



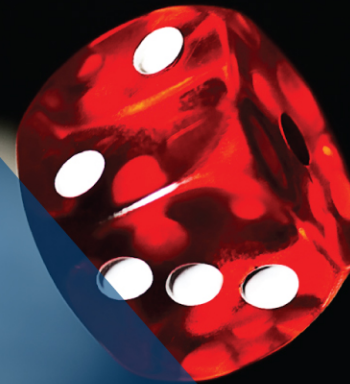
FINANCE

COMMISSIONER ZUNIGA

PRESENTATION

CATEGORY 2 – SLOTS PARLOR

FEBRUARY 25, 2014



APPLICANTS- WHO THEY ARE

PPE Resorts MA, LLC (“Leominster/PPE”) - Massachusetts Live! Casino

- Cordish Group of Companies – extensive real estate (retail/entertainment) experience.
- Currently own and operate one casino in Maryland.
 - Maryland Live! (4,341 slots, 174 tables, ~\$530 million in win) – the largest existing casino in Maryland.
 - Maryland Live! larger than proposed project .
- They have experience in developing/operating in a “high gaming tax” jurisdiction (Maryland gaming tax rate – 66% of slot revenue and 20% of table revenue) and in competitive market.
- Past casino ownership, development and operation experience (Indiana and Florida).



APPLICANTS- WHO THEY ARE

Springfield Gaming and Redevelopment, LLC (“Plainville/Penn National”) - Plainridge Park Casino

- Penn National Gaming – one of the largest gaming companies in North America – 28 gaming facilities in 19 jurisdictions and ~\$2.5 billion in revenue.
- Recently split into two publically traded companies (real estate and gaming operation).
- Closest casino operations are located in Maine, Pennsylvania, Maryland and West Virginia.
- Have experience developing/operating in “high gaming tax jurisdiction (Pennsylvania gaming tax rate – 55% of slot revenue and 16% of table revenue, Maryland gaming tax rate – 66% of slot revenue and 20% of table revenue, West Virginia gaming tax rate – 53% of slot revenue and 35% of table revenue) and in competitive markets.
- Have considerable experience in operating casinos containing around 1,250 slots (750-1,500 slots – 10 facilities) and in operating horse racetracks.



APPLICANTS- WHO THEY ARE

Raynham Park, LLC (“Raynham/PR”) - Parx Raynham

- Joint venture/partnership between Raynham Member Inc. (Greenwood Racing) and Carney Family Group, LLC.
- Greenwood Racing owns and operates Parx Casino in Philadelphia (3,361 slots, 166 tables, ~\$450 million in win) – largest casino in Philadelphia (includes racetrack operation).
 - Parx Casino is larger than proposed project .
- They have experience in developing/operating in a “high gaming tax” jurisdiction (Pennsylvania gaming tax rate – 55% of slot revenue and 16% of table revenue) and in competitive markets.
- Parx Casino is their only casino development and operation experience (they have horseracing experience – live and simulcasting).



APPLICANTS- WHAT THEY ARE PROPOSING

Category 2 Applications- Project Summaries			
Applicant	Leominster/PPE	Plainville/Penn National*	Raynham/PR**
Name	Massachusetts Live! Casino	Plainridge Park Casino	Parx Raynham
Location	Leominster, Massachusetts	Plainville, Massachusetts	Raynham, Massachusetts
Construction Period	March 2014-December 2014	February 2014-April 2015	March 2014-July 2015
Opening Date	December 2014	April 2015	July 2015
Gaming			
Slots	1,250 slots	1,250 slots	1,250 slots
Area (sf)	51,048 sf	42,051 sf	37,893 sf
Non-Gaming			
F&B	2 Restaurants (200 and 220 seats). Food court (336 seats)	2 Restaurants (180 seats and 150 seats). Food court (75 seats)	Restaurant (5,402 sf), Food Court (4,914 sf)
Hotel			
Entertainment	430 seats	Entertainment lounge (less than 100 seats)	15,871 sf multipurpose space
Parking	1,601 spaces	1,620 spaces	2,425 spaces
Exhibition Space		Existing 8,000 sf viewing concourse has been used as outdoor meeting space	15,871 sf
Meeting Space		5,163 sf multi-purpose room	Same space as exhibition
Retail	"Grab N Go" will include limited retail area for branded merchandise	Small retail outlet	No retail

Source: HLT Advisory Inc. based on Applicant submissions.

