

THE COMMONWEALTH OF MASSACHUSETTS

MASSACHUSETTS GAMING COMMISSION

PUBLIC MEETING #110

Volume III

CHAIRMAN

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COMMISSIONERS

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James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

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BOSTON CONVENTION AND EXHIBITION CENTER

415 Summer Street, Room 104

Boston, Massachusetts

1 P R O C E E D I N G S :

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4 CHAIRMAN CROSBY: We are reconvening
5 the 110 meeting of the Massachusetts Gaming
6 Commission to conclude, perhaps, our
7 deliberations on the Category 2 license award,
8 although award will not be made before
9 tomorrow.

10 I think we will start with, as we
11 talked about yesterday, reviewing a variety of
12 questions. And Ombudsman Ziemba, do you want
13 to just give us a quick status report of the
14 process that took place?

15 MR. ZIEMBA: Thank you, Mr.
16 Chairman. As you know, we asked for any
17 comments regarding material errors in anything
18 that was part of the presentations or part of
19 the packets over the last couple of days. We
20 received submissions from each of the
21 applicants up until three o'clock yesterday.
22 That was our cutoff. One attachment was
23 submitted after the deadline but the substance
24 of the issue was included in the text that you

1 have before you.

2 So, by way of process what we
3 determined we would do, each of the
4 Commissioners that are in charge of the
5 specific issue would address the questions of
6 material error. And they will give a
7 presentation on whether or not they believe it
8 is a material error or whether or not it's an
9 interpretation or otherwise.

10 They may provide further explanatory
11 materials. Staff and our consultant team have
12 been working with each of the Commissioners
13 over the last couple of days to make sure that
14 we address all of these questions to the degree
15 that they should be addressed.

16 CHAIRMAN CROSBY: Okay. So,
17 Commissioners will go through the categories.
18 At the same time, you can answer the questions
19 that were raised by the Commissioners during
20 evaluation discussion yesterday as well. Okay.

21 So, in no particular -- No, I guess
22 let's do the order that we started with
23 yesterday. The first was site and building
24 design, Commissioner McHugh.

1 COMMISSIONER MCHUGH: You asked a
2 question at the end of the site and building
3 design presentation about the prior permitting.
4 I've got a couple of slides that I'd like to
5 use here just because I can't give up this
6 little button thing. I love it so much.

7 This is the diagram we used. And
8 here is the site at the intersection of I-90
9 and Route 117. This area here is about 400,000
10 square feet. That was all permitted for retail
11 development.

12 CHAIRMAN CROSBY: And actually has
13 retail development.

14 COMMISSIONER MCHUGH: Actually has
15 retail development. That was the Walmart there
16 and the like.

17 This is the Pyramid site.
18 Unfortunately, we've now turned the last
19 diagram on its side. This is I-90 here. This
20 is a 1990 permit plan. This is Route 117 here.
21 This is I-90 here. This is about the location
22 of the proposed gaming facility.

23 This the Leominster/Lancaster town
24 line here. So, this is about a million square

1 feet. And it includes all of the area that the
2 gaming establishment is proposed to sit on plus
3 much land to the east and much of the land that
4 was permitted where the target is as well.

5 I have one more slide that shows
6 what that plan was supposed to look like when
7 built out. This is the entrance to -- what now
8 is the entrance to Jungle Road. So, this area
9 was proposed to be part of that plan. This is
10 where the gaming facility will be located right
11 in here. And then it stretches over to there.

12 CHAIRMAN CROSBY: And this is the
13 Pyramid project?

14 COMMISSIONER MCHUGH: That's the
15 Pyramid project.

16 CHAIRMAN CROSBY: And that goes back
17 to 1990.

18 COMMISSIONER MCHUGH: 1990. So I
19 can't tell you what the status of those permits
20 is, but I can tell you that that was what the
21 applicant gave us, what the Cordish Companies
22 gave us as the permitting that was done at that
23 time. There's no reason to doubt it. It bears
24 all of the seals and marks, all marks of

1 authenticity.

2 COMMISSIONER STEBBINS: So, that was
3 a more expansive project than what's being
4 considered now.

5 COMMISSIONER MCHUGH: Much more
6 expansive. As I say, this with a million
7 square feet. I don't know the square footage
8 of what is proposed now, the footprint. But
9 the footprint of what's proposed now fits about
10 in there someplace right along Jungle Road.
11 The Walmart is right in here someplace. Then
12 you come down Jungle Road and the facility is
13 right in there. So, that's a much, much bigger
14 than what was planned -- what's currently being
15 thought of.

16 CHAIRMAN CROSBY: And that was the
17 point that I made in my presentation and was
18 asking you about. This area is very, very
19 likely going to be developed for some such
20 commercial site, some such commercial project
21 at some point. That's just somewhat of a
22 mitigating factor I thought on some of the
23 concerns, the community concerns.

24 COMMISSIONER MCHUGH: All right.

1 There were several questions. Each applicant
2 actually raised a question about the things I
3 said about traffic mitigation. So, let me
4 respond to those questions as succinctly as I
5 can.

6 The Leominster applicant raised a
7 question about what I said regarding the left-
8 hand turn from the southbound lane on I-90.

9 CHAIRMAN CROSBY: The exit from I-90
10 southbound.

11 COMMISSIONER MCHUGH: The exit from
12 I-90 southbound going left.

13 CHAIRMAN CROSBY: Do you want to use
14 your pointer?

15 COMMISSIONER MCHUGH: Sure. I would
16 use the pointer, but I've got nothing to point
17 at. But I still can use it. I like that
18 pointer so much. Actually, sure.

19 What I wanted to say about that is
20 before the facility can open, everybody agrees
21 that there will have to be improvements made to
22 the intersection of Jungle Road and 117. That
23 whatever improvements are necessary for the
24 left-hand turn off the I-90 exit can proceed on

1 a separate track. And that should not be a
2 factor that affects the opening of this
3 facility.

4 And this ties into what I hope I
5 said during that presentation. I want to
6 reiterate today that there's some fluidity to
7 the entire traffic mitigation piece of this.
8 So, I think we have to understand that.

9 And once the licensee is chosen, I
10 think the collaboration with the Department of
11 Transportation will occur. And these things
12 can be expedited over perhaps where they seem
13 to be at the moment. So, that's what I have to
14 say about the Leominster thing. It can proceed
15 on a separate track. It's not site generated
16 traffic and it can proceed on a separate track.

17 I said that there was some tension
18 between DOT and Plainridge and the town of
19 Plainville with respect to whether the jug
20 handle approach or the break in Route 1 was
21 appropriate and should be pursued.

22 Both the applicant and the town now
23 say that they are prepared to do whatever DOT
24 wishes. So, there isn't that tension between

1 the applicant and the town that I mentioned on
2 my presentation on Tuesday.

3 CHAIRMAN CROSBY: That was an
4 important point. What I took away yesterday
5 was that the DOT preferred solution was
6 something that the town was resistant to, which
7 I thought was an important point. But I'm
8 hearing you say that that's not correct.

9 COMMISSIONER MCHUGH: We were
10 informed by the town that they like the
11 applicant will abide by DOT's decision and
12 enthusiastically try to implement it.

13 Finally, I said that according to
14 DOT, a completion of the 138/106 intersection
15 improvement was necessary before the phase one
16 opening could occur for the Raynham site.
17 Raynham said that that was not necessary. I
18 was simply quoting from -- basing my remarks
19 entirely on the DOT letter.

20 And that's what DOT said. And said
21 that Raynham should work with the Department of
22 Transportation to ensure that the improvements
23 to the 138/106 intersection were made before
24 the phase 1 opening. Whether that's a

1 condition of opening it, whether DOT has the
2 right to impose that condition remains somewhat
3 ambiguous. But that's what the DOT letter
4 said. And I understand that the Raynham
5 applicant contests that, doesn't believe that
6 it is necessary.

7 That again is one of the things that
8 shouldn't be an impediment to what we do
9 because I think that will be worked out after
10 we've made the final decision. That
11 intersection is five miles north of the site
12 but it leads directly to the site. That's what
13 DOT has said. That's the best I can do.

14 That's the best I can do. And those
15 are the traffic issues that were raised and
16 that I deemed material suggestions with respect
17 to corrections.

18 CHAIRMAN CROSBY: That was it.

19 COMMISSIONER MCHUGH: That's it.

20 CHAIRMAN CROSBY: Any other
21 questions for Commissioner McHugh? Okay.
22 Commissioner Zuniga, the finance questions.

23 COMMISSIONER ZUNIGA: Yes. Thank
24 you. I am going to ask Rob Scarpelli to join

1 us at the front. I'm going to tackle the
2 questions. I may need his input or even Lyle,
3 if you could also join Rob in case we need you.

4 The finance section got a lot of
5 questions from applicants. I believe most of
6 them are not an error of fact, but I will touch
7 on them. Several of them are a matter of
8 interpretation. I do want to talk about a few
9 of them because it's important interpretations.
10 They bear on the market assessment and the
11 numbers. And I think it's relevant for us
12 understand it.

13 I do want to first start with what
14 we believe may have been an error or an error
15 of interpretation. I'll start with what we
16 have here, number three. There was PPE says
17 that I mentioned or questioned the plan to
18 lease 10 percent of its slots --

19 CHAIRMAN CROSBY: PPE is Leominster.

20 COMMISSIONER ZUNIGA: PPE
21 Leominster, yes. I did mention that leasing 10
22 percent of its slots seemed higher than
23 industry norms. I want to clarify what we
24 meant by leased products and what the applicant

1 may have meant by leased products which are
2 perhaps different things.

3 The way we view leased products are
4 games that the manufacturers would only lease
5 to operators. They will not sell certain
6 products because those are high desirable
7 products. And the arrangements that some
8 operators often engage in with casino -- I'm
9 sorry that some manufacturers often engage with
10 casino operators are along the lines of if you
11 want this particular type of game, you have to
12 lease it from us. And we have some
13 participation in terms of revenues or there's a
14 rent.

15 There is also the notion of
16 financing lease, which is what the applicant in
17 this case may have interpreted when we asked
18 the question relative to leased products.

19 An operator can come and can
20 purchase product or slot machines from a
21 manufacturer in a lease to own or simply a
22 lease arrangement or a capital lease in which
23 you make periodic payments. And after some
24 time a terminal payment. You could keep it,

1 etc. much like anybody would lease a car with
2 an option to buy.

3 So, after our question, the
4 applicant -- it appears that they combined the
5 two notions. And therefore, our assessment
6 that the leased products where we meant
7 relative to only the leasing of games, that
8 assessment is not the case. That number is not
9 as high as we thought.

10 CHAIRMAN CROSBY: In any case, it
11 seems to me that this is really not a variable
12 one way or the other. There is no pro or con
13 for Leominster -- for Cordish as a consequence
14 of leases or not.

15 It would have relevance if there
16 were lot of leases because they didn't have the
17 capital resources to do the job. That might be
18 a question. But that is clearly not the case.
19 So, I take it that this is really not an issue
20 to worry about one way or the other.

21 COMMISSIONER ZUNIGA: Yes, I don't
22 worry about the rating. We can talk more about
23 operations in the larger context later. I wish
24 we get into that discussion. But we did

1 mention that it was higher than expected and
2 they did clarify it really included two numbers
3 where we were really only thinking of one or
4 one component.

5 There was also a question from PPE
6 relative to a statement we made regarding the
7 applicants --

8 CHAIRMAN CROSBY: Use Leominster.

9 COMMISSIONER ZUNIGA: I'm sorry.
10 They typed it in here as PPE, but thank you for
11 clarifying. The Leominster applicant is
12 clarifying that we made a statement that
13 applicants did not provide details on their
14 proposed slots mix.

15 We were looking -- and the
16 difference here is the difference between slots
17 mix and slots planned. We were looking for a
18 slots plan that would tie into their business
19 plan.

20 The applicant did provide a number
21 of components of their slots plan, one of them
22 their slots mix in different pieces of the
23 application. And to their credit, the way we
24 structured those questions in the application

1 were in different areas.

2 What we mean by a slots plan is the
3 retention percentage, the amount of leased
4 games, the whole strategy, the mix of slots
5 etc., etc. So, the applicant did provide that
6 information. It provided it in different
7 pieces. We would have liked to see it on a
8 consolidated piece of the business plan, but we
9 didn't ask for it that way. So, we stand
10 corrected that they did provide components of a
11 slots plan and we corroborated that yesterday.

12 There are other questions that I
13 think I will address when we get into a market
14 assessment discussion which I think we should.

15 CHAIRMAN CROSBY: Why not do that
16 now?

17 COMMISSIONER ZUNIGA: Should we do
18 that now?

19 CHAIRMAN CROSBY: Yes, if it were
20 issues that were raised.

21 COMMISSIONER ZUNIGA: Let me group
22 many of them because several of the questions
23 we received had to do with our market
24 assessment.

1 Different applicants say that the
2 drive time between a particular point in the
3 middle of a region to the proposed site takes
4 however many minutes. This is where I need
5 your help Rob. I think it bears explaining
6 that the maps that we put up were superimposed
7 maps of two things. A theoretical drive time
8 usually -- and maybe John, if you can find one
9 of our presentations that has the superimposed
10 maps. We'll get to that.

11 CHAIRMAN CROSBY: That one was brain
12 synapses.

13 COMMISSIONER STEBBINS: Actually, I
14 think that's a very important map that shows
15 that everybody has access at some point to a
16 number of facilities in the region. One
17 further down, John.

18 MR. SCARPELLI: Actually,
19 Commissioner, that's probably a good one
20 because it addresses two issues.

21 COMMISSIONER ZUNIGA: Yes. The line
22 that looks a lot like a border within the state
23 or within Connecticut and Rhode Island there is
24 a visual representation of a drive time from

1 those points into a facility.

2 However, in order to do our market
3 assessment, we took the regions and sub regions
4 that are not those squiggly lines but the ones
5 that are in colors. You would see for example
6 Worcester.

7 So, this is only a visual
8 representation. But when we look at the market
9 assessment, we take the market share that we
10 believe are going to come from each of the
11 regions that are contiguous to the facility or
12 at the facility. So, if you go to a next map
13 where superimpose -- There it is. This is a
14 good example. This is only the theoretical
15 drive time, the 30-minute drive time and the
16 60-minute drive time.

17 What we are doing when we are doing
18 the market assessment is we are taking all of
19 the population that resides in these, I think,
20 it's a metropolitan statistical area is the
21 term, and assessing that 40 percent of those
22 people could be captured by the facility here.

23 Similarly, all of the adult
24 population in this area, we are saying that 70

1 percent of all of those adults could be clients
2 of this facility. So, the further MSA or
3 metropolitan statistical areas capture a
4 smaller number for each of the cases but they
5 come from all of the region as it's defined.
6 Do you want to expound on that, Rob?

7 MR. SCARPELLI: Another way to
8 explain it is that all references to drive
9 times are just for presentation purposes so you
10 can get a sense of the distance whatever.
11 Everything was done off of market areas.

12 And in some maps, if you go back
13 two, John, in all maps where you see comments
14 on the top right-hand corner, 30-minute drive
15 time that is just for visual presentation
16 purposes if you're not used to reading the
17 market area assessment whatever. So, all drive
18 times used in the presentations were really on
19 a relative basis between sites.

20 COMMISSIONER ZUNIGA: Do you think I
21 should expound further? I think it explains
22 the difference between some of the numbers that
23 especially people thought if I go into MapQuest
24 or Google the drive time between here and there

1 is whatever 35 minutes and not less than 30.

2 The point is that we're making an
3 aggregate of the adults that live in the areas
4 for which we have the adult population and
5 assessing a percent market capture that the
6 facility could get.

7 And all of those market captures,
8 especially under the full competition scenario
9 is distributed. And they all have to add up to
10 100. So, when we compare a facility like the
11 one in Leominster to the one in Plainville, or
12 actually let me correct that.

13 When compare a facility in
14 Leominster to the licenses in Boston and
15 Springfield, we reduce these percentages by
16 some factor because those facilities will start
17 to get percentage market from their own
18 contiguous statistical areas.

19 COMMISSIONER MCHUGH: So, I take it
20 from what you're saying that the little
21 notations about drive time are to help the
22 observer understand approximate distances. But
23 that the market share results really are based
24 on a more sophisticated kind of analysis that

1 draws on percentages of populations in
2 concentric radiuses around the proposed slots
3 parlor.

4 COMMISSIONER ZUNIGA: Thank you. I
5 couldn't have summarized it as well.

6 COMMISSIONER MCHUGH: I'm just
7 trying to again make sure that I understand
8 what you were saying.

9 COMMISSIONER ZUNIGA: That is it.
10 So, those squiggly lines shouldn't be taken as
11 the one factor.

12 So, there were a number of questions
13 on that. But I think I addressed all of them
14 with that clarification.

15 CHAIRMAN CROSBY: Let me ask one. I
16 raised the issue that we talked quite a bit
17 about yesterday. I see the numbers. I
18 understand the numbers and I raised sort of an
19 intuitive sense that somehow just didn't quite
20 make sense.

