



Massachusetts Gaming Commission
RFA-2 Application Review
Category 2 License for Slots Parlor

Report to the Commissioners for: Category # 2 - Slots Parlor

Commissioner: Enrique Zuniga

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2. Overall Provisional Rating - an overall rating for each applicant with a summary justification based on the supporting rollup.

3. Criteria Rating Summary - a summary of the findings and ratings for each of the criteria

4. Review Detail - presents further details on criteria, and related questions *(this may vary by Commissioner)*

5. Appendix - provides additional information *(items below listed as examples)*

- Additional Topics Reviewed Not Rated

Introduction

This section would describe the approach to the review and/or the weighting of the criterion

a. Criteria – Section 2 Finance

Section 2 is comprised of 4 Criteria and 11 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 2-19, 2-21, 2-23, 2-26, 2-18):
 - Criterion 3.1 (Questions 2-19, 2-21, 2-23, 2-26, 2-18):
 - Criterion 3.2 (Questions 2-19, 2-21, 2-23, 2-26, 2-18):
 - 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):
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|--|
| <u>Financial Capability</u> |
| Ability of Applicant to Obtain Project Capital |
| Current Financial Strength of Applicant |
| Applicant's Expected Project Return Over Term of License |
| <u>Investment Plan</u> |
| Commitment to Spend Required Capital |
| Timing of Total Development |
| Consistency Between Quality/Scope of Proposed Facility and Expected Market Penetration and Financial Results |
| <u>Market Assessment</u> |
| Gaming Revenue Projections and Market Share (Before Competition) |
| Gaming Revenue Projections and Market Share (After Competition) |
| <u>Operations Plan</u> |
| Applicant's Understanding of the Importance of Internal Controls |
| Consistency of Business Plan with Financial Results |
| Financial Projection Analysis |

b. Question List – the following is an example and is a selection of the questions in Section 2

- 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

c. Rating System

Color coding and rating explanation

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

Category # 2 – Finance - Overall Provisional Rating

Introduction

This section would describe the approach to the review and weighing the criteria – See Attachment “Finance Component”

Leominster/PPE

Leominster/PPE has demonstrated that they have the financial capabilities and direct access to funds required to develop and operate a successful Category 2 casino. They submitted sound Investment, Market and Operation plans that align with their understanding of the Massachusetts opportunity. While these plans are individually strong and support the operation of a successful casino, they are not completely aligned with the future Massachusetts competitive marketplace and the operating parameters of a Category 2 license (i.e. tax rate, limit on number of devices and type of devices).

Leominster/PPE’s equity shareholder currently operates the largest casino in Maryland as measured by gross gaming revenue. While significant components of this experience base were used to support the various plans contained in their submission, this is the only casino that Leominster/PPE currently operates.

VERY GOOD

Plainville/Penn National

Plainville/Penn National has demonstrated that they have the financial capabilities and direct access to funds required to develop and operate a successful Category 2 casino. Their submission demonstrated that they fully understand the current and future Massachusetts competitive marketplace and the operating parameters of the Category 2 license (i.e. tax rate, limit on number of devices and type of devices). This understanding is reflected in the consistency (alignment) between their Investment, Market and Operation plans that they submitted.

Plainville/Penn possesses the necessary experience operating 28 gaming facilities located in 19 jurisdictions. Each of the facilities operates in jurisdictions that have varying degrees of competitiveness. The Applicant’s portfolio includes numerous properties of similar size and scope to the Category 2 casino proposed in MA. The Applicant has significant expertise (corporate head office that supports regional operations) to develop and operate a successful Category 2 casino in a highly competitive market.

	VERY GOOD/OUTSTANDING
	<p>Raynham/PR</p> <p>Raynham/PR has demonstrated that they have the financial capabilities required to develop and operate a successful Category 2 casino. They did not demonstrate that they currently have direct access to all of the funds required to build the permanent casino. They submitted sound Investment, Market and Operation plans. While these plans are individually viable and support the operation of a successful casino, they are not completely aligned with the current and future Massachusetts competitive market place and operating parameters of a Category 2 license (i.e. tax rate, limit on number of devices and type of devices).</p> <p>One of Raynham/PR's equity shareholders currently operates the largest casino in Philadelphia as measured by gross gaming revenue. While significant components of this experience base were used to support the various plans contained in their submission, this is the only casino that Raynham/PR's equity shareholder operates.</p>
	SUFFICIENT/VERY GOOD

Section 1: Financial Capability

Financial capability of Applicant to develop (construct and open) and operate the proposed Category 2 facility. Specific focus areas include:

- Ability of Applicant to obtain project capital.
- Current financial strength of Applicant.
- Applicant’s expected project return over 5 year term (term of license).

