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THE COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
PUBLIC MEETING #188 VOLUME 1

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

Lloyd Macdonald

Bruce W. Stebbins

Enrique Zuniga

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April 26, 2016 10:00 a.m.- 4:07 p.m.

THE SHAW'S CENTER

1 Feinberg Way

Brockton, Massachusetts

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

CHAIRMAN CROSBY: Good morning.

Today is Tuesday, April 26, 2016 marking the convening of public meeting number 188 of the Massachusetts Gaming Commission held today at the Shaw's Center in Brockton.

We are here today to begin the final part of the application process in which we will determine whether or not to award the Category 1 gaming license for Region C. I'm Steve Crosby, the Chair of the Commission, and I'm joined by Commissioner Cameron, Commissioner Macdonald, Commissioner Zuniga and Commissioner Stebbins.

There is one applicant that is under consideration, Mass Gaming and Entertainment, LLC. The applicant has been deemed suitable as part of the Commission's RFA-1 background check process and has submitted a final RFA-2 application. Before we begin the formal process of evaluation I'd like to make a few acknowledgements and then set out the process that we will follow over the next few days.

1                   From the beginning, this Commission  
2 has identified as its core mission to create a  
3 participatory, transparent and fair process for  
4 implementing the Expanded Gaming Law. We have  
5 at all times worked to ensure that our  
6 decision-making systems engender the confidence  
7 of the public and the participants.

8                   To that end we have conducted until  
9 today 187 public meetings, all of which have  
10 been streamed live over the Internet, conducted  
11 multiple public input meetings in the host and  
12 surrounding communities, invited public comment  
13 and input on a variety of topics and questions,  
14 and posted a wide variety of information  
15 including the RFA-2 application submitted by  
16 the applicant on our website for all to see.

17                   Today, we commence the final step in  
18 our licensing process which will culminate in  
19 public deliberations by the Commission and a  
20 vote on whether or not to award the sole  
21 license in Region C.

22                   My fellow Commissioners and I would  
23 like to express our appreciation to many people  
24 for their tremendous efforts and contributions

1 to this process. To the applicant who has  
2 dedicated substantial resources and subjected  
3 themselves to a rigorous and invasive  
4 background check and who have submitted a  
5 voluminous application in detailing their  
6 vision for a gaming establishment.

7 To our staff and consultants who  
8 have worked tirelessly behind the scenes to  
9 pour over countless documents and sources of  
10 information and offered the sage advice  
11 essential to assure that the Commissions is  
12 positioned to make this momentous decision.

13 To the officials and staff members  
14 of the host and surrounding communities who  
15 have worked diligently to serve their  
16 constituencies to the best of their abilities  
17 in order to position their respective  
18 communities in the best place possible.

19 And finally to the members of the  
20 public who have shared their thoughts and  
21 feelings relative to this critical decision  
22 both in favor and opposed by attending meetings  
23 and offering written and oral comments. Please  
24 know that your voices have been heard and will

1 play a key role in our ultimate decision. We  
2 offer our deepest gratitude to all of you for  
3 being a part of this challenging and important  
4 process.

5           For the past three or four years  
6 since we began to consider the possibility of  
7 awarding a commercial license in Region C, we  
8 have noted that such a decision would require  
9 addressing two issues. First, do we have a  
10 compelling commercial application that meets or  
11 exceeds the standards that we have developed  
12 for Category 1 casino licenses?

13           Second, if there is such an  
14 application, will we make the award considering  
15 all the surrounding circumstances and the best  
16 interest of the region and the Commonwealth as  
17 we understand them. In Region C, clearly the  
18 status of the tribal casino is such a  
19 consideration.

20           Our deliberations on these two  
21 issues will likely overlap. And we do intend,  
22 if necessary, to resolve both issues during  
23 these deliberations. The process for  
24 determining whether to award a gaming license

1 to Mass Gaming and Entertainment will be  
2 flexible as our conversations require.

3           Nothing that I'm saying herein is  
4 binding on us but in general I'm proposing that  
5 we follow this process. First, we will ask  
6 Karen Wells the director of the Commission's  
7 Investigations and Enforcement Bureau to offer  
8 an update on the suitability of the applicant,  
9 and to advise as to whether there are any  
10 outstanding matters preventing the applicant  
11 from being awarded the license.

12           We will then ask our legal team to  
13 advise us as to the basic law and  
14 considerations governing this final licensing  
15 process. Next we will move into the evaluation  
16 process itself.

17           The application has been divided  
18 into five categories of evaluation criteria:  
19 building and site design, finance, mitigation,  
20 economic and general overview what is commonly  
21 referred to as the wow factor. Each category  
22 was assigned to an individual Commissioner to  
23 conduct the necessary analysis and to lead the  
24 review and evaluation.

1           Each Commissioner has of course also  
2 reviewed each section of the application in its  
3 entirety. One by one we will call upon the  
4 assigned Commissioner to present their findings  
5 relative to their particular evaluation  
6 criteria.

7           Today, Commissioner Zuniga will  
8 present his finance evaluation. Commissioner  
9 Stebbins will present his economic development  
10 evaluation. And Commissioner Macdonald will  
11 present his building and site design  
12 evaluation. Tomorrow Commissioner Cameron will  
13 present her mitigation evaluation. And I will  
14 present the overview evaluation.

15           A Commissioner may be joined by a  
16 consultant during their presentation. Any  
17 Commissioner may ask any question of any  
18 Commissioner or consultant at any time during a  
19 presentation. During each presentation, the  
20 presenting Commissioner may recommend potential  
21 conditions to be attached to the award of a  
22 gaming license if such an award is  
23 contemplated.

24           Written reports on each evaluation

1 will be made publicly available on the  
2 Commission's website on the morning that the  
3 subject matter is to be presented.

4           On Wednesday after the two  
5 evaluations, Commissioner Cameron's and my own,  
6 we will also have a presentation concerning  
7 considerations unique to Region C. Included at  
8 this point will be a discussion of the April 22  
9 letter from MG&E, which is included in our  
10 binders and has been posted on the web this  
11 morning.

12           At the conclusion of each day's  
13 presentations, we will offer the applicant an  
14 opportunity to advise the Commission as to any  
15 material errors that it believes were made  
16 during one of the Commissioner's presentations.  
17 They may do so by presenting their list at a  
18 time determined by the Commission to Commission  
19 staff who will then present those alleged items  
20 to the Commission.

21           The Commission will then review the  
22 purported errors and determine whether the  
23 relevant evaluation section requires any  
24 amendment. This material errors review is



1 scheduled to take place on Wednesday afternoon.

2 At that point, we will recess for the day.

3           Generally, the final deliberative  
4 process, which is scheduled to commence on  
5 Thursday will take the following form. We will  
6 proceed to discuss the application sections in  
7 sequence by evaluation category. Priority  
8 areas within each category may be identified --  
9 problem areas within each category of each  
10 application may be identified and possible  
11 satisfactory solutions discussed.

12           There may be discussion as to  
13 whether additional information would be helpful  
14 to understand a certain problem area. And the  
15 Commission may arrive at an overall evaluation  
16 for the applicant in each of the five  
17 categories.

18           The Commission may deliberate  
19 collectively at any time although we will first  
20 attempt to allow each Commissioner an  
21 opportunity to express their opinions  
22 individually.

23           After each Commissioner has had an  
24 opportunity to discuss their views, the

1 Commission will at some point take a vote as to  
2 whether or not to award the license. If a  
3 majority of the Commissioners vote in the  
4 affirmative, the decision to award the license  
5 may be conditioned upon acceptance of certain  
6 terms and conditions. If the majority of the  
7 Commissioners vote in the negative, the process  
8 is complete and the application will be denied.

9           If there is no majority vote at the  
10 first try, the deliberations will continue  
11 until such time as a majority vote is made.

12 Any Commissioner may request a recess in the  
13 proceedings at any time to review materials or  
14 to confer with staff or consultants.

15           During the presentations and  
16 deliberations, Commission staff will be  
17 compiling a list of license conditions that are  
18 proposed or may be proposed by Commissioners.  
19 Staff and consultants may add to the list any  
20 additional conditions that they have culled for  
21 the Commission's deliberations.

22           If the Commission determines to  
23 award a license, the list of potential  
24 conditions will be presented to the Commission

1 for review. The Commission will not  
2 necessarily vote on the list, but when it is  
3 generally comfortable with the proposed  
4 conditions, it will vote to authorize the staff  
5 to present the conditions to the applicant.

6 The Commission will reserve the  
7 right to add, delete or modify those  
8 conditions. The Commission meeting will be  
9 recessed at that time so the applicant may be  
10 afforded an opportunity to review and consider  
11 the conditions.

12 Commission staff will be made  
13 available to the applicant to answer any  
14 questions. The applicant will be asked to  
15 prepare a written response to the conditions  
16 due at a time certain indicating whether they  
17 are individually acceptable, unacceptable or  
18 acceptable with modification.

19 Upon receipt of the written  
20 response, the staff will distribute a copy to  
21 each Commissioner. The Commission will  
22 consider whether the proposed conditions were  
23 accepted, rejected or modified by the applicant  
24 and whether any rejection or modification is

1 acceptable.

2           The final conditions of licensure  
3 will be incorporated into a final vote. The  
4 applicant will then be asked to appear before  
5 the Commission in public to indicate whether it  
6 agrees to accept the award of the conditional  
7 license with the prescribed conditions.

8           Any remarks or questions from any  
9 other Commissioners?

10           Thank you again for your  
11 participation in this long and important  
12 process. And I will now call on Commissioner  
13 Zuniga to begin the evaluation process. I'm  
14 sorry I take that back. After all that.

15           Let me move to Director Wells to  
16 give us an update on the suitability.

17           MS. WELLS: Thank you, Mr. Chairman.  
18 Good morning, Commissioners. On July 11, 2013  
19 the Massachusetts Gaming Commission found the  
20 applicant Mass Gaming and Entertainment  
21 suitable during the RFA-1 process where they  
22 were originally an applicant for a Category 2  
23 license here in Massachusetts.

24           The applicant did not end up

1 completing an RFA-2 application as they did not  
2 end up determining a location for the proposed  
3 slots parlor. The Commission allowed  
4 unsuccessful Category 2 in Region A and B  
5 applicants who filed an RFA-1 prior to January  
6 15, 2013 to participate in the RFA-1 portion of  
7 the Region C application process without filing  
8 a new RFA-1 application so long as they  
9 provided any additional information requested  
10 by the IEB.

11           Mass Gaming and Entertainment  
12 afforded itself this opportunity and partnered  
13 with George Carney who had previously been  
14 found suitable as part of the unsuccessful  
15 Raynham Park slots parlor application, and came  
16 forward with a proposal to use the site in  
17 Brockton for the Region C Category 1 casino.

18           The IEB specifically Deputy Director  
19 Loretta Lillios presented a suitability update  
20 in May of 2015 as part of the Region C process.  
21 And the Commission continued to find the  
22 applicant suitable and was permitted to  
23 continue to the RFA-2 section of the process  
24 which begins today.

1           As I have done with every other  
2 applicant for gaming license before the RFA-2  
3 process commences, I'll give a further  
4 suitability update to fill you in on any issues  
5 since the hearing last May. As has been the  
6 practice in all the other updates, this is an  
7 oral presentation only.

8           As I stated, the applicant's  
9 proposed site for the casino is in Brockton,  
10 specifically on the property known as the  
11 Brockton Fairgrounds. On January 8, 2016, a  
12 special shareholder meeting of the Brockton  
13 Agricultural Society was held. As you recall,  
14 the BAS, the Brockton Agricultural Society, is  
15 a Massachusetts nonprofit whose primary asset  
16 is the Brockton Fairgrounds, the site of the  
17 proposed casino.

18           At the shareholder meeting, the  
19 shareholders voted in the supermajority  
20 required by the bylaws to merge BAS with BAS  
21 Holding Corporation, with BAS Holding  
22 Corporation as the surviving organization.  
23 Essentially, the transaction that the minority  
24 shareholders sold their shares to the majority

1 shareholders, George and Leticia Carney for  
2 \$500 per share with a contingent promissory  
3 note payable if the Category 1 license issues  
4 and the license fee is paid.

5           In the event the contingencies are  
6 not met, the Fairgrounds' ownership would  
7 revert back to BSA (SIC) Holding Corp. In that  
8 case, the minority shareholders will be  
9 entitled to retain the \$500 per share payment  
10 or alternatively purchase the same number of  
11 shares in BAS Holding Corp. that he or she  
12 owned in BAS at the \$500 per share price.

13           The intent is that the minority  
14 shareholder so desiring in the same position he  
15 or she was prior to the merger in the event the  
16 casino development does not move forward. In  
17 turn, the gross purchase price to be paid by  
18 the Bluhm entity for the Brockton Fairgrounds  
19 will be \$20 million.

20           For the purpose of the minority  
21 shareholders interest, the net purchase price  
22 is the important number, which is expected to  
23 be approximately \$9.5 million net of debt,  
24 accounts payable and accrued expenses,

1 brokerage fee and taxes. In that event, each  
2 share would be worth approximately \$10,900.

3 In advance of the January 8  
4 shareholder meeting, the BAS retained the law  
5 firm of Parker Scheer, LLP for the primary  
6 purpose of evaluating the adequacy of the  
7 payment for the Fairgrounds.

8 Attorney Barry Scheer recommended  
9 the transaction to the shareholders and  
10 emphasized the following: that the \$20 million  
11 purchase price is approximately four times the  
12 fair market value as indicated in a recent  
13 commercial appraisal; and there are no other  
14 buyers willing or able to make an offer either  
15 at or near the fair market level. Attorney  
16 Scheer's recommendation was also based on the  
17 consideration of BAS's current debt.

18 If the Fairgrounds were sold at fair  
19 market value, the shareholders would receive no  
20 distributions as the full proceeds would need  
21 to go to covering the debt. Attorney Scheer  
22 also considered the buyback option whereby  
23 every minority shareholder will have the right  
24 to purchase the same number of shares in BAS



1 Holding Corp. as the shareholder held at BAS  
2 should the joint-venture unwind.

3           It should be noted there is a single  
4 class of shares at BAS. There are 850 shares  
5 owned by 106 shareholders. Mr. and Mrs. Carney  
6 own 599 shares or roughly 69 percent. The  
7 January 18th meeting, all those present voted  
8 in favor of the merger except for five shares  
9 of a shareholder who abstained. 75 shares  
10 voted by proxy and all of those voted in favor  
11 of the merger. In total, 692 shares voted  
12 equaling 79.5 of outstanding shares. Of those,  
13 687 shares voted in favor of the merger and  
14 five abstained. There were no no votes.

15           So, that matter has been concluded  
16 to the satisfaction of the IEB and seems to be  
17 a fair and equitable resolution of the change  
18 in the ownership of the property.

19           The next item for your  
20 consideration, in February of this year,  
21 members of the Commission received a letter  
22 from Unite Here which is a labor organization.  
23 That letter alleged concerns about George  
24 Carney and Chris Carney. George Carney is a

1   qualifier for the present application.  Chris  
2   Carney is not.

3                 George Carney has a 51 percent  
4   interest in Sweeney Investments which is in  
5   turn is expected to have a 10 percent ownership  
6   in the applicant.  His wife is the other  
7   shareholder in that Sweeney Investments.  Chris  
8   Carney has no such ownership interest nor is he  
9   expected to have the ability to exercise  
10  control or provide direction to the LLC, which  
11  will be controlled by the Rush Street Group.

12                I refer the Commission and the  
13  public to 205 CMR 116.02 for the guidelines on  
14  determining qualifiers.  The letter alleges  
15  George Carney failed to disclose information  
16  regarding a lawsuit to recover a loan to his  
17  son Chris and a business associate Michael  
18  Galvin.  In fact, Mr. George Carney's RFA-1  
19  application did disclose both the loan and the  
20  civil lawsuit.

21                The letter also alleges illegal  
22  gambling by Chris Carney.  IEB confirmed that  
23  during a federal trial, Carney's business  
24  partner Michael Galvin testified under an

1 immunity agreement with the US Attorney's  
2 office that Chris Carney gambled approximately  
3 \$218,000 with Sports Offshore, an illegal  
4 gambling business. Chris Carney was not  
5 charged and did not testify at the trial.

6 If the Commission decides to award  
7 the license to Mass Gaming and Entertainment,  
8 the Commission has the ability if they have any  
9 concerns about Chris Carney in this matter to  
10 issue some kind of license condition or if he  
11 is going to work at this casino, he would have  
12 to go through the licensing process. So, that  
13 matter could be addressed in that way as well.

14 Additionally, another matter for the  
15 Commission's consideration, a recent ad  
16 campaign against the proposed project claims  
17 that the Commonwealth Pension Fund invested  
18 money with a Bluhm real estate project by which  
19 the fund lost money. The campaign alleges this  
20 indicates Bluhm should be found unsuitable.

21 I had our consultants, Michael and  
22 Carroll, look into the issue. And further  
23 review of public reports about the failed  
24 investment disclosed no information that would

1 cause any change in the Commission's prior  
2 finding of Bluhm's suitability.

3           The investment in question involved  
4 commercial property in London England. The  
5 fund was not the only major entity that  
6 invested in it. The pension funds of Oregon  
7 and Illinois as well as the employee pension  
8 funds of AT&T and Ameritech Corporation were  
9 also investors. The investment was made at the  
10 height of the property boom, but shortly  
11 thereafter the London market began to collapse.  
12 In addition, interest rates rose.

13           The Bluhm project was far from the  
14 only investment that did not succeed. In fact,  
15 it was not the only unsuccessful real estate  
16 investment for the fund. At the time that the  
17 fund wrote down its Bluhm investment, it also  
18 had to write down its entire real estate  
19 portfolio by \$130 million.

20           Bluhm's financial stability and  
21 responsibility was thoroughly reviewed during  
22 the background investigation. The Commission  
23 may refer back to the report and the results of  
24 that inquiry. And we also have the financial

1 section presented by Commissioner Zuniga today  
2 to educate the Commission.

3 Mr. Bluhm and his entities were  
4 found to have demonstrated substantial success  
5 and business acumen. Investigators do not view  
6 the particular London investment raised here as  
7 impacting that conclusion.

8 I have been in touch with Attorney  
9 Donnelly regarding updates to the applicant.  
10 I'd like to comment for the record, Attorney  
11 Donnelly has been extremely professional about  
12 keeping the IEB updated as to issues as this  
13 process has proceeded.

14 The following individuals were  
15 originally qualifiers for Mass Gaming and  
16 Entertainment but have since left the  
17 organization, David Patent and Suzanne Trout.  
18 A new qualifier has been identified, Paul  
19 Seeman. He is the general counsel of Rush  
20 Street Gaming. His investigation is proceeding  
21 in the normal course.

22 I also requested information on  
23 regulatory infractions and investigations that  
24 might be continuing at this time and was

1 provided with the following information from  
2 Attorney Donnelly.

3           Number one, the IRS is conducting a  
4 routine examination related to Bank Secrecy Act  
5 compliance at the Rivers Casino in Pittsburgh.  
6 Additionally, I was provided with information  
7 regarding status and current regulatory  
8 infractions of the different casinos. And I'll  
9 just update the Commission on what was provided  
10 to the IEB.

11           At the Rivers Casino in Pittsburgh  
12 currently, pending there was an allegation of  
13 an unlicensed team member permitted to work  
14 after notification was received from the Gaming  
15 Control Board.

16           Secondly, there was inadvertent  
17 failure to timely notify the regulator  
18 regarding technical ownership changes. No  
19 change in beneficiary as a result restructure  
20 for existing and licensed family trust. On  
21 January 13, 2016 there was a \$15,000 fine for a  
22 dealer resetting a shuffler without the  
23 assistance of a supervisor in violation of  
24 procedure.

1                   And on December 9, 2015 there was a  
2 \$20,000 fine, \$12,000 was -- Diatronics was a  
3 third-party vendor was responsible for \$12,000  
4 of that fine. In that case, the players club  
5 opened an account for one self-excluded patron  
6 in a third-party Diatronics operating cash-  
7 advance booth processed three cash-advance  
8 transactions to the same self-excluded guest  
9 during the same gaming day.

10                   So, those are the updated violations  
11 at the Rivers Casino in Pittsburgh.

12                   As to the Sugarhouse facility in  
13 Philadelphia, Pennsylvania, pending there are  
14 three self-exclusion violations, two state  
15 exclusion violations and an inadvertent failure  
16 to timely notify a regulator regarding  
17 technical ownership changes.

18                   Additionally, in September 2015,  
19 during the time period of September 30, '13  
20 through September 23, '14 there were instances  
21 involving individuals on the self-exclusion  
22 list being able to obtain cash advances or cash  
23 checks at the cash-advance booth which is  
24 operated by a third-party. That was a \$50,000

1 fine.

2 And on June 10, 2015 there was a  
3 \$17,500 fine for one slot machine mismatch from  
4 the payable submitted to PCGB not in compliance  
5 -- pardon me PGCB not in compliance with --

6 CHAIRMAN CROSBY: Explain what that  
7 is.

8 MS. WELLS: Yes, I'm sorry, the  
9 Pennsylvania Gaming Control Board, pardon me,  
10 not in compliance with the minimum payout  
11 requirements.

12 Additionally, and probably most  
13 notable --

14 CHAIRMAN CROSBY: Just before you  
15 get to that one, Director Wells, in your  
16 experience are those -- those don't seem like  
17 trivial infractions. They're not that big of a  
18 deal, but is that sort of at the normal level  
19 of infraction or is this less or more than  
20 we've seen as we've looked at similar  
21 organizations across the country?

22 MS. WELLS: I would say that it is  
23 similar. So, there's nothing here that would  
24 alert me that there was a specific problem and



1 nothing that was unusual in the industry.

2 CHAIRMAN CROSBY: No particular  
3 pattern of noncompliance?

4 MS. WELLS: No. The other issue for  
5 further discussion today, at the Rivers Casino  
6 in Des Plaines, Illinois, the Illinois Gaming  
7 Board took out a complaint for disciplinary  
8 action on August 25, 2015 against Midwest  
9 Gaming and Entertainment, the owners, the LLC  
10 owners of the Rivers Casino in Des Plaines. A  
11 settlement agreement was reached on January 28,  
12 2016 for \$1.65 million.

13 There are two sections of the  
14 complaint. Number one, that Rivers failed to  
15 conduct a timely vendor evaluation or obtain  
16 the required number of bids before entering  
17 into a cleaning contract with United Service  
18 Company or USC.

19 Number two, Rivers repeatedly  
20 violated the terms of its approved promotions  
21 and did not obtain board approval for  
22 promotions. The second piece of the complaint  
23 regarding the promotions contains the type of  
24 allegations not necessarily unusual in the

1 industry, but certainly the type of regulatory  
2 infractions we will be concerned about in  
3 Massachusetts regarding promotional play.

4           The complaint regarding United  
5 Service Company is certainly noteworthy given  
6 the recent press coverage indicating alleged  
7 ties between United Services' 50 percent owner  
8 Richard Simon and organized crime. It is  
9 important to recognize the complaint and the  
10 \$1.65 million do not make any allegations  
11 regarding this alleged connection as the  
12 complaint was for just the failure to do the  
13 vendor evaluation and two, failure to obtain  
14 the required number of bids.

15           Unlike Massachusetts, in Illinois  
16 the regulators do not do suitability  
17 investigations into non-gaming vendor  
18 companies. That responsibility lies with the  
19 casino itself.

20           In this case, the casino entered  
21 into a temporary contract with USC. And that  
22 situation morphed into a routine contract  
23 situation. The casino did not comply with the  
24 required internal control vetting and bidding

1 processes until the failure to do so was  
2 discovered by an internal audit by the casino  
3 approximately a year later. The failure was  
4 reported to the regulators by the casino in a  
5 timely manner.

6 After discovery during the audit  
7 procedure, a bid process was conducted and a  
8 due diligence investigation was conducted by a  
9 third-party O'Rourke and Frost, on its face, a  
10 very legitimate background investigation  
11 company with gaming and law-enforcement  
12 experience. No connection between USC and  
13 organized crime was discovered during the  
14 investigation. And I have reviewed that  
15 report.

16 In May 2015, press reports alleged a  
17 connection between USC and Simon and organized  
18 crime. Rivers terminated its contract with USC  
19 within two days after those press reports were  
20 released.

21 There were two qualifiers for the  
22 Massachusetts application, Mr. Scabetta and Ms.  
23 Wyatt. They were interviewed by the Illinois  
24 Gaming Control Board in connection with the

1 complaint, but the Control Board has taken no  
2 disciplinary action against those two  
3 qualifiers as a result of this.

4           Obviously, this is an incredibly  
5 high fine, which is extremely concerning. I  
6 did request a list of subsequent remedial  
7 measures taken by the applicant which was  
8 provided to me by Attorney Donnelly.

9           Some of the steps taken as a result  
10 of this investigation and the complaint,  
11 Midwest separated its general manager and vice  
12 president of marketing no longer working for  
13 Midwest. In the interim, the assistant general  
14 manager who has worked at Midwest since 2011  
15 has been serving as the interim general manager  
16 while the search for a full-time replacement  
17 continues.

18           Rush Street Gaming has also added  
19 the position of corporate vice president of  
20 regulatory compliance. Midwest indicates  
21 they've committed itself to a renewed and  
22 strengthened working relationship with the  
23 Gaming Control Board personnel present at the  
24 casino. To that end, they've initiated a

1 weekly meeting between the general manager and  
2 the gaming agent responsible for operational  
3 compliance at Midwest.

4           And personnel and executives have  
5 engaged in regular communication as such Gaming  
6 Control Board personnel to ensure transparency.  
7 And that Midwest and the Gaming Control Board  
8 work collaboratively. They indicate there's  
9 been tangible progress in the relationship and  
10 that is expected to continue.

11           Additionally, promotions at Midwest,  
12 which were the focus of the IGB staff during  
13 the settlement process and which were  
14 voluntarily suspended during the settlement  
15 negotiations, those resumed on March 2, 2016.  
16 Since promotions have resumed, Midwest has  
17 successfully executed gift giveaways and VIP  
18 gift giveaways in March and April. In  
19 addition, a new promotions manager began at  
20 Midwest in mid-March who is overseeing these  
21 executed gifted giveaways.

22           In February 2016, Midwest added a  
23 regulatory compliance coordinator who reports  
24 to the compliance department and works to

1 validate the market department's core  
2 activities including direct mail and  
3 promotions.

4           Additionally, Rush Street Gaming's  
5 director of business intelligence consults with  
6 the Midwest marketing team to provide training  
7 and advice on how to better utilize the casino  
8 management system and further reduce the risk  
9 of future execution errors.

10           To improve communication and align  
11 all offer and promotion related activities, the  
12 reporting structure of Rush Rewards was  
13 adjusted effective February 2016. So, one  
14 department oversees all customer interactions  
15 on promotions and marketing.

16           Midwest engaged forensic accountants  
17 at Ernst and Young to assist in examining all  
18 purchasing processes and procedures after  
19 conducting a detailed observation of the actual  
20 purchasing process and discussing current  
21 internal controls and standard operating  
22 procedures relative to purchasing best  
23 practices. Midwest submitted purchasing  
24 internal control changes to the IGB, which is

1 the Illinois Gaming and Control Board, on  
2 February 7, 2016. Additionally Midwest trained  
3 all managers on the revised purchasing process.