*Penn includes a temporary casino opening in August 2014 with 500 slot machines. Only details on the permanent casino have been provided above.

**Raynham Park includes a temporary casino opening in July 2014. Only details on the permanent (phase 2) facility have been provided above. The temporary facility would offer 1,250 slot machines and operate 1 year prior to the permanent structure opening. The temporary casino would generate ██████ million in revenue from July 2014-June 2015.



APPLICATION- BACKGROUND FINANCE SECTION

- Application document organized under four broad areas:
 - Financial and Capital Structure.
 - Maximize Revenues to the Commonwealth.
 - Realize Maximum Capital Investment (Land and Infrastructure).
 - Offer Highest and Best Value to Create a Secure and Robust Gaming Market.
- 38 detailed questions in Finance Section:
 - Questions 2-13, 2-14, 2-15, 2-16, 2-17 and 2-33 not rated (see comments in Appendix 1-4).
 - Additional information ascertained from Economic Development and Building and Site Design sections.
- The broad areas and detailed questions relate to the Commission's vision for expanded gaming in the State that is rooted in the State's gaming legislation ("objectives").



FRAMEWORK- FINANCE TEAM APPROACH

The assessment was undertaken under four interrelated areas:

1. Financial Capability

- I. Ability to obtain project capital
- II. Current financial strength of Applicants
- III. Expected project returns

2. Investment Plan

- I. Commitment to spend required capital
- II. Timing of Development
- III. Consistency between quality/scope of facility, expected market penetration and financial results

3. Market Assessment

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

4. Operations Plan

- I. Understanding of internal controls
- II. Consistency of business plan with expected financial returns
- III. Financial projection analysis

1. FINANCIAL CAPABILITY

The focus of this component was on assessing the financial capabilities of the Applicant to develop (construct and open) and operate the proposed Category 2 facility.

Specific assessment areas included:

- I. Applicant's ability to obtain project capital
- II. Current financial strength of Applicant
- III. Applicant's expected project returns over the 5 year term of the license

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

Expectations of Applicant:

- Evidence of access to and availability of capital required to fund project cost as submitted

Assessment Approach:

- Reviewed financing plan as submitted by Applicant
- Reviewed accompanying background materials (commitment letters, promissory notes, credit facilities, SEC filings, public representations, as well as Phase 1 Suitability Reports)

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

- Leominster/PPE
 - Commitment letters from two banks with limited conditions
 - Promissory note from Family Trust which has more than enough liquid and net assets
- Plainville/Penn National
 - \$711 m. credit facility available at time of application, since then updated to \$480 m. as a result of REIT spun-off
- Raynham/PR
 - Bank commitment letter included one condition that was not provided
 - Use of future cash flow to fund remaining equity is contingent on a future event

1.1 ABILITY TO OBTAIN PROJECT CAPITAL

The Applicants' proposed the following funding plans:

Financing Structure (\$ millions)			
	Leominster/PPE	Plainville/Penn National	Raynham/PR
Capital Required	\$215.7	\$225.0	\$227.3
Third Party Debt	\$129.4	\$225.0	\$125.0
Equity	\$86.3	\$0.0	\$102.3
Total	\$215.7	\$225.0	\$227.3
Project Financed by Debt	60%	100%	55%
Project Financed by Equity	40%	0%	45%
Method of Financing	Promissory Note for Equity Portion Bank Letters	Credit Facility	Bank Letter Land Greenwood Equity Cash Flow from Operations

Source: HLT Advisory Inc. based on Applicant submissions.