	Leominster/PPE	Plainville/Penn National	Raynham/PR
Statement of Findings	<p><u>Ability to Obtain Capital</u> Demonstrated the availability of financing for the project:</p> <ul style="list-style-type: none"> • Commitment letters provided from two banks with limited conditions. • The Cordish Family II, LLC has sufficient liquid and net assets to fund the project (Phase 1 Suitability Report). 	<p><u>Ability to Obtain Capital</u> Demonstrated the availability of financing for the project:</p> <ul style="list-style-type: none"> • Revolving credit facility in the amount of \$500 million of which \$475 million was available as of December 4th, 2013 (as per representation of Applicant at Host Community Hearing). 	<p><u>Ability to Obtain Capital</u> Did not demonstrate complete availability of financing:</p> <ul style="list-style-type: none"> • The funding plan as presented by the Applicant is different than funding plan stated in the Credit Suisse commitment letter. • Credit Suisse commitment letter condition of [REDACTED] ” not provided. • Applicant’s intended use of future cash flow ([REDACTED]) is not included in the Credit Suisse commitment letter. The use of future cash flow does not demonstrate evidence of current availability of financing.
	<p><u>Current Financial Strength</u></p> <ul style="list-style-type: none"> • The financial strength of the Applicant is based upon the provider of equity to the project (The Cordish Family II, LLC). The Cordish Family II, LLC’s net asset and liquid asset position demonstrates financial strength. 	<p><u>Current Financial Strength</u></p> <ul style="list-style-type: none"> • Penn National Gaming Inc.’s key financial ratios demonstrate financial strength. 	<p><u>Current Financial Strength</u></p> <ul style="list-style-type: none"> • The financial strength of the Applicant is based upon the primary provider of equity to the project (Greenwood Racing Inc.). Greenwood Racing Inc.’s key financial ratios demonstrate financial strength.
	<p><u>Expected Returns</u></p> <ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment and provides that initial investment will be recouped over 5 year term. 	<p><u>Expected Returns</u></p> <ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment and provides that initial investment will be recouped over 5 year term. 	<p><u>Expected Returns</u></p> <ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment and provides that initial investment will be recouped over 5 year term.

	<ul style="list-style-type: none"> • A positive return on investment can still be achieved after a 15% discount rate. 	<ul style="list-style-type: none"> • A positive return on investment can still be achieved after a 15% discount rate. 	<ul style="list-style-type: none"> • A positive return on investment can still be achieved after a 15% discount rate.
Overall Findings	Demonstrated that they possess complete financial capabilities to develop and operate a Category 2 gaming facility.	Demonstrated that they possess complete financial capabilities to develop and operate a Category 2 gaming facility	Demonstrated that they possess financial capabilities to develop and operate a Category 2 gaming facility. They did not provide complete evidence that they currently have access to all the funds required to develop the project.
Section 1 Rating	Outstanding	Outstanding	Very Good

1.1 Ability of Applicant to Obtain Project Capital			
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.		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Total Capital Required- \$215.7 million • Debt (60% - \$129.4 million)/Equity (40% - \$86.3 million) • Two commitment letters provided by KeyBanc and M&T Bank in the amount of up to \$120 million (based on total estimated project cost of \$200 million). • Promissory note in the amount of \$80 million from the Cordish Family II, LLC has sufficient liquid and net assets to fund the project (Phase 1 Suitability Report). • While the commitment letters and promissory note do not completely cover the financing requirement, the single controlling shareholder of The Cordish Family II, LLC (a related party to the Applicant) stated that if debt was not available, it would fund entire amount. 	<ul style="list-style-type: none"> • Total Capital Required- \$225 million • Debt (100%)/Equity (0%) • Entire amount to be funded by existing revolving credit facility. 	<ul style="list-style-type: none"> • Total Capital Required- \$227.3 million • Debt (55%)/Equity (45%) • Commitment letter provided by Credit Suisse in the amount of \$ [REDACTED] million. A condition of commitment letter requires the Applicant [REDACTED] • Greenwood Racing Inc. to provide \$45 million in equity. • Carney to provide \$11 million in equity through transfer of land. • Intention to use \$46 million in cash flow from temporary casino to fund remaining equity.
Statement of Findings	<p>Demonstrated the availability of financing for the project:</p> <ul style="list-style-type: none"> • Commitment letters provided from two banks with limited conditions. • The Cordish Family II, LLC has sufficient liquid and net assets to fund the project (Phase 1 Suitability Report). 	<p>Demonstrated the availability of financing for the project:</p> <ul style="list-style-type: none"> • Revolving credit facility in the amount of \$500 million of which \$475 million was available as of December 4th, 2013 (as per representation of Applicant at Host Community Hearing). 	<p>Did not demonstrate complete availability of financing:</p> <ul style="list-style-type: none"> • Funding plan presented by the Applicant is different from funding plan stated in the Credit Suisse (“CS”) commitment letter. • CS commitment letter condition of “[REDACTED]” [REDACTED] not provided. • Applicant’s intended use of future cash

			<p>flow (to fund \$46 million) is not included in the CS commitment letter.</p> <ul style="list-style-type: none"> • The use of future cash flow does not demonstrate evidence of current availability of financing. Greenwood Racing Inc. does have available capacity under an existing line of credit to satisfy additional equity requirements.
Rating	Outstanding	Outstanding	Sufficient