4 At the recommendation of counsel, a  
5 former assistant US Attorney and Ernst and  
6 Young, Midwest replaced the firm that  
7 previously conducted vendor due diligence with  
8 Axiom Consulting, a firm that consists  
9 primarily of individuals with federal law-  
10 enforcement experience.

11 Vendor due diligence reports are now  
12 reviewed by a newly formed vendor compliance  
13 committee consisting of Midwest executives from  
14 legal, finance, compliance and purchasing.

15 Finally, Midwest and RSG, Rush  
16 Street Gaming, are creating new standard  
17 operating procedures for purchasing SOPs at  
18 Midwest. Once completed these purchasing SOPs  
19 will be applied to all Rush Street Gaming  
20 properties.

21 I was provided with a transcript of  
22 the hearing from the Gaming Control Board at  
23 which point Chairman Tracy made some statements  
24 which I believe are relevant to your

1 consideration of the application today.

2 Chairman Tracy stated: All right,  
3 before we vote I would just like the comment.  
4 I'd like to commend Rivers that's who we're  
5 talking about here, for the way in which they  
6 have handled this matter. They did not duck  
7 the issues or drag it out. They did challenge  
8 us where we needed to be challenged but instead  
9 of trying to prolong this with litigation, they  
10 closely worked with IGB staff.

11 They have admitted to failures and  
12 have taken significant steps to beef up their  
13 compliance with additional resources to make  
14 certain such failures do not reoccur. And they  
15 have negotiated this settlement  
16 straightforwardly, expeditiously and in good  
17 faith with the IGB staff.

18 This involved a settlement of a  
19 fine. And the settlement is for \$1,650,000 and  
20 a suspension of the two individuals involved of  
21 two weeks and one week. I also want to commend  
22 IGB staff for working to resolve this  
23 expeditiously. If there are no other comments,  
24 I'll call the motion.



1                   So, those were the statements by the  
2 chair.

3                   COMMISSIONER CAMERON: Director  
4 Wells, I have a question. Actually, my  
5 question is for Mr. Donnelly. First of all,  
6 I've never heard of a fine this high. It's  
7 certainly significant.

8                   It appears that you made a number of  
9 corrective steps after the fact, but I'm  
10 concerned that those measures were not in place  
11 ahead of time. And secondly, the period of  
12 time in which these infractions -- an awful  
13 long period of time in which these practices  
14 were taking place.

15                   So, again, the amount of the fine,  
16 the duration of these practices and after-the-  
17 fact certainly -- I think I believe I just  
18 heard that after a press report you relieved an  
19 individual of their responsibilities not before  
20 that. Could you explain to me directly the  
21 significance which you agreed to pay a fine of  
22 that size and why some of those measures were  
23 not in place ahead of time.

24                   MR. DONNELLY: Thank you. Let me

1 address the fine first. It is a large fine.  
2 And I agree it's extraordinary. It's a very  
3 large fine. I cannot put myself into the minds  
4 of the commissioners as to why this occurred.  
5 I do know that there are several factors that  
6 surrounded it which may be the reason for that.

7 First of all, before I even get into  
8 that, I want to make it very, very clear that  
9 the company was not fined because of these  
10 allegations that the principal of the cleaning  
11 company had some ties or relationships with  
12 organized crime. That was not the basis of the  
13 fines at all.

14 Rather the basis of the fines were  
15 principally had to do with the promotions. And  
16 the fact that the promotions in Illinois,  
17 especially promotions that have to do with free  
18 slot play are to be preapproved and pre-  
19 submitted.

20 CHAIRMAN CROSBY: Just to make sure  
21 so that everybody understands, you're not  
22 talking about promoting somebody to something.

23 MR. DONNELLY: No.

24 CHAIRMAN CROSBY: Explain what

1 you're talking about with promotions.

2 MR. DONNELLY: I'm talking about  
3 promotions where the public is offered an  
4 opportunity to come and play at the casino and  
5 in return will receive oftentimes free slot  
6 play or a voucher that will allow patrons to  
7 come in and use those vouchers. And obviously,  
8 the purpose is to draw people in and hope that  
9 they will play more than the vouchers are  
10 worth.

11 And under our internal controls,  
12 there were requirements that those promotions  
13 be pre-vetted by the board. That was the bulk  
14 of the complaint here, far and away the bulk of  
15 the complaint.

16 And you are right Commissioner, some  
17 of those events occurred over a period of time.  
18 I frankly will tell you that there was a  
19 breakdown in the relationship between the  
20 general manager and the IGB that was not really  
21 available or known to us until after the fact.  
22 Hence, the replacement of that person and the  
23 VP of marketing.

24 And that's something that we strive

1 for throughout the country. Every place else  
2 we have good relationships. We have good  
3 relationships at this point. That relationship  
4 broke down for a while.

5 As to the vendor matter, the vendor  
6 matter was again had nothing to do with these  
7 allegations that are in the newspapers. Rather  
8 it had to do with a series of events that kind  
9 of led to this problem. The events were that  
10 the company had, when it opened, it was a very,  
11 very successful casino in Chicago.

12 They had a vendor who was engaged in  
13 what is called deep -- I'm sorry. They had  
14 employees who were engaged in what is called  
15 deep cleaning. That is it is not a desirable  
16 job at all. It's a job where you clean the  
17 grease pits, clean out the hoods from the  
18 kitchens. And it has to be done on a regular  
19 basis to keep the kitchens clean and obvious  
20 it's kind of a dreadful job.

21 During the course of the opening,  
22 the employees, some of the employees walked  
23 out. And the company went to an independent  
24 vendor, which was this vendor United Services.

1 United Services is a large company, nationwide,  
2 provides services to a number of governmental  
3 entities, provides services at O'Hare Airport  
4 to airlines and others. The company was  
5 brought in on an emergency basis because the  
6 employees had walked out.

7 The violation was not related to who  
8 owned the company, but rather the violation is  
9 that under our internal controls we are  
10 required to give to bids before you let a  
11 contract. You are permitted, as I understand  
12 it, to have a temporary situation.

13 So, the sin was that this temporary  
14 retaining under an emergency situation there  
15 came a time that the bid was -- there was a  
16 permanent contract. That's where the company  
17 failed, and did not get those two bids.  
18 Instead, it entered into a long-term contract  
19 or a contract. It wasn't long-term, but a  
20 contract with United. And that contract was  
21 then, as I understand it, I'm not 100 percent  
22 sure of this, was re-upped again.

23 Interestingly when internal audit --  
24 Our own internal audit found this error. And

1 when our internal audit discovered this error,  
2 we reported it to the IGB. We did then bid the  
3 matter out. And interestingly, United Services  
4 obtained the bid. It was the low bidder.

5           So, I want to be very careful. The  
6 violation here with regard to the vendor was a  
7 one-time violation. Had to do with a violation  
8 of our internal controls for not getting two  
9 bids. It had nothing to do with the  
10 allegations about the man who owns the company.  
11 And it was discovered by our own internal audit  
12 and was self-reported. And then we discovered  
13 later -- Let me back up little bit.

14           When we did enter into the contract  
15 with United Services, we vetted the company,  
16 and vetted it with a very experienced group.  
17 As Director Wells said had law-enforcement  
18 experience and also had gaming board  
19 experience.

20           In fact, the man Mr. Frost, not Mr.  
21 Frost, one of the men in that company was a  
22 former deputy director at the IGB. And there  
23 is a very lengthy report which we submitted to  
24 Director Wells. And in that report, the United

1 Services Company came out clean as a hound's  
2 tooth as they would say. There is no  
3 indication of anything untoward about the  
4 company whatsoever.

5           So, we continued to do business with  
6 them until these allegations came out that the  
7 company, which we do nothing of that the  
8 company, one of the principal's supposedly has  
9 some unsavory connections. We knew nothing  
10 about that. A very competent entity that did  
11 the vetting knew about it.

12           Apparently, those municipalities or  
13 governmental agencies and large businesses  
14 countrywide and specifically in Illinois know  
15 nothing about it or knew about it until the  
16 allegations hit the paper.

17           Because of the gaming relationship  
18 and the sensitivity we have, we terminated the  
19 contract on that basis. And then entered into  
20 -- Sometime later there was the complaint. I  
21 want to emphasize again, the complaint was  
22 principally about the promotions.

23           When we saw the complaint, we filed  
24 an answer, a very plain vanilla answer and

1 immediately we got into negotiations. We made  
2 an early-on determination that look we are  
3 going to settle this complaint willy-nilly. We  
4 are not going to get into litigation with our  
5 regulator. We're not going to protract that.  
6 That's reflected by Chairman Tracy's comments.  
7 And I think he said we didn't duck or dodge  
8 anything.

9           Went straightforward into it and  
10 said, what's the problem. We determined what  
11 the problem was at the local level. We  
12 terminated two people as Ms. Wells reported in  
13 the remediation. We hired a former US Attorney  
14 to redo our vendor bidding processes. We hired  
15 Ernst and Young to give us best practices in  
16 bidding. We created a number of systems that  
17 will ensure that this will not happen again.  
18 And we proceeded toward a settlement.

19           Now let me go back to where I  
20 started. Why the settlement was so high, I  
21 cannot tell you. I do know several things. As  
22 I said, there was not a good relationship  
23 between RGM and the IGB. And that could have  
24 had something to do with it.



1           The board at that time had four new  
2 members. So, it was a new board. And the new  
3 board has taken a very aggressive stance on  
4 fines. It has fined not only us, but a number  
5 of video gaming terminals permitted in  
6 Illinois. Some of these companies are very  
7 small companies. And fines in the several  
8 hundreds of thousands of dollars have been  
9 issued to those small companies that are nearly  
10 ruinous. That's a change in thrust of this new  
11 board.

12           There was also a new governor in  
13 place at this time. Our casino is the most  
14 successful in Illinois, far away by any other  
15 facility. So, again trying to look into the  
16 heads of the commissioners, I think that may  
17 well be a factor. They wanted to have a large  
18 fine that would hurt and sting. And since it  
19 is so successful that casino that required I  
20 believe in their thinking that the fine be  
21 larger than persons would expect.

22           There's also the negotiations in the  
23 manner that we approached it resulted in a  
24 reduction of the fine by \$350,000. But I can't

1 say to this group and to you or anyone else why  
2 that fine became so large.

3           And frankly, I suggest to the  
4 Commission the relevant point is really our  
5 reaction. Stuff is going to happen in the  
6 world. It's going to happen to us. It's going  
7 to the Commission. It's going to happen to  
8 states of Pennsylvania, Massachusetts and  
9 otherwise.

10           And oftentimes when "stuff happens"  
11 it's generated by human beings, either because  
12 they make errors or because of the  
13 personalities. And I suggest that the emphasis  
14 should be how a gaming company reacts when  
15 stuff like this happens.

16           I don't think we could have had a  
17 more positive, more aggressive, prompt and  
18 respectful response to this entire situation.  
19 I can't think of another thing that we could  
20 have done or should have done.

21           And I would ask the Commission and  
22 I'd ask the public who reads this to focus on  
23 what we did when we learned of this problem,  
24 what we as a corporation, and those steps we've

1 taken to ensure that it won't happen in the  
2 future. More than that I can't explain the  
3 personality of the human beings involved in  
4 this. And I can't explain with perfection the  
5 thrust of the Gaming Board.

6 But I can explain the integrity and  
7 the approach that this company takes when that  
8 stuff happens, which it inevitably will in any  
9 business or in any human endeavor. And that's  
10 what I would ask that you focus on.

11 COMMISSIONER CAMERON: I agree that  
12 your steps after-the-fact seem perfectly  
13 appropriate. Again, my concern is that none of  
14 those measures were in place ahead of time.  
15 So, that you are unable to realize that you had  
16 business practices going on that were certainly  
17 -- violated your own policies. And it seems to  
18 me that you are blaming the Board a little bit.  
19 You agreed to pay that fine.

20 MR. DONNELLY: No, I am not blaming  
21 the Board at all. We did agree to the Board.  
22 Remember there's two categories of violations.  
23 The violation with regard to the vendor was a  
24 one-time violation and that it was simply a

1 matter that was created by the extensity that  
2 occurred at the casino. And that vendor was  
3 vetted. And that vendor won the bid.

4           So, had we bid it at the time,  
5 presumably the vendor would have won. And the  
6 vetting would have been clean. So, that's one  
7 issue.

8           The other issue as to the  
9 promotions, and I can't tell you as I sit here  
10 how many promotions there were, but the failure  
11 to submit, and I think it was just a handful of  
12 promotions that didn't go and I can find that  
13 out and I will report back before the end of  
14 your consideration, but those promotions that  
15 weren't submitted again, that was a procedural  
16 error not a substantive error.

17           The procedural error being that they  
18 were to be submitted. Once the procedures or  
19 once the promotions were submitted there's  
20 nothing improper about the promotions. And I  
21 will say by the way again one other mitigation  
22 matter, we ceased all promotions after we  
23 learned of this complaint. And we revamped our  
24 entire promotion process.

1                   And since we opened up promotions  
2 again, we've had successful promotions and so  
3 on. So, we had a problem at the property level  
4 that we weren't aware of. And as that goes  
5 into the category of human beings will make  
6 mistakes. And when those mistakes are made, we  
7 take the responsibility for it. And we did  
8 with the Gaming Board.

9                   I completely agree. We agreed to  
10 that fine. We made a determination early on,  
11 we're going to put it behind us. And we're  
12 going to fix the problem. When human beings  
13 make errors -- Commissioner Wells talked about  
14 the violations that are pending in  
15 Pennsylvania. And you know Commissioner  
16 yourself having been in Pennsylvania, those  
17 fines and violations are generally human being.

18                   Human being one for example  
19 shuffling machines. We have shuffling machines  
20 that shuffle. And when there's a card missing,  
21 a red light comes on. The dealer is supposed  
22 to immediately stop and find out what the  
23 problem is. The dealer violated and it's  
24 called a red light violation. So, what do we

1 do? We discipline; we retrain. In some cases  
2 we terminate, but it's a human error.

3           A self-excluded person gets into --  
4 A person who was on the self-excluded list gets  
5 into the casino. There are several thousand  
6 people on the list of self-excluded. When we  
7 find them and we discover them, we eject them.  
8 We let the state police know. But again, some  
9 human being may have been in an opportunity to  
10 find that person. Again, what do you do? You  
11 discipline.

12           We're not a thousand percent perfect  
13 and we never suggest we would be a thousand  
14 percent perfect. And no one can be. But I  
15 come back again, I think that's why the focus  
16 should be when the company at the level of  
17 Chicago, the Rush Street level became aware of  
18 this problem, we took immediate action to fix  
19 the problem.

20           And I assure you that all of your  
21 licensees and hopefully if we are one, I assure  
22 you that in the future there will be problems  
23 because human beings are not going to be  
24 perfect. And the only thing I can pledge to

1 you is that when those problems occur, we're  
2 going to respond just as we did in Des Plaines.  
3 And I am very proud of the way the company  
4 responded.

5 COMMISSIONER CAMERON: Thank you.

6 MR. DONNELLY: Thank you and I wish  
7 I could look into the commissioners' minds.

8 CHAIRMAN CROSBY: I just want to  
9 ask, before you go, I just want to ask Director  
10 Wells if you're comfortable with the  
11 characterizations that Mr. Donnelly just made?

12 MS. WELLS: Yes.

13 COMMISSIONER ZUNIGA: Just to follow  
14 up, Mr. Donnelly, you mentioned that the bulk  
15 of the fine was attributable to the promotions  
16 or free play. Is there anything in the  
17 decision of the Board that broke down the fine?

18 MR. DONNELLY: No, there wasn't.  
19 But it was clear in our minds that the problem  
20 was that the promotions which were supposed to  
21 be submitted had not been submitted. Without  
22 naming particular names in our staff, there  
23 were people who in retrospect we find out knew  
24 that they were supposed to be submitted and

1 failed to do so.

2           So, it wasn't at least in our  
3 judgment after investigating it, it wasn't the  
4 fact that some human being just fouled up.  
5 Some human being should have known, did know  
6 and didn't file it. Not in a contemptuous  
7 manner, but just failed in their abilities.

8           So, in our understanding of the  
9 entire matter and the people who actually know  
10 the negotiations, it's very clear to us that  
11 the thrust was the promotions and not the  
12 single vendor issue.

13           COMMISSIONER ZUNIGA: Thank you.

14           CHAIRMAN CROSBY: Other questions.  
15 Are you finished?

16           MS. WELLS: I have just a summary.

17           CHAIRMAN CROSBY: Do you want to go  
18 ahead now?

19           COMMISSIONER MACDONALD: Yes, I'd  
20 rather go now, if I could. Mr. Donnelly, I  
21 just wanted to follow up and specifically on  
22 your characterization that Rush Street knew  
23 nothing about the background of Mr. Simon and  
24 the alleged organized crime connections.



1                   We became aware of that subject and  
2 of the action and the settlement of the  
3 Illinois Gaming Board's complaint by report  
4 from a Brockton citizen who said to us  
5 basically is this a suitable person to operate  
6 a casino.

7                   And there were references in the  
8 various press reports to earlier instances of  
9 Mr. Simon who is the principal of United having  
10 been connected to organized crime in some  
11 fashion or another. And as I understand the  
12 timeline here that the due diligence report  
13 that was done on United and Mr. Simon was  
14 completed in March 2012. Director Wells gave  
15 me a copy of that report which she received  
16 from you.

17                   And in my review of that it does  
18 come out clean basically and does recite that  
19 the people who did the report had consulted  
20 with media sources, basically an open source  
21 kind of investigation.

22                   And as I further understand the  
23 timeline that the internal audit picks up the  
24 no-bid contract to United in September 2012.

1 And then that was timely reported as you  
2 described to the Illinois Gaming Board.

3 What's concerning is that the media  
4 coverage with regard to Mr. Simon and United,  
5 which was so unfavorable and included these  
6 references to organized crime in May 2015 was  
7 only the most recent instance of that. In  
8 December 2012, there was a major flap arising  
9 out of the complaints of United having been  
10 awarded the O'Hare Airport contract that you  
11 referred to.

12 I don't know if it was a non-union  
13 shop, but in any event there was a union  
14 complaint that was then widely reported in the  
15 Chicago press which specifically criticized the  
16 award by the city, Mayor Emanuel, of that  
17 contract given Mr. Simon's alleged connection  
18 to organized crime.

19 CHAIRMAN CROSBY: What was the date  
20 of that December?

21 COMMISSIONER MACDONALD: In December  
22 2012. And this included an allegation that the  
23 executive vice president of United had a felony  
24 racketeering conviction. In any event,

1    apparently in Chicago at the time there was a  
2    major public flap about all of this.  United  
3    apparently was able to convince the city and  
4    the mayor to not rescind the contract.

5                    But it seems unlikely that with the  
6    presence -- with Mr. Bluhm being from Chicago,  
7    with the headquarters of Rush Street being in  
8    Chicago that they wouldn't have seen these  
9    reports about the connections of United to  
10   these questionable individuals.

11                   And then the final bit of the  
12    timeline which is concerning is that as soon as  
13    the May 2015 press flap hit with the Sun-Times  
14    reporting the Better Government Association or  
15    something like that investigation of Rush  
16    Street it was only then in May 2015 that United  
17    got terminated by Rush Street.  What am I  
18    missing here?

19                   MR. DONNELLY:  I don't disagree with  
20    the term.  By the way, two things, one the US  
21    Attorney, former US Attorney that is working  
22    for us now was part of that Better Government  
23    group that uncovered this.  The only thing I  
24    can say is to the extent that people in Chicago

1 Rush Street read that, they would not be aware  
2 of what every vendor of all their properties.

3 Certainly, I would not expect them  
4 to be aware of the cleaning company that worked  
5 at one of its properties. Again, I think that  
6 is something that I would expect a property GM  
7 or a property COO to pick up on and see.

8 Unfortunately, although most  
9 jurisdictions the vendors have to be vetted by  
10 the governmental agency. And they have a  
11 master vendor list, but that doesn't happen.  
12 Generally, in my experience gaming commissions  
13 have clipping services and they look at them.  
14 And when something like this comes up they are  
15 alerted to it.

16 But we don't have a clipping  
17 service. And to the extent that anyone in  
18 Chicago would have read about United didn't  
19 mention that they have a contract at the  
20 casino. So, I just don't think it would have  
21 hit their radar screen.

22 COMMISSIONER MACDONALD: You said  
23 they had a deep cleaning contract. In the Sun-  
24 Times and the Better Government Bureau stories

1 on this they said that United also had a  
2 security contract, so it's cleaning and  
3 security?

4 MR. DONNELLY: That's true. What  
5 happened is it morphed into -- They came in as  
6 deep cleaning as emergency. Again, what  
7 happens is they came in with emergency. And  
8 then the bids didn't go out when they should  
9 have because they morphed into these other  
10 positions.

11 Yes, they did have a security thing  
12 as well. I think they have that throughout the  
13 nation too. I understand because of the press  
14 about Mr. Simon and the importance of this  
15 factor. But I want to emphasize again the  
16 violation was failing to get the bids.

17 Even when we got the bids, we  
18 wouldn't have known about this because we had  
19 it vetted, United vetted by a very competent  
20 agency which we since terminated by the way and  
21 picked up a new vetting agency, which has even  
22 more law-enforcement. But the deputy director  
23 of the IGB, the one as I understand had  
24 responsibility for compliance and several law-

1 enforcement people -- You read the report. The  
2 report was clean. That's what the property  
3 had.

4           Should someone at the property read  
5 the newspaper and put two and two together,  
6 probably yes. But if they did, and had that  
7 happen and it didn't happen and had Chicago  
8 Rush Street been aware of it, we would have  
9 terminated.

10           COMMISSIONER MACDONALD: Thank you.

11           MR. DONNELLY: I come back again.  
12 We wish, very much wish this hadn't happened.  
13 I really think the focus is on the promotions.  
14 But I think given the reaction and the remedial  
15 actions that we've taken, I think that's what  
16 I'd ask you to focus on and not the fact that  
17 this one vendor actually didn't even slip  
18 through the cracks.

19           What we did with the vendor was what  
20 our procedures provided that had been approved  
21 and made sense at the time. We thought we were  
22 catching everything in this pretty fine sieve we  
23 had with the vetting process, but nonetheless  
24 we didn't catch that one.

1                   COMMISSIONER MACDONALD: Thank you.

2                   CHAIRMAN CROSBY: Anybody else  
3 before Director Wells wraps up?

4                   MS. WELLS: I recognize this is a  
5 particularly difficult issue given the fine. I  
6 would say that while there are no particular  
7 facts that rise to the level of change in the  
8 ultimate recommendation of suitability for the  
9 applicant, in part due to subsequent remedial  
10 measures and the comments from the Illinois  
11 Gaming Board chair, the astronomical fine does  
12 remain a concern.

13                   So, as such my recommendation for  
14 the Commission is that should the Commission  
15 see fit to award the license to Mass Gaming and  
16 Entertainment that the Commission requires a  
17 license condition, a particular strict form of  
18 oversight to ensure that these types of  
19 procedural lapses don't occur in Massachusetts.

20                   I recognize that would apply  
21 particularly to the promotional aspect. With  
22 respect to the vendor aspect, the IEB does the  
23 suitability investigations and licenses the  
24 vendors. So, it's not as relevant to

1 Massachusetts but still it's certainly  
2 concerning.

3 I would also remind the Commission  
4 that any issues regarding suitability can be a  
5 factor in the Commission's decision on whether  
6 or not to award a license in Region C. So, the  
7 Commission can take the application as a whole  
8 when you look at all of the factors that you're  
9 going to look through in the next few days and  
10 their suitability is also a consideration in  
11 the determination of the license.

12 CHAIRMAN CROSBY: Thank you very  
13 much. Any further questions? That was a  
14 really thorough well-done job. Thank you.

15 MS. WELLS: Thank you.

16 COMMISSIONER CAMERON: Thank you.

17 CHAIRMAN CROSBY: I think General  
18 Counsel Blue is next or no, it's going to be  
19 Associate Counsel Grossman.

20 MS. BLUE: Deputy General Counsel  
21 Grossman.

22 CHAIRMAN CROSBY: I'll get it right  
23 one of these days.

24 MR. GROSSMAN: Good morning, Mr.



1 Chairman, Commissioners. We'd like to take  
2 this opportunity just to outline some of the  
3 general requirements, prerequisites and  
4 considerations that the law has assigned to  
5 this process.

6           They are as follows: Brockton is  
7 located in Plymouth County and is accordingly  
8 in Region C. Only one gaming license may be  
9 awarded per region provided however that a  
10 gaming license shall only be issued to an  
11 applicant who is qualified under the criteria  
12 set forth in General Law Chapter 23K and 205  
13 CMR as determined by the Commission.

14           If the Commission is not convinced  
15 that the applicant has both met the eligibility  
16 criteria and provided convincing evidence that  
17 the applicant will provide value to Region C  
18 and to the Commonwealth, no Category 1 license  
19 shall be awarded.

20           The Commission shall have full  
21 discretion as to whether to issue a license.  
22 An applicant has no legal right or privilege to  
23 a gaming license and shall not be entitled to  
24 any further review if denied by the Commission.

1           A Category 1 license shall be valid  
2 for a period of 15 years beginning with the  
3 commencement of gaming operations. The  
4 Commission's RFA-2 administrative proceedings  
5 beginning with the submission of the RFA-2  
6 application through the final decision as to  
7 whether to award a Category 1 gaming license  
8 are administrative and legislative in nature  
9 not adjudicatory.

10           The applicant has been required to  
11 present all information required by the  
12 Commission in the RFA-2 application truthfully,  
13 fully and under oath.

14           However, the RFA-2 administrative  
15 proceedings have involved public hearings that  
16 have not been adversarial in nature; have  
17 involved no specific charges, legal right or  
18 privilege; have provided no opportunity for  
19 cross-examination of witnesses under oath in a  
20 hearing; have afforded the opportunity for  
21 public comments including unsworn statements  
22 and letters of support, opposition or concern  
23 by persons advocating for or against the  
24 application; and will involve a final decision

1 to grant or deny a gaming license that rest at  
2 all time within the discretion of the  
3 Commission.

4 The Commission shall ultimately  
5 either grant or deny the application before it.  
6 In determining whether the applicant shall  
7 receive a gaming license, the Commission shall  
8 evaluate and issue a statement the findings of  
9 how the applicant proposes to advance the  
10 objectives set forth in General Law chapter 23K  
11 § 18 they are outlined in the checklist that  
12 has been provided to the Commission.

13 If the application is denied, the  
14 Commission shall prepare and file the  
15 Commission's decision. And if requested by the  
16 applicant shall further prepare and file a  
17 statement of the reasons for the denial  
18 including specific findings of fact by the  
19 Commission.

20 The Commission shall take into  
21 consideration the physical distance in  
22 selecting the locations of the gaming  
23 establishments as they relate to each other,  
24 and how they maximize benefits to the

1 Commonwealth.

2           Provided however that in determining  
3 whether a gaming applicant shall receive a  
4 gaming license, the Commission shall also  
5 consider the support or opposition to each  
6 gaming applicant from the public in the host  
7 and surrounding communities as demonstrated by  
8 public comment provided through oral and  
9 written testimony received during the public  
10 hearing conducted under section 17, and  
11 provided directly to the Commission pursuant to  
12 § 15.

