



September 10, 2014

Sent by E-mail

Bruce Stebbins, Commissioner
Massachusetts Gaming Commission
84 State Street, Suite 720
Boston, MA 02109

Re: Material Errors in the Economic Development Presentation

Dear Commissioner Stebbins:

Mohegan Sun Massachusetts, LLC (“MSM”) writes to inform the Commission about a series of material errors that we observed in the Economic Development Presentation. Most notably, a theme that ran throughout the Economic Development Presentation as well as the presentations of other Commissioners is that MSM is proposing a regional casino as opposed to a destination resort casino. This is not accurate.

I. It is a Material Error for Evaluators to Repeatedly Assert that MSM Proposes a Narrow Regional Marketing Model, When MSM Has Provided Significant Evidence that it Intends to Market to an International and Domestic Audience Outside of Massachusetts

MSM has always believed that attracting a large segment of the international and domestic visitors is an important component of a balanced approach to maximizing revenue from every market segment as a destination resort casino. MSM has been chagrined to read in the Economic Development evaluation report, and other evaluation materials that it proposes a limited local model, or narrowly focused regional approach with low ambition. Perhaps these notions come from media reports or the talking points of our competitor, but they cannot plausibly come from a complete read of our RFA-2 Application. This erroneous and unambiguous conclusion is in sharp contrast to our RFA-2 Application, Clarification Responses, and presentations at our Host Community Hearings that we will be aggressive in marketing MSM to international and domestic gamers. This is a key part of our strategy as a destination resort casino.

As we provided in RFA-2 responses, the Tourism Responses to the Host Community Hearing Questions, and elsewhere, MSM's experience suggests that the international market has two distinct segments - international tourists and international gamblers - each of which requires a unique approach. The international tourists that come to Greater Boston to visit universities, healthcare facilities, or invest in New England's vibrant and diversified economy may know us through our extensive and existing marketing to this audience. They may have visited our Connecticut facility, seen our advertisements at Celtics game or at Logan Airport. Maybe they even traveled to hear Jay Z or Bruce Springsteen at Mohegan Sun Arena. The international gamblers – a lucrative, but small segment of the market – will require a more targeted approach. MSM has provided plans for both. These included:

- MSM's Agreements with the Greater Boston Convention and Visitors' Bureau ("GBCVB") and the North of Boston Convention and Visitors' Bureau ("NBCVB"), which require MSM to collaborate with these groups to market MSM and the region aggressively. Specifically, MSM is required to:
 - Participate in GBCVB and NBCVB sales calls to existing and prospective regional, national, and international partners;
 - Join national and international sales missions;
 - Conduct cross-promotions at several high profile national and international tradeshows to attract the more profitable conventions to the area and diversify Boston's tourism market by heavily promoting the new gaming component to round a trip to the region;
- Plans to execute a formal partnership with "Attract Asia" to market MSM to China and other Asian markets;
- Building off of Mohegan Sun's extensive experience attracting Canadian and Latin American gamers to draw visitors and jump start international gaming at MSM;
- Opening Offices for MSM player representatives in eight different international locations that we have analyzed and believe are the prime international markets from which a casino in the Boston area is best positioned to attract visitors: Canada, Mexico, Thailand, China, Malaysia, Brazil, Venezuela, and Turkey;
- Capitalizing on Mohegan Sun's database of five million accounts – the most extensive list of gamers in the Northeast. This database includes patrons from New York, Rhode Island, Connecticut and all states up and down the East Coast, despite suggestions to the contrary. Likewise, this database contains 125,000 international gamers. We will be marketing to these customers – and more – before we even open our doors.
- Promoting our superior location a short shuttle or T ride away from Logan Airport and marketing in connection with new international airline routes, such as the recent additions of non-stop service to Tokyo and Beijing.

MSM is disappointed that these elements of our Application were seemingly ignored by the Commission. Our review of the evaluative reports and remarks made at the meetings evidence that the oft-repeated assertion that MSM has eschewed international and broader national marketing for a local focus is based entirely on a Market Study prepared by PKF Consulting USA dated December 18, 2013, only three weeks after MSM had trained its attention on the Revere site.

The Commission evaluators must understand that this was an initial study conducted by a third party. It is not a proxy for, nor is it MSM's actual market plan. It constitutes a material error to place excessive emphasis on a third party study, when MSM's RFA-2 Application answers explicitly explain its more specific marketing plans to broader national and international markets. In short, the PKF study is already out of date and it is misleading for the Commission to derive such sweeping conclusions from a third party consultant's work product. Indeed, several Commissioners acknowledged during the deliberations that overarching market data may provide a more accurate depiction of the potential gaming marketplace than a study that MSM has made virtually obsolete through its more specific marketing plans submitted to the Commission.

