

THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION
110th PUBLIC HEARING
VOLUME I

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

Gayle Cameron

February 25, 2014
9:30 a.m. to 4:24 p.m.
Boston Convention Center
415 Summer Street, Room 104
Boston, Massachusetts

PROCEEDINGS

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3 CHAIRMAN CROSBY: All right. Ladies
4 and gentlemen, if you could all take your
5 seats. It is my pleasure to call to order the
6 110th meeting of the Massachusetts Gaming
7 Commission on February 25th, 9:30 at the
8 Boston Convention and Exhibition Center. I
9 want to make a few introductory remarks before
10 we get started here, and I think some of the
11 other commissioners may also have some
12 thoughts.

13 This is one of the penultimate weeks
14 of the process that we've been involved in.
15 We sat out at the beginning almost from the
16 very first month to commit ourselves to a
17 process of licensing expanded gaming
18 facilities in Massachusetts in a manner that
19 would be perceived by the public as having
20 been participatory, transparent, and fair. To
21 that end, as I said, we've had 110 public
22 meetings. That comes to something like 600
23 hours of public meetings streamed live on the
24 web and available to the public. That's 15

1 weeks of public meetings. We've had public
2 hearings. We've had public meetings and
3 presentations to groups in parts of the public
4 communities across the state. We've had seven
5 educational forums. We've had dozens,
6 probably by now hundreds, of media
7 appearances. We've had what surely is by now
8 thousands of letters and e-mails from
9 concerned citizens, all of which have been
10 parsed and read by all of us. And the
11 culmination of all this process is the RFA-2
12 application, as you all know, for the category
13 2 slots parlor licenses. Those applications,
14 I believe, comprise some 15,000 pages of
15 information.

16 The applications were broken down into
17 five different categories of evaluation:
18 finance, mitigation, site and building design,
19 economic development, and a general overview
20 section. Each of the five commissioners took
21 on one of those five evaluation categories.
22 Each of the commissioners put together teams
23 of consultants and advisors to work with them
24 over however many months has it now been

1 since.

2 COMMISSIONER CAMERON: October 4th.

3 CHAIRMAN CROSBY: So what's that, five
4 months of detailed and comprehensive review of
5 the 15,000 pages as well as two public
6 hearings for each of these applications after
7 the applications came in, and now it is
8 finally time for a decision.

9 There will be winners and losers in
10 this process, which we've all known from the
11 beginning, not just the gaming companies, but
12 also communities, some pro, some con. Some
13 will win because there is a license awarded
14 nearby. Some will win because there's not a
15 license awarded nearby. But overall, we've
16 had the experience -- and I'm pretty sure I
17 can speak for the other Commissioners, but
18 they'll speak for themselves -- of meeting
19 with and working with quality people across
20 the Commonwealth. The applicants and their
21 multitudeness lawyers, the host and
22 surrounding communities and their public
23 officials, and a vast number of interested
24 citizens, each and every one doing their job

1 as they saw fit in advance of making the best
2 of this important law.

3 Commissioner Stebbins makes a point
4 often when he speaks about how uniquely we
5 treat this industry. If any other industry
6 came to Massachusetts, and in the case of the
7 slots parlor, said we want to invest a minimum
8 \$125 million and we want to create whatever it
9 is, a thousand jobs, and we want to create
10 associated economic development, in the case
11 of the casinos, minimum of 500 million, three
12 or four thousand jobs, we would be on our
13 hands and knees passing out tax breaks and
14 applauding.

15 This industry we put through an
16 incredibly rigorous process of poking and
17 prodding and background checking and
18 skepticism, referenda, all appropriately so
19 given the nature of the business, but it does
20 remind us how differently we treat this
21 industry than we treat any other industry that
22 we deal with. It's the right way to do it
23 because of the nature of the industry, but I
24 think it's important to appreciate just how

1 different that is, as Commissioner Stebbins
2 points out so often.

3 From the standpoint of the bidders and
4 the communities that want a license, in a way,
5 I wish we could award three licenses because
6 of the nature of the applications that we've
7 got and the people in the communities
8 involved. That's not the law, and by the way,
9 that would not be good public policy, but from
10 that certain standpoint, I wish we could do
11 that.

12 We'll talk about the process more in a
13 few minutes, but from the Commission's
14 standpoint as we go through this evaluation
15 process between now and hopefully the end of
16 the day on Friday, we will try to reach a
17 unanimous consensus if we can on which
18 applicant we will select. But we may not, and
19 a split vote in no way alters the
20 dispositiveness nor the importance nor the
21 clarity of the decision. If we have different
22 opinions, then majority vote will determine
23 the outcome. So let us begin.

24 We've said from the beginning that we

1 are committed to a participatory, transparent,
2 and fair process, and I, for one, hope very
3 much that by the end of this week, that the
4 participants in the bidding process, the
5 communities involved, and the people of
6 Massachusetts will believe that we have met
7 that standard.

8 Any other commissioners want to say
9 anything as we begin?

10 COMMISSIONER ZUNIGA: I did. Thank
11 you. I just wanted to mention for the record,
12 obviously, and for the public, all of our
13 applicants have spent a significant amount of
14 time and resources getting to this point. As
15 a reminder, there was a very expensive RFA-1
16 process of suitability. These investigations
17 take a long time. Even filling out the
18 application takes a long time. It's very
19 detailed, and we've gone through a lot of time
20 and discussion there.

21 The way that the legislation here was
22 set up was one in which it required a lot of
23 negotiation with the host community and the
24 surrounding community up front at risk without

1 any guarantees that they would be selected.
2 In other jurisdictions, for example, in
3 Canada, I'm told my by consultants that those
4 kinds of things often get put at a later time
5 after the decision is made on award. And that
6 has different implications. There is
7 stumbling blocks sometimes, but what the net
8 effect of that is that our applicants, in
9 effect, have spent a lot of time and resources
10 getting to this point.

11 So on that front, I think it's
12 important to note that we are -- we have a
13 better process because of the commitment that
14 they've shown, because of the diligence that
15 they've demonstrated to get to this point, and
16 for that, we are, or at least I am, grateful
17 for all the of the work that they've done to
18 get to this point and that includes not just
19 them, but a lot of their agents and a lot of
20 communities that support them, as you were
21 mentioning, Mr. Chairman.

22 So I wanted to just emphasize the
23 point that the Commonwealth benefits because
24 of your applications and diligence, so thank

1 you.

2 COMMISSIONER STEBBINS: Steve, I want
3 to add to those comments and add just a few
4 words of thanks. I won't dwell on the
5 process. It's obviously everyone's knowledge
6 has been extensive. I just came up with just
7 a short simple list of some quick thank you's.

8 First of all, thank you also again to
9 our applicants for the work that they've done.
10 They've been very forthcoming with
11 information. They've been generous hosts when
12 we've been out to visit their facilities on
13 site visits, very forthcoming with information
14 when we have asked for it.

15 The communities, both the residents
16 who have been in favor and opposed to, took
17 time to come out to the host community and
18 surrounding community hearings, share
19 information with us. It was a few weeks ago I
20 was following up on some information that had
21 been shared with us by a resident. So we do
22 and did take all of their comments and letters
23 and e-mails certainly in consideration.

24 I thank our counterparts in other

1 states. We've had tremendous support. I know
2 our IEB team has from our counterparts doing
3 this in other jurisdictions. They've also
4 assisted us with our recent site visits, and
5 they've been a great source of information as
6 well.

7 I also want to thank our MGC staff.
8 As the five of us have been pretty consumed
9 with this evaluation process over the five
10 months, last five months, they have continued
11 to plow ahead with drafting regulations,
12 continuing the daily operation of the
13 Commission as we've settled in to review all
14 of these applications. For our team, we need
15 to extend your thanks for kind of keeping the
16 train going in the right direction as we move
17 ahead. Thank you.

18 CHAIRMAN CROSBY: Thank you.

19 COMMISSIONER MCHUGH: I wanted to just
20 briefly underscore something. I echo the
21 comments made by all three of my colleagues,
22 but I wanted to underscore something that the
23 Chairman said in his opening remarks and that
24 is the extraordinary quality of the people we

1 have encountered during the course of this
2 process. There've be some who are against
3 gaming, there are some who are against us,
4 there are some who are passionately for gaming
5 and for the work we're doing and for the
6 gaming in their own towns. There are a select
7 people and town managers and others who are
8 integral to the smooth functioning of the
9 communities where these facilities are going
10 to be placed and the communities that surround
11 them.

12 All of them have been engaged in an
13 effort to think through the problems, to
14 articulate the problems, and to think through
15 the benefits, and to articulate the benefits.
16 And as one person said to me at the end of our
17 last meeting in Leominster, a person who was
18 opposed to the proposal for Leominster, who
19 did not think it was a good idea, this process
20 has been a process in democracy, whatever the
21 outcome. And I think that's the way the
22 legislature intended it to work, from the
23 energy that I've seen put into this, the
24 dedication put into this by all people on all

1 sides, including the applicants, including
2 those opposed. I think that process is
3 working, and I'm proud to have been a part of
4 it and continue to be a part of it as we
5 proceed through this week and into the next.

6 COMMISSIONER CAMERON: I didn't plan
7 on saying anything. I think everything's been
8 said eloquently, as always, by my fellow
9 commissioners, but I would like to thank them.
10 A lot of work, a lot of effort, and a pleasure
11 to do it with folks that have humor, really
12 care, have all the right interests at heart,
13 and, you know, can be used as a tremendous
14 resource. And just I've learned a lot from
15 each of you, and I just want to thank you.

16 COMMISSIONER MCHUGH: Thank you.

17 CHAIRMAN CROSBY: All right. General
18 Counsel Catherine Blue will talk to us a
19 little bit about the process and the law.

20 MS. BLUE: Good morning,
21 Commissioners. You have before you three
22 copies of a document. It's entitled "The
23 Checklist for the Issuance of the Category 2
24 Gaming License." The legal department has put

1 this together for you to use as sort of a
2 checklist to determine the findings that need
3 to be made for each applicant. You can either
4 use it one for all three or one individually.
5 You will note that it has findings by section,
6 and the goal is by the time we're through with
7 this process, we will have checked all the
8 boxes for each section; meaning, we've made
9 all of the required findings.

10 I'd like to call your attention to the
11 first page which talks about some of the
12 general requirements. Some of these we talked
13 about yesterday, but just to refresh
14 everyone's memory and for the audience.

15 The Commission may not issue more than
16 one category 2 license, but it must only be
17 issued to a licensee who is qualified under
18 the criteria set forth in our statute. If the
19 Commission is not convinced that an applicant
20 has met the eligibility criteria and provided
21 convincing evidence, no category 2 license
22 shall be awarded. The Commission has full
23 discretion as to whether to issue a license.
24 Applicants have no legal right or privilege to

1 a license.

2 We talked yesterday about the period
3 of the licensing for five years, and we
4 discussed when that period began.

5 We've also talked about this in the
6 past, but I think this is very important. The
7 Commission's proceedings here are -- which
8 began with the submission of the RFA-2
9 applications, they're administrative and
10 legislative in nature. They're not
11 adjudicatory.

12 Each applicant has been required to
13 present all the information required by the
14 Commission. The RFA-2 administrative
15 proceedings have involved public hearings.
16 They have not been adversarial in nature.
17 They have involved no specific charges, legal
18 rights, or privileges. They've provided no
19 opportunity for cross-examination of witnesses
20 under oath. They've afforded the opportunity
21 for public comments, including unsworn
22 statements and letters of support, opposition,
23 or concern by persons advocating for or
24 against the application. And this proceeding

1 will involve a final decision to grant or deny
2 a gaming license and that rests at all times
3 at the discretion of the Commission.

4 The Commission shall ultimately grant
5 or deny each application before it. In
6 determining whether an applicant receives a
7 gaming license, the Commission will evaluate
8 and issue a statement of the findings of how
9 each applicant proposes to advance objectives
10 in our enabling acts. And we discussed
11 yesterday the form of what that decision will
12 look like and what that will entail.

13 So those are the overall rules or
14 overall portions of our enabling statutes that
15 applies to the process. The next several
16 pages have the more specific findings for each
17 section. So if there are any questions or
18 comments on the legal portion.

19 CHAIRMAN CROSBY: Do you happen to
20 have or could we readily get the 18
21 legislative criteria? I think they were on a
22 piece of paper that I didn't bring.

23 MS. BLUE: We can get that for you.
24 It was in the front of the gaming license that

1 we did.

2 CHAIRMAN CROSBY: Right. I didn't
3 bring it with me, but I'd like to have that.

4 MS. BLUE: We can get that.

5 CHAIRMAN CROSBY: Anybody else.
6 Commissioners, questions?

7 All right. Thank you. And the last
8 step before we proceed is a final update on
9 the suitability checks, the background
10 investigations. We've made very clear that at
11 any given point in time when we're doing the
12 background investigations of the applicants
13 and all their qualifiers that is a judgment
14 made at a snapshot in time. Whether or not an
15 applicant or a license holder, for that matter
16 eventually, or any of its qualifiers is
17 suitable is constantly open for review and
18 revision and reconsideration, as well as there
19 may be changes in the qualifiers of the key
20 parties in the organization.

21 So before we move to the next step,
22 we've asked Director Karen Wells of our
23 Investigations and Enforce Bureau to make sure
24 her organization has done a last minute update

1 of the suitability and background checks of
2 our three applicants. Director Wells.

3 DIRECTOR WELLS: Thank you. Good
4 morning, Commissioners. I'd like to echo what
5 Commissioner Stebbins said about thanking the
6 other jurisdictions that have helped us along
7 the way. They've been extremely cooperative
8 and forthright with information and advice,
9 and it was extremely beneficial to us over the
10 course of the last year. As for the three
11 applicants that you have before you here
12 today, I'll start with the Cordish Company.

13 They do have no new qualifiers as of
14 today. We did an updated check on the
15 existing qualifiers and that revealed no
16 additional issues for the Commission. We did
17 check with Maryland regulators. They
18 indicated no compliance or other issues with
19 the Cordish Company and Maryland Live since
20 the last contact with Massachusetts
21 authorities.

22 In addition, Pennsylvania Gaming
23 Commission formally approved Cordish's
24 suitability at their commission's hearing just

1 about a month ago on January 30th, 2014.

2 And for the Chairman's edification, we
3 have confirmed the compliance committee now
4 takes written minutes after Chairman Crosby
5 asked about that at our suitability hearing
6 earlier last year.

7 As for the Raynham application, there
8 are no new qualifiers for that group. We did
9 an updated check on their existing qualifiers
10 and that revealed no additional issues for the
11 Commission. We also checked with the
12 Pennsylvania regulators. That revealed no
13 complaints, concerns with Parx.

14 I do note that Parx is currently
15 installing a new state of the art surveillance
16 system, something the Massachusetts IEB would
17 certainly be interested in seeing their
18 proceedings along with their project.

19 As for a Springfield gaming and
20 redevelopment and their parent company Penn
21 National, to update you on where we were with
22 respect to the REIT, real estate investigation
23 trust, on November 1st, 2013, Penn completed
24 the spinoff of most of its real estate assets

1 into a separate publically traded real estate
2 investment trust.

3 In connection with this spinoff,
4 there've been some changes to the senior
5 management at Penn National. Bill Clifford
6 and Steve Snyder, who were qualifiers for the
7 Massachusetts investigation, went to the REIT.
8 Peter Carlino resigned as the CEO of Penn to
9 become the CEO of the REIT GLPI. He remains
10 chairman of the board of Penn National,
11 however.

12 Tim Wilmott was promoted to CEO. He
13 was president and COO at the time of our
14 investigations. Jay Snowden was promoted to
15 COO. Saul Reibstein, he resigned as a board
16 member and has become the CFO of Penn
17 National.

18 We have two new qualifiers, BJ Fair
19 and Carl Sottosanti. Mr. Fair was hired as
20 the chief development officer, and Carl
21 Sottosanti was promoted to general counsel.

22 As is the normal course with these
23 investigations as new employees come aboard,
24 we will do suitability investigations on those

1 individual qualifiers who are at the executive
2 level and present those findings to the
3 Commission as we go along.

4 As with the other applicants, we've
5 done an updated check on the present
6 qualifiers, and we revealed no significant
7 information that should be reported to the
8 Commission. They do have 18 licenses in 18
9 jurisdictions in which they operate. They're
10 currently in all good standing.

11 Penn did notify us of regulatory
12 infraction since their suitability hearing.
13 They did involve routine enforcement
14 proceedings relative to gaming operations, and
15 the applicant responded appropriately.
16 Similar to the findings after their
17 suitability determination, the issues were
18 consistent with the running of an operation of
19 their size, and they do not appear to be
20 integrity implications.

21 I do make one note because this was a
22 public matter. On November 22nd, 2013, an
23 employee of Hollywood Casino and Penn National
24 Racecourse in Pennsylvania, Dan Robertson, was

1 indicted by the U.S. Attorney's Office
2 involving three Pennsylvania state racing
3 commission licensed trainers, who were not
4 employees of the property, for attempting to
5 fix horse races at PNRRC. Robinson was
6 employed as a clocker responsible for timing
7 horses during training runs. He ultimately
8 had his racing commission license revoked, and
9 he has been terminated by PNRRC. He was
10 charged with taking bribes for reporting
11 inaccurate times during workouts. Those
12 charges remain pending.

13 While there was never any allegation
14 of any wrong doing by PNRRC itself following
15 the indictments, Penn's legal and racing
16 departments conducted a review of the existing
17 internal controls related to the clocker
18 position and took steps to minimize the chance
19 of a recurrence of a similar issue.

20 Also of note, in January, Penn took
21 over as the manager of Plainville Race Course
22 in Plainville, Massachusetts, the site of
23 their proposed Parx casino.

24 Penn's corporate counsel and

1 representatives of the Hollywood Casino Bangor
2 human resources department conducted two days
3 of training on responsible gaming and
4 responsible alcohol service entitled 26
5 anti-money laundering compliance for the
6 track's employees.

7 Additionally, with corporate guidance,
8 the property has also now set up a voluntary
9 self-exclusion program for problem gaming.

10 With all three applicants, no new
11 information has been identified at this time
12 which would necessitate a change in their
13 suitability finding.

14 If any of the commissioners have any
15 questions, I'm available for any questions on
16 these.

17 CHAIRMAN CROSBY: Thank you.

18 COMMISSIONER CAMERON: No. Thank you.

19 CHAIRMAN CROSBY: Thank you, Director
20 Wells. And we are good to go.

21 Our first evaluation criteria is site
22 and building design, which we thought would be
23 good to kind of get us all oriented towards
24 what we're talking about. And Commissioner

1 Jim McHugh has lead that evaluation team and
2 will be making the presentation of their
3 findings this morning.

4 COMMISSIONER MCHUGH: Good morning
5 colleagues. Good morning members of the
6 audience. I'm delighted to be able to,
7 finally after a great deal of work, as we've
8 described by everyone, to be able to begin the
9 process of deliberating about the license
10 award with a brief exploration of the building
11 and site design component of the application.
12 The next slide, please.

13 As the Chairman mentioned, and just to
14 set the stage and reiterate, the application
15 that each of the applicants was required to
16 file consisted of information about five
17 separate topics: the overview topic,
18 sometimes called the wow topic; the finance
19 topic; the economic development topic; the
20 building and site design topic; and the
21 mitigation topic, which had a broad range,
22 like the others, of features to it.

23 The building and site design category
24 focuses chiefly on physical aspects of the

1 proposed slots parlor and its relationship to
2 physical and other aspects of its surrounding.

3 As I was thinking about how to deal
4 with the components of this component of the
5 application, I thought first of all that I
6 could read the 6,000 pages that comprise the
7 section of mine, but thought that that might
8 be -- take somewhat longer than we had.

9 CHAIRMAN CROSBY: Took a vote and lost
10 four to one.

11 COMMISSIONER MCHUGH: Yes. A
12 self-vote was the fifth. What I've done and
13 what I propose to do over the next few minutes
14 that I'm standing in front of you is go
15 through that portion of the application at a
16 fairly high level. It's a level designed to
17 acquaint you, reacquaint you, as the case may
18 be, and the audience with the essential
19 features of the proposals. Underlying this
20 rather high level view is a detailed report
21 that's been distributed to all of you. It's
22 available to the public. And beneath the
23 report is other data which lead to its
24 concentration.

1 So this morning, what I want to do is
2 give an overview of the topic, an overview of
3 the analysis, talk about the ratings that were
4 given to each of the three applicants and
5 general reasons for those ratings, but this in
6 no way detracts from the underlying data on
7 which the presentation is based.

8 So with that, let's turn to the next
9 slide and begin the discussion. The building
10 and site design component of the application
11 contains 79 questions that focus on seven
12 separate criteria.

13 Nine of those questions focus on
14 creativity and design of the facility, 15 on
15 whether the gaming establishment is of high
16 quality with quality amenities, 13 look at the
17 compatibility of the gaming establishment with
18 its surroundings, 22, a great number, look at
19 use of sustainable development principles.

20 And this is clear from the
21 legislation, we being the renewable center of
22 the United States, that the legislature was
23 concerned about this criterion and that is
24 reflected in the amount of detail we wanted to

1 know from each about how they proposed to
2 proceed.

3 Security had nine questions associated
4 with it. Approach to permitting another nine,
5 and then there are two at the end.

6 The next, please. To help me with the
7 analysis, I drew on the knowledge, experience,
8 and, as shown over the last four months,
9 dedication and energy of a number of
10 consultants, the six of whom are listed here.
11 These are engineers, architects, individuals
12 who have had experience in large and small and
13 diverse projects, including some casino
14 experience. They, with the exception of
15 Anne-Marie Lubenau, are here today.
16 Anne-Marie is here. So they all are here
17 today.

18 Pompeo Casale is to my right. Next to
19 him is Frank Tramontozzi. Anne-Marie Lubenau
20 is here. Ray Porfilio is there. Rick Moore
21 is next to Ray, and Stan Elkerton is next to
22 Rick. And they were of great assistance to me
23 as our analysis proceeded, and I thank them
24 for their thoughts, their energy, and their

1 insights.

2 Let's turn to the next slide which
3 shows that based on my review of the
4 application, based on the insight and input
5 from the consultants at a variety of meetings,
6 I prepared a report containing a rating for
7 each criterion and for groups of questions
8 connected with that criterion. I'll detail
9 that a little bit more in a minute. But for
10 each group of questions, I prepared a rating.
11 And then there was an overall rating for each
12 criterion and ultimately an overall rating for
13 each proposal.

14 The ratings fell into one of four
15 categories: insufficient, sufficient, very
16 good, or outstanding. And you'll see those
17 colors repeat themselves as this presentation
18 proceeds. Insufficient meant that the
19 response failed to present a clear plan to
20 address whatever topic was on their discussion
21 or failed to meet the minimum acceptable
22 criteria of the Commission.

23 Sufficient meant that the response
24 that the applicant provided was comprehensible

1 and met the minimal acceptable criteria or
2 provided the required or requested
3 information.

4 Very good meant the response was
5 comprehensive, that it demonstrated credible
6 experience and plans, and/or excelled in some
7 areas.

8 And outstanding meant that the
9 response was of uniformly high quality and
10 demonstrated convincing experience, creative
11 thinking, innovative plans, and a
12 substantially unique approach. We all used
13 those criteria. This sets forth the uniform
14 criteria that I applied when making my report.

15 To the report, attached to the report,
16 you will find four appendices dealing with
17 schematic design, energy and sustainable
18 design, traffic and parking, permitting, and
19 then some statutory excerpts. And those
20 appendices are there because of bulleted
21 components of the report we thought needed
22 some expansion in some areas in order to do
23 them full justice.

24 Next slide, please.

1 Finally, in preparing the report or
2 before we prepared the report, all of us, in
3 the company of Ray Porfilio -- there were six
4 of us -- visited operating facilities that
5 each of the applicants maintain. For the
6 Leominster site, we visited the Cordish and
7 Maryland Live facility in Baltimore, Maryland.
8 For the Plainville site, the Plainridge track.
9 The Penn National site, we visited Penn
10 National Racetrack in Grantville, Pennsylvania
11 in the rolling Pennsylvania hills, a beautiful
12 setting, a beautiful site, and looked at the
13 operations there. And for the Raynham
14 facility, we visited the Parx facility in
15 Bensalem, which is a suburb of Pennsylvania --
16 suburb of Pennsylvania. A suburb of
17 Philadelphia, Pennsylvania, and looked at the
18 operations being conducted in that facility.

19 We were interested not so much in
20 comparable operations because all of those are
21 casinos, but we were interested in the manner
22 of operation, we were interested in the
23 quality of the amenities, we were interested
24 in the layout, the approach, and those site

1 visits proved to be invaluable in all of those
2 regards.

3 So with all of that as background,
4 let's begin the discussion with a brief
5 overview of the next slide of the locations
6 where each of the facilities -- for which each
7 of these facilities is proposed. And that's
8 not a map, by the way, I would suggest you use
9 driving home, but it is one that graphically
10 outlines where these facilities are in
11 relation to each other.

12 The Leominster facility is located up
13 here, as one would expect, in Leominster. The
14 Plainville facility is -- Plainridge facility
15 is Plainville. The Raynham facility down here
16 to the right. In relation to other
17 facilities, this is Springfield where the MGM
18 applicant is proposing to build a casino. And
19 the two Suffolk county applicants are
20 proposing to build facilities right here.

21 Here is the Twin River Casino in Rhode
22 Island. Here is the Newport slots parlor in
23 Newport, Rhode Island. The Mashpee Wampanoags
24 are proposing to build a facility here.

1 That's under federal review, and we have no
2 control or responsibility for that. And the
3 Aquinnah Wampanoags have been talking about
4 it, and I know very little about it, but
5 they've been talking about a facility here on
6 Martha's Vineyard. And finally, with respect
7 to regional activities, there are the Mohegan
8 Sun and Foxwoods in that area of Connecticut.

9 Turn now with me, if you will, to the
10 first of the criteria in the building and site
11 design category. Creativity in design and
12 overall concept excellence is the title of
13 this criteria. As I said at the beginning, I
14 grouped all of the questions, and there are
15 nine total, and I did this in each case. I
16 grouped the nine questions into separate
17 categories based on my judgment, and these are
18 all judgment calls, my judgment about their
19 importance to the overall rating of this
20 criteria.

21 So here, I viewed as most important
22 the overall theme, the color rendering, and
23 the schematic design. At a secondary level,
24 the relationship with the surroundings and

1 proposed landscaping. I propose in the next
2 minutes talk about these categories primarily,
3 but these are the categories that give one a
4 feel and a flavor for what the project is
5 going to look like. What is the motivating
6 force; what are they thinking about; how are
7 they proposing to lay it out once shovels get
8 in the ground.

9 So the next slide we'll begin first
10 with the Cordish proposal for Leominster. Let
11 me say that I'm doing this by alphabetical
12 order by town or city; Leominster, Plainville,
13 Raynham. I do that because in the popular
14 parlance in discussion, people are focusing on
15 these facilities by the town, and so that's a
16 recognizable way to do it. Alphabetical order
17 is a common way of proceeding, so that's how
18 this plan evolved. And I'll refer to these
19 facilities not by their sponsor's name in the
20 future, but by the town, the Leominster
21 proposal, the Plainville proposal, and the
22 Raynham proposal.

