

2. FINANCE

Prerequisites

2-1 Application Fee and Community Disbursements

All applicants have paid a nonrefundable application fee of \$400,000 to the Commission to defray the costs associated with the processing of the application and investigation of the applicant. However, if the costs of the investigation exceed or have exceeded the initial application fee, the applicant shall pay the additional amount to the Commission within 30 days after notification of insufficient fees by the Commission or the application shall be rejected. Similarly, each applicant shall pay to the Commission all amounts in excess of the initial

\$50,000 of the application fee for purposes of making approved Community Disbursements in accordance with 205 CMR 114.03. Is the applicant current with all payments to the Commission for amounts in excess of the initial application fee?

Yes No

2-2 Licensing Fee

An applicant must demonstrate that it is able to pay the licensing fee (\$85,000,000 for a Category 1 license and \$25,000,000 for a Category 2 license) in the event that it is awarded a license. The Commission will refer to information and documentation in its possession as a result of the RFA-1 application process as well as to responses to inquires in this section to make this determination. The applicant may attach additional documentation or provide further evidence as to its ability to pay (as attachments 2-02-01 et. seq.). Further, the applicant must commit to paying the gaming licensing fee in the event that it is awarded a license. Have you signed and attached the required acknowledgment form contained in section B. Signature Forms?

2-3 Minimum Capital Investment

In accordance with the design plans submitted in accordance with section 4 of the RFA-2 application that applicant must agree to invest not less than \$500,000,000 into a Category 1 gaming establishment or \$125,000,000 into a Category 2 gaming establishment. Further, unless granted leave by the Commission, the applicant must agree to expend at least the amount identified as the capital investment in accordance with section 2-27 of the RFA-2 application. Have you signed and attached the required acknowledgment form contained in section B. Signature Forms?

2-4 Land

The applicant must own or acquire the land where the gaming establishment is proposed to be constructed within 60 days after a license has been awarded (an applicant shall be deemed to own the land if it has entered into a tenancy for a term of years under a lease that extends not less than 60 years beyond 15 years for a Category 1 license or 5 years for a Category 2 license). Please attach a copy of a lease, deed, option, or other documentation to this page and provide an explanation as to the status of the land on which the proposed establishment will be constructed in the box below. If the applicant does not presently possess an ownership interest in the location, provide an agreement, and description of its plan as to how it intends to own or acquire, within 60 days after a license has been awarded, the land where the gaming establishment is proposed to be constructed. Further, state whether the land that the applicant purchased or intends to purchase is publicly-owned.

Financial & Capital Structure

2-5 Audited Financial Statements

Provide an independent audit report of financial activities and interests for each of the last five years, including, but not limited to, the disclosure of all contributions, donations, loans or any other financial transactions to or from a gaming entity or operator in the past 5 years. If applicant is comprised of more than one legal entity, provide financial statements for each. Do not include financial statements for individual partners, officers or shareholders.

2-6 Unaudited Financials and SEC Filings

Provide any unaudited financial statements and all SEC filings for the applicant, if applicable, for the current fiscal year through the end of the most recent quarter prior to filing.

2-7 Financing Structure

An applicant must demonstrate its financial stability by clear and convincing evidence. Describe and attach documentation demonstrating the financing structure and plan for the proposed project including all sources of capital. Include current capital commitments as well as plan and timing for meeting future capital needs.

2-8 Budget

Provide a detailed budget of the total project cost. Identify separately construction costs (labor, materials), design costs, legal and professional fees, consulting fees and all other development costs. Also identify all other pre-opening costs including training, marketing and initial working capital.

2-9 Significant Economic Downturn

Submit an analysis including best, worst, and average case scenarios that demonstrates the applicant's plan and capacity for accommodating steep downturns in gaming revenues, and cite examples of where those plans and strategies have been successful in other markets in which the applicant operates.

2-10 Timeline for Construction

Provide a timeline of construction of the gaming establishment that includes detailed stages of construction for the gaming establishment, non-gaming structures and any racecourse, where applicable, and provide the number of construction hours estimated to complete the work. Include the deadline by which the stages and overall construction and any infrastructure improvements will be completed, any plans for phasing of the project, and a projected date that the applicant will begin gaming operations.

2-11 Pro-Forma Cash Flow

An applicant must demonstrate its financial stability by clear and convincing evidence. Provide an enterprise pro-forma with a summary budget and cash-flow. Identify sources and uses of cash on a quarterly basis during the construction period and annually for five years (Category 2 gaming establishment) or 15 years (Category 1 gaming establishment) after opening. Provide the following 3 calculations: (1) Present value discounting cash flows at 4%, (2) Present value discounting cash flows at 15%, and (3) Estimating the project's internal rate of return.

