

1 THE COMMONWEALTH OF MASSACHUSETTS
2 MASSACHUSETTS GAMING COMMISSION
3 PUBLIC MEETING #134
4 Volume I

5
6
7 COMMISSIONERS

8 Gayle Cameron

9 James F. McHugh

10 Bruce W. Stebbins

11 Enrique Zuniga

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19 September 8, 2014 9:00 a.m. - 5:00 p.m.

20 BOSTON CONVENTION AND EXHIBITION CENTER

21 415 Summer Street, Room 052B

22 Boston, Massachusetts

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

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3 COMMISSIONER MCHUGH: I think we are
4 ready to start. I apologize for being tardy.
5 I was talking with some folks who wanted to
6 know what we were up to and happy to tell them.

7 This is 134th meeting of the
8 Massachusetts Gaming Commission. And I'm
9 pleased to call it to order now so that we can
10 begin the deliberations with respect to the
11 Region A Category 1 casino license. I have a
12 few opening remarks that I'd like to make to
13 sort of set the stage for what's going to
14 follow during the course of the week. And then
15 we'll proceed in accordance with the plan that
16 we've laid out.

17 Today is Monday, September 8, 2014.
18 I suspect everybody knows that. We've
19 assembled to begin the final consideration of
20 applications for a Category 1 gaming license
21 for Region A.

22 Two applicants are under
23 consideration Mohegan Sun MA, LLC and Wynn MA,
24 LLC. Each applicant has been deemed suitable

1 as part of the Commission's background process,
2 and has submitted an extensive application
3 describing its proposal. Those are the
4 applications we're going to be considering
5 today.

6 Before we begin the process, I'd
7 like to make a few acknowledgments and then set
8 out the procedures that will follow over the
9 course of the next few days. To begin, I and
10 the other Commissioners would like to
11 acknowledge the enormous efforts that have
12 brought us to this point. They include efforts
13 by both of the applicants who have dedicated
14 substantial resources and subjected themselves
15 to a rigorous process including an extensive
16 background check and submission of the
17 voluminous applications detailing their
18 respective visions for a gaming establishment
19 in Massachusetts.

20 They include efforts by our staff
21 and consultants who have worked tirelessly
22 behind the scenes to pour over countless
23 documents and sources of information and have
24 offered sage advice essential to ensure that

1 the Commission is positioned to consider the
2 applications effectively.

3 They include efforts by elected
4 officials and staff in the host and surrounding
5 communities who've worked diligently to serve
6 their constituencies in order to position their
7 respective communities in the best place
8 possible.

9 And they surely include members of
10 the public who have shared their thoughts and
11 feelings sometimes with a great deal of vigor
12 chiefly on the merits and drawbacks of the
13 applicants' proposals, and sometimes with equal
14 vigor on the merits and drawbacks of us. It's
15 important that we listen and we do. We are
16 very grateful to all of you for the thoughts,
17 ideas and concerns you have brought to this
18 process.

19 I want to take a few minutes now to
20 outline the process we will follow as we
21 consider the two applications over the next
22 several days. We'll start by asking Karen
23 Wells, the Director of the Commission's
24 Investigations and Enforcement Bureau, and

1 Catherine Blue, the Commission's General
2 Counsel to offer an update on the suitability
3 of the two applicants, a subject that is always
4 open for review and will remain open for review
5 even after we finish the proceedings this week.

6 We'll then ask General Counsel Blue
7 to outline briefly the basic law and
8 considerations governing this part of the
9 licensing process, so that those general
10 guidelines and that general framework is
11 visible and understood by all.

12 Next, we'll move into the evaluation
13 process. The applications have been divided
14 into five sections: building and site design,
15 finance, mitigation, economic development and
16 overview.

17 Each Commissioner has looked at each
18 application in its entirety, but in addition
19 each Commissioner was assigned to a single
20 section of the application to conduct a
21 thorough analysis and provide a written and
22 today an oral report of that analysis to the
23 other Commissioners.

24 In light of Chairman Crosby's

1 election to remove himself from Region A
2 proceedings, the overview section of the
3 application for which he was responsible has
4 been divided among the other Commissioners each
5 of whom prepared a part of the overall report.
6 And we'll talk about that part.

7 Today, I'll present the building and
8 site design report. And Commissioner Zuniga
9 will present the finance report. Tomorrow
10 Commissioner Cameron will present the
11 mitigation report. Commissioner Stebbins will
12 present the economic development report. And
13 we will each present our assigned portions of
14 the overview report.

15 The written reports each of us
16 prepared will be available on the Commission's
17 website the morning the report is presented.
18 And I take it that today the two reports that
19 we are presenting today are up or shortly will
20 be along with the presentations themselves?

21 MS. BLUE: That's correct.

22 COMMISSIONER MCHUGH: So, they're
23 there. Today's reports are there for anybody
24 who would like to look at them. Those reports

1 are there as are our presentations.

2 During our presentations, the
3 Commissioners may be joined by a consultant.
4 And Commissioners may from time to time ask
5 questions of other Commissioners or of the
6 consultants. During or at the end of each
7 presentation, the presenting Commissioner may
8 recommend conditions for the award of a gaming
9 license to a particular applicant.

10 At the conclusion of each day's
11 presentations, we'll offer each applicant an
12 opportunity to advise the Commission as to any
13 material factual errors they believe a
14 Commissioner made during the course of his or
15 her presentation. Commission staff has created
16 a procedure for receiving those claims and has
17 communicated that plan to the applicants.
18 We'll address those claims in a public session
19 on Wednesday morning.

20 During the presentations, Commission
21 staff will be compiling a list of conditions
22 proposed by the Commissioners. Commission
23 staff may add to that list any conditions that
24 they recommend. On Wednesday morning the

1 entire list will be presented to the Commission
2 for its review and the Commission will
3 authorize staff to present some or all of those
4 conditions to the applicants for their
5 response.

6 We're going to proceed in that
7 fashion because we'd like to know the
8 applicant's position with regard to the
9 conditions before rather than after we make our
10 final decision.

11 The applicants will prepare written
12 responses to the conditions and will be given a
13 reasonable amount of time to do so. We'll
14 solicit their thoughts as to how much time they
15 need and then make a judgment as to the amount
16 of time to allot. And during that time, during
17 the time that they're considering those
18 conditions, the Commission will be in recess.

19 After we receive the written
20 responses, we'll post them on our website and
21 reconvene our meeting. Upon reconvening, we'll
22 consider the responses and may ask an
23 applicant, consultant or staff member to answer
24 any questions we have about the responses.

1 At that point, the Commission will
2 begin its deliberations. And those
3 deliberations will continue until we reach a
4 decision. When we do, we'll take a final vote
5 and incorporate any conditions of licensure
6 into that final vote. As in the past, any
7 license award will be reduced to writing and
8 signed by the Commission and the applicant
9 before our meeting concludes.

10 One final note and then we'll turn
11 to Director Wells and Counsel Blue. There will
12 be no press availability while the report
13 presentations are in progress, but there will
14 be one on Wednesday after those presentations
15 are concluded and the Commission recesses to
16 allow the applicants to begin considering any
17 conditions.

18 Once the proceedings resume and the
19 Commission begins its deliberations there again
20 will be no press availability until we
21 conclude. During those blackout periods,
22 please feel free to channel questions to our
23 acting public information officer, Hank
24 Shafran, who will be happy to give you his

1 contact information if you do not already have
2 it. Hank, where are you? Right over there.
3 So, Hank will be happy to take questions and
4 provide you with his contact information if he
5 doesn't have it.

6 That concludes the opening remarks
7 that I had. Does any other Commissioner have
8 anything that you want to say before we begin?
9 All right. I'm sorry.

10 COMMISSIONER ZUNIGA: Actually, yes.
11 This is probably a little customary, but I
12 think it beers restating. You did mention the
13 efforts that everybody present and elsewhere
14 have put to get us to this day.

15 I will emphasize something that I've
16 done before which is the efforts of the
17 applicants. You will see that in my
18 presentation later today that there is a lot of
19 money that has come and therefore a lot of
20 hours and man-hours, or person-hours that has
21 come in terms of putting these proposals
22 together.

23 It's true for the presentations, but
24 the applicants have really done a lot of work

1 to get us to this point. From my perspective,
2 the Commonwealth benefits from that competition
3 and from that effort. So, thank you for that.

4 COMMISSIONER MCHUGH: Well said.
5 All right. Let's then begin. Director Wells.

6 MS. WELLS: Good morning,
7 Commissioners. It's my pleasure to be here
8 this morning as you begin the process to award
9 the Region A license. As we start the process,
10 I think it's helpful for the public to be aware
11 of the Gaming Commission's scope of
12 responsibility.

13 The Massachusetts Gaming Commission
14 exercises all of the authority granted by the
15 Legislature to protect the integrity of
16 expanded gaming in Massachusetts. The
17 Commission is mandated by law to develop and
18 implement the highest quality licensing process
19 and strict regulatory oversight of all gaming
20 establishments and their ongoing operations.

21 As dictated by the statute, the
22 Commission is responsible for evaluating the
23 financial stability and integrity of gaming
24 licensees as well as their sources of

1 financing, their employees and vendors with
2 whom they have frequent transactions.

3 To help fulfill these
4 responsibilities, the Investigations and
5 Enforcement Bureau maintains a corporative
6 working relationship with all federal, state
7 and local law enforcement organizations and
8 regulatory agencies that have authority and
9 jurisdiction in areas germane to our mission.

10 If and when matters are brought to
11 our attention or come to our attention through
12 our own investigations that could have an
13 impact on our efforts to effectively license
14 and regulate the gaming industry, these matters
15 will be considered by the Commission in a
16 public meeting for further discussion,
17 deliberation, and if necessary, referral to the
18 appropriate law enforcement or regulatory
19 agencies.

20 We make these referrals because our
21 primary responsibilities focus on regulation of
22 individuals and entities that are involved in
23 the ongoing business operation of gaming
24 establishments, not on municipalities, public

1 officials or others whose relationship do not
2 affect those ongoing operations.

3 On a personal note, I am very
4 grateful for these ongoing cooperative
5 relationships, which I believe further the
6 public interest. I am also very proud of our
7 investigative team at the IEB, which also
8 includes our consultants from Michael and
9 Carroll.

10 I realize that I have expressed my
11 gratitude for their efforts at numerous public
12 hearings, but I would like to reiterate that
13 today and note just how much I not only
14 appreciate their efforts but also their focus
15 on integrity that was the cornerstone of all
16 our investigations. I can ensure you that that
17 focus on integrity will continue as we move
18 forward.

19 As a preliminary matter, I believe
20 Counsel Blue has some updates for the
21 Commission from the legal department. So, I
22 will defer right to her at this point.

23 COMMISSIONER MCHUGH: All right.
24 General Counsel Blue.

1 MS. BLUE: Good morning,
2 Commissioners.

3 COMMISSIONER MCHUGH: Good morning.

4 MS. BLUE: I'd like to provide an
5 update on the matter pertaining to the land on
6 which Wynn proposes to locate a gaming
7 establishment.

8 On December 13, 2013 the Commission
9 met for the purpose of exploring certain issues
10 surrounding the land transaction between Wynn
11 Mass, LLC and FBT Everett Realty, LLC for the
12 sale and purchase of real property located in
13 the city of Everett. The real property
14 involved is the location of the proposed Wynn
15 gaming establishment.

16 At that meeting, the Commission
17 heard from Commission staff, in particular the
18 IEB, representatives of the applicant and a
19 representative of Colliers International who
20 was engaged to do an appraisal of the property.

21 After considering the information
22 brought forward, the Commission voted to
23 approve the solution proposed by the applicant
24 which was to lower the purchase price of the

1 property to no more than \$35 million with a \$10
2 million proviso for the cleanup costs, to
3 require that the three members of FBT Everett
4 Realty, LLC sign a notarized document saying
5 they are the exclusive recipients of the
6 proceeds of the sale and that the IEB deliver
7 its file on this matter to the appropriate
8 federal, state and local law enforcement
9 agencies. The Commission in its discussion
10 noted that an investor in the property could
11 receive its investment back.

12 At the December 13, 2013 meeting,
13 Wynn provided the Commission with an amendment
14 to the option purchase agreement for the
15 property showing that the purchase price was
16 lowered from 75 million to 35 million. The
17 appraisal from Collier supported the revised
18 purchase price.

19 On December 23, 2013 the Commission
20 received certificates from Paul Lohnes and
21 Dustin DeNunzio stating that except for fees
22 due to Tripp McCoy and James Russo, there was
23 no agreement to make any payments to any other
24 person or entity from the proceeds of the sale

1 of the property.

2 On June 14, 2014, the Commission
3 received a certificate from Anthony Gattineri
4 stating that he has not granted to any person
5 or entity an option, warrant or other right to
6 his interest in FBT Everett Realty or the
7 economic interest represented thereby.

8 The Commission further received
9 evidence that on June 12, 2014 Mr. Gattineri
10 paid in full a note in the approximate amount
11 of around 1.9 million given by Mr. Gattineri to
12 Mr. Lightbody for the purchase of Mr.
13 Lightbody's interest in FBT Realty.

14 I have reviewed the amendment to the
15 option purchase agreement between Wynn and FBT
16 Everett Realty and the documents received from
17 Mr. Lohnes, Mr. DeNunzio and Mr. Gattineri.
18 Those documents satisfy the conditions required
19 in the Commission's vote on December 13, 2013.

20 I have also conferred with the IEB
21 and I'm advised the IEB has forwarded its files
22 on the matter to the appropriate law
23 enforcement agencies. Should any questions
24 arise out of the matter, they will be referred

1 to the appropriate law enforcement for review.

2 I'm happy to answer any questions.

3 COMMISSIONER MCHUGH: All right.

4 That's comprehensive. Thank you, General
5 Counsel Blue. Any questions for her about
6 that? All right, thank you very much.
7 Director Wells?

8 MS. WELLS: As we have repeatedly
9 stated, suitability of applicants and eventual
10 licensees is ongoing. As such, the IEB has an
11 ongoing duty to ensure that the licensees are
12 continuing to demonstrate their qualification
13 for licensure.

14 As we have done with other
15 applicants for the Category 1 and Category 2
16 licenses, the IEB has continued to monitor any
17 relevant issues for the Commission. And I'll
18 give an update for you here this morning.

19 I'm going to start with Wynn MA,
20 LLC. On December 16, 2013 the Commission held
21 an adjudicatory hearing on the suitability
22 determination for Wynn MA, LLC for Phase 1 of
23 the evaluation process. The applicant was
24 ultimately deemed suitable by the Commission.

1 As with our other prospective
2 licensees, since that time the IEB has
3 maintained contact with Wynn on regulatory
4 matters and has continued to monitor issues
5 which may be relevant to ongoing suitability.
6 As General Counsel Blue mentioned, during the
7 course of the suitability investigation, IEB
8 identified concerns surrounding the sellers of
9 the property for the Everett project.

10 These concerns were communicated to
11 the applicant who then renegotiated the
12 purchase price of the property to fair market
13 value so that the owners whether identified or
14 hidden would not benefit from the casino
15 legislation and taint the implementation of
16 Act. The Commission has accepted a resolution
17 by Wynn.

18 At the time of the suitability
19 report, the IEB had no evidence that executives
20 at Wynn had any knowledge of the concerning
21 conduct of the sellers and no evidence that
22 they were complicit in any of the activities
23 brought to light during the investigation.

24 As of this date, no additional

1 information has been revealed that implicates
2 Wynn and the concerns regarding the sellers.
3 IEB investigators followed up regarding the
4 certificates that General Counsel Blue
5 referenced, which were submitted by the sellers
6 to comply with the Commission's mandate.

7 As part of the process, the IEB
8 subpoenaed additional documents and conducted
9 additional interviews. The certificates
10 identified two individuals as receiving
11 consulting fees as part of the proposed
12 transaction, Tripp McCoy and James Russo. As
13 has been publicly reported, Russo is a business
14 associate of Charles Lightbody.

15 McCoy had previously been identified
16 to investigators. And during the follow-up
17 investigation, he provided his contract for
18 consulting services to the IEB. Russo had not
19 been previously identified. He declined to
20 speak with investigators. However, Paul Lohnes
21 and Dustin DeNunzio described his role in the
22 transaction as being that of a
23 consultant/lobbyist who was going to receive a
24 three percent fee.

1 DeNunzio and Lohnes told
2 investigators there was no written contract
3 with Russo and could not definitively explain
4 whether he was to receive three percent of the
5 profit or of the gross. DeNunzio stated that
6 if the parties ended up with a difference of
7 understanding, they would have to sit down and
8 talk about the exact payment.

9 The specific details of the follow-
10 up investigation were forwarded to the
11 appropriate law enforcement agencies as was
12 done with the rest of the investigative
13 materials pursuant to the Commission's
14 directive for such use, if any, they so choose.
15 The Commission has cooperated and will continue
16 to cooperate with those law enforcement
17 agencies going forward.

18 The IEB has uncovered no additional
19 information nor has it received any information
20 from any law enforcement agency to indicate
21 that Wynn had knowledge of or was participating
22 in any efforts to conceal information from the
23 Commission.

24 Counsel for Wynn has assured the IEB

1 that the sellers of the property will not have
2 any ongoing involvement in the casino once the
3 transaction is completed. Most assuredly the
4 IEB will remain vigilant regarding this
5 restriction.

6 The Commission also has the power to
7 enforce that prohibition by way of a condition
8 of licensing or by the separate licensing
9 process for vendors and employees.

10 As the Commission is aware, there
11 was a significant amount of time at the
12 applicant's hearing spent discussing operations
13 in Macau. The IEB continues to monitor
14 relevant issues and the applicant has been
15 responsive in providing information.

16 Wynn Macau continues to maintain its
17 oversight of the junket operations in a manner
18 consistent with what was described at the
19 suitability hearing. As described in the IEB's
20 December 2013 report, Wynn's practice is to
21 refer unsubstantiated or unverifiable
22 derogatory information about junket operators
23 as well as unconfirmed intelligence reports to
24 the DICJ, NGCB and other appropriate agencies.

1 We have reviewed the filings Wynn
2 has made to the NGCB in the period from
3 December 2013 to the present, and those filings
4 comport with Wynn's stated practice.

5 Wynn Macau has added no new junket
6 operators since the suitability hearing. One
7 junket relationship has been terminated.
8 Additionally, we were informed by Wynn that
9 upon a lower court in Macau banning one of the
10 junket shareholders from entering a casino,
11 DICJ requested that the junket remove that
12 shareholder from the license until his legal
13 matters were resolved.

14 Wynn Macau banned him from the
15 casino and revoked his junket identification
16 card. Wynn continues to cooperate with the
17 IEB. And such cooperation will continue to be
18 required to the maximum extent possible.

19 There are presently eight new
20 casinos under construction in Macau including
21 Wynn Palace on the Koh Tai strip. As of June
22 30, 2014 the company incurred approximately 1.1
23 billion of the approximately 4 billion in total
24 project costs. The company expects to open its

1 resort on Koh Tai in the first half of 2016.
2 Their timeline and costs are consistent with
3 their earlier expectations which were
4 communicated during the initial investigation.

5 Macau's commission against
6 corruption, the CCAC, has requested certain
7 information related to its land for the Wynn
8 Palace. Wynn Macau is cooperating with the
9 CCAC's request. Of note during the suitability
10 investigation, investigators did look at this
11 issue and found no impropriety on the part of
12 Wynn.

13 The minutes of the Wynn Resorts
14 board meeting of April 20, 2012 include an
15 accounting of Kim Sinatra, Jay Schall and Debra
16 Won Yang from an outside law firm explaining to
17 the board the various actions taken to attempt
18 to ensure the land transaction was done in
19 accordance with proper compliance policies
20 including the SCPA. The IEB will certainly
21 monitor if any information is available on this
22 issue.

23 An individual named Paul Flue was
24 recently arrested at the Wynn Macau on June 19

1 for operating a sports betting, regarding World
2 Cup Soccer, operation after Wynn alerted
3 authorities to his presence there. Subsequent
4 to his arrest in Macau, he then traveled to Las
5 Vegas where he was arrested with some
6 associates on July 13 for allegedly operating
7 an illegal sports betting operation. A large
8 amount of cash was seized.

9 Our latest information that he has
10 remained in Las Vegas on some sort of
11 monitoring and that the federal case is
12 proceeding.

13 Notable regarding the market in
14 Macau is the expansion of the number of gaming
15 establishments and the easing of gaming
16 regulations in South Korea, and the potential
17 for casino gaming in Japan. We will continue
18 to monitor this situation and report is
19 necessary.

20 Due in large part to Macau, Wynn's
21 financial condition remains strong. Wynn
22 Macau's net revenues of \$4,040,526,000 gross
23 revenues reduced by promotional advances
24 represented 72 percent of Wynn Resorts' total

1 new revenues in 2013. Wynn Macau's adjusted
2 property EBITDA of \$1,324,119,000 represented
3 approximately 73 percent of Wynn Resorts total
4 adjusted property EBITDA in 2013.

5 Wynn's Las Vegas properties continue
6 to operate with a high degree of comparative
7 success and EBITDA margin as measured by other
8 competing Las Vegas properties and remain
9 stable in their operations compliance.

10 Regarding the financial picture in
11 Macau, the revenues continue to be strong. As
12 has been reported starting in June, there has
13 however been a three-month decline in gaming
14 revenues in Macau overall with a 6.1 percent
15 decline in August. Analysts say that the
16 fundamentals of Macau's gaming are sound in
17 medium to long term. Again, this is something
18 we will continue to monitor and report as
19 necessary.

20 Since the suitability hearing, there
21 have been no regulatory fines nor have there
22 been any official pending complaints pertaining
23 to any of the qualifying entities or
24 individuals associated with the Wynn MA, LLC

1 application.

2 Wynn has recently created a global
3 compliance office for Wynn Resorts, Limited.
4 The appointed global compliance officer, Kevin
5 Tourque will be expanding the office to include
6 a director of investigations and a director of
7 policy.

8 Wynn also provided the IEB with a
9 newly adopted compliance plan requiring
10 background checks for vendors and development
11 deals as well as a new policy for foreign
12 official gift and hosting. Additionally, Wynn
13 is updating their Title 31 compliance policies.
14 And the project is expected to be completed
15 shortly.

16 Investigators have found no
17 additional information at this time, which
18 would necessitate a recommendation that the
19 positive suitability status of the applicant be
20 changed.

21 As with both applicants any concerns
22 by the Commission which were discussed as part
23 of their original suitability or as part of
24 this update or as part of Phase 2 analysis may

1 be considered in terms of relative suitability
2 or as part of licensing conditions before
3 making an award.

4 I am happy to answer any questions
5 by the Commission at this time if you have any.
6 Otherwise, I will proceed with my update for
7 Mohegan Sun, MA.

8 COMMISSIONER CAMERON: Director, it
9 seems like you're comfortable with the work
10 that's been done, the follow-up work and there
11 are no issues we should be concerned about; is
12 that correct?

13 MS. WELLS: That is correct. As to
14 the applicant Mohegan Sun MA, LLC, on October
15 3, 2013 I came before you for the public
16 hearing on the suitability determination for
17 Mohegan Sun MA for Phase 1 of the evaluation
18 process. The applicant was deemed suitable at
19 that time. As you are aware, there are
20 certainly some changes to the project since
21 that evaluation.

22 Originally, the project was planned
23 for a location in Palmer, Massachusetts. But
24 after the referendum on the host community

1 agreement failed to pass, the project was moved
2 to its present proposed site in Revere,
3 Massachusetts. The proposed ultimate ownership
4 structure remains the same involving a
5 partnership between Mohegan Tribal Gaming
6 Authority and Brigade Capital Management.
7 However, the details of the proposed project
8 differ due to the different plans, costs, and
9 business relationship.

10 Sterling Suffolk Racecourse, SSR,
11 which was once an applicant itself for a casino
12 license, will be the landlord for the new
13 project if the applicant is granted a license.
14 Additionally, New England Development and
15 Finard Properties are contributing what the
16 applicant describes as key money towards the
17 project and will be involved in the retail
18 portion of the project amenities.

19 While Finard was expected to be
20 involved in the Palmer project and was
21 referenced in the suitability report, New
22 England Properties is new for the Revere
23 project. There will be a fuller description
24 and analysis of all of these arrangements in

1 the Phase 2 presentations at the hearings this
2 week.

3 A notable difference since the
4 original suitability report is the increasing
5 cost for the development of the new plan in
6 Revere. While the Palmer project was estimated
7 to cost approximately \$775 million, the Revere
8 project is estimated to cost over \$1.1 billion.
9 Originally, the Revere project had different
10 financial obligations for host and surrounding
11 community agreements.

12 There have also been some market
13 changes relative to MSM application including
14 the granting of a Massachusetts license to MGM
15 in Springfield, the expansion of casino game in
16 New York and as I will elaborate on shortly,
17 declining revenues in the Connecticut market.

18 The Phase 1 analysis as to
19 suitability focused on the integrity, good
20 character, honesty and reputation of the
21 applicant and its qualifiers, the applicant's
22 business ability and experience as well as the
23 applicant's ability to obtain suitable
24 financial sources to complete the project.

1 In Phase 2, which you will hear
2 about this week there is further financial
3 analysis conducted on revenue projections,
4 market analysis, debt payment and a potential
5 impact of the debt-to-equity ratio. Phase 2
6 allows for a comparative analysis not only on
7 finance but the other enumerated categories as
8 well.

9 As the Commission has noted
10 repeatedly throughout all of the licensing
11 process, suitability is not only ongoing, but
12 the relative suitability of applicants in any
13 investigative categories can be considered by
14 the Commission in making an ultimate licensing
15 decision.

16 Additionally, the Commission has the
17 ability to look at the analysis and determine
18 any appropriate conditions you may deem
19 necessary. The applicant and qualifiers for
20 MSM remain in good standing in the other
21 jurisdictions in which they are currently
22 licensed.

23 There are updates from certain
24 jurisdictions as to applicant qualifiers. New

1 Jersey, the New Jersey Division of Gaming
2 Enforcement concluded their investigation into
3 an MSM affiliate in March and issued a report,
4 an order licensing MGA Gaming New Jersey for
5 five years and deeming all members of the MTGA
6 audit committee, the chairman and all other
7 managers of Mohegan Gaming Advisors, LLC, the
8 same officers and managers as Mohegan Sun MA
9 currently, as suitable.

10 In Pennsylvania, qualifier Chairman
11 Kevin Brown was issued a principle license in
12 Pennsylvania and Florida and has been deemed
13 suitable in New Jersey.

14 In June of 2014, Kevin Brown,
15 Michael (SIC) Etess and Thomas Burke, Mario
16 Contomirricos and David Rome were issued slot
17 machine business employee licenses by the
18 Florida Division of Pari-Mutuel Wagering. Only
19 David Rome renewed his into 2015, of fiscal
20 year 2015.

21 The Cowlitz Tribe casino project in
22 La Center, Washington, which is planned to be
23 managed by an affiliate of the MTGA is still
24 the subject of an ongoing litigation. And the

1 land has not yet been taken into trust by the
2 United States.

3 Since the suitability investigation,
4 the qualifier MGTA received two minor
5 regulatory fines for service to intoxicated
6 persons. Another notable development since the
7 suitability hearing is that on June 20, 2014
8 Mohegan Gaming New York, LLC, an indirect and
9 wholly-owned subsidiary MTGA submitted an
10 application to manage a resort casino facility
11 in Thomsen, New York. The suitability
12 investigation is currently pending. The
13 license award is expected to occur sometime in
14 the fall.

15 Since the suitability report,
16 Mohegan Sun instituted the following policies
17 and procedures: an alcohol safety brochure and
18 server training updates as well as a
19 whistleblower hotline expansion. Brigade
20 continues to update compliance and audit
21 procedures.

22 Not unlike other gaming companies in
23 the Northeast, Mohegan Sun has experienced
24 declining revenues. For example, their

1 quarterly financial numbers at the end of July
2 showed a 5.2 percent decline in revenue to 326
3 million and 19 percent drop in adjusted net
4 earnings to 69 million.

5 On August 28, 2014 Moody's Investors
6 Service changed Mohegan Tribal Gaming
7 Authority's rating outlook to negative from
8 stable citing in part continuing decline in
9 revenues. Obviously, the financial strength of
10 the application does not rest entirely on
11 Mohegan Sun as they have a partnership with
12 Brigade and their proposed financial structure
13 is outlined in the RFA-2 application.

14 As part of their RFA-2 application,
15 MSM provided highly confident letters from
16 Goldman Sachs and Bank of America, Merrill
17 Lynch for the remainder of the financing.
18 Details on what that means for the project and
19 the expected terms will be detailed later in
20 the financing presentation.

21 Subsequent to the suitability
22 hearing, the applicant was sued by the
23 landowner in Palmer for an alleged breach in
24 the exclusivity agreement. This allegation is

1 based on the applicant's ultimate business
2 agreement with SSR and the Revere project.

3 While the IEB does not have any
4 evidence of any contact between the applicant
5 and SSR prior to the referendum, an assertion
6 the applicant denies, or a deliberate effort to
7 lose the vote for which the applicant has
8 provided evidence to the contrary, we have
9 confirmed some discussion between the parties
10 after the referendum but prior to the official
11 termination of the agreement. This matter is
12 currently in litigation.