13           Further in awarding a gaming license  
14 the Commission may take into consideration the  
15 proximity of the location of the Category 2  
16 gaming establishment to the Category 1 gaming  
17 establishment.

18           And that's a broad overview of the  
19 laws that apply to this process. Thank you.

20           CHAIRMAN CROSBY: Any questions  
21 Commissioner? Thank you, Attorney Grossman.

22           MR. GROSSMAN: Thank you.

23           CHAIRMAN CROSBY: Why don't we take  
24 a very quick break and give you a chance to set

1 up and then we will begin with Commissioner  
2 Zuniga.

3

4 (A recess was taken)

5

6 CHAIRMAN CROSBY: Folks we are  
7 reconvening meeting 188. And we are beginning  
8 the formal evaluation process. We are starting  
9 with Commissioner Zuniga who will be discussing  
10 the finance criteria.

11 COMMISSIONER ZUNIGA: Good morning,  
12 Commissioners, colleagues and members of the  
13 public. I am here today with Russ Scarpelli  
14 who will be later talking about the marketing  
15 assessment piece of the finance presentation.  
16 But I will be going over the three other  
17 sections of this presentation which was  
18 distributed to Commissioners and applicant  
19 today, this morning.

20 Just a quick summary.

21 CHAIRMAN CROSBY: Excuse me,  
22 Commissioner, can we have what's on the screen  
23 here. Okay, and big enough to see it.  
24 Sometimes it's easier to follow here than in

1 all of our books. We don't need Commissioner  
2 Zuniga, as nice as he is.

3 COMMISSIONER ZUNIGA: You can see me  
4 in person.

5 CHAIRMAN CROSBY: Okay. Go ahead.

6 COMMISSIONER ZUNIGA: Thank you.  
7 Just a quick summary of the applicant Mass  
8 Gaming and Entertainment owned by ultimately  
9 the Rush Street group that is controlled by  
10 Neil Bluhm. Rush Street Gaming also owns  
11 affiliated entities, mostly that are  
12 highlighted on the screen.

13 There's the Rivers Casino in Des  
14 Plaines that we were talking about earlier.  
15 That casino is the most successful for Rush.  
16 It has a redacted number, as I see now, of  
17 gaming revenue. It is a casino that does very  
18 well. It also operates in a very competitive  
19 greater Chicago area, which includes the  
20 northern Indiana region.

21 Rush also controls the Rivers Casino  
22 in Pittsburgh with a sizable amount of slots  
23 and tables. You are also familiar the  
24 Sugarhouse Casino, I believe. A couple of my

1 colleagues visited it, as well as the Rivers  
2 Casino in Schenectady which has a planned  
3 opening date of 2017 in upstate New York.

4 The key piece in understanding the  
5 number of LLCs that Rush sets up for its  
6 operations is that they are ultimately all  
7 controlled by Rush Street Gaming.

8 CHAIRMAN CROSBY: What is the ratio  
9 of Rush and Sweeney in the LLC as a practical  
10 matter?

11 COMMISSIONER ZUNIGA: There is a  
12 slide later on. That ratio was redacted. It's  
13 a minority owner. I'll get into that in a  
14 minute.

15 CHAIRMAN CROSBY: Okay. I'm sorry.

16 COMMISSIONER ZUNIGA: So, that some  
17 of you might not see these numbers, some of you  
18 in the back, but what we've done in these  
19 slides is present the Brockton proposal at a  
20 summary level in comparison or contrasting, if  
21 you will, with Springfield and Everett  
22 proposals in our own state. This is a way to  
23 at least highlight the similarities and  
24 differences. I will just speak a little bit to

1 the highlights.

2           MGM and Wynn proposed 3000 or so  
3 slot machines. Brockton or Rush is proposing  
4 2100. The table games are smaller in the case  
5 of Springfield, significantly larger in the  
6 case of Everett and Brockton or MG&E has 100  
7 table games proposing.

8           The square footage, and I know my  
9 colleague in the building and site design is  
10 also going to talk about square footage areas,  
11 but in terms of casino space, that's the area  
12 highlighted in the chart. We have just under  
13 100,000 in terms of the Brockton proposal. And  
14 north of 125,000 in the case of Springfield and  
15 close to 200,000 when it comes to Everett.

16           This begins to tell a little bit  
17 relative size of these proposals, which also  
18 permeates down into some of the revenues and  
19 the capital investment that we will be talking  
20 about in a little while.

21           Perhaps one area of difference is  
22 the retail space. The proponent in Brockton  
23 has a small compared to the others amount of  
24 square footage relative to retail. This also



1 begins to tell a little bit more of the focus  
2 in terms of operations and target player that  
3 they might be going after.

4           There is a multipurpose space of  
5 15,000 square feet that we found relevant to  
6 compare with some of the outdoor space that  
7 Everett will have or the bowling alley and  
8 cinema that MGM proposes.

9           A little bit about a background on  
10 the finance section. This is a shorthand of  
11 the policy statements of -- I'm sorry. This is  
12 actually the way that the document was  
13 organized in terms of our application. There  
14 is a series of questions that come under  
15 financial and capital structure that the  
16 application also has a number of sub questions  
17 relative to the notion of maximizing revenues,  
18 offering a maximum capital investment and  
19 offering the highest and best value for  
20 creating a secure and robust gaming market,  
21 which are all goals from the statute.

22           There are a total of 38 questions in  
23 the finance sections. There are a number of  
24 them that are not rated, sometimes because they

1 simply do not apply or did not apply from the  
2 applicant's perspective. These areas are all  
3 detailed questions in terms of the objectives  
4 of the Gaming Act.

5           Some of those objectives we know  
6 well but it bears repeating. The Gaming Act  
7 states out 18 very interrelated objectives.  
8 The key objectives in the finance section I'm  
9 highlighting in this slide has to do with  
10 maximizing the capital investment, exclusive of  
11 certain costs that I'm going to get into later  
12 because this is a unique situation for Region  
13 C.

14           There is also the big goal or  
15 objective of recapturing out-of-state gaming  
16 expenditures which bears into the competitive  
17 environment in which we operate. We have a  
18 very tight gaming market and a competitive one  
19 in New England. We'll talk about that  
20 throughout this presentation.

21           Of course, maximizing revenues to  
22 the state but with always in mind the notion  
23 that we need and want a long-lasting, robust  
24 gaming industry.

1                   Other relevant policy statement from  
2 the Gaming Act that I think always have bearing  
3 into our decisions but especially in the  
4 finance section, there was a clear policy  
5 directive in a limited licenses. We can only  
6 award one license per region.

7                   There's also a low tax rate at 25  
8 percent. That in the industry that is actually  
9 a low tax rate with a big or high minimum  
10 investment threshold at \$500 million.

11                   I think I am missing the slide where  
12 our advisors show up in a picture, but I was  
13 advised or helped by Rob Scarpelli and his team  
14 Katia Mura and Matt Klas who have done a  
15 tremendous job since we started the evaluation  
16 process of the first Category 2 deliberation.

17                   So, the framework of the finance  
18 team the way we've structured always our  
19 presentations for every applicant. There is  
20 the finance capability section that begins in a  
21 minute, the investment plan, the market  
22 assessment that Rob is going to speak to after  
23 I go through the first two.

24                   I'll come back for the later end of

1 the presentation to talk a little bit more  
2 about the operations plan. Each one has those  
3 subtopics. They all relate to the overall  
4 financial strength.

5 So, there they are. They are just  
6 out of order, Rob, Katia and Matt, a great team  
7 of advisors throughout this whole process.

8 So, just getting right to the  
9 financial capability, it's really to assess the  
10 ability to obtain project capital, the strength  
11 of the applicant at a corporate level. We do  
12 get into looking at their operations elsewhere  
13 too in this section, but we also go through an  
14 analysis of their expected projections as well  
15 as expected returns, which also speak to how we  
16 believe this could be a very robust operation.

17 When it comes to the details of  
18 obtaining the project capital, we look to  
19 evidence that they have required funds to fund  
20 the project, a healthy equity component for  
21 example. We did not determine a debt to equity  
22 ratio even though the Gaming Act speaks to our  
23 ability to impose one.

24 We preferred an approach in which

1 they demonstrate their overall financial  
2 strength in what they plan. And I'm going to  
3 get into the details in a minute. We reviewed  
4 the background materials, commitment letters  
5 from banks. In this case, the applicant  
6 presented three letters, highly confident  
7 letters relative to financing. Ultimately, the  
8 borrowing that they will do to supplement their  
9 equity portion.

10 We also look for net worth  
11 statements. A lot of them coming from a lot of  
12 the information that they submit as part of  
13 their suitability phase review, phase 1 in  
14 other words, their operations elsewhere as well  
15 as their financial reports.

16 Again, a comparison with the  
17 financing structure that we've seen before in  
18 the licensees on the other two regions only for  
19 comparison purposes. There is a funding  
20 capital of \$677 million as has been widely  
21 reported. The applicant proposes to fund \$172  
22 million of that with their own equity. They  
23 intend to borrow \$505 million, in other words  
24 the remaining. That comes out to a 75/25 debt

1 to equity split.

2 For reference, Wynn has a 62/38.

3 And you might remember that when we approved  
4 MGM, they had a proposal of two options  
5 depending on a number of issues that they were  
6 going to go through including the recent --  
7 what is now the spinoff to that REIT that they  
8 currently have, which is why you see those  
9 ranges in that chart.

10 But the relevant piece is that  
11 Brockton proposes a 75/25 equity split. And in  
12 general, I see that as a very healthy debt to  
13 equity ratio.

14 CHAIRMAN CROSBY: Excuse me, this a  
15 detail but I think on the bottom project  
16 finance by equity, I think those numbers are  
17 flipped, right? It should be 50/50 and 75/25?

18 COMMISSIONER ZUNIGA: Yes.

19 CHAIRMAN CROSBY: I just didn't want  
20 anybody to get misled.

21 COMMISSIONER ZUNIGA: Yes, that's  
22 right. That's a typo for MGM. All right.  
23 Just going on the next slide, the deal is  
24 structured in a way that certain pieces of the

1 equity come in at different times or have  
2 different crunches, if you will.

3           This is a piece that you were  
4 asking, Mr. Chairman, relative to the Sweeney  
5 Investments contribution. They do have the  
6 ability but not the obligation to contribute  
7 additional equity in excess of that number,  
8 Sweeney does. There is a preferred equity and  
9 excess preferred equity that is highlighted  
10 there. We've redacted the percentage that they  
11 -- the return that they get on that equity as  
12 we've done with other applicants.

13           As I mentioned, the debt financing  
14 comes at a later time but there are at least  
15 three letters of banks, reputable banks highly  
16 confident that they could raise the financing.  
17 And that is as it is broken out there.

18           An important piece here is that even  
19 though there are four components of equity,  
20 they are with the exception of Sweeney, they  
21 are all controlled by Bluhm entities. So, it  
22 is for all intents and purposes they are the  
23 majority, the controlling party and the owners  
24 of the project. I'll take any questions along

1 the way, needless to say, but I'll go along if  
2 there aren't any.

3           Similarly, the main take away of  
4 this slide is that even though there are a  
5 number of actual legal entities involved in the  
6 project, the top six entities are all  
7 controlled by Neil Bluhm or Rush Street Gaming  
8 which all contribute the redacted amounts in  
9 that slide into the Brockton gaming LLC which  
10 is the majority owner of Mass Gaming Holdings  
11 which is the company that owns, wholly owns  
12 Mass Gaming and Entertainment which is the  
13 applicant.

14           I believe Director Wells talked  
15 about the Sweeney Investments portion before.  
16 All others are family members of Mr. Bluhm,  
17 with the exception of Mr. Carlin who is the CEO  
18 of Rush Street.

19           This slide is what sometimes some  
20 finance people call the cascade slide. This is  
21 a way, an order of distributions that come from  
22 profits, if you will. That's the way they are  
23 all structured.

24           They first pay tax distributions.



1 Not surprisingly preferred equity gets paid  
2 after that. There's a component of an excess  
3 preferred equity that is to be paid after that  
4 etc., etc.

5 The main take away from all of this  
6 is that all of those components are again  
7 controlled by Mr. Bluhm and affiliated entities  
8 with the exception of Sweeney Investments, as  
9 you see the bottom. After there's common  
10 equity repayment, there could be a distribution  
11 to the partners in a proportional way, the  
12 majority of it being the Rush Street entity.

13 As I mentioned, we examined the  
14 financial status of those related entities, the  
15 capital that's behind it. We are rating it as  
16 an outstanding when it comes to the ability to  
17 obtain project capital. These are very healthy  
18 companies that they control. Their assets are  
19 mostly non-liquid given that they really are a  
20 real estate company. And that's where they  
21 started their success.

22 Even though these assets are non-  
23 liquid, they are substantial. They also have  
24 provided bank letters, as I mentioned before,

1 with an additional access to a credit facility  
2 at the time of suitability that is available in  
3 terms of lending that funding.

4 For the debt financing, there's the  
5 three confident, highly confident letters that  
6 I mentioned before from three different banks.

7 CHAIRMAN CROSBY: At other times,  
8 Commissioner, you've made the point that highly  
9 confident letters are worth the paper they are  
10 printed on. But I gather that in this  
11 situation, you don't have any doubt.

12 COMMISSIONER ZUNIGA: Yes. I've  
13 tried to draw the distinction that the highly  
14 confident letter is not actual -- it's not a  
15 commitment letter. Then is not financing that  
16 is reserved for the applicant.

17 But I think it's important to note  
18 that when we add the equity component, their  
19 ability to draw on a credit facility and the  
20 fact that there are three financing  
21 institutions that are ready to fund this, it  
22 starts to speak to their ability to obtain  
23 capital.

24 They are not proposing any of this,

1 but I believe the bank when they say they are  
2 highly confident because they have a lot of  
3 real estate holdings that they could  
4 collateralize on. That's not what they are  
5 proposing, but when we put all of those factors  
6 together, I think it merits that outstanding  
7 rating that I give it.

8           We are still on section one, but we  
9 will go to the next subsection, which is the  
10 current financial strength. In a way, I spoke  
11 a little about it but we want to make sure in  
12 this section that their operations elsewhere  
13 might not affect the operation in Massachusetts  
14 if they were awarded a license. So, we look at  
15 the general health of the company, how they  
16 perform in other areas, make sure that that  
17 doesn't become a drag, if you will, to these  
18 operations or to the success of their  
19 development projects.

20           And for that purpose, we reviewed  
21 their financial statements where applicable to  
22 look at certain ratios. We've done it before  
23 for our other applicants. They are not a  
24 public company. They are a privately held

1 company. So, I cannot show you those ratios.

2 But they are very healthy in  
3 general, and I don't believe any of their  
4 operations will be a drag if they were  
5 successful in obtaining a license here. But  
6 important to note that we looked at all of that  
7 information.

8 I do have in the next slide only for  
9 reference even though some of you might not be  
10 able to read this, all of the public  
11 information that we have access to from all of  
12 the public companies, all of the gaming  
13 companies that are publicly traded. And the  
14 ratios vary in some cases. Suffice to say that  
15 if Rush was a public company the ratios would  
16 be very similar to the healthiest of the public  
17 companies in this chart.

18 For reference or for additional  
19 reminder, I like to look at the current ratio,  
20 which is their ability to pay current debt.  
21 That's current assets divided by liabilities.  
22 A ratio of one or higher is a healthy one. We  
23 look at capital asset turnover ratio, return on  
24 investment times interest earned as explained

1 in this chart. Again, I'll mention that their  
2 operations have healthy ratios throughout.

3 As it has been mentioned here  
4 before, just the sheer amount of gaming revenue  
5 that they are able to earn in other states is  
6 also a very healthy indicator of their  
7 financial strength. I'll continue if there are  
8 no questions.

9 So, overall, the current financial  
10 strength I'm also rating them an outstanding.  
11 They have affiliated entities that have  
12 significant ownership in all those casinos.  
13 They are successful in Des Plaines, in  
14 Pittsburgh, in Sugarhouse in Philadelphia. And  
15 their financial analysis results in ratios that  
16 demonstrate financial strength.

17 The next subsection relative to  
18 financial strength is how we want to make sure  
19 that they earn a commercially reasonable return  
20 on investment and are able to pay back their  
21 development costs over the term of the license.

22 So, we look at their calculation for  
23 the return on investment or ROI based on their  
24 15-year EBITDA. Their EBITDA is their earnings

1 before interest, taxes, depreciation and  
2 amortization.

3           And that return we calculate under a  
4 couple of different scenarios. We discount it  
5 heavily with a 15 percent discount rate or a  
6 four percent discount rate and look at those  
7 cash flows and bring them back to today and  
8 make sure that they are a comfortable return on  
9 investment or what would be considered in the  
10 industry a good return on investment for the  
11 amount of risk that they engage in.

12           In this case, we begin to get into  
13 the area that the Chairman was talking about.  
14 It starts to depend on what may happen with or  
15 without another casino in the region. For  
16 example and for reference, the Springfield and  
17 Everett applicants have at the time of analysis  
18 a 20 percent and 21 percent respectively ROI.  
19 In this case, without a Taunton casino, the  
20 applicant projects a 21 percent return on  
21 investment which is very healthy as the other  
22 two. It diminishes to 15 percent if there was  
23 to be a Taunton casino.

24           CHAIRMAN CROSBY: You said that the

1 applicant expects. But these are more  
2 conservative numbers than the applicant gave  
3 us; is that right? You did these based on your  
4 own discounting of their numbers?

5 COMMISSIONER ZUNIGA: No. We get  
6 the numbers that they provide. We apply the  
7 discount rates that I mentioned. And the  
8 single calculation of the return on investment  
9 is those numbers with and without a Taunton  
10 casino.

11 CHAIRMAN CROSBY: So, they would  
12 have projected a higher ROI?

13 COMMISSIONER ZUNIGA: No.

14 CHAIRMAN CROSBY: You're saying this  
15 calculated return was assessed under a lower  
16 revenue total than what was estimated by the  
17 applicant.

18 COMMISSIONER ZUNIGA: Well, we'll  
19 get into that piece on the market assessment.

20 CHAIRMAN CROSBY: Okay.

21 COMMISSIONER ZUNIGA: So, if you  
22 take their projections, they project those  
23 kinds of returns. At the time of getting into  
24 the market assessment, we will talk about how

1 we feel about the revenues that they project  
2 under the two scenarios.

3 I was correct these are their  
4 projections as I mentioned, but they do as the  
5 note below says, the ROI or the return on  
6 investment falls below 10 percent if we take  
7 their gaming revenues to a level below \$250  
8 million a year. I'm going to talk about that  
9 \$250 million level in the market assessment  
10 piece.

11 CHAIRMAN CROSBY: Okay.

12 COMMISSIONER ZUNIGA: So, for  
13 expected returns, the rating we have is a very  
14 good. The plan does produce a commercially  
15 reasonable return on investment, but the  
16 projections become below what may be considered  
17 commercially reasonable under certain  
18 circumstances relative to what may happen in  
19 the rest of the region.

20 COMMISSIONER CAMERON: Commissioner,  
21 I had a question here. So, the very good  
22 rating is -- is it a very good rating with or  
23 without another casino in the region?

24 COMMISSIONER ZUNIGA: Yes. And let



1 me try to explain it another way as to why I  
2 think that's the case. The applicant submitted  
3 two scenarios.

4           So, they know that it is possible  
5 that there could be another casino in the  
6 region. Ultimately, the return is based on a  
7 lot of things that nobody can really predict.  
8 But we need to be able to combine it with the  
9 fact that they have the capital and are saying  
10 they're going to be able and they're willing to  
11 put up the capital to do this.

12           And when start to aggregate, at  
13 least in my mind, all of those things, that's  
14 an important piece. I'll also say it's still a  
15 positive return even with another casino if we  
16 take the revenues that they project. Where we  
17 get into the discussion about whether those  
18 projections are reasonable is in the market  
19 assessment piece. And that's an important  
20 distinction.

21           COMMISSIONER CAMERON: Could you  
22 explain the term then projected returns could  
23 be below what would be considered commercially  
24 reasonable?

1                   COMMISSIONER ZUNIGA: Yes. There's  
2 commercially reasonable return on these  
3 operations in my mind that's always lingers  
4 around 15 percent. So, it's attractive if it's  
5 above that. We can see that on Everett and MGM  
6 and without a Taunton casino on Brockton.

7                   Below 15 percent, it begins to be a  
8 little bit less commercially reasonable because  
9 the applicant acquires a lot of risk, has to  
10 put up a lot of money where the returns are  
11 going to come years after the development  
12 cycle. If you were only earning three percent,  
13 you're better off buying some tax-exempt bond  
14 for example if you were only going to get that  
15 much in return.

16                  However, any entrepreneur is a risk-  
17 taker. And they have been in this case and  
18 they have done that before. They believe they  
19 can do this and understand their ability of  
20 what that may bring. And that again, as I  
21 mentioned earlier is something that is a  
22 factor. But commercially reasonable in this  
23 specific example is in my mind 15 percent  
24 return.

1                   COMMISSIONER CAMERON: So, the very  
2 good rating is because the company can sustain  
3 this project even though there's a chance it  
4 could be considered commercially -- the return  
5 could be below what is considered commercially  
6 reasonable? They can sustain this project even  
7 if that scenario would be the case.

8                   COMMISSIONER ZUNIGA: Yes, yes.  
9 Thank you for that clarification. If we were  
10 to award a license, Commissioner, let me  
11 mention this one thing.

12                   CHAIRMAN CROSBY: Excuse me,  
13 Commissioner, I'm sorry. I'm cold. I don't  
14 know if anybody else is. Is anybody else cold?  
15 Lots of hands going up. I don't know if it's  
16 possible to warm the place up or pass out  
17 blankets or something, whatever you can do.  
18 Thank you.

19                   COMMISSIONER ZUNIGA: I'm glad it's  
20 not an indication of my presentation, putting  
21 everybody here in the chills. Okay. So, that  
22 was section one all relative to the applicant  
23 earning a commercially reasonable return but in  
24 conjunction with their ability to obtain

1 project capital and committed.

2 The next section is the investment  
3 plan. This section focuses on assessing the  
4 suitability of the project to compete in the  
5 market over the term of the license.

6 So, we look at specific areas, their  
7 commitment to spend the required capital, the  
8 timing of the total development and the  
9 consistency between what they propose, the  
10 expected market penetration and the financial  
11 results. And I think this is a key area to  
12 understand at a high-level.

13 We are looking to make sure that  
14 they've understood what the market can bear,  
15 how they propose to penetrate the market and  
16 how that is reflected in the financial results  
17 that they show. In other words, those three  
18 things have to all gel within themselves.

19 The first piece is the required  
20 capital. Let me here make a little background  
21 reminder to the Commissioners and the public of  
22 the eligible capital expenditures that are at  
23 least \$500 million. The first set of the  
24 regulations that we issued for all of the

1 applicants excluded from the capital investment  
2 calculation certain costs like we had the  
3 ability to do, effectively raising the bar of  
4 that \$500 million.

5           You'll remember initially we  
6 excluded -- Again, the statute is very explicit  
7 giving us the authority to exclude land costs  
8 from the capital investments. We had a lot of  
9 discussions prior to your term, Commissioner  
10 Macdonald, about whether land, just the simple  
11 purchasing of land constituted a capital  
12 investment as the statute outlined in its goal.

13           That continues to be an excluded  
14 cost from the capital calculation. But when it  
15 came to Region C, the number of comments that  
16 we received from applicants at the time when we  
17 were looking to drum up interest in that region  
18 included interest costs, carried interest costs  
19 during the period of construction that in the  
20 normal way of developing real estate projects  
21 usually get tagged onto the capital investment  
22 that later get depreciated over time.

23           So, I suggested and ultimately  
24 prevailed in making an exception to our

1 regulations to include carried interest costs  
2 for the Region C and the Region C only. You'll  
3 remember some of those discussions about  
4 fostering competition. That was a big driver  
5 at the time. That is now an eligible cost per  
6 our regulation for the Region C only.

7 I remember certain other costs were  
8 also included, permit costs and the like, but  
9 the big chunk was carried interest costs.

10 This is a detailed itemization of  
11 the costs that add up to the \$677 million. And  
12 the key on the two columns on the right, the  
13 (E) stands for eligible costs and the (I)  
14 stands for ineligible costs. The two columns,  
15 the distinction is the applicant identifies  
16 certain costs as eligible where after our  
17 review, we determined that they are ineligible  
18 or they could be ineligible.

19 And I'll get into the first  
20 condition in a minute as to why. But I think  
21 it bears just going down the list in general to  
22 highlight that any kind of hard costs at the  
23 top, we always had them as eligible.

24 When we start to get into the

1 question of ineligible costs, the first one is  
2 financing costs-legal, we did agree -- we did  
3 as I mentioned included the financing costs  
4 that's eligible. But there's another piece of  
5 the regulation that says any and all legal fees  
6 are excluded from the capital investment. And  
7 we feel that even if those legal fees are being  
8 used for the financing, they are legal fees and  
9 therefore excluded.

10 I also checked with Counsel Blue  
11 relative to contingencies. The idea in  
12 highlighting them here as potentially  
13 ineligible is that a contingency amount may or  
14 may not turn out to be a hard cost. We simply  
15 don't know. I've seen a number of projects  
16 where the contingency gets eaten up very  
17 quickly in just purely cost escalation. And it  
18 is very likely that that contingency ultimately  
19 gets spent in what is clearly an eligible cost.  
20 But they are not currently, so we needed to  
21 highlight them for the discussion here.

22 COMMISSIONER STEBBINS: Is there a  
23 formula or a basic business practice that helps  
24 someone determine the amount a contingency

1 might be to the percent of the total project?

2           COMMISSIONER ZUNIGA: Yes. There is  
3 usually a design contingency. I've seen it in  
4 the order of seven percent. There's a  
5 construction contingency depending on where you  
6 are in the development cycle. That  
7 construction contingency is high.

8           As construction progresses that  
9 should be lower, because of course the  
10 uncertain piece is you know a little more. Or  
11 there is less room for uncertainties because  
12 you are further along in the project.

13           To your point, is those contingency  
14 amounts seem reasonable. They're not  
15 excessive. They're not minute. The  
16 fundamental question is at this point, we don't  
17 know whether they turn out to be eligible costs  
18 or not and important to highlight.

19           If we exclude them, they are below  
20 the minimum capital investment. If we include  
21 them, they are just right above at 500 and  
22 change million. Actually one of the condition  
23 if we were to award this license would be to  
24 closely monitor the progression of this budgets



1 because all budgets evolve as they continue to  
2 flush out the design and make design decisions  
3 and value engineer and whatnot, it is important  
4 to look at those contingency amounts.

5 COMMISSIONER CAMERON: Question,  
6 Commissioner. So, I think what you are saying  
7 is they would have to meet that \$500 million of  
8 which right now there might be a \$22 million  
9 discrepancy according to the way we calculate.  
10 And that would be a condition of the license?

11 COMMISSIONER ZUNIGA: Yes. And you  
12 reminded me of something. In our request for  
13 clarification, we asked this question obviously  
14 point-blank. What happens if you don't spend  
15 that contingency? What happens if you are  
16 below the minimum capital investment?