1.1 ABILITY TO OBTAIN PROJECT CAPITAL

Assessment Results

Leominster | PPE

Outstanding

Plainville | Penn

Outstanding

Raynham | PR

Sufficient

- Leominster/PPE
 - Demonstrated complete availability of financing for project.
- Plainville/Penn National
 - Demonstrated complete availability of financing for project.
- Raynham/PR
 - Did not demonstrate complete (present) availability of financing.

1.2 CURRENT FINANCIAL STRENGTH

Expectations of Applicant:

- To ensure existing operations of Applicant would not negatively impact Massachusetts casino operation. Provide evidence of a strong balance sheet, reasonable levels of existing debt and positive operating results.

Assessment Approach:

- Reviewed financial statements submitted by Applicants for either the Applicant or the Applicant's equity provider and performed financial ratio analyses to assess financial strength.

1.2 CURRENT FINANCIAL STRENGTH

Assessment Results

Leominster | PPE

Outstanding

Plainville | Penn

Outstanding

Raynham | PR

Outstanding

- Leominster/PPE
 - Financial strength of Applicant is based upon provider of equity (Cordish Family Trust II LLC), with enough liquid and net assets.
- Plainville/Penn National
 - Penn's key financial ratios demonstrate financial strength.
- Raynham/PR
 - Greenwood Racing, Inc. key financial ratios demonstrate financial strength.

1.3 EXPECTED RETURNS

Expectations of Applicant:

- Earn a commercially reasonable return on investment and ability of Applicant to pay back development costs over term of license (5 years).

Assessment Approach:

- Return on investment calculation based on Applicant's submitted 5-year EBITDA. This calculated return was assessed under two annual discount rates (4%-15% as contained in Application document).

1.3 EXPECTED RETURNS

Applicant's expected project returns (5 years, length of license):

Return on Investment Calculation			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR
EBITDA			
Year 1			
Year 2			
Year 3			
Year 4			
Year 5			
Total EBITDA			
Average EBITDA			
Development Budget	\$215.7	\$225.0	\$227.3
Average Return (No discount rate)	25%	25%	26%
Internal Rate of Return (4% discount rate)	24%	21%	25%
Internal Rate of Return (15% discount rate)	13%	10%	14%

Source: HLT Advisory Inc. based on Applicant submissions.



1.3 EXPECTED RETURNS

Assessment Results

Leominster | PPE

Outstanding

Plainville | Penn

Outstanding

Raynham | PR

Outstanding

- All Applicants:
 - Plans produce commercially reasonable ROI; Investment is recouped over 5 year term; Positive ROI can still be achieved after 15% discount rate

2. INVESTMENT PLAN

The focus of this component was on assessing the suitability of the proposed physical facility plan to compete in the market over the term of the license..

Specific assessment areas included:

- I. Commitment to spend required capital
- II. Timing of total development
- III. Consistency between quality/scope of proposed facility and expected market penetration and financial results

2.1 REQUIRED CAPITAL

Expectations of Applicant:

- Provide evidence that capital budget includes eligible capital expenses of at least \$125 million.

Assessment Approach:

- Reviewed Applicant's submitted capital budgets and determined eligible and ineligible expenses.

2.1 REQUIRED CAPITAL: ELIGIBLE COSTS

All Applicants:

- Construction Costs (Building, A&E, Insurance, Permits, etc.) plus FF&E (Slots, other) exceed \$125 million
- Total Eligible Costs among applicants are not significantly different

2.1 REQUIRED CAPITAL

Assessment Results

Leominster | PPE

Sufficient

Plainville | Penn

Sufficient

Raynham | PR

Sufficient

- Leominster/PPE
 - Meets the \$125 minimum capital required threshold
- Plainville/Penn National
 - Meets the \$125 minimum capital required threshold
- Raynham/PR
 - Meets the \$125 minimum capital required threshold

2.2 PROJECT TIMELINES

Expectations of Applicant:

- Provided a reasonable development timeline for opening the permanent facility.