13 A preliminary review indicates this
14 contact after the referendum may ultimately be
15 determined to be a technical violation of the
16 contract. However, no definitive opinion can
17 be expressed on this matter prior to the rigors
18 of the discovery and litigation process.

19 Assuming arguendo that there was in
20 fact a breach of the agreement, the legal issue
21 then becomes one of damages. Since there was
22 no provision for liquidated damages in the
23 contract, the matter would need to be settled
24 by the court as well.

1 Ultimately, should a breach of the
2 agreement have taken place, the question
3 becomes does the concept of violating the
4 contract under the circumstances of the
5 referendum loss rise to the level of impacting
6 suitability. While there is insufficient cause
7 to disqualify at this point, the Commission has
8 the ability to consider it in terms of relative
9 suitability if it so chooses.

10 It certainly is notable for purposes
11 of the analysis that the preliminary contact
12 between the parties that has been verified was
13 a matter of days before the official
14 termination of the contract and after the
15 referendum vote, which in effect frustrated the
16 purpose of the contract in the first place.

17 In all, the project has
18 significantly changed and certainly the
19 detailed analysis in the Phase 2 applications,
20 which will be presented before you, will be
21 helpful in asserting the strength of the
22 proposal. Nothing has been discovered at this
23 point which would change the original
24 determination of suitability for the

1 application.

2 As I stated before the Wynn update,
3 any concerns by the Commission were discussed
4 as part of the original suitability or as part
5 of this update or as part of Phase 2 analysis
6 may be considered in terms of relative
7 suitability or as part of a potential license
8 condition before making the award.

9 I'm happy to answer any questions
10 that you may have.

11 COMMISSIONER MCHUGH: Questions?

12 COMMISSIONER ZUNIGA: So, there was
13 no penalty stipulated in that contract? You
14 called it liquidated damages, but there is no
15 penalty financial or otherwise?

16 MS. WELLS: Correct.

17 COMMISSIONER CAMERON: And again,
18 you're comfortable with the investigation that
19 took place between the original suitability and
20 now and you're not bringing forth any concerns
21 -- well, you brought forth some concerns, but
22 nothing that would affect the suitability?

23 MS. WELLS: That is correct.

24 COMMISSIONER MCHUGH: All right.

1 That too was comprehensive. Thank you very
2 much for both of those comprehensive reports.

3 MS. WELLS: Thank you.

4 COMMISSIONER CAMERON: Thank you.

5 COMMISSIONER MCHUGH: Now we'll
6 begin the phase of our proceedings in which
7 each of the Commissioners is going to present a
8 report. As I said earlier, I'll present the
9 first one and I'll be followed by Commissioner
10 Zuniga. And those will be the reports that we
11 have for today. So, let me change positions.
12 You're going to drive, Melissa; is that right?
13 Good, thank you.

14 I am going to present the building
15 and site design report. I do this with my back
16 to the audience because the real audience is
17 the other Commissioners. It's important to
18 understand that this is the first opportunity
19 that the Commissioners have had to discuss
20 together the reports that we individually have
21 compiled. And it is an opportunity therefore
22 for us and that's why the Commissioners are the
23 primary audience.

24 My focus is on building and site

1 design, which consists of a number of parts
2 shown on the next slide. The overall
3 application has been broken into five separate
4 categories, the overview, finance, economic
5 development, building and site design and
6 mitigation categories. And the building and
7 site design category focuses chiefly on the
8 physical aspects of the proposed casino and its
9 relationship to its surroundings.

10 The site design category consists of
11 79 questions. Overall, the applicants were
12 required to answer about a little over 200
13 questions, 79 of which were in this building
14 and site design category. And there were seven
15 sections of that component of the application.
16 Creativity and design and overall concept
17 excellence was the first.

18 Gaming establishment of high caliber
19 with quality amenities was the second.
20 Compatibility with surroundings was the third.
21 Use of sustainability development principles
22 was the fourth. Security, approach to
23 permitting and other uses for the facility and
24 its precise location in the community rounded

1 out that section of the application.

2 I was assisted in my analysis of the
3 building and site design component of the
4 application by a number of thoughtful
5 consultants who are sitting behind me today.
6 Stan Elkerton, Ray Porfilio, Frank Tramontozzi,
7 Rick Moore, Jason Sobel, and they provided
8 information that was helpful throughout the
9 proceedings. Ann Marie Lubeneau was also one
10 of the consultants. She unfortunately could
11 not be here today.

12 In addition to them, Nancy Stack and
13 Melissa Martinez, Melissa is driving the
14 program, Nancy Stack is there and Margaret
15 Miner-Wood all three of whom were from Pinck
16 and Company provided invaluable assistance.

17 The way we all went about these
18 ratings and analysis was common to all the
19 sections. And we will all see this throughout.
20 We took the reports -- We took the
21 applications. We looked at each of the
22 questions. We rated each of the questions. We
23 grouped the questions into groups.

24 And then we said that the rating for

1 each group of questions was insufficient
2 because the response failed to present a plan
3 to address the topic or failed to meet the
4 minimum acceptable criteria of the Commission.
5 Or it was sufficient, it provided a
6 comprehensible analysis, met the minimum
7 requirements and provided the required or
8 requested information.

9 It was very good in that it was
10 comprehensive, demonstrated credible experience
11 and plans, and excelled in some areas. Or it
12 was outstanding because it was of uniformly
13 high quality and demonstrated convincing
14 experience, creative thinking, innovative plans
15 and a substantially unique approach.

16 So, we grouped each of these
17 questions into groups, gave them a rating. And
18 that rating in turn led to an overall rating
19 that we'll see develop as this presentation and
20 the others proceed.

21 It's important though as we look at
22 these to understand and remember that this is
23 not a scoring system. There is no numerical
24 value attached to any of these ratings. And

1 the ratings themselves do not necessarily have
2 the same weight -- the categories I should say
3 do not necessarily have the same weight.

4 So, we'll have an opportunity to
5 discuss when our actual deliberations begin,
6 and we'll probably do so as the first-order of
7 business, the relative weight assigned to the
8 various categories in the application. It's
9 important to understand that. We do. It's
10 important for the audience to understand it as
11 well.

12 My report in addition to containing
13 these ratings and various groups of questions
14 contains six appendices. An appendix dealing
15 with a basis for evaluation of the
16 architectural design and quality. And then an
17 appendix dealing with design review, a
18 thoughtful and thorough review of the design of
19 both facilities. A traffic and parking review,
20 an energy and sustainable design review, a
21 permitting design and construction schedule
22 review, and then excerpts from the relevant
23 statutes so that those key elements are in
24 front of us.

1 Those appendices which are a part of
2 the report are prepared and were prepared by
3 the consultants. They're not necessarily part
4 of my report. In fact, they're not part of my
5 report. They're a basis for my judgment along
6 with the discussions that we had during the
7 course of our various meetings over the past
8 year. But they are there so that you all can
9 have the benefit of the same advice that I got
10 and an application of thoughtful principles to
11 the topics each section of the application
12 contained.

13 In addition to the consultants and
14 in addition to the applications themselves, the
15 information on which I based the ratings
16 included responses to our requests for
17 clarifications. We asked the applicants after
18 the applications were filed to respond to a
19 number of questions to clarify various portions
20 of what they had said.

21 Public comment that we got through
22 responses and letters, emails to the
23 Commission, and very importantly public comment
24 that we got at the open meetings that we held

1 to discuss the applications; reports by public
2 bodies such as the Metropolitan Planning
3 Commission; information filed with the
4 Secretary of Environmental Affairs as part of
5 the procedures under the Massachusetts
6 Environmental Protection Act requirements that
7 each applicant has gone through, rigorous
8 requirements that provided a great deal of
9 information about the project; and in addition
10 to, next slide please, site visits that we took
11 to both of the applicants' principal
12 facilities.

13 We visited the Wynn facility in Las
14 Vegas. That's the facility there. This a golf
15 course in back of the facility. Those are the
16 buildings, primary buildings of the Wynn and
17 the Wynn Encore. We looked at those.

18 We visited the Mohegan Sun facility
19 in Uncasville, Connecticut. That's the site
20 there alongside the Thames River. This is the
21 facility itself that is located in this area
22 right here. We were able to tour both
23 facilities. All four of us did that and gained
24 a great deal of information, not only about the

1 facility but about the various components,
2 personnel and other factors that bear on our
3 decision-making process.

4 Before I turn to the specific
5 location, let's just take a big picture view of
6 the region. This I think is familiar to most
7 people but it's worthwhile to be familiar to
8 all of us. This is the Springfield MGM site of
9 the casino that we have designated as the
10 licensee for that region.

11 This is the area where the two
12 Connecticut casinos exist, the Mohegan Sun
13 Casino in Uncasville right there. These are
14 the two Rhode Island casinos, Twin River and
15 the Newport casino. This is an area for a
16 proposed tribal casino in Taunton. This is our
17 licensee in Plainville, the Plainridge facility
18 that is now under construction.

19 This is a proposal that is not
20 really become clarified for a facility on
21 Martha's Vineyard. And this of course is
22 Region A, the two proposals that we're talking
23 about and will be talking about over the next
24 couple of days.

1 A close-up is on the next slide of
2 the region in which these facilities are
3 located. This is the Mohegan Sun facility in
4 Revere. This is the Wynn facility in Everett.
5 They're about equidistant from downtown Boston
6 which is here. Other prominent landmarks are
7 the Tobin Bridge, of course, the Logan Airport.
8 The Orient Heights section of East Boston is
9 here. And we'll look more closely at the
10 various jurisdictions that are in that area.

11 Overall, both of these facilities
12 are planned for a dense urban environment that
13 is subject to rapid change and a deeply dense
14 urban environment as I've said. And that's a
15 consideration that I know all of us have taken
16 into account.

17 So, with that as background, let's
18 take a look at the first of the criteria which
19 is creativity in design and overall concept
20 excellence. There are nine questions in this
21 area.

22 Five of the most important are
23 these: the overall theme, the relationship
24 with surroundings, color renderings, schematic

1 design and proposed landscaping. Parking I'm
2 going to deal with later on. And it also deals
3 with -- is dealt with by the mitigation
4 section. And the transportation infrastructure
5 I'm likewise going to take a look at later on.

6 I want to concentrate on these four
7 -- those five during this part of the
8 presentation. There is some overlap, and this
9 will be true as we proceed in all of the
10 categories, between this building and site
11 design, the mitigation, in some cases economic
12 development and finance. But mostly the
13 overlap is between this section, where there is
14 overlap, this section and the mitigation
15 section.

16 So, as I said, I'm going to be
17 concentrating on these. And appendix A and B
18 to our report deals with those four
19 considerations as well.

20 So, let's turn first to the Mohegan
21 Sun. And I do this in alphabetical order. I'm
22 going to be doing this throughout in
23 alphabetical order. This is a rendering of the
24 facility.

1 This is Tomasello Avenue. This is
2 Winthrop Avenue. We're at the corner of
3 Tomasello and Winthrop. I'm going to use this
4 as the transition slide as I go each time to
5 Mohegan Sun. The detail on there I'll deal
6 with in more substance later.

7 Next slide, please. To set the
8 stage, this is the area where the facility is
9 proposed. This is the footprint of the
10 facility next to the Suffolk Downs Racetrack.
11 East Boston and Orient Heights is right here.
12 The Orient Heights section, it used to be Hog
13 Island which was one of the five islands
14 comprising East Boston historically before it's
15 annexment in 1836, I think. But this was all
16 islands and Hog Island was one of those
17 islands.

18 Belle Island Marsh is right here.
19 That's a wildlife preservation area. Winthrop
20 is down here. The Winthrop area has basically
21 two exits and entrances. One along Boardman
22 Street, which we'll take a look at here and
23 another up North and around. The Chelsea River
24 is here that has active shipping. You'll see

1 the tank farms here. A number of supplies of
2 fuel oil and other commodities are there. And
3 of course Logan Airport is down here.

4 The main arteries are Route 1A,
5 Route 16, Route 145. And Route 1A here to the
6 North goes up ultimately joining Route 1
7 farther North. Route 1A southbound splits down
8 here. Part of it joins Route 90 in the Ted
9 Williams Tunnel into Boston. The other part
10 splits, continues as 1A through the Sumner
11 Tunnel into Boston as well.

12 Revere itself, shown on the next
13 slide comprises this area. So, that the
14 facility is at the Southeast corner of the
15 city. Wetlands comprise about 40 percent,
16 mostly in the north end. Revere Beach
17 Boulevard, historical facility here runs the
18 entire length and ends just north of the
19 facility right there. And it is in the
20 national register of historic places -- I
21 should say Revere Beach is in the national
22 register of historic places. This was once a
23 thriving entertainment and vacation and beach
24 area. It still is for all of the citizens of

1 the region.

2 A little bit closer look at the site
3 is in the next slide. And it is here. This
4 again is the footprint, the same footprint.
5 This is the Chelsea Creek. This is the oil
6 storage tanks. This is Winthrop Avenue up
7 here. And Winthrop Avenue and Tomasello Drive
8 provide one method of access. Another method
9 of access is along Furlong Drive to here.
10 We'll touch on that in a second. And a third
11 access discouraged but nonetheless existing is
12 along here and up Tomasello Drive.

13 Right now, this area is occupied by
14 the stalls for the horses that race at Suffolk
15 Downs Racetrack, which is here. Those as part
16 of the plan will be moved to another location.
17 And I don't believe a permanent location has
18 yet been determined. So, that's the footprint.
19 That's the setting.

20 Now let's take a look at the
21 proposed facility itself. This is at a very
22 high level, as you can tell, but it does help
23 understand the overall components of the
24 project, the program elements they're called.

1 And they are most prominently several.

2 First, here's Winthrop Avenue and
3 Tomasello Drive entrance to the facility.
4 Furlong Drive comes out this way. But the
5 building itself consists of a flexible space
6 that's right here on the end.

7 This is a so-called boutique hotel.
8 That will be operated by a third party. I will
9 come back to that in second, and we'll hear
10 more about that in the next couple of days.
11 The primary entrance will be right here into
12 the so-called porte cochere that's right in
13 this area here.

14 The casino hotel is right here. The
15 gaming area is right here. This area is for
16 retail and food and beverage. And this area
17 will be the entrance to the casino from the
18 corner of Washburn and Winthrop right next to
19 the MBTA Blue Line stop, which is right there.
20 Those are the primary elements.

21 There will be parking down in this
22 area, parking in the garages right here. And
23 we'll look at each of those components in a
24 little bit more detail as we proceed.

1 This slide demonstrates the site
2 plan. It's essentially the same -- contains a
3 lot of the same information that we just
4 discussed. But it gives us a different and, I
5 think, better overall perspective.

6 This again is the entrance to the
7 facility from Winthrop Avenue and Tomasello
8 Drive right down through this way. This is the
9 entrance through Furlong Drive. It starts out
10 here. These are existing businesses. That's a
11 Super Stop and Shop and a Target, or maybe it's
12 the other way around. Those are existing
13 businesses. And this is a parking lot for
14 those businesses.

15 So, the visitor comes in and comes
16 around here to this area and then has basically
17 two choices. One is to come around here and go
18 up on a ramp that we'll look at in a minute and
19 enter the casino up here or come to the side
20 and go down here into the parking area.

21 This is the casino hotel. This is
22 the third-party so-called boutique hotel.
23 There is the T stop at Beachmont on the Blue
24 Line. And this is the entrance to the casino

1 from that next to Washburn Avenue which is
2 right there.

3 Two of the other notable factors
4 here are Sales Creek, which is here and leads
5 out to Belle Island Marsh on this side. We
6 looked at Belle Island Marsh a minute ago. But
7 Sales Creek continues, runs under the track
8 there and runs across up into this area. We'll
9 take a look at the plan for how to deal with
10 Sales Creek under that ramp and see that it is
11 in fact a ramp.

12 Finally, the other thing on this
13 plan that is worthy of note, because we'll talk
14 about it in a second, is the way that the
15 plantings and other components -- There are
16 berms along here. -- pull this entire facility
17 back from the surrounding area. This is a
18 residential area along here. This is plantings
19 and a berm that pull the facility back away
20 from Washburn Avenue. And the same is true up
21 here in both of those areas.

22 So, the facility does not a right
23 onto the street. And the setbacks are helpful
24 in lowering the mass of its design and its

1 impact on the immediate neighborhood. So,
2 those are the outlines of the facility.

3 Some renderings were prepared to
4 show what the concept is like. And it's
5 important to remember that these are not plans.
6 They are not construction drawings. These are
7 concepts of what the facility will look like.
8 And they've been prepared by both applicants
9 and are customarily parts of this presentation.

10 So, this is a view from Revere
11 Beach. We're actually in the water here,
12 hopefully in a boat, looking back toward the
13 facility. Downtown Boston is here. The casino
14 hotel is here. The boutique hotel is here.

15 And you begin to notice a prominent
16 feature of the proposal that's going to appear
17 in each of the slides we take a look at and
18 that is these round parasol like structures
19 that are part, an essential part and a
20 prominent part of the design. The theory there
21 is that they are evocative of the parasols that
22 were a part of the beach-going experience.
23 They've been incorporated in highly stylized
24 fashion into the design and are part of every

1 view of the facility that you get regardless of
2 where you're standing.

3 The next slide, please. This is the
4 one with which we started. Again, you can see
5 now how these parasols stand out in bold relief
6 when you're looking from the corner of
7 Tomasello Avenue and Winthrop Street. These
8 are those parasols. This is the back of the
9 facility. The entrance is down here.

10 That is the casino hotel there.
11 This is the boutique hotel. And this is some
12 of the plantings that I was talking about a
13 minute ago that pull this back somewhat from
14 the immediate roadway and create some space
15 that reduces the overall mass and encroachment
16 on the neighborhood.

17 In the next slide we're going to
18 move down toward -- We were standing up there.
19 We've now moved down to the other end of
20 Winthrop Avenue. Washburn is right here. This
21 is the so-called Beachmont entrance. So called
22 because the Beachmont T stop on the Blue Line
23 is right here across Washburn.

24 You come out of the T, enter the

1 casino right here. And then you go up this
2 stairway to a casino that's here with a parasol
3 on top of it. This is the so-called Moon
4 Casino. It's a small casino that is of
5 immediate availability to visitors who take the
6 T.

7 Here is the boutique hotel. That's
8 where we were standing a minute ago. And this
9 is the casino hotel back here.

10 In addition on this slide worthy of
11 note are an MBTA bus stop. There you can just
12 see, maybe you can see the MBTA bus. And
13 there's another bus stop along here as well.

14 This is the actual entrance to the
15 facility at the porte cochere. Again, these
16 parasol structures are a prominent feature of
17 the entrance. Now you've come off, you've
18 driven up that ramp area that we'll talk about
19 some more, but we've already taken a look at.
20 And the entrance to the casino and the hotel,
21 actually the entrance to the hotel is the
22 immediate area here. And this is where that
23 entrance is.

24 These parasols are going to be

1 constructed from a material called glass fiber
2 reinforced concrete. It is an effective
3 material but it takes some considerable care in
4 its installation and maintenance in order to
5 ensure that it creates the desired effect. I
6 want to say that because I'm going to come back
7 to that at the end of the presentation.

8 The next slide, please. The next
9 several slides are going to be elevations that
10 just help us look at the overall design from a
11 variety of perspectives. Again, these are
12 concepts. These are not plans. And they're
13 highly stylized because they take away a lot of
14 the surrounding area. But they do give us a
15 feel for what the facility looks like from
16 various perspectives.

17 This is from Washburn Avenue on the
18 east looking west at the facility. Of course,
19 if we were standing on -- actually standing on
20 Washburn Avenue, the facility would be much
21 closer to us. So, this is simply viewed as
22 looking from east to west.

23 Here is the casino hotel. Here is
24 the boutique hotel. Now we are on the other

1 side in this elevation down here. The casino
2 hotel is here. The boutique here, but we are
3 looking from Tomasello Drive west, exactly the
4 opposite area, opposite perspective.

5 These little things here are of no
6 particular consequence now except that they
7 illustrate and are part of plans showing the
8 materials that will be used to construct the
9 various portions of the facility. They are
10 also present in drawings submitted by Wynn, and
11 give us an idea of what those portions are
12 going to look like.

13 Now we've shifted the North. We're
14 at the north end of the facility. We're
15 looking south. Again, the casino hotel, the
16 boutique hotel is over here. You can see again
17 the prominence that the parasols play in the
18 view from this area and the view really from
19 any area. Because when we go down here to the
20 south elevation looking north, we're standing
21 now in the middle of the racetrack looking
22 north, this is again for purposes of
23 orientation casino hotel, boutique hotel.

24 This is a glass wall that was

1 incorporated as part of the original plans.
2 There've been successive plans. It's not clear
3 that this still remains. But it was designed
4 to give people in the casino, which is this
5 space right here, a view of what was going on
6 in the track. You'll see in a few minutes that
7 now that's an entertainment center. So, it's
8 not clear that that will still remain. But in
9 any event that's the overall picture that one
10 gets from looking at this facility from the
11 South.

12 So, that's the initial view of the
13 overall concept and design of the Mohegan Sun
14 facility in Revere. And I'm going to shift now
15 to take a look with equal detail at the Wynn
16 facility in Everett.

17 This is the thematic slide that I'll
18 use to deal with the introduction to each of
19 the Wynn sections. This is the proposed tower.
20 Geographically, and we'll look at that in a
21 second, Somerville is back to this area.
22 Charlestown is back to this area.

23 The Mystic River runs along here.
24 And this is a little cut off of the Mystic

1 River where this is to be located. Rutherford
2 Avenue, Route 99, Broadway runs up by the side
3 of the building on that side.

4 The next slide I want to spend a
5 second talking about because it reinforces the
6 notion that this facility, as well as the other
7 facility, but particularly this facility is
8 planned for a highly dense urban area
9 comprising multiple jurisdictions. And that
10 adds to considerations that are typical, I
11 suspect, of a dense urban area of which this
12 surely is.

13 So, we have Everett is this area
14 right here. Medford is in this area right
15 here. Across the river up in this area is
16 Somerville. Cambridge is in this area. That's
17 Harvard Square right there. Charlestown is
18 this area right here. Downtown Boston is here.
19 Charlestown of course is a section of Boston.
20 So, this is Boston. East Boston is right here.
21 Chelsea is this area right here. And then
22 Revere is up to this area.

23 So, there are several jurisdictions
24 that comprise this area seven, I think, seven

1 different cities, eight different cities. I
2 should mention that Malden is up in here.
3 Medford continues up in this direction. And
4 all of those jurisdictions intersect at one
5 point or another.

6 The immediate vicinity is heavily
7 industrialized. This is the LNG landing
8 facility, the LNG storage tanks are up in here.
9 This is a large scrapyard, probably the largest
10 in New England where scrap material is
11 processed and put on ships for destinations
12 elsewhere. This is a large power plant that
13 supplies power to Boston. And the site itself,
14 we'll take a closer look at it, as I said, is
15 right there.

16 In addition to the industrialization
17 though there are some green spaces here. This
18 is the Mystic River Reservation up in here. It
19 continues. There is more green space allocated
20 along here. And a river way walk is proposed
21 and has been under plans for some period of
22 time to connect the river all along here.

23 In sum, it's an area where thought
24 has been given to improvement in the future of

1 the overall area, but as now, as I say, it's
2 heavily industrialized, as is this section of
3 the river on the Charlestown side.

4 This is mostly industrial here.
5 This is a landing area for cars in through
6 here, automobiles brought in from other places
7 and stored there for delivery throughout New
8 England.

9 Two other features are Sullivan
10 Square, which is right here. We're going to be
11 hearing a lot about that over the next few
12 days. Sullivan Square is here. And Assembly
13 Square, which is Somerville's new development
14 area, it used to be a GM, I believe, automobile
15 assembly area, fell into disuse when the
16 automobile industry left, and is now being
17 repurposed as a multiuse area full of
18 restaurants, shops, theaters, and is the new
19 home of the Partners Healthcare offices. Plans
20 were just announced recently for that. That's
21 the immediate vicinity.

22 This is a closer look of the site
23 itself. This is the area off of the Mystic
24 River that we were looking at. This is the

1 actual site. It is now an open, dusty,
2 overgrown site, contaminated.

3 It used to be the site of a Monsanto
4 Chemical processing factory. We heard
5 discussion at many of our public meetings about
6 the people now older but who used to as
7 children play down here in the water they
8 described as yellow and full of chemicals.

9 It's not that bad now but it still
10 is a polluted industrial, former industrial
11 site badly in need of cleanup before anything
12 can be done with it.

13 This is the adjacent area. There's
14 a railroad that goes right through here on a
15 bridge. That's the commuter rail that goes to
16 the North. And there is an MBTA maintenance
17 facility right here. The power plant that I
18 mentioned a minute ago is right here.

19 There is a 365-foot tall MWRA,
20 Massachusetts Water Resources Authority
21 windmill right here. This area across from the
22 site is mixed commercial and residential area.

23 And all of this is part of the lower
24 Broadway urban renewal plan that the city of

1 Everett has created. And in fact, some new
2 multifamily housing is now being constructed up
3 in this area.

4 Over here -- and you can't get there
5 easily from here to there. You have to go up
6 and around and come through another
7 intersection and come back down. -- is the
8 Gateway Mall. That's obviously a Target. This
9 is a Cosco. That is a Home Depot. And there
10 are other chain stores here. And the rest of
11 the area is restaurants and other facilities
12 there. So, that's the site. That's where this
13 facility is proposed.

14 The next slide we'll take a look at
15 what the proposal is in a broad form. This is
16 the site plan. This is the facility as we
17 looked at it a minute ago. This is the shape.
18 What Wynn proposes to do is to repurpose the
19 entire facility, clean it up. We'll talk about
20 that in a second. And put this facility in
21 that fashion on top of it. This is the outline
22 footprint of the building itself.

23 This wing is entirely retail and
24 restaurants. And when you get down here, this

1 is the main entrance right here. This is the
2 hotel that sits on top of this so-called podium
3 structure which is one or two stories high that
4 contains the restaurants and the retail. This
5 is the hotel. This is the casino area.

6 This is the preferred entrance off
7 of Rutherford Avenue right down here. One
8 would drive in and then either drive to the
9 parking area here or drive to the main entrance
10 here and come in.

11 And this is a dock that will be part
12 of the facility in order to allow patrons to
13 come and go by water. And we'll talk more
14 about that in a second as well. So, this is
15 the water entrance.

16 This is basically going to be a
17 public space and connect up with a river walk
18 that will come along here, go off and up into
19 that area as well. This is that MBTA
20 maintenance facility that I mentioned a minute
21 ago. That will remain.

22 And this entrance, if used, will
23 take over and eliminate an entrance to that
24 MBTA facility that is now right here. And I'll

1 show you what the plans are for that new
2 entrance.

3 Next slide, please. This is a look,
4 a closer look at the end of the pier, end of
5 the land that we just looked at. This is the
6 end here. The river is out here. Plan for
7 here -- And this is the end of the retail and
8 restaurant area right here. The plan calls for
9 a replanting here, stripping all of the
10 material that's there now out, replanting it
11 with vegetation along this area.

12 This is a public area for
13 picnicking, walking, strolling, whatever. This
14 is a pavilion that can be used by members of
15 the public, guests at the restaurants. This
16 will be all be open. This is the river walk
17 that will come around. And this is the end of
18 the site but as you can see, the river walk
19 continues. There's a dock planned for out
20 here. The river walk goes down here and then
21 across and out in that direction.

22 This is the railway, but there will
23 be trees lining the area here to hide this
24 facility from the railroad proper.

1 In addition to the plantings,
2 there's a plan for an oyster bed out here in
3 which a large number, 750,000, I think, was the
4 number I heard and is part of the presentation
5 that was made to us, 750,000 oysters will be
6 put out there, not for harvesting. The water
7 is not yet right for that but for water
8 purification and trying to bring that part of
9 the area back.

10 Oysters apparently can process 23
11 gallons of water a day. So, if you think about
12 750,000 oysters out there purifying that's a
13 lot of water. In any event that's part of the
14 proposal for down there.

15 The next slide will come back to the
16 overall plan for the roof. This again is the
17 retail and food and beverage area. There are
18 skylights here so that this entire area is lit
19 by natural outside light as is this. This is a
20 skylight as well.

21 There are PVC panels on the roof.
22 This is basically a flat roof in many areas.
23 PVC panels at various points here where the
24 roof is particularly flat. This is the hotel.

1 And this is the central energy plant back here.
2 So, that's the overall look at the facility.

3 We're now going to take a look as we
4 did a minute ago at some of the renderings.
5 This is the one that I am using as the marquee
6 for this area. This is the tower. The
7 material here is something called exterior
8 insulation and finish system. EIFS is the
9 acronym for that. That's a finish that many
10 have suggested is not particularly durable, and
11 is not easy to maintain particularly in a harsh
12 New England climate. It is used commonly
13 elsewhere. But there's a great deal of it
14 throughout this facility. This is bronzed
15 glass, the so-called Wynn glass that is used
16 elsewhere.