17 And they flat out say we will spend  
18 more. We will get a better carpet at the end  
19 if that's what we need. They didn't give that  
20 example specifically, but they are committed to  
21 meeting the minimum capital investment. Still  
22 it is important to highlight that they are  
23 exactly at that threshold, one that merits our  
24 attention to this matter.

1           Let me also mention something, the  
2 financing costs are themselves eligible, but  
3 also are projection. They could turn out to be  
4 higher. They could turn out to be lower  
5 depending on how they raise.

6           One area that I would be looking at  
7 if we award this license is especially seeing  
8 the progression or evolution of those financing  
9 costs, because now that they are eligible, if  
10 those financing costs increase they could come  
11 at the expense of the quality of the building  
12 or what's left over for the hard costs. I  
13 don't think that's going to be significant but  
14 that's a dynamic that could come to fruition.

15           CHAIRMAN CROSBY: I'm not sure what  
16 relevance this has but it's just worthwhile  
17 noting that if we had not adopted your  
18 amendment to our rules which was to include  
19 rather than exclude capitalized interest,  
20 they'd be off by \$50 million or something like  
21 that, way off.

22           COMMISSIONER ZUNIGA: Yes, a little  
23 higher, \$70 million.

24           CHAIRMAN CROSBY: Even with their

1 contingency, they'd still be off by 50 or so.

2 COMMISSIONER ZUNIGA: Yes, that's  
3 right. These are significant costs. And they  
4 are necessary costs. But we did draw the line  
5 back then. We drew the line and that's just  
6 simply where we are. Any other questions on  
7 the chart or the ineligible portions?

8 Actually, it bears mentioning that  
9 the applicant knew really well that this was an  
10 area of focus and an area of uniqueness to this  
11 application, and broke down all of the relative  
12 categories for us in their application. We did  
13 not necessarily get this level of detail or the  
14 level of detail behind this chart on the other  
15 applicants. But the necessary to check there  
16 was less.

17 So as a result, I rated as I've done  
18 in the past not as a very good or anything like  
19 that just as a meets requirements when it comes  
20 to the required capital in this case with the  
21 potential condition that the contingency costs  
22 would be spent on eligible capital items.

23 Okay. The next section, the next  
24 subsection rather is the project timeline. A

1 component of what I talked earlier in terms of  
2 return on investment depends on the duration of  
3 construction and ability to bring in the  
4 positive cash flows if they are in the future  
5 to today and resulting in that ROI calculation  
6 that I was talking about.

7           So, we feel it's incumbent upon us  
8 to look at the projected timeline at a high  
9 level to see if that is reasonable. Of course,  
10 the building and site design people get into a  
11 little bit more depth when it comes to  
12 permitting or where they may be in the MEPA  
13 permitting process and the like. We don't  
14 really get into that.

15           If everything goes according to the  
16 plan that they propose and their development  
17 project stays within a range of 38 to 41  
18 months, a planned opening would be around the  
19 early part of spring of 2019. Again, only for  
20 reference purposes, because they are very  
21 different projects, I think very different  
22 locations, we have a higher -- a longer  
23 timeline when it comes to the other projects.  
24 And we believe that it is a reasonable

1 development of project timeline.

2           We did note -- Was that in the  
3 previous slide? Yes, I did note that the MEPA  
4 process timeline is not evaluated in this  
5 application. We make no comment as to how long  
6 it will take them. We know that it could be  
7 lengthy though.

8           So, as a result of the projected  
9 timelines we believe is a very good rating.  
10 Given the size and scope and complexity of the  
11 development of the site, what appears to be a  
12 very clean site, with considerations relative  
13 to other aspects like traffic etc., this would  
14 be a very good rating.

15           The third subsection of this  
16 evaluation is what I was mentioning, the  
17 consistency between the size and the scope of  
18 the facility and what they propose in their  
19 operations plan and their financials.

20           So in other words, if they say  
21 they're going to get certain number of  
22 revenues, do we see evidence that their  
23 operations plan, their marketing plan is such  
24 that they could attract that level of

1 customers, etc., as well as if we see evidence  
2 that that is reflected in their financial  
3 plans.

4 We look at their capital budget,  
5 their building renderings on connection to  
6 their operations and financing plans which are  
7 a big, big component of the finance  
8 application. And the main thrust of it is that  
9 they all talk to each other.

10 When it comes to the consistency of  
11 the financials, I'm just reiterating some of  
12 the details that I put in before. It's a  
13 smaller casino compared to the other two  
14 Category 2 -- I'm sorry Category 1 casinos with  
15 less gaming area, more tables less slots. That  
16 may be a result of how they view the market,  
17 which I think is important.

18 Parking spaces around 3000, which  
19 you'll remember the ratio or the rule of thumb  
20 of one parking space per one gaming position  
21 appears in line with what they anticipate the  
22 market to be. Little retail space starts to  
23 tell us a little bit more about the focus of  
24 what their operations is going to be.

1                   We believe the gaming square footage  
2 is sufficient. We do tests of ratios of gaming  
3 square footage and gaming positions. We want  
4 to make sure that there is a little bit of room  
5 to grow if the market would require them to  
6 react accordingly. We do think they're  
7 sufficient, but the expansion does not appear  
8 to be very possible if they were to find that  
9 there's more market to add let's say slot  
10 machines.

11                   However, their proposed food and  
12 beverage seat appear reasonable. There's also  
13 rules of thumb as to how many seats per gaming  
14 position as well as their parking appears to be  
15 reasonable based on those same industry norms.

16                   For comparison purposes as well, the  
17 F&B seats per position are perhaps in line with  
18 what Wynn proposes in Everett. They're higher  
19 at MGM. The parking spaces are normally around  
20 a one-to-one ratio. Any questions on this  
21 slide? I'll keep going.

22                   When it comes to this section, we  
23 believe that when it comes to consistency with  
24 their financials and operations, they have a

1 sufficient to very good. They have a facility  
2 which size and scope is consistent with what  
3 they say in the other sections.

4           We see -- Our consultants tell me  
5 that they see this notion of penetrating the  
6 local market really beginning to take place  
7 here. They have the benefit of knowing the  
8 other awards that we've made. So, I believe  
9 that they are looking to capture perhaps some  
10 kind of market differentiation, if you will.  
11 Therefore, the differences in terms of square  
12 footage or the mix of slots and table games.

13           COMMISSIONER MACDONALD: Excuse me,  
14 Commissioner Zuniga. Could you be more  
15 specific about what market differentiation  
16 would comprise?

17           COMMISSIONER ZUNIGA: So, they know  
18 they are competing with Wynn in some regards.  
19 And they might be competing with the Tribe.  
20 So, in some regards, they're not proposing  
21 something that's very similar to what Wynn  
22 proposes. And so they may be going after a  
23 different market segment, if you will, which  
24 may include the same gamer and that's



1 important.

2           Let me perhaps make an example. I  
3 like to go to different grocery stores, the one  
4 that's nearest to me sometimes although not  
5 always, the big retailer with membership,  
6 wholesale club on certain other times. Those  
7 grocery chains, they differentiate themselves  
8 for the occasion or the kind of purchase that  
9 somebody makes.

10           When it comes to the casinos, they  
11 also find that some people may prefer something  
12 more laid-back or something more special, more  
13 elegant or whatever the case may be. But the  
14 same patron may actually prefer on different  
15 occasions to visit different places. This is  
16 what we're trying to get to the notion of  
17 market differentiation.

18           And perhaps the best example is the  
19 very small amount of retail that the applicant  
20 proposes. They may be saying we're not really  
21 going after let's say somebody who is going to  
22 be doing a lot of shopping even though in the  
23 testimony before us in terms of the hearings  
24 that we had, the city clearly hopes that an

1 entertainment district including some retail  
2 develops around it. They say that may come but  
3 that will not be part of our operations.

4           So, I'm going to hand over the  
5 microphone to Rob who's going to walk us  
6 through the market assessment because they did  
7 that piece of it.

8           MR. SCARPELLI: Thank you,  
9 Commissioner Zuniga. I'm going to walk you  
10 through the market assessment methodology. We  
11 did this before at the start of the Category  
12 2s.

13           Essentially, HLT built a market  
14 assessment model or framework to assess the  
15 reasonableness of all casino applications, both  
16 Category 1 and Category 2. The model was  
17 created at the time of the evaluation of the  
18 Category 2 applications. It has not been  
19 updated since. So, it allows Commissioner  
20 Zuniga to look at all applications for all  
21 regions in a consistent light.

22           It has been used for the Category  
23 2s, as I said, also for the Category 1s, Region  
24 B and Region A and now we are using it for

1 Region C.

2           Given market issues related to  
3 Region C, the framework was also used to create  
4 two additional scenarios related to the  
5 potential of the Region C containing two  
6 casinos. We'll talk about that a little later  
7 on in the presentation.

8           Essentially key components of the  
9 model include delineation of the market area.  
10 So, where casinos in the state are going to  
11 draw business from. Size of that market, and  
12 by size we mean how many dollars are available  
13 in that defined market area for all of the  
14 casinos to capture. And also casino market  
15 shares, which is how many dollars will be  
16 captured by market area casinos including those  
17 casinos in Rhode Island and Connecticut.

18           It's important to note a number of  
19 assumptions were made to define and quantify  
20 these components. These assumptions are stated  
21 throughout the market assessment documents, the  
22 background material that are included in your  
23 packets.

24           A key assumption to note, however,

1 for the presentation is timing. The model  
2 assumes that a stabilized year of operation for  
3 each market area facility exists rate now. So,  
4 we're not dealing with time to open and how  
5 long to get stabilized in a marketplace. We  
6 are snapping our fingers and every casino in  
7 the state is up and running and is at full  
8 capacity. So, think of it that way.

9           So, step number one a market area.  
10 The market areas includes all of the state of  
11 Massachusetts, all of the state of Rhode  
12 Island, all of the state of Connecticut and the  
13 southern portion of New Hampshire.  
14 Essentially, it's around a 90-minute drive from  
15 the Boston urban area, and a 90-minute ride  
16 from around the Springfield area and they  
17 overlap.

18           Within that broader area, smaller  
19 market areas were delineated. And we need to  
20 do that in order to do a market share  
21 assessment. On the map facing shows those  
22 smaller areas and the extent of the larger  
23 area.

24           The size of the market was based on

1 market comparisons. Market comparison factors  
2 that we looked at included the extent of market  
3 areas, total adult population in those defined  
4 market areas, current performance of market  
5 area facilities, revenue by type of device  
6 included, supply of gaming devices in market  
7 area facilities.

8 A number of comparison markets were  
9 identified and assessed. Philadelphia and  
10 Pittsburgh were profiled in the documentation  
11 that was used for Category 2, Region B and  
12 Region A deliberations.

13 For Region C deliberations,  
14 additional comparison markets were provided.  
15 And they're included in the market assessment  
16 appendices including Indianapolis, Cleveland,  
17 Chicago, Cincinnati, St. Louis, Kansas City.  
18 In addition, we looked at the broad region from  
19 Baltimore to Boston in terms of profiling  
20 what's going on in that marketplace.

21 A lot of gaming developments have  
22 taken place since the beginning of the  
23 formation of the Commission, and over that time  
24 in that sort of corridor from Baltimore to

1 Boston. We've got Maryland introducing casinos  
2 just around the same time as the Commission was  
3 formed.

4 We have the issues around Atlantic  
5 City and the decline of Atlantic City casinos  
6 which corresponds with the boost and  
7 introduction and performance of the casinos in  
8 Pennsylvania, mainly in the Philadelphia area.

9 We have the award of additional  
10 casinos in New York State, the performance of  
11 the two existing casinos in New York State. On  
12 top of that we have the two large casinos  
13 located in Connecticut and the two casinos in  
14 Rhode Island. So, the point here is when you  
15 award your casinos in the state, you're just  
16 going to be part of a larger corridor, very  
17 highly competitive.

18 At the end of the day, we believe  
19 the model is based on a spend per adult of \$300  
20 to \$350. And that was used to estimate the  
21 size of the defined market area.

22 CHAIRMAN CROSBY: Just Rob because  
23 the numbers are similar, if you would just  
24 clarify the distinction between spend per adult

1 and daily revenue per machine. Because the  
2 numbers are similar, they get confused a lot.  
3 Just make sure everybody understands those two  
4 different numbers.

5 MR. SCARPELLI: In the market  
6 assessment, we'll use spend per adult to  
7 estimate the size of the market. That is how  
8 many dollars are available. In the operation  
9 plan --

10 CHAIRMAN CROSBY: That's annual?

11 MR. SCARPELLI: Annually. In the  
12 operation plan, you might hear terminology  
13 spend per device per day. Then we're looking  
14 at the performance of one gaming device whether  
15 that be a slot machine or a table. So, in the  
16 market assessment we'll just deal with spend  
17 per adult to estimate the size of market and  
18 how many dollars are available.

19 CHAIRMAN CROSBY: The estimate is  
20 that for all of the adults in this market area  
21 there is going to be between \$300 and \$350 per  
22 year available to spend in gambling -- spend on  
23 gambling.

24 MR. SCARPELLI: Yes. We have

1 established that based on comparison markets.  
2 And the bottom end of \$300 per spend would be  
3 very consistent with Philadelphia and  
4 Pittsburgh.

5           The Chicago market from a casino  
6 perspective is \$300 spend per adult currently,  
7 but then if you factor in the Chicago or  
8 Illinois portion of the Chicago market is a bit  
9 unique in the sense that you had introduction  
10 of video lottery terminals.

11           If all of the video lottery terminal  
12 revenue is really the same as casino revenue,  
13 you're up to \$325 spend. Then when you get  
14 into places like Kansas City, St. Louis and  
15 Cincinnati, they're north of \$375.

16           As a point of comparison, if we can  
17 assume that there's a number of reports out  
18 there on the New England gaming market, one of  
19 them actually used a survey I think it was a  
20 license plate survey for Rhode Island and  
21 Connecticut. So, they estimated where the  
22 business for those two states generate from.  
23 If we use that estimate currently Rhode Island  
24 has a spend per adult of around \$470. And the



1 state of Connecticut has a spend per adult of  
2 around \$300.

3 And we're saying here a reasonable  
4 number we're using is \$300 to \$350.

5 CHAIRMAN CROSBY: Just as another  
6 point of comparison, in Massachusetts today, we  
7 have \$720 spend per person not per adult per  
8 year on the lottery. So, we are talking about  
9 \$300 to \$350 per adult per year whereas a  
10 practical matter as a real matter we have more  
11 than two times that per person per year in our  
12 lottery. Just to give people a sense, an order  
13 of magnitude.

14 MR. SCARPELLI: So, hard to read but  
15 this is a very simple calculation. In order to  
16 estimate the size of the market, it's adult  
17 population times spend per adult gives you  
18 total market, total dollars available.

19 So, this table on the left-hand side  
20 gives you a breakdown of the total defined  
21 market area by submarket area. It gives you  
22 the adult population in those areas. It gives  
23 you the spend, the range of spend per adult of  
24 \$300 to \$350, do the multiplication and total

1 market ranges between \$2.7 billion and \$3.1  
2 billion. Of that amount currently I believe  
3 \$1.9 billion is captured by the two Connecticut  
4 casinos in the two Rhode Island casinos.

5 A point to also consider because we  
6 wanted to have a framework to be able to assess  
7 all of the different applications, when this  
8 model was created that is the adult population  
9 for 2011. Obviously, there's more adults in  
10 the market area now if we fast forward, but  
11 that was based off of 2011. At the time of the  
12 initial market assessment model that was the  
13 most recent data available.

14 We defined a market area. We've  
15 estimated how many dollars are available in  
16 that market area. The next thing and the most  
17 difficult thing becomes market shares. What  
18 are each facility going to generate on their  
19 own?

20 The performance of market area  
21 facilities or market shares is dependent upon a  
22 number of interrelated factors. Size and scope  
23 of existing and proposed facilities, operating  
24 environment compared to competitive casinos.

1 For example, the number of and type of gaming  
2 devices permitted including restrictions.

3 Tax rates, smoking policy, amenity  
4 facilities in use of the same to drive  
5 visitation. Proximity to competitive  
6 facilities, proximity to market area population  
7 concentrations and facility capacity  
8 constraints, number of permitted gaming  
9 devices, parking spaces, etc.

10 The model or framework that was  
11 created assumed all Category 1 casinos would be  
12 of the same size and scope and quality and  
13 could effectively compete with existing casinos  
14 in Connecticut. So, when the model was built,  
15 we had to make an assumption on what were all  
16 of the Category 1 casinos going to look like.

17 Essentially, our assumption was the  
18 Category 1 facilities would be of a similar  
19 size and quality of the existing Connecticut  
20 facilities. And actually, I went back and read  
21 our transcripts. We actually defined that as  
22 anywhere from 3000 to 5000 slot machines. We  
23 actually said over 150 tables and had a range  
24 of facility amenities comparable to

1 Connecticut.

2 This slide just gives -- since the  
3 model was created, gives the actual plans for  
4 Springfield, Everett, Brockton as we know today  
5 plus with the Category 2 Penn facility.

6 So, in terms the Category 1s in  
7 Massachusetts, as Commissioner Zuniga pointed  
8 out, the Brockton facility is a little smaller  
9 in terms of number of devices, slot machines.  
10 And has less non-gaming amenities as compared  
11 to the other Category 1 facilities and also as  
12 compared to existing Connecticut facilities.

13 One thing to understand about the  
14 Connecticut facilities is as more competition  
15 is being introduced into the market, those  
16 facilities in terms of number devices are  
17 actually shrinking. So, they don't need many  
18 slot machines and as many tables. Casinos like  
19 to have a lot of devices to accommodate  
20 business, but they also don't want to be empty  
21 taverns and have too make devices so it looks  
22 like they are not full.

23 So, those casinos is actually  
24 shrinking in the number of slot machines and

1 tables that they contain. And they will to do  
2 so as more facilities in Massachusetts open up  
3 and as more facilities in New York State open  
4 up.

5 Now this is very difficult to read  
6 but essentially the reason we put it out there  
7 is to simply show our market shares. So,  
8 essentially we take so many dollars available  
9 in the market. We look at the location of all  
10 the facilities. And then we assign market  
11 shares to each facility. Across and their  
12 percentages generally speaking five percent, in  
13 increments of five percent. There's a few on  
14 there of .25. And we do that for all of the  
15 Massachusetts facilities, all of the Rhode  
16 Island facilities and all of the Connecticut  
17 facilities.

18 And if we were retained by a casino  
19 application normally we would not give this  
20 type of assessment for the other facilities.  
21 We would only give the client's. But you're  
22 the state and you want to know how everything  
23 is going to operate. Because essentially if  
24 one facility is going to succeed that means

1 somebody else is going to have less from that  
2 perspective.

3           So, if you take on this slide it  
4 just shows you the math. Take the adult  
5 population times the spend per adult gives you  
6 a total market. Then assign those market share  
7 percentages and you will get the dollars  
8 assigned to each casino by market area.

9           So, our base case was full  
10 competition, the Category 2 facility -- And I  
11 should mention one other thing, we did a range  
12 of \$300 to \$350 spend per adult. We also did a  
13 midpoint range. In that midpoint range, we  
14 assumed if you're closer to a casino, you're  
15 going to spend \$375. If you're a little  
16 farther away from the casino, you're going to  
17 spend a little bit less. If you're located  
18 farther away, you're going to spend even less.

19           If you take that math in terms of  
20 where the casinos are located, it works out to  
21 about \$325 spend per person. Very similar to  
22 our estimate of what's going on in Chicago  
23 right now with VLTs, the Chicago land market.  
24 Under that blended spend per adult with the

1 market shares we just showed you, full  
2 competition, the Category 2 facility we're  
3 estimating prior to inflow of about \$143  
4 million, the Boston facility about \$750  
5 million, the Springfield facility about \$450  
6 million.

7           The Region C casino, and at the time  
8 of the Category 2, we picked the geographic  
9 center of Region C which happens to be  
10 generally around Taunton. We did that as our  
11 benchmark because we didn't know what  
12 facilities were coming in. They could do about  
13 \$370 million. The Rhode Island casinos could  
14 do about just under \$300 million. That's  
15 generally a two-thirds drop of their current  
16 win of about \$600 million.

17           And the Connecticut facilities  
18 combined could do around \$800 million. That's  
19 a significant drop for the current Connecticut  
20 facilities. That would give us a total market  
21 capture of about \$2.8 billion.

22           So, the point here is if somebody is  
23 going to build a bigger mousetrap or do  
24 something differently to get more business,

1 they're going to take it away from somewhere  
2 else in the market area.

3           In the original analysis for Region  
4 C, as I mentioned a couple of minutes ago or  
5 less than a minute ago, Taunton was considered  
6 the geographic center. This chart just  
7 illustrates the market shares for the Region C  
8 casino under full competition. And we just  
9 show it for a couple of reasons.

10           Generally speaking, the closer you  
11 live to a casino, the casino will generate more  
12 visitation or have a higher market share in  
13 those areas lying closer to its facility. As  
14 you move farther away, they'll get less market  
15 shares from there. This chart shows on top of  
16 showing the market shares by market area on  
17 this chart. It also shows for illustration  
18 purposes driving distances from that casino.

19           So, the green line 30 minutes. The  
20 red line is 60 minutes. And the blue line is  
21 90 minutes. Essentially, Region C is going to  
22 generate the majority of its business from  
23 Southeastern Massachusetts. And it is not  
24 going to generate a substantial amount of



1 business from the western portions of the  
2 defined market area and beyond.

3 COMMISSIONER STEBBINS: So, Rob when  
4 you list five percent in a lot of those  
5 outlying areas that's kind of on the high side?

6 MR. SCARPELLI: No. If you actually  
7 look at -- On a percentage basis, it can seem  
8 high, Commissioner Stebbins. If you actually  
9 look on the dollar amounts, it's actually quite  
10 a small dollar amount.

11 So, it you take five percent in  
12 Springfield as an example, five percent in  
13 Springfield if you flip back a page is \$8  
14 million. It's a smaller amount.

15 Casinos do generally get some money  
16 from every region or every market within  
17 generally a 90-minute drive. You'd be  
18 surprised that people from Western Mass. will  
19 be visiting Boston area, might want to go to a  
20 casino will go down to Taunton. If they have a  
21 player card at MGM, might want to go try out  
22 another facility. So, you do get movement  
23 within the states of a smaller amount. But a  
24 casino relies on to generally generate the

1 majority of its business primarily is closer to  
2 it.

3           This table just shows the gaming  
4 revenue projections for Region C casino at  
5 \$300. The blended spend per adult of \$325 and  
6 \$350. It just shows the market shares to the  
7 side of it, and the results of the assessment I  
8 just walked through. So, essentially we're  
9 saying at full competition the Region C casino  
10 should be able to generate anywhere from \$350-  
11 \$400 million based on its location and the  
12 location of the competition.

13           CHAIRMAN CROSBY: You are going to  
14 compare this at some point to what the  
15 applicant has --

16           MR. SCARPELLI: Yes. That's an  
17 overview of the market assessment model that  
18 was created and used for all of the evaluations  
19 of the different regions.

20           To assess the reasonableness of the  
21 applicant's revenue projections, HLT focused on  
22 the geographic source or market area of  
23 expected revenues, compared that to HLT's  
24 market assessment. So, essentially we created

1 a model. We are not assessing for Commissioner  
2 Zuniga did the applicant do the same thing as  
3 HLT.

4           What we're doing is the model allows  
5 Commissioner Zuniga to look at all of the  
6 different applications, all of the different  
7 interpretations of the market opportunity and  
8 to be able to assess all of those applications  
9 relative to a benchmark.

10           In other words, if somebody is  
11 projecting they're going to be doing a lot more  
12 than \$400 million for Region C then we can look  
13 through the operation plan and look through  
14 other things and say how are you going to do  
15 that? What are you going to do differently to  
16 be able to get above that estimate of market  
17 and assess from that perspective.

18           The source of applicant's revenue  
19 was based on specific geographic areas, market  
20 area segments, total market area and subareas  
21 as highlighted in the applicant's third-party  
22 market assessment report. These market areas  
23 did not align completely with HLT's defined  
24 market area nor it's defined submarket areas.

1           To compare the applicant's revenue  
2 projections, HLT used information contained in  
3 the third-party market assessment reports to  
4 estimate the portion of projected gaming  
5 revenue. Here we are using year two in the  
6 applicant's projection because our estimates  
7 are already a stabilized year.

8           That is likely generated from within  
9 the HLT defined market area. HLT's market  
10 assessment acknowledges the Category 1s casinos  
11 could generate revenue from beyond the defined  
12 market area. And we term that inflow. But we  
13 did not provide estimates, because the amount  
14 of inflow is really based on what the applicant  
15 is going to build and equally important how the  
16 applicant is going to operate the facility.

17           So, as an example, the Everett  
18 casino was planning for a high-end casino. And  
19 you can tell in the quality of finishes. And  
20 that would apply okay, we're going after a  
21 different market segment. But on top of that  
22 in the operation plan, the applicant was  
23 relying on having over 200 marketing  
24 representative located around the world, having

1 existing properties that are able to get high-  
2 end business.

3           So, combine the quality of the  
4 facility with an operation plan that their  
5 estimates of getting a larger share of dollars  
6 from outside the region through high-end play  
7 was very plausible from that perspective. So,  
8 that's the types of things we looked at when we  
9 looked at inflow.

10           This slide shows you the applicant's  
11 projections. The applicant provided  
12 projections assuming that its property was the  
13 only casino in Region C. It also provided  
14 projections assuming that an Indian casino was  
15 located in Taunton.

16           So, with no Taunton casino scenario,  
17 the applicant believes that it can generate  
18 \$381 million in year one and in a normalized  
19 year of about \$404 million. That's the top  
20 chart. That's this top chart.

21           With the Taunton casino, the  
22 applicant believes it can generated \$308  
23 million in year one and a normalized year two  
24 at \$327 million. And that's the bottom chart

1 here.

2           This map just shows you the  
3 applicant's defined market area. It's  
4 essentially the same as HLT's defined market  
5 area except for the far western portions of the  
6 state of Massachusetts and Connecticut are  
7 excluded in this defined market area. Other  
8 than that it's essentially the exact same,  
9 southern New Hampshire, all of the rest of  
10 Massachusetts, all of Rhode Island and all of  
11 the rest of Connecticut.

12           So, this slide shows you a  
13 comparison of the applicant's projections  
14 without a Taunton casino compared to HLT's  
15 estimates with only one casino in Region C.  
16 So, again HLT believes the defined market area  
17 a Region C casino could generate somewhere  
18 between \$350 and \$400 million. The applicant  
19 is projecting around \$375 million, so, right in  
20 the middle of that range.

21           In addition, the applicant believes  
22 it can generate approximately \$30 million from  
23 outside that defined market area. We term that  
24 inflow. That represents seven percent of their

1 total revenue, which is very reasonable within  
2 the range.

3 A Category 1 facility in previous  
4 deliberations in our notes, we assume that a  
5 Category 1 facility could generate anywhere  
6 from 10 to 20 percent of its total revenue from  
7 beyond the defined market area. So, 7.1 is  
8 just a step below that bottom end, consistent  
9 with the bottom end of that range.

10 For the purpose of the Region C  
11 market assessment, HLT developed two additional  
12 market scenarios. These scenarios were done  
13 prior to the March 15, 2016 Mashpee  
14 presentation of their project. That's  
15 important to note.