1.2 Current Financial Strength of Applicant			
Expectations of Applicant	<ul style="list-style-type: none"> • Strong Balance Sheet (Current Ratio, Net Asset Position) • Reasonable levels of debt (Debt Equity Ratio) • Positive operating results (Capital Asset Turnover, Return on Investment) 		
Assessment Approach	Reviewed financial statements (where applicable) submitted by Applicants and performed financial ratio analysis to assess financial strength of Applicant.		
	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<p>The Cordish Family II, LLC is providing the equity component of the project financing. This entity has sufficient liquid and net assets to fund the project (Phase 1 Suitability Report).</p> <p>The Cordish Family II, LLC is designed to provide start-up capitalization for new Cordish ventures.</p>	<p>Penn National Gaming’s primary business is operating and developing gaming facilities.</p> <p>Financial Statements Submitted- Penn National Gaming Inc. (prior to “spin-off” of company into two publically traded companies).</p> <p>Key Financial Ratios</p> <p>[REDACTED]</p>	<p>Greenwood Racing Inc. is providing \$45 million in equity to the project.</p> <p>Financial Statements Submitted- Greenwood Racing Inc. (Operator of Parx Casino)</p> <p>Key Financial Ratios</p> <p>[REDACTED]</p>
Statement of Findings	<ul style="list-style-type: none"> • The financial strength of the Applicant is based upon the provider of equity to the project (The Cordish Family II, LLC). The Cordish Family II, LLC’s net asset and liquid asset position demonstrates financial strength. 	<ul style="list-style-type: none"> • Penn National Gaming Inc.’s key financial ratios demonstrate financial strength. 	<ul style="list-style-type: none"> • The financial strength of the Applicant is based upon the primary provider of equity to the project (Greenwood Racing Inc.). Greenwood Racing Inc.’s key financial ratios demonstrate financial strength.
Rating	Outstanding	Outstanding	Outstanding

1.3 Applicant's Expected Return Over Term of License			
Expectations of Applicant	<ul style="list-style-type: none"> • Earn a commercially reasonable return on investment. • Ability to pay back development cost over term of license (5 years). 		
Assessment Approach	Return on investment calculation based on Applicant's submitted 5-year EBITDA. This calculated return was assessed under two annual discount rates (4%-15% as contained in Application document).		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Simple ROI Calculation: [REDACTED] • ROI (Discount Rate 4%): [REDACTED] • ROI (Discount Rate 15%): [REDACTED] 	<ul style="list-style-type: none"> • Simple ROI Calculation: [REDACTED] • ROI (Discount Rate 4%): [REDACTED] • ROI (Discount Rate 15%): [REDACTED] 	<ul style="list-style-type: none"> • Simple ROI Calculation: [REDACTED] • ROI (Discount Rate 4%): [REDACTED] • ROI (Discount Rate 15%): [REDACTED]
Statement of Findings	<ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment and provides that initial investment will be recouped over 5 year term. • A positive return on investment can still be achieved after a 15% discount rate. 	<ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment and provides that initial investment will be recouped over 5 year term. • A positive return on investment can still be achieved after a 15% discount rate. 	<ul style="list-style-type: none"> • Plan proposed produces a commercially reasonable return on investment and provides that initial investment will be recouped over 5 year term. • A positive return on investment can still be achieved after a 15% discount rate.
Rating	Outstanding	Outstanding	Outstanding

Section 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.

	Leominster/PPE	Plainville/Penn National	Raynham/PR
Statement of Findings	<u>Commitment to Spend Capital</u> <ul style="list-style-type: none"> • Eligible capital costs meet minimum capital investment requirement. 	<u>Commitment to Spend Capital</u> <ul style="list-style-type: none"> • Eligible capital costs meet minimum capital investment requirement. 	<u>Commitment to Spend Capital</u> <ul style="list-style-type: none"> • Eligible capital costs are inclusive of temporary and permanent facility construction costs. • Eligible capital costs (inclusive of temporary and permanent facility) meet minimum capital investment requirement.
	<u>Timing of Development</u> <ul style="list-style-type: none"> • Provided a reasonable timeline for opening permanent facility. 	<u>Timing of Development</u> <ul style="list-style-type: none"> • Temporary facility will be open within 6 months. Permanent facility will be under construction during the same period. • Provided a reasonable timeline for opening permanent facility. 	<u>Timing of Development</u> <ul style="list-style-type: none"> • Temporary facility will be open within 6 months. Permanent facility will be under construction during the same period. • Provided a reasonable timeline for opening permanent facility.
	<u>Consistency Between Quality/Scope and Results</u> <ul style="list-style-type: none"> • Proposed facility amenities are consistent with a local market casino. 	<u>Consistency Between Quality/Scope and Results</u> <ul style="list-style-type: none"> • Proposed facility amenities are consistent with a local market casino. 	<u>Consistency Between Quality/Scope and Results</u> <ul style="list-style-type: none"> • Proposed facility amenities are consistent with a local market casino.
Overall Findings	Proposed an acceptable physical facility/complex plan given operating parameters of Category 2 license.	Proposed an acceptable physical facility/complex plan given operating parameters of Category 2 license.	Proposed an acceptable physical facility/complex plan given operating parameters of Category 2 license.
Section 2 Rating	Very Good	Very Good	Very Good