23 So this is a rendering, and a
24 rendering, one has to understand, is a

1 drawing. This is not a plan. It's a drawing
2 of the entrance to, I believe, the proposed
3 facility in Leominster. This captures the
4 Live brand, which the Cordish Companies use.
5 That's the Maryland Live part of -- I think
6 they've got that copyrighted. Mr. Cordish
7 told me it's copyrighted. Anyway, it's there
8 and that's the familiar brand they use.

9 The location is shown on the next
10 slide, which is at the intersection of Route
11 117 and I-90. I-90 is a major north/south
12 artery. 117 is heavily used, I think it's
13 fair to say, but not nearly as major an
14 east/west facility. Leominster itself is up
15 here. Route 12 and Route 117 continue on up
16 into the Leominster. This is where the
17 proposed facility would go, right here nestled
18 in the corner of the intersection of Route 117
19 and I-90.

20 We'll get a closer look in the next
21 slide of the facility and its immediate
22 surroundings. This is that intersection that
23 they were just looking at.

24 Here is a truck stop and large gas

1 station. This is the entrance to a facility
2 which is off of Jungle Road. This is Jungle
3 Road that runs north/south here. Right here
4 is a large Wal-Mart store with the associated
5 parking. This is the location of the
6 facility. Right now, there are buildings on
7 the facility, one of which the Leominster
8 applicant proposes to use. This is a plastics
9 factory. It's in operation now. They propose
10 to redo that facility and turn it into an
11 establishment.

12 Next door another much smaller
13 building which currently is in use as well.
14 They propose to take that one down, and as you
15 will see in a second, use part of that for
16 parking. The operators and owners of this, if
17 this proposal goes forward, have plans to move
18 to another location so that that active
19 business will continue. These owners and
20 operators do as well.

21 I'm going to take us now to the next
22 slide which we'll rotate. I'm sorry, we're
23 not ready for the rotation. This is a further
24 homing in on the site itself. This is an

1 important slide for a couple of reasons.
2 Outlined in yellow here is the area where the
3 applicant proposes to build the facility.
4 Here's that operating factory I mentioned a
5 minute. Here's the other building they
6 proposed to take down, and they propose to use
7 this site as a site for the gaming
8 establishment.

9 I suggest we make that a condition if
10 we award the license to this applicant, the
11 metes and bounds, because there has been some
12 concern in the community about precisely where
13 the facility is going to go.

14 The Cordish interest have control over
15 the facilities that appear here in pink and
16 have various permitting that's already
17 occurred with respect to those, but the gaming
18 establishment is not proposed for those
19 places. But I would also make it a condition
20 of the license if this is the successful
21 applicant that any construction on those
22 facilities take place only after notice to us
23 so that we can look at the impact of any
24 activity on these facilities on the gaming

1 establishment itself.

2 And now we're going to rotate to the
3 next slide, and we've rotated 90 degrees.
4 Jungle Road is now running horizontal instead
5 of vertical, but this is the area that was
6 just outline, recognizable by that -- I don't
7 know what you call that shape, but it's
8 recognizable. And this is the essential plan
9 for the facility. We're going to use this
10 diagram again at a couple of other points in
11 the presentation, but this is the outline of
12 their plan. I want to note a couple of
13 noteworthy things here; although, I'm not
14 going to go into extensive detail at this
15 point.

16 First of all, this is the gaming
17 facility. That's quite self-evident. This is
18 the lead reformatted refitted existing
19 building that we just looked at a second ago.
20 Noteworthy here is the solar array on the roof
21 of that building. Here is the entrance right
22 here. The main entrance is down Jungle Road
23 in here. Route 117, you'll recall, is up in
24 this direction and Wal-Mart is over here.

1 This is for general parking, these
2 purple spaces. This is valet parking. This
3 is handicap parking. And this is an area set
4 aside for electric vehicles. That's a
5 flexible area, and as electric vehicles catch
6 on, it can be expanded, but that's the way the
7 plan is now.

8 This is also a component of a
9 landscaping plan. We get from this a vision
10 for what the landscaping and breakup of the
11 parking area will look like. That's supported
12 by a much more detailed landscaping plan that
13 was put together and was made part of the
14 application.

15 The next slide will show us another
16 rendering. Again, you have to understand that
17 this is not necessarily -- this is not a plan.
18 And in addition, this is a rendering taken
19 from an earlier approach to this project.
20 It's in the application. It's the rendering
21 that -- of a quality that the applicant is
22 committed to, but is not necessarily a
23 rendering of a specific site that they're
24 going to build on.

1 CHAIRMAN CROSBY: Excuse me,
2 Commissioner. It is the same building though?
3 That is that reused building?

4 COMMISSIONER MCHUGH: This is not the
5 reused building.

6 CHAIRMAN CROSBY: Oh, so this is not.

7 COMMISSIONER MCHUGH: Correct. But
8 that being said, there is an important feature
9 to this that I'd like to point out, because
10 they have committed to this, and you'll see on
11 the floor plan that we look at in a minute
12 that type of commitment is there and that is
13 this. This is a restaurant with access from
14 the outside so that one can enter and leave
15 this restaurant without ever entering the
16 gaming floor.

17 If we look at the other side on the
18 next slide, also a rendering of the same
19 building. This is a side entrance, and again,
20 another restaurant on the other side that has
21 access and egress from the outside. So these
22 are facilities that are designed, and it is
23 part of their business plan to have facilities
24 that will attract people independent of their

1 interests in gaming inside the facility.

2 That's what I wanted to show you about
3 the Leominster application at the moment.

4 Let's turn to the Plainridge application and
5 the Plainville application, the next slide.

6 CHAIRMAN CROSBY: Would you prefer
7 that we interrupt you with questions now, or
8 how would you...

9 COMMISSIONER MCHUGH: I prefer never
10 to be interrupted, but.

11 CHAIRMAN CROSBY: I know. I'm trying
12 to adjust. Would you clarify for me this
13 business about the building and the different
14 sites? I know we've talked about this, but I
15 can't keep this straight.

16 COMMISSIONER MCHUGH: Let's go back
17 three slides. I'm sorry, one more, four
18 slides. Initially, the proposal that we
19 received, and their primary proposal -- Let
20 met back up even a step further. When the
21 Leominster -- when Cordish presented its
22 application to us, they had a primary proposal
23 and an alternate proposal. They were the only
24 ones that did that. And the initial proposal,

1 the primary --

2 CHAIRMAN CROSBY: This was in the
3 RFA-2?

4 COMMISSIONER MCHUGH: This was in the
5 RFA-2. And that's an important point, so
6 thank you for the interruption. We have
7 amassed a great deal of investigation
8 throughout the proceedings. We have -- in
9 compiling this report, I've tried very hard to
10 stick to information in the RFA-2
11 applications. So if there was something in
12 one of the presentations that we saw that
13 isn't in the application, we have not
14 considered it as a basis for building a
15 report. We want it in the application.

16 We've also relied on the material and
17 the MEPA -- that has been generated in the
18 MEPA process. We've also relied on
19 information of a general sense that we got on
20 site visits and that is the basis, the core,
21 of the information on which we relied.

22 So, yes, in the initial application,
23 RFA-2 application, there were two proposals.
24 There was a primary proposal and an alternate

1 proposal. The primary proposal in that
2 initial one was further to the south here. It
3 was essentially the same dimensions,
4 essentially the same square footage,
5 essentially the same outline. The building
6 orientation, the new building, the building
7 orientation was different, but it was further
8 south here.

9 Part of the issue with that southern
10 proposal was that the parking lot crossed a
11 marsh. There was a marsh running through the
12 middle of it. So they would have had to move
13 and deal with the marshland in order to build
14 this in order to complete building the parking
15 lot. And in addition to that, it was more
16 difficult to get to that remote part of the
17 parking lot than it is to the integrated
18 parking lot.

19 So after the MEPA process began, they
20 changed the proposal to come north to what we
21 call a north site, and it is now the site
22 outlined in yellow, and that's the site on
23 which they proposed to build this facility.

24 That's why, though, I recommend that

1 if they are the licensee that we make that a
2 condition, because there has been some
3 discussion in town, concern in the town, about
4 sort of a floating site.

5 CHAIRMAN CROSBY: And the 16 versus
6 26, I assume the yellow is the 16 acres and
7 the purple is the additional ten or so that
8 would make it 26, and you're recommending we
9 tie them to the 16?

10 COMMISSIONER MCHUGH: I can answer
11 part of it. This is the 16. I don't know how
12 many acres comprise these because they still
13 control this area down here, too. So there
14 may be more than ten there Mr. Chairman, but
15 they're not part of the gaming establishment.

16 CHAIRMAN CROSBY: Okay.

17 COMMISSIONER MCHUGH: These 16 acres
18 are part of the gaming establishment.

19 CHAIRMAN CROSBY: All right. That's
20 helpful. Thank you.

21 COMMISSIONER MCHUGH: All right. Now
22 let's turn to the Plainville part of the
23 proposal, which is there. This is, again, a
24 rendering. There are a lot of renderings, and

1 I keep repeating that because I want
2 everybody, us included, to understand these
3 are not plans. These are concepts.

4 So this is the proposed Plainridge
5 facility at Plainville. There are three main
6 components, and we're going to talk about
7 those as I proceed.

8 On the far left-hand side is what they
9 call the clubhouse. That has certain features
10 that I'll discuss with you as we go along.
11 Here is the main entrance, here is the casino
12 proper, and here is the parking garage. There
13 is, as you'll see in a minute, more parking
14 around, but this is the entrance to this
15 facility.

16 Next slide, please, for the location.
17 The location of this facility is at the
18 intersection of Route 495 and Route 1 in
19 Plainville. It is located right here, again,
20 nestled in a corner of that intersection.
21 Gillette Stadium is up the road this way about
22 a mile. About a mile in this direction are
23 the Wrentham Outlets, which I think are the
24 largest outlet mall in New England. A little

1 bit farther west is TPC Boston golf course, a
2 championship PGA golf course. Commissioner
3 Cameron knows about that. And farther west is
4 the Comcast entertainment venue. So those
5 venues are all along this corridor to the west
6 and Gillette Stadium is here.

7 We'll take a closer look at that in
8 the next slide. Here is 495. Here is Route
9 1. A couple of features that I want to point
10 out here are these. This is a Target store.
11 So there's a shopping center right there.
12 This is another store. I don't know the name
13 of that, but it's another large retail outlet.
14 This is a Lowe's store, Lowe's hardware store.
15 This, of course, is Route 1 north and south.
16 This is the so-called jug handle. And I'm
17 going to talk about that in a minute after I
18 get to another section of the application, but
19 I want to point that out so that you'll
20 remember this is a feature of importance.

21 And then for exploration of what's
22 there at the track right now, we'll turn to
23 the next slide, and we can see more clearly
24 what's at the facility right now. The heart

1 of the operations of the facility is this
2 right here. This is the clubhouse. This is
3 the simulcast facility. It's the facility for
4 viewing racing. This, of course, is the
5 track. This is the paddock where the horses
6 are prepared for the actual races. These are
7 the barns where the horses stay when they're
8 at the track. Many of them are brought in
9 shortly before the races and trucked out
10 afterwards, but those that stay are right
11 there.

12 And this is the parking garage. Work
13 has started on the parking garage, and there's
14 a sense of optimism there. That was started
15 some time ago and is in good progress at the
16 moment. Those are the -- those are the
17 features that I wanted to show on this
18 diagram.

19 So let's look at now the landscape
20 plan for the facility, again, a rendering.
21 There are a number of features that I think
22 are important to point out here. This is the
23 parking garage. This is the casino. We
24 looked at this in the other drawing, that

1 first rendering, from this direction. We were
2 looking right on here. This is the clubhouse
3 that I mentioned. We'll get inside the
4 clubhouse a little later. And this is the
5 casino.

6 Two other features are really
7 important to this application and that's
8 these. This is a natural pond. It's there
9 now. It will be preserved for fire
10 protection, a place to draw water in the event
11 of a fire or other emergency that needs that
12 quality of water. But this is to be created a
13 membraned lined sediment collection pool.
14 Underground pipes and drains in this area, the
15 parking area, will take all of the surface
16 water, the rainwater, and drain it into this
17 pond where it will sit, allow the sediment to
18 settle out, and then the sediment will be
19 taken out periodically and disposed of.

20 Similarly, from around this side of
21 the building, there will be a series of
22 underground pipes that will lead into the area
23 about right here taking all of the rainwater
24 and drainage from this site and putting it

1 into that pipe. This will be a reservoir
2 holding all of that water after the sediment
3 is settled out and available for either
4 reintegration into the soil through natural
5 drainage or as a source of all of the
6 non-potable water needs, irrigation, watering,
7 and the like for the entire facility. No
8 potable water, according to the applicant,
9 will be used to maintain any of this
10 landscape.

11 There is a full and good landscaping
12 component of the application. The site
13 drawings have grades and piping diagrams and
14 the like, so that is a thoroughly thought-out
15 proposal.

16 Now I'm going to show you some
17 elevations. These are a little bit hard
18 sometimes to understand, but they do show the
19 profile and outline of the facility as viewed
20 from various angles. This is looking straight
21 at the entrance to the building. So this is
22 we're standing here, and this is the northwest
23 entrance. We're looking southeast at the
24 entrance to the building. A piece of the

1 parking garage is visible over here. A piece
2 of the clubhouse is visible over here.

3 In this view, the entrance remains
4 here, but we've tilted it just a little bit.
5 This is the clubhouse looking out at the track
6 over here, the viewing areas are here. And
7 we'll get to that in more detail later. Of
8 course, the large garage predominates on the
9 right-hand side.

10 A couple of other profiles in the next
11 slide. This is one where we stand with our
12 back at the track. With our back at the
13 track, we see the viewing area over here. We
14 see the garage over here. Then if we move
15 around to the side, we see the garage a lot
16 and we see some of the track over here in this
17 large sort of blank area in the middle.

18 So that's what I wanted to show you
19 about that facility. At the time we'll
20 return, as we will to all of these facilities
21 in a few minutes, and take a look at other
22 features that they contain.

23 This now brings us to Raynham and the
24 Parx facility. This is a rendering showing

1 the way the second phase of the proposal will
2 look when it's completed. This is the side
3 that faces Route 138. If you go up and down
4 138, this is what you'll see as a you pass the
5 facility.

6 I think it's important to note, and
7 I'll note that in a second in more detail,
8 that this is a project that contains a number
9 of phases, two guaranteed, and we've placed
10 weight on those; two contingencies, and,
11 frankly, we have not placed much weight on
12 them because there's no commitment to do them.

13 Let's take a look at where this
14 facility is located. There it is at the
15 intersection of Route 138 and Route 495 just
16 north of that intersection. This is the
17 facility right here. 138 continues on up in
18 this direction. That's of some consequence as
19 we'll see in a minute. Taunton is down Route
20 138 about five miles to the south. This is
21 Route 24, another major north/south artery
22 just to the east of the facility.

23 So the facility has access from 495
24 and has access from Route 24 via 495. It has

1 access from the north via Route 138.

2 What's there now is shown on the next
3 slide and consists of a former racetrack
4 that's not in operation at the moment. These
5 are the existing buildings that are in use,
6 and it's important to take a close look at
7 these, as close as you can get from this
8 slide.

9 This the main simulcast area that's
10 being used in the facility right now. There
11 is some activity of a variety of kinds in
12 here, including entertainment, a reception
13 area and the like, but this is the main place
14 where the simulcast activity is going on.

15 This is a gas station here. These
16 things here are a variety of different
17 objects, buildings and devices, that are
18 associated with a variety of the enterprises
19 owned and operated by Frank Carney -- by
20 Mr. Carney, who owns the entire facility here.

21 And so let's look at the next slide.
22 As I said, the applicant, the Raynham
23 applicant, proposes to begin operations in two
24 phases, an initial temporary phase and then a

1 secondary permanent phase, believing that that
2 is the fastest way to get actual operations
3 underway. It proposes a third phase which
4 would include a hotel, and a fourth phase
5 which would include a south coast rail
6 station, but it is not committed to either of
7 those phases. And so as I said, we did not
8 place any significant weight on those.

9 The existing building is this building
10 and that's the building that the applicant
11 proposes to redo and to use as the slots
12 parlor. That slots parlor would have all
13 1,250 slots machines in it. It would be up
14 and running as a slots parlor with a full
15 compliment establishment. The gas station
16 would remain. The parking area would remain
17 about the way it is now. There's more area
18 around here that could be used for parking.
19 They would use this area where parking is now
20 available. Most of the parking right now goes
21 on in here, and it probably would continue to
22 go on, but could be filled here and hopefully
23 would be filled there if this were undertaken.
24 These are existing buildings. They apparently

1 would remain while the temporary building was
2 in use.

3 Next slide, please.

4 These are renderings showing what this
5 facility would look like. Again, renderings
6 are idealized visions of it. This is the view
7 you would see from the street, from Route 138,
8 as you came in. That's the end of that long
9 building that we were looking at and with the
10 entrance off to the left side here. This now
11 turns this around and we --

12 CHAIRMAN CROSBY: This is the
13 permanent building?

14 COMMISSIONER MCHUGH: No. This is
15 still the temporary building, Mr. Chairman.
16 We now turn this around in this direction,
17 look at it sideways, lengthwise. We're now
18 looking at that. And we're looking directly
19 at the entrance. This is that end that faces
20 Route 138, and this is the building re-clad
21 and relandscaped to give us that view. And
22 this is where these slots operations would be
23 taking place in phase one.

24 Phase two is on the next slide. In

1 phase two, that temporary building that we
2 were just looking at would come down. The
3 permanent building would go up. The parking
4 would be substantially redesigned and come
5 around to embrace that side of the building.

6 So we would have all of this as
7 parking area for that facility, about 2,500
8 parking spaces. The numbers differ. I'll
9 come back to that at a later discussion. The
10 gas station would appear to remain, although
11 this may mean that it's going to be taken
12 down. I'm sorry, in this phase, that gas
13 station does come down. It remains for phase
14 one.

15 So this is the plan for the permanent
16 facility. And there is no landscaping plan to
17 go with this. There is no landscaping
18 diagrams, so this is basically what we have to
19 work with in understanding the layout of the
20 this facility. We do have, however, in the
21 next slide the renderings that show us three
22 views of the facility.

23 As I mentioned when we looked at this
24 the first time, this is the view you get from

1 the permanent facility from Route 138. If it
2 turned this facility to the left so that the
3 entrance is on the left, this is the side
4 view, and if you turn this facility to the
5 right so that the entrance is on the right,
6 this is the view that you get. That's what
7 the facility looks like when constructed.

8 That's a brand new facility. It's
9 being constructed while the other facility is
10 being operated, and it will take that shape
11 essentially, recognizing that this is a
12 rendering, which it's completed.

13 So now the next slide, please. So
14 after looking at all three of those, I made a
15 narrative judgment that evaluated each of the
16 three. Leominster presents a well-documented
17 overall design concept and a package that is
18 consistent with proposed uses and with an
19 upscale entertainment, gaming, dining and live
20 entertainment. We'll deal more with the live
21 entertainment in a minute, live entertainment
22 venue. The site and landscaping proposal
23 reinforces the design.

24 Plainville provides adequate

1 information to describe the design approach
2 and integrates gaming with live racing and
3 simulcasting site specific solution. Its site
4 and landscape proposal addressed storm water
5 and runoff.

6 Raynham incorporates gaming,
7 simulcast, and a multipurpose space into an
8 internally focused facility set out in a large
9 parking area. The exterior is dominated by
10 electronic signage, and its site and landscape
11 proposals lack the detail necessary for a full
12 evaluation.

13 And that reminds me that I omitted
14 something that I should have pointed out to
15 you two slides ago. So, John, if you go back
16 there, please, because I want to make it
17 clear. And I apologize for missing this the
18 first time around.

19 This is the permanent facility, as I
20 said. This front part is the gaming facility.
21 In the back here is a 15,000 square foot
22 special events facility. It's there. We'll
23 see it on the floor plan. I'll discuss it
24 more in detail when we get there. The

1 specific uses for it are not described in the
2 application. I mean a specific plan for use
3 is not described. It's available for
4 receptions, for functions, for wedding
5 receptions, for a whole variety of uses, but
6 it's not clear -- it was not clear to me from
7 the application what the marketing effort
8 toward that would be. That's why the comment
9 in the overall rating.

10 Now, next slide. No, sorry. That
11 should be -- I want the slide right -- try the
12 next one, John, see what happens. Try go back
13 one. Okay. Well, it's in the books, and the
14 books have been distributed. I don't know why
15 that happened. But the next slide -- And
16 we'll see samples of it as we proceed.

17 The next slide showed the ratings that
18 we gave to each of the groupings -- that I
19 gave to each of the groupings of questions as
20 I move forward. And then the final slide,
21 before we got to criteria two, which is this
22 slide, I gave an overall rating for each of
23 the applicants on criteria one. And I
24 assigned to Leominster a rating of sufficient

1 to very good. I assigned to Plainville, a
2 rating of sufficient. And I assigned to
3 Raynham a rating of insufficient to
4 sufficient. And that rating, the
5 insufficiency part of that rating, really came
6 from the fact that the design package was of
7 insufficient detail to really probe into what
8 the design and some of the other aspects were
9 going to consist of.

10 CHAIRMAN CROSBY: Commissioner, excuse
11 me. This is a really important slide, as
12 you're saying, and it's unfortunate that it's
13 not there. Would you mind just saying again
14 what you just said, just restate the
15 conclusions that you've drawn on this slide
16 for the ratings of the three facilities.

17 COMMISSIONER MCHUGH: Well, let's go
18 back to the rating narrative, the one a minute
19 ago.

20 COMMISSIONER ZUNIGA: Before we do
21 that, is it possible to use a second screen to
22 see if that's available in another document?

23 COMMISSIONER MCHUGH: No. We only
24 have this.

1 COMMISSIONER ZUNIGA: You only have
2 that one document?

3 COMMISSIONER MCHUGH: It's only
4 available on one document. I don't know what
5 happened. Unfortunately --

6 CHAIRMAN CROSBY: It's not a problem.

7 COMMISSIONER MCHUGH: Let's just focus
8 on this. Leominster presents a
9 well-documented overall design concept and
10 packaging that is consistent with the proposed
11 uses and with an upscale entertainment,
12 gaming, dining, and live entertainment venue.
13 Its site and landscape proposal reinforces the
14 design. So for that reason, I assigned to the
15 Leominster proposal a rating of -- I assigned
16 to Leominster a rating of very good to
17 sufficient. So that was this slide.

18 You'll see the pattern repeated as we
19 go forward. That is a narrative of the
20 ratings and the revaluation.

21 This slide I'm not going to go through
22 piece by piece because this slide simply
23 provides the backup detail that supports the
24 overall rating for the criteria. The overall

1 rating for the criteria perhaps is in the next
2 slide.

3 What about on this slide, John. There
4 it is. And this slide shows the overall
5 rating for the criteria. This is that same
6 narrative I just read to you a minute ago.
7 This the grouping of questions, and this is
8 the rating. For the Leominster applicant,
9 sufficient to very good; for Plainville,
10 sufficient; and for Raynham, insufficient to
11 sufficient. And the insufficiency, I was
12 saying, is based on the fact that the design
13 package was of insufficient detail. There was
14 no landscaping plan, and the site consisted of
15 a very large parking lot with no breaks and no
16 landscaping detail to show us what the parking
17 lot was going to look like other than a large
18 flat parking lot. So for that reason, I
19 assigned those three those ratings. You'll
20 see the same pattern repeat itself as I move
21 forward.

22 First a narrative of the overall
23 evaluation, because I don't want folks to be
24 distracted by the colors, then just a sense

1 that there is a backup for that, and then the
2 colors that define the final rating.

3 So I'd be happy to pause here now to
4 take any questions if there are any or move on
5 to the next criteria if there aren't.

6 COMMISSIONER CAMERON: I have no
7 questions.

8 CHAIRMAN CROSBY: I wouldn't risk
9 interrupting.

10 COMMISSIONER MCHUGH: Okay.

11 COMMISSIONER ZUNIGA: I may have. Is
12 -- You're coming about the detail, the level
13 of detail, on the second phase on the Raynham
14 applicant.

15 COMMISSIONER MCHUGH: Right.

16 COMMISSIONER ZUNIGA: Is that also the
17 case for the first phase?

18 COMMISSIONER MCHUGH: Yes.

19 COMMISSIONER ZUNIGA: Thank you.

20 COMMISSIONER MCHUGH: You basically,
21 the plans that you saw here are basically the
22 plans that we have.

23 CHAIRMAN CROSBY: Anybody else? Okay.

24 COMMISSIONER MCHUGH: All right. The

1 second criterion focuses on a gaming
2 establishment of high caliber with quality
3 amenities and partnership with local
4 facilities. Again, I grouped these questions
5 together, leading with the most important.

6 There are 15 questions total. These
7 five were most relevant to building and site
8 design. These were relevant and important but
9 of lesser importance, and it's these, in
10 particular, that I'm going to deal with as we
11 proceed with this.

12 This is some of the surrounding
13 communities, tourism diversity and the like, I
14 know will be taken up by the economic
15 development group, and so I'm concentrating
16 here on this group.

17 Next slide, please.

18 So this is back to that slide that we
19 looked at in the beginning. I'm not going to
20 pause here very long because I simply want to
21 orient everybody to this casino facility.
22 We're now going to lift the lid off that and
23 look at what's underneath in the next slide.

24 This is the floor plan now for that

1 casino facility. The entrance is right here.
2 You come into the entrance and go directly
3 ahead of you is a large central bar. This is
4 one of the restaurants that has access to the
5 outdoors. This is access right here. This,
6 of course, is the gaming floor right here.
7 This is a food court. It does not have any
8 outlets to the exterior, but is available to
9 patrons to go in and out to get some
10 refreshment, as are these. This restaurant is
11 available, can be entered from the inside as
12 well.

13 This is the performance venue. It's
14 about a 450 seat auditorium with a stage at
15 the front that's capable of being reconfigured
16 in number of right of ways but is primarily
17 designed for concerts and the like. It is
18 designed to be one of the three independent
19 attractions for this facility, the
20 restaurants, the entertainment, and the gaming
21 being the three.

22 On this side, we have another
23 restaurant that's accessible from the outside
24 through here. This is the back of the house

1 and support for the auditorium. There's this
2 green room back here and other facilities
3 here. And as I said, this is the gaming
4 floor. There is a second floor for
5 administrative offices along the back here,
6 but I'm not going to show that now.

7 In the next slide, we get an idea of
8 the quality to which the applicant is
9 committed. And these are photographs taken in
10 the Maryland Live facility and included as
11 part of the application. We took pictures in
12 each of the facilities that we visited during
13 the site visits, but we committed to using in
14 this presentation only the photographs that
15 were in the application because they depict
16 quality to which the applicant is committed,
17 and they are the applicant's choice, so those
18 are the ones that we took. There was nothing
19 that we took in photographs that detracted
20 from the quality shown in these photographs.