The suggestion that MSM will confine itself to marketing within a narrow regional marketing radius is all the more implausible given that our majority owner would accept nothing less than the most rigorous and aggressive marketing plan to attract every last penny of gaming revenue, whether from Hartford or Hanoi. Make no mistake: Brigade Capital Management LP intends to attain the absolute maximum return on its investment, and will insist that MSM implements a strategy that assures this.

The evaluators have extensively credited the "track record" of our competitor in attracting international visitors to Las Vegas, which is appropriate and, in many cases, well deserved. However, these evaluators have paid inadequate attention to the fact that Mohegan Sun operates *the highest grossing casino in the Western Hemisphere* and has for some time. In the face of the increased competition in the Northeast gaming market, MSM does not bring in more gaming revenue than any other casino in the Americas by accident. We know that we must attract international gamers, as well as national gamers, regional gamers and local gamers.

That is why we have been so successful at Mohegan Sun Connecticut, and that is why we have started developing a shrewd, balanced and far-reaching plan to bring both international and domestic tourists and gamers to Revere to a brand-new facility with the same quality and attention to detail as Mohegan Sun Connecticut, but with a hard-earned database of patrons who have sought out Mohegan Sun as a destination resort.

MSM's outwardly-facing model and integration with attractions in Revere and the region, inspired by the goals set by the Commission in the RFA process and the express directives of Chapter 23K, *must not* be confused with or assumed to mean we are only looking to the surrounding cities and regions for patrons. We are outward-looking for attractions like Revere Beach so that patrons from all over will prolong their stays and foster collateral economic development.

II. It is a Material Error Not to Evaluate the Merits of MSM’s Proposal for a Balanced Approach that Acknowledges the Importance of International “High Rollers” But Does Not Over-Rely on this Riskier Market Segment

- A. Boston’s appeal to international visitors is world class, but it is a very different tourism market than Las Vegas

MSM would be remiss not to caution the Commission about the perils of oversimplifying the East Coast gaming market. We know the unique aspects of this market better than any operator in the world. It is not Las Vegas. It is not a town focused on a constant party atmosphere. It does not have the same climate. It is a wonderful place steeped in culture and history that has its own unique appeal to visitors. It has a very different tourism appeal and convention market, and it will take a more sophisticated approach to year over year, and in all seasons, attract visitors from the international market. The international visitors we will seek to attract will gain a full appreciation for all the sophisticated attractions the Boston area has to offer.

- B. The Commission needs to explain how it has independently verified the viability of a “high roller” casino model for the specific location in Everett, Massachusetts

There is no doubt that other gaming operators have over-relied on international and domestic high rollers as an East Coast gaming model, and have failed with devastating results. It has not yet been a month since the \$2.4 billion Revel casino and hotel permanently closed its doors in Atlantic City. It constitutes a material error, if not a threat to the financial future of legalized gaming in the Commonwealth, not to evaluate the viability of a focused “high roller” strategy in Everett, Massachusetts, at a site with what the Commission has acknowledged are fundamental complications due to vehicle traffic and is at considerable physical and travel distance from Logan Airport and Boston’s shopping, dining and tourism attractions (“high rollers” do not take the “T” and wait for shuttle buses). This is especially true in the winter months.

As the Revel precedent demonstrates, the realities of this market need to be taken into account to assure a realistic and balanced strategy that attracts all segments to make the Region A destination resort casino a vibrant and lively place that will attract the international and domestic segment, and secure itself against downturns in the market or failure to meet projections.

More specifically, it is a material error for the Commission’s evaluators to repeat financial projections without explaining how these projections have been independently verified. A cursory analysis of our competitor’s projections makes clear that there is risk that he has vastly overstated the difference between the applicants with respect to this issue. Section 4-14-03, a marketing study prepared by TMG Consultants for Wynn, suggests that 1,427 visits will be made annually by high-yield international players, which it deems “an assumption contingent upon Wynn Resorts’ ability to successfully capture prolific gamers from across the world at the new facility.” Thus, the estimate is “contingent” on the precise area in which Commissioner Stebbins, in his presentation regarding economic development, faulted Wynn for failing to “connect the dots.” Wynn has not explained how it would use its international marketing to

convince international players from Asia to come to Massachusetts rather than to its other properties, distinguished as they are by more inspired designs, much lower tax rates on table games, and shorter flights. The details regarding these marketing efforts have not clarified whether junket operators will be utilized, and if so whether these parties will be able to comply with the Commonwealth's strict licensing standards. The recent focus by the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCen) forcing operations to better vet the source of funds by such high rollers has had an immediate impact on such revenue. We note also that FinCen has proposed additional regulation in this regard.