16 The scenario one is defined as  
17 Brockton and Taunton, Taunton being the Indian  
18 casino, are of the same size and quality, no  
19 competitive advantage due to either a tax rate  
20 difference or marketing facility investment.  
21 Scenario one was developed to assess the  
22 applicant's projections of what they think they  
23 can do if there was an Indian casino in Region  
24 C.

1                   So, based on our assessment of what  
2 the applicant we believe was conveying in its  
3 third-party report is saying location is going  
4 to be a bigger factor than size and scope and  
5 quality of facility. So, scenario one was  
6 HLT's attempt to test that assumption.

7                   We also did a scenario two. In the  
8 scenario two, we assumed that Taunton had a  
9 competitive advantage over Brockton due to no  
10 gaming tax and greater marketing and/or  
11 facility investment. The difficulty in coming  
12 up with scenario two is we really don't know  
13 the defined scope of the Indian casino in  
14 Taunton. We don't know technically how it's  
15 going to be operated.

16                   So, we had to make an assumption  
17 that if that facility was of a higher quality,  
18 bigger size and had a competitive edge what  
19 could it do to the market shares and resultant  
20 topline revenue numbers of a Brockton casino.

21                   COMMISSIONER MACDONALD: But Rob,  
22 you did have the information that was presented  
23 by the Tribe in March though or more accurately  
24 Genting presented as to what their plans are



1 with regard to the Taunton casino, right?

2 MR. SCARPELLI: Yes. We actually  
3 had the 2012 when the Mashpee entered into an  
4 agreement with the city of Brockton -- sorry  
5 the city of Taunton, excuse me. They gave a  
6 presentation on what they thought their  
7 facility would be. In that presentation, an  
8 economic impact report was done. That  
9 presentation had the total development cost  
10 about \$500 million.

11 And we just had pictures of what it  
12 could look like. We didn't know exactly what  
13 it was going to look like.

14 In the March 15 presentation, what  
15 we got was alluding to that the property at  
16 total build-out was going to be around \$900  
17 million. We got a notion that Genting was  
18 committed to phase 1 of around \$500 million.

19 Subsequent to that presentation  
20 through a press release through the Genting  
21 group of companies that Genting had already  
22 spent around \$250 million on this property. We  
23 don't know if that 250 is reflected in the  
24 initial 500. And if it is reflected in the

1 500, essentially their phase 1 studies is a  
2 \$250 million quality of facility because most  
3 of the money already spent will not be  
4 reflected in the quality.

5 If it is not in the phase 1, their  
6 total project cost of \$900 million, it has to  
7 be included in that. So, that means their  
8 total concept would be about \$900 million minus  
9 250 which would put us back to about \$650  
10 million which is very similar in size and scope  
11 to the Brockton facility. So, we just don't  
12 know enough about the size and scope and  
13 quality of the facility.

14 That said we also don't know how  
15 they're going to operate there. I think  
16 Commissioner Macdonald you asked a question of  
17 Commissioner Zuniga earlier on about the  
18 consistency. Another example of the  
19 consistency in terms of market differentiation  
20 is the Brockton applicant is not going after  
21 the Asian marketplace. They're only having six  
22 baccarat tables. So, they made a conscious  
23 decision that we're not going to compete with  
24 Wynn.

1                   Wynn is going after -- He's got 36  
2                   baccarat tables and a lot of them in the high-  
3                   end room. They're not going after that same  
4                   market. They're not going to compete with  
5                   Wynn. That's how we interpret it.

6                   They're going after a different  
7                   market in the Boston area. So, they want to  
8                   complement Wynn as opposed to compete with.

9                   If we fast-forward to the March 15  
10                  presentation by Mashpee, I got the impression  
11                  based on what was verbally said by the Genting  
12                  representatives and their retained architect  
13                  that they were directly going to compete with  
14                  Wynn. They were going after that Asian  
15                  business.

16                  Even through the look and feel of  
17                  the casino and the high-end business that's  
18                  what they were going after. But at the same  
19                  token, we just don't know what about their  
20                  operation plan either. We don't know about  
21                  their financial structure from there. So, it's  
22                  very hard to say what's actually going to take  
23                  place in Region C.

24                  COMMISSIONER ZUNIGA: And let me

1 just supplement that because they also don't  
2 have the same requirements as the Category 1  
3 has in terms of committing the minimum capital  
4 investment, providing amenities that the  
5 Commission feels is important to have before  
6 opening. They have the ability to do their  
7 project in phases. And that came clear through  
8 their presentation.

9 MR. SCARPELLI: So, I believe the  
10 Commissioners are discussing that very topic  
11 about Region C at a later date but it does  
12 creep into the market assessment. And we had  
13 to do two scenarios to test the applicant's own  
14 projections on what would happen if there were  
15 two casinos in Region C. And that was the  
16 purpose of the scenarios.

17 This is the market share results for  
18 our scenario one. So, think of it as Brockton  
19 and Taunton are both of the same size and scope  
20 and quality and operated the same. There is no  
21 competitive advantage between either facility.

22 So, this really tests how much,  
23 based on location, Brockton could generate  
24 compared to Taunton or anything else. So,

1 these are market shares broken down just  
2 visually shown broken down by market area and  
3 by driving distance from Brockton.

4 So, what this shows you at the  
5 various spend per adult levels we believe that  
6 the Brockton casino could generate anywhere  
7 from \$230 million to \$264 million before inflow  
8 if there was a Taunton casino. Those numbers  
9 are illustrated on this chart.

10 This is the market shares for  
11 scenario two. And again under this scenario,  
12 we assume that the Taunton casino, we call it  
13 bigger and better. We don't know how, but  
14 bigger and better, has a competitive advantage  
15 over the Brockton facility.

16 The market share, the resulting  
17 topline revenue projections under this scenario  
18 range from just under \$200 million up to \$216  
19 million. So, you add a 10 percent inflow,  
20 we're really talking about somewhere between  
21 \$210 million up to \$230 million-\$240 million in  
22 gaming revenue. That's different than -- That  
23 scenario is different than what the applicant  
24 presented in a third market report, which

1 essentially said if there's two casinos in  
2 Region C, the Brockton casino could outperform  
3 the Taunton casino.

4 I'm going to take a little time with  
5 this table because it's a little complicated to  
6 understand. It's a comparison of the different  
7 projections that were done for Region C.  
8 Please take and note at the column index across  
9 the top, A, B, C, D and E. That was put on  
10 just so you could understand the impact, the  
11 math on how to calculate the impact on the far  
12 three columns.

13 Column A is HLT's full competition  
14 market assessment under the blended or \$325  
15 spend per adult. So, under that scenario, the  
16 casinos in Massachusetts assuming only one for  
17 Region C could in total capture \$1.7 billion.  
18 And there is the breakdown between facility.

19 Next to it is Innovation Group which  
20 is the third-party consultant of the applicant.  
21 They provided projections if there was only one  
22 casino in Region C, albeit their assumption for  
23 one casino was Brockton was the one casino.  
24 And their total market was \$1.65 billion

1 dollars and their breakdown by facility.

2 Essentially, it's very similar to our original  
3 market assessment.

4           Column C and column D is HLT's  
5 scenario one and two which were done for Region  
6 C by facility. So, under scenario one, the  
7 areas to note are the bottom two numbers. So,  
8 under scenario one when we are assuming no  
9 competitive advantage between Brockton and  
10 Taunton, we believe that Taunton and Brockton  
11 could generally capture the same amount of  
12 revenue of around \$240 million. There's no  
13 material difference between the two facilities'  
14 ability to capture revenue.

15           So, essentially market shares is  
16 Brockton would have a higher market share in  
17 those areas that lie north of them. Taunton  
18 would have a higher market share in areas that  
19 lie south of them. But they each would  
20 generate dollars from the same market areas.

21           If you compare those numbers to  
22 column E which was Innovation Group's  
23 assessment and we believe it's more aligned to  
24 our scenario one whereby both casinos were of

1 the same size, scope and quality, and really  
2 location was the primary factor that  
3 differentiated market shares, they are assuming  
4 that the Brockton casino could do around \$327  
5 million compared to \$250 million for the  
6 Taunton casino.

7           So, essentially the difference to  
8 the Commissioners is they're assuming about a  
9 \$75 million difference in favor of Brockton.  
10 We're assuming it's the exact same. Our  
11 scenario two just highlights if Taunton is much  
12 larger, bigger, had a competitive advantage  
13 through facility investment, marketing spend  
14 that the spread could be 300 to 200 in favor of  
15 Taunton as opposed to Brockton.

16           I'll point out a couple of things in  
17 the last three columns. The last three columns  
18 -- So, for instance scenario one, all we're  
19 doing is comparing HLT's scenario one, so it's  
20 column C to HLT's original assessment column A.

21           So, essentially if we add a second  
22 casino in Region C, we're projecting that  
23 Plainville would go down by \$42 million.  
24 Boston casinos would lose around \$17 million.



1 Springfield would lose around \$6 million. The  
2 Taunton casino would lose around \$133 million  
3 from what we projected. And Brockton would  
4 pick up the remaining \$244 million.

5 So, in total the market would grow  
6 \$45 million if you added a second casino. Now  
7 compare that to the Innovation Group which is  
8 the last column, E minus B what the Innovation  
9 Group is saying is if we add a second casino in  
10 Region C, Plainville will only be impacted by  
11 \$7 million, Boston casino would lose \$26  
12 million. Springfield would lose \$6 million.  
13 The Indian casino could generate \$250 million  
14 and Brockton would only lose about \$75 million.

15 So, there's a difference on who  
16 would lose money. And where this has an impact  
17 on the state is the more impact on the Category  
18 2 facility actually has a bigger impact on the  
19 state's tax dollars because that's at a  
20 different tax rate for them.

21 COMMISSIONER ZUNIGA: That's key.  
22 Every dollar that Plainville loses, the state  
23 loses 49 percent regardless of who it loses it  
24 to. Whereas anyone else is 25 percent.

1                   COMMISSIONER CAMERON: Rob, quick  
2 question. When you talk about scenario two,  
3 which is the competitive advantage, are you  
4 including that zero percent in there with that  
5 competitive advantage?

6                   MR. SCARPELLI: Correct. The zero  
7 percent tax rate doesn't impact market shares  
8 in terms of that. It does have an impact on  
9 the ability of the owner/operator.

10                   But it should actually be understood  
11 or it's an important point, under an Indian  
12 casino whoever provides equity, they can  
13 negotiate a management contract. Under the  
14 Indian Gaming and Regulatory Act that  
15 management contract can be a maximum of five  
16 years and up to 30 percent of net income.

17                   Net income is defined as topline  
18 revenues minus operating expenses. If the  
19 investment is large enough National Indian  
20 Gaming Commission can increase that to seven-  
21 year term plus 40 percent. They do not  
22 regulate what the interest rate is off an  
23 investment.

24                   So, think of it this way, the

1 reduction in no taxes are really going to get  
2 eaten up by Genting because Genting is putting  
3 their money at-risk without security. So,  
4 they're going to want to get that money out.  
5 So, we don't believe there's going to be  
6 material advantage on no taxes from an  
7 operation perspective because Genting is going  
8 to want a return on their dollars.

9           And also in order to get an Indian  
10 Casino Gaming management contract approved one  
11 of the stipulations are the first beneficiary  
12 of the operation has to be the tribe. Inherent  
13 within the whole Indian gaming regime in the  
14 United States is that if you're not producing  
15 revenue for the tribe to use for other  
16 purposes, there's no use having a gaming  
17 facility.

18           So, it's not like a private venture  
19 where you can choose to keep your money in the  
20 business to compete. No, the first dollar  
21 generated on the bottom line is actually going  
22 to the tribe. So, that really negates the 17  
23 percent, the impact of the 17 percent on the  
24 bottom line.

1                   And I would say from an Indian  
2 casino perspective, what the Tribe has to do  
3 and I don't know anything other than generally  
4 what's known in the public is the Tribe has to  
5 balance between how big I want a facility and  
6 much money I'm committing to, and how much  
7 money I need to generate to do the things that  
8 I'm supposed to do with the casino for my  
9 citizens. And there's a balance between that.  
10 Because the more money they spend on a  
11 facility, the more money they have to pay an  
12 outside party to borrow that money. So, it's a  
13 balancing act that way.

14                   The last slide is state gaming tax.  
15 A couple of points to note. State gaming tax  
16 under full competition prior to inflow in the  
17 original analysis in scenarios one and two,  
18 that's what we're presenting on this chart.  
19 Please make a note, given the different  
20 facility tax rate, total tax to the state will  
21 be impacted by individual facility performance.

22                   So, the top line number one full  
23 competition, if Plainville generates \$143  
24 million and Boston does \$750 million and

1 Springfield can generate \$450 million and we  
2 only have an Indian casino in Region C and that  
3 generates \$370 million, the state can collect  
4 about \$433 million in taxes.

5 Now if the Indian casino outperforms  
6 the other casinos that number comes down. If  
7 the Category 2 facility outperforms these  
8 numbers that number could go up. So, all we're  
9 making a point is the base you're looking at to  
10 determine impact on state taxes is not a given.

11 The next two lines down two and  
12 three that shows you full competition with  
13 Brockton's scenario one. So, Brockton and  
14 Taunton are of the same, size, scope and  
15 quality. The state could generate \$405 million  
16 in taxes. That's a decrease of \$28 million.

17 And under full competition with  
18 Taunton having a material advantage on size,  
19 scope, quality, operation the state could  
20 generate \$391 million. And that's a difference  
21 from the original analysis of \$41 million.

22 The Indian casino has a 17 percent  
23 tax rate if it's the only casino in Region C,  
24 would not pay the \$85 million upfront license

1 fee. It has a zero percent tax rate if the  
2 Brockton casino is approved. The Brockton  
3 casino has a 25 percent tax rate.

4 I'm done with my portion. I will  
5 turn it back to Commissioner Zuniga.

6 CHAIRMAN CROSBY: Questions?

7 COMMISSIONER CAMERON: The bottom  
8 line here is your analysis disagrees with the  
9 Innovation Group in which their analysis says  
10 with two casinos the state could do better.  
11 Your analysis is clearly saying that no that is  
12 not the case.

13 MR. SCARPELLI: Correct.

14 CHAIRMAN CROSBY: We will take a  
15 break.

16  
17 (A recess was taken)

18  
19 CHAIRMAN CROSBY: We are  
20 reconvening. We'll go back to Commissioner  
21 Zuniga.

22 COMMISSIONER ZUNIGA: Thank you.  
23 Thank you, Rob. Just going back to the rating,  
24 we divided the rating in this case with the two

1 scenarios without a casino in Taunton and with  
2 a casino in Taunton.

3           And I believe we should reserve the  
4 part of assessing the likelihood of that for  
5 our deliberation portion. But at this point,  
6 if there was not a casino in Taunton, the  
7 projections from the applicant are very much in  
8 line with what be expected in terms of the  
9 market size and the market extent. Therefore,  
10 we are rating them a very good.

11           But with a Taunton casino, the  
12 rating goes down for the following reasons.  
13 The applicant does believe that and they've  
14 told us this much of course that they can  
15 effectively compete with a Taunton casino for a  
16 greater share of the Boston market.

17           Their estimate does appear at \$327  
18 million in that scenario does appear at the  
19 higher end of what HLT estimates in their  
20 scenario one, because they don't give  
21 competitive advantage, if you will. That's the  
22 third point.

23           With a similar scenario, scenario  
24 one where there is no competitive advantage the

1 applicant's gaming revenue projections are  
2 higher than what HLT assumes even with inflow.

3           Perhaps the third point is the  
4 bigger point here that the applicant does not  
5 appear to contemplate a scenario in which  
6 Taunton has a competitive advantage either  
7 because of additional promotions that they can  
8 do through their operations plan or the size  
9 that they could conceivably build a bigger  
10 facility even though it's farther from the  
11 greater population area.

12           Under this scenario that impact is a  
13 -\$50 million which is the difference between  
14 HLT scenario one and scenario two. As a  
15 result, we are rating that a sufficient rating.

16           COMMISSIONER MACDONALD: When you  
17 say the potential impact is \$50 million, the  
18 potential impact on tax receipts by the  
19 Commonwealth?

20           COMMISSIONER ZUNIGA: No. It's  
21 total gaming revenues. Is that correct Rob?  
22 Yes.

23           COMMISSIONER MACDONALD: Gross  
24 gaming revenues?



1                   COMMISSIONER ZUNIGA: Yes. I'm  
2 going to jump in. I know we are still trying  
3 to stay on schedule. So, I'll jump into the  
4 final part of the finance presentation and that  
5 is the operations plan.

6                   The focus of this section is to look  
7 at the applicant's understanding of internal  
8 controls, the consistency of the business plan  
9 with a destination casino also reflected in  
10 their financial projections, and making sure  
11 that those projections are consistent with  
12 their business plan.

13                   I'm going to spend very little time  
14 on the internal controls here. We expect that  
15 the applicant demonstrates the importance of a  
16 strong internal control environment. I think  
17 that that's been discussed previously. We rate  
18 that as an outstanding based on their  
19 operations sales were.

20                   Perhaps a greater part of this --  
21 the more relevant part of this section is how  
22 the business plan is consistent with what they  
23 project. Our approach is to review the  
24 components of the business plan, which is

1 submitted as part of the application. And  
2 their understanding of their market and their  
3 go to market strategy, if you will, or it's  
4 sometimes also referred to here as their view  
5 of the market when we talk about that notion  
6 and how that jives, if you will, with their  
7 financial projections.

8 We reviewed budgets, financial  
9 projections to make sure that they were  
10 consistent with other industry benchmarks.

11 Here's a summary of that plan. We  
12 touched on some of that earlier. There's the  
13 parking plan appears very reasonable. The  
14 slots plan, we begin to see differences to  
15 other applicants relative to who they may be  
16 going after in terms of market.

17 The denomination of slots is  
18 smaller. The VIP slot room is also a little  
19 bit smaller than other applicants. That begins  
20 to tell us how they plan differentiate  
21 themselves from other casino licensees that  
22 we've licensed.

23 However, one of the weaknesses that  
24 we identified is they seem a little aggressive

1 on the slot hold percentage. It is consistent  
2 with the current market area. The reason it  
3 appears aggressive is that in a future state  
4 scenario where there's all of these casinos  
5 including the full competition because there's  
6 three other operations in the state in Mass.  
7 that is a key area in which they need to tinker  
8 with in order to get more competitive -- in  
9 order to capture more customers.

10 Table product appears strong. The  
11 table mix suggests, as Rob mentioned earlier  
12 that there will be a real market  
13 differentiation in terms of who their market  
14 target is. That is something that is a  
15 strength in their application.

16 Their food and beverage plan  
17 includes six outlets with reasonable mix of  
18 product offering. That's pretty consistent  
19 across many operations throughout the country.  
20 They also have a high percent which is all  
21 consistent with other operations in terms of  
22 what they would comp. their players to drive  
23 visitation.

24 One of the weaknesses is that

1 although the percentage of their estimated  
2 patron covers, these are the number of plates  
3 or the number of dinners or lunches that they  
4 could serve at a given point appears  
5 reasonable. Their turn appears a little  
6 aggressive. They may need some more seats to  
7 accommodate what they estimate in terms of  
8 those covers.

9           Is there any questions on that?  
10 This begins to be the piece about where we  
11 check for consistency in terms of what they  
12 plan to do and how does that get reflected in  
13 their financials.

14           Their hotel plan appears reasonable.  
15 They appear to drive hotel visitation -- casino  
16 visitation by hotel visitation. They have a  
17 high occupancy target but they of course like  
18 any other casino company have the ability to  
19 comp. that. They have in terms of a weakness,  
20 they have an average daily rate that is lower  
21 than expected given that they will be comping a  
22 lot of those patrons.

23           So, if you are giving away your  
24 rooms to your best patrons, part of having the

1 ability to give those is the higher room rate  
2 so that you have some of that vacancy if you  
3 will or the ability to give them out to comp  
4 patrons.

5           The retail plan is strong when it  
6 comes to the multipurpose piece, but as I  
7 mentioned in the early part of my presentation,  
8 it's very small when it comes to the square  
9 footage that they allocate to retail in total.  
10 It's not necessarily what we see in other  
11 regional casinos.

12           Their marketing plan, their approach  
13 is they have a complex and view of the market  
14 opportunity especially differentiating  
15 themselves with Wynn. The Region C -- In terms  
16 of weakness, this is not really the closest to  
17 the market area. And the distinction that we  
18 are drawing here is that they operate casinos  
19 in Chicago, Pittsburgh and Philadelphia where  
20 they are really at the center of or the closest  
21 to the high population area.

22           In terms of this section, we are  
23 rating them very good. Their financial  
24 projections are very much in alignment with

1 their business plan and their view of the  
2 market. They have the benefit of having seen  
3 the people that we have awarded licenses to.  
4 Their overall proposed financial projections  
5 are reasonable. As a result, we rate them for  
6 this section a very good.

7 In summary when it comes to the  
8 overall -- I'm sorry I read the consistency of  
9 business plan before and their financial  
10 projections next is also the same rating, a  
11 rating of very good.

12 So, in summary, the four sections  
13 are summarized here. Their financial strength  
14 rollup is a very good to outstanding rating.  
15 Their investment plan is a sufficient to a very  
16 good. You'll remember that's the section that  
17 includes the meeting the requirement of the  
18 \$500 million minimum capital investment.

19 Given the dynamics of the market,  
20 and the plausibility of a second casino in the  
21 region, which they did not -- which the  
22 applicant did not account for a competitive  
23 advantage of that second casino, we're rating  
24 them as sufficient when it comes to market

1 assessment in terms of rollup. The rollup of  
2 the operations plan is an overall very good.

3 The next slide, I will read into the  
4 record. We feel that as an overall rating for  
5 the finance section, the MG&E applicant has  
6 demonstrated that they have the financial  
7 capabilities and necessary capital required to  
8 develop and operate the proposed project.

9 The applicant's view of the market  
10 opportunity demonstrates a solid understanding  
11 of existing casino awards in Massachusetts  
12 specifically a market differentiation from  
13 Everett. The operations plan submitted aligns  
14 with this view of the market opportunity. And  
15 that is a source of strength in the  
16 application.

17 While Brockton or the applicant MG&E  
18 investment plan meets the amount required to  
19 meet the \$500 million eligible capital  
20 threshold, it does acknowledge the future of  
21 potential Region C has some competition in the  
22 Taunton casino. Their market assessment does  
23 not fully appreciate the potential magnitude of  
24 this competition in terms of Taunton having a

1 higher -- having some kind of advantage.

2 The applicant is relying on upon  
3 their experience in other competitive markets  
4 to effectively compete for a share of the  
5 Massachusetts casino market with a Taunton  
6 casino, which is not inconsequential.

7 This experience however is not fully  
8 comparable to the Massachusetts market as they  
9 will not be the closest casino to the core  
10 population base of the Boston market. That  
11 will be the Wynn casino.

12 Overall, the Brockton proposal is  
13 sufficient with very good elements, mainly the  
14 financial strength in their ability to obtain  
15 project capital and their operations plan,  
16 their alignment with the market opportunity.

17 CHAIRMAN CROSBY: Thank you.

18 COMMISSIONER CAMERON: Thank you,  
19 very well done.

20 COMMISSIONER ZUNIGA: Any other  
21 questions?

22 CHAIRMAN CROSBY: Comments before we  
23 move on? Thank you very much, Commissioner  
24 Zuniga.



1                   It's perfect timing. It's 1:15. We  
2 will break until two and we will reconvene then  
3 with Commissioner Stebbins and the economic  
4 development evaluation.

5  
6                   (A recess was taken)

7                   CHAIRMAN CROSBY: We are reconvening  
8 public meeting 188 at the Shaw's Center in  
9 Brockton at about 2:00.

10                  Before we go on, I just do want to  
11 clarify one thing I said. I tried to make a  
12 point of comparison when Rob Scarpelli was  
13 talking about the amount of money that was  
14 available to market. And he had identified  
15 that there is \$300-\$350 per adult in what is  
16 called spend, which is the amount of money that  
17 each adult in Massachusetts could be predicted  
18 on an average basis to lose during the course  
19 of a year.

20                  I compared that to the number of  
21 dollars gambled, not lost but gambled by every  
22 individual in Massachusetts, every man, woman  
23 and child. \$720 gambled for every man, woman  
24 and child, probably means in the neighborhood

1 of \$100, \$150 lost. So, it's no big deal but I  
2 just want to make sure.

3 I realized that -- After I said it,  
4 I realized that conflated some numbers. And I  
5 could see in Rob's face that he knew but he was  
6 kind enough not to point it out. So, I thought  
7 I should.

8 Now we are onto Commissioner  
9 Stebbins and his evaluation of economic  
10 evaluation criteria.

11 COMMISSIONER STEBBINS: Thank you,  
12 Mr. Chairman, colleagues. I'm pleased to try  
13 to keep you all informed and alert after lunch  
14 to my presentation.

15 This is the economic development  
16 section. The economic development components  
17 to the RFA-2 application are segmented into  
18 three groups of criteria.

19 CHAIRMAN CROSBY: Bruce, I'm sorry.  
20 Are you going to set this up again the way you  
21 did before with the screen? Okay, got it. Go  
22 ahead.

23 COMMISSIONER STEBBINS: First  
24 segment is job creation. The questions in this

1 grouping asked the applicant to detail the  
2 positions they will create, the salaries and  
3 benefits, strategies and plans for local hiring  
4 and offering employment to minorities, women  
5 and veterans, as well as seeking out the  
6 underemployed and unemployed. These target  
7 groups are highlighted throughout our gaming  
8 statute.

9           Questions also solicit information  
10 about applicant's plans to use union labor for  
11 construction and operations, experience with  
12 organized labor, daycare for employees, human  
13 resource practices, how our applicants plan to  
14 work with our community colleges to ensure a  
15 well-prepared workforce and strategies for  
16 workforce retention.

17           The second grouping of questions  
18 highlight an applicant's experience and plans  
19 to implement or impact local businesses in the  
20 community, surrounding communities and towns  
21 across Massachusetts. Questions highlight  
22 local business promotions and partnerships,  
23 local supplier opportunities during  
24 construction. How much will be spent locally

1 on an annual basis by the applicant.

2           How the applicant will engage  
3 minority-, woman- and veteran-owned businesses  
4 during design, construction and operation. How  
5 the applicant's project may tie in with the  
6 regional and local economic development  
7 strategies. And finally, how the applicant  
8 plans to purchase domestically manufactured  
9 gaming machines.

10           The third group of questions focuses  
11 on the applicant's strategies for helping to  
12 draw domestic and international visitors to the  
13 region. And specifically, how they will cross  
14 market with other attractions and work with  
15 existing tourism agencies and organizations.  
16 Finally, this grouping looked at what unique  
17 amenities that they will provide to draw  
18 customers as well as the use of entertainment  
19 and/or athletic events to attract visitors to  
20 the region and the host community.

21           To review the sections of the  
22 economic development sections to the RFA-2  
23 application, we pulled together a team of  
24 outside advisors and consultants. Due to some

1 leadership changes as a result of the  
2 gubernatorial administration change, we had  
3 some new outside advisors who were invited to  
4 participate. Those new outside advisors we  
5 sought were to assist us in the review of the  
6 jobs creation and tourism groupings.