2.1 Commitment to Spend Required Capital			
Expectations of Applicant	Provide evidence that capital budget includes eligible capital expenses of at least \$125 million.		
Assessment Approach	Reviewed Applicant’s submitted capital budgets and determined eligible and ineligible expenses.		
	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Eligible Construction Cost- [REDACTED] • Eligible FF&E Cost- [REDACTED] • Total Eligible Costs- [REDACTED] 	<ul style="list-style-type: none"> • Eligible Construction Cost- [REDACTED] • Eligible FF&E Cost- [REDACTED] • Total Eligible Costs- [REDACTED] 	<ul style="list-style-type: none"> • Eligible Construction Cost- [REDACTED] • Eligible FF&E Cost- [REDACTED] • Total Eligible Costs- [REDACTED]
Statement of Findings	<ul style="list-style-type: none"> • Eligible capital costs meet minimum capital investment requirement. 	<ul style="list-style-type: none"> • Eligible capital costs meet minimum capital investment requirement. 	<ul style="list-style-type: none"> • Eligible capital costs are inclusive of temporary and permanent facility construction costs. • Eligible capital costs (inclusive of temporary and permanent facility) meet minimum capital investment requirement.
Rating	Meets Requirement	Meets Requirement	Meets Requirement

2.2 Timing of Total Development			
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.		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> Applicant proposed opening date of December 11, 2014. 	<ul style="list-style-type: none"> Applicant proposed opening date of August 1, 2014 for temporary facility and April 15, 2015 for permanent facility. 	<ul style="list-style-type: none"> Applicant proposed opening date of July 1, 2014 for temporary facility and July 1, 2015 for permanent facility.
Statement of Findings	<ul style="list-style-type: none"> Provided a reasonable timeline for opening permanent facility 	<ul style="list-style-type: none"> Temporary facility will be open approximately within 6 months. Permanent facility will be under construction during the same period. Provided a reasonable timeline for opening permanent facility. 	<ul style="list-style-type: none"> Temporary facility will be open approximately within 6 months. Permanent facility will be under construction during the same period. Provided a reasonable timeline for opening permanent facility.
Rating	Very Good	Very Good	Very Good

2.3 Consistency Between Quality/Scope of Proposed Facility and Expected Market Penetration and Financial Results			
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.		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Site location has good highway access • Slots – 1,250 • Gaming Floor – 51,048 sf • F&B – 3 (2 restaurants – 420 seats, food court – 336 seats) • Entertainment – 430 seat theater • Parking – 1,601 spaces • Retail – Limited retail area in “Grab N Go” 	Permanent Structure <ul style="list-style-type: none"> • Site location has good highway access • Slots – 1,250 • Gaming Floor – 42,051 sf • F&B – 3 (2 restaurants – 330 seats, food court – 75 seats) • Entertainment – part of one of the restaurants and outdoor temporary structure. • Parking – 1,620 spaces (1,088 spaces in parking garage, 532 surface spaces) • Meeting Space – 5,163 sf multi-purpose/simulcast theater room • Retail – Small retail outlet • Live racing/simulcast facilities 	Permanent Structure <ul style="list-style-type: none"> • Site location has good highway access • Slots – 1,250 • Gaming Floor – 37,893 sf • F&B – 3 (restaurants – 5,402 sf, food court – 4,914 sf) • Entertainment – 15,871 sf multi-purpose space (can also be used for non-entertainment events) • Parking – 2,425 spaces • Simulcast facilities
Statement of Findings	<ul style="list-style-type: none"> • Proposed facility amenities are consistent with a local market casino. 	<ul style="list-style-type: none"> • Proposed facility amenities are consistent with a local market casino. 	<ul style="list-style-type: none"> • Proposed facility amenities are consistent with a local market casino.
Rating	Very Good	Very Good	Very Good

Section 3: Market Assessment

The viability of the proposed facility and operations plan (specifically the marketing component) to penetrate the available gaming market. The location of in-state competition is unknown at this time. Specific focus areas include:

- Gaming revenue projections and market share (before competition).
- Gaming revenue projections and market share (after competition).

	Leominster/PPE	Plainville/Penn National	Raynham/PR
Statement of Findings	<u>Gaming Revenue Projections and Market Share (Before Competition)</u> <ul style="list-style-type: none"> • Year 2 GGR (net of free play) projections at lower end of likely market performance range. 	<u>Gaming Revenue Projections and Market Share (Before Competition)</u> <ul style="list-style-type: none"> • Year 2 GGR (net of free play) projections at higher end of likely market performance range. 	<u>Gaming Revenue Projections and Market Share (Before Competition)</u> <ul style="list-style-type: none"> • Year 2 GGR (net of free play) projections above likely market performance range: <ul style="list-style-type: none"> ○ The ability of this facility to generate \$300 million in revenue is questionable given slot supply restriction and competitive advantage of competition (for example, greater slot machine supply in RI and CT).
	<u>Gaming Revenue Projections and Market Share (After Competition)</u> <ul style="list-style-type: none"> • Year 5 GGR (net of free play) projections above likely market performance range: <ul style="list-style-type: none"> ○ The ability of this facility to generate ██████████ in revenue is aggressive given the size and scope of Category 1 facilities (including the competitive advantage of a lower tax rate) 	<u>Gaming Revenue Projections and Market Share (After Competition)</u> <ul style="list-style-type: none"> • Year 5 GGR (net of free play) projections at lower end of likely market performance range. 	<u>Gaming Revenue Projections and Market Share (After Competition)</u> <ul style="list-style-type: none"> • Year 5 GGR (net of free play) projections well above likely market performance range: <ul style="list-style-type: none"> ○ The ability of this facility to generate \$250 million in revenue is unrealistic given the size and scope of Category 1 facilities (including the competitive advantage of a lower tax rate) and the location and competitive advantage of out-of-state competition.
Overall Findings	Gaming revenue projections before competition are within the range of expected market results. Projections after competition are aggressive (above higher end of expected range).	Gaming revenue projections (before and after competition) are within the range of expected market results.	Gaming revenue projections before competition are aggressive and after competition are well outside the range of expected market results and not supported by a business plan (as presented in Section 4: Operations Plan).
Section 3 Rating	Sufficient/Very Good	Very Good	Sufficient