21 The Chamber of Commerce from
22 Worcester had the report done by the Innovation
23 Group. And the Innovation Group suggested a
24 different relative productivity.

1 Would you explain what your
2 difference was with them, why you disagreed
3 with the Innovation report or why they disagree
4 with you?

5 COMMISSIONER ZUNIGA: Before he does
6 that and you can go to that whatever slide, let
7 me just introduce that. I made a judgment call
8 not to spend a lot of time on my presentation
9 relative to that or other studies. I knew that
10 our presentation was going to be long enough
11 and tech. heavy. I really wanted to highlight
12 the methodology.

13 CHAIRMAN CROSBY: -- and dry.

14 COMMISSIONER ZUNIGA: Yes, dry and
15 technical. I did want to highlight the
16 methodology that we used.

17 However, having said that we did
18 look at it. As soon as it arrived to our desk
19 -- to my desk, I forwarded it to our
20 consultants and said what do you make of this
21 really because from the preliminary findings
22 this is perhaps a different pollution.

23 In a nutshell, and perhaps Rob will
24 help me substantiate this, the projections that

1 the Innovation Group comes out with on their
2 stabilized year, 2018, if I remember
3 correctly --

4 CHAIRMAN CROSBY: So, post-
5 competition.

6 COMMISSIONER ZUNIGA: Post-
7 competition, right -- is very similar to, it's
8 actually right on point with the range that we
9 come up with for that market area for the
10 Leominster area. So, we could almost leave it
11 there.

12 Our point two days ago relative to
13 our assessment is that the applicant is above
14 those projections for post-competition scenario
15 they're above those numbers. Did you want to
16 expound a little bit on that?

17 MR. SCARPELLI: Yes. John, can you
18 go back two slides? Two things a little bit
19 background, because it was presented, because
20 it was submitted to the Commission, a couple of
21 things to understand, the Innovation Group
22 projected in 2018 that Leominster would get
23 roughly \$152 million.

24 Our range under the various wins per

1 capita is or GGR's per capita are up to 147, so
2 they're saying 125 to 150. So, there's
3 currently no difference. That's number one.

4 Number two is they actually did this
5 type of assessment where they broke down the
6 area into market areas. We also should be
7 acknowledged that we did review all of the
8 applicant's third-party market assessments,
9 which Innovation Group did provide a market
10 assessment for another applicant into this.
11 So, we looked at all of their assessments.

12 And what they are saying that
13 Leominster was, I think, 152. Because it's in
14 the report that was public that was submitted
15 to the Commission, what they're suggesting for
16 Plainville, I think, is 144. What they are
17 suggesting for Raynham I think was 114, less.
18 So, we looked at those numbers.

19 We also looked at where the markets
20 were coming from there because when you look at
21 a report you should look at the balance between
22 because they projected out all of the different
23 casinos. And I would make, without studying it
24 in full, the one point I would make is with

1 this marketplace because we have different
2 types of facilities, you have to look when you
3 look at the Category 2's, you should look at
4 what the Category 2's are doing, but at the
5 same token, you should look at what the
6 Category 1's are doing.

7 And I would point out one point is
8 that in our assessment when you look at it,
9 we're seeing the Category 1's can draw from a
10 little farther away and should be able to have
11 a greater market share than a Category 2.

12 I would make this note that in the
13 case of both Raynham and Plainville, the Boston
14 casino is going to draw more dollars from
15 Raynham and Plainville's market area than what
16 Raynham and Plainville are going to draw from
17 Boston. Logically, it would make sense.

18 But when it comes to the Leominster
19 proposal, they're actually saying Leominster is
20 going to draw more dollars from Boston than
21 what Boston is going to draw from Leominster.
22 On the surface I would say it probably doesn't
23 make sense. So, we did look at that report as
24 we looked at all third-party reports and all

1 other reports prepared for this marketplace.

2 COMMISSIONER ZUNIGA: And that's the
3 essence of the gravity notion. That the higher
4 the facility, the higher the draw.

5 CHAIRMAN CROSBY: The quality?

6 COMMISSIONER ZUNIGA: The higher
7 quality of the facility and in our case, the
8 lower the tax. It's an inverse. The Category
9 1's because they have a lower tax rate will be
10 able to draw and do more promotions for example
11 and draw from greater circles compared to the
12 Category 2's.

13 CHAIRMAN CROSBY: Okay.

14 COMMISSIONER ZUNIGA: Since we were
15 on those maps, there was a question relative to
16 -- There was a couple questions. Maybe we
17 should touch on Taunton. Just one of the maps,
18 John, that has the different facilities and the
19 market area.

20 We are not making any assumptions
21 relative to how likely an Indian facility -- at
22 this point how likely an Indian facility or how
23 soon an Indian facility is likely to come into
24 the area, into the Region C area. That's going

1 to be a healthy discussion in a few months when
2 we make the decision as to whether to license a
3 commercial license there.

4 When we did the market projections
5 -- I'm sorry. When we assessed the projections
6 from the applicants, all applicants considered
7 full competition. And in the case of both the
8 Raynham and the Plainville applicant, they
9 considered that and spoke about a reduction in
10 the revenue projections because of the
11 potential of another facility or a competing
12 facility in their neighborhood.

13 We've heard the possibility that
14 there could be an applicant come to the area of
15 Bridgewater. There could also be two
16 applicants -- there is a least one applicant
17 now that's proposing to build something in New
18 Bedford and potentially another one in Fall
19 River.

20 So, from a market assessment
21 perspective, as we looked at a full competition
22 scenario, we are acknowledging that -- the
23 applicants themselves acknowledge they would be
24 some loss from nearby operations from that

1 region.

2 COMMISSIONER MCHUGH: And in fact,
3 the numbers that they've submitted show a
4 decrease in revenue after year three, right?

5 COMMISSIONER ZUNIGA: That's
6 correct. That's correct. Much of that
7 decrease in revenue, by the way, comes from the
8 licensing of Category 1's.

9 COMMISSIONER MCHUGH: Right, right.

10 COMMISSIONER ZUNIGA: That's what
11 our applicants can safely assume because they
12 watch us and they watch us make progress. And
13 we're going to issue a license likely on those
14 regions.

15 There's another piece that I did
16 want to mention that is very hard to measure
17 and that is how the competition is going to
18 react to the opening of these facilities.

19 In one case, the competition is
20 known. Connecticut and Rhode Island, we know
21 their operations. We know their size. It is
22 very unlikely that there will be another
23 facility in either one of those states, but
24 when we say we know how the competition is

1 going to react, they could offer a number of
2 promotions. Or they could do a number of
3 things mostly along the lines of free play, for
4 example. And that is something that the
5 operator will have to calibrate.

6 However, there's also something to
7 be said about New Hampshire. At this time,
8 there is nothing in New Hampshire but there is
9 no secret that the Legislature there has been
10 considering casinos there. Who knows if our
11 licensing process is going to serve as a
12 catalyst, maybe that's the wrong word, for them
13 to pass legislation there. How they react also
14 has an element of unknown and something that
15 should be considered.

16 In all of the market area
17 assessments that we did, we always considered
18 some capture of New Hampshire southwest and
19 east mostly because these are the only areas
20 that have enough proximity and population for
21 us to really think about. If and when New
22 Hampshire approved anything, we would likely
23 see a drop in terms of market capture from
24 those areas.

1 COMMISSIONER MCHUGH: Is that
2 independent of the location? If you have a
3 location of this facility over in the Rye area,
4 for example, is that going to draw away from
5 Leominster in all likelihood?

6 COMMISSIONER ZUNIGA: Yes, to some
7 degree. It's all a matter of what and how
8 much. The Boston facility is likely to draw
9 from New Hampshire. I mean people live in New
10 Hampshire and commute into Boston. So, it's
11 safe to say that some population in New
12 Hampshire will be able to access the facility
13 in Boston.

14 If there is one in Leominster that's
15 certainly also the case although there's less
16 direct routes in this corridor. You are going
17 to have to -- when you are up here, you
18 probably use either Route 3, I believe or 93
19 and get on 495. But of course this could be a
20 preferred location for people in Southern New
21 Hampshire.

22 COMMISSIONER MCHUGH: Well, I just
23 ask that question because you had small
24 percentages already in that other map we looked

1 coming from those two, the green and the yellow
2 area in New Hampshire. So, I was interested in
3 how much of that one could reasonably expect to
4 lose if the New Hampshire facility was say over
5 in Rye.

6 COMMISSIONER ZUNIGA: In Rye, New
7 Hampshire?

8 COMMISSIONER MCHUGH: Yes, over on
9 the coast.

10 COMMISSIONER ZUNIGA: Probably a
11 significant amount. The point is people will
12 have access to multiple places then it becomes
13 a question of operation and marketing and
14 loyalty programs and things like that. In many
15 cases, people will patronize more than one.

16 CHAIRMAN CROSBY: While we're on
17 this, when I was mentioning yesterday in trying
18 to have as one of our variables the strategic,
19 the defensive and offensive. But we want to
20 locate as strategically as we can.

21 And part of this intuitive sense is
22 if there isn't something here, but then there's
23 this big vacant hole that really invites a
24 strong facility to come in and will inevitably

1 suck out something from Massachusetts less than
2 it would suck out if we had some kind of a
3 barrier up there, of a facility up there.

4 COMMISSIONER ZUNIGA: That's
5 intuitive, but I still believe that the problem
6 is that this area is both going to be served to
7 some degree by this facility and is not that
8 heavily populated.

9 I always think a little bit about
10 much of the knowledge that our consultants have
11 imparted on us or me in this case. I kept
12 thinking from a purely strategic intuitive
13 sense what some other jurisdictions have done
14 the past.

15 In the case of Ontario, when Ontario
16 first approved casinos, which is a move that
17 was palatable for the population, locate them
18 as far away as possible and as close to our
19 neighbors as possible so that we can draw --
20 This is how Las Vegas was born.

21 The welcome to Las Vegas sign is if
22 you are coming from LA. There's no welcome to
23 Las Vegas sign if you're coming from the other
24 side. Of course, Las Vegas since, people were

1 driving to Las Vegas has turned into a mecca.
2 But when it started, it was on a drive time
3 basis and it was chiefly drawing patrons from
4 Los Angeles.

5 When Ontario approved casinos, the
6 casino in Windsor, right across the river from
7 Detroit, and the casino in Niagara were doing
8 tremendous. And they were doing a lot of --
9 they were taking a lot of revenues from their
10 neighbors just across the river or in the case
11 of Niagara just across the Falls.

12 What has happened since then is
13 Detroit approved casinos or even earlier than
14 that, the tribal operation in Niagara, New York
15 opened up as a strategic defense move. You
16 could argue why didn't New York put it in the
17 middle of New York, because there was a lot of
18 density where they put it and they were also
19 recapturing a lot of players.

20 Detroit is doing the same thing.
21 Detroit actually has now three casinos in that
22 area. And since then, the casino in Windsor
23 has really seen their revenues drop because
24 most of the clientele actually came from the

1 Detroit side from the suburbs of Detroit.

2 So, it goes back to the density and
3 what people might prefer. People might not
4 necessarily bypass a facility. If it's
5 convenient -- They might bypass it if it's too
6 crowded for example or if there's other
7 amenities further down the road and they prefer
8 those amenities. But there's a case to be made
9 that there's a defensive strategic move to put
10 them where they're close to our neighbors.

11 CHAIRMAN CROSBY: Right.

12 COMMISSIONER MCHUGH: So, the bottom
13 line there is that it is unlikely if New
14 Hampshire comes to the party that it's going to
15 pitch a tent above the Leominster site. It'll
16 pitch that tent further east towards a greater
17 population site, right?

18 COMMISSIONER ZUNIGA: What I
19 understand from the reports is that New
20 Hampshire will put it right around Rockingham
21 Park where there is -- along Route 93 where
22 there's a big corridor of traffic that comes
23 from Massachusetts.

24 COMMISSIONER MCHUGH: Right, right.

1 COMMISSIONER ZUNIGA: They're not
2 going to look to geographic diversity. And
3 they're not going to put it up in Franconia
4 Notch for example where there's not a lot of
5 population or out-of-state visitors.

6 COMMISSIONER MCHUGH: And they're
7 not going to put it in the middle of a
8 wilderness to the west, way to the west of 93.

9 COMMISSIONER ZUNIGA: That's right.

10 CHAIRMAN CROSBY: Anymore?

11 COMMISSIONER ZUNIGA: There's some
12 talk about free play I could get into since
13 we're on it. One of the applicants says that
14 whereas the issue of free play only as part of
15 the marketing strategy.

16 They say free play is a promotional
17 tool and player acquisition retention and yield
18 maintenance, which we all agree with. Whether
19 we call it marketing strategy or retention, it
20 is a fact. It's a tool they have.

21 Where we were making a judgment call
22 relative to free play is relative to the
23 understanding of the competitive environment.
24 I like to think of free play as we own 49

1 percent of anything that they give out, we the
2 Commonwealth. Because free play comes off from
3 the top. And any money that they give out is
4 money that we don't realize.

5 And if the operator is projecting a
6 big -- And the other point here also is
7 capacity constraint is very important here.
8 So, the operators here only have 1250 machines.
9 They are projecting, everybody is projecting
10 that those 1250 machines are going to be doing
11 higher than average compared to other
12 jurisdictions win per dollar per machine -- I'm
13 sorry win per day per machine.

14 Everybody is well north of \$300,
15 which seems to be a little bit of a market
16 industry rule of thumb. Whenever there is no
17 restriction in the number of machines, and
18 operators start to get to the threshold of \$300
19 per win per day -- dollars per machine per day,
20 they add on more machines so that then people
21 can have more choices.

22 In this case, they won't be able to
23 add machines. They are all projecting that
24 they'll be doing in excess of \$300. So, the

1 question then is what are you doing giving the
2 level of free play that you're offering.
3 You're tying up a machine with free money when
4 you're projecting that you're going to have
5 people waiting and is a paying customer.

6 So, what we wanted to see and made
7 sense to see was a very low level of free play
8 in the beginning years when there's not a lot
9 of competition. Not zero because it is a good
10 tool to get people in the door. But then as a
11 modest rise once there's competition of free
12 play, a modest rise of free play percentage in
13 order to then be able to retain some of the
14 customers because some of them are going to be
15 going to other places.

16 Here's another way to think about
17 it. A large number of free play given in a
18 competition scenario is also available to your
19 competition, or in this case to the competition
20 of the Category 2. So, any amount of free play
21 that the operator gives out, the competition
22 has the ability to do as well.

23 And because the Category 2 is a
24 facility that is restricted by the number of

1 machines and the level of tax compared to the
2 others, we're suggesting it's not a fight that
3 they want to engage. It's not a fight that
4 they can win if they get into a "price war"
5 giving a lot of free play.

6 So, those numbers when I mentioned
7 them are in the context of that competitive
8 environment and the financing or the financial
9 projections rather. That's how we draw
10 inferences that the operator was savvy to
11 understand that competitive place, market
12 place.

13 CHAIRMAN CROSBY: Anything else?

14 COMMISSIONER ZUNIGA: I think that
15 was it. Those were the questions I thought
16 were worthy of addressing.

17 MR. ZIEMBA: This one issue
18 regarding the Credit Suisse issue.

19 COMMISSIONER ZUNIGA: We made a
20 statement relative to a condition not being met
21 by the letter of credit from Credit Suisse in
22 the case of the applicant Raynham. Since they
23 have forwarded a letter to Counsel Blue dated
24 yesterday that perhaps clarifies some of that.

1 We believe this is perhaps an effort
2 to improve their application. We still
3 maintain that this is not an error in fact or
4 judgment. So, it doesn't really -- I don't see
5 it as an error of fact that we can present.

6 CHAIRMAN CROSBY: Okay. I guess
7 mitigation.

8 COMMISSIONER CAMERON: I did not
9 have questions to respond to. There was one
10 piece of a traffic question with regard to
11 Plainville, but Commissioner McHugh covered
12 that issue.

13 CHAIRMAN CROSBY: Okay.

14 COMMISSIONER MCHUGH: Mitigated that
15 issue?

16 COMMISSIONER CAMERON: Very well.

17 CHAIRMAN CROSBY: Without
18 interruption, Commissioner Stebbins.

19 COMMISSIONER STEBBINS: Sure. I
20 have a couple of corrections, adjustments to
21 make. First with respect to the project in
22 Leominster, the issue is raised that I had
23 indicated that one applicant was the only
24 applicant with a labor peace agreement. I

1 believe the language I used was a project labor
2 agreement. But what we did was went back, took
3 an inventory of the documents we have received.

4 And I'll just give a quick inventory
5 to those. We received a letter from the
6 Massachusetts Building Trades Council, Frank
7 Callahan who has been in front of this body
8 before. He highlighted in his letter verbiage
9 out of section 18 regarding whether the
10 applicant has included detailed plans for
11 assuring labor harmony during all phases of the
12 construction, preconstruction, renovation,
13 development and operation of the gaming
14 establishment.