7           For job creation, we are excited to  
8 have the involvement of Nancy Snyder. She's  
9 the President and CEO of Commonwealth  
10 Corporation. She previously served as deputy  
11 director of the Boston Private Industry  
12 Council. She's held leadership positions in  
13 Boston's city government, received an MBA from  
14 Boston University, certificate from Harvard  
15 Graduate School of Business Advanced  
16 Management.

17           She heads Commonwealth Corporation  
18 which is a statewide quasi that's been created  
19 to offer unique training partnerships between  
20 the private and public sector for more than 30  
21 years.

22           For tourism, we were fortunate to  
23 engage Pat Moscaritolo. Pat has served as the  
24 President and CEO of the Greater Boston

1 Convention and Visitors Bureau since 1991, the  
2 largest regional tourism council in the state.  
3 The organization has over 1200 members and a  
4 \$12 million budget. He also was previously a  
5 deputy executive director at Massport.

6 In addition, our review group  
7 included participants from our previous review  
8 of other license applications. We were  
9 supported and assisted by Jill Griffin from MGC  
10 staff, Lynn Brown past Director of Economic  
11 Research at the Federal Reserve Bank of Boston,  
12 currently a professor at Brandeis University,  
13 and the team from HLT Advisory Lyle Hall and  
14 Adam Black.

15 Lyle is a principal at HLT, has been  
16 providing consultant services to the Canadian  
17 international hospitality industry for over 35  
18 years. He is also past chairman of Tourism  
19 Toronto and a member of the editorial advisory  
20 boards of Hotelier Magazine and Canadian Gaming  
21 Business. Adam Black has joined HLT working an  
22 analyst role after specializing in fund manager  
23 research and macro market event analysis.

24 Our approach, this is an outline of

1 our approach to reviewing this application. We  
2 engaged our team of reviewers we just  
3 mentioned. Additionally, we gained information  
4 through the 90-minute applicant presentation,  
5 site visits to both proposed location -- well,  
6 to the proposed Brockton site as well as to  
7 their existing operations.

8 We spoke and met with key local  
9 stakeholders in the cities of Pittsburgh and  
10 Philadelphia, the locations of the applicant's  
11 Rivers and Sugarhouse casinos. I even had the  
12 chance to meet with the local police precinct  
13 captain to this discuss the Rivers Casino  
14 impact on the immediate neighborhood in  
15 Philadelphia.

16 We also received replies from the  
17 applicant to several requests for clarification  
18 that we submitted with respect to all three  
19 groupings of questions. We also had interviews  
20 in comparable destinations including  
21 discussions with relevant casino regulatory  
22 bodies and tourism agencies. And our review  
23 consisted of group discussions among the  
24 subject matter experts, MGC staff and our

1 consultants at HLT.

2           This slide provides you, and you've  
3 seen some of this information already, provides  
4 you with a quick comparison between the  
5 proposed Brockton facility and the Rivers Des  
6 Plaines facility and the Rivers Casino in  
7 Pittsburgh. The casinos shown on the slide  
8 operate in a single casino destination. The  
9 applicant's other existing casino Sugarhouse  
10 in Philadelphia is similar in size and scale  
11 with about 1600 slots and 84 tables, and is  
12 doing about \$275 million in gaming revenue.  
13 The Philadelphia market has multiple  
14 competitors. Rivers Des Plaines and Rivers  
15 Pittsburgh both operate without a hotel.

16           Rivers Pittsburgh is in the process  
17 of completing the required planning and design  
18 for a new hotel to be connected to their  
19 casino.

20           Restaurant amenities are about the  
21 same. Brockton will have more table games  
22 space but has somewhat fewer slot machines.  
23 Des Plaines is located near Chicago's busy  
24 O'Hare Airport. Rivers Pittsburgh is located



1 across the river from the downtown area but in  
2 close proximity to the Carnegie Science Center  
3 and the city's NFL and major-league baseball  
4 stadiums.

5           Again, the components reviewed,  
6 again here are the three critical components of  
7 the economic development portion of the  
8 application. All three receive significant  
9 prioritization in the expanded gaming statute.  
10 We all understand the enactment of the expanded  
11 gaming statute is meant to retain revenue that  
12 was currently going out of state, and create  
13 new source of jobs and opportunities in the  
14 Commonwealth.

15           To that extent, it's also important  
16 to note that all three of these components are  
17 interlinked and we reviewed the applicant's  
18 response with this understanding.

19           So, we'll start first with job  
20 creation components. Again, within the  
21 grouping of job creation questions, we were  
22 able to break down the questions into three key  
23 areas, employees, workforce development and  
24 labor relations.

1                   These slides mirror the reporting  
2 and presentation our group of advisors and I  
3 have used to review the components of the  
4 Region A, Region B and slots parlor  
5 applications. Format was used when we  
6 considered just the one application for Region  
7 B.

8                   For employees, we sought out  
9 information on the number of employees,  
10 affirmative action, HR practices, retention  
11 experience and strategy, as well as efforts  
12 directed at ethnic diversity. For workforce  
13 development, we examined not only their  
14 experience in hiring and training a workforce  
15 for their other facilities but also their  
16 intended strategies for the proposed Brockton  
17 facility.

18                   Thirdly, we considered questions  
19 seeking to highlight their labor relations and  
20 planned agreements with the construction  
21 trades.

22                   So what were we looking for? We  
23 sought detailed information about wages,  
24 benefits and number of full-time and part-time

1 positions. We wished to review their work and  
2 retention experience, strategies for retaining  
3 employees, breakdown of union FTEs and  
4 composition of their workforce in terms of  
5 diversity.

6 Questions highlighted not only the  
7 applicant's experience but requested their  
8 specific plans for interacting with our  
9 community colleges, targeting minorities,  
10 women, veterans and the underemployed and  
11 unemployed for casino jobs.

12 Questions also focused on the  
13 applicant's HR practices including on-boarding,  
14 creating career paths, EA programs and  
15 experience interacting with organized labor.

16 What we found and we didn't find.  
17 First, let me make an overall comment that I  
18 think applies equally if not even more so to  
19 the external business and tourism components.  
20 While our applicant we feel provided  
21 considerable information on their existing  
22 casino operations, which reassured us of their  
23 capability and capacity, their application we  
24 found lacked detail in many of the areas where

1 we were looking at specific plans for the  
2 Brockton proposal. I'll note these as we kind  
3 of go through the specific questions.

4 This slide highlights the essential  
5 elements of the application we reviewed and  
6 considered. The applicant provided the  
7 requested template describing full- and part-  
8 time staff, wages, salaries and benefits and a  
9 calculation of proposed FTEs, full-time  
10 equivalents.

11 As we'll show you in the next slide,  
12 the applicant's salaries and wages were  
13 somewhat modest compared to our other Category  
14 1 licensees in their local economic region.  
15 The application does show that wages were  
16 complemented with a comprehensive benefits  
17 package. No on-site childcare amenities were  
18 planned but daycare can be a benefit selection  
19 of the employee.

20 We found the company projected a  
21 fairly high turnover rate not only in the  
22 initial years of operation but for the duration  
23 of the license. They projected turnover at  
24 about 20 percent, the equivalent of an employee

1 retention rate of 75 to 80 percent each year at  
2 the Brockton facility.

3           We all understand that industry  
4 expectations for retention are lower in the  
5 first year or two of operation as some new  
6 employees, especially those in a region that is  
7 experiencing gaming for the first time, may  
8 sample the job, try out the job and may choose  
9 to move on. All of our licensees expect this  
10 and work through a variety of strategies to  
11 improve retention, which by a second or third  
12 year retention we hope tends to stabilize.

13           The Brockton applicant however is  
14 projecting a lower retention rate post-  
15 stabilization than any of our other licensees.  
16 Through the request for clarification process,  
17 we asked the applicant about further  
18 information on their retention strategies.

19           Their reply was focused on improving  
20 the workplace environment in a simple stepped  
21 approach for the employee to receive positive  
22 feedback, at the same time offering the patron  
23 an enjoyable time at the casino. This area of  
24 the application kind of remains -- it was a

1 concern for my review group.

2           The applicant did demonstrate  
3 diverse hiring practices and available employee  
4 progression programs including Rush Street  
5 Gaming leadership excellence training and \$5000  
6 stipends to take complementary courses --  
7 educational courses outside of work.

8           The company went to great lengths in  
9 their application to highlight the engagement  
10 of organizations surrounding their existing  
11 facilities to help recruit and identify  
12 employees. In fact, in all three locations the  
13 applicant documented how they generated  
14 tremendous turnouts for job fairs, usually  
15 getting many times the number of candidates  
16 required to fill positions.

17           What we did not find. There are no  
18 quantifiable commitments for MG&E for local  
19 hiring during construction and operations. The  
20 host community agreement and surrounding  
21 community agreements highlight best efforts to  
22 hire qualified job applicants but no targets.

23           As thorough as MG&E was in  
24 identifying partners in the communities where

1 they currently operate, it was not apparent  
2 that they had a strong awareness of the  
3 Brockton area training and workforce  
4 development resources infrastructure.

5           One of the questions we ask is about  
6 an applicant's plans to work with the Mass.  
7 community colleges. And though the applicant  
8 responded they would work with the area  
9 community colleges, they were remissed to  
10 mention the college which currently has a  
11 presence in Brockton except when they used the  
12 name of that college in another answer to talk  
13 about using their space to hold a job fair.

14           When it came to questions asking for  
15 specific plans for recruiting and hiring the  
16 underemployed and unemployed, MG&E repeatedly  
17 structured their answers to reflect their past  
18 experience at other facilities and how they  
19 engage local organizations. They certainly are  
20 aware of the above average unemployment rate in  
21 Brockton but we felt they lacked some  
22 specificity with respect to a strategy.

23           This slide you can see the  
24 forecasted spend on wages and benefits in the

1 first year in total FTE count. They are  
2 projecting 1477 FTEs with an average salary of  
3 \$28,935 per FTE. When you calculate in  
4 benefits that increases up to \$42,392. They  
5 have informed us 80 percent of their positions  
6 will be full-time, 20 percent are part-time.  
7 As I previously mentioned, this slide  
8 summarizes their projected turnover rate  
9 between 22 and 28 percent.

10 Slide nine, this is the Mass Gaming  
11 and Entertainment market comparison. It's  
12 actually their market comparison with Des  
13 Plaines and Pittsburgh. I show this to  
14 demonstrate the different operating  
15 environments between Brockton and the  
16 applicant's other facilities in Pittsburgh and  
17 Des Plaines.

18 Brockton will be the smallest  
19 community in which the applicant operates  
20 whether looking at the city itself or the  
21 surrounding community. While the unemployment  
22 rates in Brockton and Plymouth County are  
23 fairly high, MG&E may find the recruiting  
24 process to locate and subsequently retain



1 employees could be more challenging than in a  
2 major urban center. This could put some  
3 pressure, we felt at least initially on the  
4 applicant's proposed wage and salary levels.

5 COMMISSIONER ZUNIGA: I'm sorry.  
6 Can you make that point again? I missed that  
7 Commissioner.

8 COMMISSIONER STEBBINS: Sure.  
9 Because of the smaller labor market represented  
10 by Brockton as compared to the other two  
11 facilities we're comparing them against, you  
12 take in their retention rate, I think what we  
13 are worried about is their ability to continue  
14 to find employees without it having some impact  
15 on their projected wage and salary levels at  
16 this point.

17 COMMISSIONER ZUNIGA: Thanks.

18 COMMISSIONER STEBBINS: Diversity  
19 comparison, the top chart shows information  
20 provided by MG&E and from the most recent  
21 diversity reports to the Pennsylvania Gaming  
22 Control Board. The Pennsylvania data is more  
23 detailed showing a breakdown in a workforce by  
24 ethnic composition. And the pie charts below

1 is the workforce breakdown between men and  
2 women at their three facilities.

3 COMMISSIONER CAMERON: Commissioner,  
4 can I ask a quick question? You mentioned that  
5 you thought unemployment in the later years was  
6 a bit high, did we compare that to our other  
7 licensees?

8 COMMISSIONER STEBBINS: Retention  
9 rate?

10 COMMISSIONER CAMERON: Yes.

11 COMMISSIONER STEBBINS: Retention  
12 rates, I think if I recall correctly, and Lyle  
13 may have information at his fingertips, I think  
14 what concerned us the most was the projection  
15 by MG&E that the retention rate would stay  
16 somewhere between 75 and 80 percent throughout  
17 the term of the license as they told us.

18 I think we all understand and expect  
19 that retention rates are higher -- or lower in  
20 the first year as people get used to the job or  
21 decide it's not for them, but with some  
22 expectation that as you get into the further  
23 operating years that that starts to level out.

24 Section 3.2 in the full write-up has

1 the retention rates as projected by the other  
2 two licensees.

3 COMMISSIONER CAMERON: Is it a bit  
4 lower?

5 COMMISSIONER ZUNIGA: It's steady as  
6 opposed to declining, correct.

7 COMMISSIONER CAMERON: So, this  
8 stays steady and the others decline, correct?

9 COMMISSIONER STEBBINS: Yes.

10 COMMISSIONER CAMERON: I had the  
11 same question and I'm sure I can look for it in  
12 the full document, but I don't recall the  
13 salary rates. The full-time payroll and  
14 benefits, where do they fit in line with the  
15 other licensees?

16 COMMISSIONER STEBBINS: They're a  
17 little bit lower than our other two licensees  
18 -- other two Category 1 licensees.

19 COMMISSIONER CAMERON: Thank you.

20 COMMISSIONER STEBBINS: We come to a  
21 job creation rating. The majority of the  
22 answers for the first 13 questions were found  
23 to be for the most part sufficient.

24 Questions that asked for specific

1 plans or strategies for the proposed Brockton  
2 project we rated as somewhat insufficient to  
3 sufficient. The applicant can continually  
4 certainly point to previous experience at their  
5 other facilities, but we felt they lacked  
6 sufficient detail when it came to proposed  
7 strategies for the Brockton facility.

8 Questions that were based on the  
9 company's past experience we generally rated  
10 sufficient to very good. Workforce development  
11 and diversity plans were not comprehensive for  
12 the Brockton location but again the applicant  
13 could point to its experience at other  
14 facilities.

15 Questions 3.10 and 3.11 address  
16 labor relations during construction and  
17 operation. During construction, the applicant  
18 has signed an MOU with the Brockton Area  
19 Building and Trades Council and agree to meet  
20 targets of the minority and women leaders as  
21 prescribed -- laborers, I'm sorry, as  
22 prescribed in Administration and Finance  
23 Bulletin 14. They do place a good deal of  
24 responsibility on the construction manager or

1 the general contractor to help meet those  
2 employment targets.

3 With respect to operational  
4 employment, we have received testimony and  
5 communication from the leadership of Unite  
6 Here, opponents of this application citing  
7 allegations that the applicant has interfered  
8 with union organizing at their casinos.

9 Numerous complaints have been filed  
10 with the National Labor Relations Board. In  
11 their application and public responses, MG&E  
12 has expressed their willingness to allow  
13 employees to organize if that is their choice.  
14 They cited the presence of unions at existing  
15 casinos. I believe the Operating Engineers as  
16 evidence of their willingness to work with  
17 labor at their facilities.

18 The company also signed a labor  
19 harmony agreement for their successful casino  
20 application in Schenectady, New York. The LHA  
21 was signed with the New York Hotel and Motel  
22 Trades Council as a requirement of their  
23 application.

24 We had both inside counsel and

1 external counsel ask to review the filings that  
2 the NLRB. Most of these cases were settled.  
3 And overall the number of complaints have  
4 declined in the most recent years. But in the  
5 end under the job creation grouping of  
6 questions, we have rated the applicant  
7 sufficient.

8           Moving on now to support for  
9 external business. The questions in this  
10 portion of the application 3.14 to 3.23 focus  
11 on the following areas. One is the promotion  
12 of local business. How does that applicant  
13 plan to utilize local businesses for  
14 construction and to supply ongoing operations  
15 of the casino.

16           And secondly, assisting businesses  
17 to realize the opportunities available to them  
18 by partnering with the casino.

19           Second grouping is providing support  
20 to minority-, woman- and veteran-owned  
21 businesses. The third grouping is talking  
22 about the regional impact. How does the  
23 applicant's project benefit the regional  
24 economy? And how does their particular

1 development project align with local or  
2 regional economic plans?

3           And fourth is gaming equipment. As  
4 we know in the statute, there is strong  
5 prioritization given towards our licensees  
6 buying domestically manufactured gaming  
7 equipment and what specific manufacturers they  
8 plan to do business with.

9           So, the reviewers and I were looking  
10 for both previous experience and specific plans  
11 that addressed cross marketing initiatives, how  
12 the applicant might develop and expand  
13 relationships with local vendors.

14           What specific strategies or  
15 arrangements do they have in place to ensure  
16 participation from minority-, woman- and  
17 veteran-owned businesses? We were also having  
18 to quantify a local vendor spent. What  
19 alignment did this casino have with any  
20 existing local or regional economic development  
21 plans? And how the applicant intends to  
22 support potential vendors to become casino  
23 suppliers.

24           What we found and what we didn't

1 find. What we found, we found modest targets  
2 for local goods and services. However, I would  
3 suggest that Brockton's location in the shadow  
4 of a major metropolitan area like Boston  
5 provides some challenges as many suppliers will  
6 likely service Brockton from the greater Boston  
7 area.

8           Keep in mind that the local area is  
9 defined really as the host community and the  
10 surrounding community. Depending on the  
11 business population in that immediate area is  
12 really going to give you a sense of where  
13 you're going to be able to draw your vendor  
14 base.

15           We did see examples of previous work  
16 to utilize reward programs and link them to  
17 local businesses in addition to the applicant  
18 sending out emails, direct mail and promotion  
19 on the casino's website. We have also heard of  
20 their intention to work closely with the Metro  
21 South Chamber of Commerce to find suitable  
22 companies to work in cross promotion with as  
23 well as being potential vendors.

24           The company also plans to purchase



1 \$50,000 in local business cards to share with  
2 reward members. That's a figure that's been  
3 somewhat consistent with our other licensees in  
4 terms of buying local business gift cards.

5 The applicant shared information  
6 with us again about their successful efforts  
7 undertaken by Sugarhouse in Philadelphia to  
8 connect with local businesses. But consistent  
9 with some of the issues I've raised under job  
10 creation, some of the specific plans for local  
11 Brockton and regional businesses were lacking  
12 in the application.

13 In developing food venues within the  
14 facility, the applicant did say they hope to  
15 have strong local brand names operating at the  
16 facility, although some of these plans have not  
17 been confirmed. It is similar to a strategy  
18 that they are currently carrying out in  
19 Philadelphia.

20 MGE will provide the build-out  
21 space. The restaurateur will provide the  
22 recipes, etc., the name and training support  
23 before opening. So, it is somewhat of a unique  
24 licensing agreement that they would expect to

1 have with the food venues.

2           The casino itself, the casino  
3 project does tie in with several economic  
4 development strategies. A local comprehensive  
5 plan for the city going back to 1998 focused on  
6 the city's need to draw visitors to the city  
7 and increase tourism. A 2014 Old Colony  
8 Planning Council comprehensive economic  
9 development strategy highlighted Brockton's  
10 status as an economic target area because of  
11 unemployment and the resulting incentives  
12 available as a gateway city.

13           We also know somewhat subsequent to  
14 the filing of the RFA-2 application, the city  
15 and Mass Gaming and Entertainment plan to  
16 collaborate on the city's current Brockton 2025  
17 Plan, which includes the creation of an  
18 entertainment district of which MG&E will be an  
19 anchor asset.

20           The mayor has expressed considerable  
21 interest in this concept. And we've gotten a  
22 sense from primarily the Sugarhouse Casino in  
23 Philadelphia how they've been able to connect  
24 with some of the area entertainment venues that

1 have been built subsequent to their opening.

2 A facility in Brockton would be Rush  
3 Street's again first gaming facility outside of  
4 a major city. We expect operating in a smaller  
5 environment may pose some initial supply and  
6 labor challenges but not likely anything that  
7 can't be overcome.

8 What we didn't find, again, there is  
9 no specific plan as requested under question  
10 3.15 for local suppliers for construction. We  
11 sense that the obligation to find qualified  
12 local suppliers and material as well as  
13 furniture and equipment would fall to the  
14 general contractor. We rated this section  
15 insufficient.

16 The local spending for operational  
17 needs MG&E pointed out again the success of  
18 their other facilities in the creation of a  
19 database of possible vendors. This is another  
20 area where operation in a smaller community  
21 might pose a different set of requirements for  
22 the applicant.

23 When it came to specific goals for  
24 spending with the minority-, woman- and

1 veteran-owned businesses, we saw no specific  
2 targets as we requested in question 3.20. MG&E  
3 did express their goal of including minority-,  
4 woman- and veteran-owned businesses as part of  
5 a bid. And they offered to assist these  
6 businesses with their certification processes  
7 that they need to go through. This section --  
8 This grouping was also rated insufficient.

9           We also did not find formal business  
10 agreements or arrangements in place with  
11 various businesses or institutions. The  
12 applicant again cites their economic impact on  
13 the city in the region from various consultant  
14 reports.

15           Operating expenses, Mass Gaming and  
16 Entertainment projects to spend \$94 million in  
17 year one operating expenses, 65 percent for  
18 operations, 20 percent for marketing, 15  
19 percent for cost of sales. They anticipate  
20 spending \$15.4 million locally.

21           Again, the proximity of a major city  
22 such as Boston limits some of the local  
23 capacity. Again, we talked about that local  
24 area being Brockton and the surrounding --

1 designated surrounding communities.

2           This slide represents the economic  
3 impacts. The spreadsheet shows the economic  
4 impacts as estimated by third-party consultants  
5 for the construction phase and ongoing  
6 operational costs. The direct full-year  
7 equivalent construction jobs and full-time  
8 equivalent operation jobs are consistent with  
9 those estimated by the applicant.

10           Support for external business  
11 rating, again, overall we rated the applicant's  
12 completion of this section and the economic  
13 impact section as sufficient. I felt  
14 considerable experience and success was  
15 demonstrated at their three operating  
16 facilities. But as with job creation, specific  
17 plans and goals for the Brockton area were not  
18 provided in the detail we requested or desired  
19 for review.

20           The applicant's plans for promoting  
21 local business rested on the use of proprietary  
22 rewards programs and other web-based media,  
23 which are previously used marketing strategies.  
24 No detailed local strategy for Brockton was

1 provided and no potential partners provided.  
2 No plans or initiatives set out other than  
3 standard Rush Street marketing strategies,  
4 again, which we have seen have been successful  
5 at their other facilities.

6 Vendor outreach was generic. There  
7 didn't seem to be any tailoring of the response  
8 to reflect the Brockton business area or  
9 operating environment. And there was no  
10 strategy for identifying spending targets with  
11 goals for respective minority-, woman-, and  
12 veteran-owned business enterprises.

13 Again, the applicant did demonstrate  
14 I would say some strong success with connecting  
15 their project to regional and local economic  
16 development strategies. Again, we rated this  
17 portion of the business impacts section as very  
18 good. But overall on support for external  
19 business, we have an applicant with proven  
20 successes in other jurisdictions, but their  
21 plans for Brockton we felt lacked the detail  
22 necessary to score them above sufficient.

23 Move on to again the third grouping  
24 is around tourism, tourism promotions. This

1 final section of the economic development  
2 portion of the RFA-2 application focuses on  
3 tourism and what impact the applicant hopes to  
4 have on drawing visitors to the host city and  
5 the region.

6 The final section we've broken out  
7 into two parts, tourism and regional promotion,  
8 and a section on the other amenities,  
9 enhancements and business strategies.

10 For tourism and regional promotion,  
11 we looked for agreements between the applicant,  
12 local agencies and/or businesses designed to  
13 broaden or widen their gaming draw. How does  
14 the applicant plan to cross market with other  
15 attractions and businesses? How does the  
16 applicant plan to partner with existing tourism  
17 organizations and other industries? What plans  
18 does the applicant have to market their casino  
19 to international visitors to Massachusetts?

20 For the other amenities,  
21 enhancements and business strategy component,  
22 we were trying to understand any unique  
23 business and marketing strategies proposed for  
24 the Brockton project. We looked at the

1 amenities also of their facility. We examined  
2 community enhancements outside of the casino  
3 complex itself that are being offered by the  
4 applicant. Finally, we looked at the  
5 applicant's goal to offer entertainment and  
6 athletic events.

7           What we were looking for again in  
8 responses were their past experience with and  
9 proposed plans for entertainment and other  
10 amenities. What did the applicant show us  
11 about their ability to identify target markets,  
12 promotional efforts and cross marketing  
13 opportunities?

14           We wanted to know how they planned  
15 to cooperate with tourism organizations and  
16 local economic development agencies. We were  
17 also hoping to find an awareness or knowledge  
18 of the Brockton Plymouth County area tourism  
19 market and the broader regional tourism market.

20           And finally what if any arrangements  
21 has the applicant proposed with respect to  
22 working with local agencies and their marketing  
23 activities?

24           What we found and what we didn't



1 find. What we found, again, as a starting  
2 point let me say that MG&E views the core  
3 market for the Brockton area as the greater  
4 Boston area. The brevity of marketing plans  
5 and tactics outlined in the application I think  
6 reinforces this market focus.

7 We found strong evidence of  
8 financial commitments to economic development  
9 and business planning activities within  
10 Brockton. They pledge to assist the city with  
11 the development of this entertainment zone in  
12 the Brockton 2025 Plan and have highlighted  
13 similar plans.

14 Kansas City for one is an  
15 entertainment zone model they would like to  
16 duplicate. They've also pledged I believe  
17 financially to support the development of the  
18 plan. MG&E will also fund a \$25,000  
19 feasibility study to examine the potential for  
20 greater utilization of this facility. MG&E  
21 repeatedly referenced a goal to utilize the  
22 Shaw's Center and the adjacent stadium for  
23 casino-related and produced events and  
24 concerts.

1                   MG&E has also committed a percentage  
2 of their gross gaming revenue to a local  
3 foundation that will benefit the Brockton  
4 school system. This is in addition to the  
5 company's community impact fee for the city.

6                   MG&E's project highlighted the  
7 amenities of their Brockton project including a  
8 hotel, spa, numerous restaurants. They also  
9 have 1000 square feet set aside for retail,  
10 which as we talked about in the previous  
11 presentation was less than retail space  
12 allotted for with the other licensees.

13                   MG&E highlighted their plans to add  
14 a hotel in Pittsburgh. In Philadelphia, they  
15 are expanding their convention space and  
16 restaurant areas to improve visitorship.  
17 Again, these projects are consistent with their  
18 plans for Brockton.

19                   The application highlighted MG&E's  
20 involvement and tourism related partnerships in  
21 other jurisdictions. Our due diligence process  
22 included phone calls to tourism bureaus in  
23 communities where they currently operate. And  
24 those tourism bureaus confirmed the existence

1 and success of these partnerships.

2           For example, Pittsburgh's visitors  
3 bureau mentioned the company executives have  
4 been active in their organization and plan to  
5 participate on the organization's board.  
6 Pittsburgh Rivers Casino has partnered on  
7 events with a neighboring Carnegie Science  
8 Center.