Assessment Approach:

- Reviewed planned timelines. Note: Time to obtain necessary permits not considered.

2.2 PROJECT TIMELINES

Assessment Results

Leominster | PPE

Very Good

Plainville | Penn

Very Good

Raynham | PR

Very Good

- Leominster/PPE
 - Provided a reasonable timeline for opening of permanent facility.
- Plainville/Penn National
 - Provided a reasonable timeline for opening of permanent facility.
- Raynham/PR
 - Provides plan for fastest (albeit potentially aggressive) revenue generation through opening of temporary facility. Provided a reasonable timeline for opening of permanent facility.

2.3 CONSISTENCY WITH FINANCIALS

Expectations of Applicant:

- Consistency between size and scope of facility and operating and financial plans.

Assessment Approach:

- Reviewed capital budget and building renderings in connection with operating and financial plans.

2.3 CONSISTENCY WITH FINANCIALS: PROPOSED FACILITIES SUITABILITY

- Leominster/PPE includes the largest gaming floor, but all plans have sufficient gaming sf for 1,250 slot machines.
- Leominster/PPE provides nearly twice as many F&B seats as the other two applicants.
- Raynham/PR provides approximately 50% more parking spaces than the other two applicants.

Proposed Facility Suitability			
	Leominster/ PPE	Plainville/Penn National	Raynham/PR (Permanent)
Slot Machines	1,250	1,250	1,250
Gaming Square Footage (sf)	51,048	42,051	37,893
Gaming sf per Slot Machine	41	34	30
F&B Seats*	768	375	413
F&B Seats per Position	0.61	0.30	0.33
Total Parking Spaces	1,601	1,620	2,425
Parking Spaces per Position	1.28	1.30	1.94

*Source: HLT Advisory Inc. based on Applicant submissions and HLT estimates.
Raynham Park F&B Seats were not provided. HLT assumed 25 sf per F&B seat.



2.3 CONSISTENCY WITH FINANCIALS: PROPOSED FACILITIES SUITABILITY

- Construction costs for Raynham/PR's permanent facility are lower than Leominster/PPE and Plainville/Penn National on a per square foot basis.
- Cost per slot machine for Leominster/PPE and Raynham/PR are similar, Plainville/Penn National has lower costs.
- Plainville/Penn National could realize some savings as a result of purchasing power, but the projected cost per machine is low.

2.3 CONSISTENCY WITH FINANCIALS

Assessment Results

Leominster | PPE

Very Good

Plainville | Penn

Very Good

Raynham | PR

Very Good

- Leominster/PPE
 - Proposed an acceptable physical facility plan given parameters of Category 2 facility.
- Plainville/Penn National
 - Proposed an acceptable physical facility plan given parameters of Category 2 facility.
- Raynham/PR
 - Proposed an acceptable physical facility plan given parameters of Category 2 facility.

3. MARKET ASSESSMENT

Gaming Revenue Projections & Market Share Pre-Competition

Leominster | PPE

Very Good

Plainville | Penn

Very Good

Raynham | PR

Sufficient

- Leominster/PPE
 - Year 2 GGR (net of free play) projections at lower end of likely market performance range
- Plainville/Penn National
 - Year 2 GGR (net of free play) projections at higher end of likely market performance range
- Raynham/PR
 - Year 2 GGR (net of free play) projections above likely market performance range
 - Ability of facility to generate revenue projections is questionable given supply restrictions and advantage of out-of-state competition

3. MARKET ASSESSMENT

Gaming Revenue Projections & Market Share Post-Competition

Leominster | PPE

Sufficient/Very Good

Plainville | Penn

Very Good

Raynham | PR

Insufficient

- Leominster/PPE
 - Year 5 GGR (net of free play) projections above likely market performance range, given size & scope of Category 1 facilities and competitive advantage of tax rate
- Plainville/Penn National
 - Year 5 GGR (net of free play) projections at lower end of likely market performance range
- Raynham/PR
 - Year 5 GGR (net of free play) projections are well above likely market performance range
 - Ability of facility to generate revenue projections is questionable given supply restrictions and advantage of out-of-state competition



4. OPERATIONS PLAN

The focus of this component was on assessing the reasonableness of the Applicant's operating plan given the current and likely future gaming environment in Massachusetts.