17 This is the retail facility that we
18 just looked at from another perspective. The
19 skylight here at the end then the skylights
20 that run down there, and the various skylights
21 in the middle. This is reminiscent of an 18th
22 century European city and the kinds of things
23 that you would see in such an environment. It
24 is also something that is used at the Wynn

1 facility in Las Vegas, a concept that's used in
2 the Wynn facility in Las Vegas.

3 But you don't seem much of this from
4 the outside. From the interior it is quite
5 effective. The natural light coming into the
6 facility and the effect that it has is quite
7 effective. This again is the boat dock and
8 these are the public spaces.

9 The next view shows the entrance.
10 This is Rutherford Avenue out here. This is
11 the entrance to the facility. We are now
12 looking at the back of that tower we looked at
13 just a minute ago. This is the view you see
14 when you come in.

15 This is the self-parking area down
16 in here. So, you could come in, drive down
17 there and park. Or you could continue up here
18 to where the entrance is and have the car valet
19 parked or drop somebody off and then come back
20 and go into the self-parking.

21 The next slide shows us proceeding
22 to the front of the building. We've come up
23 now. We've gone past the self-parking. This
24 is the main entrance where valet parking is

1 available. This is the boat dock over here and
2 then the retail arcade out in that direction.

3 The next slide will show us another
4 perspective of the boat dock area. This is the
5 boat dock landing. This is the entrance that
6 people would use after getting off the boats to
7 get into the facility. This again is the
8 retail area over here. And now you can see the
9 prominence of these skylights as you come
10 around and the prominence of the skylights in
11 various locations.

12 And finally this is the end of the
13 esplanade. This originally was to be, I think,
14 the area where the winter garden that we'll
15 take a look at in a minute was to be planted.
16 This area has now changed in the most recent
17 plan and now will be a nightclub. We'll take a
18 look at that floor plan when we get to the next
19 section of the analysis.

20 But in any event this is the end of
21 the retail esplanade. These are the public
22 spaces. And this is the river walk that comes
23 around and connects out there. You can see
24 now, at least in the artist's conception, what

1 the replantings are going to look like once
2 that is completed.

3 Now I must say that the Wynn design
4 has drawn some heavy criticism that's been
5 published in the papers and discussed widely.
6 And the criticism was launched by a number of
7 prominent architects using language that I
8 think was not helpful to a constructivist
9 discussion. Some of the terms and terminology
10 that they used to describe this was the kind of
11 shut-down language that is not helpful to a
12 thoughtful and informed debate.

13 But at the beginning of this
14 process, I asked the consultants to help, and
15 they did help, try to take some of the
16 subjectivity out of design analysis. How can
17 you approach qualitative design without being
18 entirely subjective? I like this, I don't like
19 it. You can't take that out entirely, but I
20 did ask them to help.

21 And they prepared and we all
22 discussed a series of criteria that one could
23 look at to try to come to some consensus about
24 whether a design was acceptable, whether it was

1 good, whether it was a design that was helpful.
2 And we came up with these nine criteria.

3 Appendix A to the report lists those
4 criteria, discusses them in greater detail and
5 talks about why they are useful guides to
6 analyzing design. They are consistent high-
7 quality in design construction and materials
8 reflecting and projecting the aspirations of
9 the community, the region and the Commonwealth;
10 providing public space and amenities that
11 benefit patrons and the community; serve and
12 improve the immediate environment; be
13 compatible with planning visions; strengthen
14 connections with existing and future networks
15 by integrating the site with adjoining streets,
16 sidewalks, public transportation systems and
17 other public areas; capture and extend the
18 essential qualities of the building type in its
19 intended purpose in a captivating way.

20 In some ways, this facility, and
21 putting the rhetoric aside, does in my view
22 fall short. The EIFS material and the bronzed
23 glass, the glass which is so spectacularly
24 successful as we'll see in Las Vegas, may not

1 be appropriate materials for this region. And
2 the reflection and projecting the aspirations
3 of the community, the region and the
4 Commonwealth, it seems to me that that too is
5 something in which this design falls short. It
6 is also questionable in my view whether it
7 fulfills that criterion.

8 Insofar as projecting and reflecting
9 the aspirations of the community, the next
10 slide shows the origin of this facility, which
11 was a proposal for Philadelphia, Pennsylvania.
12 And the site down there was similar to the site
13 that's here but not exactly the same. But this
14 is basically the same design here that was used
15 in the Philadelphia environment. So, it is a
16 generic design clearly and does not reflect
17 something unique to Massachusetts.

18 But more important than that, it
19 doesn't capture the energy that this company is
20 capable of. This is one of the great
21 innovative design companies. They've won
22 hundreds of awards for design. And this is the
23 Macau facility which has a similar pattern, but
24 first of all has a much more integrated

1 presentation. And although this is a bad
2 picture on a gray day, a much more attractive
3 and attracting façade on the rear.

4 And the next slide shows the
5 facility in Las Vegas, which is truly
6 spectacular. This is the sunrise and the
7 reflection captured on these buildings by the
8 rising sun, the reflection of what's around it.
9 It is unique there. It is attractive and it is
10 compelling. And simply put, it was the
11 consensus of the group, and I share that
12 consensus that this proposal doesn't reflect
13 that kind of energy.

14 So, let's move now to a summary.
15 I'm not going to read this entire proposal. We
16 have a summary like this at the end of each
17 section. But I'm going to read simply
18 highlights and then pause before we proceed to
19 the next section.

20 Mohegan Sun proposes to redevelop
21 approximately 40 acres currently occupied by
22 the Suffolk Downs stables into an urban resort
23 casino located in the MBTA Blue Line Beachmont
24 station, not in, next to the Beachmont station.

1 The proposal draws inspiration from the legacy
2 and history of Revere Beach, the building and
3 program design respond to a variety of adjacent
4 site conditions including the racetrack,
5 commercial retail, a busy artery, two-story
6 homes and a neighborhood retail district.

7 The curving contemporary structure
8 is distinguished by a series of large concrete
9 canopies suggestive of beach umbrellas, which
10 existed along the circulation spine of the
11 building. The facade, primarily inward looking
12 provides glimpses of interior activity through
13 the glass-enclosed pedestrian lobby.

14 Sustainability features include
15 photovoltaic field and rooftop garden and
16 greenhouses. Although the design is inward
17 looking and only one pedestrian entrance,
18 incorporates a very limited public open space
19 and presents a limited connection to Revere
20 Beach, it offers a promise of distinction and a
21 modern resort casino.

22 Wynn proposes to redevelop
23 approximately 26 developable acres of former
24 industrial land along the Mystic River into a

1 luxury resort casino that embraces its
2 waterfront location. The proposed development
3 consists -- is consistent with the city of
4 Everett's vision for the Mystic River
5 waterfront.

6 It introduces public access and
7 amenities to previously inaccessible, heavily
8 contaminated site along the water's edge and
9 provides connections to the Mystic River
10 pedestrian network.

11 Mohegan Sun presents a creative
12 design that recognizes its place within its
13 surroundings. Wynn presents a development plan
14 with many positives but the hotel tower does
15 not have the innovative energy characteristic
16 of its Las Vegas hotels and the best new
17 construction in the Boston area.

18 The next slide contains a list of
19 bullet points that we created in the course of
20 -- I created in the course of the overall
21 analysis. I'm not going to pause to look at
22 those.

23 And the final is a summation for
24 this category of my view of the applicants in

1 the creativity and design and overall concept
2 excellence realm. Sufficient to very good for
3 the Mohegan Sun/Revere facility, and sufficient
4 for the reasons that I've stated for the Wynn
5 facility.

6 So, let me pause there and ask first
7 of all the consultants if I have missed any
8 critical element that I should bring to their
9 attention.

10 And then colleagues, ask you if you
11 have any questions?

12 COMMISSIONER CAMERON: No.

13 COMMISSIONER ZUNIGA: I have a
14 technical question. I think I need a recess.

15 COMMISSIONER MCHUGH: That's not a
16 question, but I'm not going to rule you out of
17 order. So, let's take a five-minute recess.

18
19 (A recess was taken)

20
21 COMMISSIONER MCHUGH: Ladies and
22 gentlemen, I would like to resume and continue
23 this with this if we might.

24 So far we've been looking at the

1 exterior of this facility, both facilities
2 actually. And now in criterion two, a gaming
3 establishment of high caliber with quality
4 amenities in partnership with local facilities,
5 in that category -- this category we are going
6 to go inside these facilities and take a closer
7 look at their contents.

8 Again, we've grouped the questions,
9 and there are a number in this area, we've
10 grouped them into four groups. The most
11 important group is the gaming amenities, the
12 non-gaming amenities, the entertainment venues,
13 the public spaces, the description of the hotel
14 and the quality of the amenities. The
15 exhibition spaces, the conference space and the
16 other facilities are in the second group.

17 The third group serving the
18 surrounding community really overlaps with
19 mitigation. And I'm going to touch on that
20 only lightly because it'll be dealt with in
21 much more detail in the mitigation area. And
22 the fourth, tourism diversity and diversified
23 regional tourism, are elements of site design,
24 does it attract those, but that is a much more

1 direct and central component of the economic
2 development piece. So, I'm going to leave that
3 primarily to Commissioner Stebbins.

4 This is again beginning with Mohegan
5 Sun. And we look first at the contents, a
6 description, a verbal description of the
7 contents of each facility. We start with
8 gaming because that's what these are. These
9 are gaming facilities. So, let's start with
10 gaming. The total gaming positions -- And a
11 gaming position is defined in our regulation
12 and in the statute as a place from which a
13 person can play a game. So typically, in a
14 slot machine that's one gaming position for one
15 slot machine. That's not always true, but
16 that's the basic, one position for one machine.
17 For table games though, it's different. It's
18 however many positions the table and the game
19 will accommodate.

20 There are 5000 total positions
21 contemplated for this facility. There are 4200
22 slot machines contemplated, 120 table games and
23 a total gaming square footage of about 172,000
24 square feet.

1 There also are non-gaming aspects of
2 this facility and the other. Food and beverage
3 will occupy about 92,000 square feet, retail
4 102,000 square feet, entertainment and meeting
5 areas are the same 44,000, 45,000 square feet
6 and then a spa with about 12,000 square feet.

7 The hotel, and there are two of them
8 as we know in this facility, will contain a
9 total number of keys, that's the term, a total
10 number of keys somewhere between 425 and 550.

11 That number hasn't been finally resolved yet.

12 On-site parking will consist of 4200 structured
13 spaces. That's 4200 spaces in the garage. And
14 surface spaces add another 270.

15 One has to understand that these are
16 again somewhat plastic figures but they've been
17 through a couple of evolutions. So, we can
18 count on these as essentially what the final
19 proposals will contain.

20 Let's turn then to begin to look at
21 the proposals themselves. We start with the
22 two hotels. This is looking at top-down. This
23 is the boutique hotel. It will be built, owned
24 and operated by a third-party.

1 New England Development is one
2 component of that third-party. Finard
3 Properties is another component of that
4 property. And they will essentially build, it,
5 own it, operate it and pay a fee to Mohegan Sun
6 for those operations.

7 They are successful real estate
8 developers in the New England area. They have
9 built retail concourses -- retail
10 establishments throughout the region. And the
11 application says this about the boutique hotel.
12 It's located off the retail concourse and
13 provides a quieter setting for guests away from
14 the action in the gaming area.

15 The guest rooms in the boutique
16 hotel are similar in size and amenity as in the
17 hotel, as in the casino hotel but the emphasis
18 is on moderate pricing. So, that is the
19 boutique hotel which will have a fewer number
20 of rooms, 125 to 175 somewhere in that area.

21 The casino hotel is down here. That
22 will have between 300 and 375 rooms. It will,
23 according to the application, provide patrons
24 with direct access between the casino floor and

1 hotel reception. Hotel amenities will include
2 an indoor pool, spa, fitness center and the
3 like. The gaming hotel will also provide
4 promotions associated with gaming activities
5 including extravagant suites and luxury rooms.

6 It's estimated that 60 to 75 percent
7 of this hotel will be reserved for gaming
8 establishment promotions. So, some portion of
9 this will be available to general visitors.

10 All of this will be available to general
11 visitors.

12 The next slide contains
13 representative reference images. These are
14 taken from the Connecticut facility. This is a
15 hallway. This is a reception area, hotel
16 reception area. These are pictures of various
17 rooms in the facility. And they're submitted
18 as representing though not duplicating the
19 kinds of materials, the kinds of images, the
20 kinds of appearance that the rooms in this
21 facility will contain.

22 On the next slide, we go down one
23 level. We go down. We looked at really at the
24 top of the roof and the top of the building and

1 focused solely on the hotel structures. Now
2 we're looking at the roof area over the casino.
3 And the roof area is a working operation.

4 It has protective capabilities. It
5 keeps the rain off the casino floor, but it
6 also is an area that is designed to be used by
7 casino patrons. So, we begin -- And I should
8 say that this plan as we'll see in a minute,
9 was an earlier plan. And like other components
10 of the application, it has evolved slightly.
11 And we'll see what the evolution looks like in
12 a few minutes.

13 In some areas, we have the
14 photovoltaic renewable energy sources. We have
15 in this area a food and beverage component.
16 This is a pool area for outdoor pools. This is
17 an indoor roof spa on this plan. The roof is
18 partly covered but partly covered with green
19 material. We'll see a rendering of that in a
20 second. This is a 5000 square-foot greenhouse
21 where food products, vegetables and the like
22 will be grown for consumption in the
23 restaurants on the premises.

24 This is a walkway across the top of

1 the roof that connects the two hotels and
2 connects down into the interior of the gaming
3 floor. So, this is one level above the gaming
4 floor.

5 This is the Beachmont entrance of
6 the Moon Café. These are the tops of some of
7 the parasols. But to show you this view, we've
8 stripped the parasols off the top.

9 The next slide is a rendering of the
10 pool area. So, this is that pool area that we
11 looked at a minute ago. This is back to the
12 casino. There's the casino hotel, I guess,
13 back in that direction. That's downtown
14 Boston. So, this is an area that you can see
15 from this rooftop.

16 This illustrates the kind of
17 thinking about the green roof that's developed
18 thus far. The green roof will be full of
19 plantings and will be in bloom at least in the
20 summer, the growing season.

21 On the next slide, we go down one
22 more level. And again, this is a plan that has
23 evolved slightly since it was originally
24 presented, but it demonstrates the main

1 features. And other plans differ only in the
2 location of some of these features, but the
3 elements are exactly the same.

4 So, we have a number of different
5 components. We have 10 food and beverage
6 components. They are sprinkled around the
7 site in various places where they are
8 intermingled with retail and intermingled with
9 the casino area.

10 We have retail owned by a third-
11 party. This is the retail area here. Not
12 that, this is the retail area here. And it's
13 owned by the same group, Finard and New England
14 properties that will own, operate and fit-out
15 those retail areas. The tenants in the retail
16 areas will also have a role in the fitting out
17 process.

18 There are three indoor gardens.
19 There's an indoor garden here, an indoor garden
20 here, indoor garden here, some plantings here
21 as well. There is a conference and meeting
22 area over here.

23 And this is an area known as the
24 Mohegan Sun Kids Quest area. It's a place

1 basically where casino patrons can have their
2 children play. They'll be supervised and
3 engaged in a number of different activities so
4 that they don't get involved with the gaming
5 floor.

6 This is the gaming floor here.
7 We'll take a closer look at that in a second,
8 two food and beverage stations or bars here, an
9 entertainment complex right here.

10 Hotel reception, the entrance to the
11 facility is here. Hotel receptionist is right
12 here. And therefore a guest who comes up
13 through the main area or who comes up from the
14 garage, elevators that are located somewhere in
15 this area, I think, but a guest who comes in
16 this direction in any event goes to hotel
17 reception here, and then can go to the hotels
18 in that fashion without having to go through
19 the gaming floor.

20 That's also true of people who want
21 to come to the facility and go to the shops and
22 the restaurants. They can do that but they
23 don't necessarily have to go to the gaming
24 floor.

1 There is an interface between the
2 food and beverage and retail and the gaming
3 floor here. You'll see that in a second. This
4 is not completely separated, but it at least is
5 offset somewhat from the main entrance.

6 Let's look at the next slide, if we
7 can. So, this is the casino floor. There's
8 the bar. These are the array of the games,
9 both table and slots. Here's a high-limit
10 area. These are lavatory facilities, food and
11 beverage there.

12 And then the Wolf Den is an
13 entertainment area that also is similar to the
14 Wolf Den in the Uncasville facility. It's a
15 high-energy place to go and have fun. Retail
16 is along here. A garden is there. This is one
17 level down back here. The bus drop off would
18 be back on this side of the facility. A
19 loading area back there. But that's one level
20 down. And this is the casino floor.

21 As I said, if we could go back for
22 one second, in the initial proposal, there was
23 a glass wall here and there may still be, and
24 sort of an open area where people could

1 congregate and look out onto the track. I'm
2 not sure whether that remains but that was at
3 least part of the initial concept.

4 Okay, now the next slide. This is
5 the Beachmont entrance so called and the Moon
6 Casino. The T station is over here. We looked
7 at the rendering of that before. T station's
8 over here. Patrons would enter on the ground
9 floor of this, come up stairs and this is the
10 layout they would encounter when they came up
11 there.

12 A variety of table games and slots
13 up here. And then a passageway through retail
14 onto the main gaming floor down here, or into
15 retail, restaurants and the like down in that
16 area with the two MBTA bus stops right there,
17 and a rendering that we saw before of that
18 aspect of the facility.

19 The next area, the next slide,
20 please, shows us and this is a superseding
21 plan. This was developed in response to our
22 request for clarifications and presented to us
23 fairly recently that make slight changes to
24 this rooftop area in particular in here. This

1 area has changed.

2 Now the parasols are back. So, they
3 obscure some of what's beneath. But the three
4 pools have been replaced by a single pool. And
5 there are other changes in here. But they're
6 slight. They're not significant.

7 What is significant about this is a
8 clear demonstration of the landscaping. This
9 is basically a landscaping plan. And this is a
10 more fully developed landscaping plan than we
11 had seen before.

12 So, this area is fully landscaped
13 with trees and plantings of one kind. This is
14 the entrance along Furlong Drive to the circle
15 that allows you to come around and go up to the
16 porte cochere and the main entrance.

17 You'll see in a second that there
18 also is an entrance beneath this. This is
19 basically a rising platform that takes you from
20 street level up one level to the entrance. So,
21 you go around here and drive straight into a
22 garage, but you can also -- taxis and valet
23 parking can park underneath this area.

24 And there's a roadway back here so

1 that people who come down Tomasello off of
2 Winthrop can drive underneath here and around
3 to the self-parking area. And these plantings
4 are the kinds of plantings that the developer
5 now envisions will be there.

6 I've put this little line in this
7 slide because I'm going to do a cross-section
8 in the next slide of this platform. And I put
9 that line in there so you can see where the cut
10 in the next slide is made.

11 So, let's turn to the next slide if
12 we can. And you'll see this is that circle
13 area out in front. And the area that we were
14 just looking at full of all of those plantings
15 rises up in this direction until it gets to the
16 main entrance up here. So, that's an elevated
17 platform with the plantings on top of it.

18 This is an area for parking of taxis
19 and for valet parking. This is the roadway
20 that I talked about where you can come from
21 that side through to this side and into the
22 parking garage over here.

23 And perhaps most notably, this is
24 Sales Creek. This is the creek that runs

1 through the North end of the track and will go
2 underneath this rising platform and will be
3 refurbished and rehabilitated through the
4 plantings and other kinds of things that are
5 seen -- depicted there on the banks.

6 The creek sides now are, I think
7 it's fair to say, a mess. It's been long
8 neglected. And the proposal will clean it up,
9 allow a cleaner and smoother water flow through
10 the area and improve it substantially.

11 Next slide, please. This slide
12 depicts vehicle circulation. I'm not going to
13 go into all of the detail that's here. This is
14 a way that you get into the parking garage.
15 This is Winthrop, Tomasello. And underneath
16 that platform around to the parking garage or
17 down here, around and up to the porte cochere
18 and the entrance here.

19 This is the garage inside. This is
20 what you find when you get in here. There's
21 areas for bus parking. There's areas for other
22 kinds of parking that are in here. This is one
23 of three levels. There are three levels to
24 this garage. And this is one of the three.

1 The others have parking spaces. So, we don't
2 need to spend a lot of time talking about
3 parking spaces.

4 There are 4200, as I said, 4200
5 total spaces in this garage, another 270
6 presumably in here. And then there will be
7 about a large number of off-site parking spaces
8 for employees. That's typical, and that's what
9 will happen here.

10 But the plans for where those off-
11 site parking spaces will be have not been
12 finalized because Mohegan Sun wants to wait to
13 see where the labor pool is centralized before
14 deciding where to make the off-site spaces, and
15 then running shuttles between the facility and
16 those spaces.

17 The next slide shows a rendering.
18 This is the interior of the facility. This is
19 the retail area over here. This is the gaming
20 floor over here. So, there is an easy
21 interface between the gaming floor and the
22 retail area.

23 These are the parasol stems that go
24 through to the roof. And above this is some of

1 the usable roof area that we just looked at and
2 saw the parasols continue up and spread out up
3 there.

4 The next slide will show us, again
5 these are reference areas, dining areas. This
6 a dining area with a dining area here. This a
7 dining area, burger dining and another kind of
8 dining there.

9 This is on the next slide the
10 conference spaces. This is the dining area in
11 the conference space for conventions or
12 receptions. This is a multiuse space. So, it
13 could be wedding receptions. It could be other
14 kinds of occasions. But this would be the
15 dining area.

16 This is a board room or a meeting
17 room. This is a presentation room. Those are
18 all reference images. Again, not plans but
19 things that describe the quality and the
20 content of what Mohegan Sun envisions.

21 And finally there is a slide about
22 the public spaces and the public areas that one
23 can see as one walks around. This is a
24 confection in the middle of a large walking

1 area. It's a little bit hard to see these, but
2 these are various public areas that are
3 accessible to patrons of the facility.

4 In the final slide, we took a look
5 at the overall construction budget, 527
6 million. I've seen a figure of 570 million.
7 I'm going to defer to Commissioner Zuniga who
8 will talk to us in more precise terms of what
9 it is. That 527 million is the figure that
10 I've used.

11 And we've done a construction cost
12 per hotel room of about \$220,000. We did that
13 because that is a rough estimate, very rough
14 estimate of relative quality. So, we used that
15 as a stand-in for relative quality.

16 So, that ends the interior
17 presentation of the Mohegan Sun facility. Now
18 let's do the same thing with the Wynn facility.

19 And here is the gateway to the Wynn
20 facility, which will have about 4250 total
21 gaming positions. Slots will be 3242, table
22 games 168 total gaming space 192,000 square
23 feet.

24 Food and beverage will occupy 64,000

1 square feet, retail 77,000 square feet,
2 entertainment in the form of a nightclub will
3 be about 30,000 square feet, convention and
4 meeting space about 32, spa and fitness about
5 13. The hotel will have 504 keys and total
6 space of some 540,000 square feet. There will
7 be 3700 parking spaces. And overall there will
8 be 1,369,000 square feet net of parking.

9 I forgot to give the equivalent
10 figure for Mohegan Sun. It's about the same,
11 965,000 square feet.

12 So, that is an overall outline of
13 the content of the facility. So, we looked at
14 that before and I put here just for reference.
15 Remember this is the shopping area. This is
16 now the nightclub area. We'll see that in a
17 second. Shopping area, casino, hotel and the
18 like.

19 I just wanted to take the top off of
20 this so we can look and see what's inside,
21 which we'll begin to do with this slide here.

22 So, this is the nightclub. It's to
23 be modeled after a nightclub called Ecstasy,
24 which is at one of the Wynn facilities in Las

1 Vegas. There are retail outlets along here.
2 There are restaurants, 10 restaurants, which
3 are along here and interspersed throughout this
4 part of the facility. There are 10 in total,
5 six owned by Wynn, owned and operated by Wynn,
6 four owned and operated by third parties.

7 These little red areas, it's a
8 little bit hard to see them here, but the
9 kitchens are located in proximity of course to
10 the restaurants.

11 The casino is here and we'll take a
12 closer look at a representation of this. This
13 has evolved from the initial plan by the
14 addition of this section. So, when we look at
15 this casino more closely, we won't see this
16 section. It was added later.

17 There are four entrances to the
18 facility. One here, one here, one here and one
19 through the garage area.

20 Registration, one comes in the main
21 entrance here. Registration is right here and
22 right here. And the hotel elevators are right
23 in this vicinity as well. So again, one
24 doesn't have to go through the gaming floor to

1 get to those hotel rooms. And the retail area
2 is all out here and here isolated from the
3 floor itself.

4 The next slide, just go back for one
5 second. To understand the next slide,
6 understand that I'm going to tip in the next
7 slide this gaming floor in that direction. And
8 it won't have this section upon it because it's
9 an earlier description.

10 So, we tip this over, if you would
11 now Melissa and we look at it here. So, the
12 hotel entrance, instead of being here is down
13 here now. The elevators are over there. Hotel
14 lobby is here.

15 So, this is a layout conceptually
16 with an additional space back here of the
17 gaming area. Poker area, a sports bar will be
18 in there, a service bar to serve the floor. A
19 restaurant here and a deli down here, high-
20 limit gaming down here. Baccarat which is an
21 attractive game particularly to foreign players
22 here. Some lottery terminals here, lottery
23 terminals here. And a food and beverage area
24 back there.

1 Next slide, please. We move up one
2 level in this slide to look at two things. One
3 the spa, this is the spa area. Elevators here
4 get one from the gaming floor, the hotel or
5 other areas to the spa. And then the
6 convention and meeting space is this area here.
7 So, that's one level up from the gaming floor.
8 And this is a part of green roof, portions of
9 which are sprinkled around other components of
10 the roof.

11 Next slide, please. This now is the
12 hotel itself looking of course from the top
13 down. These are the rooms on one side,
14 slightly larger rooms on this side, but all
15 arrayed around a common core. And that's
16 really all I wanted us to look at there.

17 The next slide shows the parking
18 area. This is the valet entrance is over here.
19 The entrance and exit to valet parking is over
20 here. This is the level one parking area.

21 This will be four levels of parking.
22 The first will be one level down from the
23 surface, but the excavation will go down four
24 more levels. So, there will be four levels to

1 this parking area therefore going deep into the
2 site to create the parking.

3 There will be, as I said, 3700
4 parking spaces there. Off-site there will be
5 800 parking spaces for employees, one of which
6 will be in Malden near the T stop, another at
7 Wellington center near the T stop, and then a
8 third in Everett at a place in proximity to the
9 facility down in this area but the exact
10 location has yet to be determined.

11 We turn now from the diagrams to
12 photographs. These are, except for one or two
13 occasions, photographs of existing facilities
14 in Las Vegas. And the representation is that
15 the quality, though not the actuality of what
16 we see here will be replicated in this
17 facility.

18 So, this is a steakhouse at the Wynn
19 Las Vegas. The next one is a deli, not fast
20 food but a quicker less scrumptious dining
21 experience in here. The next slide is a lounge
22 area in the Wynn Las Vegas. This is simply
23 what it says it is, a lounge area. This is the
24 upper level. There's an equally fitted out

1 component of this down below.

2 The next slide shows the spa area at
3 the Encore. This is a main walkway down here.
4 And then the massage rooms are off to the side
5 as one follows these little pathways here.
6 That's what that looks like in Las Vegas.

7 This next slide is the Excess. I
8 said Ecstasy before but maybe it's Ecstasy as
9 well. The Excess Nightclub in Las Vegas, which
10 the plan is to replicate something like this at
11 the end of the building where I showed you a
12 minute ago.

13 This slide now is a rendering. This
14 is not a photograph. This is a rendering of
15 the standard room that the applicant proposes
16 to have here. And the next slide will show the
17 deluxe room that it proposes to have here.

18 These rooms are fitted out in some
19 detail before they're installed. And we
20 visited the fitting-out facility when we all
21 had that trip to Las Vegas in which all of the
22 amenities and all of the floor coverings and
23 everything is created and tested before it's
24 installed locally.

1 The next slide shows the winter
2 garden, which is a component of this proposal.
3 This is an opulent, I think it's fair to say
4 floral display that will contain seasonally
5 appropriate flowers in a greenhouse
6 environment. We saw some of that at the Las
7 Vegas facility as well.

8 And finally public art plays an
9 important role in the Wynn plan. This is Jeff
10 Koons who is particularly hot at the moment.
11 Tulips, which is in fact on display in one of
12 the facilities in Las Vegas. Art of that
13 quality as represented will proliferate here.

14 The next slide is the final slide in
15 this area. The per hotel room construction
16 cost we have determined is about \$635,000. The
17 overall construction budget is a little over \$1
18 billion. So, that is the outline of that
19 facility.

20 That led me to the following
21 conclusions. Mohegan Sun provides amenities
22 complimentary to and consistent with a resort
23 casino intended to appeal to a cross-section of
24 the marketplace. Wynn emphasizes in their

1 approach a luxury market including upscale
2 retail tenants, nightclub and five-star hotel
3 suites.

4 Wynn takes the lead on this
5 criterion for its repurposing of a difficult
6 toxic site, advancing regional waterfront goals
7 and by separating its gaming floor from non-
8 gaming amenities. Further, Wynn estimates
9 total cost of construction at about \$1 billion,
10 Mohegan Sun at \$570 million.