9           And Sugarhouse in Philadelphia  
10 partners and co-promotes 27 hotels, 91  
11 restaurants, golf courses and nightlife venues.  
12 In Philadelphia, tourism officials also  
13 highlighted instances where the company  
14 sponsorship of a holiday fireworks program  
15 prevented the events from being canceled due to  
16 lack of funding.

17           Again, both of MG&E's Pennsylvania  
18 facilities host events that utilize their Rush  
19 Rewards program. The casino websites emails to  
20 encourage customers to patronize other local  
21 businesses. The applicant provided evidence of  
22 success in social marketing using Des Plaines  
23 as an example where preopening social media  
24 campaigns garnered new Rush Reward members and

1 sustained social media following.

2           What we did not find. Here again,  
3 we see evidence of success at achieving these  
4 goals at their other locations but a lack of  
5 detail on their plans for the Brockton  
6 location. The applicant did not display a  
7 strong local knowledge or initiate formal  
8 relations with potential local partners, either  
9 business or tourism attractions.

10           There were no executed cross  
11 promotional partnerships with local businesses  
12 or tourism entities, which are asked for in  
13 questions 3.25 and 3.26. Nor were any specific  
14 plans or initiatives mentioned.

15           Despite no formal agreements, MG&E  
16 did identify a number of potential marketing  
17 partners such as the American Theater Company,  
18 Xfinity Theater, Fuller Craft Museum, the  
19 Levitate Music Festival and the Boston area  
20 sports teams. Several potential partners were  
21 also identified with respect to how MG&E might  
22 promote the region to visitors and tourists  
23 including the Mass. Office of Travel and  
24 Tourism, the Metro South Chamber of Commerce

1 and Massport. However, no letters or  
2 agreements or formal documentation to highlight  
3 those partnerships were provided.

4           The local convention and visitor  
5 bureau which serves Brockton is based in  
6 Plymouth. They were not identified until later  
7 in the application process.

8           When asked about international  
9 marketing, the applicant has relinquished most  
10 opportunities to draw international visitors to  
11 the Wynn facility in Everett. They did mention  
12 their intention to work with other partners  
13 MOTT, Massport to try to market to  
14 international visitors. They believe they can  
15 capture some of that market through these  
16 partnerships because of the close proximity to  
17 Boston.

18           Again, the reviewers were somewhat  
19 surprised that MG&E failed to provide more  
20 detail or focus on Plymouth County and  
21 potentially Cape Cod which represent the sixth  
22 and second largest visitor destinations  
23 respectively in the state.

24           In later follow-up in some requests

1 for clarification, I think MG&E was building an  
2 awareness of some of these regional assets as  
3 they specifically mention the Cape Flyer Rail  
4 Service that stops here in Brockton.

5 Working relationships, again we  
6 found MG&E's strong interest and focus in  
7 partnering with the Brockton 21st Corporation,  
8 which manages the Shaw's Center and Campanelli  
9 Stadium for events and meetings. However,  
10 specific plans and agreements with other  
11 organizations were lacking. MG&E focused their  
12 efforts to partner with the Metro South Chamber  
13 of Commerce again in helping to identify  
14 potential business partners as well as  
15 strategies to promote the region.

16 Organizations closer to Boston were  
17 identified in addition to numerous tourism  
18 attractions in Boston and across the Southeast  
19 region again, reinforcing the market position  
20 of the Brockton casino on Boston. But again  
21 local agreements and specific plans were not  
22 provided.

23 Overall, for the tourism rating, the  
24 third grouping of questions under economic

1 development, again, we found the tourism  
2 component of MG&E's application sufficient.  
3 However, and also consistent with the other two  
4 groupings of questions, our rating is based as  
5 much on previous experience as on specific  
6 plans or agreements for the proposed Brockton  
7 facility.

8           The applicant was specific with  
9 respect to their plan to work closely with  
10 Brockton 21st Century Corporation and utilize  
11 the Shaw's Center and Campanelli Field. They  
12 talked about their \$25,000 investment in a  
13 business plan for the Shaw's Center, \$3 million  
14 over three years for the community enhancement  
15 fee and ongoing support for the Brockton  
16 Foundation. The applicant also mentioned their  
17 volunteer hours provided by their employees to  
18 local organizations and nonprofits.

19           MG&E sees itself connected to the  
20 Boston market just based on proximity. And  
21 it's willing to seek partnerships with several  
22 entities and attractions. There was less  
23 detail about attracting visitors who might be  
24 visiting again the Plymouth County area itself.

1                   Some final thoughts. Again, MG&E's  
2 existing operations in Pennsylvania and  
3 Illinois demonstrate their ability to  
4 successfully operate a casino. Many of their  
5 answers to questions across all sections  
6 reflected their required experience at their  
7 existing casinos, while providing less detail  
8 about specific plans for their new Brockton  
9 location.

10                   They offered clear job creation  
11 goals with experience and they have experience  
12 in scaling up for their casino they're  
13 developing. I would suggest that there are  
14 some concerns we have about workforce  
15 development plans, minority, women and veteran  
16 hiring and retention.

17                   Their application provided almost no  
18 quantifiable commitments to hiring locally or  
19 using local suppliers including minority, woman  
20 and veteran businesses.

21                   Local vendor spending was lower than  
22 the percentage of overall spending of our other  
23 licensees. Again, that can be reflective of  
24 size of the facility. The company has clearly



1 demonstrated their success working with local  
2 tourism industry in their existing urban  
3 locations. MG&E has stated an intent to work  
4 with similar entities in Massachusetts but  
5 again no formal arrangements or details have  
6 been discussed or offered.

7           If our review is based entirely on  
8 the applicant's documented plans, goals and  
9 processes as set out in the response to the  
10 application questions, several insufficient  
11 ratings would have been applied. However, the  
12 application reviewed in conjunction with their  
13 actual operations persuaded us to rate them  
14 sufficient overall.

15           As we move ahead in future  
16 deliberations, if we consider license  
17 conditions, some license conditions I would  
18 like us to think about would be more formal  
19 plans for targets for hiring minority, women  
20 and veterans and use of MWVBES. We have  
21 solicited these plans in the past from other  
22 licensees. I would suggest creating an earlier  
23 timeframe for these plans to be submitted and  
24 reviewed and approved by this Commission.

1                   More detailed cross marketing  
2 agreements with potential tourism partners  
3 potentially including some of the coalition --  
4 the art venues, performing art venues. Some of  
5 those who might happen to be a member of the  
6 Mass. Performing Arts Coalition.

7                   And a more enhanced employee  
8 retention strategy that would reduce the amount  
9 of employee turnover year after year.

10                  We know that they have had  
11 considerable success drawing people to apply  
12 for jobs, but we should welcome to see the  
13 chance in more detail their preopening  
14 workforce development strategies.

15                  With that I conclude my presentation  
16 if there are any questions. Seeing none,  
17 great.

18                  CHAIRMAN CROSBY: Questions or  
19 thoughts?

20                  COMMISSIONER ZUNIGA: Yes, I do.  
21 There is a theme that emerges throughout your  
22 presentation, Commissioner, about certain  
23 questions lacking -- certain responses lacking  
24 specificity. We wanted to see more strategies

1 or even commitments, executed commitments with  
2 organizations and the like.

3 In addition -- That aside for a  
4 minute, we do have the process of request for  
5 clarification throughout our whole application  
6 process. Was any of that asked of the  
7 applicant in that --

8 COMMISSIONER STEBBINS: I believe we  
9 did have one RFC. And it was to ask the  
10 applicant to share with us the names of  
11 organizations, entities, groups that they have  
12 reached or engaged subsequent to the filing of  
13 their RFA-2 application.

14 They did send us back a name or send  
15 us back a list. I would recommend to you that  
16 most of that list contained organizations that  
17 had previously been identified except for maybe  
18 one or two new organizations.

19 COMMISSIONER ZUNIGA: Thank you.

20 CHAIRMAN CROSBY: Anything else?

21 COMMISSIONER MACDONALD: Yes.

22 Bruce, in your reaching out to people and  
23 institutions in the places where Rush Street is  
24 currently operating its facilities

1 successfully, did anything that those people  
2 say to you in response lead you to doubt or  
3 have reservations as to their capacity to  
4 actually make good on the commitments that they  
5 made?

6 COMMISSIONER STEBBINS: I will give  
7 you, again, my quick assessment in overview. I  
8 only visited the two facilities in  
9 Pennsylvania.

10 But I had the opportunity to meet  
11 with a number of local stakeholder groups  
12 either they be neighborhood organizations,  
13 employment agencies. They certainly had very  
14 positive and strong things to say about the  
15 applicant.

16 I'll share with you that as we know  
17 in Pittsburgh, Rush Street came in and assumed  
18 the responsibility or took over a license from  
19 a developer who hadn't been able to complete  
20 the project. Several of the folks who I talked  
21 to there said they kept to the commitments that  
22 the previous license holder had made. Some of  
23 those I would say were probably fairly  
24 substantial commitments.

1                   Again, in Philadelphia, it was the  
2 same acknowledgment of appreciation for the  
3 partnerships with MG&E. We heard a lot about  
4 again with respect to the tourism bureaus that  
5 we talked to that Sugarhouse had stepped up and  
6 agreed to pay for a number of local events that  
7 because of lack of funding might have had to be  
8 canceled.

9                   Again, reflective of the review of  
10 this whole section we had found good  
11 experience, strong and populated list of local  
12 partners that they have worked with in their  
13 other locations. Again, the overall analysis  
14 stays true is that lack of specificity or  
15 detailed plans did not carry over into what  
16 they would tell us about operating in Brockton.

17                   COMMISSIONER MACDONALD: Would it be  
18 fair to say that from what you were told in  
19 these other locations that there was nothing  
20 that they said that lead you to doubt their  
21 capacity to actually follow through on their  
22 generally stated objectives that you reported  
23 on?

24                   COMMISSIONER STEBBINS: Everybody we

1 talked to again, said that they were a good  
2 community participant and were very involved in  
3 any number of aspects either citywide or in  
4 their immediate local neighborhood.

5           COMMISSIONER ZUNIGA: Can I add to  
6 that because I visited the Des Plaines facility  
7 as a way to kind of get familiar with their  
8 operations. They unprompted organized a  
9 conversation with local officials and another  
10 person from the Chamber of Commerce from Des  
11 Plaines, and had very much testimonials like  
12 you described, Commissioner, relative to how  
13 good a neighbor they had been, how good for the  
14 region in terms of local business and the like  
15 they have been.

16           So, when it comes to the part of  
17 your assessment that they cite in their  
18 application all of those examples, they really  
19 become very believable at least from my  
20 experience in Des Plaines.

21           CHAIRMAN CROSBY: Anybody else?  
22 Thank you, Commissioner. Let's take a quick  
23 break while Commissioner Macdonald sets up and  
24 we'll convene again in a few minutes.

1 (A recess was taken)

2

3 CHAIRMAN CROSBY: We are reconvening  
4 meeting 188. And we are leading off with  
5 Commissioner Macdonald's report on site and  
6 building design evaluation.

7 COMMISSIONER MACDONALD: Good  
8 afternoon, fellow Commissioners. And good  
9 afternoon Mr. Donnelly and Mr. Strusiner in  
10 absentia and others affiliated with Rush  
11 Street, Mass Gaming and Entertainment. And Mr.  
12 Carney, good afternoon to you and to the  
13 dwindling number of citizens from the city of  
14 Brockton.

15 It's my privilege to present on the  
16 site and design portion of the application by  
17 MG&E and Rush Street.

18 I am faced with just another  
19 occasion in what seems a succession of humbling  
20 experiences of stepping into the enormous shoes  
21 of my predecessor former Commissioner Jim  
22 McHugh, but I will do my best here.

23 Let me just state at the outset,  
24 kind of make a summary of what we have

1 concluded here. Although this is my report,  
2 I've been working very, very closely with the  
3 team here who I'll introduce in a moment via  
4 slide. But the nub of it all is that we're  
5 dealing here with a 46-acre site near the  
6 geographic center of this city that  
7 incorporates an integrated resort hotel,  
8 casino, indoor and outdoor parking facility.

9           From the design perspective, it is a  
10 solid application, well-conceived and well-  
11 presented. The reservations that we have and  
12 we have a number of them and they primarily  
13 relate to that aspect of the application that  
14 pertains to the surrounding community, should  
15 be able to be readily addressed if the  
16 Commission votes to conditionally approve the  
17 application.

18           Time is limited. And actually,  
19 before I go on, I want to recognize my  
20 colleague Commissioner Stebbins for a  
21 superlative presentation. I already feel  
22 inadequate following up on that. But from my  
23 perspective that was terrific.

24           Time is limited and I want to spend



1 my time on the most important aspects of the  
2 application, which are first the quality of the  
3 design; second the relationship of the plan to  
4 the surrounding community; openness to and  
5 inclusion of the community in the proposed  
6 scheme, and the minimization of adverse impacts  
7 on the community; and third the implementation  
8 of sustainability principles in the  
9 construction, outfitting and operation of the  
10 facilities.

11 All of these themes I'm going to  
12 address within the larger context of the  
13 Brockton urban community. There is a lot of  
14 technical data and detail that's included in  
15 the report that I have filed with the  
16 Commission and with the public in effect. My  
17 object here is to avoid getting bogged down in  
18 details of numbers and percentages. Those can  
19 be retrieved from the report. And also I want  
20 to avoid addressing subjects that were dealt  
21 with in Commissioner Zuniga's and Commissioner  
22 Stebbins' presentations.

23 I'll skip this slide because you  
24 know where we are. And you've already seen a

1 larger, more detailed plan of the Commonwealth  
2 of Massachusetts. So, we can skip over that.

3 This one bears some attention. The  
4 site is located on Brockton's west side. To a  
5 substantial extent the city of Brockton is the  
6 site. To provide context on that point, I want  
7 to share a report on significant events in  
8 Brockton's history to you as a preface, and  
9 significant features of the present urban  
10 character that together provide an historical  
11 and socioeconomic context for the site.

12 In this respect I want to  
13 acknowledge that I asked our Ombudsman to seek  
14 to get to me the information on these points.  
15 And he was able to instantly get them for me  
16 from the city of Brockton planning department.  
17 So, what I'm now going to briefly note is  
18 information received from the city of Brockton.

19 Interestingly in pre-colonial times  
20 and perhaps ironically that Brockton was also  
21 part of the Wampanoag tribal territory. It was  
22 separated from the tribal territory in 1649  
23 along with the current towns of Bridgewater,  
24 East Bridgewater and West Bridgewater. Well-

1 known figure from the Plymouth Colony, Myles  
2 Standish is the person who led the group to  
3 purchase what at that time was called the  
4 Bridgewater plantation from the Sachem of the  
5 Wampanoag's Massasoit.

6 That in 1874 the town which up until  
7 that time had been known as North Bridgewater  
8 changed its name to Brockton. Manufacturing  
9 became an increasingly prominent part of the  
10 economy in the 19th century. It was known  
11 around the world as shoe city. The shoe  
12 industry peaked in 1909 and then entered a  
13 steady and long decline. The last shoe factory  
14 closed in 2009.

15 The city is very favorably situated  
16 geographically. And it's reflected on the  
17 slide there. I was surprised to find it's only  
18 25 miles from Boston. I think I'm surprised  
19 because I've driven the Southeast Expressway so  
20 many years -- so many times over the years from  
21 my hometown of New Bedford and Dartmouth.  
22 Downtown Boston is only 25 minutes away.

23 Furthermore, Brockton is on the  
24 commuter rail. I have been informed that it is

1 just three stops to South Station. Further  
2 it's the hub of the Regional Transportation  
3 Authority, Brockton Area Transit and Route 24  
4 which presumably most of us came down on today  
5 from the Boston area.

6 It's a six-lane highway that  
7 connects Brockton to the north and to the  
8 south. And by its intersection with I-495, it  
9 connects to the Cape on the east and Worcester  
10 and the cities further to the west.

11 The population as of 2010 was just  
12 about -- it was 93,810. Brockton's economic  
13 and social welfare base has had its ups and  
14 downs over the years as with other  
15 Massachusetts cities. But it was essentially  
16 stable until the mid-1980s. Thereafter, it  
17 steadily declined such that today Brockton is  
18 deeply challenged.

19 I created this slide in order to  
20 focus on a couple of what I submit are highly  
21 pertinent points about the present Brockton  
22 community. From 2001 to 2013, manufacturing  
23 jobs declined in Brockton by 38 percent. Now I  
24 realize that my eyes are challenged. I should

1 have brought my copy of the slides up here.

2 But in 2014, unemployment was eight  
3 percent. I note that Commissioner Stebbins had  
4 it at nine percent. In any event, it's  
5 significantly, significantly higher than the  
6 rest of the state. Per capita income is 23  
7 percent lower than the state median. Household  
8 income is 26 percent lower.

9 Brockton residents earn less in all  
10 job categories compared to state averages.  
11 Brockton residents are employed  
12 disproportionately. In healthcare and social  
13 assistance, one-third twice the state average.  
14 Since 2002 there's been a 13 percent decline in  
15 the number of business establishments. 46  
16 percent of Brockton's children are  
17 "economically disadvantaged", nearly twice the  
18 state rate.

19 Despite the population remaining  
20 static, the number of school-aged children has  
21 significantly increased. 26 percent of  
22 residents are 18 or younger, the highest in the  
23 state. Public school enrollment increased 23  
24 percent since 1993. And from 2008 to 2014, it

1 increased 13 percent.

2 English is not the language spoken  
3 at home in 33 percent of Brockton households.  
4 Brockton public school students score lower on  
5 all academic categories compared to state  
6 averages. And the high school dropout rate  
7 here is twice the state average.

8 The point that I'm seeking to make  
9 here and it's a crucially important point is  
10 that this is the city which MG&E and Rush  
11 Street proposes to invest \$677 million in the  
12 casino complex. The applicant has already been  
13 described in the earlier application, Mass  
14 Gaming and Entertainment and Rush Street Gaming  
15 as the operator. And the details of Rush  
16 Street's other venues and casinos have already  
17 been addressed as well. So, I can skip through  
18 these slides.

19 The process you are all familiar  
20 with, we are all familiar with that this is one  
21 of five subject matter evaluations of the  
22 application. There are seven criteria in  
23 building and site design that Rush Street  
24 responded to in its application. Creativity

1 and design and concept excellence, high caliber  
2 quality amenities. And I'll proceed in order  
3 through them.

4           In the task of evaluating the  
5 application, I have been critically assisted by  
6 the team on my right and on the slide. Rick  
7 Moore, Ray Porfilio who is an architect. Ray  
8 is not here today but his partner Chip Pinkham  
9 is, and Frank Tramontozzi and Jason Sobel on  
10 the transportation side of this aspect of the  
11 application. They were absolutely fabulous  
12 support, particularly to me who is just coming  
13 to this as a newbie, if you will.

14           The report that I have filed is  
15 comprised of the different criteria. And then  
16 the grading that you've been exposed to and  
17 that we're all familiar with and the audience  
18 has been exposed to in the earlier  
19 presentations. This is not expected to be  
20 understood by you, but this is what we describe  
21 as the rollup of the ratings for the entirety  
22 of the building and site design summary.

23           As you can see, it is dominantly  
24 yellow reflecting sufficient. There are some

1 reservations that are reflected in the pink  
2 grading. There are some very goods there which  
3 we will get to as time goes on. The  
4 reservations that you saw reflected there in  
5 the pink are primarily in the transportation  
6 traffic areas and in issues relating to the  
7 surrounding community, all of which I will get  
8 to. I'll now proceed in the order of the seven  
9 criteria.

10           The first is creativity and design  
11 and overall concept excellence. So, this is  
12 any aerial of the site. You will see on the  
13 left-hand side Route 24, which is just over a  
14 mile from where we are located. The T marker  
15 there is the downtown area. That's where the  
16 commuter rail is. That's where the Brockton  
17 Area Transport is coordinated out of.

18           This is a bit closer. You can see  
19 Route 24 interchange there on the left.  
20 Belmont Street is the main access to here. We  
21 expect it to be the main access. Significant  
22 features of this are this is Brockton High  
23 School. It's less than a quarter of a mile  
24 away.



1                   We are right here. That's  
2 Campanelli Stadium. I will be referring to  
3 this repeatedly, but at this point just  
4 preliminarily. This section -- First, along  
5 Belmont Street is basically strip malls and  
6 retail. This is some malls as well.  
7 Basically, it's commercial, commercial around  
8 here, and above on the north side of the site.

9                   Significantly, there are residential  
10 areas, a large residential area on the east  
11 side of the site. This is the southeast side  
12 and that is residential. And across Belmont  
13 Street there's another residential area over  
14 here.

15                  Let me tell you this was taken on my  
16 iPhone 6. On my iPhone 6, it looks a lot  
17 clearer than it does here but just quickly,  
18 these two images were taken from the north side  
19 of the site from what's called the exhibition  
20 hall. That's the exhibition hall there but let  
21 me go back. These pictures were taken out, on  
22 the left is looking south towards the  
23 racetrack. The one on the right as said is  
24 looking southwest towards Forest Avenue.

1                   This is a wide-open, wide-open site  
2 to put it mildly. The view here on the left-  
3 hand side is significant. It's on the  
4 northerly part of the site. Along this tree  
5 line over here basically corresponds to Thurber  
6 Avenue. The residential area is right on the  
7 other side of Thurber Avenue.

8                   The image on the right-hand side  
9 shows the exhibition hall up here. This is  
10 looking north. And you can see the exhibition  
11 hall is located on a rise. It basically looks  
12 out in a dominating fashion over the site. As  
13 I said it's a wide-open space.

14                   Here is the site plan superimposed  
15 on the image that I had there before. You will  
16 see the residential areas that I described  
17 before. This would be Thurber Avenue over  
18 here. This is residents. This is a  
19 residential area. You can see Campanelli  
20 Stadium. The exhibition hall building which I  
21 will talk about in a minute is located up here.  
22 That's where the first of the two site pictures  
23 that I took were taken from.

24                   The buildings are located -- I'll

1 get into further detail here in a moment on  
2 another slide. -- but there are basically three  
3 components. This is the hotel here. In the  
4 middle of the casino. And to the south is the  
5 covered parking area.

6           Parking lots, the open parking lots  
7 take up almost 50 percent of the 46-acre site.  
8 I'll refer to this again but note, and this is  
9 very significant, the effort which has gone  
10 into creating a landscape buffer on the east  
11 side between the facility and the residential  
12 neighborhood to the east and landscape buffer  
13 on the south side with regard to the  
14 residential areas to the south and the  
15 southeast.

16           In my view, design is the single  
17 most important piece of the evaluation. And  
18 that through the request for clarification  
19 process, I thought it would be useful to ask  
20 Rush Street exactly what their design  
21 philosophy was. And they responded with it,  
22 and made a slide of it. And I'm going to read  
23 it because I think it's very significant.

24           The design philosophy of MG&E in

1 addition to being high-quality is that the  
2 building, architecture on each project should  
3 complement the style of the area in which it is  
4 located. This view of contextual architecture  
5 is best illustrated by the fact that each of  
6 the projects developed by affiliates of MG&E,  
7 Des Plaines, Pittsburgh, Philadelphia and  
8 Schenectady has a very different architectural  
9 style based on its location.

10           The architecture of the proposed  
11 Brockton casino resort development has a  
12 distinctive New England style, which includes  
13 the following design elements: number one,  
14 extensive use of redbrick, gable and hip roofs,  
15 clerestory windows, areas of metal roofs,  
16 iconic features, spires. And two additional  
17 goals were identified, number one, to break up  
18 the building façades and clearly identify the  
19 three primary program elements, the hotel,  
20 casino and parking garage.

21           And two, to have a masonry façade on  
22 the garage to complement the other buildings.  
23 In my judgment, Rush Street has acted out in  
24 fact on this philosophy and produced a plan

1 that is compatible with this Brockton setting,  
2 and that employs shapes, forms and materials  
3 that are appropriate to the site and to the  
4 city.

5           Here are some exterior perspectives  
6 on the site on the plan. To the left is the  
7 entrance to the casino. I probably should  
8 start up on the upper right of the hotel  
9 because that's on the northern side of it. And  
10 that is angled into the casino. I'll go over  
11 the access points in a moment. But this would  
12 be for the main access point off of West Street  
13 that people who would be going to the hotel  
14 would be likely to use.

15           And here's the full view on the  
16 lower right-hand side. These are so-called  
17 elevations just put some attention to the one  
18 on the bottom. This is the elevation of the  
19 entire facility. And you can see here what I  
20 noted before about the consistency of the  
21 texture of the architectural elements which  
22 taken together create quite a pleasing  
23 structure.

24           The plan, I'm going to go back here.

1 Someday I will learn how to use this. The plan  
2 does have what our team has described as an  
3 inward focus as opposed to being visually and  
4 operationally engaged with the neighbors. It's  
5 very different from the MGM Springfield plan.  
6 We have some concern about the inward focus  
7 which I will get to. That is reflected in some  
8 of the partial insufficient ratings that will  
9 be discussed.

10           The core of the plan is the north-  
11 south orientation of the hotel, casino and  
12 covered parking structures surrounded in large  
13 part by open parking areas that create  
14 substantial visual space between the buildings  
15 that comprise the facility and the commercial  
16 and residential neighborhoods.

17           A park-like feel is intended by  
18 ambitious landscaping with trees and other  
19 plantings around the site's perimeter. But I  
20 wouldn't over emphasize that park-like feel  
21 given the volume and order of magnitude of the  
22 open parking areas. Nevertheless, the  
23 landscaping buffer is a significant positive  
24 and appropriate to the site.

1                   Regrettable lost opportunity, in our  
2 view, is the plan's carve out and isolation of  
3 the historic Brockton Fairgrounds exposition  
4 hall that you see here in the upper left-hand  
5 corner of this image.

6                   The building is said to have been  
7 modeled on Independence Hall in Philadelphia.  
8 It's handsome in form and evocative of the  
9 city's past. However, it is in a serious  
10 dilapidated state. That said, Rush Street has  
11 expressed the hope that from the economic  
12 activity expected to be stimulated by the  
13 casino project that the hall can be restored to  
14 active commercial or public use. But no  
15 commitments in that regard were included in the  
16 application.

17                   The conclusion on the design side, a  
18 very experienced development team, masonry  
19 exterior walls. You can see what is there.  
20 Our conclusion is that Rush Street appears to  
21 know its market and is designed appropriately  
22 to the market. The second criterion in site  
23 design is --

24                   COMMISSIONER STEBBINS:

1 Commissioner, just a quick question? And maybe  
2 MG&E can help with the question on this. I was  
3 under the impression that Pittsburgh was pretty  
4 well-built before you assumed that license.

5 MR. DONNELLY: What happened is they  
6 designed it. They got steel up and then they  
7 got in financial problems. So, a good part of  
8 that was done, at least the structure and  
9 location certainly.

10 COMMISSIONER STEBBINS: Thank you.

11 COMMISSIONER MACDONALD: The second  
12 criteria is the gaming establishment of high-  
13 caliber, quality amenities and partnership with  
14 local facilities. Here again, I won't tarry on  
15 this long because it's just a closer up of the  
16 elements showing in greater detail the hotel,  
17 the casino floor, the garage and the back  
18 house, the restaurants around the gaming floor.