15 He wrote to us just under two weeks
16 ago that a form of a written agreement with the
17 building trades covering the proposed gaming
18 establishments had been reached with both Penn
19 National for their proposal in the town of
20 Plainville and with PPE Casino Resorts
21 Massachusetts for their proposal in the city of
22 Leominster.

23 We also were able to identify the
24 fact that those same two applicants had also

1 reached labor peace agreements with the
2 Seafarers Entertainment and Allied Trades
3 Union. So, those were the documents that were
4 being presented to us. We also had received a
5 copy of a project labor agreement from Penn
6 National.

7 CHAIRMAN CROSBY: PLA or labor
8 harmony agreement?

9

10 COMMISSIONER STEBBINS: A project
11 labor agreement.

12 CHAIRMAN CROSBY: Okay.

13 COMMISSIONER STEBBINS: The second
14 item that had come up was indicated during the
15 hearing that there was no job estimate for the
16 M3D3 program that Leominster, PPE has in their
17 application has said that they would be
18 financially supportive of over a five-year
19 period. The comment was made or alluded to
20 that there was no job estimate for the M3D3
21 program.

22 What I believe I had said was that
23 the jobs were identified in the program were
24 projected or speculative. I might have used

1 that terminology. But going back to the M3D3
2 program material that was included in the
3 application, just to clarify, there is in the
4 section, again this document provided to us
5 from UMass and Mass. Live Casino, an average
6 startup medical device company -- I'm reading
7 this from the text. -- device company grows to
8 employ approximately 70 people over 15 years
9 with an average of \$75,000 salary per worker,
10 for a total payroll of over \$5 million.

11 A needs assessment has shown that a
12 mature M3D3 expects to result in up to 10
13 products/companies per year, which in turn
14 could create over 5000 high-paying jobs and
15 15,000 indirect jobs over the next 20 years.

16 So, that's to clarify the material.
17 Again, I thought I made the comment that the
18 numbers were speculative or projective but we
19 do have the information available as to when
20 UMass projects for direct and indirect jobs
21 created over the 20-year period as a result of
22 the M3D3 program.

23 CHAIRMAN CROSBY: Over a 20-year
24 period, is that what you said?

1 COMMISSIONER STEBBINS: Yes.

2 CHAIRMAN CROSBY: I think that is
3 fairly different from what we were talking
4 about. I think you were talking Commissioner
5 McHugh about we did say that there weren't
6 projections or estimates.

7 COMMISSIONER MCHUGH: Right.

8 CHAIRMAN CROSBY: And that's an
9 important distinction. Granted they are
10 utterly and totally speculative. They're based
11 on reasonable judgments, but there are in fact
12 projected estimates of what could be generated.

13 COMMISSIONER STEBBINS: The final
14 point, that Leominster made was an assumption
15 they believe made in the presentation that all
16 racing related jobs would disappear if the
17 Category 2 facility was not located at the
18 track.

19 They referenced information about
20 the nine percent of gross gaming revenue from
21 the Category 2 facilities that will go into a
22 racing fund. Again, I look back. And I didn't
23 believe that in my presentation I stated the
24 racing related jobs would disappear. I believe

1 I had made a comment that the Plainville
2 application offered the best opportunity for
3 uninterrupted harness racing in the state. So,
4 hopefully that clarifies that statement.

5 With respect to Plainville, Mr.
6 Chairman, I think this question came from you,
7 was a more detailed -- was requested about
8 cross marketing agreements signed with
9 Plainville and a number of the area businesses.
10 To just kind of recap, and I think there was a
11 question about whether some of the bigger
12 facilities, i.e. Patriot Place or the TPC had
13 signed letters of agreement.

14 We went back. There are 41 MOUs
15 that have currently been signed between
16 Plainville and a number of area businesses of
17 all sizes. There is an MOU that was included
18 in the original RFA-2 application with the
19 Wrentham Village Premium Outlets. All of the
20 MOUs are generally the same verbiage in each
21 document.

22 There was a signed letter of
23 understanding, a shorter one-page document that
24 was signed between Plainville and Live

1 Nation/Comcast Center. There was also an MOU
2 that was included from, I am going to misspeak
3 the name of the group, the Colwen Group that
4 operates a number of the hotels in the area
5 including a number of hotels that are in the
6 Patriot Place footprint. So, I believe that
7 would answer your question.

8 CHAIRMAN CROSBY: Yes. Thank you.
9 That's very helpful.

10 CHAIRMAN CROSBY: Okay. I guess
11 that's it. Does that cover everything,
12 Ombudsman Ziemba?

13 MR. ZIEMBA: I believe so. There is
14 one point that was raised by the Raynham
15 proposal. They took issue that Brockton racing
16 proposal only was backed by a verbal statement
17 and Raynham Park its Phase 2 application. They
18 note that there is ample documentation
19 regarding the Brockton harness racing proposal
20 including a copy of the racing application
21 which the Racing Division subsequently granted.

22 CHAIRMAN CROSBY: Okay. Now let's
23 get to it. I think what we talked about
24 yesterday makes sense and that is to just sort

1 of get a status report from each of us. How do
2 we judge what we've heard? What are we seeing
3 as critical variables? What are we seeing as
4 critical issues?

5 COMMISSIONER STEBBINS: I just would
6 make an opening comment. We had briefly
7 mentioned before the end of yesterday's
8 proceedings the question about weighting, what
9 evaluation criteria might be weighted more than
10 others.

11 It would be my opinion that we make
12 it perfectly clear that if we do assign a
13 weighting in evaluation of the Category 2
14 applicants that that in no way should imply
15 that that same weighting of the evaluation
16 criteria would carry over to the Category 1
17 applicants.

18 Tourism for the great example, we
19 fully expect Category 1 applicants to
20 demonstrate an ability to draw tourists. It
21 should be part of their business strategy.

22 Obviously, because we are
23 considering facilities that operate on a more
24 regional basis, it wasn't as big a factor at

1 least in my evaluation. And I would look
2 forward to it being part of the Category 1
3 applicant evaluation.

4 COMMISSIONER CAMERON: I would agree
5 that's a very important piece. I would expect
6 the Wow/overview to be more important in the
7 second phase and pieces of mitigation as well.

8 CHAIRMAN CROSBY: That's a good
9 point.

10 COMMISSIONER MCHUGH: But I also
11 think that how we get individually and thus
12 collectively to a conclusion is inevitably
13 going to be a blend of all of the information
14 that we've heard and the weights we think
15 various parts of that information deserve.

16 And I think we need to articulate
17 that. But I am not certain that we need to
18 come to a consensus on the weight that each of
19 the factors is entitled to receive. It may be
20 that that consensus emerges as we move forward.
21 But to spend time and I don't know if that was
22 your issue.

23 CHAIRMAN CROSBY: No, it wasn't. I
24 agree with you.

1 COMMISSIONER MCHUGH: Because I
2 think there is no -- We all bring a variety of
3 different backgrounds and experiences and
4 approaches and thoughts to this process. And
5 it seems to me we ought to articulate those,
6 where we're coming from. But there's many ways
7 to get to the same destination.

8 CHAIRMAN CROSBY: Right.

9 COMMISSIONER MCHUGH: I'm happy to
10 start, Mr. Chairman, if you'd like.

11 CHAIRMAN CROSBY: Okay, great. I
12 would.

13 COMMISSIONER CAMERON: I am just
14 going to go through many, many points that I
15 put together and lead to what I think is the
16 most important. And I will mention weighting
17 as part of this.

18 So, we heard presentations about the
19 three candidates. I think I heard from
20 everyone that each are capable of successfully
21 having a facility in the Commonwealth and
22 running it professionally and well. But this
23 is a competition and there were lots of factors
24 to consider.

1 After listening to everyone's
2 presentations, I believe we have two candidates
3 that rose above the third in just about
4 everyone's category. I want to agree with
5 Chairman Crosby that the Carney family is very
6 impressive, beloved, good citizens, good
7 neighbors, tremendous community support. A
8 local businessman, it has been a pleasure to
9 get to know all of the applicants including the
10 Carney family.

11 But after all of my review of all
12 the presentations, their application did not
13 contain the substance and the detail that the
14 others two which left all of us in scoring
15 those sections lower. I don't believe the
16 Raynham application scored ahead of the others
17 in any of our five categories.

18 So, that led me to really look at
19 the other two applications which each scored
20 very high and they were close, frankly. When I
21 looked at all of the scores and all of the
22 relevant factors, because I think there are
23 other considerations other than just how they
24 did in mitigation or building and design. So,

1 I will speak to those as well.

2 As far as weighting, and I've
3 thought this all along, finance and economic
4 development are key, and in my mind, more
5 important factors than the other three
6 categories.

7 Having said that, in finance even
8 with the conversations on market assessment,
9 and by the way after having long conversations
10 with our consultants, we're very impressed with
11 the science, the analysis and the ability to
12 explain to me and help me understand those
13 issues. But even with some varying opinions on
14 the market analysis, finance gave the lead to
15 Plainville. And there were many, many reasons.
16 Commissioner Zuniga went through all of those
17 reasons. And there was a clear edge there.

18 Economic development, another
19 important aspect, we're talking about jobs and
20 all of the other factors. Both of those
21 applicants Plainville and Leominster were
22 equally as strong according to Commissioner
23 Stebbins.

24 With mitigation, the edge went to

1 Plainville. An important piece of that was
2 very strong community support as well.

3 Building and design had both -- I'm
4 really summarizing and probably not doing
5 justice to all of the work that was done. --
6 but equally strong for both of those applicants
7 in building and design.

8 The overview gave an edge to
9 Leominster although Chairman Crosby readily
10 pointed out that that probably isn't as
11 important a weighting factor than all of the
12 others because of the nature and size of the
13 facility. Nevertheless, did give an edge to
14 the Leominster facility.

15 So, really there's a lot of very
16 competitive here. Taking into consideration
17 other factors, I think valuing racing is an
18 important piece or valuing all of the
19 additional amenities or something added, added
20 value to the application which all three of
21 them had.

22 We had an opportunity speak about it
23 yesterday, the memo from HLT, which really did
24 find a way to try to quantify. What are we

1 talking about purely from a numbers
2 perspective, although it is bigger than
3 numbers. We are talking about a lot of
4 employees when it comes to the racing.

5 But the \$13 million and the I
6 believe it's 75 full-time employees and then
7 all of the other ancillary businesses that go
8 along with racing. It's not obviously a direct
9 comparison to M3D3, but there's a \$1.5 million
10 investment there and the opportunity for jobs.
11 We talked about some prognosis although it is
12 speculative.

13 So, when I compare the two, frankly,
14 I value the racing, the ability to have racing
15 continue in a full time capacity I saw as an
16 important additional consideration here.

17 Also, when I looked at all of the
18 categories, there was a consistent theme about
19 experience, an edge to the Plainville applicant
20 when it came to experience.

21 I know that we saw that in
22 mitigation, just more detailed answers, more
23 just subject matter expertise. And I heard
24 this from the other Commissioners as well.

1 Just the ability to when you successfully own
2 and operate 28 facilities and a number of
3 racing facilities that level of experience, I
4 thought, was important in this competition.

5 Very quality Leominster application,
6 all of them were very quality applications
7 which makes this job difficult. But in my mind
8 after reviewing everything, I see an edge to
9 the Plainville application in totality. I
10 could go on and on with more detail but I think
11 I'd like to hear from my fellow Commissioners
12 on this.

13 CHAIRMAN CROSBY: Does anybody else
14 want to jump in?

15 COMMISSIONER ZUNIGA: Sure, because
16 I want to talk about points that Commissioner
17 Cameron has made. I think the topic of racing
18 did not fall squarely in any one of the buckets
19 of the categories. I go back to a little bit
20 to when we were organizing the application
21 document, and the approach was mostly taking
22 from the statute the goals, the prerequisites
23 and the documentation that we are supposed to
24 assess in terms of the different sections and

1 priorities of the legislation.

2 We rolled them up. We sort of
3 sorted them and came up with these five
4 categories that I think have served us very
5 well. But when it relates to racing, there's a
6 significant component that I saw in the
7 financials that you were touching on
8 Commissioner and our consultant's point in
9 terms of spend.

10 COMMISSIONER MCHUGH: In terms of
11 what?

12 COMMISSIONER ZUNIGA: Spend,
13 expenditures, \$13 million. Some of it comes
14 from purses, from the Horse Race Development
15 fund. The majority of it comes from the
16 operation of the track, etc. However, the
17 case is elsewhere.

18 CHAIRMAN CROSBY: Race Horse
19 development, \$13 million isn't Race Horse
20 Development fund, the 2.7 is to purses but not
21 the fund.

22 COMMISSIONER ZUNIGA: Yes. That's
23 right. Thank you. The economic development or
24 rather the business case for racing comes, I

1 thought, under the economic development piece
2 because it is not just a topic of jobs, it's
3 also a topic of supporting small business.

4 Many of the people that are around
5 or survive in this industry or take their
6 livelihoods from this industry qualify as a
7 small business. They're a small farm with
8 three or four people, five horse or more all
9 over this state. And support for that small
10 business really comes from support for the
11 operations in racing.

12 I do draw a comparison to M3D3 when
13 it comes to racing. The Horse Race Development
14 fund, and I don't want to get this number
15 wrong, is split. The nine percent that comes
16 to the fund is split.

17 The majority of it goes to -- some
18 of it goes to purses, most of it goes to
19 purses. But some of it goes to the sire's
20 program that has a little bit of a long lead.
21 The intention of it is to get breeding of
22 horses, more breeding of horses in
23 Massachusetts because there will be a payoff to
24 the horse owner in the near future in terms of

1 races that only apply to Massachusetts bred
2 horses.

3 So, I think that's the same model
4 that M3D3 uses. There is monies that go as
5 seed money towards this activity and hopefully
6 turn into economic development because it
7 piggybacks on activity that is there. I'm
8 still on the topic of racing. It's a topic of
9 economic development because I also see it as
10 the preservation.

11 Much like it is better to have a
12 dollar in hand than a dollar tomorrow, it's
13 better to have a job today than a job tomorrow.
14 So, if with our decision we were to effectively
15 result in the track closing, there will be a
16 number of people out of work the next day or
17 actually that day. They would probably see it
18 as a pink slip.

19 So, I think while everybody is very
20 close in many of these areas, I think that's
21 something that we have to value, I value. I
22 think it's important to mention. So, you see
23 where I'm going with my decision, but I'll
24 mention other things.

1 In essence, this was about money and
2 jobs. And you heard me about the money and
3 you've heard me a little bit about the jobs.
4 It's not easy to compare one job to another.
5 It's different jobs. I put under the jobs I
6 already mentioned the support to small business
7 because there's surrounding businesses that
8 support that activity.

9 But I would also concentrate on the
10 topic of an operator. This is going to be a
11 competitive market. The Category 2 is the one
12 that has the most hurdles when it comes to
13 operating in this competitive environment.

14 I came to really appreciate the high
15 tax, the higher tax and the limit on slot
16 machines really result in the need to have a
17 very strong operator, because they will have a
18 lot less at their disposal when it comes to
19 marketing dollars or operating against or in
20 the presence or in the proximity of Category 1
21 applicants.

22 Unlike other jurisdictions where
23 they have taxed slot machines with one tax rate
24 and table games with another tax rate, our

1 Category 1 and 2 difference is I think very
2 significant and worthy of note. And I believe
3 that Penn understands very well those dynamics.
4 They not only operate with the same type of
5 number of machines in other places, they really
6 operate in a number of competitive
7 environments.

8 So, in that context, we've gone
9 through my presentation where I felt that the
10 market share was very comparable. There's a
11 case to be made strategic and otherwise about
12 the merits of where to locate it. But to me in
13 the final analysis, it comes down to how
14 nimble, flexible and a good operator can be in
15 a competitive environment for the Category 2.
16 That is why I favor the Plainville proposal.

17 CHAIRMAN CROSBY: Anybody else?

18 COMMISSIONER MCHUGH: Well, I'll
19 take a stab at it. I looked at the basic heft
20 of the criteria in essentially the same way,
21 but I broke down economic development into jobs
22 and other and looked at things in that way.

23 I say at the outset that I too like
24 Commissioner Cameron think that Raynham

1 applicant Parks is fully capable of running an
2 excellent facility. We saw an excellent
3 facility in Bensalem.

4 And George Carney and the group that
5 has put its energies behind that proposal are
6 iconic figures in not only the Raynham area,
7 but here in Massachusetts as a whole.

8 So, I appreciate the energy they put
9 into it and who they are but the proposal, I
10 agree with Commissioner Cameron, did fall below
11 the others and well below the others in a whole
12 host of areas. Notwithstanding that the wage
13 projections were the highest of all three
14 applicants. But we heard about those and
15 discussed it the other day.

16 So, I really look at this as a
17 contest between the Leominster applicant and
18 the Plainville applicant. And I think it is a
19 very, very close contest. I think that the two
20 applicants really looked at not only the gaming
21 side of this but a plan that was cohesive, fit
22 the area where they are going to be and created
23 a theme that follows through not only in the
24 design of the building but their approach to

1 the application.