11 The next slide, again a series of
12 bullet points in which various aspects of the
13 development are outlined. And the rating is on
14 the next slide. And I've rated Mohegan Sun
15 sufficient to very good in its proposal and
16 Wynn very good on its side of the ledger.

17 So, I'll stop there and ask if I've
18 missed anything of consequence of the
19 consultants? Seeing none, open for questions
20 from my colleagues.

21 COMMISSIONER CAMERON: Commissioner,
22 I had one question. The difference in per
23 hotel room cost is really significant. Is
24 there any explanation to go with that? Or is

1 it just the stars, the level of stars of the
2 hotel?

3 COMMISSIONER MCHUGH: We've done
4 this as a rough estimate of quality. It is a
5 rough estimate. And we've simply derived that
6 number by looking at the hotel construction
7 cost numbers that we obtained and dividing it
8 by the number of hotel rooms. And that's what
9 you come up with.

10 It is a rough measure of quality
11 used in the industry, used by architects and
12 used by others as that rough measure. In and
13 of itself, it is not determinative, but it does
14 give you some idea of the quality.

15 It is clear that the emphasis in the
16 Wynn area is in a very upscale place. And in
17 the Mohegan Sun proposal, a mixed approach to
18 things. That's clear in both proposals. And
19 it perhaps is reflected in those numbers. It
20 doesn't say one is necessarily better than the
21 other, but it does reflect itself in those
22 numbers.

23 COMMISSIONER ZUNIGA: I will add, as
24 you mentioned Commissioner, I will be talking a

1 little bit about that this afternoon. In my
2 case, I took out the number of gaming equipment
3 that's correlated with the costs that are
4 embedded here. But there's more details to
5 follow this afternoon.

6 COMMISSIONER MCHUGH: This is a
7 developing area.

8 COMMISSIONER CAMERON: Thank you.

9 COMMISSIONER MCHUGH: Other
10 questions? Okay. Let's go on to compatibility
11 with surroundings. Now again, I've grouped
12 these questions by order of importance.

13 Transportation, adequacy, mitigation
14 and improvements really is the first category.
15 And here there's a large overlap between my
16 approach -- between this component of the
17 application and the mitigation. So, I'm going
18 to sort of set the stage for a more detailed
19 discussion that Commissioner Cameron will
20 engage in. Then I think we both have thoughts.
21 She'll do the main presenting, but I want to
22 add some thoughts when we get to that section.

23 Neighborliness and impacts on
24 surroundings is a second category. It's

1 important. We've made some findings and
2 discussions on that in the report.

3 But I want to spend most of the time
4 in this section on the traffic because given
5 the location of these facilities in this what
6 I've already described as dense urban
7 environment, this is really an important
8 discussion.

9 Appendix C to my report contains a
10 detailed discussion of the traffic impacts
11 surrounding and about these two proposals.

12 So, let's start with again with
13 Mohegan Sun and go to the next slide. We've
14 seen this before. The main arteries and access
15 points are first of all Route 1 to the North
16 where there is -- Mohegan Sun anticipates about
17 18 percent of its traffic in and out will come.
18 From the West Route 16 comes down and across
19 there. They estimate about 17 percent of the
20 incoming and 18 percent of the outgoing traffic
21 will go along that corridor.

22 Route 1A goes off to the South. I
23 explained before that Route 1A comes down here,
24 branches off into the Ted Williams Tunnel and

1 Route 90 and continues over to the Sumner
2 Tunnel in town. 69 Percent of the traffic
3 inbound they estimate will use Route 1A, 25
4 percent to the Callahan Tunnel and 44 percent
5 through the Ted Williams Tunnel. 58 Percent of
6 the outbound traffic with a similar split on
7 the outbound side.

8 The next slide. This describes the
9 various components of the area and the
10 intersections that were studied in order to
11 come up with a traffic mitigation plan.
12 Commissioner Cameron will talk more about as I
13 say.

14 But these 28 intersections in
15 Revere, Boston and Chelsea were part of the
16 Massachusetts Environmental Protection Act
17 study. They were done in a standardized
18 fashion like all studies of this kind, like the
19 Wynn studies were done. They led to some major
20 improvements along Route 1A in this area
21 particularly that have the potential to solve
22 some long-standing problems in that area.

23 Next slide, please. This area shows
24 the principal points of entry. We've been over

1 this a couple of times, so I won't spend much
2 time on it. This is Route 16 down here to
3 Route 145 to Winthrop Avenue and Tomasello
4 Drive in and out. Furlong in and out off of
5 Route 1A. And Tomasello off of Route 1A in and
6 out although this will be discouraged. It is a
7 public road, so it can't be just blocked off,
8 but access through this way will be
9 discouraged.

10 Next slide, please. This is
11 Boardman Street. You'll hear more about that
12 from Commissioner Cameron. This is where some
13 significant improvements in the traffic flow
14 have been created. This is one of the primary
15 entrances to and exits from Winthrop come along
16 this area here. So, the proponent has made
17 some significant -- proposes some significant
18 improvements to that area.

19 The next slide helps us look at the
20 flow of pedestrian, bicycle and public
21 transportation. We have on this side we have
22 for bicycles, we have a pathway that comes in.
23 We have bike storage areas right here. A
24 future hubway station for bicycles will be

1 here. The pedestrian access and egress is
2 limited but it's outlined and detailed here.

3 Public transportation involves,
4 we've talked about this the Blue Line here, and
5 the entrance to the facility here. And then
6 bus stops are right here.

7 The next slide, please. This shows
8 us the principal public transportation areas in
9 the vicinity. The bus 119 comes right along
10 here. The 119 starts at the Northgate Shopping
11 Center in the North end of Revere, comes down
12 here and through this loop and around and then
13 back to the Northgate. Several stops are in
14 the vicinity of the casino, but these are the
15 principal ones right along here.

16 I'm sorry, the Blue Line runs
17 between Bowdoin and Wonderland. Wonderland is
18 at the North end of Revere up here. And
19 Bowdoin is in the center of Boston in the
20 vicinity of Cambridge Street near the City Hall
21 Plaza. So, it comes from downtown Boston to
22 here and then from the North from Wonderland
23 down there.

24 At Wonderland, there are 1862

1 parking spaces. So, there's ample opportunity
2 for people from the North to park up there and
3 take the T down. Of course, the inner city has
4 the potential to drain a lot of area down there
5 and have people arrive by the Blue Line which
6 is part of the plan.

7 The next slide shows the overall
8 mode share, how the developer anticipates
9 people will get to and from the facility, about
10 73 percent by automobile, about 11 percent by
11 taxi and drop-off and about 11 percent -- These
12 are patrons. -- of people will come by public
13 transit. Different numbers for employees.
14 They have a plan for a shuttle system between
15 various areas for the employees.

16 And finally in this area, the next
17 slide shows the overall numbers, the overall
18 local traffic mitigation plans that they have.
19 And Commissioner Cameron will talk about this.
20 I'm not going to spend time on except to note
21 that the overall spending for traffic
22 mitigation is about \$46 million in the area
23 where they have planned it.

24 Let's do the same kind of analysis

1 now for the Wynn Everett facility. That's our
2 marker. But I'm going to start with the
3 cleanup of the site both because that's an
4 important and significant aspect of their
5 plans.

6 This is the site. It's
7 contaminated. The contamination is pretty
8 widespread, but the principal areas of
9 contamination are three. One down here, which
10 is very acidic. This is areas of hotspots for
11 chemicals. Some of this will be stabilized on-
12 site. It doesn't have to be removed. It can
13 be dealt with on-site.

14 The hotspots have to be moved and
15 taken away. This whole area will be excavated
16 down four levels for the garage. So, that dirt
17 fill excavated from there will be taken out.
18 The result will look like something like what's
19 on the next slide.

20 Here is now the footprint of the
21 facility on top of that garage. Here is areas
22 that have been stabilized. Here's areas that
23 have been covered with concrete. The banks
24 will have been, the bad dirt will have been

1 taken out and replaced by the grasses and other
2 things that we saw on those renderings.

3 But the entrance will come in and
4 the driveway will be here. And in that fashion
5 the site will be stabilized and usable by
6 patrons and picnickers and others.

7 The next slide is not one I want to
8 spend any time on except to show this in a
9 broad scale. There's been some conversation
10 and concern, legitimate conversation and
11 concern about the cleanup process. And it's
12 important to understand that the cleanup
13 process is basically an extended multiyear
14 process.

15 It's been going on for some period
16 of time. It involves an initial investigation,
17 a comprehensive investigation in this area, --
18 The details are there. -- a selection of
19 remediation approaches, an implementation of
20 the remediation approaches, and then the final
21 plans. And their process is about at this
22 level.

23 The final detailed plans have yet to
24 come but the methodology has been selected, the

1 approach has been selected. I've just
2 described it to you. And what is yet to come
3 are the final details. There's been some
4 discussion of that. But the discussion needs
5 to understand that all of this work has been
6 done before we get to this level.

7 One also has to understand that all
8 of this is to be done under the supervision of
9 a licensed site professional. That's an
10 individual who has training on how to do this,
11 who's there, who's responsible, who's licensed
12 by the state, and who is capable of doing it.

13 It's under the oversight of the
14 Department of Environmental Protection. And
15 the Environmental Affairs secretary as part of
16 the Massachusetts Environmental Policy Act
17 process has found the proposal and the progress
18 acceptable in the certificate that she entered.

19 So, that piece deals with the site
20 cleanup which is substantial, significant and
21 will be an enormous improvement to what now is
22 basically a dead piece of property in the South
23 end of Everett.

24 Let's turn now to traffic, if we

1 might. The next slide shows principal roadways
2 in the vicinity. The environmental impact
3 report study began with a study of some 58
4 intersections in the vicinity. This here is
5 the site. These are the principal arteries.
6 This is Route 99. Route 93 is over here. So,
7 some 57 intersections were initially reviewed.

8 In the second level of the site, the
9 final environmental impact report, the
10 developer focused on 27 of those 97 as it was
11 authorized to do by the response to the draft
12 environmental impact report.

13 The traffic comes from a variety of
14 places. And it comes from all over this area
15 and beyond. But in the end, in order to get to
16 this site, it has to go through one of two
17 locations, Sullivan Square down here or
18 Sweetser Circle up here, and a significant
19 portion through Santilli Circle over here. So,
20 these are -- really these two areas Sullivan
21 Square down here, Sweetser Circle up here and
22 then to a lesser extent Santilli Circle over
23 here are key intersections for getting to and
24 from this facility.

1 Let's take a look at the next slide,
2 if we might. So, here's a close-up that shows
3 -- helps us better understand those two
4 intersections. Sullivan Square is down here.
5 Sweetser Circle is up here. By Wynn's
6 estimate, the inbound traffic from Sullivan
7 Square will be about 63 percent of its inbound
8 automobile traffic. The other end will be
9 about 37 percent. The outbound traffic will be
10 about 73 percent and the outbound traffic up
11 here will be about 27 percent.

12 That is a significant impact on both
13 of those intersections. A significant portion
14 of the traffic that comes out here at Sullivan
15 Square goes down Rutherford Avenue into and
16 through the Charlestown area and then down into
17 Boston. Some will come down and go onto Route
18 93 and go north, but a significant portion will
19 go in the other direction.

20 There are in the immediate vicinity
21 four T stops on the Orange Line. One is here
22 at Sullivan Square. There's a T stop there.
23 I'm going to come back and spend a minute on
24 that. Assembly Square has a brand-new T stop,

1 just opened. Wellington Circle has a T stop
2 here for the Orange Line and then Malden Square
3 has a T stop up here. So, there is good T
4 coverage there.

5 Let's go onto the next slide, if we
6 might. Let's go back to that slide for a
7 second. I'm going to spend a little bit more
8 time. This is the Wellington station. Wynn is
9 going to run shuttles from Wellington station
10 down to its facility here. And it's also going
11 to run shuttles from the Malden station down to
12 the facility principally for employees, but
13 also for patrons. It is not planning to run
14 shuttles from the Sullivan station because
15 there are bus routes that will come by the
16 entrance here. And I'll talk a little bit more
17 about that in just a second.

18 This is again the site, the
19 preferred entrance to the site is right here.
20 This is the MBTA maintenance facility. This is
21 all part of the lower Broadway redevelopment
22 plan that Everett has put together. And the
23 plan is for the casino to be here.

24 This will remain a mixed use,

1 single-family, multifamily, light commercial
2 area right here. The MBTA facility under this
3 plan would remain there. Residential would be
4 up in this area. And as I mentioned before,
5 residential has already, residential building
6 multifamily has already begun. This is the
7 power plant. That is the windmill and these
8 are some commercial areas over here.

9 The next slide shows the preferred
10 entrance to the facility. This is Route 99
11 which is Alford Street and Broadway. These are
12 traffic improvements that Wynn will make here
13 to allow patrons to enter and go into either
14 the self-parking area here or to go around to
15 the valet or drop-off area here. Deliveries
16 would come in through this way.

17 The back area, and we'll get to that
18 in more detail in a second, is to bring
19 principally employees in. And this is an
20 employee drop off area, although some supplies
21 and other things may come in through that back
22 area as well.

23 Next slide, please. This is the
24 other part of that area, and would show how the

1 service entrance would be set up. The service
2 entrance would be down in this area under the
3 preferred Wynn plan.

4 Wynn would acquire a piece of
5 property right here from the MBTA, another
6 piece of property right here from the MBTA
7 along the right-of-way, and a third piece of
8 property right here from the MBTA. The MBTA,
9 which now enters and exits this repair facility
10 from right here, would instead change its
11 entrance and exit to this area. And the
12 service entrance would be around the back side
13 of this.

14 This is now under an agreement with
15 the MBTA. But the agreement has to take
16 account of the public bidding process. So,
17 that process has started recently. And that is
18 what it's designed ultimately to produce.

19 The piece back here is about 20,000,
20 30,000 square feet. A small piece here, a
21 small piece here and those would be put
22 together to do that.

23 The next slide shows what will be
24 the entrance and exit if that process and

1 project that I just described is not finalized.
2 And that would keep the MBTA entrance and exit
3 where it is, have a squared off entrance and
4 exit here for Wynn patrons.

5 They would share this area with the
6 MBTA. There would be two peak times during the
7 day where the MBTA personnel would be going in
8 and out. But they would share this. And then
9 the patrons would come in and once in would go
10 as before to the various locations inside the
11 facility.

12 Obviously, this is much less
13 desirable than the one I just described, and
14 that's why the other one is the primary plan.

15 Next slide, please. This slide
16 describes the pedestrian and bicycle
17 facilities. There are bicycling facilities and
18 pedestrian facilities here. Pedestrians
19 locally, pedestrians from this direction are
20 not likely to be many. Pedestrians from this
21 area are likely to be and here are the areas
22 where they can come in and move around.

23 Bicycle areas are provided as well.
24 And then once both pedestrians and bicycles get

1 onto the property, they can use this area and
2 then connect with the other areas off-site and
3 off premises.

4 The next slide shows again in
5 schematic form what we looked at before with
6 the three T stations, the Wellington station,
7 the new Assembly Square station and the
8 Sullivan Square station with the Malden station
9 up here. But it also shows how richly enabled
10 this area is in terms of public transportation.

11 There are a number of bus routes
12 here. One, the 86 goes to Cleveland Circle in
13 Brookline, comes all of the way across from
14 Brookline to Sullivan station. The 90 comes
15 from Davis Square in Somerville. 91 comes from
16 Central Square. 92 and 93 come from downtown
17 Boston. And CT2, this one comes all of the way
18 across town from Ruggles station.

19 So, the opportunity to capitalize on
20 this is significant. These stations come from
21 a whole variety, these bus lines come from a
22 whole variety of places to the North and stop
23 at Wellington station where there will be a
24 shuttle going to the facility. That is not

1 necessarily an end in and of itself but it
2 creates some food for thought that I want to
3 talk about a little bit more when we get deeper
4 into our discussions.

5 Finally, or penultimately I guess,
6 the next slide shows a feature of this that is
7 unique. It is a water shuttle piece that will
8 go directly to the facility and pick up
9 passengers from two downtown locations, Long
10 Wharf and the World Trade Center, both of which
11 are high tourist areas, many hotels and other
12 facilities.

13 The Wynn company proposes to build
14 boats that will take passengers right into the
15 dock that we looked at. There'll be boats with
16 specific hulls that have no wake allow them to
17 do, they claim, 15 to 20 minute roundtrips even
18 though this quite a distance to take people by
19 boat.

20 The next slide shows their travel
21 mode shares. 71 percent by private vehicle,
22 taxis and private vehicles, 10 percent by
23 public transportation, six percent by water
24 transportation and then the rest in various

1 other modes.

2 The one critical problem that hasn't
3 been resolved is here. And Commissioner
4 Cameron is going to talk about it before, so
5 I'll just set the stage. This is Sullivan
6 Square. This is where a heavy volume of
7 traffic is intended to enter and exit the
8 facility out of the North end of the
9 Charlestown neighborhood.

10 This is the Sullivan Square T
11 station right here. This is the entrance, one
12 entrance to Sullivan Square. There's another
13 entrance to Sullivan Square here, another one
14 here that drains the Charlestown community.
15 Route 38 goes to the North and comes back here.
16 You can see the numbers of intersections that
17 are there.

18 As I said, 63 percent of the traffic
19 goes to the site through this area. And it is
20 already overcrowded and subject to gridlock at
21 various times of the day. Wynn has proposed
22 some measures for its improvement, which is
23 shown in the next area.

24 Those are these measures here. I'm

1 not going to go into detail about them but they
2 deal with this side of Sullivan Square. There
3 aren't any measures proposed at the present
4 time for this area. And there aren't any
5 measures proposed for that side of the area at
6 the present time.

7 The MEPA process, the Massachusetts
8 Environmental Protection Act process, has said
9 that much more attention has to be given to
10 this before a MEPA certificate that's necessary
11 can be entered. To complicate matters, this is
12 the current state of Sullivan Square but the
13 next slide is how the city and the residents,
14 at least a significant component of the
15 residents, want Sullivan Square to look.

16 And there's been a 10, actually a
17 20-year planning project that's been going on
18 that came up with some variant of this plan.
19 This is the plan now that's on the table. The
20 cost of all that is around \$100 million. And
21 that is a moving target against which current
22 planning -- that makes current planning more
23 complicated.

24 So, that's a very, very complicated

1 piece of this project access and egress, not
2 entirely indeed not primarily perhaps in the
3 hands of the developer to control. But it's a
4 piece of the project that's essential to figure
5 out in order for the project to work.

6 Next slide, please. This slide I'm
7 not going to spend a great deal of time on
8 either. It shows that the construction
9 mitigation for roadways to which Wynn has
10 committed. And that is in a variety of places
11 described there, \$42 million. And they've
12 committed to spend that.

13 In both cases, both Mohegan Sun and
14 Wynn, although they've named a figure have
15 committed in many cases to do whatever it costs
16 to do the upgrades that are satisfactory. So,
17 it may be more. It may be a little bit less,
18 but those are ballpark figures.

19 Next slide, please. The most
20 complex concern, and this is my overall
21 judgment here, the most complex concern in this
22 criterion is traffic mitigation. Both
23 applicants have addressed the issue identifying
24 numerous intersections and roadways for

1 improvements to mitigate the impact of the
2 project generated traffic and in some cases
3 improve the traffic flow.

4 The major differentiation between
5 them is the Mohegan Sun mitigation measures for
6 major impacted roadways are complete and
7 workable. The Wynn measures for Sullivan
8 Square remain incomplete.

9 Mohegan Sun responded well to
10 traffic mitigation and adequately addressed
11 other issues in this criterion. The Wynn
12 project has a major weakness with respect to
13 traffic mitigation solutions at Sullivan
14 Square. It responded adequately to the other
15 questions and contributes in a positive way to
16 the surrounding with the proposed site cleanup
17 and waterfront development.

18 The next slide shows the subsidiary
19 points that I considered in making the overall
20 rating and judgment. And that overall rating
21 and judgment is for Mohegan Sun/Revere
22 sufficient to very good, and for Wynn
23 insufficient to sufficient. And the
24 insufficiency is principally Sullivan Square.

1 And I say that and acknowledge at
2 the same time that that is not something that
3 is necessarily in Wynn's hands unilaterally to
4 control and to fix. And I want to talk more
5 about that as a group when we get to the
6 deliberations stage. But that is in my view
7 the facts as they currently exist. And my
8 evaluation is based on those facts.

9 All right. From the consultants
10 anything that I omitted? Any thoughts,
11 Commissioner Stebbins.

12 COMMISSIONER STEBBINS: A quick
13 question on each. Mohegan Sun MA talks about
14 trying to deter people from using Tomasello
15 Drive. Were there specific strategies that
16 they talked about to again encourage people to
17 either use Furlong or I guess Winthrop?

18 COMMISSIONER MCHUGH: There was not
19 a specific plan to do that.

20 COMMISSIONER STEBBINS: My one
21 question regarding Wynn is the garage access.
22 You have one main point of entry into their
23 garage. And when that traffic is leaving, it's
24 coming out and taking a left-hand turn as

1 you're both getting more incoming traffic, bus
2 traffic going by it as well as the traffic
3 that's going up to the front door.

4 Was there any discussion or concern
5 of our consultants about that traffic pattern
6 when you're queueing up in the garage?

7 COMMISSIONER MCHUGH: There is. And
8 the solution is to have signalization out there
9 at the intersection that's variable and can
10 meet the demand at a given time. And also if
11 necessary, having traffic officers out there to
12 direct traffic.

13 COMMISSIONER STEBBINS: Thank you.

14 COMMISSIONER MCHUGH: I think I am
15 right. All right. Let's go onto the next.
16 This criterion is sustainable development. And
17 there are a number of categories of sustainable
18 development.

19 But this one at the top is the one
20 I'm going to spend the most time on because
21 this really has a great deal to do with how
22 well one performs on each of these. So, I
23 really want to spend the most time on this LEED
24 certification process.

1 So, let's turn to the next slide and
2 begin there. But let me in explanation of this
3 slide say that LEED is an acronym that stands
4 for leadership in energy and environmental
5 design, and is a rating system established by
6 the United States Green Building Council.

7 In the rating system, there are up
8 to 110 possible points. And an applicant would
9 need 60 points to get to the LEED gold
10 certification which the statute talks about and
11 requires the plans to meet. There are a number
12 of different levels. There is certifiable
13 LEED, silver LEED, gold LEED, platinum LEED.
14 Appendix D to our report goes into much greater
15 detail than I am going to in how all of this
16 works.

17 But the principal feature of this
18 system is its flexibility. It's one that's
19 designed to allow a building developer to take
20 a look at what he or she, it plans to do, look
21 at the various categories, think about the
22 things that they can do to get the maximum
23 number of points allowed in each category, and
24 each of these categories has a maximum number

1 of allowable points based on the overall value
2 of that category in terms of its potential to
3 create a truly green building.

4 It allows the developer to say I can
5 get X number of points here. I can get more
6 points here and put together a package that
7 comes out at the level the developer wants to
8 meet, be it silver, gold or platinum. And here
9 of course we are talking about gold.

10 This is the sheet, the rating sheet,
11 the aspirational sheet, the plan that each has
12 submitted. Mohegan Sun/Revere plans to be --
13 get 66 points which will put it in the gold
14 category and it plans to do it in this fashion.
15 I'll talk about each of these in the second.
16 When plans to reach the gold category 65
17 points. And it plans to do it in this fashion.

18 The first is sustainable sites.
19 That has to do with items like access to public
20 transit, storm water management, maintaining
21 open spaces, water efficiency. The next one
22 has to do with such things as reduction of
23 water consumption like limited irrigation and
24 water saving devices.

1 Energy and atmosphere looks at
2 overall energy performance, use of renewables
3 or green energy and commissioning to make sure
4 the systems are working properly.

5 Both of these applicants have agreed
6 to a robust commissioning process. And a
7 commissioning process is a process of planning
8 and then installing the equipment. And then
9 going back and checking in a very rigorous
10 fashion to make sure that the equipment is
11 working in the way that it was designed to.
12 And if not, figuring out where the deficiencies
13 are and correcting them. They both have
14 committed to that kind of a process.

15 Mohegan Sun has a little bit of an
16 edge in that they have committed to using a
17 third-party agent, a commissioning agent to
18 carry out those plans -- to carry out that
19 process. That's expensive, but they've
20 committed to doing that.

21 The materials and resources include
22 reused and recycled materials, local materials.
23 Indoor environmental quality covers such things
24 as using low volatile chemicals in adhesives

1 and other kinds of things to make the indoor
2 air quality better.

3 Innovation and design is what it
4 sounds like. Innovative things that are
5 unique. And regional credits are items that
6 are of more importance in one area than
7 another. So, there may be things for example
8 in the Southwest or the far Northeast or
9 Northwest would be useful things that are not
10 particularly useful here.

11 The next slide shows basically what
12 they propose to do. I said that Mohegan Sun,
13 which is on the side, has 66 proposed points.
14 Wynn has 65. They're both very close to each
15 other. Wynn has said that there are 29
16 additional points it could possibly get.
17 Mohegan Sun has said that there are 16 points
18 that they could possibly get.

19 The way they've approached these
20 things is demonstrated on this chart. The
21 principal differences have to do with storm
22 water and water efficiency, energy and
23 atmosphere. You can see the differences here.
24 These are the points to which they've

1 committed. These are the points to which they
2 aspire. And these are the maximum points
3 allowed for each area. So, you can see from
4 that chart how they propose to get to this
5 process.

6 This is a rating for each of those
7 LEED categories. Both are either sufficient or
8 very good in energy efficiency and overall
9 building sustainability.

10 And in the next slide, I will sum up
11 my analysis by saying that Mohegan Sun's
12 approach to energy and sustainability reflects
13 its experience in Connecticut and the related
14 tribal culture and values. The applicant's
15 approach is enhanced by their specific
16 commitment to pursue LEED gold certification
17 under the auspices of the US Green Building
18 Council.

19 Additionally, the applicant has
20 stated their commitment to comply with the
21 Massachusetts Stretch Energy Code and meet 20
22 percent of their electrical requirements via
23 renewable energy or certificates. That's 20
24 percent in perpetuity. It's 40 percent for the

1 first two years. And I failed to note earlier
2 that they had committed to certification as a
3 gold building.

4 And that requires an independent
5 entity coming in and actually certifying that
6 they've met the gold standard. And that's an
7 expensive part of the process.

8 Wynn's approach to energy and
9 sustainability is notable for its emphasis on
10 improved efficiency and operations. The
11 applicant commits to achieving a project that
12 would be certifiable but not certified under
13 the US Green Building Council guidelines at a
14 level of gold or better.

15 Additionally, the applicant has
16 indicated its commitment to exceed the
17 requirements of the Stretch Energy Code, which
18 was very recently adopted in Everett and to
19 meet 10 percent of its electrical requirements
20 via renewable energy or certificates.

21 That certificate reference is a
22 reference to the fact that you can do renewable
23 energy either by installing renewable energy
24 features like photovoltaic cells, or you can go

1 into the market and buy electricity from some
2 entity that has excess green energy to sell,
3 green energy more than it could use. So,
4 there's a market for that. And you can buy
5 those certificates.

6 Finally then, both applicants
7 engender confidence with approaches to
8 sustainability and energy use. Mohegan Sun
9 distinguished itself with its commitment to
10 pursue certification by the Green Building
11 Council, the increased commitment to renewable
12 energy sources and their agreement to support
13 biofuel.

14 I forgot to mention that as I was
15 proceeding forward. They have a contract with
16 an electrical generation company in which
17 they're going to take all of their biological
18 waste, sell it to that company which then will
19 use it to generate electrical power.

20 My overall rating here, and there's
21 some more bullet points, is that Mohegan Sun is
22 very good in this category, and Wynn is
23 sufficient to very good. They were very close,
24 but there were those differences that I just

1 outlined. Anything? Questions? Okay.

2 The next three, criteria five, six
3 and seven, I'm going to go through pretty
4 quickly. It's not to diminish their
5 importance, but they are not nearly as
6 important, in my view, as the four we've just
7 discussed. And the first of those is security
8 monitoring, surveillance and emergency
9 procedures.

10 I think as we look at the next
11 slide, one difference that separated the two is
12 their approach to a centralized auditing
13 system. Mohegan Sun has had that experience
14 with a centralized auditing system in one of
15 their other facilities. Wynn has not and is
16 not committed to it, although it has said that
17 it will do whatever we want them to do.

18 We haven't decided whether we want a
19 centralized auditing system. So, that's kind
20 of a wash but it is a distinguishing feature.

21 They both have had extensive
22 experience in surveillance. They both have had
23 extensive experience in monitoring. And they
24 both have had extensive experience in emergency

1 procedures. They run successful facilities.
2 The run big facilities. They've done this.
3 They can do it. And there is little to
4 distinguish them in their ability to do it and
5 their ability to do it well.

6 So, for those reasons there are some
7 bullet points in the next slide, but in the
8 end, I think they are both sufficient.

9 The next group is permitting.
10 Appendix E to our report talks in some detail
11 about the permits that are be required. And
12 let me just talk a little bit about the
13 permitting in the next slide if I might.

14 For Mohegan Sun, the most important
15 permitting issues relate to traffic mitigation
16 and enhancement and protection of Sales Creek.
17 We've talked about Sales Creek. We've talked
18 about their mitigation Commissioner Cameron is
19 going to talk about that some more.