Moreover, the assumption of 1,427 visits by high-yield international players that Wynn makes is projected to produce \$71,755,170 per year in gaming revenue. Thus, Wynn projects that international high rollers will lose \$50,000 per visit. The Commission evaluators have materially erred if they have failed to market test this aggressive assumption with independent analysis. Our market review finds that no East Coast casino has ever sustained an international high yield average of \$50,000 in play per visit, even when there was no competition whatsoever in the Atlantic City market.

III. Because the Commission Evaluators Concluded that Both Applicants Lacked Specificity in Their Applications Regarding International and Domestic Marketing Plans, MSM Will Propose That Commission Approval of an MSM Marketing Plan be a Condition of Its License

We hope that the foregoing explains our view of the international and domestic market more completely than was presented during the Economic Development Presentation. In short, we believe that marketing to guests outside Massachusetts is critically important, yet demanding of a sophisticated plan. We understand, as stated by Commissioner Stebbins in response to a question from Commissioner Cameron at yesterday's hearing, that the Economic Development evaluators were concerned that the Wynn applicant lacked specificity in its international marketing efforts of the Everett casino. We also understand the Commission evaluators to erroneously believe that MSM plans to ignore the international market.

In light of this, we request that, if the Commission has concern with this aspect, that the Commission impose a condition on MSM's license related to domestic and international marketing, should MSM be awarded the license. The Commission appears to favor addressing vulnerabilities in the applications by proposing licensing conditions as the Commission has done for our competitor related to architectural design and traffic. We, therefore, propose the following condition:

- (1) Within 30 days of licensure, MSM and an independent consultant chosen by the Commission will review MSM's plan for marketing to visitors outside of Massachusetts;
- (2) This consultant will suggest changes and additions to the plan and present these additions and changes to the Commission; and
- (3) The Commission must approve the plan as a condition of licensure, and will annually monitor performance and compliance.

IV. The Commission's Assumptions Regarding Visitor Spending at Local Business are Materially Erroneous

The Commission's evaluation that concluded our competitor's emphasis on attracting tourists to market (an emphasis we share and the differences of which have been vastly overstated) predicated higher spending at local businesses. That projection is materially erroneous.

First, MSM and Wynn are proposing approximately the same number of hotel rooms, meaning on any given night, both resorts will have the same number of overnight visitors and tourists. The MSM is immediately accessible to public transportation so that visitors can seamlessly travel to Downtown Boston, to East Boston, to Revere Beach and elsewhere to dine on the water at a local restaurant or see a show through our partnership with the CitiCenter. As stated, there are considerably more difficult challenge at our competitor's site in drawing visitors out of the casino and into the surrounding local businesses.

Secondly, the evaluation largely glossed over the fact that MSM – in an innovative program that is precisely what the Legislature had in mind in enacting Chapter 23K – will allow visits to spend the cash equivalent of their rewards points at hundreds of local businesses. This will put a potential \$50 million in the local market, and stimulate multiplier spending when the enhanced revenue at local shops allows for new hiring and expansion. This is a concrete plan, supported by the right infrastructure and a superior location to meaningfully support local businesses.

V. MSM Will Market to New York, Rhode Island and Connecticut and the Evaluators' Conclusion Otherwise is a Material Error

First, MSM takes issue with the Economic Development evaluators' "omission/concern" that MSM had "no mention of NY, CT or RI in marketing strategy." MSM's Marketing Plan with Brigade Capital Management LP requires Mohegan to "seed" the MSM by providing MSM with Mohegan's entire customer database. Mohegan's database consists of over 5 million accounts, the majority of which are from outside of the Commonwealth and inclusive of the states specified as omitted in your report, including hundreds of thousands of accounts originating from New York alone.

In addition, MSM notes that the Economic Development Report at Page 53 states that "Mohegan's database contains over 5 million accounts. Plan to leverage direct mail and email marketing to send mailers 60 times annually to guests that highlight regional attractions and draw visitors." As is noted in your report, MSM plans to market to members of the database via email and direct mail more than 60 times annually. The database includes hundreds of thousands of citizens from the states that your report stated as omitted (i.e. New York, Rhode Island and Connecticut and many additional states throughout the United States (as well as internationally).

Second, MSM points out that the projections provided by PKF in its Market Study reflected a conservative approach to determining the visitor market for our project. As described above, the PKF Market Study was a third-party study, not a reflection of MSM's actual

marketing plan. MSM's responses to RFA-2 Questions and Requests for Clarifications provided additional information to supplement and supersede the PKF market projections.