2 In one case, a theme that really
3 rests on a three-legged stool of dining and
4 entertainment and gaming plus community
5 support. And on the other racing, sports and
6 an affinity with the neighborhood and gaming.
7 So, I think it is very close.

8 But that said, I took a look first
9 at jobs. And of the two applicants by far the
10 higher number of projected jobs is for
11 Leominster. The salaries by a considerable
12 margin of full-time jobs we're talking about,
13 the salaries projected are higher than the
14 salaries for Plainville in each category of
15 jobs including the facilities, which is in both
16 sets of scales the lowest paid.

17 The number of full-time jobs as
18 opposed to part-time jobs with the Leominster
19 applicant is higher by a significant margin.
20 And that to me is an important factor because
21 the part-time jobs obviously are not as --
22 don't yield as much income as the full-time
23 jobs and the benefit packages that go with the
24 part-time jobs lower than the benefit packages

1 that go with the full-time jobs. So, you have
2 a lower gross amount for all of those. And a
3 more variable work schedule.

4 I also took a look at where the jobs
5 are going to be created. In the Leominster
6 proposal, the unemployment rate is 6.7 percent.
7 The average household income is \$70,000. And
8 the average price of a residence is \$250,000.

9 In the Plainville area, the
10 unemployment rate is 4.8 percent, not great but
11 it's lower. The average household income is
12 \$82,000 and the average housing price is
13 \$337,000. It is a more economically more
14 robust area.

15 Leominster is a Gateway City. It is
16 a city that needs assistance economically and
17 otherwise. It needs a path of entry for the
18 people who are in that city into a workforce
19 and into other workforces beyond those that
20 gaming in and of itself will produce. And
21 therefore a facility that provides jobs for --
22 new jobs for people in that city. Offers not
23 only new jobs but a pathway into full
24 integration into the society.

1 I looked at projections as to the
2 composition of the workforce. And here I want
3 to be very careful. In the case of the
4 Leominster applicant, their other facility in
5 Maryland exists in an area that is
6 demographically 73 percent white. The
7 workforce is 70 percent minority. That is
8 something of an indicator to me of the effort
9 that they've made to be inclusive.

10 Having said that the Plainville
11 applicant, Penn National, has done a terrific
12 job across the country in reaching out to
13 minority populations. The West Side project in
14 Columbus, Ohio is an example of that. The
15 recognition they've gotten for their project in
16 Wyandotte County, Kansas is an indicator that
17 they can do that. So, both are more or less
18 equal on that front. They both appreciate and
19 know the importance of reaching out to minority
20 communities.

21 The construction costs, which
22 translate into jobs ultimately are about the
23 same. Actually, they're a little higher for
24 Plainville. But those are job creators as

1 well.

2 To the job creation piece of
3 economic development, I looked next at the
4 mitigation, the plans they have for dealing
5 with and ensuring that those jobs and the money
6 that goes to those people doesn't come at the
7 expense of addiction prone individuals. Both
8 of their approaches are satisfactory. Penn
9 National has above industry -- proceeds above
10 industry standards in that regard.

11 In other categories for economic
12 development, we've heard about a number but to
13 me the ones that stuck out is the fact that
14 Leominster plans for the restaurant end of its
15 business to incorporate local restaurateurs.

16 They did that in Maryland very
17 successfully. They plan to do that here. They
18 have MOUs for regional development. And the
19 M3D3 program really is an ingenious effort at
20 both job creation and advancing the high-tech
21 industry that's the backbone of Massachusetts.

22 In the finance category, which I
23 rated next, both are well-equipped to mount
24 this effort. The five-year projections that

1 they both have made to us, and they have been
2 vetted by the teams and we heard the vetting
3 yesterday, but they both at the end of five
4 years come out at almost exactly the same place
5 in terms of gross gaming revenues.

6 The difference is that after the
7 stabilization period, after there's introduced
8 competition, the Leominster applicant stays
9 higher than the Plainville applicant does. So,
10 that the Plainville applicant's largest chunk
11 of the five-year gross gaming revenue
12 projection comes in the first three years and
13 then tapers off dramatically after year three,
14 when the Leominster applicant decreases
15 slightly but not nearly as much.

16 And those are self-protections.
17 Those it seems to me are realistic given the
18 vicinity in which the competition is likely to
19 be located. So, it has for me the ring of
20 truth.

21 The gross gaming revenues for the
22 five-year projection according to HLT is the
23 highest of all three. And then the facility I
24 think in both cases is attractive and capable

1 of supporting the business plan that both
2 applicants propose. You can't have a
3 successful business plan if you don't have a
4 facility that's capable of supporting it.

5 And it seems to me that the facility
6 that the Leominster applicant proposes with its
7 exterior entrances and its restaurants that are
8 outside that are clearly places that people can
9 go without being interested in gaming, and the
10 concert although you have to go through it is
11 an independently attractive facility is to its
12 credit and supports the business plan.

13 On the other hand, in the Plainville
14 applicant the Flutie Pub, the sports bar is a
15 well thought out piece of the facility that is
16 designed to integrate around what I basically
17 see as a sports theme, as I mentioned a minute
18 ago. The racing, the nearby sporting
19 attractions and the gambling.

20 In that regard, we talked a little
21 bit yesterday about whether Flutie was a part
22 of the Massachusetts brand and sort of brushed
23 that aside. But I think this was really a
24 carefully thought-out plan. In North Dakota

1 perhaps Flutie is not a part of the
2 Massachusetts brand to people who are looking
3 there. In Massachusetts it is, I think. That
4 Hail Mary pass in the game in the mid-eighties
5 is almost mnemonic with the name Flutie. And
6 then his storied career in Canadian and United
7 States football. And of course he was the last
8 person to do a dropkick successfully in the
9 NFL. So, there is a lot there. And I think
10 that that was very carefully thought out.

11 Indeed there is an earlier plan --

12 CHAIRMAN CROSBY: I think you
13 explained it a lot better than they did.

14 COMMISSIONER MCHUGH: But I'm
15 ascribing all of this. And I'll tell you
16 partly why, because there is another plan in
17 that application -- I didn't mention it the
18 other day. -- that I suspect was a plan from
19 the prior applicant that had the sports pub in
20 the center and the restaurant on the exterior.
21 And there was a switch made. And I think that
22 was part of a very careful thinking on their
23 part. So, I give them credit for that.

24 So, in the end -- And that's why I

1 think this is for me such a close call, but in
2 the end it's the quality of the jobs, the
3 number of full-time jobs and the location where
4 the jobs will be placed that tips the scale for
5 me in favor of the Leominster applicant.

6 I say that recognizing the hit that
7 potentially is taken to the racing industry.
8 And I value that industry enormously. I value
9 the racing. I love the horses. I love the
10 people that work in that industry. I love
11 their attitude, the way they live close to
12 nature and close to the ground. And I think it
13 is definitely an industry worth preserving.
14 And I will do everything that I can as a
15 Commissioner, regardless of how this comes out,
16 to find ways to preserve that industry.

17 And I recognize the potential that
18 my present decision may have with respect to an
19 impact there. But I think that on balance,
20 preservation of that industry is possible. And
21 I think that locating this facility in the
22 Leominster location for that region and for
23 those people and for the Commonwealth therefore
24 as a whole is the better choice.

1 CHAIRMAN CROSBY: Commissioner
2 Stebbins?

3 COMMISSIONER STEBBINS: Obviously,
4 Commissioner McHugh used all of my notes. He
5 had an excellent presentation, probably better
6 than I could have delivered.

7 But I want to go back and touch on
8 something that hasn't been mentioned. I
9 certainly don't think it has been overlooked.
10 That for me was the value of the host community
11 hearing process, the statutory requirement to
12 go out and have a hearing in the host
13 community. And it's been reflected on before.
14 Obviously, when we were down in Raynham, the
15 accolades and the endorsements that were made
16 to Mr. Carney and his family and obviously his
17 long-standing role in that community.

18 It also occurred to me that night
19 that there wasn't as significant amount of
20 attention actually paid to the Parks project
21 itself. Again, we've all said this, there's
22 certainly no indication that any of these three
23 applicants could not operate a successful slots
24 parlor.

1 But to people who might have a
2 question as to what value we place on these
3 host community hearings, this is only my own
4 perspective, but for those in the upcoming
5 round who think why should I bother going,
6 please understand that a lot of those comments
7 -- Commissioner Cameron reflected on comments
8 she heard in the host community hearing with
9 respect to local support. The comments and
10 input are impactful, I think at least some of
11 the elements I was weighing a decision.

12 I was somewhat discouraged during
13 those host community hearings because I had a
14 question which asked define local. My
15 expectation might've been one thing, but the
16 feedback I got was something different. And
17 it's no fault of any of our applicants. But
18 there was a focus -- We define local as
19 anything that is within the host community and
20 surrounding communities both for purchasing,
21 hiring.

22 And as I thought back to what for me
23 is one of the more compelling priorities of the
24 statute it's job creation. And I think picking

1 up on what Commissioner McHugh mentioned, I was
2 curious as to what impact all of our applicants
3 thought they could have on the surrounding
4 communities.

5 Though there are not surrounding
6 community agreements negotiated, obviously,
7 with every community, but as I looked to the
8 southeast, there are certainly employment
9 challenges in the city of Brockton. And I was
10 mindful of what opportunities or what
11 creativity our candidates could come up with.
12 Again, most of the local hiring requirements
13 were focused on the communities that the
14 applicant had signed an agreement with.

15 You move up to Leominster, and we
16 were reminded of the Gateway City designation.
17 The Gateway City designation obviously is a
18 representation of the economic hardship that
19 some of the communities that are so designated
20 have had, unemployment levels, median income
21 levels, educational attainment levels. Not
22 only was Leominster a Gateway City but the
23 neighboring community of Fitchburg, which I
24 believe had an unemployment rate or still

1 maintains an unemployment rate of around 10
2 percent.

3 So, I was focused on, and I think to
4 Commissioner McHugh's point, as to where the
5 jobs could have the most impact. As I went
6 through my analysis and presentation, I
7 attempted and try to make it very clear that we
8 really wanted to compare apples to apples all
9 the way across the board of all three
10 applicants, even though all three of them had
11 different kinds of external business strategies
12 that would impact their overall ability to
13 compete.

14 I, again, like my colleagues kind of
15 zero in on two of the applicants both
16 Plainville and Leominster. Just some quick
17 comments about each of their applications.

18 Again, I was impressed by the
19 creativity. Again, there were certain points
20 that came up in both applications. And we had
21 a question about where your childcare facility
22 is going to be on the property. As
23 Commissioner McHugh laid out, none of the
24 footprints have childcare facilities. But one

1 applicant came up with a different strategy to
2 approach the same question in terms of making a
3 linkage with a local daycare provider.

4 I saw steps from another applicant
5 which showed how they planned to really get
6 into the community to make sure that employment
7 opportunities were going to be made available
8 to the residents of that community.

9 I also appreciate the value of jobs,
10 the benefits that come with those jobs. I
11 don't discriminate between full-time and part-
12 time employment. Full-time employment is
13 great. Part-time employment is certainly
14 needed by a second income for a family. Part-
15 time employment is certainly needed by a
16 college student looking for some gainful
17 employment during the summer. So, I never
18 discriminate on those counts. But looking at
19 what benefits might accrue to an individual,
20 there are certainly through our analysis there
21 was some unbalance between Plainville and
22 Leominster, to my recollection.

23 And what kind of overarching concern
24 I have about employment is who is best going to

1 be able to weather the storm when it comes to
2 competition. And we asked each of our
3 applicants to show what your employment would
4 be in year one when there is no Massachusetts
5 competition. We asked them for their
6 stabilized year of maximum competition however
7 they sought to project that.

8 Plainville had fewer jobs.
9 Leominster certainly saw a decrease in the
10 number of jobs. Both of those applicants, I
11 think, demonstrated that we can't expect that
12 employment -- And I think this is an important
13 notion for every community to understand --
14 that those two applicants certainly reflect
15 that there will be a decrease in employment
16 when competition is realized. I don't think
17 that should be a surprise to anybody, but it
18 bears repeating.

19 My concern subsequent to that is how
20 can we make sure that the relationship between
21 the Commonwealth, the communities and the
22 applicant is maintained through the course of a
23 lifecycle of a license or the lifecycle of
24 their operations, and not really setting

1 anybody up for failure.

2 I appreciated the fact that Penn, I
3 think based on their experience, has probably
4 produced a more conservative forecast with
5 respect to employment in the maximum
6 competition years.

7 Again, I think Leominster also
8 forecasted, again, a decrease in employment.
9 But based on their experience and it is right
10 now running the most successful -- as we sit
11 here today the most successful casinos in
12 Maryland. I would have to give a slight edge
13 to who would hold the most conservative
14 projection so that our revenue forecast
15 continue to be met. The expectations of the
16 community with respect to employment continue
17 to be met.

18 Turning to what again I relate to as
19 the external business strategies. M3D3 and the
20 participation by Leominster was I would chalk
21 this up in my own Wow category. The fact that
22 they could understand what other drivers there
23 were out there to generate additional
24 employment, I think, was creative.

1 It's understanding the region of the
2 country, the region of Massachusetts where
3 you're going to operate. A bold initiative. I
4 think we consistently hear of some of the
5 grumblings we hear at the host community
6 meetings I referenced earlier is you know those
7 casinos, they just want you to come in, take
8 all your money and they don't care what happens
9 outside of their box.

10 This was a creative approach to
11 that. Certainly, I would assume their strategy
12 is that if there is an economic health to the
13 entire region that that obviously is a good
14 thing for them in the long run.

15 When we looked into, asked questions
16 about what their involvement would be beyond
17 financial support, there were two interesting
18 levels of commitment beyond that which said
19 they would participate in the decision-making
20 or on the advisory board. And they would also
21 use the business relationships they have to
22 recruit other potential angel investors.

23 With respect to Plainville, I
24 wrestle with the future of harness racing. The

1 jobs in hand that are already associated with
2 those, the fact that purse money is going to be
3 available to help support and nurture that
4 industry. And I am mindful as I look back to
5 the statute -- And this is something I wrestle
6 with. -- in the statute it says will provide
7 for new employment opportunities in all sectors
8 and shall preserve jobs in existing industries
9 in the Commonwealth. For me that's a tough
10 qualifier to get over.

11 I certainly am looking for the
12 greatest number of jobs, the most reasonable
13 number of jobs that can be expected to be
14 maintained over the course of the license. And
15 obviously hopefully by the five-year license
16 life of the slots parlor that other Category 1
17 casinos will be introduced, and who is going to
18 best going to be able to manage that
19 competition.

20 And I would like to say that, unless
21 I can be talked out of it, I appreciate the
22 Leominster proposal, but I think for increasing
23 jobs and maintaining employment as we've talked
24 about in an existing industry that I need to

1 lean towards supporting the Plainville
2 application at this point.

3 CHAIRMAN CROSBY: All right. I know
4 this is small consolation but I will reiterate
5 what the other Commissioners have said about
6 George Carney and the Carney family.

7 I wrestle with -- Fundamentally
8 these two, as everybody has said, can do the
9 job. There are no disqualifying
10 differentiators at all. So, you try to figure
11 out what are the key differentiators? What are
12 the values here that really matter the most and
13 is there a difference between them?

14 The racing issue I also wrestle with
15 for all of the reasons that everybody has said.
16 I do think that the Legislature did give us
17 guidance on this. The Legislature did
18 establish the Race Horse Development fund and
19 made the judgment, apparently that the \$20-plus
20 million a year that will be driven by the Race
21 Horse Development tax and given to the Race
22 Horse Development fund, mostly to purses, will
23 do the job of strengthening this industry
24 presumably harness and thoroughbred was their

1 intent.

2 They did not mandate that any track
3 get a license. They did not mention tracks or
4 racing as a criteria. They did develop a fund
5 that will get \$20-plus million a year. And
6 there is some reason to believe and there
7 certainly is a lot of hope and it certainly is
8 the intent of this Commission that with the
9 help of that Race Horse Development fund that
10 the industry, both harness racing and
11 thoroughbred can be made to prosper.

12 So, I find the racing -- The fact of
13 saving racing or not, saving in this case
14 harness racing or not I don't think this
15 decision is going to be dispositive one way or
16 the other. I don't think it's an accurate
17 conclusion. It may well be that this
18 particular track under this particular
19 ownership situation closes. But there have
20 been plenty of situations where tracks have
21 gone dark and as finances have been rearranged,
22 they have reopened.

23 So, I don't consider this decision
24 dispositive as to the future of harness racing.

1 In fact, I think the Legislature gave us
2 guidance that they believe that simply with the
3 help of the Race Horse Development fund that
4 the industry could be maintained.

5 It's clearly a factor and it clearly
6 weighs in favor of Plainville. I don't see it
7 as dispositive. And I don't see the future of
8 the harness racing industry as being determined
9 by this vote.

10 The three critical values in my book
11 are, I think, pretty much what others have said
12 revenue, jobs and economic development in
13 general. I think that's what the Legislature
14 did this for. Clearly, those were the three
15 reasons this happened. If you set everything
16 else aside that's what this legislation is all
17 about.