3.1 Gaming Revenue Projections and Market Share (Before Competition)

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"> All three sites under “no competition” scenario could potentially generate up to \$300 million. Given the 1,250 slot machine maximum and competitive advantage of facilities in neighboring states, the likely win range that could be sustained under a “no competition” scenario for each site is between \$225 and \$275 million. 		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> Year 2 GGR (net of free play): █████ million 	<ul style="list-style-type: none"> Year 2 GGR (net of free play): █████ million 	<ul style="list-style-type: none"> Year 2 GGR (net of free play): \$300 million
Statement of Findings	Year 2 GGR (net of free play) projections at lower end of likely market performance range.	Year 2 GGR (net of free play) projections at higher end of likely market performance range.	Year 2 GGR (net of free play) projections above likely market performance range: <ul style="list-style-type: none"> The ability of this facility to generate \$300 million in revenue is questionable given slot supply restriction and competitive advantages of out-of-state competition (for example, greater slot machine supply in RI & CT).
Rating	Very Good	Very Good	Sufficient

3.2 Gaming Revenue Projections and Market Share (After Competition)			
Expectations of Applicant	Understanding of market dynamics (current and future).		
Assessment Approach	Compiled and summarized entire view of Massachusetts market based on existing reports and comparable markets: <ul style="list-style-type: none"> • All three sites under “full competition” scenario (three Category 1 facilities) could potentially generate up to \$150 million. • Given the different tax rate of Category 1 facilities (including size and scope of operation) and competitive advantage of facilities in neighboring states, the likely win range that could be sustained under a “full competition” scenario for each site is between \$125 and \$150 million. 		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Year 5 GGR (net of free play): █████ million 	<ul style="list-style-type: none"> • Year 5 GGR (net of free play): █████ million 	<ul style="list-style-type: none"> • Year 5 GGR (net of free play): \$250 million
Statement of Findings	Year 5 GGR (net of free play) projections above likely market performance range: <ul style="list-style-type: none"> • The ability of this facility to generate █████ million in revenue is aggressive given the size and scope of Category 1 facilities (including the competitive advantage of a lower tax rate). 	Year 5 GGR (net of free play) projections at lower end of likely market performance range.	Year 5 GGR (net of free play) projections well above likely market performance range: <ul style="list-style-type: none"> • The ability of this facility to generate \$250 million in revenue appears unrealistic given the size and scope of Category 1 facilities (including the competitive advantage of a lower tax rate) and the location and competitive advantage of out-of-state competition. Further, The Applicant’s business plan (as presented in Section 4: Operations Plan) does not support this revenue projection.
Rating	Sufficient	Very Good	Insufficient

Section 4: Operations Plan

Reasonableness of the Applicant’s operating plan given the current and likely future gaming environment in Massachusetts. Specific focus areas include:

- Applicants understanding of the importance of internal controls.
- Consistency of business plan with projected financial returns.
- Financial projections.

