</li> <li>– Total GGR: \$327.0 million</li> </ul> </li> </ul>
Statement of Findings	<p>The Applicant believes it can effectively compete with the Taunton casino (with no gaming tax) for a share of the Greater Boston market. This belief is based on their location relative to the Greater Boston area population base and their experience operating in competitive markets (i.e. Philadelphia, Chicago, and Pittsburgh). HLT's Scenario 1 aligns with this belief (no competitive advantage for the Taunton casino).</p> <ul style="list-style-type: none"> <li>• MG&amp;E's estimate of \$327 million is aggressive (above higher end of expected range) compared to HLT's estimated range of \$252 to \$294 million (assumed 10% inflow).</li> </ul> <p>While MG&amp;E does not contemplate a scenario in which Taunton has a competitive advantage (e.g. either through increased marketing spend and/or greater size and scope of facility), HLT's Scenario 2 considers the potential impact of such a competitive advantage (difficult to fully appreciate/quantify due to lack of project details). HLT's Scenario 2 estimated range of \$207 to \$241 million (assumed 10% inflow) is well below MG&amp;E's projected gaming revenue of \$327 million.</p>
Rating	<b>Sufficient</b>

<b>Criterion 4: Operations Plan</b>	
Reasonableness of the Applicant's operating plan given the current and likely future gaming environment in Massachusetts. Specific focus areas include:	
<ul style="list-style-type: none"> <li>• Applicant's understanding of the importance of internal controls.</li> <li>• Consistency of operation plans with expected financial results.</li> </ul>	
	<b>Brockton/MG&amp;E</b>
Statement of Findings	<u>Understanding of Internal Controls</u> <ul style="list-style-type: none"> <li>• Applicant recognizes the importance of internal controls and has experience working in a regulated environment. Further the Applicant provided a draft internal control manual.</li> </ul>
	<u>Consistency of Business Plan/Marketing Plan with Expected Returns</u> <p>All operational and marketing plans were clearly articulated and represent a cohesive strategy that aligns with Brockton/MG&amp;E's proposed complex and view of the market opportunity (market differentiation from Everett/Wynn).</p> <ul style="list-style-type: none"> <li>• Slot product plan is reasonable.</li> <li>• Table product plan is reasonable.</li> <li>• Food and beverage plan is reasonable.</li> <li>• Hotel plan is reasonable.</li> <li>• Retail plan is reasonable.</li> <li>• Parking plan is reasonable</li> <li>• Marketing approach is aligned with Brockton/MG&amp;E's proposed complex and view of the market opportunity (market differentiation from Everett/Wynn).</li> </ul>
	<u>Financial Projection Analysis</u> <ul style="list-style-type: none"> <li>• Applicant's financial projections are in alignment with their business plan and view of the market opportunity (market differentiation from Everett/Wynn).</li> <li>• Brockton/MG&amp;E's total payroll as a percentage of total revenue is lower than expected.</li> <li>• Overall, proposed financial projections are reasonable.</li> </ul>
Overall Findings	Demonstrated a sound operations plan for their Category 1 gaming facility.
<b>Criterion 4 Rating</b>	<b>Very Good</b>

<b>4.1 Applicant's Understanding of the Importance of Internal Controls</b>	
Expectations of Applicant	Applicant demonstrates an understanding of the importance of a strong internal control environment.
Assessment Approach	Reviewed submitted internal control manuals and history of experience with other gaming regulators.
	<b>Brockton/MG&amp;E</b>
Summary of Facts	<ul style="list-style-type: none"> <li>• Brockton/MG&amp;E acknowledged that they will abide by Massachusetts internal control regulations and provided a draft internal control manual.</li> <li>• Brockton/MG&amp;E's proposed casino management company (Rush Street Gaming, LLC) has experience developing and adhering to internal controls in Mississippi, Pennsylvania and Illinois.</li> </ul>
Statement of Findings	Applicant recognizes the importance of internal controls and has experience working in a regulated environment. Further the Applicant provided a draft internal control manual.
Rating	<b>Outstanding</b>