18 The revenue I think we sort of have
19 to take at face value what the consultant and
20 Commissioner Zuniga came up with. I've
21 expressed my sort of intuitive skepticism about
22 that. And I still feel it. It feels peculiar
23 to me. It just doesn't feel right to me in
24 some sense as to plop down another competitor

1 right into that intensely competitive area.

2 But the facts are what the facts are. So, from
3 the standpoint of revenue it looks like it's
4 pretty much a jump ball.

5 From the standpoint of jobs, I think
6 that Leominster gets the nod for the reasons
7 that Commissioner McHugh articulated clearly
8 and I won't reiterate.

9 On economic development, I think
10 it's really interesting. And there is a little
11 bit of a safe bet and a bigger bet. I think
12 that the Plainville option is a sure fire bet.
13 It's going to work. It's a proven operator.
14 They're going to do the job. They're going to
15 do the job well. The region is a reasonably
16 healthy region but for the competition issue,
17 which I have already spoken to. It'll do fine.

18 And it doesn't need to be an
19 economic development engine. The region
20 doesn't need a new economic development engine.
21 It's got a bunch of economic development
22 engines. This would be an add-on. This will
23 be an increment that would be a nice increment.

24 The Leominster situation is

1 different. The Legislature made the judgment
2 that gaming facilities can be economic
3 development engines. There's not a lot of
4 evidence to suggest that a slots parlor can be
5 an economic development engine. But the
6 Legislature made the judgment that it could and
7 gave us the mandate to try to make that happen.

8 And we have written our rules and
9 our standards and our evaluation criteria to
10 try to push the envelope. That even the slots
11 parlor, even \$125 million project is designed
12 by our criteria as well as by legislative
13 direction to make the most that it possibly can
14 be made as an economic development engine.

15 And I think the Leominster folks
16 understood how to take this project and make it
17 a potential engine for economic development in
18 an area that needs economic development badly.

19 The proposal appreciated the North
20 Central Mass. region as a region. It will be
21 one of the biggest players, maybe the biggest
22 player in that region. It will have the
23 potential to have a significant impact on that
24 region, change the nature of that region.

1 It understood, it came up with the
2 awareness of the medical device industry, the
3 linkage between UMass Lowell and UMass Medical
4 Center. The M3D3 suggests, as others have
5 said, an appreciation for the need for another
6 kind of economic development.

7 Out of that could come another real
8 serious engine. And adding \$1 million to \$1.5
9 million to that mix annually is a real serious
10 proposition with a high degree of probability
11 that over a period of years something big will
12 happen.

13 That's what happens. When you take
14 entrepreneurial ventures and you pick them and
15 choose them and most of them fail and every
16 once in a while one of them hits. And this is
17 a material contribution to increasing the
18 likelihood that there will be one or more
19 medical device industries that will grow out of
20 this thing that will have a real serious
21 economic impact.

22 Commissioner Stebbins mentioned, as
23 I did yesterday, the Gateway City. We have a
24 public policy in Massachusetts to identify and

1 support Gateway Cities with the means at our
2 disposal. It's not dispositive. There was no
3 direction in the Legislature to favor Gateway
4 Cities. But public policy in Massachusetts has
5 identified Gateway Cities as an important
6 priority and encourages agencies to be
7 supportive as possible.

8 When there's competitive environment
9 that region will still be a standalone region.
10 There is some opportunity for a little
11 entertainment complex to survive there as a
12 standalone unit. There won't be any others,
13 but there's plenty in many other parts of the
14 state. So, it's role as more than just a slots
15 parlor as a broad-based entertainment unit I
16 think is a potentially viable role.

17 So, I think there is no way to know
18 what would happen. If we were to pick
19 Leominster, I would want to put in conditions
20 or something. I'd want to make sure that those
21 folks really belly up to the bar and, as I said
22 in my evaluation yesterday, make sure that the
23 energy and enthusiasm and love that's expressed
24 in the competitive process is translated into

1 ongoing action.

2 But I think there's an opportunity
3 to do something really significant in a region
4 of the state that really needs it. I think the
5 bidder understood that and put their shoulder
6 to the wheel. I think the marginal utility of
7 investment in that region is much higher than
8 the marginal utility of investment in the other
9 region. And I think the good that we could do
10 by supporting an investment in North Central
11 Mass. is greater than the good that we can do
12 by any of the other options by a fairly
13 substantial amount

14 So, I consider revenue a tossup. I
15 consider jobs favored by Leominster -- favoring
16 Leominster. And I consider economic
17 development favoring Leominster.

18 COMMISSIONER CAMERON: Just a
19 response to all of this, very interesting, very
20 thoughtful. Mr. Chair, I would agree that if
21 we had a subpar candidate, racing absolutely
22 should not put them over the top. I've always
23 thought that that would have to be a very
24 quality applicant and then that would be added

1 value.

2 When I looked at just the two
3 applicants, I actually gave Plainville a slight
4 edge because of the really -- the financial
5 work that was done I gave them a clear edge.
6 And the fact that economic development, again,
7 I said those two were the most important,
8 really had them at a tie.

9 So, I gave them a slight edge before
10 we talked about racing. I just keep coming
11 back to I know there's a potential and
12 Leominster does have needs. I think all of
13 that is accurate, but when we talk about not
14 just the jobs in racing but all of the other,
15 the industry itself.

16 And I could go on and on about how
17 many jobs and open space, I just think that is
18 of great value. For me that clearly -- it
19 makes the stronger case when you talk about
20 potentials of what we're saving as far as
21 preserving jobs and so many jobs. It's not
22 just those folks at the track which I've come
23 to learn.

24 CHAIRMAN CROSBY: Is it pretty clear

1 in your mind that harness racing is dead if
2 this doesn't happen?

3 COMMISSIONER CAMERON: I think
4 there's not a viable option right now and in
5 the near future for someone to make the
6 investment to build another track. I don't
7 believe that's an option that's viable.

8 I don't believe the money set aside
9 is enough to have someone build a new harness
10 track. So yes, I look at it as probably a
11 piece that leaves the Commonwealth if in fact
12 Plainville does not receive this license. I
13 don't look at it as optimistically as you do,
14 Mr. Chair, I really don't.

15 COMMISSIONER MCHUGH: Why would
16 there have to be another track? If Plainville
17 doesn't get the license, and doesn't want to
18 participate in that facility any longer, why
19 wouldn't there be a buyer who could come in and
20 buy it, looking at the increased purse money
21 that's available. It's not only nine percent
22 from the slots, but it's the two and a half
23 percent of the 25 percent too. So, that's an
24 ongoing revenue stream that goes in that comes

1 out to the 20 million bucks.

2 Why wouldn't another buyer come in
3 and pick it up?

4 COMMISSIONER CAMERON: Do you want
5 to take that one?

6 COMMISSIONER ZUNIGA: Yes. Because
7 there's a cost to operate those, first of all
8 to develop it and then to operate. And the
9 money going to purses does not necessarily flow
10 to the operator.

11 And I think we talk about this fund
12 and the conduit needs to be the track. And
13 there's an upfront cost in order to make that
14 happen.

15 COMMISSIONER MCHUGH: What is the
16 upfront cost? The track is there. There's a
17 maintenance. Maybe it needs to be spruced up a
18 little bit, but it's been operating.

19 COMMISSIONER ZUNIGA: You'd have to
20 purchase it as a starter.

21 COMMISSIONER MCHUGH: Well, yes, of
22 course. Oh, I see. That's what you're
23 referring to.

24 COMMISSIONER ZUNIGA: Yes, somebody

1 would have to purchase.

2 COMMISSIONER MCHUGH: Okay.

3 COMMISSIONER ZUNIGA: I do want to
4 talk about the economic development and the
5 region. I've seen a graph of the horse farms
6 throughout the state and they are all
7 throughout.

8 I know this is anecdotal, but I
9 should mention. I remember a couple of letters
10 from Leominster from somebody in Leominster who
11 was in strong favor of the Plainville proposal.
12 And it struck me quickly because I figured this
13 is a little odd.

14 COMMISSIONER MCHUGH: They didn't
15 want to identify themselves.

16 COMMISSIONER ZUNIGA: No, they did
17 identify themselves. They are horse owners.
18 And they have a farm in the Leominster area.
19 They actually would likely move either further
20 up north to Bangor where they could race or
21 further south to the mid-Atlantic region if
22 there was no standardbred racing conduit here.

23 They could come back if somebody
24 else comes back and buys the track after a few

1 years of going dark, but the reality is that
2 they would move rather quickly. And that's the
3 economic development negative that I view with
4 our decision here in terms of this
5 conversation.

6 So, I appreciate that we're looking
7 at the median income of Plainville proper
8 versus Leominster. I think that's a very
9 compelling argument. But as it relates to
10 horse racing, it's a larger more elusive
11 comparison because we would have to take into
12 account the horse farms, the hay farms that
13 currently literally feed into this industry.
14 And the economic development there is a bit
15 elusive.

16 You did mention Mr. Chairman that
17 there's been plenty of situations where tracks
18 have gone dark, I am not sure that there's that
19 many and then come back. There's been
20 situations --

21 CHAIRMAN CROSBY: When I say many,
22 don't jump on the word. There are models where
23 tracks have gone dark and the finances get
24 rearranged and they come back. I don't know

1 many.

2 COMMISSIONER ZUNIGA: I don't know
3 of any. I would be interested. I know that
4 there's been situations, plenty of situation
5 where money has come to tracks in the form of
6 gaming, which is essentially the model here.
7 So, I think that's an important point.

8 CHAIRMAN CROSBY: Jennifer can you
9 speak to this? Am I wrong that there isn't a
10 history of tracks of racing going dark and then
11 starting up again? Introduce yourself.

12 DR. DURENBERGER: Jennifer
13 Durenberger, Director of Racing for the
14 Massachusetts Gaming Commission.

15 Mr. Chair, you're not wrong. But
16 the statutes do differ from state to state.
17 And in some statutes, the operators do receive
18 a percentage of the funds. To Commissioner
19 Zuniga's point 80 percent of this Race Horse
20 Development fund is targeted for purses.
21 Ultimately, that is designed to increase the
22 field size, which is designed to increase the
23 wager, which in effect would help the operator.
24 The statutes do vary from state to state.

1 CHAIRMAN CROSBY: Have some
2 facilities gone dark and started up again?

3 DR. DURENBERGER: There have and I
4 don't those statistics with me. I apologize.

5 COMMISSIONER ZUNIGA: You're
6 alluding to when there's money flowing to the
7 tracks, to the operator that's a source of
8 revenue.

9 DR. DURENBERGER: Yes, it is.

10 COMMISSIONER ZUNIGA: That could
11 conceivably give way to someone coming and
12 wanting to pick up the operation. That's not
13 the case in our statute here because the money
14 flows to purses, not the tracks.

15 DR. DURENBERGER: Purses, breeders
16 and benevolence fund, yes.

17 CHAIRMAN CROSBY: But it's a
18 different strategy for doing the same thing.
19 It's not giving money directly to the operator,
20 but this theory is that it drives purses which
21 drives fields which drives quality of racing
22 which drives betting, which drive money to --

23 COMMISSIONER ZUNIGA: Ultimately, in
24 my mind the way I can explain it to myself is

1 what is the level of spend. If we take out the
2 slot component, what is the level of spend in
3 terms of economic development that would
4 otherwise go nowhere and that is the comparison
5 -- that would otherwise not be realized. I
6 would then be comparing the M3D3 grant program
7 of \$1 to \$1.5 million to the money that goes to
8 operate racing, which is in excess of \$10
9 million.

10 So, if we agree that at least that
11 spend is going to have some economic
12 development I think there's a real difference
13 there.

14 COMMISSIONER MCHUGH: I was going to
15 say, it seems to me that a comment that
16 Commissioner Stebbins made, it really is a
17 recurring theme here. That is that the job
18 that you have today is better than the job you
19 may have tomorrow or the jobs that you have
20 today are a better bet, a safer bet than the
21 jobs you may have tomorrow. It seems to me
22 that that's in part -- not in part. There's a
23 real philosophical underpinning there that
24 differs from my overall approach. I guess

1 that's important to say.

2 I agree with Chairman Crosby about
3 the potential for economic development if you
4 put the right entity in the right place at the
5 right time. I think the Plainville folks have
6 done a terrific job creating a facility and a
7 business model that's right for that
8 environment and for that place. It comes right
9 out of their background. That's what they do.
10 They do it well. They know how to do it. They
11 will be successful at it.

12 The Cordish people are developers.
13 They are not gaming people. And they have in
14 my view looked at what they have in Leominster
15 with a developer's eye, an entrepreneurial eye.
16 What can we make of this? That's where the
17 M3D3 thing came from. That's an out-of-the-box
18 thinking.

19 They're in a place that needs
20 economic development. It needs imagination.
21 It needs people who are going to use a
22 facility, a revenue generating facility as a
23 mechanism for leveraging development in that
24 area.

1 And I believe that that's why
2 they're looking at that. I believe from what
3 they've said, who they are, what their
4 background is, they've got a very successful
5 gaming place in Baltimore. But they also have
6 a successful venture in the three stadium area
7 there that doesn't have anything to do with
8 gaming. They've got malls that they've built.
9 And they've got a history of success in all of
10 that.

11 That's an entrepreneurial history of
12 success in a variety of different consumer
13 oriented venues and areas. And they've been
14 engines for economic development in each of
15 those.

16 So, philosophically it seems to me
17 not only is it better to take the dollars that
18 this is going to generate and put them in a
19 place that most needs them, but in terms of the
20 potential punch that putting the right
21 developer in the right place is a quality
22 that's really important to think about.

23 And I recognize, I do recognize the
24 potential impact on the racing. And I do want

1 to figure out everything we can do to save
2 those jobs, not only as I said because of the
3 economic value, but because of the people who
4 are involved in them and the rural character of
5 Massachusetts.

6 But I do think that philosophically
7 in terms of promoting long-term growth, this is
8 the better -- the other way would be the better
9 way to go. I just wanted to jump in and say
10 that because it seems to me we are thoughtfully
11 coming at this thing from, I think, two
12 different philosophical perspectives, both of
13 which or each of which is valid.

14 COMMISSIONER ZUNIGA: I did want to
15 mention something about projections. You
16 already touched on it, where I was going, but
17 projections of jobs. I think it's rather
18 straightforward to put a number into a
19 projection, but it all depends on what
20 ultimately the market does.

21 It starts with how much money and
22 how many patrons can come to the facility. So,
23 I don't put as much weight as it would seem in
24 the difference between an applicant that

1 projected 600 jobs and someone else who
2 projected 500 jobs for their operations.

3 We didn't put a lot of weight into
4 whether somebody projected \$2 million or \$10
5 million more on a present value. The real
6 analysis that we were trying to achieve was
7 whether those projections were realistic and
8 whether they took in the context of
9 competition, the operations, the business plan
10 and other things.

11 So, I would emphasize that notion
12 that a job today is better than any job that we
13 can project -- that one job today is better
14 than one job tomorrow.

15 I also think that this is a very
16 unique industry in the sense that the engine,
17 the real engine, what gives anybody the ability
18 to do all of these promises mitigation, M3D3
19 racing is gaming. If people come in and play
20 in the slot machines then everything else can
21 happen.

22 And to me that's the genesis or the
23 case for looking at who we believe may be the
24 best operator. Who we believe may have the

1 experience to react in a nimble way with the
2 constraints that they may face and in a
3 competitive environment. Who has done this
4 before similarly in other places?

5 And while I think that it's very
6 important to highlight the development piece, I
7 think the operating piece is the one that
8 endures and gives the ability to fulfill all of
9 these other promises to continue to fund
10 whatever they said they were going to do.

11 The way I am coming from at this is
12 the experience and the bench strength that a
13 national operator brings, there's very little
14 that we can come up with in terms of regulation
15 that they have not seen in the case of Penn.
16 There are a number of facilities of the similar
17 size, of the same size that they have
18 throughout the country.

19 So, there's a corporate culture and
20 a corporate strength there to establish
21 procedures, to manage. I can imagine somebody
22 at the corporate office looking at metrics and
23 saying maybe you need to calibrate here in
24 order to operate as nimble and as flexible as

1 possible. Because this facility will face
2 competition from the Category 1's. And how
3 they react is ultimately I think is very, very
4 important.

5 CHAIRMAN CROSBY: That's
6 interesting. I actually look at the same set
7 of facts and see it somewhat differently with
8 several of these things. This is sort of a
9 philosophy issue.

10 You say nimble and flexible. What
11 that usually refers to was the entrepreneurial
12 company, a privately held entrepreneurial
13 company which is what the Cordish companies
14 are. You're using nimble and flexible on
15 behalf of the big public company, which to me I
16 think of it -- I was struck during the
17 presentations and the background checks that
18 this REIT negotiation was going on.

19 And the senior management of Penn
20 was consumed with financial engineering.
21 That's what was going on. And they have to be.
22 That's their job. They have a very high
23 priority of a stock price to worry about.
24 That's going to override everything else.