2-12 Credit Arrangements and Financial Commitments

An applicant must demonstrate its financial stability by clear and convincing evidence. Describe all existing credit arrangements and financial commitments relative to the project including the identity of each lender and the terms or conditions under which loan proceeds can be obtained and distributed.

2-13 Breaches of Contract

Provide a description of any contract, loan agreement or commitment that the applicant has breached or defaulted on during the last 10 years and provide information for any lawsuit, administrative proceeding or other proceeding that occurred as a result of the breach or default.

2-14 Administrative and Judicial Proceedings

Provide a description of any administrative or judicial proceeding during the last 10 years in which the applicant or any entity that owns a 5% or greater share of the applicant was found to have violated a statute or regulation governing its operations.

2-15 Bankruptcy Filings

Identify any bankruptcy filings made or proceedings commenced since submission of the RFA-1 application for any entities owned or controlled by the applicant and any entity that owns a 5% or greater share of the applicant.

2-16 Minority sources of financing

Identify any minority sources of financing for the project.

Financial & Capital Structure

2-17 Documentation of Financial Suitability and Responsibility

An applicant must demonstrate its financial stability by clear and convincing evidence. The Commission will review the information relative to financial stability provided by the applicant, or otherwise obtained by the Commission, in the course of the RFA-1 application process. Please provide any supplemental documentation, if any, for each qualifier reflecting the period between the submission of the RFA-1 application and the submission of the RFA-2 application including, but not limited to, bank references, business and personal income and disbursement schedules, tax returns and other reports filed by government agencies and business and personal accounting check records and ledgers.

Maximize Revenues to the Commonwealth

2-18 Revenue Generation

Provide completed studies and reports showing the estimated municipal and state tax revenue to be generated by the gaming establishment.

2-19 Projected Gaming Revenue

Provide projections for gross gaming revenue each year for the first five years of gaming operations on a best, average and worst case basis.

2-20 Projected Non-Gaming Revenue

Provide projections for gross non-gaming revenue generated by elements of the gaming establishment complex each year for the first five years of operations on a best, average and worst case basis, identifying the source of each element of the non-gaming revenue.

2-21 Projected Tax Revenue to the Commonwealth

Provide projections for all tax revenue to the Commonwealth (gaming, sales, etc.) each year for the first five years of operations on a best, average and worst case basis, identifying the source of each element of the tax revenue.

2-22 Internal Controls

The Commission will develop regulations governing internal controls for gaming establishments in Massachusetts in the near future. However, in order to assist its evaluation of the applicant, the Commission is interested in knowing what standards the applicant anticipates adhering to at its Massachusetts establishment. Accordingly, subject to any adjustments required upon promulgation of the future regulations, please provide a full description of the proposed internal controls, electronic surveillance systems, and security systems for the proposed gaming establishment and any related facilities, including internal audits, independent external audits, separation of accounting and cage processes for independent verifications, cage and count room supervision, gaming floor drop processes, and other asset preservation and secure cash handling systems and processes. Further, please attach a projected table of organization that includes staffing levels and identifies the critical departments of accounting (e.g.- positions in the cage, count room, and income control sections), internal audit, compliance and security, and surveillance as well as indication as to which staff position(s) would be responsible for communications with the Commission.

2-23 Maximizing In-State Revenue

If the applicant or any entity that owns a 5% or greater share of the applicant has an investment in a gaming establishment within 300 miles of the applicant's proposed location within the Commonwealth, describe the plans and methods the applicant intends to use to ensure that revenues are maximized at the Massachusetts gaming establishment even if maximizing revenues in Massachusetts requires or leads to reduction of revenues at the out of state facility.

2-24 Customer Cross-Marketing

If the applicant or any entity that owns a 5% or greater share of the applicant has an investment in a gaming establishment beyond 300 miles from the applicant's proposed location within the Commonwealth, describe any plans the applicant has to use those other facilities or customers who patronize those other facilities to enhance revenues at the applicant's Massachusetts facility.

2-25 History of Revenue

In order to award a gaming license to an applicant, an applicant must demonstrate that it has sufficient business ability and experience to create the likelihood of establishing and maintaining a successful gaming establishment. To that end, provide a history of operating performance versus revenue projections over the last ten years with respect to each facility of a size comparable to or larger than the facility you are proposing for Massachusetts. Include documentation outlining the applicant's record of success or failure in meeting these performance objectives.