Specific assessment areas included:

- I. Applicant's understanding of internal controls.
- II. Consistency of business plan with a "local market casino" and to financial projections.
- III. Applicant's financial projections are consistent with their business plans.

4.1 INTERNAL CONTROLS

Expectations of Applicant:

- Demonstrates understanding of the importance of a strong internal control environment.
- Experience working in a regulated environment.

Assessment Approach:

- Reviewed submitted internal control manuals and history of Applicant experience with other gaming regulators.

4.1 INTERNAL CONTROLS

Assessment Results

Leominster | PPE

Very Good

Plainville | Penn

Outstanding

Raynham | PR

Very Good

- Leominster/PPE
 - Demonstrated understanding of a strong internal control environment.
- Plainville/Penn National
 - Demonstrated understanding of a strong internal control environment.
- Raynham/PR
 - Demonstrated understanding of a strong internal control environment.

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Expectations of Applicant:

- Business plan is consistent with a local market casino and demonstrates connection to financial projections.

Assessment Approach:

- Reviewed and assessed key components of the business plan to assess Applicant's understanding of local casino market/operating strategies. These key components are: (i) Parking, (ii) Slot Product, (iii) Food & Beverage, (iv) Entertainment (v) Marketing and (vi) Payroll/FTE's.
- Reviewed the Applicant's budgets and financial projections to ensure they reflect the operational plans and programs provided throughout the responses of the Application and they are consistent with a local market casino and other industry benchmarks.

Note: Consists of all responses contained in Finance Section

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results

(i) Parking Plans

All applicants parking plans are reasonable (> 1 parking spot per slot)

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results

(ii) Slot Product Plans:

None of the applicants provided a detailed slot plan

Leominster/PPE

- Did not provide detailed slots product plan
- Leased games would represent a higher amount than would be expected for this facility (<10%)

Plainville/Penn

- Although did not provide detailed product plan, stated it would be based on operating 30,000 slots in 21 facilities.

Raynham/PR

- Did not provide detailed slots product plan

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results:

(iii) Food & Beverage Plan

Leominster/PPE

- Consistent with what would be expected: Less than 50% of total sales “comped” and total sales ~ 10% of gaming revenue.

Plainville/Penn National

- Consistent with what would be expected: Less than 50% of total sales are “comped” and total sales ~ 10% of gaming revenue.
- Low number of food seats available, especially in peak periods.

Raynham/PR

- Estimated total F&B revenue is lower than would be expected (~10%).
 - Estimated “comped” food and beverage sales would account for extremely high proportion of total food and beverage sales.
 - F&B cash sales much lower than would be expected.



4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results:

(iv) Entertainment

Leominster/PPE

- Entertainment response not consistent with cost of sales amount contained in financial projections
- Higher than expected level of “free-play” post competition given continued strong performance of slot machines measured on a “win/unit/day” basis

Plainville/Penn National

- Entertainment plan (concept) appears reasonable, although neither base operating data nor financial statement details were provided to support the plan
- Level of free play appears consistent with projections

Raynham/PR

- Ticket price needed to generate the revenue based on the projected number of seats and occupancy levels is in excess of typical ticket prices within scope of acts identified.
- Higher than expected level of “free-play” pre and post competition given continued strong performance of slot machines measured on a “win/unit/day” basis

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results:

(v) Marketing Plan

All Applicants acknowledge they are “local” casinos; recognize importance of a loyalty programs as primary marketing vehicle; employ use of traditional advertising mediums (e.g. television, radio and “outdoor” signage in addition to use of the internet); and stated they would “market” the facility to existing database.