21 This is the large bar that's at the
22 center of the gaming floor in that facility.
23 This is a buffet, a quick food, sort of an
24 upscale quick food place, but it is a quick

1 food buffet.

2 This is a more upscale buffet,
3 including a salad bar and an array of foods in
4 the back. And this is the fine dining, high
5 scale, upscale fine dining facility that
6 exists in that location. So that's what I
7 wanted to show about the Leominster facility.

8 Her, again is the
9 Plainville/Plainridge facility, and, again, I
10 want to simply say, focus, this is the
11 clubhouse, this is the casino, this is the
12 parking garage, and I just want to lift the
13 roof off of that in the next slide.

14 That's the slide. Thank you. Back
15 two. There we go. Okay.

16 This is the main entrance to the
17 facility right here. This is the clubhouse,
18 so called, back here. In the clubhouse, we
19 have two separate facilities. This is a
20 racing area where one can view the racing out
21 on the track. This is the sports bar, the
22 Doug Flutie sports bar, that we've heard about
23 in a number of presentations. This component
24 of the facility is accessible from the

1 outside. If you come through here into what's
2 called the north vestibule, and then you can
3 go right into the sports bar, you can go right
4 out again or you can go back on the other end
5 and go into the gaming area.

6 This is a restaurant here that's
7 accessible only from the interior. This is a
8 food court that's, again, accessible only from
9 the interior. This is, of course, the gaming
10 floor, the gaming location. This is a bar
11 that serves the gaming floor. And this is the
12 first floor of the garage. People who park in
13 the garage come down to the first floor and
14 enter the facility through this entrance.

15 On the next slide, we'll take a look
16 at the second level of the clubhouse. Go back
17 to this version. This is the clubhouse. Now,
18 this sits on top. As you can see from here,
19 this sits on top of the area where the sports
20 bar, the Flutie bar, is and the north entrance
21 is.

22 And this portion of the facility has
23 two functions. This is the simulcast area in
24 here, and this is a multifunction room that

1 looks out on the track -- the track is over
2 here -- and has a deck that people can go out
3 onto to watch races or other events at the
4 track. There is a proposal to have other
5 events at the track. So that's what goes on
6 the essential purpose of this facility.

7 Then on top of that sits this piece,
8 which is in here reserved for gaming -- for
9 racing operations, printing programs, and
10 doing all of the administrative stuff for
11 racing. And then the judges' booth for the
12 actual racing is here and sticks out from the
13 building so that the judges have good sight
14 lines down the track and across.

15 I want to show one more view of this
16 on the next slide, which is this view right
17 here because this is the top of the garage and
18 this is the roof of the gaming facility and
19 this is a solar array. We saw a solar array
20 in the Leominster facility as well. This is a
21 solar array for the Plainville facility. And
22 it is supported by a richly detailed set of
23 operational concepts, who suppliers would be,
24 what the voltage of the material would be, how

1 much the output would be. There really is a
2 great deal of backup for this one. And so I
3 thought it was worth taking a look at it in
4 particular. That's what I'd like you to see
5 about the Plainville facility.

6 We now go to the Raynham facility.
7 Again, this is the building that we're looking
8 at. We're going to uncap it, if you will, in
9 the next slide.

10 So this is the first floor diagram.
11 This is the special events room and facility
12 in the back that I mentioned to you before, a
13 15,000 square foot area. This is the
14 facility, and this is the area that's adjacent
15 to the facility, and the facility itself is
16 here. There's a bar here that separates that
17 portion of the facility from the gaming floor.
18 This is the gaming floor here. There is a
19 central bar, as there was in the facility we
20 just looked at, as there is in the first
21 facility, the Leominster facility, a central
22 bar there.

23 There's a restaurant here not
24 accessible from the outside. This is the

1 restaurant. This is the kitchen. There is
2 over here a food court, and then there is a
3 kitchen here that I assume would service both
4 this food court and events that were taking
5 place in the facility, although probably that
6 kitchen could do it as well.

7 The entrance, of course, is down here.
8 And one comes in through the entrance directly
9 onto the gaming floor where the slot machines
10 are arrayed.

11 The second floor, there is a second
12 floor, that contains about 8,000 square feet
13 for a simulcast room.

14 On the next slide, we look at -- and
15 this slide, unfortunately, has been tilted to
16 one side. Can we bring that up on the other
17 one, John. There we go. This slide contains
18 photographs that the applicant included with
19 its application that emanate from the Parx
20 facility in Bensalem, except perhaps this one.
21 I don't recall seeing this one, but perhaps
22 this is there as well.

23 In any event, these three slides are
24 photographs of a sports bar that is located in

1 the Bensalem facility. This is the bar that's
2 on the floor that would be, I assume, the
3 quality of the central location. And this is
4 a photograph of a high-end dining area that is
5 in that facility. So those are
6 representatives of the kinds of qualities and
7 things that one might expect in this facility.

8 The next slide, please.

9 So that goes into the detail I wanted
10 to invite your attention to with respect to
11 the floor plans and the interior of the
12 buildings. Leominster, in my view, rose above
13 the others in offering a well-defined
14 performance venue, very good restaurant
15 features and providing the most robust of the
16 floor plan details. Leominster also made a
17 convincing argument that their proposal is a
18 well-balanced, three-feature venue: dining,
19 performance, and gaming. Each of those three
20 is highlighted into which -- in which each is
21 a drawing in and of itself.

22 Plainville proposes racing and
23 simulcasting in addition to slots and
24 highlights its track and the perpetuation of

1 harness racing amenities and emphasizes its
2 situation as part of a regional nexus of
3 venues, the Gillette Stadium, TCP course, the
4 mall, and the Comcast Center.

5 Construction costs per square foot
6 were considered as an approximation of the
7 quality of the building, and that is a more
8 relevant in a second. Raynham also proposes a
9 simulcast in addition to slots. Construction
10 costs per square foot fell 25 to 30 percent
11 below Leominster and Plainville. And this is
12 only for the final facility. So much of that
13 -- some of that construction cost undoubtedly
14 is taken up in the first facility, but we're
15 talking now about the final facility and that
16 observation I made with respect to that. And
17 Raynham's responses to several questions were
18 less than detailed than the responses by other
19 applicants.

20 There, again, it is the backup for the
21 next slide in which I assign to Leominster a
22 very good rating, to Plainville a sufficient
23 to very good rating, and to Leominster an
24 insufficient to sufficient rating. The

1 insufficiency stemmed largely from the lack of
2 detail in a number of their responses and from
3 the existence of the large multifunction room
4 for which there was no highly defined,
5 discernable, targeted business plan, and that
6 was something about the facility and its
7 features that lead to that approach.

8 Questions there?

9 CHAIRMAN CROSBY: Commissioner, the --
10 Never mind. Nothing.

11 COMMISSIONER MCHUGH: Okay. Let's
12 take a look at compatibility with
13 surroundings, which is this next criterion.
14 There are 13 questions here. Again, the first
15 grouping, traffic mitigation, egress from the
16 gaming establishment, adequate existing
17 transportation, infrastructure, and parking
18 facilities, it seemed to me, were the most
19 important of those insofar as an overall
20 rating is concerned.

21 These others are important,
22 particularly delivery of supplies and trash
23 removal and signage. They actually, in
24 reflection, might well have been in the higher

1 category, but they're at the top of the next
2 category. And all of these categories were
3 considered in reaching an overall rating, but
4 those are the ones that I want to focus on
5 with you today and those were the ones on
6 which I placed the most importance.

7 Let's look at the next and, by now,
8 very familiar slide. I want to say here that
9 there are 900 plus parking spaces in total.
10 There are 1,250 gaming positions, 950 parking
11 spaces. That complies with zoning, complies
12 with a number of industry standards, but
13 that's how many that site will have. It's a
14 compact site.

15 CHAIRMAN CROSBY: Excuse me. I
16 thought the sort of order of thumb was one per
17 gaming position.

18 COMMISSIONER MCHUGH: That's a rule of
19 thumb. This complies both with zoning and
20 with some standards for --

21 CHAIRMAN CROSBY: With other industry
22 standards.

23 COMMISSIONER MCHUGH: -- some
24 standards for the industry with the idea that

1 not everyone is going to come alone. Groups
2 are going to come. And there is also -- Well,
3 let me stop there. That's basically how we
4 got to that.

5 CHAIRMAN CROSBY: Okay.

6 COMMISSIONER MCHUGH: It's well laid
7 out. Access and egress from the gaming
8 facility and from the parking lot are clear.
9 There had been some effort made with public
10 transportation to get a bus line to come to
11 the site. There is a detailed, as I mentioned
12 before, I think, site improvement plan. There
13 is an aggressive recycling plan, and the
14 signage is modest here.

15 COMMISSIONER STEBBINS: I'm sorry. Is
16 there accommodation for bus traffic, the
17 public transportation?

18 COMMISSIONER MCHUGH: Right. There is
19 no present -- there is no place on this where
20 you see accommodation for bus traffic, but the
21 undertaking with the bus companies is not
22 completed. They're making an effort to do
23 that and promise to have some facility in --
24 not in this rendering, not in this drawing.

1 COMMISSIONER CAMERON: Commissioner
2 McHugh, there is gentleman that would like to
3 say something. I don't know that you want to
4 do that at this time.

5 COMMISSIONER MCHUGH: Let me wait for
6 just a second. We'll come back in a second.
7 So that is an answer to your question,
8 Commissioner.

9 All right. Stan, did you want to say?
10 Stan Elkerton.

11 (Stan Elkerton is commenting.)

12 COMMISSIONER MCHUGH: Yeah, thank you
13 very much for that. That's exactly right. I
14 misspoke. The original one had 950, this has
15 1,600 plus. Right. Thank you very much.

16 So this does have more than the 1,250.
17 The 960, we did examine and found to be
18 sufficient there, but whatever concerns we
19 might have had about that have been allayed by
20 the fact that we now have 1,600. So thank
21 you, Stan.

22 There are two in the next slide, two
23 issues that the Mass. Department of
24 Transportation, MassDOT is concerned about. I

1 think Commissioner Cameron will talk more
2 about these later. But we got a letter from
3 the Department of Transportation last Friday
4 in which we were informed they had some
5 concerns about the left-hand turn on this off
6 ramp from I-90. Cars coming down this off
7 ramp run into signals. Cars coming off of
8 both of these off ramps run into signals if
9 they're going in this direction. And there
10 was a concern that the left-hand turns could
11 back up this ramp and cause -- interfere with
12 the flow of traffic on I-90 itself.

13 And there also is concern expressed by
14 the Department of Transportation about this
15 intersection. The permitting and construction
16 necessary to resolve this in the Department of
17 Transportation's view could take 9 to 14
18 months and 12 to 20 months for this one. I
19 have to emphasize, that's what they said in
20 the letter. There are concerns about each of
21 the applicants, as we'll see. These numbers
22 are numbers on which I don't think we can rely
23 too heavily, because for each, there are
24 alternatives that can be pursued, and once the

1 final applicant is chosen, working with the
2 Department and with that applicant, we'll
3 clarify A lot of what I think is not clear
4 right now.

5 CHAIRMAN CROSBY: While you're on this
6 slide. As I understand, premarket crash or
7 everything crash, this area was permitted for
8 a -- and had approved a major shopping mall by
9 Pyramid. Do you have the -- is it precisely
10 the location of the casino or do you -- of the
11 slots parlor, or do you happen to know exactly
12 where that Pyramid development would have
13 gone?

14 COMMISSIONER MCHUGH: I don't, and I'm
15 not going to hazard is guess. I can certainly
16 find the answer to that and get it for you
17 this afternoon.

18 CHAIRMAN CROSBY: Stan, do you happen
19 to know offhand?

20 COMMISSIONER MCHUGH: We took a look
21 at it. I don't think we drilled down to find
22 exactly.

23 MR. ELKERTON: Essentially in the same
24 location farther south.

1 COMMISSIONER MCHUGH: Farther south on
2 both sides?

3 MR. ELKERTON: Slightly.

4 COMMISSIONER MCHUGH: So in this area,
5 Mr. Moore says. But let's look further and
6 see if we can find something more precise.

7 CHAIRMAN CROSBY: Just I'd be
8 interested to know what the outline of that
9 Pyramid facility was versus the outline of
10 this facility.

11 COMMISSIONER MCHUGH: All right.
12 We'll look at that and come back.

13 Okay. Next slide, please.

14 So this is, again, a familiar slide.
15 There are 1,620 total spaces here and in the
16 parking garage. It's well laid out.
17 Access/egress points are clear. There's a
18 detailed site improvement plan. There's an
19 aggressive recycling plan. There is modest
20 signage visible from the street, some signage,
21 but it's modest. There is -- if you look
22 carefully on this corner right here, you'll
23 see -- I think on this plan, but if not you'll
24 see on another one -- a left-hand turn

1 indicator. That I'm going to come back to in
2 a minute. But that's the overall plan there.

3 Let's look at the next slide, and
4 you'll see why I focussed on that left-hand
5 turn. This is the so-called jug handle again.

6 At present, access to this site from
7 Route 495 southbound requires people to come
8 off Route 495, come down Route 1, go around
9 the jug handle like this, and then come back
10 and into the facility like that. To come out
11 and go back north, you come out and take a
12 right-hand turn, go up, turn around the
13 cloverleaf and continue to the north.

14 From the south, you come up, go
15 around, down, and it's essentially the same.
16 To go south, you then go back, go on here, and
17 go south. On Route 1, you need -- from the
18 south, you simply come up and you turn in. If
19 you want to go back south, however, you come
20 up, and you have to go up, go around the
21 cloverleaf, around that cloverleaf, and then
22 go south again.

23 From the northbound area, you come
24 down, go through the jug handle into the

1 facility, and then come out and go straight
2 north.

3 That's not the most desirable way to
4 approach this facility from the applicant's
5 view or, I think, from anybody's view if there
6 were a better alternative. There is, however,
7 a concrete median down the middle of Route 1
8 at present.

9 The applicant's proposed improvement
10 is shown in the next slide, and it is to widen
11 the off ramp from I-495, widen this area of
12 Route 1, and provide a signal here that would
13 allow a left-hand turn into the facility,
14 allow at the same time a right-hand turn,
15 widen these lanes for the right-hand turn out
16 of the facility, having in mind two lanes here
17 and the major throughway up here. But also
18 permit a left-hand turn here and down, and
19 that would allow access across Route 1 in both
20 directions.

21 The Mass. Department of Transportation
22 has been dubious about this approach from the
23 beginning, I think it's fair to say, and they
24 remained dubious in their letter of last week.

1 They said that they would pursue that
2 alternative only if the crash rate at this
3 intersection was too high to warrant -- for
4 their standards. And that if it did pursue
5 this, the Federal Highway Administration,
6 undoubtedly, would have to be involved, and it
7 would take up to two years for the permitting
8 to be completed with another six to nine
9 months for construction. So that was their
10 most recent pronouncement on this.

11 They also expressed some concerns
12 about necessary improvements on the so-called
13 jug handle. The local officials are not happy
14 with the idea of improvements of the jug
15 handle. So that, too, remains a problem.
16 Precisely how to deal --

17 CHAIRMAN CROSBY: Local officials
18 meaning in Raynham?

19 COMMISSIONER MCHUGH: Right. In
20 Plainville.

21 CHAIRMAN CROSBY: Plainville, I'm
22 sorry.

23 COMMISSIONER MCHUGH: Correct. So
24 there is, at the moment, some question about

1 how this is going to be resolved, and perhaps
2 because there's no straightforward path, it's
3 not simply a question of how much time it's
4 going to take. The path is a little uncertain
5 what the best outcome is in. So they're in a
6 little bit different position vis-a-vie this
7 issue than the other applicants are.

8 Let's turn now to Raynham. As I said
9 before, the parking spaces here are, according
10 to the application, 2,451. The letter from
11 the Department of Transportation we got on
12 Friday talked about 2,900 spaces, but in any
13 event, there is ample parking in this very
14 large lot here. It's unclear, though, exactly
15 who parks where. There is -- there are very
16 large signs on the front of the building.

17 There is no commitment by the Raynham
18 applicant to recycling efforts.

19 There are three entrances to the
20 facility along Route 138. There's an entrance
21 right here. This apparently is the main
22 entrance, and this is another entrance on the
23 south side of the facility. It's not clear
24 how the applicant intends those three to work.

1 Probably this is a service entrance. This
2 clearly is the main entrance and will involve
3 widening of the road here. It's not clear
4 what the function of this is or how this
5 entrance works or is conceived to work.

6 The next slide, please.

7 The Department of Transportation says
8 that the alterations of the road here to
9 create the entrances, highlight the entrances,
10 and to widen the road, the permitting and
11 construction would take 12 to 18 months in its
12 view. But it also said, I think for the first
13 time on Friday, that there is an intersection
14 about five miles north of the facility at 106
15 and 38 where improvements would be necessary
16 before the phase one facility could open and
17 that those improvements are already in the
18 pipeline, but that they would not be ready
19 before the fall of 2015.

20 So if one reads literally the MassDOT
21 letter from last Friday, they're suggesting
22 that the phase one facility couldn't open
23 until the fall of 2015. Again, I think that
24 needs more clarification. That simply is the

1 information that we have at the moment.

2 Overall is shown on the next slide.

3 Leominster and Plainville generally responded
4 to all questions with sufficient detail and
5 documentation. Plainville, in particular,
6 provided innovative plans for way finding and
7 recycling. Both of them, however, fell short
8 on sufficient information within traffic
9 studies and did not include, among other
10 items, an analysis of roads and interactions
11 impacted within the broader geographic area.
12 That's being taken care of, but there was a
13 shortcoming of both applications.

14 Likewise, Raynham fell short on
15 traffic studies. In addition, Raynham
16 provided conflicting information on site
17 entrances and did not justify what appears to
18 be overabundant parking. It gave insufficient
19 responses relative to site improvements.
20 There were no site improvement plans and
21 recycling, which it did not commit to doing.

22 Overall, in the next slide, on the
23 next slide is a summary, and then overall for
24 this criteria, I gave Leominster a

1 satisfactory. Plainville an insufficient to
2 sufficient, because primarily of the ambiguity
3 in what remedy for the traffic issues is going
4 to be decided upon, when it's going to be
5 decided upon, and then how quickly it can be
6 done. And an insufficient to sufficient to
7 Raynham based on a lack of information,
8 responses to site improvement, and no
9 commitment to recycling, the absence of any
10 site improvement diagrams and no commitment to
11 site improvement.

12 Let's jump ahead to the next one now,
13 number four.

14 COMMISSIONER ZUNIGA: Could we -- I
15 had a question.

16 COMMISSIONER MCHUGH: I'm sorry. Yes.

17 COMMISSIONER ZUNIGA: You mention on a
18 previous slide -- My question is on
19 Plainville. The preferred alternative from
20 MassDOT -- I understand they're the ones
21 further along when it comes to the drafting
22 the environmental report.

23 COMMISSIONER MCHUGH: Plainville is
24 the fartherest.

1 COMMISSIONER ZUNIGA: Right. And they
2 received comments from MassDOT relative to the
3 proposal concerning the jug handle --

4 COMMISSIONER MCHUGH: Right.

5 COMMISSIONER ZUNIGA: -- with
6 improvements.

7 COMMISSIONER MCHUGH: Right.

8 COMMISSIONER ZUNIGA: If MassDOT
9 believes that's -- Or let me -- Have you taken
10 that into account, or is that ambiguity
11 between what MassDOT proposes is the preferred
12 alternative versus the applicant's preferred
13 alternative, which is that break in the
14 median?

15 COMMISSIONER MCHUGH: Well, it's
16 the -- It's both, I think. It appears that
17 the applicant remains committed to the
18 preferred alternative. Now, how --

19 CHAIRMAN CROSBY: To its preferred
20 alternative.

21 COMMISSIONER MCHUGH: The preferred
22 alternative is the break in the median at
23 Route 1. That's as we understood it. How
24 long the applicant will stay with that, we

1 don't know at this point. But that looks like
2 what they remain committed to. There are
3 necessary improvements, according to MassDOT,
4 for the jug handle as well. And there is some
5 pushback from town officials on that as well.

6 Frank, do you want to add anything to
7 that as well? Frank Tramontozzi is the
8 consultant on the traffic.

9 CHAIRMAN CROSBY: Use the mic if you
10 are.

11 COMMISSIONER ZUNIGA: And actually,
12 while he gets prepared, I had a specific
13 question on something you mentioned, which was
14 MassDOT mentioning if the crash rate on that
15 jug handle reaches a certain threshold, they
16 might go along with the break.

17 COMMISSIONER MCHUGH: Right. That's
18 what they said in their letter of last Friday,
19 implying that if it doesn't -- if the crash
20 rate isn't too high, then they wouldn't go
21 along.

22 COMMISSIONER ZUNIGA: If you could
23 illustrate us just to that point, Frank, or
24 anything else.

1 MR. TRAMONTOZZI: I'm sorry, what
2 point?

3 COMMISSIONER ZUNIGA: That crash rate,
4 what does that mean in layman's terms?

5 MR. TRAMONTOZZI: What MassDOT is
6 looking to do was to check the crash rate at
7 the jug handle. Some improvements were made.
8 They believed the crash rate has decreased.
9 The local officials from the town, police
10 chief, fire chief, have expressed concern that
11 there have been numerous accidents there, so
12 they're conflicting with the actual data that
13 MassDOT has regarding the crash rate at the
14 jug handle. The locals would rather not see
15 more traffic at the jug handle. They'd
16 rather, I assume, then, if they don't want to
17 see traffic at the jug handle, they'd rather
18 see the break in the median and the traffic
19 signal on Route 1.

20 MassDOT prefers just the opposite,
21 that they route the traffic through the jug
22 handle and not make the break in the median
23 with the traffic signal at that location.

24 To answer your question regarding

1 Commissioner McHugh's rating, there was lots
2 of discussion with the entire team regarding
3 this particular issue, and that's what I
4 believe Commissioner McHugh has shown in his
5 ratings is that uncertainty that exists.

6 COMMISSIONER STEBBINS: Before you go.
7 There is, I think, in the Plainville diagram
8 where you were demonstrating that supposedly
9 cuts a break in the barrier on Route 1, there
10 looked like is there also a light proposed for
11 the end of the ramp coming off 495 south
12 that's part of that project? If we could go
13 back a few screens. The end of the ramp over
14 to the right.

15 MR. TRAMONTOZZI: Yes. There is a
16 traffic signal at the end of the ramp, and
17 what they're proposing there is to do a
18 widening.

19 COMMISSIONER STEBBINS: Okay. But is
20 that connected to the left turn or the break
21 in the barrier intersection at the point? Are
22 those two pieces of it connected?

23 MR. TRAMONTOZZI: I'm not sure I
24 understand what --

1 COMMISSIONER STEBBINS: Do you need to
2 have a light at the end of the off ramp as
3 part of the solution to the break on Route 1.

4 MR. TRAMONTOZZI: I believe these are
5 independent.

6 COMMISSIONER STEBBINS: All right.
7 Thank you.

8 COMMISSIONER MCHUGH: Other questions?

9 Okay. Let me move now to criteria
10 four, which contains, as I said at the
11 beginning, 22 questions total. Again, I group
12 them into three groups. The most important of
13 these fall into two categories. First, the
14 LEED certification and Stretch energy code.
15 And those are really criteria which define
16 environmental friendliness. I think it's fair
17 to use that shorthand description.

18 The second is a series of criteria
19 next to which there are asterisks, and those
20 criteria are criteria that are taken from the
21 statute. The statute asked us to consider --
22 told us to consider performance on those
23 criterion.

24 So I'd like to spend -- This is an

1 area that's not as easily illustrated as the
2 other areas, so I'd like to spend time talking
3 about those two general themes. And I begin
4 with the LEED discussion.

5 The LEED is an acronym for leadership
6 in energy and environmental design. It's a
7 code, a rating system, if you will,
8 promulgated by the United States Green
9 Building Council. And there are a number of
10 LEED score sheets there are applicable to a
11 variety of different uses. This is the LEED
12 score sheet that is used for large
13 construction or reconstruction and is used
14 across the country for that purpose.

15 This score sheet contains a possible
16 110 points. That's the most you can get. The
17 points fall into seven separate categories:
18 sustainable sites, water efficiency, energy
19 and atmosphere, materials and resources,
20 indoor environmental quality, innovation and
21 design, and regional priority. Not all have
22 the same number of points attached to it. In
23 other words, the max for sustainable sites is
24 different than the max for energy and

1 atmosphere.

2 In any event, the other notable thing
3 is that regional priority varies by region, as
4 the name suggests, because some things useful
5 in Boston may not be useful in Tucson and vice
6 versa. So there are specific things
7 identified here for this area that aren't part
8 of the national scale. The rest of this,
9 though, is uniform across the country.

10 The idea here is to allow builders
11 flexibility in how to achieve a green
12 building. Some may decide to spend a lot of
13 energy and time on sustainable sites and less
14 time on energy and atmosphere, others may
15 decide to do it this way. The outcome is
16 what's important on this scale, not the way
17 and the path that's taken to the outcome. So
18 that's why this rating system has been
19 created.

20 And these numbers are all
21 self-assigned. This is what the applicants
22 proposed to do. We check to make certain that
23 we think that the applicant is involved, that
24 it's capable of doing it, that its plans would

1 enable it to do that. This, it seems to me,
2 is another condition that we ought to include
3 in our award of a license to the licensee,
4 that they actually reach for levels of LEED
5 that they said that they would.

6 There are colored standards attached
7 to these. LEED gold is the standard the
8 statute discusses and sets out as the target.
9 There is beneath LEED gold, LEED silver, and
10 then there's LEED certified at the bottom
11 standard, and there's one standard that's
12 higher, which is LEED platinum. LEED gold is
13 the one that the statute asks the applicants
14 to focus on.

15 You'll notice that with respect to
16 these three qualities, all of the applicants
17 do essentially the same.

18 Leominster pulls ahead with energy and
19 atmosphere primarily because of a very
20 efficient central heating, cooling, chilling
21 plant that they've proposed to install in this
22 facility.

23 Plainville pulls ahead on sustainable
24 sites largely because of that highly developed

1 and highly refined water recycling facility
2 that I mentioned to you a minute ago. The
3 next slide gives us their relative --

4 CHAIRMAN CROSBY: Excuse me,
5 Commissioner. Do we assign these numbered
6 values, and or did they assign it and we
7 vetted it?

8 COMMISSIONER MCHUGH: The latter, Mr.
9 Chairman. They assign it, we vetted it. We
10 checked a variety of things to see if they
11 were really capable of doing that and came to
12 the conclusion that the numbers you're looking
13 at here were something they were capable of
14 doing.

15 CHAIRMAN CROSBY: They were legit.

16 COMMISSIONER MCHUGH: Yes.

17 CHAIRMAN CROSBY: Okay. Good. Thank
18 you.

19 COMMISSIONER MCHUGH: This is a
20 relative comparison. Both Leominster and
21 Plainville reached the gold standard. They
22 were pretty close together. Raynham, however,
23 committed only to the LEED silver standard.
24 It aspirationally said that it would strive

1 for gold, but in its point tally it gave us
2 and in narrative accompaniment said that it
3 would reach LEED silver, not LEED gold.
4 That's the LEED component.