1 A private company doesn't have those
2 kinds of considerations. In this case there's
3 a private company with people's name on the
4 door. It's a very personalized kind of style,
5 kind of business. They are infinitely smart
6 and capable operators. To suggest that they
7 would be able to react less well to competition
8 doesn't seem very realistic to me.

9 I think they probably both can, but
10 I can't imagine that the Maryland Live operator
11 would be less shrewd in reacting to
12 competition. This is a relatively small
13 matter, but in a certain respect I prefer the
14 idea of having the operator be a private
15 company, an entrepreneurial private company as
16 opposed to a big public company.

17 COMMISSIONER ZUNIGA: Can I just
18 mention something to the nimble and flexible?
19 I wasn't meaning their corporate structure
20 being nimble. I was meaning the amount of jobs
21 that they may have projected in order to
22 operate. I think they may be reading the
23 marketplace and the financials and saying we
24 don't need -- the amount of people that we

1 need, the amount of people we need to employ,
2 therefore our projection is smaller
3 comparatively, is only this many. And that's
4 the conclusion I was drawing from other areas
5 of their operations.

6 COMMISSIONER MCHUGH: I think we
7 really are getting down into a fundamental
8 philosophical difference. The idea that a job
9 today is better than a job tomorrow just
10 strikes me as philosophically different from
11 the way I see the world.

12 I say that while agreeing that net
13 jobs in the immediate short-term is an
14 important consideration. But 60 percent of the
15 jobs that we have today aren't going to be the
16 jobs that are be available in 10 years, 15
17 years. That's one of the things that a lot of
18 people are thinking about and have to think
19 about is where to put the economic engines of
20 the future.

21 That's why there's a really strong
22 push I think we'll see developing in the near
23 future about putting the next innovation center
24 at the Dudley Square area. Try to lift all

1 boats with the kind of energy and synergy that
2 that kind of a facility and that kind of an
3 operation generates.

4 So, that we have to look at where
5 the jobs of the future are going to come from,
6 and where we need to ensure that nobody is left
7 behind. Because the leaving behind piece is a
8 huge destabilizing factor.

9 I don't want to put too much on
10 this, say that putting a slots parlor in
11 Leominster is going to save us all from ruin.
12 But it is a piece of an economic development
13 potential that we need, I submit, to think
14 about and help to foster, because that is a
15 place where people can be left behind.

16 And we do need to think about
17 innovative ways and take chances on innovative
18 ways to help those areas grow economically.
19 So, it is really a philosophical difference.

20 CHAIRMAN CROSBY: I just wanted to
21 ask Commissioner Stebbins if you have any more
22 thoughts?

23 COMMISSIONER STEBBINS: A couple of
24 things as we've been talking about this a

1 little bit more. We talked about it a lot, it
2 was expressed to us a lot this notion of the
3 Gateway City. Mr. Chairman, I want to just go
4 back and maybe give it a different perspective
5 than yours on the Gateway City designation.

6 I live in a Gateway City. It
7 certainly is never a promise that when the
8 administration has a business to locate that
9 they pick a Gateway City or else Springfield
10 would be booming and my house value would go
11 up, which would be great.

12 Again, it's an administrative
13 program that focuses dollars available through
14 certain programs into, I believe, it's 13 or 14
15 communities across the state. Yes, it's
16 certainly a representation of again the
17 economic distress or the economic stability of
18 a region.

19 But I was worried that you making an
20 allusion to the fact that if we have this
21 ability to put a business into a Gateway City
22 that that should be a driving factor based on
23 that programmatic aspect. Maybe it wasn't
24 but --

1 CHAIRMAN CROSBY: I certainly didn't
2 mean that there was it any legal compulsion. I
3 meant as a matter of public policy, many
4 governors have singled out these kinds of
5 cities through a Gateway City program
6 specifically. But there's lots of governors
7 that are looking to figure out how can you
8 bring stimulus to the cities that need them
9 including Springfield. That's what I meant.

10 COMMISSIONER STEBBINS: Okay, I
11 appreciate that.

12 CHAIRMAN CROSBY: It's sort of the
13 way that Commissioner McHugh is talking about
14 this. What is the strategy of economic
15 development? One of our mandates is economic
16 development. What is the strategy that we'll
17 use to implement that?

18 COMMISSIONER STEBBINS: And I just
19 want to touch on another point. I also find
20 this a very hard argument to juggle the
21 question of a job in hand today is better than
22 the prospect for a job in hand tomorrow.

23 Again, I alluded to it earlier that
24 I was pleased that the Leominster applicant

1 thought this much outside the box to think of
2 the impact it could have on the region. This
3 is only obviously a small part of our
4 consideration but through the M3D3 program.
5 Let's keep in mind that there is an opportunity
6 for the M3D3 program to be successful without
7 awarding a license to Leominster.

8 The previous funding mechanisms for
9 the precursor program M2D2 is all through the
10 state. Not to make promises to the state, but
11 they need to belly up and fund M3D3.

12 Conversely with that I think it's
13 more of a shaky ground to think of even though
14 we know there is a source of revenue through
15 the slots for the racing fund, of how the
16 racing fund would be able to stand up the horse
17 racing industry.

18 This gnaws at me a little bit
19 because I'd like to consider myself a
20 capitalist. If you go by the wayside because
21 the economic times dictate that then that's the
22 case or else we'd still have a lot whip makers
23 out in Westfield. So, I keep coming back to
24 that point and wrestling with that point.

1 CHAIRMAN CROSBY: At the moment, you
2 still lean to Plainville? Is that the bottom
3 line?

4 COMMISSIONER STEBBINS: I lean
5 towards -- Yes, I somewhat still lean towards
6 Plainville. I appreciate -- would reiterate
7 the statement Commissioner McHugh had that if
8 Leominster is chosen that we need to redouble
9 our efforts to find a secure strategy for
10 making sure that Plainridge or another harness
11 track doesn't go dark for long. We have talked
12 about pursuing legislative changes to the
13 existing statute with regard to racing and
14 gaming. And I'm forecasting a little bit too
15 far.

16 COMMISSIONER CAMERON: I guess I
17 just have trouble with all of the speculative.
18 I don't see a real nexus to a lot of jobs
19 through this one program. I know that there
20 are a prognosis. I just don't see that when I
21 compare it to the jobs that are there today and
22 all of the other ancillary industries that are
23 associated with those jobs.

24 We can talk about wanting to stand

1 up and support racing. Frankly, I don't see a
2 way to do that either. I don't see what we as
3 a commission could do to encourage someone to
4 buy a track or in any other way help the
5 industry.

6 I'm just trying to deal with facts
7 as I see them. And as I see things, one is
8 very speculative, although there's so many good
9 things that some out of speculative kinds of
10 propositions. I understand that. But
11 comparing it to an existing industry that
12 really is very widespread with lots of
13 tentacles. I'm not convinced to go in the
14 other direction.

15 COMMISSIONER ZUNIGA: I think we
16 might be here longer than I thought. And it's
17 approaching lunchtime. Do we need to think
18 about breaking?

19 CHAIRMAN CROSBY: I was just going
20 to bring that up. I think it would make sense
21 to take a break. We've all gone on a pretty
22 deep dive on the first round. I don't know
23 whether anything will change particularly but
24 we all probably could use a chance to stew on

1 it.

2 I do want to talk a little bit with
3 staff about the process over the next day and a
4 half and make sure that we are tracking on that
5 properly.

6 Commissioners will not be able to
7 talk to one another about this besides a group
8 of two. Two people can talk, but no more than
9 two can talk. So, nobody will miss any
10 deliberations. We're not going to go off and
11 deliberate. We're just going to go off and
12 have lunch.

13 So, let's come back at 1:00 and pick
14 up and see where we're at. Does that sound all
15 right?

16

17 (A recess was taken)

18

19 CHAIRMAN CROSBY: I think it's time
20 to reconvene at about five minutes passed one,
21 meeting number 110.

22 I just want to just describe the
23 process we're going to go through here. We
24 will, if we can, come to a decision sometime

1 this afternoon. If we feel like we got the
2 decision made, we will then vote to make the
3 award to the presumptive winner tomorrow, if
4 the presumptive winner agrees to the conditions
5 that are attached to the award. Some of those
6 are written out. We'll talk about whether any
7 other special conditions depending upon who the
8 presumptive winner is.

9 So, that we will designate who the
10 winner will be, but it will be conditional upon
11 the winner agreeing to the conditions. And the
12 final formal award vote would be taken tomorrow
13 morning at 9:30.

14 Okay. Now that everybody's had a
15 chance to think, anything to add, subtract,
16 change?

17 COMMISSIONER ZUNIGA: I would
18 actually like to add. I think it was a great
19 discussion this morning. I think however, that
20 we were focusing a little too much on
21 something on the margins, the benefits of
22 something like a M3D3 and numbers around those
23 areas.

24 I want to bring us back to the main

1 thrust of the Gaming Commission, which is
2 gaming. We stand to make \$125 million a year
3 from the gaming operations in the form of 49
4 percent of about \$250 million a year when there
5 is no competition.

6 So, I'm concerned mostly, not a
7 concern, I'm really focused on the ability to
8 realize \$125 million. There was a couple of
9 discussion relative to tossup. I think you may
10 have mentioned, Mr. Chairman, that the finance
11 piece was a tossup.

12 CHAIRMAN CROSBY: I meant tossup in
13 terms of revenue generation.

14 COMMISSIONER ZUNIGA: Yes. That's
15 exactly what I wanted to highlight.

16 CHAIRMAN CROSBY: Jump ball.

17 COMMISSIONER ZUNIGA: It is a jump
18 ball when it comes to market size, market
19 location and market size. The ability of each
20 of these locations by virtue of where they
21 stand to generate that. But then it's not a
22 tossup in my opinion when it comes to operating
23 these facilities. When it comes to realizing
24 the actual realization of those revenues.

1 We sort of put aside a little bit
2 the notion of weighing, and I know this may
3 sound a little presumptuous because I was the
4 one who studied the finance piece, but I think
5 that's the most important piece. Because as I
6 was alluding to in my prior remarks this
7 morning, the ability of jobs of ancillary of
8 mitigation activities all stems from something
9 that comes first which is the revenues that
10 these facilities can generate.

11 I also wanted to mention --

12 COMMISSIONER MCHUGH: Is there a
13 difference between the revenues? I'm not sure
14 I follow the end of that.

15 COMMISSIONER ZUNIGA: Well, the end
16 is I think we should go with the best operator.
17 In my opinion, the revenues are going to be
18 what the revenues are. I think the finance
19 section proved that the market sizes by virtue
20 of their location are comparable but in my
21 ratings, we rated the Penn people to have the
22 most experience operating as demonstrated by a
23 number of things. Not only their experience in
24 many other jurisdictions, operating in

1 jurisdictions of similar size and constraints.

2 So, I think that is the biggest
3 number, the main number that we need to be
4 focused on, the ability of someone to actually
5 generate what they project. Now somebody may
6 be a little bit more optimistic in their
7 projections. Somebody may be more pessimistic
8 or have projected a bigger drop.

9 It ultimately comes to in my mind
10 who is the most likely to realize on their
11 projections whatever they are. And the
12 realization of those are going to be what the
13 market can bear.

14 You mentioned, Commissioner McHugh,
15 there was a difference of course in projections
16 of jobs 600 plus versus 500 plus. Those
17 projections stemmed in my opinion from the
18 revenue projections. And they projected
19 different revenues. But that's only their
20 projection.

21 CHAIRMAN CROSBY: It was mostly food
22 and beverage, isn't that what we discussed that
23 it was the food and beverage and entertainment
24 that generated the extra jobs?

1 COMMISSIONER MCHUGH: Yes.

2 COMMISSIONER ZUNIGA: My point is
3 still the same. It's a projection and it
4 ultimately stems from whether somebody can
5 actually realize as much as what the market can
6 bear.

7 So, in my opinion what pick what we
8 think and I think, Penn is the best operator.

9 COMMISSIONER MCHUGH: But if we take
10 that approach, the track record in Maryland is
11 that the Leominster folks run the most
12 successful casino in Maryland of all of those.
13 In addition to that, both sets of revenue
14 projections were tested by you and HLT and
15 found to be approximately within the range of
16 reason, both sets of projections.

17 So, you've got two highly qualified
18 -- That's where the jump ball in my view came
19 from. You have two highly qualified skilled
20 people that know what they're doing that have
21 demonstrated success in the past. And they're
22 making projections that come out at the end of
23 five years about at the same place. And they
24 both are within the range of expectations that

1 you and other studies have shown. So, it seems
2 to me that you don't get a margin. The margin
3 comes elsewhere.

4 I don't disagree that revenue
5 generation is a key to everything. It's a key
6 to jobs. It's a key to everything. But I
7 don't see a differentiation there.

8 COMMISSIONER ZUNIGA: The Maryland
9 example I think is important to put in the
10 context of where they are. Maryland Live sits
11 in a very dense, very high income area of the
12 whole state.

13 CHAIRMAN CROSBY: They picked that.
14 That was their shrewd decision when the law
15 became available. It shows how smart they
16 were.

17 COMMISSIONER ZUNIGA: Yes, that's
18 right. That's not where they are here. They
19 are in much less dense area. Maryland also
20 doesn't have a restriction, the restriction
21 that we have here which is the 1250. So, I
22 would argue that it's probably easier to
23 operate when there's not a restriction on the
24 number of machines.

1 You don't have to be as efficient
2 with the programs, with turning around seats
3 and food and beverage, etc. You don't have to
4 go on necessarily a lot of shuttle buses or
5 whatever it may be. I think it's important to
6 focus on the fact that there is a cap on this
7 facility.

8 And the operator that can understand
9 that size cap better, and that to me is the
10 difference between Penn and Cordish when it
11 comes to the fact that they have several
12 facilities of this size and scope in other
13 places. And they are consistently profitable
14 throughout all of their properties.

15 Now Maryland is likely to face
16 competition from MGM as they were just approved
17 a license in that area. So, it remains to be
18 seen what that facility in Baltimore is going
19 to do. But that's neither here nor there.

20 COMMISSIONER MCHUGH: But they do
21 have competition now in Maryland.

22 COMMISSIONER ZUNIGA: Right.

23 COMMISSIONER MCHUGH: In addition to
24 that, this sounds like a tennis match, but in

1 addition to that their revenue projections in
2 year five are much higher than the revenue
3 projections that we received from Penn.

4 So, a value as I recall it -- Well,
5 I'm not going to mention the percentage, but
6 they are significantly higher. So even if they
7 fail, there's a huge margin of failure --
8 there's a huge latitude there before they get
9 less than the Penn National folks. So, there's
10 a huge buffer I guess in terms of economic
11 expectations.

12 COMMISSIONER ZUNIGA: But that works
13 against them because we believed that the
14 higher -- It is a bit of a match, I guess. I
15 believe, we believe that Cordish, the
16 Leominster people projected a higher amount
17 than the range that we project. So, I think
18 they are being overly optimistic.

19 That doesn't mean that it's actually
20 going to happen. Projections are projections.
21 And we cannot get into a discussion as to if
22 somebody has a bigger number here but a lower
23 number there there's a marginal difference.

24 The biggest point that I drew from

1 the market assessment analysis was that
2 everybody should realize and they do that
3 projections are going to drop, that revenues
4 are going to drop because competition comes in.

5 And when you agree on that
6 fundamental notion, I step back a little bit
7 and think who is the likeliest, who is the
8 operator that is the likeliest to react
9 accordingly, to be seasoned enough to respond?
10 And I draw a lot from their experience in many
11 other places of similar size and restriction in
12 terms of market.

13 I would take a little -- I have a
14 different opinion relative to the corporate
15 senior management being only financial
16 engineers. I think the ability of the company
17 to maintain a profitable operation across so
18 many jurisdictions is remarkable. I think
19 comparing one versus 28 is a very different
20 comparison.

21 COMMISSIONER MCHUGH: I've said my
22 piece. I don't follow the numbers analysis
23 that you just relayed. We've got projections.
24 We've got projections that are within

1 approximately the range that you and others
2 predicted. We've got success of both people,
3 entities elsewhere. And we've got recognized
4 decreases for the stabilization year when
5 they're facing competition.

6 How we can say that one isn't going
7 to achieve the predictions -- the projections,
8 and I recognize what a projection is that we've
9 already said is within the range of reason
10 because of -- I have difficulty finding, but I
11 hear you.

12 COMMISSIONER ZUNIGA: I wasn't
13 suggesting that. I could take us back to we
14 all recognize that these are very experienced
15 operators. But the difference to me is in the
16 bench strength that they have.

17 COMMISSIONER MCHUGH: I hear you.

18 CHAIRMAN CROSBY: I don't agree with
19 that analysis either. I don't see any reason
20 at all to think that they are going to be
21 materially less effective operators. That just
22 doesn't make sense to me.

23 COMMISSIONER ZUNIGA: I didn't
24 suggest that they were going to be materially

1 different.