20 Permitting itself, this is Mohegan
21 Sun still, could be completed by the end of
22 February 2015 followed by a 30-month
23 construction period with an opening in
24 September 2017. Two factors could delay the

1 process. They include protracted traffic
2 permitting and wetland permitting. Those are
3 possible delays but basically they're on track.

4 For Wynn, the four most important
5 permitting issues relate to traffic mitigation,
6 compliance with the Everett municipal Harbor
7 plan, under Chapter 91 of the General Laws,
8 dredging and marine works and site cleanup.

9 Permitting despite its complexity in
10 the Wynn case is well along and could be
11 completed by the end of July 2015 followed in
12 my view by a 36-month construction period with
13 an opening in July 2018. Two factors could
14 delay the permitting. They include protracted
15 traffic permitting and public involvement in
16 the planning for the site's hazardous waste
17 cleanup, which is a feature of the statute
18 governing site cleanup.

19 Public participation has to be
20 included. There has to be a formalized process
21 for that participation. That's been
22 successfully by other developers in the area.
23 There's no reason to think it can't be done
24 successfully here. But it is a point that

1 needs careful attention.

2 The next slide has a permitting
3 chart on it and has these four components. The
4 MEPA process, Mohegan Sun has not finished that
5 Massachusetts Environmental Protection Act
6 process, but they are well along. Their
7 interim report, their supplemental draft
8 environmental impact report has been approved
9 by the Secretary.

10 The next step is to prepare a final
11 one. There is no reason to believe that they
12 won't be able to do it. They have projected an
13 opening in April 2017. I think after
14 conferring with the consultants they're just
15 going to take a little longer, and we predict
16 in the third quarter of 2017.

17 On the Wynn side, they have not
18 finished the MEPA process. They have filed the
19 final environmental impact report. They've
20 been told that they need to supplement that
21 final impact report. They will supplement it.
22 And the then Secretary has to issue a
23 certificate before they can proceed to the
24 permitting phase. They have predicted an

1 opening in 2017. At the rate things are and
2 the pace things are going, I am thinking it's
3 somewhere closer to mid-2018.

4 However, that said as will be shown
5 in the next slide after this one, both of them
6 are sufficient. The permitting process is well
7 along. The permitting for both of them involve
8 some complexities. And with the dredging and
9 the waterfront, a number of federal agencies,
10 but that's being well managed and is moving
11 along. So, the permitting process is being
12 handled as well as it could.

13 In criterion seven, which is the
14 final one, which deals with other uses for the
15 building and overall control of the site, both
16 applicants are satisfactory. They both control
17 the sites. They both have reasonable, proposed
18 reasonable alternative uses for the site.
19 Hopefully, that will never be needed, but they
20 have done that.

21 Wynn needs a couple of pieces for
22 its preferred alternative. I've described to
23 you the plan it has for getting them. Those
24 plans are underway. If they don't, they've got

1 a backup plan and we've seen that as well. So,
2 both of those I rate as sufficient.

3 So, that brings us to the end of
4 each of the criteria. Let's talk for a second
5 about the overview. My overall building and
6 site design rating for Mohegan Sun is
7 sufficient to very good. And my overall rating
8 for Wynn is sufficient. That's primarily based
9 on the building piece that I talked about, but
10 really in the last analysis on this problem
11 with the traffic in Sullivan Square. That's a
12 driver for this rating.

13 There's a narrative that goes with
14 this. I am going to leave it to you and the
15 others to read the narrative. I think that the
16 content of that narrative is embedded in
17 everything that I've said thus far. And I
18 think that the rating talks about the ultimate
19 conclusion. But the narrative is there to show
20 the thinking that went into the process that
21 got us to this stage.

22 So, I will stop now and ask for
23 questions. I do have one set of
24 recommendations. And perhaps I ought to make

1 those recommendations now, and then I'll take
2 whatever questions exist.

3 Insofar as Mohegan Sun is concerned,
4 do we have the slide for that? I am
5 recommending that a condition be that Mohegan
6 Sun submit exterior material and finish
7 selections and samples for review and approval
8 by the Commission before they're installed.
9 We've done this elsewhere.

10 This proposal rests heavily on the
11 appeal of this, on the look of these parasols
12 and the exterior and the plantings. And I
13 think we need some review as we've done
14 elsewhere through our consultants, the Pinck
15 Company and perhaps others to ensure that the
16 material selection and the like is appropriate.
17 So, I would recommend that we impose this
18 condition.

19 In Wynn's case, I would recommend
20 that we urge Wynn to reconsider the exterior
21 design of the buildings, and present a revised
22 design the Commission. And in any event, that
23 they be required to do the same kind of
24 material selection procedure that I've

1 suggested and recommend for Mohegan Sun.

2 Among the consultants and myself in
3 our dialogue, there were some who said that the
4 Commission ought to condition the license on a
5 new and different design. I don't want to do
6 that. I don't want to do that for two reasons.

7 One, I don't want to issue or have
8 the Commission issue if we go in that direction
9 a license that's conditioned on something that
10 may take ages to come to agreement on.

11 But more important, I think and a
12 number of the consultants, some of the
13 consultants at least agree that the track
14 record of this company in terms of the quality
15 of its design is unparalleled in this industry.
16 And it seems to me that the energy and the
17 pride and the value it places on the quality of
18 its design is in the end going to provide the
19 Commonwealth, if we issue this license to Wynn,
20 with a quality design. It's really important
21 that that be there.

22 This building, in addition to being
23 a large building and the key and the gateway to
24 the redevelopment in Everett is the first

1 close-up building of significance that every
2 visitor to the city from the North will see.
3 And it seems to me that the emphasis there
4 ought to be on and will be on if we award the
5 license to them a design of quality that is
6 consistent with that first vision of Boston
7 from the North.

8 So, those are the two conditions
9 that I recommend. I will stop now, take any
10 questions, unless there's anything else I
11 should be saying. I'll take questions from the
12 Commissioners.

13 COMMISSIONER STEBBINS: I had one
14 question and it's a quick one. And I kind of
15 passed over it when you were going through
16 criterion two. But that Moon Casino looked
17 like it was open glass, natural light coming
18 into it, which is kind of a different
19 architectural model than we've seen in most
20 casinos. I just wanted to make sure that my
21 understanding of those renderings were correct.

22 COMMISSIONER MCHUGH: It is. And
23 there's a lot of light and glass in that
24 design, a lot of light and glass in both

1 designs. But that design is -- the curtain
2 wall is glass both on the upper level and the
3 lower level both in the renderings and in the
4 material choice diagram.

5 COMMISSIONER STEBBINS: Thank you.

6 COMMISSIONER MCHUGH: Other
7 questions?

8 COMMISSIONER ZUNIGA: Go ahead.

9 COMMISSIONER CAMERON: I just had a
10 comment.

11 COMMISSIONER ZUNIGA: Can I just
12 take us back a little bit to the
13 sustainability --

14 COMMISSIONER MCHUGH: To the what?

15 COMMISSIONER ZUNIGA: To the
16 sustainability criteria, the one that leads
17 with LEED. One applicant proposes to be
18 certified -- LEED certified gold. The other
19 one if I understand it correctly, certifiable?

20 COMMISSIONER MCHUGH: Right.

21 COMMISSIONER ZUNIGA: And therein
22 lies the difference, perhaps, in your rating,
23 Commissioner?

24 COMMISSIONER MCHUGH: That is part

1 of the difference that's right.

2 COMMISSIONER ZUNIGA: Was there any
3 consideration relative to the Wynn that does
4 not have that certified commitment, does have
5 more potential points as part of what they
6 could do.

7 COMMISSIONER MCHUGH: Well, next
8 slide, please, Melissa. Giving consideration
9 to this delta?

10 COMMISSIONER ZUNIGA: That's right.

11 COMMISSIONER MCHUGH: Frankly, I did
12 not give a great deal of consideration to that
13 difference because it's entirely aspirational.
14 And these are fully supported by plans. We
15 know what their thinking is. We've had a
16 chance to evaluate their plans. The plans are
17 realistic. The plans are concrete. The plans
18 are thoughtful.

19 These are plans that have some
20 considerable thought given to them. They're
21 not just picked off the-wall but the commitment
22 to reaching those isn't there. So, I
23 downplayed that difference while noting it.

24 Having said that, it often turns out

1 that as the construction proceeds, the
2 developer finds out that they can't get 66
3 points in the way they've planned. This is
4 flexible enough, this whole process is flexible
5 enough that they could drop points in one
6 category and figure out how to pick them up in
7 another category and still stay at 66 or at
8 least still stay over the 60.

9 So, that flexibility is built into
10 this. But this is not as concrete as this, so
11 I didn't give it as much weight.

12 COMMISSIONER ZUNIGA: Thank you.

13 COMMISSIONER STEBBINS: I have a
14 follow-up question on the LEED piece. The
15 legislation talks about a project achieving
16 LEED gold or better.

17 COMMISSIONER MCHUGH: Right.

18 COMMISSIONER STEBBINS: And both of
19 these projects just score slightly over the
20 LEED gold line. I was somewhat surprised
21 because this is all new construction. Are
22 there questions or issues that came up relative
23 to that in talking with the consultants about
24 the LEED efforts?

1 COMMISSIONER MCHUGH: No. LEED gold
2 is hard. And I think that these scores are as
3 good as, if not better than, the scores on any
4 other application we've received thus far.

5 There were more challenging perhaps,
6 more challenging circumstances with MGM,
7 because they had multiple buildings that they
8 had to deal with. But for the slots parlors,
9 they were all right in this area. And MGM is
10 right in this area as well.

11 This is a difficult standard to
12 meet. And they've met it and hopefully they'll
13 -- and they will be encouraged to do more.
14 We'll do that as we proceed. I think that was
15 my thinking anyway, Commissioner.

16 COMMISSIONER ZUNIGA: There's also
17 one -- just along the lines of why it's hard to
18 meet these, this is especially hard for casinos
19 because they are 24/7 operation. And where the
20 gold standard is well-suited for many buildings
21 that don't get used 24 hours a day, I would
22 characterize this as a great accomplishment by
23 both applicants.

24 COMMISSIONER MCHUGH: Yes. And in

1 addition to that they have huge open spaces,
2 which are a lot harder to deal with than
3 confined spaces where you can regulate
4 temperatures in a much more sustained way.

5 But the plans that they have and
6 have submitted and have been evaluated by the
7 consultants call for state-of-the-art
8 equipment. They call for extraordinarily
9 sophisticated temperature management and energy
10 management systems. Systems that begin to kick
11 before they really need to in some senses in
12 order to be ready when they need to be there.
13 They both are really very sophisticated
14 systems. And this is a good result by both.
15 Anything further?

16 COMMISSIONER CAMERON: Just to
17 comment that very comprehensive, easy to
18 follow, as always well thought out
19 presentation. I learned a lot. Thank you.

20 COMMISSIONER MCHUGH: All right.
21 Thank you. I think now we will, it's 12:20,
22 take a recess for an hour. And we will resume
23 then at 1:20. Thank you.

24

1 (A recess was taken)

2

3 COMMISSIONER MCHUGH: We're ready to
4 resume and take the next step in the
5 presentation process, which is Commissioner
6 Zuniga and the finance. Commissioner?

7 COMMISSIONER ZUNIGA: Thank you.
8 Good afternoon, everybody whoever is watching at
9 home. I'm again, turning my back to the
10 audience but that's for the benefit of
11 Commissioners and those that are streaming.

12 I will be presenting the category of
13 finance here today. I have a little
14 disadvantage in following pictures with numbers
15 and following lunch but hopefully we'll get
16 through like we have done in the past with a
17 good summary and a good discussion.

18 So, I'm going to give a brief
19 overview of the operations of the applicants.
20 The applicant for the Revere location is Mohegan
21 Sun MA. It is an entity indirectly wholly owned
22 by the tribe, Mohegan of Connecticut. Their
23 flagship operation is in Uncasville, Connecticut
24 which has 5500 slots, 325 tables in 1200 hotel

1 rooms. The year ended on September 30, I
2 believe that is for 2013. The gross gaming
3 revenues were \$862 million.

4 The tribe also owns and operates the
5 Mohegan Sun at Pocono Downs in Pennsylvania.
6 That is a smaller facility that has 2300 slots,
7 80 table games and they do conduct live harness
8 racing. The revenues for that same period
9 amounted to \$183 million in 2013.

10 The tribe manages the Resorts
11 Atlantic City Casino. They do have a minority
12 ownership there. They're also currently
13 competing for a gaming license in New York
14 State. And the capital cost reported there are
15 \$550 million of capital investment with 1800
16 slots and 50 table games.

17 Importantly, I need to highlight
18 that if successful in obtaining the Region A
19 gaming license, they will transfer 60 percent of
20 ownership of the operation of Mohegan Sun MA
21 over to Brigade Capital Management, their
22 financial partner. And I'm going to be getting
23 into more of those details later on.

24 Wynn on the other hand is a wholly-

1 owned subsidiary of Wynn Resorts Limited. They
2 own and operate two operations in Las Vegas,
3 with 230 table games, 1850 slots and 4700 hotel
4 rooms. Their gross gaming revenue is \$683
5 million for 2013 in the year that ended December
6 31. They have different fiscal years.

7 They also own and operate the Wynn
8 and Encore in Macau. We saw renderings on
9 Commissioner McHugh's presentations there as
10 well. They are larger operations, especially in
11 the table games arena but they also have a lot
12 of hotel rooms there with 1000 hotel rooms.

13 The gaming revenue there is no
14 surprise is significantly higher than those of
15 United States operations at \$3.8 billion. And
16 they are currently constructing the Wynn Palace
17 in Macau. The completion date is estimated to
18 be somewhere in 2016 with a capital cost of \$4
19 billion and a 1700 room casino.

20 I hope many of the people watching
21 can see this. It's meant to be a brief summary
22 of the operations. The construction period --
23 And one thing I'm going to do throughout my
24 presentation is we kept Springfield, the

1 operation MGM that has already been tentatively
2 awarded, because I thought it gives a good frame
3 of comparison for a lot of the things that we'll
4 be talking about.

5 Mohegan is usually at the middle of
6 charts that include all three operations, and
7 Wynn is again for alphabetical purposes towards
8 the right.

9 The number of seats -- A big
10 difference is relative to the slot machines that
11 one proposes versus the other applicant.
12 There's a lot more emphasis on slots in the
13 Mohegan application. And there is less tables
14 compared to the split that is evident in the
15 Wynn application.

16 And a little bit of that starts to
17 explain the different market emphasis that both
18 applicants come and are bringing with their
19 proposal. This is a theme that is going to go
20 certainly through the finance section. But
21 later on, I'm going to be asking Rob Scarpelli
22 to explain the market assessment, which is also
23 an important piece of this application or this
24 evaluation rather.

1 The mix here is just an sample of
2 the entertainment and retail options. The seats
3 are slightly higher when it comes to food and
4 beverage but they have similar number of outlets
5 among the two applicants. As highlighted by
6 Commissioner McHugh, the retail includes a
7 specialty Kids Quest area. Whereas Wynn worthy
8 of note is a nightclub with multipurpose venue.

9 I think it always bears reminding
10 ourselves of some of the way the finance section
11 was organized and how it mirrors the goals of
12 the statute when it comes to the financial
13 pieces. There are four broad areas that really
14 align with -- that come from the statute
15 directly that I'm going to be talking about.
16 And that is how they're organizing themselves in
17 terms of finance and capital structure.

18 A big goal of this statute relative
19 to the finance section is of course maximizing
20 revenues to the Commonwealth. Realizing the
21 maximum capital investment, and we have a
22 minimum threshold that I'll be talking about
23 shortly. And something that I think is very
24 important because I think that it captures a lot

1 of what permeates in the finance section is
2 offering the highest and best value but at the
3 same time creating a secure and robust gaming
4 market.

5 It is a new industry after all here
6 to the Commonwealth. And we all are very vested
7 in making sure that it's off to a good start.
8 And this is a first step, the evaluation.

9 There are a number of questions that
10 were not rated. For time purposes, I'm not
11 going to get into them. But these four areas
12 are really encompassed by many questions in the
13 finance sections, but elsewhere as well that we
14 reviewed in terms of trying to assess and
15 compare for those objectives.

16 Let me just stay there for a minute.
17 I just want to emphasize that all of these major
18 objectives, the ones that are in section 18 of
19 the statute, I believe there are also 18 big
20 objectives, no one applicant can really maximize
21 all of them. They are in my view at times
22 competing objective.

23 I think the shorthand has become
24 maximize the good while minimizing the bad. And

1 of course, that really transfers or the way it
2 comes to fruition is the fact that it's going to
3 be very hard to maximize all of them even if
4 it's minimizing or mitigating the negative
5 consequences.

6 So, of those 18 interrelated
7 objectives, and there's going to be a theme here
8 today relative to how some of these issues
9 interrelate to each other, there's four that I
10 just spoke about in the previous slide and are
11 here again that are key to the finance section.

12 When it comes to maximizing revenues
13 to the state, I believe, although it's not
14 clearly stated in the statute, we've taken and
15 interpreted that this implies revenues from near
16 and far. And as we will be talking into how
17 some of these sections interrelate with other
18 sections like economic development, there's many
19 topics in my view that overlap as was discussed
20 this morning.

21 We also have something that I think
22 bears reminding ourselves in terms of these
23 objectives. And this is that the way the
24 legislation was crafted was to expressly limit

1 one casino license per region. And something
2 that is also very important is that compared to
3 many other states that have enacted expanded
4 gaming throughout the states, ours is one that
5 is viewed as a low tax rate and with a high
6 minimum investment threshold.

7 We've had a lot of discussions
8 relative to that \$500 million capital
9 investment. The way to really offset or realize
10 that is with a low tax rate, which is 25 percent
11 of gross gaming revenues in our case.

12 I'm going to mention the people who
13 advised me in this endeavor. The people from
14 HLT, Rob Scarpelli to my right supported by
15 Katia Moureau, Drew Chamberlain and Matthew Klas
16 all did great work and have been doing great
17 work for us in this. Not shown here are Derek
18 Lennon, our own CFAO, Michael and Carroll to my
19 left and Alan Labovitch, a former Commissioner
20 of DOR who was very helpful in helping us try to
21 craft the summary presentation today with all of
22 the data that we have.

23 So, the four sections that I'll be
24 doing today is no surprise with what we've done

1 in the past two evaluations. There is a
2 financial capability and it has to do with
3 obtaining project capital. We have a review of
4 the financial strength and the expected project
5 returns.

6 I'll be talking about the investment
7 plan in terms of -- and that is essentially
8 their budget, their capital budget. Also later,
9 as I mentioned, Rob is going to be talking or
10 helping me present the market assessment, which
11 is the framework that HLT did for all of the
12 applicants in this process. We started with
13 Category 2s and went on to Region B. And we are
14 now in Region A. And there's also some
15 discussion that I will have for us today
16 relative to the operations plan.

17 I want to highlight something very
18 important, which are two key words here. And
19 that is the consistency between many of these
20 very interrelated areas. In some cases, we do
21 not touch as to the relative merits of going
22 after one particular market area or another. A
23 big part of what we do here is understanding
24 that if they say they are going to go after some

1 market whether that was reflected in their
2 financials and/or whether that is consistent
3 with what they propose in terms of capital
4 investment.

5 Let's just start with the financial
6 capability. The specific area that we review
7 here are their ability to obtain capital to
8 build this project. These are very large,
9 complex and expensive projects. So, this is a
10 central piece here.

11 We do review their current financial
12 strength, because that has some bearing as to
13 their ability to react to competitive forces and
14 come up with additional capital if needed, for
15 example. We also look at a very detailed -- on
16 a very detailed basis the expected project
17 returns over the 15-year term of the license.

18 The one thing that I will highlight
19 here, which I have done before, I'm just going
20 to breeze through this quickly, is that in this
21 case there is a lot of information that we have
22 available not just from the application which
23 was initially quite copious, but there's a lot
24 of SEC filings, annual reports, public

1 representations that the applicants have made.
2 Of course the Phase I suitability reports are
3 still documents that have a lot of bearing into
4 this analysis.

5 Even though Mohegan is not a public
6 company, they do borrow from the capital
7 markets. And in a very similar way they are
8 able to -- there's a lot of public information
9 that's available, analyst reports, rating
10 agencies ratings and the like. And all of that
11 has been analyzed by the team of advisors that I
12 have and has been a big important background
13 into all of this section.

14 Here's a summary of the proposed
15 funding plan. I want to just emphasize or hone
16 in on this number a little bit. It's been
17 reported quite a bit that the Mohegan
18 application is a \$1.3 billion application. As
19 submitted as of December 31, it's a \$1.1 billion
20 application.

21 The media reports have rounded up
22 the Everett proposal or the Wynn proposal. But
23 the detail number is there. It's a
24 \$1,589,000,000 proposal. I'm going to get into

1 the details of these numbers in a couple of
2 slides.

3 The applicant at Mohegan proposes to
4 fund this operation with third-party debt of
5 approximately 800 million comes with 235 million
6 in equity. And I'll speak about the detailed
7 numbers in a few minutes, and will obtain third-
8 party funding which includes some of the retail
9 tenants as well as this third-party or the
10 second hotel that Commissioner McHugh spoke
11 about this morning. And we're going to get into
12 the details there as well.

13 But if we take the numbers as
14 presented by the applicant in terms of their
15 debt-to-equity, the ratios are 71 to 21. I'm
16 going to come back to these numbers for the
17 Mohegan application, because certain elements of
18 the stated equity in my opinion, the 235
19 million, do add and behave like subordinated
20 debt. And I'm going to explain why that's
21 relevant and again in the next few slides.

22 The Wynn proposal proposes to borrow
23 approximately 984 million. They bring 600
24 million of their own money in terms of equity.

1 And that does translate into debt-to-equity
2 ratio in this fashion, approximately 38 percent
3 of equity.

4 Here's the detail that I was talking
5 about a little bit for Mohegan Sun. There are
6 two numbers that are worthy of note because they
7 come under the classification of equity that
8 have been already spent or will be the spend to
9 date when it comes to predevelopment or chase
10 costs. That's because there's two parties that
11 arrived to this point. They had in many ways a
12 lot of efforts with a different party in one
13 case and in another site in another case.

14 My view and opinion of this \$100
15 million in what they call equity is that that's
16 a sunk cost. Brigade proposes to bring in as
17 common equity 50 million in financing. And they
18 also bring a preferred equity component of 60
19 million.

20 There's a difference into these two
21 financing. I believe I have a slide later on,
22 but I'll just summarize it here. The common
23 equity in my view really behaves like pure
24 equity, gets paid at the end. Gets paid last

1 after all of the distributions and commitments
2 are made.

3 Conversely, the preferred equity has
4 a stipulated rate of return that is guaranteed,
5 if you will. It's really stipulated. And it's
6 payable on a pre-audit basis but not for the
7 first few months of the construction. It starts
8 accruing interest right away. And the party,
9 Brigade, has calling rights on that equity after
10 five years of the investment.

11 There's also third-party or key
12 money as was discussed in the past. Developers
13 who are familiar with retail from this area, New
14 England Development and Finard, proposes to
15 bring 20 million as upfront money to the
16 development of the third-party hotel.

17 Debt is broken out over there, 807
18 million that I talked about, 730 million or
19 thereabouts would come from a bank, from an
20 investment bank. And the proponent proposes to
21 lease the equipment when it comes to the gaming
22 equipment although it's going to be backstopped
23 in case of additional costs also by Brigade.

24 There's additional third-party

1 funding. The tenants that the operation
2 ultimately goes and gets are going to be
3 required to do tenant improvements or fit-outs
4 in the amount of approximately 30 million.
5 There will be the third-party hotel equity that
6 I talked about earlier. And there will be
7 third-party hotel financing as well in order to
8 put this operation together.

9 One important thing that I think is
10 worthy of highlighting here is that Brigade has
11 a couple of different -- is wearing a couple of
12 different hats here. Has an equity position
13 here and because it backstops debt and other
14 financing from other parties, is also in a debt
15 position.

16 Later I'm going to get into the
17 details as to why this may or may not be
18 something to think about because of the way the
19 parties interact with each other. There's a
20 future slide I'm going to review for that.

21 I'm sorry that some may not be able
22 to see some of what's on the screen here given
23 some of the shading. I need to talk about how
24 the parties for the Mohegan application come

1 together and finance -- interact with each other
2 and finance some of the different components of
3 the operation.

4 As I mentioned, should the license
5 be awarded to the applicant who's up here,
6 Mohegan Sun MA, holdings the entity that is
7 owned by the tribe would transfer 60 percent of
8 his ownership to New England Gaming Partners,
9 which is an entity 100 percent owned by the
10 investment funds or accounts that are managed by
11 Brigade.

12 Through the clarification process,
13 Mohegan confirmed that this document was
14 applicable to the Revere site although the
15 document really stipulated the Palmer site.

16 MGA Gaming, an indirectly wholly-
17 owned subsidiary of the tribe, will manage the
18 operations of the casino and the casino hotel
19 relative -- and that is highlighted in a
20 management agreement between partners and
21 gaming. So, there's a document that governs
22 this equity commitment and this equity transfer,
23 and that's the amended and restated limited
24 liability company agreement of MGA Palmer, LLC.

1 Now as I talk through this, and I'm
2 sorry I'm going to spend a few minutes talking
3 through this slide, I'll note that these are
4 term sheets. They're detailed. There's a lot
5 of detail there. But ultimately the actual
6 agreement or the actual agreements have not been
7 executed necessarily -- or have not been
8 executed, period. There may be some details
9 that would have to be ironed out between the
10 term sheet, of course, and the actual agreement.

11 There's another document as part of
12 the application. That's the equity commitment
13 letter which is a joint venture of summary terms
14 for equity commitment in the Mohegan Sun at
15 Palmer. I spoke about it already.

16 It includes \$50 million of preferred
17 equity. They termed this preferred interest.
18 60 million -- I'm sorry, 50 million of preferred
19 equity and then 50 million of common equity, 60
20 million of preferred equity which is a preferred
21 interest.

22 The preferred equity is treated as
23 debt between Brigade and Revere. It's entitled
24 to a quarterly dividend that is calculated based

1 on 15 percent per annum from the date of
2 investment. And during the time between the
3 date of investment and 18 months of casino
4 operations, the interest accrues, it continues
5 to accrue.

6 The term for that commitment is 10
7 years. It's less than the value of the license.
8 And this commitment is callable, meaning the
9 investor can call it after five years.

10 If those calling rights are
11 exercised between the years five and six, the
12 investor or Brigade is entitled to a premium
13 because they are essentially taking that money
14 with them. The premium slides down, all the way
15 down to zero if the commitment is not called.

16 There's also another document that's
17 very important to highlight, which is the ground
18 lease between the project or the partnership
19 rather and the landlord, which is Sterling
20 Suffolk Racecourse.

21 Sterling Suffolk is the landlord.
22 Although it's stated that they don't have
23 equity, an equity contribution, they do have
24 about five percent of the distributions. I will

1 look at that in the next few slides.

2 Their rent is tiered. It's very
3 detailed. I'm not going to get into how it's
4 tiered. But essentially there's payments that
5 come. There's floor payments, approximately \$35
6 million a year during the operation period.
7 It's adjusted by the CPI. And it grows, the
8 rent grows if the gross gaming revenues grow.

9 In our estimation that rent payment
10 could be, given the market assessment that we've
11 done, the rent payment could grow to
12 approximately \$75- or \$80 million a year.

13 I mentioned, like the other
14 documents before, the actual executed ground
15 lease is not well executed but the term sheet is
16 detailed. We gleaned a lot of information. But
17 between the term sheet and the execution of the
18 document, there could be important details of
19 note.

20 There's a fourth document, which is
21 a hotel and casino management agreement between
22 MGA, or the project, and Mohegan. It
23 establishes a base fee, a base management fee, I
24 guess. I believe that's two percent of the net

1 revenues. There's also an incentive fee.

2 So, the management of the operations
3 is also tiered. There's an incentive fee that
4 grows based on EBITDAM, which is earnings before
5 interest, taxes, summarization depreciation and
6 in this case management fee, because that's the
7 basis by which the management fee is going to be
8 calculated. That fee gross incentive fee is
9 five percent of EBITDAM under 200 million and it
10 grows if it's above that.

11 The hotel and casino management
12 agreement establishes a marketing restriction
13 which has been reported in the press. And I'm
14 going to be talking a little bit about as well.
15 There's a marketing restriction that has to do
16 with the operator being able to -- There's a
17 marketing restriction program that will be
18 imposed on the Massachusetts casino operation --
19 I'm sorry, on the Connecticut casino operation,
20 but it is the Massachusetts operation that sets
21 the bar.

22 There's been public representations
23 that certain people in certain areas of the
24 eastern Massachusetts zip codes will not be

1 marketed to by the Connecticut operations. To
2 be precise, those zip codes are going to be --
3 The Massachusetts operation will establish the
4 baseline, and the Connecticut operation might be
5 able to match those marketing dollars.

6 But there's questions that I have
7 about that. I'm going to speak a little bit
8 more about that later. Actually, I have my
9 notes to speak now.