	Leominster/PPE	Plainville/Penn National	Raynham/PR
Statement of Findings	<p><u>Understanding of Internal Controls</u></p> <ul style="list-style-type: none"> • Applicant recognizes the importance of internal controls and has experience working in a regulated environment. 	<p><u>Understanding of Internal Controls</u></p> <ul style="list-style-type: none"> • Applicant recognizes the importance of internal controls and has experience working in numerous regulated environments. 	<p><u>Understanding of Internal Controls</u></p> <ul style="list-style-type: none"> • Applicant recognizes the importance of internal controls and has experience working in a regulated environment.
	<p><u>Consistency of Business Plan</u></p> <ul style="list-style-type: none"> • Parking plan is reasonable. • Did not provide a detailed slot product plan. ██████ leased product is higher than what would be expected (less than 10% of total machines is typical). • Food & Beverage plan is consistent with what would be expected (i.e. greater number of seats consistent with market characteristics, less than ██████ of total sales comped pre-competition and total sales of approximately ██████ of gaming revenue). • While the entertainment plan is reasonable (based on existing plan at Applicant’s other facility), the financial data provided to support the plan does not reconcile to the financial statements as submitted. • Marketing plan is consistent with what would be expected. 	<p><u>Consistency of Business Plan</u></p> <ul style="list-style-type: none"> • Parking plan is reasonable. • While did not provide detailed slot product plan, did state that plan would be based on slot performance data of operating 30,000 slot machines in 21 facilities. • Food & Beverage plan is consistent with what would be expected (i.e. comped sales less than ██████ of total sales and total sales of approximately ██████ of gaming revenue). While total number of seats is reasonable, may have difficulty accommodating peak demand periods (especially prior to in-State competition). • While the entertainment plan (concept) is reasonable (based on existing plans at Applicant’s other facilities), neither base operating data nor financial statement details were provided to support the plan. • Marketing plan is consistent with what would be expected. Examples provided demonstrate a more thorough response (i.e. “market ready”). 	<p><u>Consistency of Business Plan</u></p> <ul style="list-style-type: none"> • Parking plan is reasonable. • Did not provide a detailed slot product plan. • Food & Beverage plan is not consistent with what would be expected (i.e. comped sales greater than ██████ of total sales pre-competition and total sales of considerably less than ██████ of gaming revenue). While total number of seats is reasonable, may have difficulty accommodating peak demand periods (especially prior to in-State competition). • While the entertainment plan is greater than what would be expected, it is consistent with a competitive market environment. The individual details of the plan provided (number of shows, average ticket price, number of seats and utilization) are not compatible (e.g. show costing ██████, would typically not attract an average ticket price of ██████). • Marketing plan is consistent with what would be expected.
	<p><u>Financial Projection Analysis</u></p> <ul style="list-style-type: none"> • Reasonable financial projections provided except: <ul style="list-style-type: none"> • Amount of free play (post competition) is aggressive at ██████ of gaming 	<p><u>Financial Projection Analysis</u></p> <ul style="list-style-type: none"> • Reasonable financial projections provided except: <ul style="list-style-type: none"> • Details of the labor component (i.e. constant pay rate per FTE for most job 	<p><u>Financial Projection Analysis</u></p> <ul style="list-style-type: none"> • Reasonable financial projections provided except: <ul style="list-style-type: none"> • Certain job category pay rates unrealistic (i.e. slot, compliance). In addition, the

	revenue and higher than expected given the Applicant's projected win/unit/day level (■■■■ inclusive of free play and ■■■■ net of free play) post competition.	categories between years 1 and 4, and in four job categories pay rate per FTE decreases) is not realistic.	number of slot FTEs appears unrealistic. <ul style="list-style-type: none"> Free play prior to in-State competition aggressive at ■■■■ of gaming revenue given the Applicant's projected win/unit/day level (■■■■ inclusive of free play and ■■■■ net of free play). Applicant's post competition relationship between free play and win/unit/day is also aggressive.
Overall Findings	Demonstrated a good understanding of the components required to operate a successful Category 2 gaming facility.	Demonstrated a sound understanding of the components required to operate a successful Category 2 gaming facility. Penn has experience operating multiple similar sized gaming facilities (i.e. size and scope of operations, market characteristics).	Demonstrated an acceptable understanding of the components required to operate a successful Category 2 gaming facility.
Section 4 Rating	Sufficient/Very Good	Very Good	Sufficient

4.1 Applicant's Understanding of the Importance of Internal Controls			
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.		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> Submitted internal control manual for Maryland Live! (Maryland). 	<ul style="list-style-type: none"> Submitted internal control manual for Hollywood Casino Toledo (Ohio). They operate 28 facilities in 19 jurisdictions in North America. 	<ul style="list-style-type: none"> Submitted internal control manual for Parx Casino (Pennsylvania).
Statement of Findings	<ul style="list-style-type: none"> Applicant recognizes the importance of internal controls and has experience working in a regulated environment. 	<ul style="list-style-type: none"> Applicant recognizes the importance of internal controls and has experience working in numerous regulated environments. 	<ul style="list-style-type: none"> Applicant recognizes the importance of internal controls and has experience working in a regulated environment.
Rating	Very Good	Outstanding	Very Good