2 CHAIRMAN CROSBY: I thought it was
3 your whole point that --

4 COMMISSIONER ZUNIGA: That they were
5 going to be different, not materially
6 different.

7 CHAIRMAN CROSBY: Well, then why
8 would you favor Penn?

9 COMMISSIONER ZUNIGA: Because
10 they're slightly different, better in my
11 opinion.

12 CHAIRMAN CROSBY: But not
13 materially? All right. Anyway, I think we get
14 the point.

15 COMMISSIONER ZUNIGA: Materially
16 then.

17 CHAIRMAN CROSBY: Yes. I think you
18 do think it's material, which is the point. I
19 just wanted to expand on something that
20 Commissioner Stebbins talked about. And this
21 is again in the nature of sort of the
22 philosophy of this business and what's behind
23 each of our thought processes and our value
24 judgments and how do we do this. This is a

1 difficult one to talk about, but it's in my
2 mind so I think I should.

3 That has to do with how racing cuts.
4 We've all done out protestations about how much
5 we care about it and appreciate it and believe
6 that it contributes a lot and we love horses
7 and all that. But the Legislature has made a
8 decision to do something which off the top of
9 my head I can't think of any other situation
10 federally or otherwise, but maybe there are
11 models, but it's certainly unusual is to
12 designate tax revenue to the operating subsidy
13 effectively of a business, which is without it
14 economically failing.

15 There's many examples of one-time
16 support, of temporary aid, of capital
17 investment, of stimulus, many kinds, tax
18 incentives, all kinds of things. But I can't
19 think of a model where fundamentally in
20 perpetuity the strategy is to support an
21 industry which can't survive on its own. But
22 that's not our decision to make. That decision
23 has been made.

24 Now we're talking about the extent

1 to which continuing to support this industry is
2 a critical variable in our decision-making
3 process. And how much should our decision-
4 making be affected by the fact that to award
5 the license to Plainville apparently saves jobs
6 and an industry. And not has a significant
7 chance of killing those jobs and that industry.

8 What is the role -- How much
9 subsidy, if you will, does one industry deserve
10 and need? If the industry can't survive with
11 the Race Horse Development fund, is it a value
12 of us to step in on their behalf and help them
13 survive by awarding a racing license to them --
14 I'm sorry a gambling license.

15 I have a problem with that. I
16 understand all of the benefits. I understand
17 the green spaces. There are clear values.
18 There are trade-offs if we invest these monies
19 we get something back. That's true of most
20 investments.

21 But the industry needs to take a
22 hard look at itself and figure out can we be
23 viable and what kind of changes and compromises
24 do we have to make? They're not particularly

1 great at working together and collaborating.
2 There is no strategic plan. This isn't a
3 transition strategy. This is a survival
4 subsidy strategy. And in a way it's a bridge
5 to nowhere.

6 So, now should we be moved by the
7 need to support this industry further? Should
8 that be sort of the defining feature or a
9 defining feature in our thought process?
10 Should we deprive Leominster and all of its
11 environment and the benefits that we all agree
12 can accrue to that because if we don't do it to
13 Plainville, the harness industry is at risk?

14 COMMISSIONER CAMERON: Mr. Chair,
15 you're talking philosophy now. You're giving
16 us a philosophy lesson, I feel like.

17 CHAIRMAN CROSBY: Let me just
18 finish, just to come to the conclusion. It is
19 a matter philosophy. The bottom line is that
20 it's reaching -- I don't see the compelling
21 value of salvaging or saving horse racing being
22 so valuable that on top of this operating
23 subsidy it should also drive our decision on
24 the location of the license.

1 COMMISSIONER CAMERON: I don't think
2 that's what we are doing here today. I started
3 this conversation and said that my analysis
4 alone had Plainville slightly ahead on the
5 analysis alone, and then other considerations.
6 In particular, we talked about M3D3 and we
7 talked about racing as part of other
8 considerations.

9 And I started by saying, look, if we
10 had a substandard applicant here, we were not
11 going to issue the license because of racing,
12 and I still believe that. We are talking about
13 what's the added value to that applicant, two
14 very strong applicants.

15 And in my mind the benefits of those
16 existing jobs and all the ancillary jobs that
17 go along with that is more realistic in my mind
18 and makes more sense than \$1 million. It's far
19 less money, frankly, if we look at just the
20 revenue and maybe \$1.5 million which again I
21 think it's futuristic. There are some good
22 pieces to that, but there is no certainty with
23 jobs.

24 There is great certainty in my mind.

1 So, it's not our job to talk about -- Well, we
2 can talk about whatever we want but it's not
3 our job to decide why are we saving an industry
4 that is dying on its own. I'm not looking at
5 it that way at all. I'm looking at what added
6 value comes along with this application, this
7 applicant and putting the value there on those
8 jobs. And saving an existing industry which is
9 part of the legislation.

10 You want to refer back to the
11 legislation that is there, saving existing
12 jobs. So, I don't think we are talking about
13 philosophy here.

14 COMMISSIONER ZUNIGA: Just on that
15 point as well, this is not in perpetuity. The
16 decision we make today is for five years. It
17 applies to the license and it applies to
18 anything that happens with it, M3D3, racing or
19 otherwise. We or others will come five years
20 or six years from now and look at whatever
21 happened and make another decision.

22 Now the economics are going to be
23 different, I grant you that. The landscape is
24 going to be different, but there's no

1 guarantees. There's nothing in perpetuity. I
2 would just point that out.

3 I would also just take exception to,
4 you made relative to a bridge to nowhere. It's
5 a bridge to out of state. Our context is --

6 COMMISSIONER MCHUGH: A bridge to
7 what?

8 COMMISSIONER ZUNIGA: Out of state.
9 Our context is this state. We're not looking
10 at the racing industry in the abstract or as a
11 whole. If this license when it comes to racing
12 doesn't go to a track, people that currently
13 live or make their livelihoods from this
14 industry will likely leave this state. And
15 that has an economic repercussion to the
16 negative.

17 That is a small business that
18 leaves. That's a job that goes away. That's
19 somebody that probably has to move to a
20 neighboring state. They're not going to
21 necessarily stay in Mass. and travel to West
22 Virginia or Bangor. They will likely pick up
23 and move.

24 And that's the piece that I think is

1 very important for us to consider when we
2 consider the context of this -- it can be a
3 philosophical discussion but it's really within
4 the confines of Massachusetts.

5 CHAIRMAN CROSBY: Commissioner? Do
6 you got any --

7 COMMISSIONER STEBBINS: It's
8 interesting the discussion before. Step back
9 and strip away racing, strip away M3D3. When
10 we focus on the gaming responsibility of our
11 positions, thinking of what generates the most
12 revenue, what has the best forecast for
13 generating the most revenue, what has the best
14 forecast for generating most jobs, and more
15 importantly I think is maintaining those jobs.

16 This is maybe I don't want to say I
17 lean towards conservative, but I think back to
18 Commissioner Zuniga's point, I would rely on an
19 applicant who was operated a number of these
20 facilities. Some of them as we toured are
21 certainly not near the hub of anything, no
22 disrespect to people who live in Harrisburg,
23 but to continue to generate revenue along
24 projections based on experience, to continue to

1 maintain employment, which I think is critical.

2 I think we have all seen the angst,
3 the anger that arises when competitors in
4 Connecticut have had to go through difficult
5 layoffs. I think in the back of my mind which
6 project has the best outlook.

7 MR. ZIEMBA: Mr. Chairman, we
8 believe that the stream is down. And this is a
9 pretty important point in the conversation.

10 COMMISSIONER STEBBINS: Not
11 necessarily.

12 CHAIRMAN CROSBY: Let's hold for a
13 minute until we can fix it.

14

15 (A recess was taken)

16

17 CHAIRMAN CROSBY: We are back. Do
18 you know how much we missed? How much they
19 missed? Commissioner Cameron wanted me to give
20 my philosophic speech again just in case
21 anybody missed it. I'm sorry, Commissioner
22 Stebbins, I apologize.

23 COMMISSIONER STEBBINS: So, in
24 conclusion -- No. I think I left off talking

1 about I'm aware of the angst that we've seen in
2 Connecticut with the changes in the gaming
3 environment and how they're impacting
4 Connecticut. People having to deal with losing
5 their jobs, etc.

6 I think what I am looking for and
7 it's becoming a little more concrete in my
8 position that going with the experience, again,
9 sustaining revenue through the increased
10 competition, maintaining employment levels so
11 that operator, the Commonwealth and the
12 community aren't disappointed. Again, it kind
13 of puts me in the position of favoring the Penn
14 application.

15 Again, to your point, strip away the
16 discussion on horse racing, strip away the
17 discussion on M3D3, and come back to slots
18 parlor applicant to slots parlor applicant.
19 And in this case if we are getting down to the
20 fine details, experience counts. I see that
21 experience counts a lot.

22 And making sure at the end of five
23 years we've done our job right and not
24 disappointed anybody or at least trying to keep

1 a minimum level of disappointment. But it
2 certainly doesn't mean that Mr. Chairman and
3 Commissioner McHugh your points are lost in
4 terms of feeling that this could offer a huge
5 economic impact to Leominster.

6 Again, they're a Gateway City. I
7 live in a Gateway City. I get it. Thinking of
8 the whole Commonwealth and the revenues we want
9 to sustain and the employment we want to
10 sustain, I think come back to being my critical
11 points.

12 CHAIRMAN CROSBY: You conclude that
13 there would be more revenues and more jobs. Is
14 it essentially because they're a more
15 experienced operator? Is that the essence of
16 the point?

17 COMMISSIONER STEBBINS: I think that
18 comes back to and Commissioner Zuniga has made
19 this point. The site visits again, I think
20 gave me a good context into how each of these
21 applicants are operating.

22 I think Cordish has done an amazing
23 job. They obviously were smart enough to pick
24 the right site when they pursued their license

1 in Maryland. I think it's still too early for
2 us to know as outsiders to witness what will
3 happen with the increased competition in
4 Maryland. That was a state that said we're
5 going to do five licenses. They just had a
6 casino open in Baltimore.

7 MGM much to the chagrin to the
8 people I've talked to in the Anne Arundel
9 County area are disappointed that a sixth is
10 going to be awarded because they think that
11 will drive increased competition from closer
12 down to the district and in Virginia.

13 Again, the fact that the site visit
14 out to Pennsylvania to see the facility that
15 Penn National operates is an operation with a
16 track. Not necessarily a complete mirror of
17 the town of Plainville, but certainly more of a
18 rural area. No huge center -- Everybody's
19 close to Boston, I guess, except me. I was
20 able to maybe compare variables a little bit
21 more closely by doing the site visits. And
22 probably took a lot more away from that now in
23 retrospect than I did at the time.

24 COMMISSIONER MCHUGH: I don't have

1 anything new to add really. I think that
2 however the discussion about preservation of
3 racing versus something else is a perfectly
4 legitimate component of this. I don't approach
5 it quite the same way as the Chairman does.

6 I think insofar as this is a unique
7 subsidy. The federal tax code is a huge
8 subsidy in many of its parts. That's why some
9 think that it's badly out of kilter because it
10 preserves things and encourages growth in
11 things that otherwise couldn't stand on their
12 own two feet.

13 And I also think however that this
14 is not a competition between racing and M3D3.
15 That's not the point I was trying to make
16 before. It is looking at racing, which is for
17 all the reasons that I've said something that I
18 value highly. But looking at the potential for
19 this casino, this slots parlor to be located at
20 a place where it can be a huge economic driver
21 in a variety of different ways if in the hands
22 of the right people.

23 And I've said this before, so I'm
24 not adding anything new. It seems to me that

1 from what we've seen, what we've learned and
2 what we've read that the proposed operators of
3 this slots parlor in the Leominster area are
4 shrewd, entrepreneurial, outward looking,
5 inventive people who would be able to
6 capitalize on the potential of that slots
7 parlor to be a huge economic driver for that
8 reason.

9 It's not to say that the Penn
10 National folks are not all of those things.
11 They just have a different location, a
12 different plan, and a different mission. And
13 it gets down to the philosophical difference
14 between which mission is more valuable to the
15 Commonwealth as a whole in my view.

16 CHAIRMAN CROSBY: I don't have
17 anything to add either. And I think we are
18 getting close here. I think the Plainville is
19 a perfectly legitimate choice, totally
20 legitimate choice --

21 COMMISSIONER MCHUGH: Absolutely.

22 CHAIRMAN CROSBY: -- and the safe
23 choice. I think it's a loss of an
24 extraordinary upside opportunity and that's a

1 pity, but I've made my point.

2 So, I think really Commissioner
3 Stebbins, if you are firm, if you are at the
4 point where you feel firm in your decision then
5 we've about done our job here. If you feel
6 that more conversation -- And I don't know if
7 anybody else feels like they're likely to
8 change their minds, but you've been close and
9 you've been wrestling. If you feel like your
10 mind is pretty well made up, then I think we
11 are pretty well done here. If you'd like to
12 have more conversation, we'll do that.

13 COMMISSIONER STEBBINS: No, I am
14 done wrestling.

15 CHAIRMAN CROSBY: Then where we are
16 at, is to call for a vote on what I think looks
17 like it would be the Plainville nomination, the
18 Plainville selection. And this vote, I'll let
19 you articulate it, Judge. Why don't I let you
20 articulate it.

21 COMMISSIONER MCHUGH: I would ask
22 for a vote on whether we are in agreement to
23 award the slots license, the one single
24 designated slots license -- This is not the

1 motion. I am telegraphing what I'm going to
2 ask for so we can clarify it. That I would ask
3 for a vote on whether to award the slots
4 license to the Plainville applicant provided
5 that it accepts the conditions, statutory and
6 other that we impose on that license. And that
7 we give that applicant until 9:00 tomorrow
8 morning to tell us whether they will accept
9 those conditions.

10 Then I would ask tomorrow if they do
11 accept those conditions for a vote to award
12 them the license.

13 CHAIRMAN CROSBY: I think that's
14 right. Before we do put it formally to a
15 motion, I've been wrestling with the issue
16 about whether I would eventually, if we decided
17 to go with Plainville, if I would want to vote
18 for Plainville as opposed to Leominster on the
19 theory of being unanimous in this.

20 And I'm frankly torn on that. I
21 think it's not kidding anybody that everybody
22 has watched, everybody knows what our opinions
23 were. And I said at the outset that if we can
24 have a unanimous decision fine. If we can't

1 that will in no way compromise the significance
2 of the clarity of the decision.

3 I think I'm a little bit inclined,
4 and Commissioner McHugh, I'd be interested in
5 your reaction to this, to go ahead and indicate
6 that I don't agree because I think it's
7 important for people to know that we've got our
8 differences of opinion. And we air them in
9 public and we make our decision and then we
10 move forward. Does that make sense to you?

11 COMMISSIONER MCHUGH: I'm going to
12 vote the same way. If this doesn't for some
13 reason go forward -- We have two really strong
14 applicants here. My vote doesn't have as much
15 to do with -- It's not based on the strength of
16 the applicants. It's based on the upside
17 potential that I think exists with a different
18 course. So, I'm going to vote against this as
19 well.

20 But I am happy that we have two
21 applicants of this caliber. And I am confident
22 that the Penn National entity is going to do a
23 first-rate job. But I do think it's important
24 to reflect the difference of opinion. So, I'm

1 going to do that.

2 I really think we've had a good
3 discussion about this issue. I think we've
4 come to grips with the essence of the
5 difference. I think it's been a very positive
6 and very useful discussion.

7 CHAIRMAN CROSBY: Yes. And I just
8 want to say as we approach the vote, I have a
9 tiny bit of a sick feeling that we are missing
10 a big opportunity for an important part of the
11 state that could have been really something
12 unique and something special, just for the
13 record.

14 COMMISSIONER ZUNIGA: I think that
15 to choose is to lose. From the get go, no
16 matter who we went with, we were going to lose
17 two and in prior times more applicants. So, I
18 share part of that feeling but perhaps for a
19 different reason.

20 COMMISSIONER STEBBINS: Let's also
21 try to be a little more reflective and a little
22 more upbeat about where we are in this process.
23 Yes, we've always known all along that one
24 candidate or two candidates were going to lose.

1 But we're taking the next step in a long and
2 lengthy process that's introducing gaming,
3 introducing gaming into the Commonwealth in the
4 right way and introducing gaming at a level of
5 success we all hope to achieve.

6 CHAIRMAN CROSBY: Just to reiterate,
7 I will cast my vote and then I will be an
8 enthusiastic supporter and strategist and
9 partner with the winner.

10 COMMISSIONER MCHUGH: I echo that.
11 And I'm glad you said that, Commissioner. This
12 is an exciting moment. This is what we are
13 doing. And we're doing it with a quality team
14 and a quality operation and a quality plan.
15 And one that serves a lot of values. And it's
16 an exciting moment and an energizing moment.

17 So, the philosophical differences I
18 have don't detract from my enthusiasm for where
19 we are and where we are going.

20 CHAIRMAN CROSBY: Same here. Do we
21 want to enumerate the conditions that will be a
22 part of this before we get to the motion?