5 Now, the star components. This slide
6 may need a little explanation.

7 CHAIRMAN CROSBY: You think.

8 COMMISSIONER MCHUGH: This is an
9 effort to compare unlike criteria. And I
10 think it's been highly successful. I will
11 say -- we'll see. The point of this is we
12 have nine criteria that the statute asks us to
13 look at. The criteria are all difficult to
14 compare on an apples-to-apples basis. We have
15 LEED certification; we have the Stretch energy
16 code; we have onsite energy generation; we
17 have offsite renewable energy and the like.

18 We could have shown you in a series of
19 nine tables how each proposed to do it, but
20 this is designed to help us understand the
21 strength of their overall approach to the nine
22 criteria. It's called a spider chart. It's
23 something you can tuck away and use elsewhere
24 if you choose.

1 COMMISSIONER ZUNIGA: I think an
2 architect came up with that one.

3 COMMISSIONER MCHUGH: Pardon me.

4 COMMISSIONER ZUNIGA: Which is very
5 useful. I think an architect came up with
6 that one.

7 COMMISSIONER MCHUGH: Exactly so. Ray
8 Porfilio came up with that. And it's very
9 useful, he'll agree.

10 So what this does -- It actually is
11 very useful. I thought it was fun, too. What
12 we've done here is this: We took four -- we
13 made a circle, took four concentric circles
14 evenly spaced from top to bottom. The
15 outermost circle is outstanding, the next
16 circle is very good, the next is sufficient,
17 and the next is insufficient. Those are the
18 circles. They're equally spaced around.

19 Then we took each of the nine
20 criteria, combined two of them, and created
21 eight intersecting lines that meet at a point
22 in the middle. Again, equally spaced around
23 the circles.

24 We then looked at and rated each of

1 those nine, and where the ratings intersected
2 with the circle, we placed a dot. So for
3 example, over here, onsite energy generation.
4 This is the Raynham one. Onsite energy
5 generation, we rated that as satisfactory.
6 Their approach to that is satisfactory. We
7 put a dot. When we got to onsite renewable
8 energy, we rated that as satisfactory. We put
9 a dot, and so on around.

10 Then we connected the dots and filled
11 in the center. And the strength of the
12 overall approach to those nine criteria is
13 revealed by the area that's covered when we
14 connect the dots. That's the theory of this.

15 So the larger the area encompassed by
16 the connected dots, the greater the overall
17 strength of their approach of the these nine
18 criteria. So you can see here approximations.

19 The next slide compresses those and
20 shows you the areas piled on top of each other
21 and shows the overall strength of the three
22 applicants' approach. Because this covers the
23 greater area, the green, the Plainville, their
24 overall approach was the strongest. The next

1 strongest was the Leominster approach, and the
2 area covered by their chart was next in total.
3 And this one has, because of a blending of
4 colors, changed slightly, covered less area,
5 so it was less strong in approach to those
6 nine criteria.

7 CHAIRMAN CROSBY: Could I ask a couple
8 of questions on this. It's fascinating,
9 really interesting. The one that is excellent
10 or outstanding --

11 COMMISSIONER MCHUGH: Right.

12 CHAIRMAN CROSBY: Oh. Okay. Storm
13 water so that is Plainville's recycling
14 system.

15 COMMISSIONER MCHUGH: Right. That was
16 the only outstanding that I awarded in this --
17 in the review. So I may be a hard market, but
18 that's the only outstanding.

19 CHAIRMAN CROSBY: And then for the
20 LEED certification, both Leominster and
21 Plainville were virtually the same. They were
22 both gold. They were 64, 66. Why --

23 COMMISSIONER MCHUGH: I think you're
24 right, Mr. Chairman. This was a judgment

1 call, and I think that could just as easily
2 have been bumped up there.

3 CHAIRMAN CROSBY: Okay.

4 COMMISSIONER MCHUGH: And that would
5 mean that the area comes down here and comes
6 down here. So the area would be slightly
7 bigger. But I think that's a fair comment,
8 and I, frankly, noticed that this morning when
9 I was doing the final preparations.

10 CHAIRMAN CROSBY: Okay.

11 COMMISSIONER MCHUGH: But it doesn't
12 change the results. It does change the
13 magnitude.

14 CHAIRMAN CROSBY: And what is -- I
15 can't read. What is the very good for Raynham
16 down below?

17 COMMISSIONER MCHUGH: The very good
18 for Raynham is energy efficient equipment.

19 They have the highly efficient equipment --

20 (Inaudible discussion held between Commissioner
21 McHugh and Ray Porfilio.)

22 COMMISSIONER MCHUGH: The movement of
23 this up there is still fair in response to
24 your question. But Ray reminds me that in the

1 score -- in addition to the scoring, we
2 considered the backup for the scoring and the
3 implementation plan. And as I mentioned to
4 you before, the Plainville implementation for
5 that roof solar array was far and away better
6 than any other approach to the onsite power
7 generation. And the overall approach to the
8 LEED implementation was more detailed and more
9 fine grained than the others.

10 So although the scores were the same,
11 that's the reason we put the difference
12 between the two. They could have been merged
13 without a loss of area.

14 CHAIRMAN CROSBY: Okay.

15 COMMISSIONER MCHUGH: I mean without a
16 loss of -- without an outcome determinative
17 change.

18 CHAIRMAN CROSBY: Right.

19 COMMISSIONER MCHUGH: All right. Any
20 other questions?

21 Okay. So Leominster in my narrative
22 commits to the LEED gold standard and the
23 Stretch energy code. Its central heating
24 plant system with absorption cooling makes the

1 design energy efficient and less reliant on
2 the grid for its power. Limited onsite
3 renewables are proposed. Leominster has good
4 storm water management and conserves potable
5 and irrigation water uses.

6 Plainville commits to the LEED gold
7 target in Stretch energy code supported by a
8 detailed implementation plan and that's the
9 point I was making a second ago. It's
10 mechanical system is comprised of distributed
11 rooftop units balanced by an efficient
12 envelope and significant onsite renewables
13 supported by a solar analysis. The storm
14 water plan utilizes the track for full onsite
15 potential and exceeds best practices.

16 Raynham's proposal commits to LEED
17 silver instead of the targeted gold but will
18 meet the Stretch energy code. Raynham
19 proposes a centralized mechanical system, but
20 provide us with no detail. Mention is made of
21 a significant ground-based solar array, but is
22 not located on the plans. The site approach
23 acknowledges the proximity of water resources
24 and mitigates discharge but maintains

1 significantly more impervious surface than the
2 other proposals.

3 As a convention of that, the next,
4 this slide, is the backup, and then the third
5 slide is the result which is sufficient to
6 very good for Leominster, very good for
7 Plainville, and insufficient for Raynham and
8 that's largely because of a lack of commitment
9 to meet the LEED gold, which is a standard
10 that, as I said, is really a proxy for all
11 environmental or measured environmental
12 awareness.

13 Now, the next -- We have three left,
14 five, six, and seven.

15 CHAIRMAN CROSBY: Commissioner, excuse
16 me. Before we do that, could we take a quick
17 break. It's been a couple of hours. Could we
18 take a five-minute break.

19 COMMISSIONER MCHUGH: Okay. Sure.

20 (Break taken.)

21 CHAIRMAN CROSBY: All right. Ladies
22 and gentlemen, we are reconvening the meeting
23 110. By the way, this meeting will last all
24 week. We will just temporarily adjourn each

1 day, and this will be a continuation of this
2 meeting all day -- all week.

3 Commissioner McHugh, you're back on
4 stage.

5 COMMISSIONER MCHUGH: All right,
6 Mr. Chairman. Thank you. The next three
7 categories, and there are three left, I'm
8 going to deal with very quickly and in sort of
9 summary fashion. It's not to say that they're
10 not important considerations. It is to say
11 that they are considerations that each
12 applicant performed equally well on. They're
13 relatively defined in narrow categories, and
14 for that reason, I'm going to deal with them
15 relatively quickly.

16 Let's turn with that thought to
17 criterion five, which talks about security
18 monitoring, surveillance, and emergency
19 procedures. Much of the information regarding
20 equipment and procedures provided in this
21 section by all of the applicants, all of their
22 information appears to conform to industry
23 standards. And much of the information
24 provided by Leominster was taken directly from

1 its existing Maryland Live facility.

2 This level of detail allowed for a
3 more in-depth understanding of the overall
4 security operation proposed for Leominster.
5 Similar detail was lacking in some of the
6 responses for the Raynham and Plainville
7 applications, but it's anticipated that the
8 selected licensee will provide more
9 information on emergency procedures and meet
10 all of the safety requirements.

11 A lot of that is covered by code
12 requirements. A lot of that is under our
13 control. A lot of that is detail that we can
14 deal with and insist on as we proceed. So for
15 that reason and given the detail that they did
16 give us, I rated each of them as satisfactory.

17 Criterion six, the next criterion,
18 deals with a permitting, where they are in
19 their permitting, their approach to
20 permitting, and, again, each applicant
21 provided a summary of the required permits and
22 associated documentation.

23 Leominster completed an ENF under the
24 MEPA process, and Raynham completed an ENF and

1 a draft EIR. They need to complete the MEPA
2 process and obtain local permits. Both have
3 routine permitting issues but should be able
4 to meet their anticipated schedules.

5 Leominster's schedule relies on early
6 construction start before MEPA is completed.
7 The temporary slot parlor provided in Raynham
8 may be delayed due to permits. We already
9 talked about one possible DOT impediment to
10 that. And Plainville has completed the MEPA
11 process and has obtained most local permits.
12 The only nonroutine permitting issue is
13 obtaining MassDOT and possibly Federal Highway
14 Administration approval for a break in access
15 on Route 1 or, if unsuccessful, dealing
16 successfully with the jug handle.

17 So for that reason, because there was
18 no real distinguishing factors for any of them
19 and they all were in the sufficient shape, I
20 gave them each a sufficient rating.

21 And finally, other, they all submitted
22 site plans. They all talked about, to some
23 extent, other uses of the facility, and they
24 each were sufficient with respect to that.

1 So that completes my analysis of the
2 seven separate criterion.

3 The next slide is simply the
4 individual narratives that I read as we've
5 proceeded that were the summary narratives for
6 each of the applicants in each of the criteria
7 and the color coding depicting the ratings
8 that I assigned to them. Out of that, I
9 created an overall rating for each of the
10 applicants. And the narrative -- with an
11 accompanying narrative and with the
12 assistance, as I had throughout, of the
13 experts on whose advice I relied to a certain
14 degree.

15 So let me begin with the overall
16 narrative rating for Leominster. Leominster
17 offers a well-documented overall design
18 emphasizing an upscale entertainment venue
19 with three features: gaming, dining, and live
20 entertainment, each of which is a draw in and
21 of itself. The dining is directly accessible
22 from the building exterior. The applicant has
23 demonstrated that it's focused on an
24 excellence customer experience in all of its

1 offerings supported by our observation of
2 Maryland Live.

3 Overall the application is
4 satisfactory to very good. It excels with its
5 approach to a balanced entertainment venue.
6 It meets all requirements for utility
7 connections and improvements, storm water
8 management, green energy, and the LEED gold
9 target.

10 It proposes a centralized heating and
11 cooling plant with a cogeneration facility at
12 1.5 megawatt generating capacity -- that's a
13 significant generation capacity -- reflecting
14 long-term investment, improved energy
15 performance, and protection from grid failure.
16 Parking and landscaping planning were well
17 developed and thoughtful.

18 Only three of the 79 questions were
19 rated insufficient, and two of these were in
20 common with the other two applicants. The
21 third, question 4-39, integration with
22 surrounding venues, is somewhat of a misfit
23 for this sight because it's relatively
24 isolated from existing development.

1 The concern does exists that the
2 applicant's schedule to open the facility by
3 the end of 2014 is overly optimistic and that
4 coordination with permitting and construction
5 could delay the opening for three to six
6 months.

7 Insofar as Plainville is concerned,
8 the applicant provides an integrative design
9 approach marrying the existing harness racing
10 venue and simulcast facility with the slots
11 parlor in a well-developed concept. The
12 application highlights the continuation of
13 harness racing as a feature of the site
14 thereby connecting with the local economy and
15 horse racing industry, i.e., the horse farms
16 in Massachusetts.

17 Overall, the application is
18 satisfactory to very good. In addition to
19 supporting the harness racing, it offers other
20 noncompeting amenities, including meeting and
21 conference space and, on a small scale, a
22 performance venue.

23 Its site plan benefits from integrated
24 parking in a garage for customer convenience

1 and a visually attractive track and open
2 space. It makes a strong presentation on
3 connections with regional attractions,
4 including Gillette Stadium, Comcast Center,
5 the Wrentham Outlets, and TCP championship
6 golf course.

7 It meets all requirements for utility
8 connections and improvements and storm water
9 management, green energy, parking,
10 landscaping, and the LEED gold target. It
11 credibly demonstrates the ability to recycle
12 all storm water and rainwater fully and
13 effectively.

14 It also added creditability to its
15 LEED scorecard with a LEED gold action plan.
16 That's the action plan I mentioned in response
17 when we talked just a few minutes ago.

18 Plainville proposes as part of its
19 traffic plan to make a cut through the Route 1
20 median barrier to improve access to the site
21 from 495. There is a risk that this plan will
22 not be permitted by MassDOT or the Federal
23 Highway Administration, which, if not resolved
24 as soon as proposed or in some alternative

1 plan, could delay opening of the project. And
2 although the applicant proposes an early
3 opening with 500 slots machines, it is not
4 clear if this will be allowable or desirable
5 ahead of the traffic improvements.

6 And finally, Raynham presents a phased
7 approach, including a temporary early opening
8 gaming facility with ample room for future
9 slot and commercial development, possibly
10 supported by a south coast rail project, but,
11 as we mentioned, that would be phase four, and
12 there's no commitment to that.

13 It incorporates gaming, simulcast, and
14 a multipurpose space into an internally
15 focused facility set in a large parking area;
16 however, when compared to the other
17 submissions, the application is less developed
18 in its design and in its documentation.

19 Its phase two proposal is essentially
20 a large box, and many of the non-gaming
21 amenities are not well defined as the other
22 applicants submitted us. The exterior is
23 dominated by electric signage. Its landscape
24 proposal lack details. The parking field size

1 is unjustified and detracts from the overall
2 look of the site. Further, the applicant only
3 commits to LEED silver in conflict with the
4 LEED gold target established by the
5 legislature.

6 Based on our observation of the Parx
7 Bensalem in Pennsylvania, Parx is clearly
8 capable of building and operating a
9 successful, indeed a highly successful, slot
10 machine and parlor. Of the three applicants,
11 this is rated lowest in category four because
12 it lacked detail, overlooked some
13 requirements, and missed opportunities to
14 present the project in its best light.

15 So finally, that is the summation of
16 the analysis that we provided. The colors are
17 supplied and that concludes -- and represents
18 the overall rating that I assigned to the
19 applicants with respect to category four.

20 I'd be happy to take any further
21 questions that any of you have.

22 COMMISSIONER ZUNIGA: I have a
23 question that may be more of a procedural for
24 us relative to when we address these sorts of

1 discussions. We talked about from an agenda
2 setting point that the deliberations would
3 occur perhaps on Thursday, as early as
4 Thursday. But as we will see this also on a
5 the presentation for this afternoon, we will
6 see the financial section and the market
7 assessment precompetition. Parking,
8 overabundance of parking, is really a positive
9 because these facilities will -- are projected
10 to have a lot of customers at different times,
11 et cetera.

12 Postcompetition when the category 1
13 come in line, it might be a different story,
14 but, again, I'm going to get through that. I
15 didn't want to raise that as a comment right
16 off the bat because some of these positives
17 here, which are obviously very well thought of
18 and arrived at, have an implication in other
19 sections.

20 COMMISSIONER MCHUGH: I think that's a
21 really fundamentally important point because a
22 perspective of this analysis was from the
23 building and site design. It's a physical,
24 aesthetic, green energy-focused analysis. It

1 doesn't focus on economics. And it is
2 perfectly clear -- and this is the part of the
3 conversation I really look forward to. It's
4 perfectly clear that something that is the
5 most aesthetically pleasing can be the least
6 commercially desirable in terms of monetary
7 yield and vice versa.

8 So from my standpoint at least, I
9 think that's part of the conversation that we
10 need to have, and this is not by any means the
11 end of the line for anybody. I think that's
12 really important, and the most exciting part
13 of this, I think, the most interesting part of
14 it.

15 COMMISSIONER CAMERON: Yes. I'd like
16 to -- That's a very good point. And I was
17 thinking as you were talking about how
18 aesthetically pleasing, for example,
19 restaurants are that you can enter from the
20 outside going to the inside, that is
21 problematic for security at some times. So it
22 just takes extra energy on the security end of
23 things.

24 Likewise, I'll be looking at traffic

1 with a different lens, the mitigation lens.
2 So there may be some differences in how we
3 approach this same data. So that is a very
4 good point. We'll see that.

5 COMMISSIONER MCHUGH: All right.

6 CHAIRMAN CROSBY: I think it was a
7 great job, and thank you for getting us off to
8 this start.

9 I had -- Well, on Commissioner
10 Zuniga's point about the parking, as long as
11 we're on that, and I don't know if we have the
12 knowledge in house or not, but the standard
13 that a facility needs X spots -- And it turns
14 out to be one, I guess, one plus. The others
15 pretty much have 1,500, one plus for each
16 gaming facility. I would assume it would be
17 designed to accommodate maximum utilization,
18 so the fact that there might be really maximum
19 utilization over the course of the next -- of
20 the first two or three years precompetition,
21 I'm not sure that would mean that you would
22 need an extra 1,300 parking spaces.

23 So I guess my question -- But it's an
24 interesting point, and maybe that's wrong.

1 Maybe it's designed to accommodate your
2 average rather than your max. But I just
3 wondered whether anybody had the knowledge as
4 to during that early period when we expect
5 these facilities, particularly on Friday and
6 Saturday nights, to be really maxed out
7 precompetition, is there any reason to think
8 that a substantially larger number of parking
9 paces is actually -- would actually be a plus
10 and be required.

11 COMMISSIONER MCHUGH: Does anyone --
12 Frank, you want to take a crack at that.

13 MR. TRAMONTOZZI: Thank you,
14 Commissioner. I'll give you an analogy. If
15 you remember when IKEA opened up in Haverhill,
16 the -- obviously, the traffic analysis and
17 what was proposed and what was assumed to be
18 once it was built compared to when it first
19 opened was different. It was the novelty in
20 which the greater number of crowds were
21 attracted to this new -- something that's new
22 in the area.

23 I would assume that the same result
24 will occur with the first slots parlor in

1 Massachusetts where initially, until the
2 novelty wears off, you will have an excess
3 number of people attending or going to the
4 gaming facility, probably more than there are
5 enough gaming positions to accommodate.

6 So the answer, the simple answer, is,
7 yes, initially the more parking the better
8 because you'll be able to accommodate them,
9 but then that will level off once, as I
10 describe it, the novelty would wear off.

11 CHAIRMAN CROSBY: Okay. Interesting.

12 COMMISSIONER ZUNIGA: And it's also
13 important to understand rules of thumb in a
14 larger context as to the one-to-one, you know,
15 looking at averages and many other traditions.
16 It also depends what happens besides the 1,250
17 slots machines there. For example,
18 entertainment and restaurants, you know, the
19 seats. There's another ratio that we'll get
20 into later relative to food and beverage seats
21 to slot machines.

22 But it varies a -- If parking is at
23 capacity, a customer may just decide never to
24 come into the facility, whereas if I'm trying

1 to park and because the casino is really full,
2 I might go take some food and beverage or
3 something like that. But the point has to be
4 made, and I'll talk in more detail about that
5 later.

6 COMMISSIONER MCHUGH: So this is the
7 balance that we need to talk about.

8 CHAIRMAN CROSBY: Right. I had one
9 other question of your first four categories,
10 where, by your description, the ones that were
11 most important. Of those three, the
12 Leominster site was rated the highest -- of
13 those four, the Leominster site was rated the
14 highest of the three of the four. When you
15 net everything out, you rate Plainville and
16 Leominster, on the purposes of the chart, the
17 same, sufficient to very good.

18 COMMISSIONER MCHUGH: Right.

19 CHAIRMAN CROSBY: Do you judge them to
20 be the same?

21 COMMISSIONER MCHUGH: Yes.

22 CHAIRMAN CROSBY: So the fact that one
23 was rated higher in three and one was rated
24 higher in one, does that net to anything?

1 COMMISSIONER MCHUGH: Yeah. That's an
2 important question. Thank you for asking
3 that. There's no linear way to migrate from
4 the rankings for the seven criteria to the
5 overall ranking. Some were rated higher in
6 the -- the very goods were more very good than
7 the others, but not outstanding.

8 And so we took a look at everything
9 we'd done. I took a look at everything we'd
10 done, talked with the team about everything
11 we've done and the advice they've given
12 throughout the process and looked at the
13 strength of the various components of the
14 criteria ratings, and in that fashion,
15 developed this.

16 So it is not assigning certain points
17 for winning in a particular category, for
18 getting such a score in a particular category
19 and then adding up the points. It is a more
20 subjective progress from one to the other.
21 But overall, my judgment was and is, albeit
22 for different reasons, that the two present
23 from a building and site design standpoint
24 proposals that are both very good to

1 sufficient to very good.

2 CHAIRMAN CROSBY: At a similar level?

3 COMMISSIONER MCHUGH: Right.

4 CHAIRMAN CROSBY: Okay. Others?

5 COMMISSIONER STEBBINS: Two quick
6 questions, and certainly there's, as I think
7 we'll see in the next day and a half, two
8 days, that there is some overlap in questions
9 between categories. One of the HR policy
10 questions that falls in my category is onsite
11 childcare, which I think --

12 COMMISSIONER MCHUGH: Was on the
13 childcare, right.

14 COMMISSIONER STEBBINS: -- is an
15 important point out as you went meticulously
16 through each of the tearing the roof off and
17 looking underneath, there's no onsite
18 childcare, which obviously leads to answers
19 from my round of questions.

20 The other point is just picking up on
21 the parking discussion, is there a feeling
22 that there's sufficient onsite parking for
23 employees as well? I didn't see necessarily
24 designated areas for employee parking, but do

1 you have an idea of how the applicants have
2 sought to address where the employees are
3 going to park?

4 COMMISSIONER MCHUGH: I think the
5 applicants are going to park some employees
6 onsite. I think that's part of the plan.
7 Overflow parking for the Leominster applicant,
8 I think, has been arranged with the Wal-Mart
9 that's up the road. There is plenty of room
10 for employee parking at Raynham.

11 So they've addressed it in different
12 ways, but you're correct, the site plan
13 doesn't show where for the Leominster
14 facility, which has everything color coded,
15 does not show a place for employee parking.

16 COMMISSIONER STEBBINS: Thank you.

17 CHAIRMAN CROSBY: Anybody else?

18 Great.

19 COMMISSIONER CAMERON: Excellent job.

20 COMMISSIONER MCHUGH: Thank you.

21 CHAIRMAN CROSBY: Thank you,
22 Commissioner.

23 I have one process note that we want
24 to mention. If any applicant should hear

1 during one of these presentations or during
2 the discussion anything that they believe to
3 be a mistake of fact -- Commissioner McHugh
4 initially said one number of parking spaces
5 and then realized it was a larger number.
6 It's inevitable as we're all standing up here
7 talking for two days that there may be an
8 inadvertent mistake of fact.

9 So if any applicant hears what they
10 believe to be a mistake of fact in our
11 presentation, please get that word to
12 Commission -- to Ombudsman Ziemba ASAP, and we
13 will factor that feedback into our ongoing
14 discussions and deliberations.

15 With that, we will take a temporary
16 adjournment at noon. We, for reasons you all
17 know, won't be bringing our lunch in today.
18 So we will take an hour and a half break, and
19 we will reconvene at 1:30 for our finance
20 presentation.

21 (Break taken.)

22 CHAIRMAN CROSBY: All right. Ladies
23 and gentlemen, we are prepared to reconvene
24 and reopen the 110th meeting of the Gaming

1 Commission, which is the decision making
2 process for the slots parlors. It is now
3 1:30, and we will begin with Commissioner
4 Zuniga talking about the finance evaluation
5 criteria.

6 COMMISSIONER ZUNIGA: Thank you. I
7 think Mark Arsonalt of the Globe predicted
8 that some of these will be dry and technical,
9 some of the proceedings today.

10 COMMISSIONER CAMERON: Which would it
11 be?

12 COMMISSIONER ZUNIGA: And of today, I
13 think this one is probably fair to say this
14 will be dry and technical. Bear with us, but
15 there's a lot of work that has come into this
16 presentation and materials that we have here.
17 And I have with me Rob Scarpelli of HLT, who
18 is one of our advisors who helped me through
19 this process in great detail, and I have asked
20 him to present one particular section of this
21 packet here, the one relative to the
22 methodology that we used for the market
23 assessment.

24 Let's get right to the presentation.

1 We have a brief introduction of the applicants
2 and who they are. Commissioner McHugh
3 highlighted some points. We have a couple of
4 different things to highlight here. The
5 applicant -- we do use the same -- I use the
6 same order, the alphabetical order to the
7 presentation for no other reason than that
8 that was the convention.

9 I'm also going to refer then to the
10 applicants by the site, by the city or town
11 that they are in, that the proposal is in.

12 So the Cordish group of companies that
13 proposes the Leominster, Massachusetts Live
14 casino, they currently own and operate a
15 casino in Maryland. This facilities is the
16 largest existing facility and by revenue, by
17 gross gaming revenue, the largest operation in
18 Maryland. By the number of tables, slots, and
19 win, which we also referred to as the gross
20 gaming revenues, this a much larger --
21 Maryland Live is a much larger facility than
22 the one proposed in Leominster.

23 We've been through this, but I think
24 it bears mentioning, they have a lot of

1 experience in developing and operating retail
2 outlets, but as it pertains to us here, their
3 experience in a high gaming tax jurisdiction,
4 which is true for all applicants, by the way,
5 is key. Also a competitive marketplace in
6 which they have experience is also something
7 that we will touch on in this presentation.

8 CHAIRMAN CROSBY: So excuse me. So
9 they owned and operated casinos in Florida and
10 Indiana?

11 COMMISSIONER ZUNIGA: They developed a
12 casino in Florida. They operated a casino in
13 Indiana. They no longer do that, but they
14 have past experience in both the development
15 and operation, which is good.

16 CHAIRMAN CROSBY: Right. Okay.

17 COMMISSIONER ZUNIGA: And by the way,
18 I do appreciate interruptions. So any time,
19 if -- I'll get into this in the section stuff
20 later, but it will hopefully get the dryness
21 out of my presentation.