10 I think it bears for the record.
11 The Mohegan Sun MA and other Mohegan Sun
12 property databases in this marketing agreement
13 or marketing restriction are to be kept separate
14 and independent. There's a specified zone --
15 And that's going to be in the next page. --
16 where this applies too certain zip codes in the
17 eastern part of the state.

18 At regular intervals, no less than
19 once per month, there will be a review of the
20 database to determine which customers within the
21 specified zone can be marketed to that have not
22 been enrolled in the Mohegan Sun MA database.
23 Mohegan Sun MA will not share names of acquired
24 patrons in their database with Connecticut --

1 actually with Mohegan Sun's other properties.
2 I've been saying the Connecticut operation, but
3 it really applies to all of the other
4 properties.

5 The marketing offers by Mohegan
6 Sun's other properties may not exceed the offers
7 put forth by the Massachusetts operation but
8 only within the specified zone. The document
9 also stipulates that there would be a neutral
10 third-party that will be employed to implement
11 the standards and procedures to ensure that the
12 plan works as intended.

13 There's another document, document
14 five that governs the way this retail, dining
15 and entertainment facility is funded or
16 conceived. There's a term sheet sublease
17 between the project and New England Development
18 and Finard.

19 This agreement states that in return
20 for providing the 25 percent of the agreed
21 construction costs for the RDE facility -- It's
22 labeled key money. I believe our Director Wells
23 talked about that. -- they will have the right
24 to operate the retail, dining and entertainment

1 facility.

2 They will be responsible to pay
3 Mohegan an annual rent equal to eight percent of
4 the project costs. While NEDF will operate the
5 facility, Mohegan will be responsible for the
6 common area maintenance as well as taxes and
7 marketing, and will charge NEDF numbers that are
8 stipulated in this agreement.

9 All capital expenditures for Mohegan
10 and all sublease rental payments are for the
11 account of NEDF. And also tenants that NEDF
12 leases space must agree to accept casino player
13 card points or coupons as currency. This is an
14 important part of their operation as well.

15 So, this term sheet is for sublease
16 is submitted as part of the application. But
17 again the executed agreement is not final.

18 There's a second hotel. And that
19 has a separate set of costs and requirements.
20 I'm going to skip to the main point, which is
21 those details are articulated in the term sheet
22 but the agreement is not final.

23 There is also other important
24 documentation. That is the capital lease -- the

1 applicant proposes to lease all of the
2 equipment. There will be financing for the
3 hotel. All of that has to be completed.

4 And those are the players that come
5 together in this application. I can pause there
6 and ask if there are any questions on that so
7 far.

8 COMMISSIONER CAMERON: I have a
9 couple. So, in looking at this chart, one of
10 the first things you talked about was
11 percentages. And you mentioned 15 percent. I
12 assume what you're saying there is that is more
13 expensive than other financing. So, that is
14 more risky. Is that where you were going with
15 that?

16 COMMISSIONER ZUNIGA: Yes. I'm
17 going to get to that.

18 COMMISSIONER CAMERON: You are.
19 Okay. And the same thing with callbacks that is
20 a risk after five years, correct?

21 COMMISSIONER ZUNIGA: Yes. Well,
22 the applicant proposes to bring equity, the 60
23 million of preferred equity, but that could be
24 called back after five years.

1 This is relevant because at least in
2 my mind equity is the sort of thing that gets
3 paid last, comes in first but gets paid last.
4 What that begins to do in my view is starts to
5 sound a lot like debt. Where I'm going with
6 this in a little bit is that the more debt the
7 more leverage, the higher risk. So, that's
8 correct.

9 COMMISSIONER CAMERON: I thought so.
10 And the last question I had was then you
11 detailed some of the zip codes and the marketing
12 agreements. And from my understanding of
13 reading this and listening to you, those
14 agreements don't necessarily protect
15 Massachusetts; that was your point?

16 COMMISSIONER ZUNIGA: Yes. It's not
17 a straightforward yes, necessarily, but I'm
18 going to get into why. I do have a condition
19 relative to the marketing restriction or
20 actually we thought a lot about what that means.

21 Where we start is how is this really
22 going to work? Is it implementation ready? And
23 that's perhaps where you are coming from because
24 I know you've read the report. I'm going to

1 describe as to why those things are of note.

2 COMMISSIONER CAMERON: Very good.

3 Thank you.

4 COMMISSIONER MCHUGH: I had a couple
5 of questions too. Could we go back to slide
6 five for a second?

7 COMMISSIONER ZUNIGA: Yes.

8 COMMISSIONER MCHUGH: That refers at
9 the bottom to the casino model. Could you
10 explain a little bit more about what you mean by
11 the casino model?

12 COMMISSIONER ZUNIGA: Yes. So,
13 there's been a lot of states recently and I'll
14 mention them because they are very much --
15 they're on the Eastern seaboard. Pennsylvania
16 and Maryland, for example recently new expanded
17 gaming jurisdictions, their model was not to
18 have a lot -- was to have more licenses and high
19 rate.

20 The tax rate you might remember in
21 Pennsylvania hovers around 56 percent for slots,
22 or that's 56 for Pennsylvania. I may have that
23 number wrong.

24 COMMISSIONER MCHUGH: I get it.

1 COMMISSIONER ZUNIGA: Maryland the
2 same way. In my opinion, that approach is
3 perfectly legitimate, but results in a couple of
4 different things.

5 One of them is that you may have a
6 smaller operation in terms of capital
7 investment, because the more you tax it the less
8 that you're likely to get in terms of capital
9 investment.

10 But in order to really capitalize
11 throughout the state, they might decide to do
12 more of that again, because there is going to be
13 less ability -- the less of capital investment
14 there presumes to be less ability to attract
15 customers from further away.

16 And if you're Pennsylvania you might
17 want to do that because you are responding to
18 Atlantic City. If the big piece of that was to
19 try to recapture the market that was leaving,
20 that's the model that they chose.

21 Now conversely, the Massachusetts
22 model in my opinion mirrors a little bit more of
23 the desire to limit the licenses, which we have.
24 We are only precluded to two licenses to

1 Category 2 -- three I guess. And the lower tax
2 rate of 25 percent and the high minimum capital
3 investment of 500 million, which we have
4 interpreted as excluding a lot of costs, is
5 designed to attract customers from farther away,
6 at least partially.

7 COMMISSIONER MCHUGH: Okay. Thank
8 you. That's helpful. Could I take a look at
9 slide 10 again. Just so I understand -- I think
10 I understand what you're saying. The third-
11 party debt is traditional borrowing, bank debt
12 or whatever, the first line, right?

13 COMMISSIONER ZUNIGA: Yes.

14 COMMISSIONER MCHUGH: The equity is
15 equity in theory. And the third-party funding
16 is a contribution, a direct contribution to the
17 capital costs. It's neither debt or equity.

18 COMMISSIONER ZUNIGA: Yes.

19 COMMISSIONER MCHUGH: It's money
20 advanced by a third-party.

21 COMMISSIONER ZUNIGA: Yes.

22 COMMISSIONER MCHUGH: And then on
23 the next slide, the 70 and the 35, the two top
24 numbers, that's money already spent.

1 COMMISSIONER ZUNIGA: Yes.

2 COMMISSIONER MCHUGH: So, its' as
3 you described it's sunk cost. It's not money
4 that's available to do anything else with. It's
5 been spent on the preparations and the like so
6 far.

7 COMMISSIONER ZUNIGA: That's right.

8 COMMISSIONER MCHUGH: The 50 is what
9 we commonly think of as equity. That's equity.
10 It's the last to be paid. It's an investment.

11 COMMISSIONER ZUNIGA: Yes.

12 COMMISSIONER MCHUGH: The preferred
13 carries an annual dividend requirement of 15
14 percent.

15 COMMISSIONER ZUNIGA: Yes, per year.

16 COMMISSIONER MCHUGH: It's callable
17 after five years.

18 COMMISSIONER ZUNIGA: Right.

19 COMMISSIONER MCHUGH: And the call
20 can't be exercised after 10?

21 COMMISSIONER ZUNIGA: The term is
22 10. So, it's due at the time.

23 COMMISSIONER MCHUGH: So, it's due
24 at 10 years?

1 COMMISSIONER ZUNIGA: Yes.

2 COMMISSIONER MCHUGH: So, it's in
3 effect a short-term loan.

4 COMMISSIONER ZUNIGA: Yes.

5 COMMISSIONER MCHUGH: And there's a
6 premium for --

7 COMMISSIONER ZUNIGA: -- for calling
8 it early.

9 COMMISSIONER MCHUGH: -- for calling
10 it early, a premium to the Mohegan Sun or a
11 premium to --

12 COMMISSIONER ZUNIGA: A premium to
13 Brigade, to the holder of the investment.

14 COMMISSIONER MCHUGH: How does that
15 work? If they call it after six years, they get
16 60 million plus --

17 COMMISSIONER ZUNIGA: Plus nine to
18 10 percent.

19 COMMISSIONER MCHUGH: Some amount.

20 COMMISSIONER ZUNIGA: Yes.

21 COMMISSIONER MCHUGH: If they call
22 it after nine years, they get 60 million just
23 the 60 million.

24 COMMISSIONER ZUNIGA: That's right.

1 But in the meantime, they would have gotten 15
2 percent per year.

3 COMMISSIONER MCHUGH: I understand
4 that. The key money is a contribution. It's
5 neither debt nor equity. It's money that New
6 England Development, Finard is actually
7 investing in the hotel.

8 COMMISSIONER ZUNIGA: I'm sorry.
9 Can I pause on that because Mr. Scarpelli just
10 corrected me, which is why we have them here.
11 The board of Mohegan Sun MA determines whether
12 to call or not that interest that investment.

13 But it's controlled 60 percent by
14 Brigade. So, the incentives are it would be up
15 to Brigade to decide whether it's in their
16 benefit to call that equity or continue accruing
17 the coupon.

18 COMMISSIONER MCHUGH: So, what role
19 does the Mohegan Sun board play in the call
20 decision?

21 COMMISSIONER ZUNIGA: The MSM board,
22 the Mohegan Sun MA board, they decide to call --

23 MS. SCARPELLI: If after five years,
24 Brigade would like to have its 60 million put

1 back, it would approach the board which it
2 controls 60 percent of to determine if they get
3 paid back.

4 COMMISSIONER MCHUGH: So, Brigade
5 has to go to the board and get the board
6 approval to call it, but Brigade controls 60
7 percent of the board.

8 MS. SCARPELLI: Yes.

9 COMMISSIONER MCHUGH: The key money
10 is the 20 million that Finard, New England
11 Development is investing.

12 COMMISSIONER ZUNIGA: Yes.

13 COMMISSIONER MCHUGH: And that's an
14 investment, a direct investment in that second
15 hotel.

16 MS. SCARPELLI: No. It's the
17 investment in the retail, dining, entertainment
18 center.

19 COMMISSIONER MCHUGH: Got you. Then
20 the places where that indicates Brigade backstop
21 that means that Brigade will provide the money
22 at some rate of interest --

23 COMMISSIONER ZUNIGA: Yes.

24 COMMISSIONER MCHUGH: -- if it can't

1 get it from a third-party.

2 COMMISSIONER ZUNIGA: That's right,
3 if they cannot either get it from a third-party
4 or cannot get the whole amount, in other words,
5 there's cost overruns say, they will contribute
6 the additional money.

7 COMMISSIONER MCHUGH: That's why
8 backstop, the secondary provider of that.

9 COMMISSIONER ZUNIGA: That's right.

10 COMMISSIONER MCHUGH: Okay. Thanks.

11 COMMISSIONER ZUNIGA: Can I go back
12 actually. I was reminded of a note on page
13 five, Melissa. The secure and robust gaming
14 market, I did want to address something that has
15 been reported. And that is the competitiveness
16 of the eastern seaboard.

17 So, as there's more operations
18 coming online, there's the potential for more
19 casinos in New Hampshire if the Legislature
20 approves that, New York has expanded. I did
21 want to mention that's a particular area of
22 focus and I will be talking about that a little
23 bit more later.

24 COMMISSIONER MCHUGH: Okay. Are you

1 going to talk more about the marketing
2 restrictions?

3 COMMISSIONER ZUNIGA: Yes, I can do
4 that now if you want me to.

5 COMMISSIONER MCHUGH: No, I'll wait
6 to hear from you. That's it. Thanks.

7 COMMISSIONER ZUNIGA: Just back to
8 the comment from Commissioner Cameron relative
9 to risk, which I alluded again on the secure and
10 robust gaming market. I did want to talk about
11 -- because of all the parties here involved and
12 how they come together, there is something of
13 note, which is what happens if the budgeted
14 amounts especially as it relates to the
15 facility, the RDE facility or the second hotel
16 or the tenant fit-out if those costs exceed
17 budget amounts.

18 The retail tenants would play a role
19 in terms of the rent that ultimately gets
20 charged to them. New England Development and
21 Finard will also play a role because they were
22 the ones contributing part of that money upfront
23 in order to be able to get it in the form of
24 rent from the retail tenants. Of course,

1 needless to say all of the other parties will
2 play a role because it affects their operations.
3 The ability to deliver a good experience will be
4 based on delivering all of the other amenities.

5 Let's go back a little bit on the
6 next slide. I already spent a little bit time
7 here but this is the priority of payments and
8 the parties that come together. The revenue at
9 Mohegan MA, there's gaming revenues, there will
10 be nongaming revenue as well as rent from sub-
11 tenants.

12 The operation would have to pay the
13 capital lease of the equipment, the ground lease
14 and then of course all other operating expenses.
15 There's a statutory capital reserve of 3.5
16 percent of gross gaming revenues after which can
17 only come the senior debt payments.

18 After that there may be, depending
19 on the revenues, a gaming -- a management fee as
20 well as those preferred equity payments to
21 Brigade. The management fee would go to
22 Mohegan.

23 And after the preferred equity there
24 would be gaming incentive fee or the management

1 fees depending on those EBITDA results.

2 After all of that the parties will
3 be distributed whatever's left in the form of 56
4 percent to a Brigade as part of being the common
5 equity holders, the tribe or MTGA as part of
6 still retaining that 40 percent or so ownership,
7 but Suffolk Downs as the landlord does get 5.15
8 percent of the distributions if they are to be
9 distributed.

10 If I cannot see that I know you guys
11 cannot. So, I apologize for that. It looked a
12 lot better in the binder. But here's an
13 important slide. The applicant Mohegan has
14 projected these 857 -- I'm going to round it up
15 because there's other revenues, \$867 million in
16 the base case. Is that year one Rob or year
17 three?

18 MR. SCARPELLI: Year one.

19 COMMISSIONER ZUNIGA: I did want to
20 go through this example, which actually
21 reinforces a previous slide which is after
22 operating expenses in order to get those
23 revenues, there is the EBITDA or earnings before
24 everything else. The capital reserve that I

1 highlighted, the debt payments, senior debt
2 payments, you've got to pay the bank and the
3 ground lease, etc. And in a base case or in a
4 good year, there will be distributions pretax to
5 the partners in the form of the percentages that
6 I just described in my previous slide.

7 Now, if one adds the distribution,
8 the ground lease that Suffolk gets with the
9 incentive -- I'm sorry, with the distribution of
10 minority ownership that they get, and then we
11 also add the management fee and the incentive
12 fee, it's out here based on incentive, that
13 Mohegan gets as well as the distribution that
14 Mohegan gets and if we add separately the
15 preferred equity payment and the distribution
16 for Brigade, all of those numbers come out to be
17 30 percent and 30 percent -- I'm sorry, a third
18 of each other.

19 So, my assumption, our assumption is
20 that the parties probably came together and
21 agreed in principle to divide the profits three
22 ways, but they structured it in a way to be
23 feasible in terms of the ground lease, the
24 preferred and common equity position as well as

1 the management and incentive management fee.

2 That's totally legitimate.

3 It's important to note, however,
4 that in an extreme downside case, which I
5 believe is their terminology in the application,
6 the dynamics change considerably. Although the
7 ground lease is less, you'll remember that the
8 ground lease is tiered, the management and base
9 fee also change because probably the incentive
10 fee diminishes significantly on a downside case.
11 There's a negative that shows up after the
12 preferred equity.

13 So, there's one of the parties or
14 all three, it's unclear how that at an extreme
15 case or decreasing revenues from say 867 to 569
16 gross gaming revenues per year, who would be
17 required to absorb this loss. This is a
18 negative 5 million.

19 And those were the sort of things
20 that I was alluding to when I was talking about
21 how the term sheet spells out the terms,
22 obviously, but does not necessarily address the
23 events of what happens in the event of a
24 downturn. All of those things get spelled out

1 in the actual agreement.

2 Wynn equity and project financing is
3 a lot more straightforward. First of all, the
4 financing covers all of the project. There's no
5 third-party financing or third-party equity.

6 The project is owned by Wynn
7 Resorts. Wynn MA is owned by Wynn Resorts, but
8 they own and operate the casino, the hotel and
9 the food and beverage. They actually outsource
10 four of their 10 food and beverage and some of
11 the retail. They do have tenants but the
12 tenants do not contribute an equity or do not
13 have to bring financing. Wynn's financing
14 brings essentially everything.

15 Similarly, their funding plan is a
16 lot simpler. The revenues and the rent that
17 they get from tenants all goes to after
18 operating expenses and the capital reserve after
19 paying the debt can be then distributed to Wynn
20 100 percent.

21 So, for a lot of those reasons and
22 much else that is detailed in the report, the
23 Mohegan Sun is a complex structure. It has
24 multiple funding sources. Their stated equity

1 includes a large sunk cost component. In my
2 view that results in very minor equity if we
3 take out sunk costs, or for example the
4 licensing fee.

5 I'll speak a lot more in the
6 conditions piece on this number. We believe
7 that approximately 45 million of all the equity
8 contribution would be available to begin the
9 project. We already discussed the notion that
10 the preferred equity really behaves like
11 subordinated debt, subordinated to the bank
12 loan, the 732 million because that would get
13 seniority.

14 Initially, the applicant did not
15 provide evidence of 155 million of financing,
16 but through the question-and-answer period,
17 through the request for clarification, they
18 provided the backstop information from Brigade
19 and other unaudited financial information from
20 New England Development and Finard, because they
21 do bring some of that equity to the table.

22 Wynn conversely is what I would call
23 the plain manila, although big, but the plain
24 manila real estate development. The equity of

1 600 million, there's a significant amount
2 available after paying the licensing fee and
3 that is approximately 33 percent in terms of
4 actual equity.

5 For those reasons I rate Wynn to be
6 outstanding when it comes to the ability to
7 obtain project capital and Mohegan sufficient.
8 I can pause there if you have other questions.

9 COMMISSIONER MCHUGH: I had two
10 questions, one detail and one thematic. If we
11 go back to slide 14, which is this chart. I
12 understood everything except that the ground
13 lease in the middle box in the extreme downside
14 case is 39.9 million. And down below where it
15 says ground lease and distributions there's only
16 31.

17 MR. SCARPELLI: Probably a typo,
18 I'll check into it.

19 COMMISSIONER ZUNIGA: We'll have to
20 check into it, probably a typo.

21 COMMISSIONER MCHUGH: The more
22 thematic question is that if I understand this
23 correctly, Brigade is a money manager,
24 basically.

1 COMMISSIONER ZUNIGA: Yes.

2 COMMISSIONER MCHUGH: Brigade is
3 investing money for various clients who have
4 given money to it for investment purposes.

5 COMMISSIONER ZUNIGA: Yes.

6 COMMISSIONER MCHUGH: So, this is
7 not Brigade's money that's being invested.

8 COMMISSIONER ZUNIGA: That's right.

9 COMMISSIONER MCHUGH: It is money of
10 Brigade's clients to whom Brigade owes a
11 fiduciary duty to make sound investments; is
12 that right?

13 COMMISSIONER ZUNIGA: That's
14 correct.

15 COMMISSIONER MCHUGH: Okay.

16 COMMISSIONER ZUNIGA: I did want to
17 just introduce the notion here, which is there
18 is a loan-to-value discussion that I'll
19 introduce that I'll talk about on page 27, but
20 it relates back to the ability of the applicant
21 to obtain project financing. As a preview, I
22 may have to come back to this slide after page
23 27. Other questions or let's just keep going to
24 the next section.

1 The next section is 1.2. The
2 expectations of the applicant is to ensure that
3 other operations do not have a negative impact
4 in the Massachusetts operation. Evidence of
5 strong balance sheet there and then reasonable
6 levels of existing debt and positive operating
7 results.

8 As I mentioned earlier, there's a
9 lot of information that we're able to glean from
10 what's public and historical public information
11 from both applicants, not just Wynn who is a
12 public company but Mohegan as well.

13 Although many cannot really see this
14 slide, it is a slide that we have introduced in
15 the past, the ratios I've talked about. There's
16 capital asset turnover ratio and liquidity ratio
17 in the form of the current assets and current
18 liabilities for example.

19 One thing I would highlight here in
20 the interest of time is that Wynn is the
21 strongest among its peers of capital assets over
22 4 billion. And the other thing is that we are
23 gleaning information from Mohegan, but Mohegan
24 is not necessarily the only entity that brings

1 money to the table.

2 The applicant has made a
3 representation in the host community hearing
4 that because of that because it is a
5 partnership, Mohegan and Brigade, if they were
6 to combine the ratios they would be a lot more
7 stronger than Mohegan's ratios here.

8 Although I understand that Mohegan
9 is not the only one that brings money to the
10 table here, I don't necessarily agree with that
11 inclusion, the inclusion of all of the money
12 that Brigade manages. You simply cannot count
13 other people's money as your own assets when you
14 are determining a current ratio for example.

15 So, the next slide, Brigade was not
16 assessed in this. It really doesn't apply.
17 They are a money manager as you articulated,
18 Commissioner. They do have proven access to
19 capital. The Mohegan ratios indicate some
20 challenges especially with the introduction of
21 expanded gaming in New York, but also to some
22 degree Massachusetts, which is almost the same
23 idea here. They are in an increasingly
24 competitive market when it comes to their

1 flagship operation.

2 Wynn on the other hand has sound
3 current financial ratios. They do have a
4 concentration of operations in Macau. It is
5 increasingly competitive. But they have
6 demonstrated the ability to compete in those
7 highly competitive markets, Las Vegas and
8 increasingly in Macau.

9 I can pause there as well if you
10 need me to.

11 COMMISSIONER MCHUGH: I would like
12 to just ask you to explain the negative equity
13 for the Wynn piece.

14 COMMISSIONER ZUNIGA: Yes, thank
15 you. I know it's in the report and I may need
16 help from Rob. These numbers are as of the last
17 available that we have, which is December 31 --
18 the results of the year ending December 31,
19 2013.

20 In that period, there was you might
21 remember a cancellation of an equity holder, a
22 large equity holder at Wynn of those shares, a
23 redemption, I'm sorry. And that has an effect
24 of introducing noise to that ratio.

1 That share was a repurchase -- No.
2 In addition to that Wynn is not measured because
3 of three things. I mentioned one the stock
4 redemption of 1.9 billion relating to the
5 cancellation of 20 percent of shares held by
6 that former director, Director Okada. There's
7 been a lot of share repurchase to date totaling
8 about 1.1 billion.

9 So, it's something that if the
10 company is not investing in a lot of new
11 operations, for example, they can do and frankly
12 increase their share price.

13 And there's dividends that are
14 declared each year that approximate the net
15 income. So, what the company is doing is
16 rewarding its shareholders by virtue of both the
17 dividend that they provide and the share
18 repurchase program that they do.

19 So, when you take all of those three
20 factors together including the cancellation of
21 those shares, and there is a lot of public
22 information on that dispute, which is an ongoing
23 dispute between Mr. Okada and Wynn Resorts, it
24 results really in a negative equity ratio number

1 that doesn't really apply, in my opinion. Their
2 operations continue to take a lot of cash.

3 COMMISSIONER MCHUGH: So, if I
4 understand that correctly, apart from the share
5 repurchase, which is a one-time capital event,
6 they could change this simply by stopping
7 dividend payments and keeping more of the gross
8 gaming revenue in-house.

9 COMMISSIONER ZUNIGA: Not just
10 stopping, they could always slow it down and
11 continue to pay a healthy dividend but --

12 COMMISSIONER MCHUGH: -- but in a
13 worst-case scenario.

14 COMMISSIONER ZUNIGA: In a worst-
15 case.

16 COMMISSIONER MCHUGH: In other
17 words, they control this number.

18 COMMISSIONER ZUNIGA: That's right,
19 they absolutely do.

20 COMMISSIONER MCHUGH: Okay, thank
21 you.

22 COMMISSIONER ZUNIGA: Just in the
23 previous slide, I'm sorry. I did mention
24 Brigade was not assessed but neither was New

1 England Development and Finard. Michael and
2 Carroll did bring up the question if they were
3 to be in a position in the future of having
4 comps for example, if they had to be qualified
5 as a qualifier, the background suitability
6 investigation will be one that we would have to
7 do, the IEB would have to perform, but also the
8 financial suitability of those two entities
9 would be relevant. We have not done that at
10 this point.

11 So, accordingly the ratios whatever
12 those are they're not public companies so if we
13 cannot glean information were not included in
14 this assessment.

15 I summarized this already, right?
16 I'm rating Wynn very good and outstanding given
17 their strong current financial decision, and
18 then Mohegan sufficient.

19 Section 1.3, we look at the expected
20 returns. Of course, very important in the
21 health of this operation is that the applicant
22 is able to pay back the relevant costs over the
23 term of the license. We look at the EBITDA as
24 presented over the 15-year period. And those

1 EBITDA numbers we discount by four and 15
2 percent in order to represent downside scenario
3 and look at those return on investment.

4 Next slide. In both cases, they do
5 show a positive return on investment that is
6 commensurate with what could be expected in the
7 gaming area or the gaming industry even with a
8 significant discount rate of 15 percent.

9 But I will mention this, because
10 it's going to be relevant a little bit later.
11 The calculation that we do in this section is
12 limited to the EBITDA as presented by the
13 applicant and applying those discount rates.
14 The actual test for the reasonableness of the
15 revenues is going to be discussed in the market
16 assessment.

17 In other words, how we feel about
18 the initial number of that EBITDA, in other
19 words the starting point, the revenues we
20 compare against our own market assessment. And
21 how we feel about the reasonableness of the
22 cost, the big number that comes after the
23 revenues is going to be tested in the operations
24 plan.

1 So, if we simply take the numbers as
2 presented both applicants show a positive return
3 on investment, which is good. However, we are
4 going to talk a little bit more about how
5 comfortable we are about the applicants reaching
6 or achieving those numbers or those returns
7 given what they've assumed in terms of revenues
8 and cost.

9 So, in light of that both applicants
10 are rated very good. They both achieve a
11 commercially reasonable return on investment
12 even applying a high discount rate.

13 Let's move onto the investment plan.
14 You'll remember our own regulations relative to
15 the capital that they're required to invest in
16 the property, a minimum of \$500 million
17 excluding certain costs, some of which can be
18 significant. We do talk a little bit briefly in
19 this section relative to the timing of the total
20 development.

21 And we also analyze the consistency
22 between what they propose, the quality of the
23 facility that they propose and what the market
24 or expected market penetration is.

1 Next slide. And luckily I have a
2 second slide with numbers that are a little bit
3 easier to read than that. But there's three
4 numbers that I'm going to recite from here.
5 These are the comparison that I was talking
6 about. Springfield MGM is in the first column.
7 Mohegan is in the second and Wynn is in the
8 third.

9 The portion at the top of this chart
10 are all eligible costs. Commissioner McHugh was
11 talking a little bit about those construction
12 costs. The number for Mohegan Sun is \$376
13 million in terms of hard costs, compared to \$957
14 million in Wynn.

15 It's important to note that MGM has
16 higher costs in terms of hard costs at 408
17 million for a region that has a lot less in
18 projected revenues. I highlighted those numbers
19 because the way you get to the actual minimum
20 threshold is after we include gaming equipment,
21 which in this case is a significant cost. And
22 there's a little bit differential between the
23 applicants because Mohegan proposes many more
24 machines.

1 So, once we add the gaming equipment
2 and other FF&E, the Mohegan applicant's total
3 project costs, eligible I should note, project
4 costs are \$526 million. That's the 527 figure
5 that you were describing earlier, Commissioner.
6 MGM is 515 and Wynn is more than 1.47 billion.

7 I'm going to speak a little bit more
8 about those numbers in the next slide. I'll
9 just mention a few of the ineligible costs here.
10 There's important differences between this. The
11 applicant predicts, Mohegan predicts that they
12 will spend about \$181 million in financing, and
13 that is only during the construction period.
14 Those are the costs that we have otherwise
15 termed as capitalized interests, which is almost
16 double of what Wynn is projecting with a twice
17 big operation.

18 Land purchase is a significant cost.
19 That's not included. For Wynn, it's an
20 ineligible cost, but similarly the rent, the
21 ground lease during the construction period is a
22 cost that has to be reflected in Mohegan.

23 I mentioned before that there's a
24 very large difference between predevelopment

1 costs. The applicant in Revere arrives with
2 \$105 million spent to date, whereas Wynn has
3 spent 21 million to get here.