23 COMMISSIONER MCHUGH: I was just
24 starting to pencil some out here.

1 CHAIRMAN CROSBY: And the staff I
2 think -- Do you want to come up? I think
3 you've been collecting some too.

4 MR. DAY: Mr. Chairman, members of
5 the Commission, we've actually got a list that
6 we've been trying to track. And that in mind
7 reflect that list back to you and then add
8 anything that you might have to that or take
9 anything off this list that wasn't something
10 you had in mind.

11 This is the draft license format
12 that Catherine has been forging at your
13 direction. And the conditions start on page
14 eight, nine and then page 10.

15 What I think part of the idea was is
16 to make sure that the conditions were what the
17 Commission wanted, and to make sure the
18 potential award winner is also aware of those
19 conditions. Mr. Chairman, I don't know if you
20 want me to just read through them or how would
21 you want to go about this?

22 CHAIRMAN CROSBY: I think why don't
23 we just read through them ourselves, just give
24 us a minute and then we'll talk about them. I

1 don't know. Maybe we ought to run through
2 them. What do you think? Does anyone care?

3 COMMISSIONER MCHUGH: I think as
4 much as it takes time and it's kind of dry, but
5 that gets back to how this was advertised, we
6 should articulate them verbally so that
7 everybody watching can --

8 CHAIRMAN CROSBY: I agree.
9 Whichever Catherine, let's just as quickly as
10 we can let's just run through each one of them.
11 You might specify which are new.

12 MR. DAY: We'll start. It starts
13 with Category 2 gaming establishment license
14 will be issued subject to the following
15 conditions. One, compliance with all the
16 requirements of MGL 23K as now in effect and
17 herein after amended 205 CMR 101 which is
18 basically comply with the law and the
19 regulations.

20 Compliance with all applicable
21 federal, state and local laws, rules,
22 regulations now in effect or is hereinafter
23 amended or promulgated.

24 The debt equity requirements as

1 established by the Commission's regulation.

2 Number four is the payment of the
3 license fee required by c. 23K 205 CMR 121.

4 Payment of assessments made pursuant
5 to 205 CMR 121.

6 Compliance with the terms and
7 conditions of the host community agreement,
8 surrounding community agreements, impacted live
9 entertainment agreements, lottery agreements,
10 any other agreements with communities or mutual
11 aid agreements; the memorandum of understanding
12 between the Commission and the Massachusetts
13 Community College Career Institute; the
14 affirmative marketing programs for those
15 businesses identified in 23K section
16 21(21)(i)(ii) and (iii) for design and
17 construction of the gaming establishment;
18 affirmative action programs identified under
19 23K 21(22); and all federal, state and local
20 permits and approvals required to construct and
21 operate the gaming establishment.

22 Number seven, provide within 30 days
23 of this determination a plan to the Commission
24 for its review and approval of creating an

1 affirmative marketing program for those
2 businesses identified in again 21(21).

3 Provide within 90 days of this
4 determination a plan to the Commission for its
5 review and approval creating an affirmative
6 marketing program for those businesses again in
7 21(21).

8 Provide within 30 days of this
9 determination a plan to the Commission for its
10 review and approval creating an affirmative
11 action program equal opportunity for those
12 residents identified at (21) and (22).

13 Compliance with the construction
14 plan, specification and timelines as approved
15 by the Commission as required by Commission
16 regulations.

17 If a licensee is a racing licensee
18 according to 128 and 128C is now in effect and
19 as hereinafter amended, compliance with the
20 terms and rules and regulations promulgated
21 thereunder.

22 The information included in the
23 application filed by the license(SIC) and the
24 evaluation reports prepared by the Commission

1 as part of the Commission's evaluation process
2 are incorporated by reference.

3 Work with the Massachusetts
4 Department of Labor and Workforce Development
5 and related state and local agencies to create
6 a plan for approval by the Commission in
7 consultation with the Massachusetts Department
8 of Labor and Workforce Development to identify
9 and market employment opportunities to the
10 unemployed residents of Massachusetts; provide
11 their plan to the Commission within 90 days of
12 the date of this determination.

13 In consultation with the regional
14 tourism council and with the Massachusetts
15 Office of Travel and Tourism and subject to the
16 approval by the Commission, create a regional
17 tourism marketing and hospitality plan. Such
18 plan shall include but is not limited to making
19 space available in the gaming establishment for
20 state and regional tourism information, links
21 on the licensee's website to the regional
22 tourism council website. A joint marketing
23 program with the regional tourism council and
24 Massachusetts Office of Travel and Tourism,

1 staff training in regard to the plan and
2 sharing of the visitor data with the regional
3 tourism council and the Massachusetts Office of
4 Travel and Tourism. Such a plan shall be
5 provided to the Commission for its approval at
6 least three months prior to the anticipated
7 commencement of operation of the gaming
8 establishment.

9 In conjunction with the
10 Massachusetts Gaming Commission Vendor Advisory
11 Team and any local grant awardee, create a plan
12 within 90 days of the date of this
13 determination for the Commission's approval to
14 assess licensee requirements and to identify
15 potential local vendors.

16 Institute credit and collection
17 practices that comply with the Commission's
18 regulations and commit to prohibit aggressive
19 collection practices.

20 Comply with any free play standards
21 set by the Commission.

22 And in this case, the last one reads
23 commit to being a LEED Gold certifiable in the
24 manner indicated on the LEED Gold score --

1 score sheet.

2 Thank you. I had a little trouble
3 with that last one.

4 COMMISSIONER MCHUGH: But that's on
5 the LEED Gold score sheet that they submitted.

6 MR. DAY: Yes.

7 COMMISSIONER MCHUGH: I wonder if we
8 should add adherence to the wage scale that
9 they committed to or any improvements thereto.
10 I don't know if it's necessary but I was going
11 to add a general condition that adhering to all
12 commitments made in the application, but that's
13 awfully -- What's a commitment and what isn't
14 is awfully hard to determine the difference
15 between a plan and a commitment. But the wage
16 scale is a representation.

17 CHAIRMAN CROSBY: So, that would
18 mean that if there were an economic downturn
19 and they wanted to reduce their wage scale,
20 they'd have to come to us for permission?

21 COMMISSIONER MCHUGH: Right. We'd
22 work collaboratively but that's our expectation
23 and maybe that would be the condition. No
24 downward alteration of the wage scale without

1 the Commission's permission.

2 CHAIRMAN CROSBY: I'm not crazy
3 about that.

4 COMMISSIONER STEBBINS: You said,
5 I'm sorry, the wage scale?

6 COMMISSIONER MCHUGH: Yes. They've
7 outlined at least in broad form what they're
8 going to pay the four different categories of
9 employees, represented what those payments will
10 be.

11 COMMISSIONER STEBBINS: One of the
12 questions that we put forward to both
13 applicants and they both responded in the
14 affirmative during the host community hearing
15 was their willingness to make commitments
16 relative to the hiring or employment levels
17 which I think speaks to the wage rates as a
18 license condition. And both of them responded
19 in the affirmative.

20 So, I throw that out as to whether
21 that should be included necessarily. That was
22 an item to be negotiated because we wanted to
23 take economic considerations in mind or any
24 economic changes into consideration.

1 COMMISSIONER MCHUGH: Should we put
2 something in there about that? Are you in
3 agreement that we should put in adherence to
4 the wage scale?

5 We don't have a wage scale for each
6 position. And the numbers we got are averages
7 for gaming, for non-gaming, for administrative
8 other positions. So, there's still a lot of
9 flexibility in there provided they meet those
10 averages. But I placed reliance in my thinking
11 on those averages that were representative as
12 to what they were going to pay. So, that's why
13 I raise it.

14 COMMISSIONER ZUNIGA: I think it's
15 enough to put it in. They have until tomorrow
16 to come back and say otherwise. Even if not
17 tomorrow, the way you articulated the condition
18 is that it would be subject to revision by
19 coming back to us. So, I think it's fairly
20 straightforward.

21 COMMISSIONER MCHUGH: It just allows
22 us to keep an eye on that. And I'm sure
23 they've made that representation in good faith.
24 I'm sure they plan to adhere to it, but who

1 knows what the future will bring. That's why I
2 do it.

3 CHAIRMAN CROSBY: I'm not crazy
4 about that for a couple reasons. First of all,
5 as you said, it's sort of a wage scale but
6 we're trying to hold them to something which is
7 so imprecise that it can be very debatable
8 about whether they're sticking to it or not.
9 It's not really something very easy to manage.

10 And it's just a degree of
11 micromanagement and micro-regulation that I
12 don't feel comfortable with. I don't think our
13 job is to manage their salary structure. I
14 don't think I'm comfortable with that one.

15 COMMISSIONER MCHUGH: Let me just
16 probe that a little bit. The whole discussion
17 -- An important part of the discussion we've
18 had today is focused on economic development
19 via jobs. And the economic development via
20 jobs depends on two things, the number of jobs
21 and the amount paid to the job holders.

22 And if we are saying that the two,
23 from a financial sense that the two applicants
24 are in a dead heat on a lot of scales, and I

1 thought this one was not doing as well as the
2 other one on the pay scale, but that's an
3 important ingredient of our economic analysis,
4 it seems to me.

5 It's like the LEED certification.
6 There's a whole bunch of ways they can get to
7 that average. They can do whatever they want.
8 If the average for job group A, administrative
9 is \$70,000 or \$50,000, there's a lot of ways
10 they can get there. And I'm not saying that
11 they should come and tell us how much they're
12 going to pay each secretary and each other
13 person, but just that they have an average in
14 that department of 50,000 bucks that's what
15 they said they would do.

16 CHAIRMAN CROSBY: Part of the reason
17 we are in the process of picking who it appears
18 we are picking is because they have 28 sites.
19 They're experienced operators. They've got
20 standards within their company that they're
21 going to adhere to.

22 I just don't see it as our -- We've
23 judged them to be a quality operator. We've
24 done a suitability check. It didn't find any

1 history of employment grievances or anything
2 like that. It just doesn't feel like a kind of
3 regulation that I want to be a part of.

4 Anybody else?

5 COMMISSIONER STEBBINS: One of the
6 biggest pushbacks we have always heard since we
7 started this job was how are you going to hold
8 an applicant to keeping their commitments. I'm
9 at least willing to entertain this discussion
10 with the applicant tomorrow if they came back
11 and wanted to push back or say no.

12 But Mr. Chairman, your point of we
13 know they're a seasoned operator and they
14 shouldn't have any problem meeting this, then
15 why would they have any problem agreeing to the
16 pay scales that they proposed?

17 CHAIRMAN CROSBY: I'm just saying
18 the business I want to be in is a regulator.
19 It's not the end of the world. Are you in
20 favor of it?

21 COMMISSIONER ZUNIGA: Yes.

22 CHAIRMAN CROSBY: Let's put
23 something in there like that.

24 COMMISSIONER ZUNIGA: Can I mention

1 a couple of other thoughts?

2 CHAIRMAN CROSBY: Did you have a
3 strong feeling?

4 COMMISSIONER CAMERON: No. I have
5 no problem asking them to meet what they
6 propose to do.

7 MR. DAY: Are we -- adherence to the
8 pay scales proposed in the application?

9 COMMISSIONER MCHUGH: Right.

10 COMMISSIONER ZUNIGA: As part of
11 their application, Plainville -- Penn had a
12 comment that they could have an alternative of
13 starting early with 500 slot machines. There's
14 not a lot of detail in that representation. I
15 never saw it in any detail.

16 One of the conditions that I would
17 put is that they don't do that because it
18 wasn't clear whether there would be any of the
19 amenities that in general that the statute
20 calls for prior to the opening of gaming
21 operations.

22 So, if we were willing to entertain
23 the notion of a temporary operation, then I
24 would like to see more detail relative to the

1 timing and scope of the amenities.

2 CHAIRMAN CROSBY: They can't open
3 without our approval. Do we need another
4 clause that says --

5 COMMISSIONER ZUNIGA: It just
6 occurred to me that my position was all
7 predicated on the 1250, the original plan, the
8 one that had all of the detail. So, I would
9 put that to rest.

10 COMMISSIONER CAMERON: That actually
11 was their preferred way of opening would be the
12 full facility. And if we preferred otherwise
13 they would entertain that I believe is the way
14 that was phrased.

15 COMMISSIONER MCHUGH: I would prefer
16 that they not.

17 COMMISSIONER ZUNIGA: That's right.

18 CHAIRMAN CROSBY: So, we've got
19 plenty of control over that. Is the MOU with
20 Community College Casino Institute signed?

21 COMMISSIONER STEBBINS: Yes, I
22 believe all of the applicants signed.

23 CHAIRMAN CROSBY: And item number 16
24 says institute credit and collection practices

1 that comply with Commission regulations and
2 commit to prohibit aggressive collection
3 practices.

4 To me that's too imprecise. What is
5 an aggressive -- If a legitimate party owes
6 them money legitimately, credit worthy and so
7 forth, they have every right to be as
8 aggressive, within reason as aggressive as they
9 want.

10 I would say maybe we know we're
11 talking about this. We're going to be issuing
12 regs. but maybe say commit to adhering to the
13 Commission's regulations, which they obviously
14 will anyway. It's a little bit superfluous,
15 but just makes the point. But I think this is
16 a little bit too vague.

17 COMMISSIONER MCHUGH: I agree. I
18 put a period after regulations.

19 CHAIRMAN CROSBY: Okay. And then
20 the last one, wasn't in the suitability check,
21 weren't there some conditions that were
22 proposed? Was that simply conditions to
23 suitability or is that conditions that should
24 be on the license?

1 MS. BLUE: I have to review the
2 decision, Mr. Chairman. I have not, but I
3 will. If there are conditions that apply post-
4 suitability, I will add them.

5 CHAIRMAN CROSBY: She's nodding.
6 Director Wells is nodding. So, we need to pick
7 up the several conditions that were on the
8 suitability decision and add them to this. I
9 think their noncontroversial I think, but
10 they're important.

11 COMMISSIONER ZUNIGA: Can you remind
12 me, Commissioner Stebbins that this applicant
13 had both a project labor agreement and a labor
14 harmony agreement executed?

15 COMMISSIONER STEBBINS: Yes.

16 CHAIRMAN CROSBY: Were there any
17 other sort of location specific, has this got
18 everything covered except for the suitability?

19 Then I think we are ready for a
20 motion, Commissioner McHugh, do you want to
21 frame it since it's a little complicated.

22 COMMISSIONER MCHUGH: I will. I
23 move that the Commission award the Category 2
24 gaming license to the Leominster applicant --

1 Sorry.

2 COMMISSIONER STEBBINS: Trying to
3 sneak it in.

4 COMMISSIONER MCHUGH: One last
5 attempt.

6 CHAIRMAN CROSBY: Second.

7 COMMISSIONER MCHUGH: Strike
8 everything. I move that the Gaming Commission
9 award the Category 2 gaming license to
10 Springfield Gaming and Redevelopment, LLC
11 provided that the applicant Springfield Gaming
12 and Redevelopment, LLC agree to the conditions
13 just recited and notify the Commission of its
14 willingness to do so by tomorrow morning at
15 9:30 a.m.

16 And if the applicant agrees to those
17 conditions by that time, the Commission will
18 take an additional vote to make the award
19 final.

20 COMMISSIONER CAMERON: Second.

21 CHAIRMAN CROSBY: Any further
22 discussion? All in favor of the motion signify
23 by saying aye.

24 COMMISSIONER CAMERON: Aye.

1 COMMISSIONER ZUNIGA: Aye.

2 COMMISSIONER STEBBINS: Aye.

3 CHAIRMAN CROSBY: That would be
4 Commissioners Stebbins, Zuniga and Cameron.

5 All opposed? Nay.

6 COMMISSIONER MCHUGH: Nay.

7 CHAIRMAN CROSBY: That would be
8 Commissioners Crosby and McHugh. There you
9 have it. Executive Director Day and staff will
10 talk to Mr. Snowden and staff and we will
11 reconvene here.

12 This meeting is temporarily
13 adjourned until 9:30 tomorrow morning. We will
14 reconvene at 9:30.

15 Thank everybody for your time and
16 participation and go forth.

17

18 (Meeting suspended at 2:07 p.m.)

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1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission February
3 27, 2014 Notice of Meeting and Agenda

4

5 GUEST SPEAKERS:

6 Rob Scarpelli, HLT Advisory

7

8 MASSACHUSETTS GAMING COMMISSION STAFF:

9 Catherine Blue, General Counsel

10 Richard Day, Executive Director

11 Jennifer Durenberger, Director of Racing

12 John Ziemba, Ombudsman

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C E R T I F I C A T E

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I, Laurie J. Jordan, an Approved Court Reporter, do hereby certify that the foregoing is a true and accurate transcript from the record of the proceedings.

I, Laurie J. Jordan, further certify that the foregoing is in compliance with the Administrative Office of the Trial Court Directive on Transcript Format.

I, Laurie J. Jordan, further certify I neither am counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken and further that I am not financially nor otherwise interested in the outcome of this action.

Proceedings recorded by Verbatim means, and transcript produced from computer.

WITNESS MY HAND this 1st day of March, 2014.

LAURIE J. JORDAN	My Commission expires:
Notary Public	May 11, 2018