Leominster/PPE

- Marketing plan is consistent with what would be expected.

Plainville/Penn National

- Provided extensive detail of marketing program including example of creative materials and specific program execution.
- Operate in many jurisdictions with 21 facilities. In total manage over 30,000 slots. Availability of corporate support in all areas of discipline allows for significant “bench strength”.

Raynham/PR

- Marketing plan is consistent with what would be expected.

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results:

(vi) Payroll / FTE's

Leominster/PPE

- Highest number of FTE's (~600 pre and post competition).
- Highest ratio of payroll as % of total revenue.

Plainville/Penn National

- FTE numbers includes FTE's for racing. However lowest Payroll/FTE.
- Payroll per FTE between Years 1 and 4 for most payroll categories did not change. This is inconsistent with expectations.

Raynham/PR

- Payroll remains consistent with competition.
- Highest Payroll/FTE, however certain job category FTE levels as well as pay categories are different from expected.

4.2 BUSINESS PLAN & FINANCIAL PROJECTIONS

Assessment Results

Leominster | PPE

Sufficient/Very Good

Plainville | Penn

Very Good

Raynham | PR

Sufficient

- Leominster/PPE
 - Demonstrated a sound understanding of a business plan and operations plans required to operate a successful Category 2 gaming facility.
- Plainville/Penn National
 - Demonstrated a sound understanding of a business plan and operations plans required to operate a successful Category 2 gaming facility. Further, demonstrated that they have experience operating similar sized gaming facilities.
- Raynham/PR
 - Demonstrated an acceptable understanding of a business plan and related financials required to operate a successful Category 2 gaming facility.

4.3 FINANCIAL PROJECTIONS

Assessment Results

Leominster | PPE

Sufficient/Very Good

Plainville | Penn

Very Good

Raynham | PR

Sufficient

- Leominster/PPE
 - Amount of free play is aggressive and higher than expected given Applicant's projected win/unit/day.
- Plainville/Penn National
 - Details of the labor component for years 1-4 are same, and not what would be expected.
- Raynham/PR
 - Certain job categories and pay rates are outside of what would be expected.
 - Free play prior to in-state competition is aggressive given the Applicant's projected win/unit/day. Post competition relationship between free play and win/unit/day is also aggressive

AGGREGATE RATINGS

I. Financial Strength

Leominster | PPE

Outstanding

Plainville | Penn

Outstanding

Raynham | PR

Very Good

II. Investment Plan

Leominster | PPE

Very Good

Plainville | Penn

Very Good

Raynham | PR

Very Good

AGGREGATE RATINGS

III. Market Assessment

Leominster | PPE

Sufficient/Very Good

Plainville | Penn

Very Good

Raynham | PR

Sufficient

IV. Operations Plan

Leominster | PPE

Very Good

Plainville | Penn

Very Good

Raynham | PR

Sufficient

SUMMARY

Very Good

Leominster/PPE

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

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

SUMMARY

Very Good/ Outstanding

Plainville/Penn National

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

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

SUMMARY

Sufficient/Very Good

Raynham/PR

Raynham/PR has demonstrated that they have the financial capabilities required to develop and operate a successful Category 2 casino. They did not demonstrate that they currently have direct access to all of the funds required to build the permanent casino. They submitted sound Investment, Market and Operation plans. While these plans are individually viable and support the operation of a successful casino, they are not completely aligned with the current and future Massachusetts competitive market place and operating parameters of a Category 2 license (i.e. tax rate, limit on number of devices and type of devices).

One of Raynham/PR's equity shareholders currently operates the largest casino in Philadelphia as measured by gross gaming revenue. While significant components of this experience base were used to support the various plans contained in their submission, this is the only casino that Raynham/PR's equity shareholder operates.