22 CHAIRMAN CROSBY: Thank you for
23 cutting your colleague some slack.

24 COMMISSIONER ZUNIGA: Plainville, or

1 the applicant there, which parent company is
2 Penn National, is one of the largest gaming
3 companies in North America with 28 facilities
4 in 19 jurisdictions and two-and-a-half billion
5 in revenue.

6 We've heard about even early this
7 morning from Director Wells that since our
8 evaluation of the phase one suitability, that
9 company has split, has completed their spinoff
10 into two companies, two publically traded
11 companies, the real estate investment trust,
12 the REIT GLPI, and their gaming developer and
13 operation. The applicant proposes to continue
14 to own and operate these under their Penn, not
15 GLPI, but the Penn company. So some of the
16 financials that we've looked at pertain to
17 Penn.

18 Similar to the other applicants, they
19 have experience developing and operating in a
20 high gaming tax jurisdiction. Those are some
21 of the numbers. Interestingly, they are often
22 slightly above the 49 percent tax that we have
23 here in Massachusetts for the category 2
24 operator. They have considerable experience

1 in operating casinos containing between 750
2 and 1,500 slots. That is ten facilities.
3 They also operate multiple horse tracks.

4 The Raynham applicant, Parx or Raynham
5 Parx, is the joint ownership of Raynham member
6 which parent company is the Greenwood Racing
7 side and the Carney Family Group. They own
8 and operate -- Greenwood Racing owns and
9 operates Parx Casino in Philadelphia or the
10 Philadelphia suburbs. They are a large
11 operations, 3,300 slots, table games that have
12 been recently approved in Pennsylvania and
13 about 450 million in gross gaming revenues.
14 That facility also includes a racetrack.

15 Parx Casino in Pennsylvania is larger
16 than the proposed project, but it also has a
17 high gaming tax rate, which is very important
18 relative to that competitive environment that
19 I'm going to talk about later. They -- This
20 is their only casino operating at the time.
21 They do have a lot of horse racing experience,
22 both live and simulcasting.

23 I'm sorry that this is a little chart
24 that's a little busy, but it summarizes some

1 of the numbers that are key to the finance
2 piece. Everybody proposes 1,250 slots, which
3 is the maximum allowed for this category.

4 The Leominster -- We've looked at the
5 square footage for the gaming floor. We'll
6 get into some ratios in a little while, but
7 the applicant at Leominster proposes 51,000
8 square feet of gaming floor, which is slightly
9 above -- slightly higher than Plainville at
10 42,000 and Parx at 37,000. Both -- All of
11 these figures, by the way, when we get into
12 ratios relative to square footage per slot,
13 are more than sufficient to accommodate a good
14 layout of slots with enough space for
15 circulation and et cetera.

16 They proposed a different mix of food
17 and beverage. They -- Commissioner McHugh
18 went through these. There is entertainment
19 options in either one -- in all three of them
20 at different sizes and layouts, and we're
21 going to get into more detail relative to how
22 these spaces, their financials, and their plan
23 all coalesce together. This is towards the
24 end of our presentation.

1 We've only included, by the way, in
2 the previous slide the details for the
3 permanent facility at Parx Raynham.

4 So just as a recap, the application
5 was structured mostly from the questions and
6 criteria, obviously, in the statute. They
7 were naturally grouped into four large groups,
8 I'm going to say, but they differ slightly
9 into how we analyze them.

10 The application contained these four
11 major groups, the financial and capital
12 structure, the maximum goal of maximizing
13 revenues to the Commonwealth, realizing the
14 capital investment and offering the best value
15 and a robust gaming market.

16 The financial section included 38
17 questions. The questions up there on the
18 screen were not rated. They were included as
19 an appendix. The main reason for that is they
20 were not -- they were answered in the
21 negative. We'll see them in a little bit.
22 But they don't pertain to a lot of the
23 evaluation here. We, at the finance group,
24 gleaned a lot of information from the economic

1 development and building and site design
2 sections as well.

3 Let's go to the next slide. So all of
4 those questions were then grouped into the
5 following, and importantly, interrelated
6 areas. Financial capability, we're mainly
7 concern about the applicants' ability to
8 obtain capital, whether they demonstrated
9 access and availability of that capital; their
10 current financial strength elsewhere because
11 that has bearing into the operations here; and
12 of course, the expected project returns.

13 The second criteria or criterion is
14 the investment plan. Our regulations in the
15 statute requires a certain spend of required
16 capital, including eligibility costs with the
17 exclusion of ineligible costs and that's part
18 of section two.

19 We're going to speak a little bit
20 about timing of development mostly as it
21 pertains to the projections and the returns
22 that we calculate. And, very importantly, the
23 consistency between the facility and the
24 expected market penetration is something

1 that's going to be assessed in this section
2 and the other two.

3 The third section is the market
4 assessment. That is the section that I will
5 turn over to Rob Scarpelli. He will describe
6 the methodology that we used, some of the
7 methodologies out there for projecting and
8 assessing the market capacity, but I do want
9 to highlight that there's two elements of
10 these and that is the gaming revenue
11 projections before and after competition. The
12 likelihood of this -- the return that comes to
13 this category really hinges on the monopoly of
14 sorts that they have prior to the other
15 category 1 applications coming online.

16 So I'll spend some time hopefully --
17 we'll have to spend some quality time relative
18 to this section because it's, I believe, a
19 very important one.

20 Finally, the one that we hope to tie
21 together all of the elements is their
22 operations plan, especially as it returns with
23 -- in terms of gleaning the consistency of
24 what they presented in their operation

1 sections and how that was reflected in their
2 financial section.

3 Next.

4 So the financial capability I
5 mentioned, the focus of this was to assess
6 whether they can do this: construct, open,
7 and operate a category 2 facility.

8 Let's just go ahead and get into the
9 next one, John.

10 The first subcriteria of that is
11 evidence of access to and availability of
12 capital to fund the total project cost as
13 submitted. We reviewed the financing plan
14 that's submitted by the applicant and, of
15 course, we reviewed accompanying materials
16 like letters of credit, available credit
17 facilities, public representations, entity
18 filings in the case of Penn, because they're a
19 public company, but also, and very
20 importantly, the phase one suitability
21 reports.

22 Maybe I should mention here that our
23 section, perhaps more than all the others,
24 contains redactions as they were presented by

1 the applicant. The applicant, you'll
2 recall -- the applicants, you'll recall,
3 highlighted in a box what they did not deem to
4 be a confidential information, and where they
5 deemed that to be confidential, we have
6 treated them the same.

7 CHAIRMAN CROSBY: Just to be clear
8 about that, the applicants did not determine
9 what was confidential, they requested what
10 would be confidential, and we vetted that, and
11 we selected from their requests what we would
12 permit to be confidential. So it's not the
13 applicants' decision what's confidential.

14 COMMISSIONER ZUNIGA: That's correct.
15 Thank you for that. For the most part, as it
16 pertains to this section, their financial
17 projections are, by and large, the bulk of
18 what needs to be confidential. Their total
19 project budget is not, and we're going to see
20 that, but what happens before and after
21 competition as it relates to what they are
22 predicting in the particular market continues
23 to be treated as confidential information.
24 And of course, other items from phase one like

1 ownership structure or percent ownership, et
2 cetera.

3 So the first applicant, Leominster,
4 has demonstrated a commitment from two banks
5 with limited or no conditions. They have a
6 promissory note from the family trust that
7 they often use to fund startup projects, and
8 this trust has more than enough liquid assets
9 and net assets to fund what they are saying
10 will be their necessary capability. We'll get
11 into more detail in the next slide.

12 But Plainville initially submitted
13 their credit facility of 711 million, which
14 was available at the time, but since then,
15 since the application at the time of October,
16 they have completed their REIT spinoff, and
17 500 million of that facility has remained with
18 Penn, of which 480 million is still available
19 to fund development operations.

20 Raynham has a bank commitment letter
21 that included one condition, which was not
22 provided, and they are predicated on the use
23 of future cash flow to fund the remaining
24 equity, which is a component that is

1 contingent on a future event.

2 CHAIRMAN CROSBY: What do you mean the
3 condition was -- It was conditional on
4 something they didn't tell us what it was?

5 COMMISSIONER ZUNIGA: The letter that
6 they have submitted from the bank includes one
7 condition. The bank has stated that in order
8 to provide them with the amount that they are
9 promising, Raynham must meet a number of
10 conditions. One of those conditions was not
11 met in our interview. It's not yet met.

12 CHAIRMAN CROSBY: Is not met. We know
13 what it is, they just haven't met it?

14 COMMISSIONER ZUNIGA: That's right.
15 We know what it is, they haven't met it.

16 COMMISSIONER MCHUGH: Along the same
17 lines, do we know what the future event is?

18 COMMISSIONER ZUNIGA: Well, the second
19 point there is they are proposing that in
20 order to fund construction of the permanent
21 facility, they will use the cash flow from the
22 temporary facility, because they obtained
23 money to fill out the temporary facility,
24 start operations, and then use cash flow from

1 those operations to fund the remaining. This
2 scheme is not a bad plan, but it is contingent
3 on something that doesn't exist yet.

4 COMMISSIONER MCHUGH: Right.

5 COMMISSIONER ZUNIGA: This is an
6 important chart for a number of reasons. What
7 I really want to highlight here is the total
8 project budget. All of them are, in my
9 opinion, very close. They range from 215
10 million in the case of Leominster to 227 in
11 the case of Raynham and that, in my opinion,
12 is the best indicator for what the market can
13 bear and for the results of competition.

14 They get there in different ways, but
15 because they're all restricted to the 1,250
16 slot machines, I truly believe that they have
17 put the most that they can put forth in terms
18 of capital investment.

19 They use, as I was mentioning prior, a
20 different mix of third-party debt and equity.
21 And the Leominster applicant proposes a mix of
22 60 and 40 percent. They made the
23 representation that they would put debt, but
24 they could fund the entire operation out of

1 equity, and part of our verification is that
2 they can. They could -- their family trust
3 has enough liquid and net assets to fund the
4 entire operation. None the less, they have
5 stated that they will -- they also have
6 availability of debt and that is the mix that
7 they are proposing.

8 As a very small note here, the
9 promissory note that comes from the family
10 trust is for a number that is slightly less
11 than the equity portion that gets -- that's
12 calculated up there, 86 million, but that, in
13 my view, as no bearing because they have
14 enough liquid and net assets to fund the
15 entire, let alone 40 percent, of their project
16 costs.

17 Penn proposes to fund the entire
18 project cost out of their credit facility.
19 And it's important to note that this does not
20 necessarily mean that they have a debt to
21 equity ratio of infinite, I guess.

22 CHAIRMAN CROSBY: A hundred to one --
23 a hundred to zero.

24 COMMISSIONER ZUNIGA: A hundred to

1 zero. Their debt to equity ratio that I would
2 be most concerned about is the one at the
3 enterprise level, and there's a lot of
4 facilities, as I mentioned. And I'm going to
5 touch an a couple of key ratios later on.

6 Raynham has a slightly different
7 mix --

8 CHAIRMAN CROSBY: Excuse me,
9 Commissioner. Maybe you're going to get to
10 this. So you're not looking at this as a
11 standalone financial entity. You're looking
12 elsewhere to determine the viability of this.
13 Do I hear you right?

14 COMMISSIONER ZUNIGA: Yes. Well, it's
15 important to highlight that there are two --
16 We need to look at both. This project, how
17 it's financed, how it can succeed on its own,
18 but the context in which it operates is very
19 important, and it's very different because
20 they operate a very different number of
21 facilities. We've discussed before, you know,
22 this notion of ratios, and in my opinion, they
23 can be very elusive but for the fact that
24 they're different factors that we can include

1 in a ratio or not. Are we talking about the
2 project level or the enterprise level.

3 CHAIRMAN CROSBY: Okay. We'll get to
4 that.

5 COMMISSIONER ZUNIGA: But we'll get to
6 more of that detail. Raynham has a -- the
7 bank letter that I mentioned for a slightly
8 higher amount than what they propose to
9 finance. There's a land contribution from the
10 Carney family, there's equity from the
11 Greenwood side, and, as I mentioned before,
12 cash flow from operations of the temporary
13 facility.

14 So the first rating for the first
15 subcriteria is outlined above. Leominster and
16 Plainville both, in my opinion, show an
17 outstanding because they have the cash in its
18 totality available right now. They get to it
19 different ways, but it's available. Raynham
20 does not have -- did not demonstrate the
21 complete or present availability of financing.
22 As I mentioned, it's not a bad plan
23 necessarily what they have proposed, but in
24 comparison, they have not demonstrated the

1 present ability.

2 Subcriteria number two, we did want to
3 ensure that their operations elsewhere do not
4 present a drag into what they propose to do in
5 Massachusetts. We were looking for evidence
6 of strong balance sheet, reasonable levels of
7 existing debt, and positive operating resorts.

8 We reviewed the financial statements
9 from all applicants as they relate to their
10 parent companies, or, more importantly, the
11 equity provider in the case of Parx and
12 Leominster. We also looked at a number of
13 ratios to perform key ratio analysis.

14 All of these applicants are, in my
15 opinion, outstanding when it comes to their
16 current financial strength. They operate a
17 different number of facilities, but each one
18 of them has enough liquid assets, financial
19 strength, or key ratios demonstrate that
20 nobody would be a drag to these -- to the
21 proposed development here in Massachusetts.

22 Perhaps here, I should give a small
23 overview of the ratios that we looked at,
24 which are also included in the packets. There

1 were at least four ratios that we looked at.
2 The current ratio is usually a measure of
3 liquidity. They are -- it's a measure of
4 current assets to current liabilities. It's
5 the ability to pay their bills, and same
6 thing, everybody has good ratios.

7 We have capital asset turnover ratio
8 that we looked at. They -- it's a book value
9 divided by the net revenue. It indicates just
10 how much cash flow their facilities generate
11 and how much they turn over the book value
12 that they have, and they are operating at very
13 healthy ratios, as well as their long-term
14 debt and the enterprise level that I was
15 mentioning.

16 So there's a lot of background on
17 these. I don't necessarily want to get into
18 all the detail here, but if anyone has a
19 question, of course, I will get into those
20 details.

21 Subcriteria number three from section
22 one, we looked at -- the expectation was to
23 assess whether the applicant could earn a
24 reasonable return on investment over the

1 five-year period of which this term -- of
2 which this license is the term of.

3 We performed a calculation on the
4 EBITDA, or their earnings before interest,
5 taxes, depreciation, and amortization, as
6 presented by the applicant. These EBITDA
7 projections are redacted but tested at
8 different discount rates assuming that each
9 one of these projections didn't pan out the
10 applicant expects them to appear, and that is
11 the difference in calculating those EBITDA at
12 four percent or five percent discount rates.

13 We performed a return on investment
14 from those on each of those in areas and
15 suffice to say that each one of the applicants
16 has and projects a reasonable return on
17 investment under all those circumstances.

18 That's the piece I was mentioning.
19 The year one through five EBITDA is redacted,
20 they're redacted, as I mentioned, but the
21 return on investment and the average return is
22 strikingly similar, in my opinion, and this is
23 even using their own projections.

24 CHAIRMAN CROSBY: Commissioner, this

1 is something I've wondered about as I've heard
2 you talk about this a little bit. Would they
3 be doing this if it was a five-year license
4 and then that was the end of it, or is this --
5 is the five-year window sort of an
6 artificiality that we, as a practical matter,
7 assume that it will be renewed and renewed.

8 COMMISSIONER ZUNIGA: Well, there's no
9 guarantees of renewal because there's none in
10 the statute. The term is five years, and the
11 test is that they -- whether they make enough
12 with that five-year term. Of course,
13 pragmatically or in reality, there's likely a
14 value at the end of that five-year term, and
15 this commission should or the next commission
16 should think about what it might require,
17 whether it's nothing or whether it's
18 additional investment, of the renewal at that
19 time.

20 All the requirements that were made at
21 this point were these are the tax environments
22 at this time. It's five years, and it's a
23 minimum of 125 million investment. There is a
24 lot of things that can happen between now and

1 then, not the least of which is additional
2 competition from the category 1's and the
3 responses from our neighboring states relative
4 to the competition.

5 So those conditions are going to
6 change perhaps dramatically, and we cannot
7 really assess how much of it may be there in
8 terminal value. We don't make --

9 CHAIRMAN CROSBY: Right.

10 COMMISSIONER ZUNIGA: -- an
11 assessment. That's for a later time. But
12 it's important to note that at least for these
13 five years, they do make money.

14 CHAIRMAN CROSBY: Right.

15 COMMISSIONER ZUNIGA: It's not all
16 rosy. Some casinos -- other casinos come
17 online prior to the end of this term, and a
18 lot of things can happen.

19 CHAIRMAN CROSBY: When they -- You
20 were talking about the cal- -- you think they
21 took the calculation of a reasonable return to
22 come up with the maximum cap X that they would
23 put in which was 215 to 227 or something like
24 that. Was that based, do you think, on a

1 five-year assumption?

2 COMMISSIONER ZUNIGA: Oh, it must have
3 been, yes. There is no -- there's no
4 guarantees of any renewals. There is a
5 guarantee that you only have five years. You
6 have a leg up because you get awarded a
7 license first. That's clearly in the statute
8 plus in the process. Plus, it gets less time
9 to develop these operations. And that's how
10 everyone's coming to where they're coming.

11 CHAIRMAN CROSBY: Okay. Thank you.

12 COMMISSIONER ZUNIGA: So perhaps not
13 surprisingly, everybody scored outstanding
14 when it comes to the expected returns. They
15 can all produce a commercially reasonable
16 return in investment based on the numbers that
17 -- the term and their constraints that they
18 operate under, the maximum amount of slots as
19 well as the 125 million minimum capital
20 investment.

21 So that was section 1, financial
22 capability. Any other questions at this time?

23 I'll move right along, then, to the
24 investment plan. Perhaps this will be equally

1 quick. It's really testing whether the
2 capital budget as per our operations and where
3 we define capital investment would be at least
4 125 million. We call them eligible versus
5 ineligible expenses, and they all stem from
6 our regulations.

7 In general, those are -- all eligible
8 costs are construction costs, building,
9 architectural, permits, insurance, FF&E, et
10 cetera. And in short, everybody exceeds the
11 125 million threshold.

12 We're not making -- I always thought
13 of these as a pass/fail rating, which is why
14 everybody gets a sufficient, in my opinion.

15 You may remember that we talked about
16 whether temporary structures would count
17 towards capital costs, and the decision was
18 that they would and that is clearly why
19 everybody is above that threshold.

20 I guess until Friday, I thought that
21 this was a very straightforward calculation,
22 and permitting notwithstanding. We take a
23 look at just how much timing in terms of
24 development versus timing to recoup the

1 investment has had some bearing, and the long
2 and short is that everybody has a similar
3 timeline as it relates to financial
4 projections and financial risks. So we did
5 take a look at the plan timelines.

6 Let's go to the next slide. Everybody
7 under those -- under that lens provides a
8 reasonable timeline to have a permanent
9 facility.

10 In the case of Raynham, they provide
11 the fastest of revenue generation, but it's
12 potentially the most aggressive relative to
13 their temporary facility as all REIT is,
14 perhaps just like others, that all site
15 improvements would have to be made even for a
16 temporary facility.

17 CHAIRMAN CROSBY: Did I understand
18 from Commissioner McHugh's talk this morning
19 that the timeline issue is somewhat in flux?
20 We can't really draw too many conclusions
21 about timelines at this point because there's
22 a set of variables which we only know one
23 letter's worth about on Friday for all three
24 applicants?

1 COMMISSIONER ZUNIGA: Right. And to
2 be fair, it's outside of the applicants'
3 control.

4 CHAIRMAN CROSBY: Yes. Right.

5 COMMISSIONER ZUNIGA: They all have a
6 good plan, especially as it relates to how
7 much time they propose it could take to
8 develop these properties, finance it, and then
9 recoup its investment. And under those very
10 broad guidelines, if you will, everybody does
11 that, in my opinion, and they do it very well.
12 However, they -- the reality is everybody will
13 have to get through the actual permitting with
14 some of a wildcard that they cannot control.

15 CHAIRMAN CROSBY: Right. A lot of --
16 And originally in the applications, there was
17 a lot of competitive positioning relative to
18 startup, launch time, the time to market, the
19 revenue that would be generated, time to
20 operations that could be generated during a
21 competitive window versus other bidders, other
22 category 2 bidders, and I'm understanding now
23 that that's -- we really can't use that as a
24 criteria since there are these variables which

1 will be beyond the control of the applicant.

2 COMMISSIONER ZUNIGA: Correct.

3 And perhaps I should mention this, and
4 I'll just go back one. Even in addition to
5 that, Mr. Chairman, I personally, with, of
6 course, the input of our advisors, my
7 advisors, thought a lot about the merits of
8 Raynham's proposal to bring moneys the fastest
9 with the notion of the temporary facilities.
10 Of course, the term starts -- the five-year
11 term begins right there, but the particular --
12 the thing there is that it's also the most
13 aggressive when we're talking about the
14 wildcard of permitting and the requirement of
15 the statute that all improvements, outside
16 improvements, be done prior to opening,
17 temporary or otherwise. I ended up at the
18 same very good rating.

19 CHAIRMAN CROSBY: Right. Okay.

20 COMMISSIONER ZUNIGA: At the
21 consistency with financials, we're looking at
22 how some of the numbers that they provided
23 jell with their operating and financial plans.
24 There's a section that's specific to those

1 things. Here's a summary.

2 Leominster Has the largest gaming
3 floor, but all of them have enough and
4 sufficient gaming floor for the 1,250 slot
5 machines. Leominster provides nearly twice as
6 many food and beverage seats, and Raynham
7 provides approximately 50 percent more of
8 parking spaces compared to the other
9 applicants.

10 Let's just stay a few more minutes
11 with this. Our consultant, HLT, have a lot of
12 numbers that they've looked at and studied as
13 rules of thumb like the one-to-one parking per
14 gaming position. A gaming square foot per
15 slot machine is an important ratio as well. I
16 believe anything above 20 or 25 square feet is
17 more than sufficient. Everybody is above that
18 at varying degrees.

19 Food and beverage is another ratio
20 they look at, one to four or 25 percent is a
21 good industry rule of thumb, and, again,
22 everybody's above that ratio at 30, 33, and
23 even 61 percent in the case of Leominster.

24 Commissioner McHugh actually had the

1 same observation. The construction costs for
2 Raynham for the permanent facility would be
3 lower compared to the other two on a per
4 square foot basis.

5 There's some of the conclusions here
6 that we wanted to highlight, but there's many
7 more in the backup. The cost per slot
8 machines for Leominster and Raynham are
9 similar. We believe Plainville has costs that
10 may be a little too aggressive in terms of the
11 slot costs, cost per slot.

12 CHAIRMAN CROSBY: Are you talking
13 about --

14 COMMISSIONER ZUNIGA: Actual cost.

15 CHAIRMAN CROSBY: -- actual cost per
16 purchase of the machine?

17 COMMISSIONER ZUNIGA: Per the machine,
18 yes. Some of that information has been
19 redacted, so I won't get into just how much.

20 CHAIRMAN CROSBY: Just on the face of
21 it, Penn National buys an awful lot more of
22 these machines than either of these other two,
23 just sort of on the face of it.

24 COMMISSIONER ZUNIGA: That's correct.

1 But we also have data from Ontario who buys a
2 lot of machines -- there's the lottery
3 corporation there -- and it still seems a
4 little aggressive.

5 CHAIRMAN CROSBY: Really. Okay.

6 COMMISSIONER ZUNIGA: But, you know,
7 it --

8 CHAIRMAN CROSBY: Oh. I see. You
9 said this here. Yep. Sorry.

10 COMMISSIONER ZUNIGA: We still think
11 it's low. It's just an indicator.

12 We have all rated them very good in
13 these criteria. They all propose an
14 acceptable facility, one that is consistent
15 with category 2 facilities and these
16 restrictions, as I mentioned, and they're all
17 equally rated.

18 I think I need to break here just to
19 mention and turn it over to Rob in a minute,
20 but just to mention that I neglected to
21 mention my team or the people that helped us.
22 Rob Scarpelli, his colleagues, Matt Klas and
23 Katia Munro over in their office. They're not
24 here. Drew Chamberlain, also from HLT, has a

1 lot of experience with operating casinos in
2 Canada. He worked for the government because
3 the government there operates the casinos.
4 That may be about to change. Who knows. But
5 there's a lot of operating experience as well
6 as analysis and financial analysis that our
7 team, a group of advisors, came with.

8 I also drew on the help of Derek
9 Lennon, our own Derek Lennon, our CFAO, and
10 Maria Bottari, our finance manager, but the
11 ratings are all my assessment, as we are all
12 taking the same approach.

13 CHAIRMAN CROSBY: Commissioner, before
14 you start, can we take a quick break?

15 COMMISSIONER ZUNIGA: Sure.

16 (Break taken.)

17 CHAIRMAN CROSBY: All right. We are
18 ready to reconvene the finance presentation at
19 2:25. By the way, it's February 25th, the not
20 February 24th, which I said at the beginning
21 of the day.

22 Commissioner Zuniga.

23 COMMISSIONER ZUNIGA: Thank you. The
24 section -- At this point, we're breaking into

1 the presentation that I had in the packet.
2 I'll turn it over to Rob Scarpelli in just
3 about a minute. This describes the
4 methodology that HLT used to assess the
5 capacity and therefore profitability of each
6 of the applicants based on their market within
7 certain drive times.

8 So that was the dry. We're now going
9 to get into the technical piece of the
10 presentation.

11 CHAIRMAN CROSBY: Thank goodness.

12 COMMISSIONER ZUNIGA: I'll turn it
13 over to Rob.

14 MR. SCARPELLI: Thank you,
15 Commissioner. I want to briefly explain the
16 market assessment model that was developed in
17 order to look at all of the applicants and
18 their projections. Essentially, also we
19 needed to develop a model that also allowed us
20 under the future category 1's to view their
21 submissions also. So all that work was done
22 under the category 2's being the first one
23 being evaluated.

24 Simply, the key elements of the model

1 are really three components. The first
2 component is really the extent of the market
3 area. What are we dealing with? How far away
4 are we dealing with?

5 The second element of that is really
6 what we'll call the size of the market, which
7 is how many gaming dollars are available in
8 that market to be captured by all of the
9 various facilities operating in that market.

10 Thirdly, it's really market shares in
11 terms of what's the share at each facility is
12 reasonably or can you reasonably expected to
13 generate precompetition, instate competition,
14 postcompetition. So let me just walk you
15 through some of the highlights of that.

16 Essentially, when looking at market
17 area extent, we look at size and scope of
18 casino facilities, including the number of
19 devices, non-gaming amenities, operating
20 characteristics, and tax rates. Generally
21 speaking, a facility with a few slot machines
22 has a market area extent quite smaller than
23 somebody with thousands of slot machines and
24 table games and other things. So the extent

1 that a facility can generate constant
2 visitation from varies based on size.

3 It also varies based on tax rate,
4 which is an important component. The higher
5 the tax rate, if you think of it in this
6 perspective, the higher the tax rate, the less
7 amount of money the operator will be able to
8 spend on marketing compared to somebody with a
9 relatively low tax rate. And I think it's
10 important to note in the broader Massachusetts
11 marketplace, we have varying degrees of
12 competitive facilities that already exist.