4 I'll just mention one point here.
5 The contingencies, the contingency as shown
6 initially for Mohegan is \$44 million. And the
7 contingency for Wynn 55 million. Since December
8 31 when these budgets were submitted, there's
9 been some additional surrounding community
10 activity or inactivity. And some of the numbers
11 at least for Mohegan have increased slightly.
12 But we asked the question and we believe that
13 it's adequate that it comes from the contingency
14 number.

15 Let's just go to the next slide, if
16 you could please Melissa. Here's where I was
17 going to talk about loan-to-value. These are
18 the numbers that I was just talking about 376 in
19 hard costs. This is the number I would use if I
20 was to divide by all of the rooms compared to
21 957 million for Wynn, because I wouldn't include
22 the gaming equipment.

23 Actually, I would probably add the
24 376 and the other FF&E, actually I did, to come

1 up with 424 million, 376 and 48 is 424 million
2 that the applicant proposes to spend on actual
3 improvements. This is a number that the bank is
4 going to look at because they are projecting or
5 they are -- yes, they're projecting that they
6 will borrow 732 million from the bank.

7 Conversely -- Let me just follow
8 Mohegan on that train of thought. I didn't
9 calculate it here, but I want to speak to 424
10 million, the addition of 376 and 48, is the real
11 property and improvements of the project.
12 Mohegan, MSM proposes to borrow \$732 million and
13 that is a loan-to-value of 1.72. That's a high
14 number, in my opinion. They may be able to do
15 it, but I'll speak to why that is a bit of a
16 concern in a few minutes when I get to some of
17 the other slides.

18 The loan-to-value in Wynn is very
19 different. If I take the 957 million that they
20 propose to spend on the site and were to include
21 the land, because they do own the land and will
22 own all of the improvements and remediation,
23 they are north of 1.1 billion of money that the
24 bank could go after if their loan is not repaid.

1 Their loan is 982 million. And if
2 you have improvements that exceed the loan, that
3 gives the bank a lot more comfort that if
4 everything goes - if something goes really bad
5 there are a lot of assets that they can go
6 recover or try to sell or whatever may be the
7 case. That is the case with a loan-to-value
8 ratio. That's really what the loan-to-value
9 ratio tells us. In the case of Wynn, the ratio
10 is below one which is where we want to be at
11 .87.

12 Are there any questions on this
13 slide?

14 COMMISSIONER CAMERON: Yes, I have a
15 question. Obviously, the higher rate of
16 spending is of benefit to the Commonwealth. How
17 do you characterize that? How do you value
18 that? The difference in the two rates of
19 spending, say construction alone there's a big
20 difference.

21 COMMISSIONER ZUNIGA: Yes. I'm
22 looking forward to the discussion tomorrow. To
23 state the obvious construction jobs, if you
24 believe like me that construction jobs are

1 directly generated from actual spending then
2 there ought to be a lot more jobs here than
3 here.

4 There's significant spending on the
5 Mohegan side, but a lot of it goes back to pay
6 interest, goes back to pay for what the customer
7 may not necessarily see. There's a lot that
8 they will be able to see, but there's numbers
9 here that start to have a lot of bearing into
10 the other sections.

11 Maybe you were alluding to this
12 directly, but the other one is obvious to the
13 quality of the building. You may have a
14 drawing, but it needs to be backed up with the
15 dollars.

16 They have proposed different square
17 footages per room, for example. They have a
18 different site. I should note however that the
19 number here does not include site remediation.
20 That number is below in the ineligible piece.
21 It is actually eligible the way we defined it in
22 our regulations. The applicant just collapsed
23 it with their land number.

24 But fundamentally just staying here,

1 it goes back to the quality and the ability and
2 the margins they may have in the numbers that
3 they have budgeted.

4 COMMISSIONER CAMERON: Thank you.

5 COMMISSIONER STEBBINS: Quickly on
6 the slide 26, just for everybody's clarification
7 at home, under other costs on land, you have 75
8 million attributed to the Everett/Wynn project.
9 Put the asterisk next to it and there's kind of
10 an incomplete note where you talk about 45
11 million in other land-related

12 COMMISSIONER ZUNIGA: -- other land-
13 related costs. Just what I was talking about,
14 we believe there's some remediation that takes
15 place out of this initial cost.

16 Correct me if I'm wrong Rob, but
17 when we made the determination about reduction
18 in the price of the land after December 31 or
19 before -- it was before December 31. So, they
20 probably kept the same number and decided to
21 aggregate whatever additional costs would come
22 from the actual remediation. This is not just
23 the actual land purchase.

24 MR. SCARPELLI: 30 million is land

1 purchase, 45 is the remediation.

2 COMMISSIONER STEBBINS: Under other
3 FF&E just below gaming equipment why is there a
4 higher spend projected than Wynn?

5 COMMISSIONER ZUNIGA: On other FF&E,
6 this may just be a way that they decided to
7 aggregate the costs. It's just fit-out.
8 Somebody may count them as part of the contract
9 that you give the general contractor or a
10 separate contractor for the actual finishes.

11 But the other FF&E I would include
12 in the construction. We actually do as a matter
13 of our regulations. They count as eligible
14 costs. The way I want to differentiate however,
15 is there's a big, big chunk of gaming equipment
16 they both have to purchase -- I'm sorry, one
17 leases the equipment, the other one purchases
18 but it's a different amount of slot machines,
19 which is an important difference there.

20 COMMISSIONER STEBBINS: Okay.

21 COMMISSIONER MCHUGH: I'm not sure
22 whether I'm missing something or not. The bank
23 financing we've established is 732 million in
24 this projection. If we look at this slide,

1 building hotel, a piece of that is going to be
2 paid for by the third-party, right? 60 Million
3 of that 115 million is coming from a third-
4 party?

5 COMMISSIONER ZUNIGA: Which number?

6 COMMISSIONER MCHUGH: Of the
7 building hotel.

8 COMMISSIONER ZUNIGA: What is the
9 115?

10 COMMISSIONER MCHUGH: I'm looking
11 at --

12 COMMISSIONER ZUNIGA: Oh, 115.

13 COMMISSIONER MCHUGH: 60 of the 115
14 is coming from New England Development Finard,
15 right?

16 COMMISSIONER ZUNIGA: Yes. Well
17 actually, no. Let me say this, my guess is that
18 because they are building -- There's
19 architectural and engineering costs as well as
20 other project costs that are broken out
21 separately that should be attributable to the
22 hotel, to the third-party hotel.

23 COMMISSIONER MCHUGH: Okay. But in
24 an earlier slide we looked at a contribution

1 toward the boutique hotel of \$60 million by New
2 England properties, Finard.

3 COMMISSIONER ZUNIGA: Yes.

4 COMMISSIONER MCHUGH: So, \$60
5 million of the 1.131 is coming from --

6 COMMISSIONER ZUNIGA: I don't think
7 so. We should clarify this. \$60 Million of the
8 115 plus 20 plus seven plus two and perhaps even
9 plus 76, the parking garage. Would a third-
10 party hotel utilize and be required to pay for
11 the parking garage, I would think so.

12 So, there would be a cost
13 determination. The problem here that you may be
14 highlighting, Commissioner, is they did not
15 break out for each of the building components
16 they did not break down those costs per building
17 component. It's an aggregated.

18 COMMISSIONER MCHUGH: So, let me get
19 at my question a different way then. If we look
20 at the FF&E of \$150 million --

21 COMMISSIONER ZUNIGA: The next
22 slide, Melissa, please.

23 COMMISSIONER MCHUGH: That's this
24 one.

1 COMMISSIONER ZUNIGA: It's also
2 here.

3 COMMISSIONER MCHUGH: Maybe that's
4 easier to see, right. 150 Million, 151 million
5 of the FF&E, some of that is a capital lease,
6 right?

7 MR. SCARPELLI: Correct.

8 COMMISSIONER ZUNIGA: 102.

9 COMMISSIONER MCHUGH: So, it's going
10 to be paid for out of operating expenses,
11 operating revenue, right?

12 MR. SCARPELLI: Correct.

13 COMMISSIONER ZUNIGA: Yes.

14 COMMISSIONER MCHUGH: My bottom line
15 question is what is the 732 going toward?
16 You've got 526 of construction cost, some of
17 which is not cash costs. It's an investment
18 over time. So, the actual cash cost is less
19 than 526, right -- thousand? And when you get
20 to other costs, a lot of those costs down below
21 are soft costs, they're operating costs of one
22 kind or another.

23 COMMISSIONER ZUNIGA: Some of that
24 is 732, and actually, I will speak to this in

1 more detail.

2 COMMISSIONER MCHUGH: Okay, then
3 I'll wait.

4 COMMISSIONER ZUNIGA: Let me mention
5 this. Some of the 732 million has to pay for a
6 lot of what promises they have made elsewhere.
7 Host community, surrounding community all of
8 those payments are due right after award of the
9 license. They will become conditions of the
10 license. And for them to be able to operate,
11 one would presume that they would have to make
12 those payments.

13 You may be thinking from the bank's
14 perspective, which I will speak to later. If
15 you have a high loan-to-value and you see that
16 some of the costs that you are lending are not
17 necessarily going to pay for things that you
18 want to go after, the ability to obtain that
19 project capital becomes questionable.

20 COMMISSIONER MCHUGH: I'll wait for
21 you to develop that thesis. But it was the
22 loan-to-value ratio that triggered my inquiry,
23 because I'm not sure I fully understand the 732.
24 I understand what you're saying, but --

1 COMMISSIONER ZUNIGA: Hold that
2 thought and we'll have additional discussion on
3 this.

4 COMMISSIONER MCHUGH: All right.

5 COMMISSIONER ZUNIGA: Where were we
6 before we came back to this slide, Melissa?

7 COMMISSIONER MCHUGH: Slide 28.

8 COMMISSIONER ZUNIGA: Slide 28,
9 okay. Let's go to slide 28. It looks like I
10 already spoke about this, but I haven't. When
11 it comes to the actual investment amount, we
12 almost get two casinos in the Wynn proposal.
13 There's a lot of costs in addition to that but
14 we've determined that as per our regulations
15 that they don't count in terms of the
16 eligibility for capital investment.

17 Conversely, Mohegan just meets the
18 minimum requirement. And worthy of note is that
19 approximately 357 million are costs that are
20 spent on financing, the rent due in the
21 construction period and the monies spent to
22 pursue a casino license. And all of that is
23 something that the customer doesn't see.

24 Would it be time to take a break?

1 COMMISSIONER MCHUGH: Surely. Would
2 you like to take a break? Should we take a 10-
3 minute break and then we'll resume. It's now
4 five minutes of three. We'll shoot for five
5 after three.

6
7 (A recess was taken)

8
9 COMMISSIONER MCHUGH: We will
10 resume.

11 COMMISSIONER ZUNIGA: Keeping with
12 what we've done in the past, we also looked at
13 the project timelines from a reasonability
14 perspective, because it does have some bearing
15 into the amount of time that it takes to recover
16 the investment that you have to make up front,
17 not necessarily on the how or whether the
18 activities and the sequencing of activities is
19 reasonable. We did review the plan timelines.
20 We did not necessarily spend a lot of time in
21 the necessary permitting.

22 Just to recapitulate some of what
23 Commissioner McHugh was highlighting this
24 morning, the applicant proposes a completion

1 time in the case of Mohegan of approximately 30
2 months. Wynn proposes 36 months from the start
3 of construction. In my opinion, both applicants
4 provide a reasonable timeline for opening the
5 facility given the size and scope or complexity
6 of the development and the site location.

7 While Mohegan would seemingly have a
8 six-month advantage if you will, as you have
9 seen from a previous comment the ability to
10 obtain financing and the complexity in terms of
11 the parties and how they come together, at least
12 in my mind, had some bearing into offsetting a
13 little bit of that advantage.

14 Either way, I recognize that these
15 are very complex, very multifactorial projects.
16 And we believe they are both very good when it
17 comes to timeline.

18 The next section that we looked at
19 was relative to the consistency between the size
20 and the scope of the facility, and how that ties
21 into the operations plan, their marketing plan
22 and later you'll see in the financials that they
23 provided.

24 I'll recapitulate a little bit of

1 what we talked about before. More slots in the
2 case of Mohegan, more tables in the case of
3 Wynn, slightly more gaming floor in Wynn.
4 There's a boutique hotel and a casino hotel
5 difference. When it comes to Wynn, they propose
6 a five-star hotel. The food and beverage seat
7 is higher with the same number of operations
8 when it comes to Mohegan. Same number of food
9 and beverage although Wynn, unlike Mohegan, owns
10 six of their own facilities or their own
11 outlets.

12 There's equivalent space when it
13 comes to multipurpose, more space comes to
14 parking over at Mohegan. Exhibition space is
15 slightly higher with Mohegan and the same with
16 retail.

17 I want to highlight the total gaming
18 square footage we have. We have a calculation,
19 Rob remind me, to come up with what would be
20 excess space, the proposed minus what's
21 required. Remind the ratio. Yes, I'm sorry, 30
22 square feet right here, 30 square feet per slot
23 machine and 300 square feet per table. The
24 comparison here is that there's slightly more

1 excess space with Wynn, 44,000 versus excess
2 space in Mohegan.

3 In our view this is relevant because
4 one, Wynn may be able to react to conditions in
5 the local market or international market with a
6 lot more flexibility. They might be able to add
7 more machines, repurpose some of the space, add
8 tables, decrease machines, do the opposite, etc.
9 Whereas this may be a little less flexible, but
10 doable of course. There's only a slightly
11 difference.

12 The parking space is relevant as it
13 turns to the parking position. While Mohegan
14 has more parking spaces, they do have more
15 parking positions and the ratio ends up being a
16 little bit comparable. Just staying there for a
17 minute, Melissa. The proposed food and beverage
18 seats per position are also reasonable given the
19 projected visitor volumes.

20 As a result, in our opinion, both
21 applicants although they are targeting different
22 demographics, they are doing it with different
23 product, more slots in one case, four stars in
24 one case, there is consistency between what they

1 present in the drawings, what they present in
2 their financials and what the present in the
3 operations plan.

4 I will note there's a difference
5 again that Wynn has relative to preopening
6 expenses. The project 61 million in order to
7 draw customers from here. This is in the form
8 of advertising, but also importantly training,
9 Rob, if I'm not mistaken. Yes, a big part of
10 this is labor. Mohegan has 10 million allocated
11 for those expenses although they do have
12 recognition in the market here in New England.

13 I'm going to turn it over in the
14 next slide to Rob from HLT. He helped us do the
15 market assessment. I will let him do that, and
16 I'll come back to the end of this section on the
17 rating.

18 MR. SCARPELLI: Thank you,
19 Commissioner. If I could do a little bit of the
20 summary, the last time we spoke about market
21 assessment was back under the Category 2s. And
22 a lot of time has passed. And we never spent a
23 lot of time at MGM.

24 Given the significance of the Region

1 A location to the Commonwealth's overall gaming
2 objectives, we thought we'd walk through some of
3 the concepts and the background of the market
4 assessment and how we use that to evaluate the
5 bids in this section.

6 The first thing I'd like to mention
7 is that the market assessment just provides a
8 framework. And it provided a framework that
9 allowed the Commission to assess all of the
10 different applications by the Category 2 and the
11 Category 1 gaming license.

12 Every individual gaming operator
13 will have a different interpretation of the
14 market opportunity. We'll call that in this
15 section a view of the market or market view.
16 So, each applicant was free to choose how they
17 look at the opportunity. The market assessment
18 that we performed allows a common framework to
19 assess everyone's view of that.

20 Key considerations of the assessment
21 is size of the expected market as measured by
22 gross gaming revenue. Also, individual
23 facility's gaming revenue projections and market
24 shares. Gaming revenues are simply a function

1 of the size of the gaming market and
2 competition. And the size of gaming market is a
3 function of the adult population and their
4 propensity to game and gaming supply in that
5 market.

6 Key elements of the market
7 assessment include the geographic extent of the
8 total market area, total gaming dollars
9 available and market shares after in-state
10 competition.

11 Just the recap in terms of
12 competition, the proposed Category 1 facilities
13 and it applies to both Regions A and B are
14 similar in size and scope relative to existing
15 competitors. Three of four existing competitors
16 that being Rhode Island and Connecticut contains
17 between 4,500 and 6,300 slot machines, offer
18 table games and a variety of ancillary
19 facilities.

20 The Category 1 facilities are
21 proposed offer between 3- and 4,000 slot
22 machines and between 100 and 150 table games.
23 The Category 1 facilities will operate in an
24 environment similar to existing competitors.

1 I'll discount Rhode Island at this stage in
2 terms of tax rates on slot machines.

3 However, unlike existing
4 competitors, Category 1 facilities will not
5 allow smoking. So, smoking will be permitted at
6 the Rhode Island facilities, is today and will
7 be tomorrow, and the same thing at the two
8 Connecticut facilities. Also, there is no table
9 tax in Connecticut and an 18 percent table tax
10 in Rhode Island.

11 Just to reiterate the size of the
12 market, we determine the size of the defined
13 gaming market as roughly did a drive-time
14 analysis of the existing facilities. And what
15 we determined for the purposes of this work in
16 the evaluation that we would consider all of
17 Massachusetts, all of Connecticut, all of Rhode
18 Island and the southern portion of New Hampshire
19 as the, if you want to call it, primary area for
20 Massachusetts facilities.

21 At the same time though, we realized
22 that a facility within that area also would have
23 the ability to generate visitation and win or
24 revenue from areas beyond. Now since we started

1 way back last fall, actually it's almost been a
2 year, a few developments have occurred and are
3 still occurring within the environment that
4 surrounds this defined market area.

5 And on this map on the left-hand
6 side is since last fall, New York, the state of
7 New York has moved forward with an RFP process
8 to award up to four casinos in three regions in
9 the state. You'll see the Catskill/Hudson
10 Valley region and in the capital region.
11 There's a third region just west of that.

12 If you notice down in the bottom,
13 you'll get zone. You'll see zone number one New
14 York. That's another region. Once they award
15 facilities over the next few months in the three
16 identified regions, six years after that point
17 in time, they'll reconsider licenses, additional
18 licenses for zone number one in New York City.

19 Within the past year, New Hampshire
20 again has looked at introducing casinos and has
21 defeated that. That will probably continue to
22 be a hot topic over the number of years,
23 especially when we look at awarding licenses in
24 Massachusetts for 15 years. It will definitely

1 be looked at again over the next 15 years. And
2 last week, the state of Maine released a report
3 that stated that an additional casino located in
4 Southern Maine could be viable in the
5 marketplace.

6 So, at the end of the day what we're
7 talking about is the state recognized a long
8 time ago and still recognizes today that
9 Massachusetts is in a competitive regional
10 gaming market. Just to give you some numbers,
11 if we take a look at the two properties in
12 Connecticut, the two properties in Rhode Island,
13 if you'll notice on New York there are four
14 existing racino operations in Eastern New York.

15 There are two racinos right here in
16 the red dots. There's also two down in New
17 York, closer to New York City down there. In
18 total, all of those properties generate about
19 \$3.8 billion in 2013.

20 And to give you a sense of what has
21 been going on in this marketplace over the past
22 number of years, since 2007, the two Connecticut
23 properties, Mohegan Sun and Foxwoods down here,
24 they had generated gross gaming revenue of the

1 \$2.5 billion in 2007. They're down to about 1.7
2 or eight now, so the loss of about 800 million
3 combined.

4 Rhode Island in 2007 the two
5 facilities there generated about 425 million.
6 They're actually up to 550 million. Part of the
7 reason why they're up is they added table games
8 over that time period.

9 And if we look at the New York
10 racetracks on the western edge, these two small
11 ones here, they were around 200 million in 2007
12 now they're up to 225 million. The two
13 racetracks on the bottom here were implemented
14 since 2007.

15 So, actually in 2007 those two
16 tracks down here generated \$350 million and
17 today they generate 1.3 billion. So, part of
18 the reason why the two Connecticut properties
19 are down 800 million is these two properties
20 have entered the marketplace.

21 So, after we defined the market
22 area, the next step we did was we took that
23 larger area and broke it down into submarket
24 areas. These submarket area are based on zip

1 codes.

2 Now we had to do this prior to
3 understanding how all of the different
4 applicants divided up the market from their
5 perspective. So, some applicants divided
6 markets based on drive times. Some applicants
7 divided markets based on county boundaries and
8 such. So, you don't get a complete apples to
9 apples comparison when you look at the various
10 studies. But we're allowed to -- we can adorate
11 this and we can make some estimates.

12 One of the reasons why we had to
13 break down this larger area into smaller areas
14 is to facilitate the market share exercise that
15 we went through.

16 One of the first steps that we
17 undertake in this exercise is to determine the
18 total dollars available. In this chart it's
19 just a simple calculation. It's adult
20 population times adult or win or revenue per
21 adult basis. We establish those \$300 and \$350
22 benchmarks based on comparison markets in the
23 Northeast, including up to Pennsylvania,
24 Pittsburgh and also Philadelphia.

1 We also looked at past reports done
2 for the state of Massachusetts and looked at
3 where they were coming in at in terms of
4 available market.

5 So, in total we're looking at \$2.6
6 billion to just over \$3 billion available. Part
7 of that market is already captured by existing
8 facilities located within our defined market
9 area that being Connecticut and the two
10 facilities in Rhode Island. And some of this
11 market is also being captured by facilities
12 located outside the area.

13 So, the next step after determining
14 sort of where the dollars are located in our
15 market area, the next step is by region we
16 assign market shares. So, all this map shows
17 you is for the Region A location -- and we
18 assumed a central location in Boston for this
19 purpose. This just shows you the market shares
20 that a facility located in Region A what we
21 think could reasonably expect given the amount
22 of competition already existing in the
23 marketplace plus the in-state competition coming
24 in that being a Region B location and a Region C

1 location and a slotted racetrack facility in
2 Plainville.

3 Please don't -- In terms of the
4 squiggly lines, those are just drive times.
5 That's only there for illustrative purposes just
6 to give you a sense of distance. Essentially,
7 the green squiggly line is 30 minutes. We took
8 those submarket areas that generally fall within
9 that and color-coded them green.

10 We also took the up to 60 minutes,
11 the red squiggly line took the areas between the
12 30 and 60 colored them an off orange just for
13 illustrative purposes. And again, from the 60
14 to 90 minutes we colored blue from that
15 perspective.

16 Generally speaking, as you move
17 farther away, you will get less market shares
18 because you start coming in to where competition
19 is located from that perspective. And as you
20 more farther away, you'll still get some
21 business, but you'll end up being smaller market
22 shares because the closer facility will get a
23 larger market share.

24 Now one of the things that we should

1 bring up at this point in time is when the
2 market assessment was done, it was done on the
3 basis of not fully understanding all of the
4 applicants' submissions from that. So, in
5 general the market assessment was done off of
6 theory.

7 That theory being if two facilities
8 are the exact same, people will travel to the
9 closest facility. If one facility is materially
10 larger than the other facility and that
11 largeness or the extent of it being bigger can
12 be of an actual physical size could also mean
13 the number of gaming devices, could also mean
14 the number and level of quality of amenities.

15 So, if a facility is larger in terms
16 of size, scope and quality to another facility,
17 the facility that's larger should have the
18 ability to generate visitation from farther away
19 from the marketplace.

20 If every facility that was entering
21 the market was the exact same and say it was
22 operated by the same person, and they were all
23 operated the exact same, they had the same
24 number of machines, same number of amenities,

1 people will gravitate to the closest facility.
2 That's really the theory behind the gravity
3 principles.

4 Those market shares that you saw on
5 the map just translate into dollar amounts. So,
6 essentially the base amount of dollars available
7 for a Region A casino we're projecting at
8 somewhere between \$700- and \$822 million.

9 In addition to that, we also state
10 in numerous sections, which we'll talk about a
11 bit further on is this concept of inflow.
12 Inflow actually was factored into the original
13 state's marketing assessment that was done by
14 Spectrum Gaming.

15 It actually was factored into the
16 decision that the state came up with in terms of
17 determining its casino model in terms of we want
18 casinos that are able to compete with the
19 regional environment and we want to draw
20 visitation and business from farther away. And
21 we'll talk about that in a little while.

22 You'll notice in the background
23 sections, HLT does not provide any inflow
24 numbers. That said we do look at existing

1 facilities in the marketplace. We do look at
2 based on our experience in other jurisdictions
3 in North America what we think would be
4 reasonable for a facility of a Region A location
5 would be somewhere between 10 to 20 percent of
6 additional revenues above and beyond the defined
7 market area as an appropriate level or amount of
8 inflow available to a Region A location.

9 In order to assess the applicants'
10 market viewpoints or how they're going to
11 approach the market, the first step we did in
12 this exercise was look at the actual dollar
13 amounts. So, in this slide here, on the top we
14 have Mohegan Sun MA. They're projecting
15 revenues starting in year one of about \$800
16 million. They expect by year three for that to
17 grow to \$900 million.

18 On the bar charts, you will see a
19 blue portion and a red portion. That blue
20 portion is really the slot machine revenue. And
21 the red portion is the table revenue.

22 Wynn Everett on the bottom starting
23 off at 804 million very similar and by year
24 three growing that to 845. They later revised

1 their year-one numbers to 832, so slightly
2 higher than the 804.

3 The main difference between the two
4 applicants is the amount of red, the amount of
5 blue in each of the bar charts. And as
6 Commissioner Zuniga pointed out earlier, Wynn is
7 more focused on the table business and Mohegan
8 is more focused on the slot business.

9 Each applicant approached their
10 market assessment through use of a third-party
11 consultant a little bit differently. So, let me
12 take a little bit to explain how each of the
13 applicant's third-party advisors approached the
14 marketplace.

15 What this slide shows you is the
16 market area defined by Mohegan Sun's third-party
17 assessor. And we superimposed that on the
18 defined area of HLT.

19 So, essentially how Mohegan Sun MA
20 defines this is they define two zones, a primary
21 zone and then a secondary zone. They define
22 those two zones first based on the drive time,
23 30 minutes for the primary zone, approximately
24 60 minutes for the secondary zone.

1 In reality, those two drive times
2 were just used as a proxy. What they ended up
3 with is they used boundaries of counties to
4 define those two zones.

5 So, in terms of the primary zone for
6 Mohegan Sun, the primary zone consists of
7 Suffolk, Norfolk, Essex and Middlesex County.
8 And those are highlighted in green on this map.
9 The secondary zone included Plymouth and Bristol
10 and Southeast Massachusetts and Worcester and
11 Central Massachusetts and three counties in
12 Southern New Hampshire. And again they are
13 highlighted in that orangish red color there.

14 The rest of the market, so that
15 being all of Rhode Island, all of Connecticut
16 and all of Western Massachusetts, their advisor
17 said that business from those areas would be
18 included with this visitor section or the
19 visitor category.

20 The first step we did is took those
21 areas and we compared those areas to HLT's
22 defined market areas, but we used the specific
23 sort of subareas based off of Mohegan Sun. So,
24 essentially and they're not a direct comparison,

1 but it gives you a magnitude. So, if I read
2 across we look at the primary zone.

3 Remember, the primary zone are the
4 four counties that surround the Boston urban
5 area. The applicant believes that it will be
6 able to penetrate in year three that market area
7 approximately \$670 million.

8 Through HLT's market assessment, we
9 believe a Region A location should be able to
10 generate anywhere between 480 and 560 million
11 from that same area. So, the applicant as
12 compared to HLT's numbers are aggressive in
13 terms of that primary market area.

14 If we move down to the secondary
15 market area break out Massachusetts from New
16 Hampshire, in Massachusetts, HLT believes and
17 through its estimates that somewhere between
18 \$60-\$72 million is available for a Region A
19 location. The applicant believes it could
20 penetrate that area approximately \$50 million.
21 So, a little below, slightly below.

22 And in terms of New Hampshire, the
23 applicant believes that it can penetrate
24 approximately 150 million from New Hampshire

1 which is slightly higher than what HLT believes
2 is somewhere around 96 to 112 million.

3 The outside PKF market area line
4 item there really includes all of Rhode Island,
5 all of Connecticut and all of Western
6 Massachusetts. We believe that a Region A
7 casino would be able to penetrate those market
8 areas and generate revenue of approximately \$65-
9 \$75 million. And the applicant through its
10 third-party market assessment does not believe
11 it would be able to sustain any meaningful
12 revenues from those areas.

13 That said they did provide a number
14 of \$40 million for visitor casino win. And that
15 number was calculated based off of the hotel
16 rooms that will be on-site, approximately 500
17 plus the local area hotel. Part of that \$40
18 million likely would originate from Western
19 Mass., Connecticut and Rhode Island from that
20 perspective.

21 So, in total if we just look at from
22 the market area, what we're talking about here
23 is the applicant believes it can do about 870
24 million and HLT believes somewhere between 700

1 and 825 million.

2 One of the tests we did because that
3 view of the market in terms of the extent of the
4 market area we thought it was much more narrow.
5 It's not consistent with other larger regional
6 resort casinos in the eastern seaboard that we
7 have experience with. So, we did a couple of
8 tests with this one.

9 This map just breaks down that \$900
10 million where it's being generated from. So, we
11 summarized it in the previous chart. So,
12 essentially from the primary zone 668 million,
13 from the Massachusetts portion of the secondary
14 zone 51 million, and from the New Hampshire zone
15 150 million, all other areas 40 million.