VI. MSM has Provided Significant Detail about its Plans for Use of Organized labor in its Operations

In the Job Creation Rating, the evaluators noted that MSM "demonstrated strong working relationship with organized labor re: construction, but no detail or plans for operation." Wynn "demonstrated strong working relationship with organized labor re: construction, and plans for operation." These statements are false. As made clear in Attachment 3-11-04 to its RFA 2 Application, MSM provided labor harmony agreements with the International Brothers of Electrical Workers, United Auto Workers, Teamsters and LIUNA that will cover nearly 100% of permanent nonsupervisory employees at its site. Conversely, our competitor has only had conversations with unions related to operations and has not entered into any agreements, not with the RFA 2 Application or since.

VII. The Consultants Should Explain the Verification Efforts, if any, they have taken Related to our Competitor's Aggressive Assertions.

Repeatedly, the Commission has given our competitor credit for its aggressive projections and penalized MSM for its more conservative projections. MSM urges the Commission to explain the efforts it has taken to verify that our competitor's projections are achievable. For example, our competitor has estimated that 70.2% of its goods and services will be purchased locally in the first year of operations. This number is extraordinary for the first year of operations in a new gaming jurisdiction. Similarly, our competitor has allocated \$41 million or more than six times the amount that MSM has for pre-opening labor/training, which amounts to one quarter of its labor budget for year one. We question whether these estimates are consistent with industry norms and urge the Commission to explain what it has done to verify these figures, particularly the more than \$90 million local purchasing projection that you acknowledged was not independently tested for accuracy by evaluators.

VIII. MSM is not Relying on its General Contractor to Meet its Construction Diversity Goals.

The evaluators indicated that they had concerns with the MSM proposal because of its "reliance on general contractor to meet construction diversity goals, however no contractor currently identified." This is a material error as MSM will not be relying on its general contractor to meet its construction diversity goals. MSM has contractually committed to its construction diversity goals in its host and certain surrounding community agreements. Not only will the municipalities be able to hold MSM responsible for these goals, but, these goals will likely become a licensing condition because the Commission includes provisions in the host and surrounding community agreements as licensing conditions. Because of their importance, MSM has indicated to the Commission that it will be working directly with its construction union partners to ensure these goals are met. Likewise, MSM has noted that its Diversity Committee for the facility will be undertaking regular reviews to ensure these goals are met. We are very

surprised that the evaluators would mischaracterize such a key fact that is contained in our Host Community Agreement and every one of our 12 Surrounding Community Agreements.

IX. The Presentation Failed to Recognize that MSM's Commitments to ILEVs are Provide Specific Economic Benefits and Drive Concert Goers to Boston, while our Competitors Commitments Relate to a Single Sponsorship of a 2013 Toy Drive and a commitment to be a commercial sponsor to two Christmas Concerts.

While MSM appreciates that the analysis of Criterion 3 recognizes the deep, forward-looking partnerships we have forged with Citi Center, the Massachusetts Performing Arts Coalition, and others, we believe the analysis draws a false equivalence with regard to our competitor's substantially less comprehensive partnerships. The Presentation, on Page 17, describes our competitor's agreements with TD Garden and Boston Symphony Orchestra as evidence of "demonstrated intention to cross-market with local partners."

But, these partnerships could scarcely be more shallow. On December 4, 2013 Wynn signed a letter of intent with the Boston Symphony Orchestra noting Wynn's intent to sponsor the 2013 Boston Pops Christmas show and host a related reception, as well as agree to sponsor the Pops again in December 2014 and December 2015. The even sparser TD Garden agreement, evidenced by an April 17, 2014 letter, involved Wynn sponsoring the 2013 Boston Bruins Holiday Toy Drive. Sponsorship a single annual event does not, in our view, amount to sincere evidence of partnership, let alone hints of "strategic alliances."

These agreements stand in stark contrast to the real, lasting partnerships MSM has entered. Under MSM's agreement with Citi Center, for example, Citi Center will operate all ticketed, live entertainment at MSM, and will host off-site live entertainment at its four historic theaters. The agreement will leverage Citi Center's operational expertise and highlight some of the Boston region's great cultural assets. Our Impacted Live Entertainment Venue agreement with the Massachusetts Performing Arts Coalition likewise envisions true collaboration on marketing and ticketing. MSM has put partnership at the heart of its entertainment and tourism strategy and, rather than vaguely promising to do so in the future, did so in its December 2013 application and has been building on ever since.

We look forward to the correction of these errors and hope we get the opportunity to meet with you.

Sincerely,



Mitchell Etes,
Manager, Mohegan Sun Massachusetts
CEO, Mohegan Tribal Gaming Authority

cc: Catherine Blue, Esq.
John Ziemba, Esq.

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