13 We also look at location of existing
14 and future competitive facilities, and we use
15 drive times. Some people use up to two hours.
16 What we're using here is 90 minutes. So what
17 this cluttered map just shows you is all the
18 red lines is approximately a 90-minute drive
19 from an existing casino or a category 1 site.
20 The blue lines represent 60 minutes from the
21 category 2 sites.

22 So at the end of the day, the majority
23 by far, the majority of the people in this
24 state will be access to multiple gaming

1 facilities once the market is built out. You
2 could also look at that from a notion of
3 whether you want to call it geographic
4 isolation. If you're the smaller facility,
5 you want to be located somewhere away from
6 other competition. From a customer
7 perspective, everybody in the state will have
8 multiple choices to visit multiple sites.

9 CHAIRMAN CROSBY: Excuse me, could I
10 start, I guess, this very early question. You
11 posited for the purpose of this assessment
12 that there is a casino, a tribal casino, in
13 Taunton?

14 MR. SCARPELLI: Yes.

15 CHAIRMAN CROSBY: We don't know
16 whether there will be or not. And as you
17 know, we heard word of three potential
18 commercial applications. How did you come up
19 with Taunton? How did that come about?

20 COMMISSIONER ZUNIGA: Let me take a
21 stab at it, and maybe Rob can supplement.
22 There are -- the market assessment that we're
23 going to go through includes two different
24 points in time, but we make no judgment as to

1 when Taunton may come in line. For the
2 purposes of the model that Rob will describe,
3 this is perhaps the most geographically
4 centered operation, Taunton, relative to the
5 market area. We have a much bigger decision
6 to make in the near future when we decide
7 whether to -- whether or not to license a
8 commercial casino in that region. But we
9 identify that as a possibility in many ways to
10 come up with a worst case scenario in terms of
11 proximity to other places. Does that -- You
12 want to...

13 MR. SCARPELLI: Well, just under the
14 market assessment because we had various --
15 When the model was started to be constructed,
16 we had different possibilities, and as that
17 has evolved, certain ones that are no longer
18 possible were pulled off the table. In
19 general, what we assumed is a category 1
20 facility in region A, B, and C.

21 So when it came to western
22 Massachusetts, we chose the Springfield site
23 as a general location because at that time,
24 there was only one application left. The

1 Boston circle there is really -- the
2 geographic center does not relate to one of
3 the other bids.

4 CHAIRMAN CROSBY: Right.

5 MR. SCARPELLI: And we just picked for
6 the southeast region more or less the
7 geographic center of that region, which
8 generally is Taunton. So that's what we
9 assumed.

10 CHAIRMAN CROSBY: But just to pursue
11 this slightly, of the four sites we have heard
12 of, and none of us knows whether any of them
13 will come to fruition, none of us knows what
14 will happen in southeastern Mass., but of the
15 four we've heard of, two are quite close to
16 Raynham and Plainville for that matter.

17 MR. SCARPELLI: Correct.

18 CHAIRMAN CROSBY: Two or coastal, Fall
19 River and New Bedford. Would this -- would
20 your bottom line assessment of pre and post
21 performance -- well, not pre, post performance
22 change materially had you used one of the
23 coastal facilities as opposed to the one
24 that's much closer to Raynham.

1 MR. SCARPELLI: Yes, generally it
2 would. If you move that southeast facility
3 closer to the water, whatever, it would likely
4 generate less money than where it is located
5 right there. The reason being is you're
6 farther away from the population base.

7 CHAIRMAN CROSBY: Which would
8 presumably have a less negative impact on
9 particularly Raynham, but also Plainville.

10 COMMISSIONER ZUNIGA: Right.

11 CHAIRMAN CROSBY: That's what I was --
12 I wasn't talking about the projections for the
13 casino. I was talking about the impact of the
14 location for a southeastern Mass. casino on
15 your revenue projections for the slots parlor.

16 MR. SCARPELLI: I'll answer that in a
17 broader sense too. If that region casino went
18 that -- further down, all the existing
19 competitive facilities and all the other
20 category 1 facilities and whatever category 2
21 is chose would like it better because it's
22 moved farther away from the population. So
23 everyone else left would likely perform better
24 because of that.

1 COMMISSIONER ZUNIGA: So in a way,
2 this is a worst case scenario.

3 CHAIRMAN CROSBY: I guess what I'm
4 getting at is whether it's a more worst case
5 for the two closer applicants, Plainville and
6 Raynham, than it would be for Leominster. You
7 know, is this analysis because you happened to
8 pick one centrally located, which may or may
9 not be where it's located, whereas the other
10 locations are certain, is that in any way
11 prejudicial bottom line to your projections
12 about post comp. performance, particularly for
13 Plainville and Raynham?

14 COMMISSIONER ZUNIGA: It would appear
15 so just by looking at the geography. But the
16 market assessment which we're going to answer
17 now, or soon, depends on other factors like
18 population around that site and, very
19 importantly for us, the out-of-state number of
20 adults that could come to the facilities as
21 well. So we're going to get into those
22 financials, you know, soon, but it's not just
23 a geographic exercise. It relates to here's
24 how much people are nearby. We'll get into

1 that.

2 CHAIRMAN CROSBY: Yes.

3 MR. SCARPELLI: So what we've defined
4 as the Massachusetts market area is the entire
5 State of Massachusetts, including the states
6 of Rhode Island, Connecticut, and the southern
7 portion of New Hampshire. And what we're
8 saying is the Massachusetts facilities, the
9 category 2 facility that is chosen and the
10 category 1 facilities that are chosen later,
11 will draw the majority of their visitation and
12 gaming revenue, generate gaming revenues from
13 that defined area right there.

14 In order to do a market share
15 assessment, which is really saying of all the
16 facilities where they're getting business
17 from, we've divided up that larger area into a
18 number of smaller areas based on geographic
19 boundaries, ZIP code boundaries, and road
20 networks, and sort of urban centers within
21 those areas.

22 Size of market. In order to determine
23 the size of the market available, what we
24 looked at is we looked at past reports done

1 for the State of Massachusetts. There was an
2 early report done by Innovation Group for one
3 body of government in the state, and then
4 there was the Spectrum two reports by Spectrum
5 which looked at the market for category 1
6 facilities only. We also compared that to
7 other markets in North America, and we chose
8 -- those markets that were chosen were
9 Pittsburgh, Pennsylvania and Philadelphia.
10 And we looked at those markets for a couple of
11 different reasons.

12 Each contained between three and five
13 main facilities that served that market area.
14 There was an urban core and suburban location.
15 We also looked at total markets that were
16 generating gross gaming revenue of about a
17 billion dollars. This in the detail
18 background, so you have to go into the market
19 assessment of it.

20 COMMISSIONER ZUNIGA: Page 5 of market
21 assessment.

22 CHAIRMAN CROSBY: So I was trying to
23 get... Sorry.

24 MR. SCARPELLI: At the end of the day,

1 what we chose was we think a reasonable size
2 of the market for the broader Massachusetts
3 area would be anywhere from \$300 per adult to
4 \$350 per adult would characterize how many
5 gaming dollars are available in this market
6 area. And all this chart shows you -- it is
7 difficult to read -- is the population by some
8 areas, if you applied \$300 to population on
9 average and if you apply \$350, you would get a
10 total dollars available in the broader area of
11 anywhere between 2.7 to 3.1 billion dollars
12 available to be captured in that area.

13 And of that amount, in the State of
14 Massachusetts, it would range from anywhere
15 from 1.4 to 1.7 billion dollars available. So
16 think of it as that's how many dollars are in
17 the whole place, now it's all the different
18 facilities are going to fight for a share of
19 those dollars.

20 We also ran one additional scenario,
21 and the scenario was based on a market fact
22 that if a casino is located close to a
23 population, that population likely has or will
24 exhibit a slightly higher spend level relative

1 to an area located farther away from a casino
2 that would have a lower area. So we ran one
3 blanket 300, we ran one a blanket 350, and
4 then we ran a blended rate where we assumed,
5 depending on what area we looked at, if the
6 casino was located in an area, that area had a
7 spend rate of 375, the areas surrounding that
8 had a spend rate of 325, and the areas one
9 removed had a spend rate of 275. For all
10 three sites working out, it generally works
11 out around to somewhere around
12 three-and-a-quarter spend rate on average. So
13 we looked at it from three different ways.

14 Market shares. You might have heard
15 if you read reports, other consultant reports
16 about market assessments, you will hear the
17 term gravity markets and such. What they're
18 really referring to is market shares, how much
19 business various facilities can generate in an
20 area.

21 In order to conduct a market share
22 exercise, we have to look at size and scope of
23 proposed facilities, we have to look at the
24 operating environment compared to competitive

1 casinos. And what we mean by that is number
2 and type of gaming devices permitted,
3 including restrictions, tax rates, smoking
4 policy impacts. Also amenity facilities in
5 use of the same to drive visitation. We have
6 to look at proximity to competitive
7 facilities. In general, a market principle is
8 if you live closer to a casino, you'll visit
9 more often and spend less per visit compared
10 to if you live farther away from a casino, you
11 will visit less often, but spend more per
12 visit.

13 We also look at proximity to market
14 area populations. And we also looked at
15 facility capacity constraints in terms of
16 number of permitted gaming devices and parking
17 spots and things like that.

18 An important consideration, and I'll
19 stop at this point and explain this, is
20 there's very few jurisdictions in North
21 America where you can get a complete lens of a
22 market area.

23 So say you have multiple facilities to
24 really understand where all these facilities

1 generate business from. Each casino now has a
2 player card, and that player card, you use the
3 player card, and the casino can track where
4 you live, how much you spend, and stuff like
5 that.

6 Part of our experience base in order
7 to do this market share assessment is actually
8 based on some work in Canadian jurisdictions.
9 And the reason why we'll mention the Canadian
10 jurisdictions is in Canada, gaming is dealt
11 with a tad differently than in the states.

12 So we can go to the province of
13 Ontario, the province of British Columbia
14 where we have 17 plus facilities in each
15 place, and we can see the player card data for
16 all facilities.

17 So we can look at a market from a
18 customer perspective as opposed to from just a
19 facility perspective. There is not many
20 jurisdictions, I don't -- Let me put it this
21 way: I do not know of a jurisdiction in the
22 United States where you go into a jurisdiction
23 and have multiple facilities and get the
24 player card data from all the facilities to

1 start comparing, looking at it from a customer
2 perspective and which facilities they visit,
3 how many times, where do they live, and those
4 sorts of things.

5 So some of that practical experience
6 base we can apply to doing the market shares
7 here.

8 I'll spend a little time on this chart
9 is what the casino environment that is being
10 set up in the state is unique in a couple of
11 sentences. It's unique in the sense that you
12 have multiple facilities that currently serve
13 this marketplace, and those facilities have
14 different levels of, I'll call it,
15 competitiveness factors.

16 The category 2 facilities are really
17 restricted. The big things that define them
18 are the restrictions on number of devices.
19 They're allowed 1,250 gaming positions.
20 That's unique in the sense that most
21 jurisdictions in North America will expand or
22 allow operators to choose how many devices
23 serve in the marketplace.

24 Compared to Rhode Island, if you think

1 of it this way, the category 2 facility will
2 be similar to Rhode Island in the sense of a
3 tax rate for slot machines, around 50 percent.
4 It's dissimilar to Rhode Island from the
5 number of devices that's permitted. It's also
6 dissimilar to Rhode Island in the fact that
7 Rhode Island allows smoking. It's also
8 dissimilar from the fact that Rhode Island
9 allows table games.

10 Moving one step removed from there, we
11 have some of the largest -- in Connecticut, we
12 have some of the largest standalone resort
13 casinos currently serving in this marketplace.
14 And here, the number of the slot machines is
15 north of 5,000. The table games are north of
16 300. Multiple food and beverage facilities,
17 multiple entertainment facilities, hotel
18 rooms, and a low tax rate in the 25 to 30
19 percent range on slot machines.

20 So if you're looking at a competitive
21 environment that the category 2 facilities are
22 going to come in, you can think of it this
23 way, the category 2 facilities will have the
24 least amount of tools in order to go generate

1 business from compared to their competition.

2 Once you assume the category 1
3 facilities are in, the category 1 facilities
4 will be very similar or closer to the
5 Connecticut facilities than anything else. So
6 the category 2's really face some restrictions
7 in the marketplace.

8 One of the first steps in doing a
9 market share exercise, and this is under no
10 competition scenario, is we looked at the
11 location of the sites relative to existing
12 competition, that being Rhode Island and
13 Connecticut. So these are just illustration
14 maps. Essentially, what it shows is an
15 approximation of a 30-minute drive time from
16 the existing sites there. So Leominster
17 within 30 minutes, no other competitive
18 facilities are located there.

19 Next slide, please.

20 When you look at Plainville, within 30
21 minutes, they overlap with Twin Rivers in
22 Rhode Island. And finally, when you look at
23 Raynham, they overlap with Rhode Island also
24 within 30 minutes. So that's going to

1 influence the market shares.

2 Next, please.

3 Just as a test, and this chart,
4 actually, the population numbers in this chart
5 here do not flow through the rest of the
6 model. It was done afterwards just to
7 illustrate where these facilities are located
8 and what's their local situation like. This
9 chart takes drive time populations from each
10 of the three proposed sites and compares the
11 population, instate and out of state. And the
12 important part here is if you look at the
13 total 60 minutes is the Leominster site is
14 roughly half the size of the Plainville and
15 Raynham site compared to population within 30
16 minutes. When that's extended to 60 minutes,
17 the Leominster site has about a million less
18 adults than the other two sites.

19 So no matter how you do market shares,
20 the issue with the various sites boils down to
21 do you get a bigger share of a smaller market
22 compared to a smaller share of a bigger
23 market.

24 COMMISSIONER ZUNIGA: That's part of

1 the point about, Mr. Chairman, the geographic
2 points. There's something very important,
3 which is the proximity of adults within
4 different concentric drive times that have to
5 go in the model to factor in the revenues.

6 MR. SCARPELLI: Just before we start
7 showing you some market shares for the no
8 competition, I'll run you through some of the
9 key assumptions. And these assumptions should
10 be understood when you read through the
11 reports because they are important, and they
12 will change over time. Or you can look at it
13 from different perspectives.

14 The first thing is when we're just
15 assuming we're adding one additional facility
16 to the broader marketplace, we used a size of
17 market at \$300. If it's just one category 2
18 facility prior to instate competition, we're
19 using \$300. That \$300 is not just for slot
20 machines. That's slots and tables.

21 So automatically, a category 2
22 facility is not going to capture a hundred
23 percent of the \$300 because that assumes some
24 of those dollars are available for table

1 gaming. That it's first thing.

2 COMMISSIONER ZUNIGA: Can I highlight
3 something. When Rob talks about that figure,
4 \$300, 325, or 275 is the win, the gross gaming
5 revenue per day, per machine.

6 MR. SCARPELLI: No. Per adult
7 available.

8 COMMISSIONER ZUNIGA: Per adult
9 available, I'm sorry.

10 MR. SCARPELLI: The next thing we did
11 when we do market shares, we really rounded
12 everything in fives, so 5, 10, 15, 20. I
13 mean, in reality, somebody could get a 2.3
14 percent market share, but for this exercise,
15 we rounded it in 5 percentage points.

16 CHAIRMAN CROSBY: Which slide are you
17 on?

18 MR. SCARPELLI: I'm going to show you
19 the next one. It's sort of the background to
20 the next one. I was limited to the number of
21 slides I could present by my commissioner
22 here. So some of the ones I can speak to.

23 CHAIRMAN CROSBY: Under duress.

24 COMMISSIONER ZUNIGA: Well, we only

1 had a day or more per section. It's slide 11
2 on the packet, on the detailed packet.

3 MR. SCARPELLI: And all we did to
4 present low and high scenarios is we took the
5 percentage share, we entered a low and added 5
6 percent to it to come to a high scenario from
7 that perspective.

8 The next point is, is we projected out
9 market shares up to 60 minutes for the
10 category 2's under no competition, realizing
11 though there's enough demand in the
12 marketplace that the successful category 2
13 facility will likely be able to generate
14 visitation from beyond that 60 minutes. So
15 we'll call that an inflow factor, and we
16 applied a 15 percent inflow factor for all
17 three sites.

18 Lastly, you should understand, is we
19 did this at one point in time. So take the
20 existing size of the market, assume that the
21 facilities are in play right now. We did
22 nothing to do with timing in this stage. And
23 what you get, the next three slides just
24 illustrate what are the market shares by site

1 in areas surrounding the casinos. And the
2 squiggly lines, the green squiggly line is a
3 30-minute drive time and the red squiggly line
4 is 60-minute drive time. They're only put on
5 these maps for illustration purposes.

6 The color codes inside those; in other
7 words, the light green color code really
8 represents the core market area that
9 Leominster would draw from, which would be the
10 Worcester area, Leominster, and Boston suburbs
11 northeast. And then the orangish color is
12 really their secondary market or market
13 generally between 30 to 60 minutes from there.

14 So that gives you a sense of as you
15 move further away from the casino, your market
16 share is decrease from that. And I would
17 point out the 70 percent market share in the
18 local community is very high once you start
19 taking away roughly somewhere -- anywhere up
20 to 25, 30 percent of the market could be table
21 games from that perspective.

22 When you switch down to Plainville,
23 the next one, what you'll notice here on
24 Plainville is some of the market shares are

1 less than Leominster. That has to do with the
2 location relative to, really, Twin Rivers and
3 also Connecticut being closer to that site.
4 So they're actually -- we factored in the
5 competition, and there's less market shares.

6 Generally speaking, the market shares
7 for Raynham -- the next one, please -- are
8 similar to Plainville because from a marketing
9 perspective, they are very similar sites from
10 a location perspective close by each other.

11 Next slide.

12 So what it results to is a range of
13 anywhere around 216, 220 on the low side per
14 site up to around \$300 million on the high
15 side per each site. There's not much
16 difference between the individual sites here
17 and from this.

18 Now, one of the issues we had to deal
19 with here is your 1,250 -- a restriction of
20 1,250 gaming positions. So what we had to do
21 is we had to test is could a facility generate
22 that high end of the market, that \$300 million
23 range? Is it physically possible to do that?

24 So what we did at this stage is we

1 looked at and we assumed a couple of different
2 weekly distribution patterns of business. So
3 think of it as a typical entertainment
4 facility, the majority of their business will
5 be on Fridays and Saturdays, and as you get
6 out from there, so Wednesdays, Thursdays will
7 be less than Fridays, Saturdays; Sunday,
8 Monday, Tuesdays will be less than Wednesday,
9 Thursdays. So we assumed a couple different
10 distribution patterns of those.

11 We compared them what the win per day
12 per unit would be at the 1,250 slot machines,
13 and we compared that to the existing
14 facilities. But we just didn't compare it to
15 the existing facilities being Twin Rivers,
16 Foxwoods at the current win levels, what we
17 compared them to is the win per day per units
18 that they've achieved the highest in the
19 marketplace.

20 And the notion here is there comes a
21 point in time when a customer will say this
22 facility is too busy, I'm going to the next
23 facility that has capacity. So for instance,
24 for each -- for any of the category 2 sites,

1 if they were going to generate 300 million in
2 gross gaming revenues, that would equate to a
3 Saturday win per day per unit of over \$1,000.

4 So your issue then is you have one
5 facility doing \$1,000 a day -- that's a
6 heavily utilized facility -- compared to other
7 facilities in the marketplace that are
8 actually less than half that amount.

9 So if you think of it this way, if
10 you're sitting in Boston on a Saturday and say
11 I want to go play slot machines, and here's
12 your choices. No matter what, I can go to a
13 category 2 site, but it's really busy, or I
14 can drive a bit farther and go to Rhode Island
15 which has capacity. Same machines, but just I
16 can get on a machine from there.

17 So what we're concluding under the no
18 competition, likely, these facilities could
19 not sustain \$300 million a year under no
20 competition. The likely range in business
21 will be between 225 and 275 million dollars.
22 That's what they'll be able to accommodate
23 under no competition.

24 COMMISSIONER ZUNIGA: Or perhaps put

1 another way, if the restriction on slot
2 machines was not a restriction, we may have
3 very likely seen a lot more machines from
4 these applicants, more than 1,250.

5 MR. SCARPELLI: It also has to be
6 recognized that the two Rhode Island
7 facilities and two Connecticut facilities
8 currently generate a considerable amount of
9 money from the State of Massachusetts. We
10 estimate based on some secondary research
11 we've been able to find -- it was by UMass
12 University did some public surveys -- about 50
13 percent of Rhode Island's business, so that's
14 about 250 million, generates from people
15 living in Massachusetts, and about 30 percent
16 of the Connecticut business generates from
17 Massachusetts.

18 So essentially, we're not in a virgin
19 gaming market. There's essentially \$750
20 million roughly in this market that is being
21 spent at facilities outside.

22 So people already have travel patterns
23 down pat. They're already used to going to
24 out-of-state facilities. Under a category 2

1 facility, we're adding a facility to that
2 marketplace so that category 2 facility will
3 have an advantage of proximity, but it will
4 have constraints in order to change people's
5 existing visitation patterns and travel
6 patterns.

7 Following that first scenario of what
8 the three sites could reasonably generate
9 under no competition, we also ran what we call
10 the full competition scenarios when we assumed
11 three category 1 facilities would be added to
12 the market.

13 This slide just shows you, again, the
14 30-minute drive times from the category 2
15 site, in this case Leominster, adding in the
16 three category 1 sites that we've assumed,
17 Springfield, Boston, Taunton, onto this thing.

18 Now, let me give a couple -- spend a
19 minute to tell you some of the assumptions
20 used in undertaking the full competition
21 scenario.

22 We ran three different scenarios using
23 \$300 spend per adult, 350 spend per adult, and
24 then we did a blended one. So we ran the same

1 market shares for all three of those
2 scenarios.

3 We've also assumed that the category 1
4 sites were of similar size and scope to the
5 Connecticut facilities and that's important.
6 So we're talking 3 to 5 thousand slot machines
7 from that. We're talking over 150 gaming
8 tables. We're talking hotel rooms. We're
9 talking multiple food and beverage outlets,
10 more than five, closer to ten. We're talking
11 entertainment components to the facilities.

12 And in this case, again, we used
13 market shares of at least in multiples of
14 five, and a major assumption that we also used
15 here is it's based on past research is that
16 every, what we'll call full service resort
17 casinos, so the two in Connecticut, the three
18 category 1's in Massachusetts, will be able to
19 generate at least five percent market share
20 from all regions. People in one region will
21 split up their business in multiple
22 facilities. So everyone will try the larger
23 casinos.

24 The second thing is our difference

1 between our low scenario and high scenario
2 here, we just increased the market areas
3 roughly within 60 minutes by five percent
4 under the high scenario, left all the other
5 market areas the same. If a market area
6 within that smaller area had an existing
7 casino in it, it wasn't increased by five
8 percent, it was increased by two-and-a-half
9 percent. So just a slight variation.

10 We also assumed that the category 2
11 facilities under this scenario would not be
12 able to generate meaningful inflow from beyond
13 60 minutes. Every casino will generate some
14 dollars from beyond 60 minutes, but it's going
15 to be a small amount, so think of it as less
16 than five percent.

17 Finally, more importantly under this
18 scenario is, again, we did not consider
19 timing. So we've assumed clean sheet of paper
20 nothing there and, boom, everything is all
21 built at once. So you're really taking a look
22 at what the market could potentially do once
23 everything is built.

24 COMMISSIONER ZUNIGA: So it's two

1 points in time, right now and full
2 competition.

3 MR. SCARPELLI: So here is Leominster
4 relative to all other facilities from a
5 30-minute drive time.

6 Next one.

7 Here is Plainville relative to other
8 facilities. In Plainville's case, they
9 overlap. Within their 30-minute drive time,
10 they overlap with Rhode Island Twin Rivers,
11 they overlap with Taunton, and they also
12 overlap with the Boston casino. So a highly
13 competitive local area.

14 Next slide.

15 Same thing with Raynham, they overlap
16 with Boston, Taunton. Virtually, they're
17 almost the same as Taunton and Twin Rivers.
18 So again, a very highly competitive situation.

19 Here's the market shares for
20 Leominster. If you compare these market
21 shares in specifically the areas that we're
22 projecting they could generate business from
23 compared to no competition, two areas were
24 dropped once you have more competition. Under

1 no competition, we're assuming that Leominster
2 could generate some business from central
3 Boston, the urban core. Under full
4 competition, they won't be able to generate
5 anything from there.

6 Same thing, we figured they could
7 generate a small amount, five percent from
8 Plainville, without competition, but once you
9 have competition, they won't be able to
10 generate that because Taunton is down there.

11 In terms of Plainville, there's a
12 distribution of market shares a lot lower
13 because of more competitive facilities located
14 in that part of the market area. Again, also
15 under no competition, we assumed they could
16 generate some market share from Boston suburbs
17 north, and under full competition, that would
18 be lost.

19 And here is Raynham market shares.
20 The two areas that were -- that we've
21 estimated they would not be able to generate
22 business from after we added in all the
23 competition would be Boston suburbs north,
24 similar to Plainville, but also Rhode Island.

1 And the notion here is if you live in Rhode
2 Island and you travel to Raynham, after full
3 competition, you're just going to go another
4 five minutes at that point in time if you're
5 going to travel that far because Taunton is
6 going to be a bigger facility in terms of size
7 and scope compared to the Raynham facility.

8 What we're presenting here is our --
9 the results of the market share exercise, and
10 we're using the blended one per adult on this
11 one. So how you read this chart is the top
12 portion of the table is if Leominster was the
13 category 2 site under the low scenario, they
14 could generate gaming revenue of about \$133
15 million, Boston would generate about 740
16 million, Springfield about four and quarter,
17 and Taunton just below 400 million.

18 If Plainville was the chosen category
19 2 site, they could generate about 128 million,
20 Boston 750, Springfield 450, and Taunton about
21 370. With Raynham, Raynham could do about 128
22 million, Boston 742, Springfield 450, and
23 Taunton 360.

24 There's a couple of things you could

1 read into this chart. The first thing that we
2 draw the conclusion is there's really not the
3 difference in the category 2 sites. So each
4 category 2 site should be able to generate a
5 similar amount of revenue if they're chosen.
6 Where there is a slight difference is on the
7 three category 1 sites. Generally speaking,
8 if -- for Boston and Springfield category 1's,
9 they would prefer the category 2 being closer
10 to Taunton. That would leave more market for
11 them that would be less competitiveness.

12 So Boston would be able to penetrate
13 all of north of the state into New Hampshire
14 and also northwest towards Leominster without
15 competition. Same thing for Springfield, they
16 would be able to generate or capture a larger
17 share of the Worcester market, the second
18 largest urban area, if there wasn't Leominster
19 there if the category 2's were down south.

20 If I'm Taunton, I prefer the category
21 2 site closer to Leominster because it would
22 be less competition close by me.