4.2 Consistency of Business Plan with Projected Financial Results

Expectations of Applicant	Business plan is consistent with a local market casino and demonstrates connection to financial projections.		
Assessment Approach	Reviewed business plan to assess Applicant’s understanding of local casino market/operating strategies..		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<p>Parking Plan:</p> <ul style="list-style-type: none"> • Provided for 1,601 spaces. <p>Slot Product Plan:</p> <ul style="list-style-type: none"> • Did not provide a detailed plan. • ██████ leased product. <p>Food & Beverage Plan:</p> <ul style="list-style-type: none"> • Provided for 756 seats in three outlets. • Sales estimated at ██████ of gaming revenue and ██████ comped. <p>Entertainment Plan:</p> <ul style="list-style-type: none"> • 4,876 sf venue/430 seats. • Over 600 acts annually, primarily free of charge (occasional “named” ticketed acts). • Total revenue estimated at ██████, costs of sales ██████ (average cost per show ██████ no ticket price or utilization provided). <p>Marketing Plan:</p> <ul style="list-style-type: none"> • Outlined typical components of a local market casino’s marketing plan (e.g. implement a loyalty program, use of all advertising mediums, leverage existing player database). 	<p>Parking Plan:</p> <ul style="list-style-type: none"> • Provided for 1,620 (surface and structure). <p>Slot Product Plan:</p> <ul style="list-style-type: none"> • Did not provide a detailed plan. Did state that plan would be based on experience of operating 30,000 slot machines in 21 facilities. • ██████ to ██████ leased product. <p>Food & Beverage Plan:</p> <ul style="list-style-type: none"> • Provided for 405 seats in three outlets (permanent facility). • Sales estimated at ██████ of gaming revenue and ██████ comped. <p>Entertainment Plan:</p> <ul style="list-style-type: none"> • No permanent venue (to utilize sports bar and potential 2,000 seat temporary sprung structure). • No details provided on total revenue, number of events, utilization, ticket prices, etc. (only provided an example of how shows would be priced and an estimate of total cost of sales of ██████.). <p>Marketing Plan:</p> <ul style="list-style-type: none"> • Outlined typical components of a local market casino’s marketing plan (e.g. implement a loyalty program, use of all advertising mediums, leverage existing player database). • Provided proposed marketing collateral material examples to illustrate plans for proposed facility. 	<p>Parking Plan:</p> <ul style="list-style-type: none"> • Provided for 2,425 spaces. <p>Slot Product Plan:</p> <ul style="list-style-type: none"> • Did not provide a detailed plan. • ██████ leased product. <p>Food & Beverage Plan:</p> <ul style="list-style-type: none"> • Provided for 413 seats in two outlets (permanent facility). • Sales estimated at ██████ of gaming revenue and ██████ comped. <p>Entertainment Plan:</p> <ul style="list-style-type: none"> • 15,871 sf multi-purpose space mainly used for entertainment events (995 seats). • Over 150 acts annually (average ticket price ██████ utilization). • Total revenue estimated at ██████ million, costs of sales ██████ million (average cost per show of ██████). <p>Marketing Plan:</p> <ul style="list-style-type: none"> • Outlined typical components of a local market casino’s marketing plan (e.g. implement a loyalty program, use of all advertising mediums, leverage existing player database).

Statement of Findings	<ul style="list-style-type: none"> • Parking plan is reasonable. • Did not provide a detailed slot product plan. ■■■ to ■■■ leased product is higher than what would be expected (less than 10% of total machines is typical). • Food & Beverage plan is consistent with what would be expected (i.e. greater number of seats consistent with market characteristics, less than ■■■ of total sales comped pre-competition and total sales of approximately ■■■ of gaming revenue). • While the entertainment plan is reasonable (based on existing plan at Applicant’s other facility), the financial data provided to support the plan does not reconcile to the financial statements as submitted. • Marketing plan is consistent with what would be expected. 	<ul style="list-style-type: none"> • Parking plan is reasonable. • While did not provide detailed slot product plan, did state that plan would be based on slot performance data of operating 30,000 slot machines in 21 facilities. • Food & Beverage plan is consistent with what would be expected (i.e. comped sales less than ■■■ of total sales and total sales of approximately ■■■ of gaming revenue). While total number of seats is reasonable, may have difficulty accommodating peak demand periods prior to in-State competition. • While the entertainment plan (concept) is reasonable (based on existing plans at Applicant’s other facilities), neither base operating data nor financial statement details were provided to support the plan. • Marketing plan is consistent with what would be expected. Examples provided demonstrate a more thorough response (i.e. “market ready”). 	<ul style="list-style-type: none"> • Parking plan is reasonable. • Did not provide a detailed slot product plan. • Food & Beverage plan is not consistent with what would be expected (i.e. comped sales greater than ■■■ of total sales pre-competition and total sales of considerably less than ■■■ of gaming revenue). While total number of seats is reasonable, may have difficulty accommodating peak demand periods prior to and after in-State competition (given their GGR projections). • The entertainment plan is greater than what would be expected. The individual details of the plan provided (number of shows, average ticket price, number of seats and utilization) are not compatible (e.g. show costing ■■■■■■■■■■, would typically not attract an average ticket price of ■■■). • Marketing plan is consistent with what would be expected.
Rating	Sufficient/Very Good	Very Good	Sufficient

4.3 Financial Projection Analysis			
Expectations of Applicant	Financial projections and related key performance indicators are consistent with Applicant’s business plan.		
Assessment Approach	Assessed Applicant’s financial projections for consistency with business plan and industry norms.		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Provided financial projections in the format requested. 	<ul style="list-style-type: none"> • Provided financial projections in the format requested. 	<ul style="list-style-type: none"> • Provided financial projections in the format requested.
Statement of Findings	<ul style="list-style-type: none"> • Reasonable financial projections provided except: <ul style="list-style-type: none"> • Amount of free play (post competition) is aggressive at [REDACTED] of gaming revenue and higher than expected given the Applicant’s projected win/unit/day level ([REDACTED] inclusive of free play and [REDACTED] net of free play) post competition. 	<ul style="list-style-type: none"> • Reasonable financial projections provided except: <ul style="list-style-type: none"> • Details of the labor component (i.e. constant pay rate per FTE for most job categories between years 1 and 4, and in four job categories pay rate per FTE decreases) is not what would be expected. 	<ul style="list-style-type: none"> • Reasonable financial projections provided except: <ul style="list-style-type: none"> • Certain job category pay rates unrealistic (i.e. slot, compliance). In addition the number of slot FTEs appears unrealistic. • Free play prior to in-State competition aggressive at [REDACTED] of gaming revenue given the Applicant’s projected win/unit/day level ([REDACTED] inclusive of free play and [REDACTED] net of free play). Applicant’s post competition relationship between free play and win/unit/day is also aggressive.
Rating	Sufficient/Very Good	Very Good	Sufficient