<b>4.2 Consistency of Business Plan/Marketing Plan with Expected Financial Returns</b>	
Expectations of Applicant	Business plans/marketing plans are representative of that of a North American regional market casino and demonstrate connection to financial projections.
Assessment Approach	Reviewed business and marketing plans as submitted to assess whether Applicant understood strategies to be employed operating a North American regional market casino.
<b>Brockton/MG&amp;E</b>	
Summary of Facts	<p>Slot Product Plan:</p> <ul style="list-style-type: none"> <li>• Provided a detailed plan.</li> </ul> <p>Table Product Plan:</p> <ul style="list-style-type: none"> <li>• Provided a detailed plan.</li> </ul> <p>Food &amp; Beverage Plan:</p> <ul style="list-style-type: none"> <li>• Provided for 770 seats in six outlets.</li> <li>• Sales estimated at 9.5% of gaming revenue and 69.5% comped.</li> </ul> <p>Hotel Plan:</p> <ul style="list-style-type: none"> <li>• 250 rooms</li> <li>• Occupancy- 90%.</li> <li>• Average Daily Rate- \$150.</li> </ul> <p>Retail/Other Plan:</p> <ul style="list-style-type: none"> <li>• 1,000 sf of retail.</li> </ul> <p>Parking Plan:</p> <ul style="list-style-type: none"> <li>• Provided for 3,003 spaces.</li> </ul> <p>Marketing Plan:</p> <ul style="list-style-type: none"> <li>• Marketing approach is aligned with Brockton/MG&amp;E's proposed complex and view of the market opportunity (market differentiation from Everett/Wynn).</li> <li>• Projected marketing expenditures are aligned with the proposed marketing plan and are in line with what would be expected for a North American regional casino.</li> </ul>
Statement of Findings	<p>All operational and marketing plans were clearly articulated and represent a cohesive strategy that aligns with Brockton/MG&amp;E's proposed complex and view of the market opportunity (market differentiation from Everett/Wynn).</p> <ul style="list-style-type: none"> <li>• Slot product plan is reasonable.</li> <li>• Table product plan is reasonable.</li> <li>• Food and beverage plan is reasonable.</li> <li>• Hotel plan is reasonable.</li> <li>• Retail plan is reasonable.</li> <li>• Parking plan is reasonable</li> <li>• Marketing approach is aligned with Brockton/MG&amp;E's proposed complex and view of the market opportunity (market differentiation from Everett/Wynn).</li> </ul>
Rating	<b>Very Good</b>

<b>4.3 Financial Projection Analysis</b>	
Expectations of Applicant	Financial projections and related key performance indicators are consistent with industry averages, and are reflective of the proposed business plan.
Assessment Approach	Assessed the financial projections for consistency with industry norms and evaluated the projections with the proposed business plan.
	<b>Brockton/MG&amp;E</b>
Summary of Facts	<ul style="list-style-type: none"> <li>• Provided financial projections in the format requested for scenarios with and without Taunton casino.</li> <li>• Without Taunton casino: <ul style="list-style-type: none"> <li>– Year 3 gaming revenue at \$414 million</li> <li>– Year 3 EBITDA at \$143 million</li> <li>– Year 3 Net Income before taxes at \$63 million</li> </ul> </li> <li>• With Taunton casino: <ul style="list-style-type: none"> <li>– Year 3 gaming revenue at \$335 million</li> <li>– Year 3 EBITDA at \$102 million</li> <li>– Year 3 Net Income before taxes at \$19 million</li> </ul> </li> </ul>
Statement of Findings	<ul style="list-style-type: none"> <li>• Applicant’s financial projections are in alignment with their business plan and view of the market opportunity (market differentiation from Everett/Wynn).</li> <li>• Brockton/MG&amp;E’s total payroll as a percentage of total revenue is lower than expected.</li> <li>• Overall, proposed financial projections are reasonable.</li> </ul>
Rating	<b>Very Good</b>