19 In earlier presentations, the number  
20 of games and positions were noted. Non-gaming  
21 amenities include a full complement of food and  
22 beverage establishments. There are six  
23 restaurants. Rush Street does not propose a  
24 dedicated entertainment venue. However, the



1 multifunction space of 12,000 square feet may  
2 accommodate up to 1000 people for certain  
3 programming.

4           A 250-room hotel property is  
5 directly connected to the gaming floor and  
6 offers an additional restaurant. That  
7 restaurant you do not have to go into the  
8 casino to get to.

9           The size of the proposed casino and  
10 hotel facility is approximately 466,000 square  
11 feet. This is a gaming floor rendering. This  
12 is borrowed, I believe, from Sugarhouse in  
13 Philadelphia.

14           A comparison of the program -- A  
15 comparison of the Rush Street proposal and  
16 costs were made between the Brockton proposed  
17 facility and MGM Springfield. The construction  
18 cost was estimated at \$663 a square foot for  
19 MG&E here in Brockton and 667 square feet for  
20 MGM. Our advisors conclude that the numbers  
21 suggest that the quality of amenities in the  
22 Rush Street Brockton casino will be similar to  
23 that at MGM in Springfield.

24           As part of the city's mitigation

1 agreement, Rush Street has agreed to fund  
2 \$100,000 master plan to study an entertainment  
3 district along Belmont Street in the vicinity  
4 of these venues.

5 Our conclusions here is that the  
6 facility is well arranged. It is inward  
7 focused, similar costs to MGM's Springfield.  
8 The bottom line, first class gaming, hotel and  
9 dining similar to other casinos operated by  
10 Rush Street. And we've concluded that the  
11 application in this regard is sufficient.

12 The third category has three  
13 different groups associated with it. The  
14 category is compatibility with surroundings.  
15 As you can see by this summary chart, we've got  
16 some reservations here, particularly the  
17 adequacy of existing transportation  
18 infrastructure answers and in with regard to  
19 the parking facilities which I will get to  
20 shortly.

21 This subject of transportation  
22 actually is one that overlaps between  
23 Commissioner Cameron subject matter which she  
24 will deal with tomorrow on transportation and

1 what I am responsible for doing even though  
2 there are answers that were provided by Rush  
3 Street that deal with impacts outside of the  
4 facility.

5 My focus on the transportation part  
6 of this will be access, egress and things  
7 within the boundaries of the facility.  
8 Commissioner Cameron tomorrow will be  
9 addressing the outside of the facility impacts  
10 and mitigation issues relating to that.

11 As such, it will be in her  
12 presentation that the adequacy of MG&E's  
13 traffic analysis will be addressed in the  
14 context of the Commission's own independent  
15 through our transportation consultant's  
16 assessment of the perspective impact of the  
17 facility on the city's roadways.

18 In this chart, it's a small chart,  
19 but there is a lot of data that is crammed into  
20 the analysis, which is included in my report,  
21 but which will be much more directly addressed  
22 by Commissioner Cameron tomorrow.

23 And I might say that with respect to  
24 these insufficient ratings that I've been

1 advised by our team that it's less that they  
2 reflect affirmative unsatisfactory answers.  
3 It's more that they simply haven't had the data  
4 in hand to be able to come to a detailed  
5 response to the particular questions.

6 In that regard, the expectation is  
7 that in the subsequent MEPA process, should the  
8 application go forward after our vote later  
9 this week that these issues will be addressed.

10 Just briefly, as I said I'll be  
11 dealing with access and egress. The primary  
12 access is going to be -- and this is Forest  
13 Avenue over here. We are very, very close to  
14 it. This roundabout is something which Rush  
15 Street is recommending to be basically  
16 constructed. I personally like this. But the  
17 primary access is going to be coming from  
18 Belmont Street which is over here down, and  
19 then around the roundabout and down Forest  
20 Avenue. And this is the primary access.

21 The second primary access is the one  
22 that I referenced earlier, which when you enter  
23 and I think this is off of West Street, you  
24 would be facing the hotel directly in front of

1 you. And then angularly off to the right the  
2 rest of the site.

3           Significantly the plan separates the  
4 primary access by employees and service  
5 vehicles. Those are expected to enter down  
6 here off of Forest Avenue, secondarily up in  
7 the north end of the site. So, that nicely  
8 separates the employees and the service traffic  
9 from the customer traffic.

10           The ratio of parking spaces to  
11 gaming position is one to one, which is the  
12 industry standard. The presentation of the  
13 proposed parking lots, layouts, etc., were  
14 generally satisfactory. However, our  
15 reservation here was that there was no  
16 articulation of pedestrian paths and flow  
17 between the parking areas and the casino and  
18 the hotel.

19           A development of a pedestrian  
20 circulation or so-called wayfinding plan is  
21 needed. However, as I noted before it is  
22 expected that these deficiencies would be  
23 addressed in the ordinary course during the  
24 MEPA process.

1                   Public transit accommodation, the  
2 site is very well served by public -- Here's  
3 parking. We don't need to stay on that. This  
4 pretty color coded slide basically reflects the  
5 existing bus routes. The site is in the middle  
6 of the image. The BAT terminal is over to the  
7 right on the downtown. This is one of the  
8 strengths of the site.

9                   Once again, the commuter rail does  
10 stop at downtown Brockton. The BAT currently  
11 has three existing bus routes operating along  
12 Belmont Street that stop in close proximity to  
13 the site. MG&E is evaluating the option of  
14 providing a community shuttle bus stop. They  
15 also stated that they will incorporate a new  
16 bus stop on one or more existing BAT lines  
17 subject to BAT and city of Brockton approval.  
18 Testing shuttle service is a reasonable  
19 approach in the judgment of our team.

20                   So, the conclusion here is that it's  
21 sufficient. There's adequate access, egress.  
22 A wayfinding plan needs to be developed. Good  
23 transit access with added bus stops and  
24 adequate parking, but pedestrian circulation

1 plan needs to be developed.

2 CHAIRMAN CROSBY: Commissioner,  
3 excuse me, when you began this one I thought  
4 you said there were some problems with parking  
5 which you were going to talk about later.

6 COMMISSIONER MACDONALD: It's not so  
7 much parking, it's the plans for managing the  
8 pedestrian flow within the parking fields, as I  
9 understand.

10 CHAIRMAN CROSBY: So, the reason  
11 you're insufficient and sufficient on parking  
12 facilities is because of the pedestrian  
13 problems.

14 COMMISSIONER MACDONALD: It's the  
15 pedestrian overlay. There are plenty of  
16 parking spaces or at least it's one-to-one and  
17 I gather that that's standard for the facility.

18 Now in criterion three but another  
19 group, that's group one. Groups two and three  
20 this is a combined. I'll leave this on because  
21 this deals with two which is so-called  
22 neighborliness, characterizes neighborliness  
23 and three which is utility services and  
24 miscellaneous.

1           The site is surrounded by commercial  
2 land to the north as I noted, to the west and  
3 southwest and northeast and southeast by  
4 residential areas. The proposed buildings as  
5 you've seen are located internal to the large  
6 46-acre site. The facility frankly is island  
7 like surrounded by parking spaces.

8           The project is car-oriented and not  
9 integrated with surrounding commercial, retail  
10 and entertainment venues. The expectation that  
11 community property can serve as an anchor for  
12 future development was articulated.

13           The application makes reference to  
14 ongoing discussions with the Shaw's Center,  
15 where we are now, and with Campanelli Stadium  
16 and the possibility of creating an  
17 entertainment district. MG&E has committed to  
18 \$100,000 study to further explore and hopefully  
19 to implement that entertainment district.

20           Once again, I will note that the  
21 residential neighborhoods are protected by a  
22 landscape buffer of between 100 and 200 feet.  
23 One final point, here on this section that's  
24 important, the casino is located as I noted



1 before less than a quarter of a mile from the  
2 Brockton High School.

3 That has been noted in our public  
4 meetings repeatedly by a significant number of  
5 people who are in opposition to the location of  
6 the casino here. Students come and going from  
7 the school on foot, from and to the residential  
8 areas to the north, northeast and east of the  
9 site will flow naturally toward or into the  
10 hotel and casino site.

11 The implications of this were not  
12 addressed in the application and ought to be  
13 addressed if we vote to have the application go  
14 forward with a conditional license.

15 So, I'm still on slide three going  
16 to the second part of this group which is  
17 utility services and miscellaneous. You can  
18 see color-coded there that's all satisfactory.  
19 The casino will have a three-bay loading dock  
20 in the rear of the facility. It's remote from  
21 public circulation. And it's adjacent to the  
22 back house operations of the casino.

23 It should not be a problem for the  
24 residential neighborhoods on the east side of

1 the facility. Again, that's along Thurber  
2 Avenue and that's where the landscape buffer  
3 exists. Supplies will be received and waste  
4 will be removed from the loading docks.

5 Signage, a small point, but there  
6 are going to be two signs. One on an 85-foot  
7 pylon adjacent to Belmont Street, a second 10-  
8 foot monument sign along Forest Avenue. Both  
9 appear to be logical in location and  
10 appropriate in size.

11 Water demands projected for the  
12 project are reasonable and conservative. And  
13 there is a sufficient water supply. However,  
14 and this is an important however in our  
15 judgment that Silver Lake which is the main  
16 source of water for Brockton was down over 40  
17 inches in the summer 2015, resulting in the  
18 need for water conservation measures.

19 Mitigation to reduce water use,  
20 especially when Silver Lake system is stressed  
21 should include a commitment to use water from  
22 the Aquaria desalinization plant even though  
23 that this water would be more expensive.

24 Wastewater flows for the project are

1 reasonable and conservative according to our  
2 team. There's a sufficient capacity for  
3 wastewater treatment plant to accept the flows  
4 from the casino and other future development.

5 The construction of a new 10-inch  
6 sewer costing \$1 million and funded by Rush  
7 Street MG&E and provide adequate connection to  
8 the city's system.

9 Finally this is the criterion three  
10 summary. And the pink again, basically this is  
11 rollup of the last three subject matters that I  
12 was addressing. The pink reflects largely  
13 transportation issues and interaction with the  
14 community.

15 The next criterion is  
16 sustainability, sustainable development. I  
17 said at the outset that the three most  
18 important subject matter areas are design,  
19 community and sustainability. If relations  
20 with the neighbors and the articulation of the  
21 proposal with regard to the surrounding  
22 community is one of the weaker parts of the  
23 application, the sustainability part of the  
24 application is the strongest.

1           The Group 1, LEED certification and  
2 energy that MG&E and Rush Street have committed  
3 to achieve LEED Gold certification through the  
4 process sponsored by the US Green Building  
5 Council. And it's important to note here,  
6 they're committing to actual certification, not  
7 just certifiable. Others can be more  
8 articulate as to what the difference is. But  
9 LEED certification, actual gold certification  
10 is a much more stringent standard than just  
11 being certifiable.

12           LEED stands for leadership in  
13 environment and energy design. It represents a  
14 national standard of great significance. In  
15 other words, for these purposes it's a big  
16 deal.

17           There are seven factors that go into  
18 the LEED matrix. They are listed on the left.  
19 In order to get LEED gold you have to score 60  
20 points. And they have committed with their  
21 LEED checklist to achieve 62 points.

22           The LEED key issues are energy,  
23 water and air. The preliminary LEED scores  
24 here, I won't dwell on this, but you've got the

1 seven categories that there has been a  
2 commitment to. With respect to typically I'm  
3 advised that these LEED numbers change as  
4 design proceeds. Some gain and some -- You  
5 gain some and you lose some.

6 In the view of our consultants that  
7 Rush Street has assembled a team of well  
8 qualified design professionals in the LEED  
9 subject matter. They did achieve LEED gold  
10 certification at the Des Plaines facility  
11 outside of Chicago. Having done it once, there  
12 is no reason to think that they cannot do it in  
13 Brockton.

14 The big difference, as I understand  
15 it, between LEED certifiable and LEED actual  
16 certification is that LEED certification  
17 involves the verification of compliance with  
18 the LEED standard as the design -- as  
19 construction proceeds and the design becomes  
20 real.

21 The term of art for this  
22 verification process and it's through third  
23 parties, in other words that it's independent,  
24 is called commissioning. And commissioning is

1 good practice because it proves that what you  
2 say is true. And this slide here simply  
3 summarizes the commitments that are going to be  
4 verified through the commissioning process.

5 The next portions -- I shouldn't  
6 have gone to this slide, but you can look at it  
7 because it's got the ratings. But the storm  
8 water and water issues are addressed here. I  
9 just summarily address these topics. Each are  
10 adequately addressed in the application.

11 The details are in the report, but I  
12 do want to stress one point and that is that,  
13 and I noted this in passing before, we believe  
14 that Rush Street should commit to some  
15 combination of water conservation, storm water,  
16 greywater reuse and/or purchasing water from  
17 the Aquaria desalinization plan to avoid stress  
18 in the Silver Lake reservoir system.

19 CHAIRMAN CROSBY: Excuse me,  
20 Commissioner. Could you expand more on the  
21 water issue? I noted that there was a fair  
22 amount of public concern expressed about it,  
23 but I thought also the town officials came back  
24 with a fairly persuasive description of two

1 sources, an alternative source as well as a  
2 primary source, and made it look like water in  
3 their response was not an issue. Can you  
4 expand on that?

5 COMMISSIONER MACDONALD: I could  
6 pretend that I know the answer to that question  
7 in detail, but I think what I'll do is look to  
8 the right. Do you want to address that?

9 MR. MOORE: Overall, there is plenty  
10 of water available to the city through Silver  
11 Lake which is the reservoir system and the  
12 desalinization. If you add those together  
13 there's plenty of water.

14 But the cost of the water from each  
15 of those sources is different. It's more  
16 expensive from the desalinization. So, your  
17 preference obviously is to use Silver Lake and  
18 avoid the more expensive water. Silver Lake  
19 has a record of being drawn down in drought  
20 conditions. So, there's a reluctance to go to  
21 the desalinization because of a cost issue.

22 What we are suggesting here is that  
23 the casino should not add an extra stress on  
24 Silver Lake. There's a variety ways to do

1 that. There's options. One is to buy and  
2 contribute to that more expensive water and  
3 take the stress off Silver Lake. Or to upgrade  
4 their water conservation and be more aggressive  
5 with their water conservation to gain the same  
6 end.

7           And as the Commissioner said, the  
8 MEPA process is still in its early stage.  
9 That's been recognized in the MEPA process and  
10 will be hashed out, if you will, in the MEPA  
11 process. So, I think our recommendation is to  
12 see how it plays out in the MEPA process. And  
13 then at the end you can relook at it and see if  
14 you're comfortable with the way.

15           But the idea here is the casino  
16 should not put an added stress on Silver Lake.

17           CHAIRMAN CROSBY: Okay, great. That  
18 really helps a lot. It's not that there isn't  
19 enough water. It's which of the sources and  
20 who has to pay the extra.

21           COMMISSIONER ZUNIGA: And it's only  
22 in those drought conditions; Rick, is that  
23 correct? Because otherwise it could be --

24           MR. MOORE: It could only be several



1 days or several weeks in the summer.

2 CHAIRMAN CROSBY: Otherwise Silver  
3 Lake is generally sufficient.

4 COMMISSIONER ZUNIGA: That was part  
5 of the other statements that we received.

6 CHAIRMAN CROSBY: That's very  
7 helpful, thank you.

8 COMMISSIONER MACDONALD: The  
9 conclusions here is the application is solidly  
10 sufficient. Particularly significant is the  
11 LEED gold certification. And as we've noted  
12 needing attention is the water issue. The  
13 fifth criterion --

14 COMMISSIONER STEBBINS:  
15 Commissioner, on that page right below LEED  
16 certification, you talk about the stretch  
17 energy code. And your comment was it's doing  
18 22 to 30 percent better than code, but it's  
19 still rated as sufficient?

20 COMMISSIONER ZUNIGA: The stretch  
21 code is 20 above code. That's the standard.  
22 That is the stretch code.

23 COMMISSIONER STEBBINS: Got it.

24 COMMISSIONER ZUNIGA: So, they're

1 meeting the stretch code which is by statute.

2           COMMISSIONER MACDONALD: The fifth  
3 criterion, security monitoring, surveillance  
4 and emergency procedures. I can proceed  
5 through this quite quickly. These are our  
6 conclusions. In addressing this criterion,  
7 Rush Street basically followed the approach  
8 taken by the applicants in Regions A and B I am  
9 advised in making summary commitments,  
10 referencing established practices in  
11 applicant's other casinos.

12           This approach is dictated in part by  
13 the early stage of the design and programming.  
14 The application in our view satisfactorily  
15 addresses the surveillance plan, crisis  
16 management, communications and the security  
17 department standard operating plan.

18           A designated area for the Commission  
19 operations is provided. The application in our  
20 judgment satisfactorily addresses the  
21 importance of preventing access by minors and  
22 training security staff to do so. This is  
23 particularly important and sensitive because of  
24 the proximity of the high school and the

1 location of the casino facility on the walking  
2 routes of the students from the high school to  
3 their homes to the northeast and east of the  
4 casino.

5 Criteria six and seven are  
6 permitting and miscellaneous. As you'll see  
7 here, solidly satisfactorily. Very goods on  
8 host community and zoning. The most important  
9 thing to say about the Brockton casino  
10 permitting is that this is not Wynn Everett and  
11 Wynn Boston Harbor.

12 It's exactly the opposite. The  
13 permitting process here is very  
14 straightforward. Once the MEPA process is  
15 complete, the only significant state permit is  
16 from MassDOT for roadway improvements. Local  
17 process includes the site plan review by the  
18 planning board and the storm water permit by  
19 the DPW. This is very important and reflects  
20 the very good there. The project is permitted  
21 by right now under the Brockton zoning bylaws.

22 To use an engineering construction  
23 management phrase, "the critical path" in the  
24 schedule is through completion of the MEPA

1 process, the MassDOT permit and the time needed  
2 to complete off-site roadway construction. The  
3 current schedule calls for an opening in June  
4 2018 with a possibility of an earlier opening  
5 if the critical path of the permitting process  
6 can be accelerated.

7 The conclusions here is what I just  
8 said. The site is zoned by right. We've got  
9 the MEPA process, state permits, MassDOT, local  
10 permits, planning board and DPW. With regard  
11 to the schedule --

12 CHAIRMAN CROSBY: Excuse me, just  
13 while you are on the permitting. What is very  
14 good about the host community zoning? What is  
15 distinctive about that?

16 COMMISSIONER MACDONALD: Distinctive  
17 that they've got as of right of under the  
18 zoning code to build the facility.

19 CHAIRMAN CROSBY: Okay.

20 COMMISSIONER MACDONALD: The  
21 schedule provides for the completion of concept  
22 schematics, development and construction  
23 documents by March 2017 with a similar  
24 timeframe for completion of MEPA and MassDOT

1 process. Shovels in the ground for foundation  
2 work is projected to occur as of July 1, 2017.  
3 Projected project completion and opening of the  
4 facility is June 1, 2019. It's possible that  
5 there can an earlier opening before the end of  
6 2018 if in fact the process -- the critical  
7 path can be accelerated as I just noted.

8 It's a realistic schedule. And it's  
9 been updated from the application and that's  
10 reflected in this slide.

11 Coming to an end, the overall rating  
12 is sufficient. It's a high-quality well-  
13 organized casino, hotel. It is a solid  
14 sufficient and should not be taken negatively.  
15 Rush Street has presented a good project in our  
16 view. It is a functional design. The  
17 neighbors are buffered by landscaping and the  
18 sustainability commitment is excellent.

19 The insufficient ratings generally  
20 reflect the preliminary nature of the  
21 representations made and the incomplete  
22 commitments to its institutional neighbors. If  
23 Rush Street is permitted to proceed to the next  
24 phase, these issues would be likely readily

1 addressed is the entertainment district study  
2 is implemented.

3 It'd be addressed in the MEPA  
4 process and also as the facility's design  
5 process progresses with oversight by the  
6 Commission.

7 As to conditions, just flowing from  
8 what I had reported on earlier, mitigate the  
9 impact on Silver Lake through the MEPA process,  
10 accelerate the completion of the entertainment  
11 district study so as to make real a  
12 neighborhood asset, institutional asset here.  
13 When I say here, the Shaw's Center neighborhood  
14 and evaluate additional traffic mitigation  
15 through the MEPA process.

16 Evaluate additional traffic  
17 mitigation through the MEPA process is what  
18 Commissioner Cameron is going to be addressing  
19 tomorrow morning. With that I conclude my  
20 presentation.

21 CHAIRMAN CROSBY: Thank you,  
22 Commissioner. Do we have any other questions  
23 or comments?

24 COMMISSIONER CAMERON: I just have

1 one clarification, Commissioner. Very good,  
2 job by the way. Thank you.

3 So, most of the areas there was a  
4 note of an insufficient were basically one of  
5 two things. First, either being there's just  
6 not enough information and most of that will  
7 get clarified through MEPA.

8 Or secondly, the other issue you  
9 noted was the lack of clarification,  
10 communication with neighbors, residential  
11 areas, high school area those kinds of concerns  
12 that were brought up in the host and  
13 surrounding community meetings which have not  
14 been addressed. Are those the two areas in  
15 which you would say --

16 COMMISSIONER MACDONALD: Especially  
17 surrounding communities -- the surrounding area  
18 and the traffic impacts that could be addressed  
19 through the MEPA process. The particular  
20 elements that I think of that contributed to  
21 the insufficient rating with regard to the  
22 surrounding communities is that there wasn't as  
23 much kind of meat and substance to a statement  
24 of intent to create for example the

1 entertainment district.

2           The carve out of the exhibition hall  
3 did not sit well with our architects because  
4 they admire the building so much. I am no  
5 architect, but I can't help but to share that.

6           COMMISSIONER CAMERON: I had a  
7 question about that too that I meant to ask  
8 earlier. It sits up high, correct?

9           COMMISSIONER MACDONALD: Right.

10          COMMISSIONER CAMERON: And I know  
11 that is right at the back of the spa area, the  
12 pool area.

13          COMMISSIONER MACDONALD: Right. I  
14 think the answer to your question is that  
15 people standing outside of the exhibition hall  
16 are going to look right down into the pool and  
17 outside the spa area. So, there might be a  
18 privacy issue.

19          COMMISSIONER CAMERON: I was  
20 wondering in looking at the plans, and you  
21 can't tell by this view, how high those bushes  
22 were going to be around the pool area.

23          COMMISSIONER MACDONALD: I don't  
24 know.



1                   COMMISSIONER CAMERON: Thank you  
2 very much.

3                   COMMISSIONER MACDONALD: That  
4 presumably can be addressed if they do go  
5 forward. Commissioner Zuniga?

6                   COMMISSIONER ZUNIGA: Thanks. You  
7 mentioned the notion that there would likely be  
8 a cut through the parking lot by students going  
9 to different neighborhoods. Did I get that  
10 correct that may be addressed through  
11 operations or things of the like?

12                   COMMISSIONER MACDONALD: I think it  
13 creates a particular priority on pedestrian  
14 flow, attention to pedestrian flow issues.

15                   I can take either some credit or  
16 discredit for identifying this is an issue. I  
17 spent the day when we had a tour here when I  
18 took with my iPhone those pictures I walked  
19 around a lot. It happen to coincide with when  
20 the high school was getting out. And when I  
21 got onto to the west side of the site, and out  
22 to Forest Avenue and West Street and stuff, I  
23 just saw a lot of kids walking in that  
24 direction to the residential neighborhoods to

1 the east and northeast of the site.

2           So, I don't know, maybe the team  
3 does disagree with me in identifying that as an  
4 issue. But it just seems to flow naturally  
5 that this is something that has got to be taken  
6 into account. And as I did address certainly  
7 this is directly pertinent to making sure that  
8 there are no underage -- that there are  
9 procedures in place that ensure that there are  
10 no underage people getting into the facility.  
11 I think it's sensitive.

12           There's a safety issue to it.  
13 There's unlawful access to the facility issue.  
14 The safety issue is the one that I think that  
15 we're most concerned about.

16           COMMISSIONER STEBBINS:  
17 Commissioner, you highlighted one of the slides  
18 excellent, kind of veins coming off the BAT  
19 center -- When I say BAT, it's the Brockton  
20 Area Transit center. And I got the impression  
21 that's for ease of access to the site by  
22 potential patrons.

23           COMMISSIONER MACDONALD: Right.

24           COMMISSIONER STEBBINS: Was there

1 information in the application in terms  
2 encouraging employees to use public  
3 transportation as opposed to driving in? They  
4 have adequate -- The benefit of this site is  
5 you've got more than enough space for parking,  
6 set aside a certain number of employee parking  
7 positions. But was there anything to suggest  
8 encouraging employees to use the public  
9 transit?

10 COMMISSIONER MACDONALD: I frankly  
11 don't remember. It would flow naturally. A  
12 major asset of this site is accessibility from  
13 public transportation, the commuter rail and  
14 the coverage of the present routes of BAT. I  
15 don't remember. Do you remember, Rick?

16 MR. MOORE: As part of the  
17 transportation plan, we'll talk a little bit  
18 more about this is tomorrow, there is a  
19 transportation management demand component as  
20 you've seen a lot in the other applications  
21 where there are some things that encourage  
22 using alternative means of transportation,  
23 including encouraging employees to use the  
24 transit system. So, that is included in the

1 package.

2 COMMISSIONER STEBBINS: Okay. Thank  
3 you.

4 CHAIRMAN CROSBY: Anything else?  
5 Commissioner McHugh would be proud.

6 COMMISSIONER MACDONALD: Next time  
7 I'll practice on this a little bit more, but I  
8 guess we have no more of these coming. Thank  
9 you very much.

10 CHAIRMAN CROSBY: Great job. All  
11 right. I think except for maybe for inviting  
12 the applicant to, if they want to communicate  
13 issues that you think are errors of material  
14 fact to the staff, I believe that we are done  
15 for the rest of the day. Am I correct?

16 So, we will simply adjourn this  
17 meeting, meeting 188 temporarily. We will  
18 reconvene meeting 188 tomorrow at 10:00 in the  
19 same space. Commissioner Cameron and I will do  
20 our evaluation sections and then discuss some  
21 unique circumstances to Region C.

22 COMMISSIONER CAMERON: I'm just  
23 going to move to temporarily adjourn.

24 COMMISSIONER MACDONALD: Second.

1 CHAIRMAN CROSBY: All in favor, aye.

2 COMMISSIONER MACDONALD: Aye.

3 COMMISSIONER CAMERON: Aye.

4 COMMISSIONER ZUNIGA: Aye.

5 COMMISSIONER STEBBINS: Aye.

6 CHAIRMAN CROSBY: Opposed? The ayes  
7 have it, not surprisingly unanimously.

8

9 (Meeting suspended at 4:07 p.m.)

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1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission April  
3 26-29, 2016 Notice of Hearing and Agenda  
4  
5  
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7  
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9

10 GUEST SPEAKERS:

11 John Donnelly, Esq. on behalf Mass Gaming and  
12 Entertainment  
13

14 Rick Moore, City Point Partners

15 Rob Scarpelli, HLT Advisory  
16  
17

18 MASSACHUSETTS GAMING COMMISSION STAFF:

19 Catherine Blue, General Counsel

20 Todd Grossman, Deputy General Counsel

21 Karen Wells, Director IEB  
22  
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C E R T I F I C A T E

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 May, 2018



LAURIE J. JORDAN  
Notary Public

My Commission expires:  
May 11, 2018