2-26 Market Analysis

One of the principal objectives driving the enactment of the Expanded Gaming Act was to repatriate money spent by Massachusetts residents in other gaming jurisdictions. Provide a market analysis showing benefits of the site location of the applicant's proposal and the estimated recapture rate of gaming-related spending by Massachusetts residents travelling to out-of-state gaming establishments. Further, please describe how the applicant plans to compete with other nearby gaming destinations and to market to their patrons from Massachusetts who are embedded in their databases and marketing systems.

Realize Maximum Capital Investment Exclusive of Land and Infrastructure

2-27 Capital Investment

Provide the total capital investment and demonstrate how it was calculated in accordance with

205 CMR 122.00. Describe how the applicant proposes to realize the maximum capital investment exclusive of land acquisition and infrastructure improvements. (See related attestation in Section B. Signature Forms).

2-28 Total Investment Outside the Property

Show the total investment in the infrastructure outside the property boundaries.

2-29 Additional Financial Commitments

(Optional For Category 2 applicants) Describe all financial commitments and guarantees the applicant is prepared to provide to the Commission and to the host community over and above the deposit or bond required by G.L. c. 23K, §10(a) to ensure that the project is completed, license conditions are fulfilled and sufficient working capital is available to allow operation in the promised fashion. Include examples of letters of credit, MOU's or other agreements or commitments the applicant is willing to provide.

2-30 Construction Plan

Provide a construction plan and schedule that includes major construction milestones, key dates, and any phased opening plans, and mitigation measures the applicant will take to reduce the impact of construction on the local community.

Offer Highest and Best Value to Create a Secure and Robust Gaming Market

2-31 Business Plan

Provide a business plan describing how the applicant will meet projected revenue generation plans in the near term and over time.

2-32 Maximum Facility Use

Describe the applicant's strategy for ensuring maximum use of the facilities throughout the calendar year including how that strategy will take account of the seasonal nature of tourism in the Northeast.

2-33 Competition from Internet Gaming

Describe the applicant's plans for maintaining a robust gaming market at its facility if, and as, internet gaming becomes more widespread by articulating:

1. How does the applicant plan to compete with internet gaming in the event that internet gaming is not allowed in Massachusetts; and
2. Does the applicant intend to implement internet gaming into its plans if internet gaming is allowed in Massachusetts, and if so, how?

2-34 Marketing Plan

Describe the applicant's marketing plan for its Massachusetts gaming establishment. If that marketing plan is the same as, or similar to, marketing plans the applicant has used elsewhere, describe how those plans succeeded or failed, including whether the applicant met its financial projections for the facilities where the plans were used. If the marketing plan for a Massachusetts facility differs from the marketing plans used elsewhere, describe the factors that led the applicant to devise its Massachusetts plan.

Further, in the highly competitive gaming market that exists today, gaming facility operators are increasingly diversifying their products and assuring financial stability by increasing revenues from non-gaming activities. Explain your long-term strategies for accommodating the increasingly saturated competitive environment, and cite examples from other locations you operate that demonstrate the strategic development.

2-35 New Revenue

Describe and provide a completed study showing the overall economic benefit to the Commonwealth and the region from the applicant's proposed gaming establishment, including in that study the way in which the facility will generate new revenues as opposed to taking revenues from other Massachusetts businesses.

2-36 Marketing to Out of State Visitors and use of Junkets

Describe the components of the applicant's marketing plan that focus on out of state visitors and the anticipated gaming and non-gaming gross revenues the applicant anticipates from out of state visitors during each of the first five years of the gaming establishment's operations on a best, average and worst case scenario. Please explain how the use of Junkets, as the term is defined by

G.L c.23K, §2, will factor into this plan. Include a short summary of the applicant's historical use of and reliance upon Junkets in its other operations in other jurisdictions, and include a listing of Junket operators who are anticipated to be utilized at the Commonwealth property.

2-37 Marketing to In-State Visitors

Describe the components of the applicant's marketing plan that focus on in-state visitors and the anticipated gaming and non-gaming gross revenues the applicant anticipates from in-state visitors during each of the first five years of the facility's operations on a best, average and worst case scenario. Please explain how the use of Junkets will factor into this plan.

2-38 Secure and Robust Gaming Market

Describe the measures the applicant or any entity owning a 5% or greater share of the applicant has taken to ensure a secure and robust gaming market at each other gaming facility it owns or controls.