23 So there's our estimates on not only
24 the category 2's but also the category 1

1 sites. But in general, the total state, they
2 all produce on the low end scenario the same
3 amount of gross gaming revenue upon which
4 taxes are calculated.

5 COMMISSIONER ZUNIGA: Can I just
6 overemphasize that because I think it's a very
7 important matter that goes right to the
8 initial question. It's not only the amount of
9 market share that we get relative to each of
10 these facilities, so the smaller share of a
11 bigger market versus the larger share of a
12 smaller market.

13 What Rob highlighted here is also that
14 with our decision ultimately at the end of
15 this week, we should also be cognizant of what
16 this does for the category 1 facilities
17 because we're going to fix this location when
18 we award a license and that has repercussion
19 on the other licenses because those are bigger
20 commitments and bigger investment amounts and
21 different tax rates.

22 COMMISSIONER CAMERON: I had a
23 question.

24 MR. SCARPELLI: Sure.

1 COMMISSIONER CAMERON: Rob, you
2 mentioned New Hampshire. And I assume we did
3 not do any analysis with regard to the
4 possibility of New Hampshire having a facility
5 because there's no certainty with that.

6 MR. SCARPELLI: Correct. Well,
7 there's a couple of things in New Hampshire.
8 We did not assume a facility there. We're
9 well aware they've been debating whether or
10 not to add a facility. So something could go
11 on there. We also assumed, and I should have
12 pointed it out, too, our assessment of the
13 market is we do not believe that the existing
14 facilities in the broader marketplace or the
15 three potential category 1's and the potential
16 -- and then the category 2 facility would be
17 able to fully penetrate the New Hampshire
18 marketplace. So if you notice on the detail
19 in the appendices, you'll have some uncaptured
20 market share up in New Hampshire.

21 We also did not assume New York
22 facilities. Because on the western edge, the
23 border with Massachusetts, there will be in
24 the near future one or two gaming facilities

1 located on that side of the market.

2 This slide here on 23 just shows you
3 the high end scenario for market shares. So
4 if you think of it this way, is what we're
5 projecting under a full competition scenario
6 is the category 2 site, no matter which one is
7 chosen, the likely range of business that it
8 could generate is somewhere between 125 and
9 150 million dollars in the marketplace. And
10 again, the total amount of dollars being
11 generated and whether that's from instate or
12 from neighboring states is roughly the same
13 under each scenario.

14 Last slide.

15 Finally, we took the -- our market
16 estimates and we applied the tax rates to it,
17 25 percent for the category 1 facility. For
18 the Taunton facility, we're assuming that's
19 the Indian casino, and it would be 17 percent
20 under Plainville or Leominster. It would be
21 reduce to 15 percent under Raynham because it
22 would be in the same area, and the 49 percent
23 for the category 2's. And again, under this
24 scenario, under our assessment is each

1 category 2 gaming site in conjunction with the
2 category 1 sites are going to generate, at the
3 end of the day, a very similar amount of tax
4 dollars to the state, raising somewhere from
5 415 to 430 million dollars.

6 Now, one concluding comment that I'll
7 make here is, in order to do the market share
8 exercise, we had to assume that everybody
9 would operate as what we believe they should
10 operate in the long run. At the end of the
11 day, though, we have existing competitive
12 facilities in Rhode Island and Connecticut
13 that rely on this marketplace, the
14 Massachusetts marketplace, for a large chunk
15 of their business. That is difficult to
16 predict how they will respond to the addition
17 of competition. If you think of it from this
18 perspective, they've got a lot of money
19 invested in their facilities. They have a lot
20 of -- they have a lot at stake in terms of how
21 many facilities and where they're located in
22 the state.

23 So how they will respond marketing
24 wise is going to be very -- is going to have

1 an impact on the performance of the category 2
2 and the category 1 facilities.

3 CHAIRMAN CROSBY: Are you done?

4 MR. SCARPELLI: Yes.

5 CHAIRMAN CROSBY: Well, anybody? Go
6 ahead.

7 COMMISSIONER CAMERON: I had one
8 question. Several times you spoke about the
9 fact that 1,200 machines limited, you know,
10 some of the numbers here. But, you know, they
11 were very similar amounts, the dollar amounts
12 were very similar for the three locations.
13 Say if we doubled that number, would we double
14 it for all three locations, or would there be
15 different numbers attached?

16 MR. SCARPELLI: No. There would be
17 different numbers attached.

18 COMMISSIONER CAMERON: Because of the
19 population in the area?

20 MR. SCARPELLI: Well, it's a bigger
21 attraction draw from that perspective. So if
22 I have a 1,250 site compared to 5,000 machine
23 site, this 5,000 machine site, if everything
24 else is equal, will have a bigger attraction

1 draw than a smaller site.

2 COMMISSIONER CAMERON: I think what
3 I'm saying is, for example, if it's 1,200 but
4 let's say it had been 2,500, that was the
5 number, but for one facility. So I'm not
6 comparing double against half. I'm just --
7 would those numbers change if, in fact, that
8 one facility had, say, double the machines?

9 MR. SCARPELLI: I think if it was
10 around -- I wouldn't say -- Yes. If it was
11 double, what you would end up changing is all
12 three of those facilities could generate
13 comfortably the higher end of the market range
14 of \$300 million. So they could withstand,
15 they could accommodate that \$300 million
16 business at that stage.

17 COMMISSIONER MCHUGH: I take it that
18 slide 24 is really your bottom line slide,
19 right? That's where all this leads to?

20 COMMISSIONER ZUNIGA: Yes.

21 COMMISSIONER MCHUGH: And I take it
22 that all of the analysis that you've done that
23 leads to slide number 24 focuses on two
24 primary variables, the number of the people

1 within the 30-minute or 60 minute-range and
2 the dollars that those people possess. Is
3 that a fair assumption -- assessment, I'm
4 sorry, of what you -- the primary variables
5 there?

6 MR. SCARPELLI: Correct. Yes.

7 COMMISSIONER MCHUGH: So that the
8 bottom line, as I read slide 24, is it doesn't
9 make any difference from a dollar and cents
10 perspective which one of the category 2
11 applicants gets a license, the state share is
12 essentially the same?

13 MR. SCARPELLI: From the state's
14 perspective, it doesn't matter. Correct.

15 COMMISSIONER MCHUGH: Right. I
16 understand. But there are no variables in
17 your calculations for such things as proximity
18 to other attractions, the synergy created by a
19 shopping mall, a football stadium, other
20 vendors and the like.

21 MR. SCARPELLI: Correct. I would put
22 it this way, Commissioner. This shows you how
23 everyone should operate --

24 COMMISSIONER MCHUGH: How.

1 MR. SCARPELLI: -- how everyone should
2 perform once you come in. Then if you
3 understand how everybody should, then what
4 goes onto that is each individual operator
5 will say, okay, now that I'm operating, this
6 is what I should perform. What can I do
7 differently to move the needle and get above
8 the range of those things. So then they would
9 come up with marketing programs that would tie
10 into synergies with external facilities and
11 all that. That element hasn't been factored
12 in here. What we did is we took how they
13 should operate based on experience in other
14 markets and applied it in this market.

15 COMMISSIONER MCHUGH: But it should --
16 I'm sorry.

17 COMMISSIONER ZUNIGA: But we'll get to
18 it on section four, which is the operation.

19 COMMISSIONER MCHUGH: Right. I'm just
20 trying to understand slide 24. But how the
21 operator should operate, you really mean in a
22 kind of plain, vanilla way this is the
23 available resources that are there if you
24 simply open the door and do nothing else?

1 MR. SCARPELLI: There's a -- In a
2 simplistic way, yes. I would say it's common
3 elements that every -- if every -- common
4 elements having a proper marketing plan,
5 having a proper operation.

6 COMMISSIONER MCHUGH: Right. Okay.

7 MR. SCARPELLI: But it's more or less
8 based on benchmarks in the broader market.

9 COMMISSIONER MCHUGH: Okay. So this
10 is this. So it's this sort of baseline
11 competent operator should be able to do this?

12 MR. SCARPELLI: Correct.

13 COMMISSIONER MCHUGH: In that
14 location?

15 MR. SCARPELLI: Correct.

16 COMMISSIONER MCHUGH: Okay. Thank
17 you.

18 COMMISSIONER ZUNIGA: Other questions?

19 CHAIRMAN CROSBY: The issue that I've
20 been wrestling with, and it's in from the
21 very, very high level nonspecific,
22 non-detailed perspective. It's in my report
23 that we'll hear tomorrow. Which is that from
24 just an intuitive standpoint, if you look at

1 these charts, the Leominster 30 minute doesn't
2 even touch any other 30 minute. Both Raynham
3 and Plainville touch a number of 30-minute
4 scenario ranges. Even when you get to the 60
5 minute, the Leominster is pretty far away,
6 although, it barely touches some of the
7 competition.

8 So, you know, the outside edge of the
9 60 minute hits the -- comes into the Boston
10 casino or into the Springfield, and when I was
11 looking at this from the standpoint of my
12 group, it just seemed to me intuitively that,
13 as you showed these charts, the competitive
14 marketplace in the Northern Rhode Island,
15 Central Southeastern Mass., whatever you call
16 that area, is just incredibly intense. But
17 the numbers don't seem -- Do you want to get
18 something?

19 MR. SCARPELLI: I just wanted to get a
20 slide come up because I know -- Go to page 3.
21 Sorry, Chairman.

22 CHAIRMAN CROSBY: But your numbers
23 don't show that distinction. Precompetition,
24 the numbers, the revenue generated -- I used

1 the 300 number rather than the blended, but
2 they show pretty much the same thing. The
3 numbers show gross gaming revenue,
4 precompetition pretty much the same,
5 Leominster a little bit higher. But
6 postcompetition, after you drop in a second
7 casino within the 30-minute driving range of
8 both Raynham and Plainville, the numbers still
9 stay pretty much the same, and I just can't
10 get my head around that. It doesn't make
11 sense to me.

12 If you've got a slots parlor with two
13 full-blown casinos within the 30-minute drive
14 region, that they wouldn't be dramatically
15 more affected than the casino that has no
16 other -- I'm sorry, than the slots parlor that
17 has no overlap with the 30 mile.

18 MR. SCARPELLI: Intuitively, it
19 doesn't make sense.

20 CHAIRMAN CROSBY: Right. So maybe you
21 can speak to that. Well, go ahead.

22 MR. SCARPELLI: When we ran through
23 the numbers, we had the same -- almost like
24 prior to doing the numbers, that would seem

1 like an obvious conclusion. I think this
2 chart is the first element of that is --

3 CHAIRMAN CROSBY: This is called
4 baffle them with --

5 MR. SCARPELLI: Yes.

6 CHAIRMAN CROSBY: -- BS, I think.

7 MR. SCARPELLI: But -- Well, actually
8 it's not. What it --

9 CHAIRMAN CROSBY: I'm kidding.

10 MR. SCARPELLI: What it demonstrates
11 is remember, it's not 30 minutes from other
12 facilities. It's anybody that the area,
13 Massachusetts, Rhode Island, Connecticut, you
14 know, they're within 90 minutes of multiple
15 sites. So even if it's up in the Leominster
16 area, you're in Leominster within 90 minutes.
17 You get down into the Springfield, you get
18 down into Twin Rivers, you get down into
19 Boston at full competition.

20 So from a -- once you have all the
21 facilities in that marketplace, everyone is
22 going to have multiple choices of facilities
23 to go to from there. There will be facilities
24 that are closer to you that might get more of

1 your visitation, but if you like to game, you
2 will hit multiple facilitates from that
3 perspective. That's number one.

4 The second thing is if you flip to --
5 go on about four sheets, four or five sheets.
6 Keep going. Keep going. Two more, or three
7 more. Sorry. Back one. Page 11.

8 The other notion here is when you look
9 at the population within the sites and if you
10 look at the bottom, the total of the 60
11 minutes, is when you look and compare the
12 Leominster site to Plainville and Raynham,
13 within 30 minutes, half as many people live
14 within Leominster compared to the other ones.

15 So if you at -- when you look at the
16 market shares, we're assigning higher market
17 shares in Leominster, which it should be
18 because they're the fartherest away from
19 competition, compared to lower shares for the
20 other two sites, but at the end of the day, if
21 you take a lower share of a bigger market,
22 it's going to equal the same as the higher
23 share of a smaller market. So it just worked
24 out that way.

1 CHAIRMAN CROSBY: Well, I -- this one,
2 you might look at this chart automatically and
3 say why precompetition would the Leominster
4 site even be in the ball game with the other
5 two sites if you look at this, but then you
6 realize there's Twin Rivers casino within the
7 30-mile range which neutralizes -- apparently
8 by your numbers, that effectively neutralizes
9 the advantage of the greater adult population.

10 But postcompetition is what I'm
11 puzzled with. Postcompetition, now you drop
12 in another full-blown casino within the
13 30-mile radius, 30 mile -- 30-minute drive
14 time. So it's the post that's a puzzle to me,
15 not the precompetition.

16 MR. SCARPELLI: Well, let me -- Under
17 post, whatever, you have multiple facilities,
18 people will visit multiple places from there.
19 I --

20 CHAIRMAN CROSBY: Well, let me give
21 you some numbers that as I looked at this that
22 I -- when you take the pre and the post,
23 again, I use the 300 GGR, but I think the
24 numbers are essentially the same, whichever

1 one you -- they're all relative, but they're
2 essentially the same.

3 MR. SCARPELLI: Yep.

4 CHAIRMAN CROSBY: You add the
5 competition, and the drop in -- the percentage
6 drop in GGR for Leominster, the range is 46 to
7 54, 48 to 58, 47, 57. In other words, very
8 close. You project a slightly larger drop in
9 revenue for Leominster than for Plainville and
10 Raynham when you introduce the new casinos,
11 even though one of the casinos is right next
12 door to Plainville and Raynham. And I just --
13 that doesn't make sense to me. But -- And
14 then when you -- And you make the point that
15 post competition, you -- each of the slots
16 parlors would have to rely much more heavily
17 on their 30-minute radius, 30-minute drive
18 time because, obviously, there's a whole bunch
19 of other competition, and the lion's share, by
20 far, will come from the 30-minute drive time.

21 MR. SCARPELLI: I think, Mr. Chairman,
22 you need to look at page -- a key part that
23 you're putting on is you have to look at, as
24 it shows on page 5. You don't have to switch

1 it there.

2 In terms of how many dollars are
3 available, when you look at the Leominster
4 site -- Sorry. Could you please look back to
5 page 4. There.

6 When you look at the Leominster site
7 from there, when you have to look at how many
8 dollars are available in that immediate area
9 around Leominster, the majority of that is in
10 Worcester. So in other words, Worcester has
11 somewhere around 120 to 140 million dollars,
12 depending on what GGR rate we used. That's
13 the biggest chunk of business that is
14 available in that, while Worcester, whatever,
15 is almost equidistance. If you're in
16 Worcester in the middle of that urban area,
17 it's almost at equidistance to go up to
18 Leominster or down to Twin Rivers. Then your
19 choice is I can go up to 1,250 slot machines
20 or I can go down to 4,500 slot machines that I
21 can smoke at, that I also have table games
22 at --

23 CHAIRMAN CROSBY: Rob, I'm talking
24 about post Massachusetts competition.

1 MR. SCARPELLI: Oh. Yes. But under
2 post Massachusetts, add on Springfield to
3 that. Springfield's casino is going to go
4 into there, and also the Boston casino is
5 going to go after Worcester.

6 So it's not like the biggest chunk of
7 business for Leominster is not in Leominster
8 itself, it's just outside. It's just outside
9 of it.

10 CHAIRMAN CROSBY: Yeah. I'm not --

11 COMMISSIONER ZUNIGA: The best way I
12 can kind of rationalize some of this is why we
13 see many Starbucks downtown competing with
14 many Dunkin' Donuts and only a few in a very a
15 small city. It's all relative to the market
16 size and the number of adults that go by.

17 CHAIRMAN CROSBY: But the adults
18 haven't changed from pre to post. That's why
19 I'm focusing on the postcompetition.

20 COMMISSIONER ZUNIGA: Right. Which is
21 why everybody, each one of the applicants, we
22 will see, that the projections after
23 competition goes down, the market for these
24 applicants go down significantly.

1 CHAIRMAN CROSBY: I understand that.
2 It goes almost by half. In apropos of your --
3 the line in the presentation that says if you
4 -- once this -- once Massachusetts competition
5 gets added to the mix that the 30-minute drive
6 radius will be a very critical variable to the
7 success or not of each site.

8 MR. SCARPELLI: Correct.

9 CHAIRMAN CROSBY: So in your -- And
10 it's reflected the way you've adjusted the
11 30-minute revenues, the revenues from within
12 the 30 minutes, does reflect that there'll be
13 a bigger hit to Plainville and Raynham because
14 there's a --

15 MR. SCARPELLI: Correct.

16 CHAIRMAN CROSBY: -- full-blown casino
17 right next door. You drop the 30-minute
18 revenues for Leominster by 20 percent, you
19 drop the 30-minute revenues for Plainville by
20 32 and by Raynham for 30. So I looked at that
21 and said, okay, this is starting to make some
22 sense. You've got a strong 30-mile radius --
23 30-minute radius for Leominster because it's
24 relatively far away from other competition.

1 But, how can it be, I think, that the revenues
2 between the two stay the same? Where's the
3 difference made up? And for some reason,
4 you've got for the outside the 30, from 30 to
5 60 minute, you've got 30 to 40 million for
6 Leominster, 60 million for Plainville, and 40
7 to 50 million for Raynham.

8 And so in 30 to 60, in the most
9 competitive market area in the state, you're
10 projecting that Plainville will generate 20 to
11 30 million more dollars a year from 30 to 60,
12 and Raynham 10 to 20 million dollars a year
13 more than Leominster, which brings them back
14 up to approximately the same number, and I
15 don't get that.

16 MR. SCARPELLI: Just better highway
17 access, bigger population.

18 CHAIRMAN CROSBY: Even with all the
19 other --

20 MR. SCARPELLI: Yes.

21 CHAIRMAN CROSBY: Even with all the
22 other competitors around there?

23 MR. SCARPELLI: Correct.

24 CHAIRMAN CROSBY: I hear you, it just

1 doesn't make sense to you me. I can't -- I
2 mean, you're a slots parlor, you're not a
3 full-blown casino, and you've got ready access
4 to two casinos and you're in the 30- to
5 60-minute drive time range from the slots
6 parlor, it seems to me you're going to go to
7 the casinos. You know, you're not going to go
8 to the slots parlors.

9 So how you pull out of the 30- to
10 60-minute circumference double, sometimes
11 double, the revenue for those two casinos for
12 the Plainville and Raynham, I don't -- I can't
13 get me head around that. It doesn't make
14 sense to me.

15 MR. SCARPELLI: Well, in those areas
16 down there, if you look at the market shares
17 by facility, it's the category 1's are going
18 to generate the biggest market share. A small
19 market share equates to a -- more dollars
20 because it's more population from that
21 perspective.

22 The other way to look at it is if you
23 just assume, you know, you take something like
24 Leominster, and you say, okay, it's going to

1 get a hundred percent of Leominster. It's
2 only 50 million bucks.

3 So when you look at it the reverse
4 way, if you get a hundred percent of just a
5 smaller area, they, too, have to go farther
6 away from there. So at the end of the day,
7 all we're really saying is no matter what site
8 is chosen, this category 2 is going to be
9 somewhere in that 125 to 150 range is what you
10 should plan for, and then it's on top of that
11 you take the operator and saying, okay, now
12 what am I going to do with this market, and I
13 have the least amount of tools relative to my
14 competition to influence that market, but
15 everybody will come up with different plans in
16 how to translate their abilities to try to
17 move that needle higher from that perspective.

18 COMMISSIONER ZUNIGA: There's also an
19 element here which the more saturation, the
20 more propensity of playing by more adults.
21 The notion that he touched on which is fewer
22 people farther away may spend more dollars,
23 and you may have more people close by spending
24 less amount of dollars, but going more

1 frequently. But overall, as the market begins
2 to get saturated, the propensity could rise.

3 CHAIRMAN CROSBY: All right. Let me
4 just put a question out there, and you guys
5 can work on this a little bit, because one of
6 the things we talked about is we may have
7 questions that will take a little more
8 research. If I'm looking at these right, and
9 I might easily not be, but if I am, it looks
10 to me like your precompetition draw from the
11 30- to 60-mile range for Plainville and
12 Raynham is more -- I'm sorry, is less than
13 your 30- to 60-mile draw postcompetition. If
14 I'm looking at these numbers right,
15 precompetition, you've got 20, 30 million
16 coming from the 30- to 60-minute radius, and
17 you've got 60 million in Plainville and that
18 one I really can't understand.

19 How can the appeal in the 30- to
20 60-mile minute radius go up after competition?
21 So maybe I'm calculating these wrong, but do
22 you understand the question?

23 MR. SCARPELLI: I understand the
24 question, yep.

1 CHAIRMAN CROSBY: Are you clear on the
2 question?

3 MR. SCARPELLI: Yep.

4 CHAIRMAN CROSBY: All right. Thank
5 you. I just -- you know, one other. Part of
6 the reason why -- Obviously, we're interested
7 in total revenues to the Commonwealth, that's
8 one of the criteria variables here that we're
9 looking for. But another variable that floats
10 around in here with a number of different
11 implications is the contribution to the
12 racehorse development fund, because the most
13 critical variable of what happens to the
14 racehorse development fund is the revenue
15 that's generated by the slots parlor. That's
16 far and away -- that's like two-thirds of the
17 contribution to the racehorse development fund
18 in the future.

19 So over the long haul -- and I'm not
20 looking at this so much as a five. I'm
21 looking for -- you know, I'm thinking about
22 this over the long haul. In the long haul,
23 the revenue generated from the slots parlor is
24 going to be critical to the racehorse

1 development fund and whatever that's able to
2 do for the industry, and therefore, some of
3 these numbers have another, a second, impact
4 that are really important. And I can't quite
5 figure out how they work, and I want to
6 understand whether there is indeed any
7 significant variable and potential impact for
8 the racehorse development fund in the out
9 years.

10 MR. SCARPELLI: Well, our analysis
11 showed that at the end of the day, all three
12 sites could do 125 to 150 and that would
13 generate the same amount of money for the --
14 the nine percentage points of 49 would equate
15 to the same amount, no matter which site.

16 CHAIRMAN CROSBY: Right. That's the
17 question I'm asking.

18 MR. SCARPELLI: And that's not shown
19 on the last -- One more slide. Sorry, back
20 one. That was it.

21 COMMISSIONER MCHUGH: That's the one.

22 MR. SCARPELLI: So no matter which
23 site is chosen, the same amount of money would
24 generated to the --

1 CHAIRMAN CROSBY: That's the whole
2 conversation we're having. I can't -- I don't
3 -- I understand that's what you're saying.
4 And that's only if you double the take from
5 the 30- to 60-mile radius postcompetition in
6 the most intensely competitive part of the
7 state, and I don't get that. If you're right,
8 you're right, and you may well be right. But
9 I just need to understand that better. If
10 that is the conclusion, then it's neutral
11 relative to the racehorse development fund,
12 you're right. But I just -- and revenues to
13 the state, but I just want to understand some
14 of these details a little bit better.

15 COMMISSIONER ZUNIGA: We'll get back
16 tomorrow on this very point.

17 CHAIRMAN CROSBY: Thank you.

18 COMMISSIONER ZUNIGA: Should we try to
19 take a quick break.

20 CHAIRMAN CROSBY: Yes. Let's take a
21 quick break.

22 (Break taken.)

23 CHAIRMAN CROSBY: We are ready to
24 reconvene again at 3:40 for the balance of the

1 finance presentation. And Commissioner
2 Zuniga.

3 COMMISSIONER ZUNIGA: Thank you,
4 Mr. Chairman. So I'm back at the presentation
5 that is at the front of the packet, but I'm
6 going to refer to two slides in the detail
7 market assessment as a refresher from Rob's
8 presentation. For this criteria three, we
9 assigned two scores to the projections that
10 the applicants have submitted relative to our
11 own market assessment. As you know and have
12 seen from the packets, we've made projections
13 on the adult competition or precompetition
14 scenario and that is, just to reiterate, one
15 category 2 operating in Massachusetts while
16 the other category 1's are not operating, but
17 there is, of course, competition, out-of-state
18 competition, in Rhode Island and Connecticut.
19 They've always been there.

20 It's important to note that there's a
21 concept that we have not defined that we will
22 talk a little bit more in a few minutes and
23 that is that of free play. For a high tax
24 facility like the category 2, the amount that

1 they give of free play makes a big difference
2 and --

3 CHAIRMAN CROSBY: A big difference in
4 what?

5 COMMISSIONER ZUNIGA: In their
6 operations and in their projections. Prior to
7 competition, as we've seen, there may not need
8 to be a lot of free play if they can capture a
9 lot of the market around them. But after
10 competition, that is a very important number
11 to consider because that's the main tool that
12 they have to respond to the more competitive
13 environment.

14 As it pertains to us, we need to think
15 about whether to allow any kind of free play,
16 via regulation whether to limit the free play
17 or restrict it in some way. Because free play
18 essentially comes off the top. It is
19 calculated prior to, generally, the estimation
20 of gross gaming revenues. This is not a
21 direct cost that they bear. It is a cost that
22 we share effectively with the operator.

23 So as it pertains to here, the gross
24 gaming revenues net of free play, we have

1 taken a look at -- in detail, of course, at
2 the applicants' projections prior to
3 competition. And in the case of Leominster,
4 they seem to be a little bit of the lower end
5 of the likely market performance there may be.

6 I might refer you to -- If you're
7 interested, we have the pages 43 in the
8 market -- in the precompetition market
9 assessment, we have different -- we have
10 estimated different ranges from each of these
11 applicants. They're similar, but not quite.
12 Here, too, we've assumed is the stabilized
13 year of operations of the permanent facility
14 in the case of Raynham, and the projections
15 for Plainville are at the higher end of the
16 likely market performance, but still within
17 our market range. In the case of Raynham,
18 those projections are above the likely market
19 performance.

20 We feel that the ability of that
21 facility -- the facility in the case of
22 Raynham to generate the revenue projections
23 that they state is questionable given supply
24 restrictions and advantage of out-of-state

1 competition.

2 There's something here that is very
3 important and that is something Rob already
4 mentioned. As the category 2 facility opens,
5 the reaction of the already existing
6 facilities nearby in Rhode Island and
7 Connecticut is very hard for us to ascertain,
8 but it's fair to say they will react with
9 additional marketing dollars, which they have
10 the ability to do.

11 CHAIRMAN CROSBY: Just one point about
12 this that I really hadn't focused on before.
13 Your rating here is of their projections.

14 COMMISSIONER ZUNIGA: Correct.

15 CHAIRMAN CROSBY: And you're taking
16 issue more on the Raynham side, for example,
17 than the others, but you're taking issue with
18 their projections. But what you just got
19 through telling us is whatever their
20 projections are, as a practical matter, you
21 deem them equal, right? Your judgment is, our
22 judgment is, that whatever their projections
23 are, that they all will produce at
24 approximately the same level.