Appendix 1 – Additional Topics Reviewed, Not Rated

1 – Financial Suitability

Expectations of Applicant	Overall financial suitability, additional questions (questions 2-13 and 2-15) <ul style="list-style-type: none"> • Few or no breaches of contracts or events of default in the last 10 years (question 2-13) • Bankruptcy filings made or commenced since submission of RFA-1 application (question 2-15) 		
Assessment Approach	Review of answers to questions 2-13 and 2-15 to obtain additional information relative to financial suitability. Responses to these questions were not rated. Further, they do not present a differentiating factor among applicants		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • No breaches of contracts • No bankruptcy filings 	<ul style="list-style-type: none"> • No breaches of contracts • No bankruptcy filings • Allegations of breaches of contracts previously examined as part of the Phase 1 suitability review 	<ul style="list-style-type: none"> • No breaches of contracts • No bankruptcy filings • Allegations of breaches of contracts previously examined as part of the Phase 1 suitability review
Statement of Findings	Confirmation of financial suitability	Confirmation of financial suitability	Confirmation of financial suitability
Rating	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation

2 –Financial Suitability			
Expectations of Applicant	<p>On-going financial suitability, previously examined as part of Phase 1, but further stated in certain sections of the Phase 2 application to incorporate any changes since RFA-1 submission (questions 2-14 and 2-17)</p> <ul style="list-style-type: none"> • Few or no out-of-the-ordinary administrative proceedings with findings of violations of statutes or regulations governing applicants’ operations (question 2-14) • Additional or supplemental documentation since RFA-1 submission (question 2-17) 		
Assessment Approach	<p>Review of answers to questions 2-14 and 2-17 to obtain any additional or supplemental information relative to financial suitability, since RFA-1 submission. Responses to these questions were not rated. Further, they do not present a differentiating factor among applicants</p>		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • Administrative proceedings previously examined as part of Phase 1 suitability • No material changes to the financial stability of PPE or the qualifiers examined as part of Phase 1 	<ul style="list-style-type: none"> • Administrative proceedings previously examined as part of Phase 1 suitability • Supplemental information and documentation submitted to IEB 	<ul style="list-style-type: none"> • Administrative proceedings previously examined as part of Phase 1 suitability • No material changes to the financial stability of RFA-1
Statement of Findings	Confirmation of financial suitability	<p>Confirmation of financial suitability</p> <p>Since RFA-1 the Applicant (Penn National Gaming or Penn) completed a “spin-off” of certain assets into a new company (GLPI) which is a real estate investment trust (REIT). This transaction (proposed at the time) was examined as part of the RFA-1 suitability process. Further, this transaction has also been examined in other parts of this report (specifically in the section pertaining to the applicant’s ability to obtain capital). Applicant maintains that the assets pertaining to the application (Plainridge Race Course) will be held and managed by Penn.</p>	Confirmation of financial suitability
Rating	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation

3 – Minority Sources of Financing			
Expectations of Applicant	Overall approach to diversity. Specifically, minority sources of financing (question 2-16)		
Assessment Approach	Review of Applicants' answers to question 2-16		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • No minority sources, currently 	<ul style="list-style-type: none"> • No minority sources of financing 	<ul style="list-style-type: none"> • No minority sources of financing
Statement of Findings	Opportunities still exist for Applicant to find minority sources of financing, after award of license	Opportunities still exist for Applicant to find minority sources of financing, after award of license	Opportunities still exist for Applicant to find minority sources of financing, after award of license
Rating	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation

4 – Competition from Internet Gaming			
Expectations of Applicant	Incorporation of the possibility of Internet Gaming into the applicant overall gaming and business strategy		
Assessment Approach	Review of Applicants' answers to question 2-33		
Application Rating	Leominster/PPE	Plainville/Penn National	Raynham/PR
Summary of Facts	<ul style="list-style-type: none"> • On-line and social gaming space represent an opportunity to complement brick-and-mortar facilities • Play-for-free gaming platform, could be converted to Pay-for-play platform if internet gaming is approved 	<ul style="list-style-type: none"> • Penn's position is that internet gaming should be regulated at federal level. In the meantime, they continue to monitor and advocate for their ability to offer those entertainment options, if approved within the states they operate 	<ul style="list-style-type: none"> • Depending on what Massachusetts decides to do regarding internet gaming, company would either differentiate its entertainment offering, or taking a proactive role if permitted to offer a form of internet gaming
Statement of Findings	The question remains as to whether and how the Massachusetts legislature decides to address internet gaming. Applicant has reasonable plans to continue monitoring that possibility and react quickly if necessary	The question remains as to whether and how the Massachusetts legislature decides to address internet gaming. Applicant has reasonable plans to continue monitoring that possibility and react quickly if necessary	The question remains as to whether and how the Massachusetts legislature decides to address internet gaming. Applicant has reasonable plans to continue monitoring that possibility and react quickly if necessary
Rating	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation	This aspect not rated as part of the Phase 2 evaluation