1 MR. SCARPELLI: All three sites are
2 equal, so the ability of all three sites are
3 equal.

4 CHAIRMAN CROSBY: Right. That's what
5 I meant. So I'm not sure how big a deal it
6 is. If they were expansive in their
7 projections to penalize somebody because they
8 were expansive in their -- you're not
9 penalizing. But the real issue here is how
10 will these folks perform, not so much how they
11 say they're going to perform.

12 COMMISSIONER ZUNIGA: Right. But
13 there's a tie into how -- the market may be
14 there, but our estimates is within a range.
15 And in our estimation, they have not provided
16 a lot of information to substantiate why they
17 would -- to convince us why they think they
18 would be well above.

19 CHAIRMAN CROSBY: I understand that,
20 and I get that and that's fair and that's
21 important. But in the long run, what we
22 really care about is what do they do, and
23 you're suggesting they all will be about the
24 same in what they do, do.

1 COMMISSIONER ZUNIGA: Well, yeah.
2 Fundamentally, everybody -- And maybe I should
3 have started with this point at the beginning
4 of the presentation. Everybody makes money
5 from, you know, which is the good news.
6 Everybody can operate this facility, each one
7 of the three applicants. And we are really --
8 we have the luxury of assessing them against
9 each other to assess the nuances which is
10 essentially the basis for our decisions.

11 CHAIRMAN CROSBY: Right.

12 COMMISSIONER ZUNIGA: So the next
13 rating pertains to postcompetition. The
14 applicant that predicts the most drop in their
15 gaming revenues is Plainville, which is well
16 within the range that we estimate for the
17 postcompetition scenario. Which the year five
18 GGR on Leominster --

19 That's back to 61. Yeah. I went back
20 to the original presentation.

21 CHAIRMAN CROSBY: All right.

22 COMMISSIONER ZUNIGA: And on this
23 point, I started to mention in the previous
24 slide, but indicates of Raynham the

1 projections are well above what we believe are
2 the likely market performance for the
3 performance range, especially given
4 competition, because they're predicting a very
5 high number.

6 Moreover, they have not submitted
7 information, in our view, that would
8 substantiate how, given their supply
9 restrictions at 1,250 and their tax rate,
10 would allow them to compete with facilities
11 that have no restriction, which are going to
12 be all around them, and come within those
13 projections.

14 CHAIRMAN CROSBY: I guess I want to
15 make the same point again because I think it's
16 not minor. Take Raynham for example. You're
17 saying they were insufficient in that you
18 think -- we think, our estimation is they have
19 over projected by a lot and have not
20 demonstrated why they would hit that
21 projection.

22 So if we were rating them in their
23 ability to project their business, we would
24 give them an insufficient. But what we really

1 care about is rating them on what they're
2 going to do, in our judgment, when the time
3 comes. And, again, in that criteria, which I
4 think is really the more important, they are
5 right object same level as Plainville and
6 Leominster.

7 So it just feels -- what I was -- When
8 you did the market assessment, what I thought
9 you were really going to do was talk about how
10 you think their numbers are compared to what
11 we think they would really do, rating them on
12 how they would really do as opposed to rating
13 them on how well they did their projections.

14 COMMISSIONER ZUNIGA: Well, let's
15 remember that on -- when we did the financial
16 piece earlier this afternoon, we took the
17 EBITDA numbers as projected by them and
18 discounted them and figured that it's a
19 reasonable return on investment. Had we not
20 done that, had we said we're going to impute a
21 number on your EBITDA and discount it to
22 today, that return investment may have been
23 very different.

24 So those two ratings are connected

1 over there. We're saying everybody is at an
2 equal footing because they all make money,
3 they all make above what the industry norm is,
4 which is 15 percent return investment. It's
5 over here that we're saying we're not sure
6 that those projections that you're saying that
7 would allow you to make money are going to be
8 quite there.

9 COMMISSIONER MCHUGH: It seems to me,
10 if I understand this correctly, what you're
11 saying is that we can't rely on the
12 projections that Raynham has made --

13 COMMISSIONER ZUNIGA: Precisely.

14 COMMISSIONER MCHUGH: -- because
15 they're too high, and therefore, if we're
16 going to go ahead and look at evaluations, we
17 have an anticipation for what's reasonable to
18 expect. We can rely on that, but we better
19 not -- when we're looking at this factor, we
20 better not rely on their numbers because
21 they're too high, and Plainville's are right
22 on, and Leominster's are a little high.

23 COMMISSIONER ZUNIGA: That's in a
24 nutshell. The reality could be one that

1 anybody experiences a drop such that at least
2 in one case they may not have anticipated and
3 either overreact or try to do something
4 different or ask for different change in
5 conditions, different tax rate in order to
6 proceed, et cetera. But it boils down to
7 essentially what Commissioner McHugh is
8 saying.

9 CHAIRMAN CROSBY: And I agree with
10 that, and I think that's important. I think
11 that's a good point.

12 When you were judging the adequacy of
13 the financing, if you had used the revenue
14 numbers -- if one used the revenue numbers
15 that you ended up estimating would be
16 appropriate, say, for Raynham, would they
17 still have been able to do their financing?
18 You're not saying there's a disconnect, they
19 can only get finance if they do the numbers
20 they say they're going to do, and we don't
21 believe those numbers? Are you saying that?

22 COMMISSIONER ZUNIGA: Are you talking
23 about the financing, the bank letter?

24 CHAIRMAN CROSBY: Yes, the bank

1 financing.

2 COMMISSIONER ZUNIGA: The letter of
3 credit.

4 CHAIRMAN CROSBY: The various
5 conditions, whatever that condition was that
6 hasn't happened yet.

7 COMMISSIONER ZUNIGA: Right.

8 CHAIRMAN CROSBY: You're saying there
9 was a link between their projections, which
10 you have a problem with --

11 COMMISSIONER ZUNIGA: And their return
12 on investment.

13 CHAIRMAN CROSBY: -- and their return
14 on investment?

15 COMMISSIONER ZUNIGA: That's right.

16 CHAIRMAN CROSBY: Not their financing.

17 COMMISSIONER ZUNIGA: No. Their
18 return on investment.

19 CHAIRMAN CROSBY: Obviously, they
20 would have a return on investment.

21 COMMISSIONER ZUNIGA: Well, actually,
22 in the case of Raynham, that's relevant.
23 Because they are -- to a certain degree. They
24 are assuming and relying on a future cash

1 flow. So to the extent that those projections
2 are overly optimistic, that cash flow is in
3 question. However -- It begins to be in
4 question. However, they're relying on the
5 cash flow in the early days where there's more
6 certainty that they will have a higher
7 likelihood of achieving those amounts of gross
8 gaming revenues. It is the drop that they, in
9 our view, failed to account for in great -- in
10 full.

11 COMMISSIONER MCHUGH: Just to pursue
12 the Chairman's question for a second. Is the
13 delta that you see between their projection
14 and reality and what's realistic, is that
15 delta something that if you remove it, is
16 likely to affect adversely their ability to
17 get the financing that's necessary for the
18 second phase?

19 COMMISSIONER ZUNIGA: No. Because by
20 that time, they would have already,
21 presumably, obtained the financing.

22 COMMISSIONER MCHUGH: Okay.

23 CHAIRMAN CROSBY: And similarly, on
24 the Leominster proposal, they may, and they

1 presumably have in your judgment, overstated
2 how much they can make on the postcompetition
3 basis, but it clearly doesn't affect their
4 financing at all.

5 COMMISSIONER ZUNIGA: No, they do not.

6 CHAIRMAN CROSBY: We know that because
7 it's all totally internally financed.

8 COMMISSIONER ZUNIGA: That's right.

9 CHAIRMAN CROSBY: So okay. So what
10 this really boils -- Okay. Fine.

11 COMMISSIONER ZUNIGA: All right. This
12 is our last section, the operations bank. And
13 the focus of this section was to assess
14 subsections within their application relative
15 to operations. There's three particular
16 criteria. One that I should be able to touch
17 on rather quickly, and that is internal
18 controls. One that is a lot broader relative
19 to the consistency between their business plan
20 and their financial projections, and I should
21 say also their operations plan. And there's
22 particular subsets of that in the packet. And
23 then, of course, the financial projections
24 being consistent with the business plans.

1 The expectation of the question around
2 internal controls is obviously that they
3 demonstrate that this is critical for this
4 type of operation and they have experience
5 working in a regulated environment. We
6 reviewed the internal controls manuals and the
7 history of and experience with those manuals
8 and experience with other gaming regulators.

9 Leominster submitted Maryland, which
10 is where they currently operate. Raynham
11 submitted Pennsylvania, which is where they
12 currently operate as well. And I -- and
13 Plainville submitted Ohio. They could have
14 easily submitted any of the states in which
15 they operate. I believe that may say
16 something about Ohio that we should take a
17 look at.

18 The difference here in terms of the
19 rating, in my opinion, is -- boils down to
20 there's probably very little or nothing that
21 this commission could come up with relative to
22 internal controls that Penn has not one way or
23 another experienced or seen in their
24 operations just by virtue of the mere simple

1 fact that they operate in many jurisdictions.

2 Indeed, as we're looking at internal
3 controls and many other regulations, we're
4 taking a sample and a mix of many of these
5 different states. That's the genesis of that.

6 Next.

7 The business plan, operations plan,
8 and financial projections, we assessed key
9 components: parking, slots product, food and
10 beverage, entertainment, marketing, and
11 payroll or FTE, full-time equivalencies. What
12 we are really looking for here is if they're
13 saying they're going to do something, if
14 that's in their business plan, does it make
15 sense with what they presented elsewhere in
16 their financials and their projections. We're
17 not looking necessarily -- we will get into a
18 couple of different features of --
19 differentiators of this plan, but a big piece
20 of this is whether they jell together, if you
21 will.

22 We talked about the one parking spot
23 per slot, and everybody's in excess of one. I
24 will mention again that precompetition, it may

1 be important for us to think about. Outside
2 parking may not be a bad thing, but there is
3 also other ways operationally in which the
4 applicant could deal with busy nights by
5 shuttling employees, having satellite parking
6 on Friday and Saturdays, et cetera.

7 Next.

8 I'll touch on only a few of the
9 components that I thought make a difference
10 among the applicants. None of the applicants
11 provided a detailed slot plan. That could be
12 due to a number of factors, not the least of
13 which timing for producing these applications
14 was tight in the scheme of things. They may
15 also view these as highly competitive
16 information, but there is not a detailed slot
17 product plan. Or they may simply, once
18 awarded the license, really sit down and try
19 to think of the market nuances relative to
20 this area.

21 We asked the question during our
22 evaluation when we had the questions, the
23 period for questions, after the submission
24 relative to leased games, how many -- what

1 percentage they may see for leased slots.
2 Leominster expected -- submitted an amount
3 that would represent a higher amount than what
4 would be expected of this facility, because
5 that expectation is around ten percent. And
6 there's a business and finance rationale for
7 having that to be below ten percent.

8 Usually, leased slots cost a lot more
9 money. They're kind of like movies you see
10 that are only available for, you know, for
11 certain -- they price discriminate for the
12 product that everybody wants, and providers
13 will only offer that on a leased basis. But
14 it's also a way for you to -- for people to
15 attract and also -- attract certain clientele,
16 but also just figure out what kind of product
17 a regional market may prefer.

18 So an operator could lease something
19 and then take it off the floor right away.
20 There's no commitment except to pay the rent.
21 And that may be a tool that operators may use
22 from time to time to figure market
23 preferences.

24 CHAIRMAN CROSBY: So are you

1 exercising the judgment that the fact that
2 they have higher than would be expected as a
3 negative, as a problem?

4 COMMISSIONER ZUNIGA: Yep.

5 CHAIRMAN CROSBY: Why would they -- a
6 company -- This is Leominster, right. We know
7 Cordish has plenty of cash at its disposal.
8 Why would it choose to do what you're saying
9 is a more expensive means of acquiring
10 machines period, unless they had some other
11 marketing approach like yours, which is this
12 is a new market, nobody knows what is going to
13 happen in North Central Mass. we don't want
14 to make absolute commitments, so we're going
15 to give ourselves ten percent flexibility.

16 COMMISSIONER ZUNIGA: Well, because it
17 affects their bottom line. Their ability to
18 make --

19 CHAIRMAN CROSBY: But you're saying it
20 affects their bottom line negatively.

21 COMMISSIONER ZUNIGA: Yes.

22 CHAIRMAN CROSBY: To have more leased.

23 COMMISSIONER ZUNIGA: That's right.

24 CHAIRMAN CROSBY: So why would they do

1 this, unless they had some compelling
2 marketing?

3 COMMISSIONER ZUNIGA: Well, it could
4 also reflect on -- Yes. They never really
5 demonstrated why they would lease the amount
6 of --

7 CHAIRMAN CROSBY: Yes. I guess you
8 could say it reflects their inexperience.
9 They don't know better. I don't know. It's
10 just an odd thing, to me, to put out there as
11 a negative. But go ahead.

12 COMMISSIONER ZUNIGA: Well, there is
13 other elements. I mean, Penn, I mentioned,
14 they did not provide a detailed product plan,
15 but did state it would be based on their
16 experience, essentially, the fact that they
17 operate in many markets and have many
18 facilities. Raynham did not provide a slots
19 parlor plan.

20 Now, this is only a subset of the
21 overall business plan and financial
22 projections. So I'm just pointing out
23 differences.

24 CHAIRMAN CROSBY: Right.

1 COMMISSIONER ZUNIGA: If you go to the
2 next slide, food and beverage plan.
3 Leominster is consistent with what would be
4 expected, and I'm told these ratios make sense
5 in the gaming world, that 50 percent of the
6 total sales or less are comped at the
7 facilities, and they also only -- and those
8 food and beverage revenues only represent
9 approximately ten percent of the gaming
10 revenue. This is where we start to compare
11 how each of their components in their
12 application response starts to jell together.

13 It was the same case for Plainville
14 with the caveat or with the minus that they do
15 have a lower number of food seats available,
16 and this is especially true in the peak
17 periods; although, they do have the racing
18 operation and the clubhouse, if you will, they
19 could use for any number of peak periods, too,
20 in a number of different ways.

21 Raynham estimated that the food and
22 beverage revenue, what they had projected is
23 that it would be lower than what is expected
24 and estimated that the comped amounts of sales

1 account for an extremely high portion of their
2 total sales. Their F&B cash sales is also
3 much lower than what we expected.

4 I think you skipped one, John. Can we
5 go back to entertainment.

6 We looked at their entertainment
7 responses. In the case of Leominster, some of
8 the entertainment plan is not consistent with
9 the cost of sales amount contained in those
10 projections. They, in our opinion, have a
11 higher than expected level of free play. I'll
12 just keep to Plainville. The entertainment
13 plan -- Yeah. The level of free play is a
14 point that belongs in the financial
15 projections in just a couple of minutes.

16 The entertainment plan in Plainville
17 is only at a concept level. It's only a one
18 line. It appears reasonable, but there's no
19 basis for operating data nor details in their
20 financial statements to support the plan. It
21 is a modest entertainment plan.

22 In the case of Raynham, the ticket
23 price needed to generate the revenue that's
24 projected appears quite high given the scope

1 and acts identified. Also the number of acts
2 they have identified.

3 In terms of the business -- I'm sorry,
4 the marketing plan, all applicants acknowledge
5 that this is a local casino, recognizing the
6 importance of loyalty programs use and all the
7 vehicles that traditional casinos use.
8 Radio -- Mostly their rewards, or loyalty
9 programs, but the distinguishing factor here
10 is that Penn, or Plainville, provides the most
11 detail when it comes to the marketing
12 programming. We've heard some of it in the
13 presentation. There is a lot of tie-in to
14 local, and there's a lot of detail in their
15 response relative to how they plan and hope to
16 attract players.

17 Some numbers relevant to their payroll
18 and projections, Leominster submits a high
19 number of FTEs at 600, both pre and
20 postcompetition. They also have the highest
21 ratio of payroll as a percent of total
22 revenue. These things really cut both ways.
23 There's a profitability issue, but also an
24 economic development topic, so.

1 Plainville has -- their FTE includes a
2 number for racing. This was -- The number of
3 FTEs for racing was something that was
4 redacted in their application; however, they
5 do have the lower or the lowest payroll per
6 FTE, which is something that, Mr. Chairman,
7 you had identified even from the presentation
8 --

9 CHAIRMAN CROSBY: Right.

10 COMMISSIONER ZUNIGA: -- when we went
11 out there.

12 Also something that doesn't quite make
13 complete sense, the number of payroll stays
14 constant during years one through four in
15 their projections.

16 Raynham remains consistent in terms of
17 payroll with the competition, and they do have
18 the highest payroll per FTE, but there are
19 certain job categories that do not quite make
20 sense relative to the level of pay, and that
21 is by comparing the total number of the -- the
22 different number of payroll numbers and cross
23 referencing them with the total number of FTEs
24 in those positions in order to ascertain the

1 average pay for FTE per category.

2 As a result, and probably based mostly
3 on the detail of the marketing plan for
4 Plainville, I'm rating -- I'm suggesting we
5 rate Plainville with a very good. They
6 demonstrated a sound understanding of their
7 business plan, their operations, and what may
8 be required to operate this type of a facility
9 in a highly competitive environment.

10 I can stop there and get some
11 questions. Is that the end of -- Is there one
12 more? I'm sorry, yes. Financial projections.

13 This is where free play bears into
14 mind. It does tie in as well with the
15 projections that we were talking about
16 relative to the market. In our opinion, the
17 amount of free play precompetition for
18 Leominster appears high and aggressive, even
19 though ultimately this is something that this
20 commission could easily determine, restrict,
21 or limit.

22 Plainville, importantly, has a low
23 level of free play to begin with that then
24 increases after competition and that may be

1 the best recognition that they anticipate the
2 highly competitive environment at some point
3 in the future in the outer years and have a
4 plan -- demonstrated a plan to respond to it.

5 In the case of Raynham, the free play
6 is aggressive both prior to and after
7 competition, which is why we're rating them
8 sufficient.

9 Just this is the recap portion. Each
10 of the ratings were aggregated within the
11 subcriteria into the criteria. They're an
12 outstanding for Leominster and Plainville when
13 it comes to financial strength. I'll remind
14 you that's part of their financing and their
15 operations of financial operations elsewhere.

16 Everybody is rated a very good when it
17 comes to a investment amounts, as they're all
18 exceeding the minimum investment requirement.

19 The market assessment, I rate an edge
20 to Plainville relative to both their
21 projections being within the estimated ranges
22 prior and after competition. And the
23 operations plan we rate very good for both
24 Leominster and Plainville based on all the

1 ratings that I just went through.

2 I'll read this into the record because
3 I think this is the summary of findings. The
4 applicant in Leominster demonstrated that they
5 have the financial capabilities and direct
6 access to funds required to develop and
7 operate a successful category 2 casino. They
8 submitted sound investment, market, and
9 operation plans that align with their
10 understanding of the Massachusetts
11 opportunity. While their plans are
12 individually strong and support the operation
13 of a successful casino, they are not
14 completely aligned with the future competitive
15 marketplace.

16 Leominster's equity shareholder
17 currently operates the largest casino in
18 Maryland, as measured by gross gaming revenue,
19 and while significant components of this
20 experience base are used to support the
21 various plans, this is the only casino that
22 they currently operate, rating them a very
23 good.

24 The overall edge, in my opinion, goes

1 to Plainville given that they have
2 demonstrated that they have the financial
3 capabilities and direct access to all funds
4 required to run an -- to develop and operate a
5 successful category 2. They demonstrated a
6 full understanding of the current and future
7 competitive marketplace. They also reflected
8 the consistency -- consistently reflected an
9 alignment between their investment market and
10 operating plans as submitted.

11 Something that I think is very
12 important, Plainville possesses the necessary
13 experience operating 28 gaming facilities
14 located in 19 jurisdictions, each of them
15 with -- that have varying degrees of
16 competition. Their portfolio includes a lot
17 of facilities and properties that have the
18 similar size and scope of the facility here
19 and has significant corporate bench support,
20 if you will, that could back up the operations
21 of a category 2 in this highly competitive
22 market.

23 Raynham demonstrated that they have
24 the financial capabilities required to develop

1 and operate a successful category 2 casino,
2 however, did not demonstrate fully that they
3 currently have direct access to all the funds
4 required to build the permanent casino. They
5 submit sound investment, market, and operation
6 plans. And while these plans are individually
7 viable and support the operation of a casino,
8 they are not completely aligned, in our
9 opinion, with the current and future
10 Massachusetts competitive marketplace.

11 One of Raynham's equity shareholders
12 currently operates the largest casino in
13 Philadelphia, as measured by gross revenue.
14 Significant components of this experience were
15 used to support various plans contained in
16 their submission, and this is the only casino
17 that Raynham's equity shareholder currently
18 operates.

19 This concludes the presentation. Any
20 questions?

21 CHAIRMAN CROSBY: Well, that's great.
22 It's a tour de force. Thank you very much.

23 Anybody have questions? Most of the
24 audience is still here. You did well from

1 that standpoint.

2 COMMISSIONER MCHUGH: No. I don't
3 have any questions now. I need to look at
4 this. There's a great amount of carefully
5 organized information, and I need to look at
6 it and look forward to looking at it in more
7 detail. So thank you for that.

8 CHAIRMAN CROSBY: Commissioner.

9 COMMISSIONER STEBBINS: No. This
10 information was helpful because obviously one
11 of the reasons that we engaged HLT is because
12 there's some overlap between the financial
13 assessment as well as the economic development
14 assessment, so that's where I focused a lot of
15 my notes.

16 COMMISSIONER ZUNIGA: One thing that
17 Rob mentioned, it may be a good idea also to
18 come back to the question that you had posed.
19 We can do a bit of a recap tomorrow if needed,
20 but, certainly, we can come back to the
21 question you posed, Mr. Chairman, with more
22 detail.

23 CHAIRMAN CROSBY: Okay. Great. Well,
24 tomorrow morning, we are first thing going to

1 see whether or not there are any factual
2 issues raised with Ombudsman Ziemba that he
3 thinks we should attend to, and answer some
4 questions. Commissioner McHugh had a question
5 he was going to speak to and the one for you.
6 So we'll do that at the beginning of the day.

7 Would you go back to your last slide.
8 The phrase, you said it for both Raynham and
9 Leominster, "They are not completely aligned
10 with current and future Massachusetts
11 competitive marketplace and operating
12 parameters." And -- That they are not. And
13 you said for Plainville they were. Say what
14 that means. I don't quite get that.

15 COMMISSIONER ZUNIGA: I'll give you to
16 Rob in a minute. But a nutshell, it's trying
17 to take all the components that we analyzed
18 here, their operations plan, their business
19 plan, their marketing plan, and compare them
20 with the market assessment and their financial
21 projections and if they all coalesce and make
22 sense, make operational sense.

23 When any one of these components
24 starts to get a little bit out of range or was

1 not sufficiently articulated is when we're
2 rating some of these on alignment, if you
3 will. Is that --

4 MR. SCARPELLI: Correct. I'll give
5 you more specific examples. If somebody is
6 using free play as a main tool to compete in
7 the competitive marketplace, again --

8 COMMISSIONER STEBBINS: Could you get
9 a little closer to the microphone.

10 MR. SCARPELLI: Sorry. I'll give you
11 a couple of specific examples. Somebody is
12 using free play as a means by which they're
13 going to generate market share above what
14 would be expected. When you look at the
15 amount of that translates into time on device
16 or utilization of a machine, but if that
17 utilization is materially different than your
18 competition and it creates a gap whereby
19 you're too busy, then you question the amount
20 of free a play to get there from that
21 perspective. That's one instance.

22 Another instance is if somebody is
23 saying we're going to produce a revenue number
24 and we're going to use entertainment to drive

1 that revenue to get a higher amount from that,
2 you look at their -- you say, okay, that makes
3 sense. You're using a tool to do that. But
4 then when you translate that back into
5 capacity of your facility and all of a sudden
6 the gap between how busy you are compared to
7 one of your competition is so great that you
8 can't accommodate that extra business, then we
9 say all your different plans are not aligned
10 from that perspective.

11 CHAIRMAN CROSBY: Could you do at your
12 fingertips the principle material
13 nonalignments for the two?

14 COMMISSIONER ZUNIGA: Well, they're
15 all summarized here.

16 CHAIRMAN CROSBY: Yeah. I'm trying to
17 think back on what were the big nonalignments
18 that would -- that I would think would really
19 create a material disconnect between the two
20 halves of the equation that you're talking
21 about, and there's -- yes, I remember the free
22 play issue. Maybe they're using a little bit
23 too much free play. Both Leominster and
24 Raynham were maybe overprojecting their upside

1 in a post-competitive environment. But I
2 didn't really walk away from any of these
3 points that seemed to me like it was a major
4 disconnect such that I would characterize it
5 as they're not completely aligned with the
6 competitive marketplace and operating
7 parameters.

8 So I just think, can you take off on
9 your fingertips what the criteria issues are
10 for that for the two of them.

11 MR. SCARPELLI: Sure. Leominster was
12 the increase in free play postcompetition
13 combined with the less drop in revenue from
14 pre to post. So there was less of an impact
15 pre to post than the amount of free play in
16 the postcompetition period. Also a major
17 element of their proposal was their
18 entertainment plan, but when you added up the
19 numbers in the cost structure that are in the
20 plan, they didn't align with the financial
21 projections from their entertainment plan. So
22 it wasn't well thought out that way or it
23 didn't match totally there.

24 In the case of Raynham, it was their

1 belief they can do above market revenue
2 projections, but you didn't see anything --
3 you didn't -- you saw less in their operations
4 plan to support their ability to be materially
5 higher than someone else. In other words,
6 they thought they could compete more on an
7 even footing with the category 1 facilities,
8 and we don't believe that to be the case.

9 Also, the amount and type of
10 entertainment that they're projecting doesn't
11 match the 995 seats which they said they would
12 have there. So they would be competing with
13 the category 1's for larger acts that we don't
14 believe they could achieve in that
15 marketplace.

16 COMMISSIONER ZUNIGA: We're being a
17 little overly general is that a lot of this
18 information has been redacted. The specific
19 number of -- the specific projections, for
20 example, the detail, the breakdown, I'll refer
21 you to this, but perhaps it's relevant that we
22 just break for the next day and come back to
23 this if we need to.

24 CHAIRMAN CROSBY: No. That was

1 helpful. That was interesting.

2 Anybody else?

3 COMMISSIONER CAMERON: No. Just thank
4 you. A lot of hard work, and you were able to
5 explain it in a way that was comprehensible,
6 which isn't always the case in financial
7 analysis. And it just was apparent how much
8 time and effort went into this.

9 COMMISSIONER ZUNIGA: Thank you.

10 CHAIRMAN CROSBY: Yeah. I agree. It
11 was great. Thank you both very much.

12 Anything else on our agenda? Then we
13 will temporary adjourn until 9:30 tomorrow
14 morning, I believe. Thank you, everyone.

15

16 (Whereupon the hearing was suspended at 4:24 p.m.)

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C E R T I F I C A T E

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