16 The one test we did because in this
17 market area we have prime example of two large
18 regional resort casinos that being Mohegan Sun
19 Connecticut and Foxwoods available in this
20 marketplace. That gives us an indication of
21 what a properly positioned casino in this part
22 of the United States could possibly generate
23 from there.

24 So, essentially look at the

1 experience of the two Connecticut properties and
2 then if we move one of those facilities to
3 Boston what could it do?

4 So, the next slide the first step is
5 we took the same principles that would apply to
6 determine the Boston market area and we applied
7 those to the Mohegan Sun Connecticut location.
8 So, the green portion on the bottom would
9 approximate the 30-minute drive time that was
10 applied to Boston. In the orange in central
11 Connecticut and in Rhode Island would be the
12 secondary. And both of those two market areas
13 overlap in Worcester County and the central part
14 of Massachusetts.

15 Then what we did based off of UMass
16 Casino Visitor study in 2010 or 2013 update that
17 was contained in the Mohegan Sun MA third-party
18 market assessment report, also based on
19 clarification questions to the applicant on
20 sources of where they currently generate
21 business from, we were able to estimate the
22 current breakdown of year-end 2013 862 million
23 from Mohegan Sun where it's generally located.

24 So, this map shows you for the

1 Connecticut property where it generally
2 generates business from. So, approximately half
3 a billion dollars is generated from the state of
4 Connecticut. 26 Million is generated from the
5 state of Rhode Island. In total 154 million is
6 generated from the state of Massachusetts, four
7 million Maine, 3.5 million Vermont, 18 million
8 New Hampshire and 118 million New York.

9 So, essentially if you look at sort
10 of the market area where all of that's done
11 that's a larger market area than the one that
12 was defined for the Boston facility, quite
13 substantially larger. And if we applied the
14 same distances to the Massachusetts, it's even
15 broader or larger than what HLT defined as a
16 reasonable market area for the Commonwealth to
17 assess casino licenses.

18 Now in addition to those areas where
19 they generate business an additional \$30 million
20 is generated from beyond New York and beyond New
21 England area from that perspective. That stands
22 in contrast to the projections that a Region A
23 location in Boston or the applicant put forward
24 for a Region A location in Boston.

1 We applied the same exercise to the
2 Wynn application. This map shows you Wynn's
3 third-party market assessor, how far they
4 believed that the Wynn Boston area casino could
5 generate business from. Essentially, they
6 project that a properly sized facility in the
7 Boston urban area of a sufficient quality should
8 be able to generate visitation from within 200
9 miles of Boston.

10 That would put us well into New
11 York, including all of New England states, Maine
12 and Vermont and pretty much all of New Hampshire
13 into there. On this map we superimposed HLT's
14 defined market area which was all of
15 Massachusetts, Connecticut, Rhode Island and
16 southern part of New Hampshire.

17 The next step we did with Wynn was
18 took his market areas and compared them to
19 HLT's. And essentially here, he defined his
20 market area based off of -- distance zones based
21 off of travel time.

22 So, if we look at his market areas
23 within 30 minutes, he's projecting that they can
24 generate somewhere around \$375 million where HLT

1 believes the available market there is somewhere
2 between 425 and 500 million.

3 Between his 30- to 60-minute drive,
4 he's projecting approximately 125 million. HLT
5 believes there's somewhere between 150 and 175
6 million. 60 to 90 minutes 75 million compared
7 to somewhere between 85 and 100 million. And
8 market areas beyond 90 minutes, Wynn is
9 projecting 40 million. HLT believes somewhere
10 between 50 and 60 million available.

11 So, in total from the market area,
12 Wynn is projecting that he can generate
13 somewhere around \$615 million from the market
14 area. HLT believes there is somewhere between
15 700 and 825 available. So essentially, he is
16 lower than, a lot lower than what HLT's view of
17 the market. If you compare that to the Mohegan
18 application they are a lot higher than.

19 In addition to revenue from the
20 defined market area, Wynn believes that it can
21 generate an additional \$56 million from the New
22 York area, from Vermont, from Northern New
23 Hampshire from Maine as a driving business to
24 his property.

1 He also believes that he can
2 generate 75 million from high-yield or high-end
3 international gamblers that he'd be able to
4 attract to the property. This component of his
5 market assessment we could not test based off of
6 examples in North America.

7 For this one we had to look at the
8 infrastructure available to be able to
9 reasonably test if that number is a good number.
10 Essentially, what we did is we looked at how
11 many marketing reps. the Wynn organization has,
12 where they are located in the world.

13 We also look at their experience
14 from their Las Vegas operation relative to
15 ability to bring in high-end players from around
16 the world to that property in Las Vegas. From
17 those assessments we were satisfied that that 75
18 million is a doable number. It's a reasonable
19 number.

20 Now in addition to those segments,
21 Wynn also projects that he can generate
22 approximately an additional 100 million based
23 off of the existing tourism flow that comes
24 through the Boston urban area and Massachusetts

1 in general. So, people staying at area hotels,
2 people visiting family and friends in the area.

3 So, in this sense he's leveraging
4 off of existing visitation to Boston. He
5 believes that he can bring in new visitors to
6 Boston, gives another reason to come to Boston.
7 He believes that he can generate another \$100
8 million from that marketplace.

9 So, if we added up his sort of
10 market, his revenue projections from beyond the
11 defined market area and excluded the
12 international gambler business, essentially he
13 represented about 18 percent of his total win
14 would come from inflow.

15 We believe that's reasonable. It's
16 within the 10 to 20 percent benchmark that we
17 established, albeit it's at the high end. He
18 has demonstrated albeit in a totally different
19 gaming market, but he's demonstrated he has the
20 ability in Las Vegas to bring people in from
21 farther away from there.

22 The next slide, Melissa. So, if we
23 take his revenue projections and apply it on a
24 map similar to what we did to the first

1 applicant, what we have is the 375 million is
2 from the green area, 124 million is from that
3 orangish area and that's a 30- to 60-minute
4 drive roughly. \$77 Million from that blue area
5 gets us over to Worcester area, \$40 million from
6 Connecticut and Western Mass.

7 And outside the HLT market area, so,
8 New York City, Vermont, Maine, Northern New
9 Hampshire another \$56 million, and then all
10 other areas approximately just under \$100
11 million from the tourism inflow. I'm going to
12 turn it back to Commissioner Zuniga.

13 COMMISSIONER ZUNIGA: Thank you,
14 Rob. So, as Rob was detailing -- And let me
15 mention something it took me a little while to
16 appreciate.

17 What Rob refers to as the
18 applicant's view of the market, I believe it's
19 really their market strategy, their go-to market
20 strategy. How they're going to the market,
21 their understanding of what's available, what
22 are they going to go for.

23 And even though this terminology hit
24 me after everything was printed, I really think

1 the way we should be referring to when it comes
2 to when we talk about market view is really the
3 market strategy. Different from marketing
4 strategy, this how they see an opportunity, who
5 they are going after, where do they have
6 experience attracting that customer from.

7 So, I'm just going to ramp up the
8 market assessment on the next slide and talk a
9 little bit about our view that Mohegan Sun's
10 market strategy is insufficient.

11 We don't believe that it is
12 consistent to what they are able to do. In
13 their own operation in Connecticut from
14 Connecticut they're able to attract from a wide
15 market area. In this case, they are telling us
16 that they are not able to penetrate Connecticut,
17 Rhode Island and Massachusetts on a city that
18 has a lot more assets to offer in terms of
19 amenities in the very vicinity.

20 Their market view as I mentioned,
21 market view or market strategy is not consistent
22 with what they can do elsewhere. Conversely,
23 Wynn is lower than what HLT predicts in terms of
24 the market area, the immediate market area. But

1 it's really going for actual visitation from
2 outside the region.

3 In our view, attempting or going for
4 and having had the experience attracting high-
5 end players, players from outside the market
6 area is something that they've done and is
7 something that aligns with the model that I was
8 talking about earlier in terms of revenues from
9 out of state.

10 I can pause there if there's any
11 questions.

12 COMMISSIONER CAMERON: I have a
13 couple of questions, Commissioner. So, we're
14 rating them on, Mohegan Sun on what they tell
15 us, not necessarily what HLT believes is
16 accurate? In other words, limited ability to
17 attract visitation from outside the region.
18 That's what they're telling us; is that
19 accurate?

20 COMMISSIONER ZUNIGA: Yes, that's
21 what they are telling us. And they're telling
22 us not just in the market study that they've
23 done. This is where some of the ratings start
24 to have interrelation with -- some of the topics

1 start to have interrelation with others.

2 The higher emphasis on the slot play
3 is generally but not exclusively reminiscent of
4 more of a local, more of closer a facility. The
5 four-star and three-star topic, Dave and
6 Buster's, the choice or feel that they are
7 proposing to have in the facility would be more
8 consistent with visits from closer.

9 There's also the marketing
10 restriction that has a play here that I already
11 talked about. If they believe that the market
12 area is that primary zone that was in the
13 previous map, maybe we can flip back to that
14 Melissa, that's what they felt needed to be
15 restricted relative to protecting this
16 operation. That begins to then work in tandem
17 towards what we refer to as their market
18 strategy or view of the market opportunity.

19 COMMISSIONER CAMERON: So, you said
20 you were going to explain this. This is where,
21 correct? The market assessment meaning the zip
22 code piece.

23 COMMISSIONER ZUNIGA: Right.

24 COMMISSIONER CAMERON: I'd like to

1 understand that better. I understand that the
2 ability to market up to the same level, correct?

3 COMMISSIONER ZUNIGA: Yes.

4 COMMISSIONER CAMERON: You mentioned
5 that earlier. So, what you're saying by that is
6 that's a disincentive for -- Could you please
7 give me a little more information with regard to
8 the zip codes, the marketing up to the same
9 level and how we see that affecting this.

10 COMMISSIONER ZUNIGA: So, the market
11 restriction, and Rob correct me if I'm wrong,
12 applies to everything that is green here.

13 MR. SCARPELLI: Approximately.

14 COMMISSIONER ZUNIGA: Approximately,
15 because it's by zip code and this by county.
16 They generally align, but it's limited to the
17 green.

18 So, when Mohegan MA opens or prior
19 to its opening, what the applicant proposes is
20 that they will seed -- This is a term of theirs.
21 -- they will transfer a database of the
22 customers in the region to Mohegan MA.

23 After that point, the properties
24 will be operated separately but there will be a

1 third-party looking at whether the properties,
2 all of the properties for Mohegan but really the
3 one that is of greater consequences is the one
4 in Connecticut, is not going to market in excess
5 of what Mohegan MA does to the people that live
6 around this area. That is the restriction.

7 Now what that tells us is that the
8 focus of this facility is going to be in this
9 region. It also tells us -- there's other data
10 that tells us that which are their own
11 projections which Rob just went through.

12 Now Connecticut can match whatever
13 Mohegan does, but there's a lot of questions
14 that come up shortly after. How do you define a
15 marketing dollar? Is it free play? Is it
16 equivalent? How do you price a stay, a room
17 stay? It's not the actual advertised rate.
18 There's usually an internal rate by which they
19 account for hotel stays.

20 So, somebody in this area could be
21 receiving different offers from the closest
22 facility or the slightly further away facility
23 that could be equivalent or we don't know
24 exactly how they would be determined to be

1 equivalent.

2 So, we had a number of questions, by
3 the way, on the applicant on this topic. They
4 responded ultimately that the third-party would
5 establish standards and procedures to answer all
6 of those questions that we have. How do you
7 value free play? How do you value a room stay?

8 There's also the notion -- This is
9 direct marketing. There's also questions that
10 come to my mind when it comes to reverse
11 inquiry. What if there's an existing customer
12 here that has a host relationship with an
13 operation here -- with the operation there in
14 Connecticut and asks for, I don't know, free
15 tickets to the next concert? Would that apply?
16 Would that host then have to go into the
17 database and verify whether there's marketing
18 dollars that would already exceed or is below
19 that threshold?

20 So, there's a lot of questions that
21 came as a result of that. At a first level or
22 first plane here, the fact that they're valuing
23 this as the area worthy of "protecting" in
24 addition to the financials and in addition to

1 the market assessment that they performed tells
2 us that that's really going to be their area of
3 focus.

4 What we're saying however is that a
5 casino in Boston for that region could and
6 should generate visitation from much further
7 away. That's right. It's illustrated here.
8 This is actually what they have, what Mohegan
9 does for the Connecticut operation. Is that
10 correct, Rob? They're able to draw from a wide
11 -- from basically all of New England.

12 There's also something that I think
13 I should mention relative to this suburban/urban
14 notion that has sometimes been in the parlance
15 before. A suburban casino by definition needs
16 to attract players from far way. There's not a
17 lot of people around them.

18 An urban casino can attract from
19 nearby. But that doesn't negate that they
20 should be able to also attract from further
21 away, which when we compare to what Wynn has
22 done in their own market assessment, market
23 projection, their own market strategy, it is a
24 lot more consistent with the notion that a

1 Boston casino should be able to attract both
2 from here and from far away. It's a destination
3 city. It's nearby airport. There's a lot of
4 amenities that can complement an experience.
5 And that's why we view their rating to be very
6 good.

7 MR. SCARPELLI: Also, Commissioner
8 Cameron in the state's original market
9 assessment study by Spectrum Gaming they
10 actually did two scenarios. The first scenario
11 they did is they assumed that all three casino
12 license or all three casinos located in the
13 three identified regions were roughly about the
14 same size and quality.

15 The second scenario they did is they
16 assumed if the Boston area Region A area
17 facility was much larger than the other two
18 regions, what type of projections that it could
19 do. And under that scenario, it projected that
20 of the three regions identified in the state,
21 the Region A had the best ability to get
22 business from a lot farther away than the other
23 two regions.

24 So, it was acknowledged when the

1 state created its model, as you say, if we want
2 to call it that and how the state viewed the
3 opportunity. So, if there was going to be one
4 region that could generate business from farther
5 away, it'd be Region A as opposed to the other
6 two regions.

7 COMMISSIONER CAMERON: So, is
8 Mohegan Sun underestimating their ability to
9 draw from a larger market? Or are the
10 restrictions you talked about detrimental to
11 doing that?

12 MR. SCARPELLI: Underestimating or
13 not viewing the opportunity, I don't know which
14 one that is.

15 COMMISSIONER CAMERON:
16 Underestimating or what?

17 MR. SCARPELLI: Or just not viewing
18 opportunity, not acknowledging the opportunity.

19 COMMISSIONER CAMERON: Not
20 acknowledging the opportunity. Thank you.

21 COMMISSIONER MCHUGH: I have some
22 questions along the same line, and let me just
23 pick up on that thread. The HLT analysis says
24 that at \$350 per adult within the various

1 regions, the market will yield \$822 million,
2 right?

3 COMMISSIONER ZUNIGA: Up to, yes.

4 COMMISSIONER MCHUGH: Pardon me?

5 COMMISSIONER ZUNIGA: That's the
6 higher end.

7 COMMISSIONER MCHUGH: I understand.
8 That's 350. There's a blended which is a little
9 bit lower and there's the \$300 which is lower
10 yet. But let's just take the high-end for the
11 minutes. This is slide 46.

12 Mohegan Sun says we can do 870
13 million in that same area without reaching
14 outside the PKF market area which was part of how
15 one got to the 822 million in the HLT analysis.
16 And in addition to that we can get another 40
17 million from inflow for a total of 910. So,
18 they're projecting 910. HLT if I understand say
19 there is only 822 million there.

20 Why is their plan insufficient based
21 on their estimate that they can get more of out
22 of what we say is less?

23 COMMISSIONER ZUNIGA: It's too
24 aggressive.

1 COMMISSIONER MCHUGH: Pardon me?

2 COMMISSIONER ZUNIGA: It's outside
3 of what we project. It's greater than what we
4 project.

5 COMMISSIONER MCHUGH: Okay, fair
6 enough. Why isn't then the 822 something that
7 we assume they can get if they are a little bit
8 --- Why can't we assume that they can get the
9 822?

10 It seems to me asking a question
11 we've got three variables here. We've got the
12 marketing plan. We've got the customer base far
13 as opposed to local which may be related to the
14 marketing plan. And we've dollar availability
15 in the market. The dollar availability in the
16 market under the HLT analysis is 822 million.

17 The marketing plan may prevent them
18 from capitalizing on that 822 million to the
19 fullest and they may not be taking that kind of
20 advantage of the foreign travelers that the
21 other applicant is taking.

22 But just in terms of the 822 million
23 why isn't with the right marketing plan that 822
24 million within their reach?

1 COMMISSIONER ZUNIGA: They're
2 projecting a lot more.

3 COMMISSIONER MCHUGH: I know. I
4 know. So, we say that's overly optimistic. You
5 can't get that. But why is their plan
6 insufficient because they're too ambitious?

7 COMMISSIONER ZUNIGA: Do you want to
8 clarify?

9 COMMISSIONER MCHUGH: I must be
10 missing something.

11 MR. SCARPELLI: If I could clarify
12 something, Commissioner McHugh, is I think if
13 you want to compare their 870, the 870 is not
14 compared to the 822. The 870 is compared to the
15 822 minus 76. So, essentially it's 870 compared
16 to 750.

17 Under the 350 revenue per adult
18 basis that's the high-end of the market. If we
19 looked at what Spectrum projected in the state
20 of Massachusetts was actually closer to 300.
21 What we looked at in the benchmark comparison to
22 Philadelphia and Pittsburgh were closer to 300.

23 So, if you really want to compare
24 the 872 or 870, you should also compare the 870

1 to 705 under the low case minus the 65. Then
2 you have 870 compared to 650.

3 We're talking a \$200 million
4 difference in size of market on the one side.
5 Up to \$100-\$200 million difference in size of
6 the market from that perspective. That's a
7 significant amount of if you want to call it
8 aggressiveness or aggressive view of the market.

9 COMMISSIONER MCHUGH: So, if I
10 understand you correctly, I'm not exactly sure
11 where those numbers came from, but that's not
12 really relevant to the theory. If we look at
13 the primary zone for example, the max HLT
14 estimates is there is 561 million. And Mohegan
15 Sun is predicting that it can get 668 out of
16 that. That is unrealistic you're saying?

17 MR. SCARPELLI: Correct.

18 COMMISSIONER MCHUGH: But then why
19 isn't it safe to say that if they're too
20 aggressive with that they can at least get the
21 561?

22 COMMISSIONER ZUNIGA: No, they can
23 at least take the 481.

24 COMMISSIONER MCHUGH: Just stick

1 with my numbers. And I'm sorry, I don't mean to
2 try to reign you in, but I'm just trying to
3 understand that number. If the primary zone
4 number 561 at 350 and if I understand it
5 correctly, we're saying that is what's there
6 max.

7 COMMISSIONER ZUNIGA: It's an
8 outside range.

9 COMMISSIONER MCHUGH: Right.

10 COMMISSIONER ZUNIGA: Yes, it's
11 potentially there.

12 COMMISSIONER MCHUGH: That's right
13 it's not a firm number. It's an outside range.
14 It's the most that's there.

15 COMMISSIONER ZUNIGA: The most
16 that's there.

17 COMMISSIONER MCHUGH: And they say,
18 Mohegan Sun says we can get 668 out of that.
19 And we say no you can't, because only 561 is
20 there, right?

21 COMMISSIONER ZUNIGA: Essentially,
22 yes. It would require for them to get 668
23 million from this area, it would require the
24 average adult to be spending significantly more

1 than many other jurisdictions.

2 Part of the market assessment we did
3 in order to come up with why 300 and 350, was
4 compare what happens in jurisdictions like
5 Pittsburgh markets, like Philadelphia. And
6 there's a methodology. There's a propensity and
7 a number of dollars spent per visitation that
8 results in this number. That would mean that
9 there is significantly more spending by each of
10 those adults.

11 COMMISSIONER MCHUGH: I understand
12 that. So, we say they can't get the 668 for all
13 of the reasons you've just described. But why
14 can't they get the 561?

15 COMMISSIONER ZUNIGA: They could. I
16 would rather you take the 525 and here's why.

17 COMMISSIONER MCHUGH: What I'm
18 trying to get to is the ultimate basis for the
19 rating. If they project that they're going to
20 get more than we say is there, and we say that
21 you can't get that much but you can get what's
22 there, then how do they get an insufficient
23 rating?

24 And I understand if it's based on

1 the marketing plan and I hope we can talk about
2 more about that. And if it's based on where the
3 money is coming from local as opposed to afar, I
4 hope we talk more about that. But if it's based
5 purely on you're trying to get too many dollars
6 out of a pot that doesn't hold that many --

7 COMMISSIONER ZUNIGA: Part of this
8 may have been the approach. Let me try to
9 answer this question. Remember my point on a
10 previous slide about the return on investment?

11 COMMISSIONER MCHUGH: Yes.

12 COMMISSIONER ZUNIGA: The part where
13 we assess the reasonableness of the projections
14 is in the market assessment. But the revenues
15 that they can get have a factor in the return on
16 investment.

17 So, we could have said let's just
18 take your number whatever here 561 and given
19 that you've projected that much more that makes
20 your return on investment a lot less, because we
21 believe your return on investment is predicated
22 on you assuming that you're going to get these
23 kinds of revenues.

24 So, we touch on it or we do the

1 assessment. We have to fix one and then assess
2 the other one, otherwise we could be sort of
3 going in circles. For whatever it's worth, we
4 could say take these projections, put them
5 through the ROI and all of a sudden your return
6 on investment is much less than the 15 or 17
7 percent.

8 COMMISSIONER MCHUGH: That part I
9 get. So, this isn't being rated in isolation.
10 This is being rated in the context of the
11 overreaching. And I don't use that
12 pejoratively, just to describe trying to get
13 more than is there, the impact of that on the
14 return on investment and the operational income
15 and the like.

16 COMMISSIONER ZUNIGA: Right. There's
17 another piece that I think --

18 COMMISSIONER MCHUGH: Is that right?

19 COMMISSIONER ZUNIGA: Yes, I think
20 so. There's another piece that I think Rob
21 mentioned, but let me emphasize. The Region A
22 is, as I've said I think publicly in the past,
23 is the crown jewel of this state. If there are
24 dollars to be had from out-of-state, which in my

1 view generate economic development because
2 otherwise we're just shifting dollars around,
3 this was the one to do it. This is the region
4 that can attract out-of-state players the most.

5 Although I love what MGM has done
6 and proposed in Springfield and their
7 projections show it, there's not a lot of money
8 that comes to Springfield from outside the
9 region. There's a lot of drive time, etc. and
10 that is a great regional casino.

11 I believe that there was a big
12 opportunity that they missed, which is a reason
13 of the insufficient, in terms of market
14 opportunity that they are not realizing in the
15 case of Mohegan.

16 And compared to Wynn, they really
17 are going for it. So, that's a big difference.
18 I think the marketing restriction is a
19 particular piece that I have a condition on that
20 we can talk to if now is the time, but that's
21 the reason for our assessment. It's a
22 provisional rating as we all know.

23 COMMISSIONER MCHUGH: No, no, I
24 understand that. I'm just trying to understand

1 at the moment. I'm not trying to challenge.
2 So, part the basis for the rating is that there
3 is no reaching for what's been described as
4 inflow.

5 COMMISSIONER ZUNIGA: Actually, let
6 me clarify this, because inflow, the 40 million
7 that they do -- The short answer to your
8 question is yes.

9 COMMISSIONER MCHUGH: 260 Million in
10 one and 40 million.

11 COMMISSIONER ZUNIGA: Actually, less
12 than 40. That's where I was going. Can you go
13 back? The 40 million that's outlined here --
14 Melissa go back to the map that shows -- That
15 one. Part of 40 million comes from here, comes
16 from Western Mass., comes from Connecticut and
17 Rhode Island.

18 The inflow that we've always talked
19 about comes from everything that's colored here.
20 So, there's a number here that we don't know
21 that I have on the tip of my fingers here.
22 There's a number from Western Mass. There are
23 players that should come to Boston from Western
24 Mass. that's included in that 40 million.

1 COMMISSIONER MCHUGH: Okay. I think
2 I understand. We can talk more about this when
3 we get to the deliberations.

4 COMMISSIONER ZUNIGA: Okay.

5 COMMISSIONER MCHUGH: Thanks.

6 COMMISSIONER ZUNIGA: I suspect that
7 we're going to be over to our two hours here,
8 but it's important discussion.

9 COMMISSIONER STEBBINS: I have a
10 couple of quick questions on the market
11 assessment. On slide 51 for Wynn, I just want
12 to kind of break down the folks outside of 30-
13 and 60- and 90-minute window. Outside HLT's
14 market area, I'm assuming you're simply
15 describing as Western Mass. kind of headed
16 anywhere beyond that?

17 MR. SCARPELLI: No. Outside the HLT
18 market area, if you look on page 50 that would
19 be New York, Vermont, all of New Hampshire and
20 including Maine, so everything within that red
21 line inside between the red and the blue line on
22 50 that's the 56.7 million is from that area.

23 COMMISSIONER STEBBINS: Okay. Break
24 down for me a little bit further high-yield

1 international players.

2 MR. SCARPELLI: Those would be
3 people located around the world that the Wynn
4 operations know already. They're in their
5 databases. Also they are always updating their
6 databases. It's those people. And they have
7 275 marketing representatives located around the
8 world. They will target those people to come to
9 Boston or a portion of those people.

10 COMMISSIONER STEBBINS: So, this a
11 number reflected of a portion of their high-
12 yield international players which I'm guessing
13 currently probably come from China, Asia, Far
14 East?

15 MR. SCARPELLI: Asia, South America
16 seems to be their focus right now, a big part of
17 it, but they'd be anywhere in the world beyond
18 the United States.

19 COMMISSIONER STEBBINS: I understand
20 that's kind of their bread-and-butter, but we're
21 trying to get them all the way up to the
22 Northeast corner. And they're going to be
23 flying over Las Vegas.

24 MR. SCARPELLI: Yes.

1 COMMISSIONER STEBBINS: So, do you
2 take that into account when you come up with
3 that 75 million?

4 MR. SCARPELLI: We took it into
5 account in terms of the magnitude. If started
6 being like 150, 200 million you'd start
7 questioning.

8 What the applicant stated was that
9 they believe a portion of the international
10 people either have a tie into the East Coast
11 United States and specifically Boston through
12 education. They view they could sell the city
13 of Boston as a sophisticated destination, a
14 different gaming destination.

15 So, they believe that people on that
16 list are making trips to the Northeast including
17 New York. And they will tack this onto one of
18 their trips. So, they're not going to take
19 somebody specifically and bring them past five
20 other properties to come here. They're going to
21 look to see when are you in this area and we're
22 going to get you to come.

23 COMMISSIONER STEBBINS: Just so I
24 understand, the next line of tourism is

1 essentially the market of people potentially
2 visiting Massachusetts already from outside your
3 little HLT zone that are deciding they're going
4 to go over and spend some money at the games.

5 MR. SCARPELLI: People staying at
6 the existing hotels including the casino hotel.
7 Boston has a very good hotel market, very good
8 occupancy in the fall and certain times of year.

9 They're saying that people that are
10 coming to Boston already, we're going to tap
11 into that to give them an entertainment option.
12 And they're also saying that we should be able
13 to generate some additional visitation to
14 Boston, because now when they choose sort of a
15 vacation destinations, now that Boston will have
16 a casino, it's just another part of
17 infrastructure. It's something else to do while
18 in the area.

19 COMMISSIONER STEBBINS: One quick
20 question on the Mohegan Sun projections back on
21 46. Only because I haven't got a calculator
22 handy, can you help me understand the per gaming
23 spend that they're using in their financial
24 projections? And I'm more focused on the

1 primary zone and the secondary zone.

2 MR. SCARPELLI: The actual gaming
3 spend that their third-party assessor used was
4 \$352. So, they're using the high-end roughly
5 350 for all states of -- they actually used it
6 for all of Maine, all of New Hampshire, all of
7 Vermont, all of Connecticut and all of
8 Massachusetts. They're assuming that a
9 reasonable spend per adult is \$350 as in the
10 base market.

11 COMMISSIONER STEBBINS: Okay. Thank
12 you.

13 COMMISSIONER ZUNIGA: Other
14 questions? Should I just keep going on what
15 should hopefully be the last section. Then I
16 might talk about conditions towards the end.

17 The fourth and final section of the
18 finance review consisted of looking at their
19 operations plan. There's perhaps discrete,
20 uniquely discrete piece of the evaluation that
21 has to do with their internal controls. And
22 then on the other two subsections, we look at
23 the financial projections as well as some of the
24 costs as I mentioned including how they are

1 consistent with their business plans.

2 For internal controls, it's easy.

3 There's a lot of documentation that they

4 submitted relative to their internal controls.

5 We did a review of that a desk review of course

6 of the documentation submitted.

7 Next slide, Melissa. We believe

8 that both are very good. They have a lot of

9 experience working in multiple jurisdictions.

10 Wynn provided a lot more

11 documentation in this regard. There's just

12 volumes of documentation. However, in terms of

13 considering this question, the way we approached

14 this is not just what they submitted in this

15 response, but in addition to what they submit,

16 how they operate and the results that they've

17 had over the years, etc. So, on that note

18 although Wynn's response was a lot more detailed

19 with a lot of documentation, I'm rating them

20 both very good.

21 When it comes to the next subsection

22 of the operations plan, we test that the

23 business plan is consistent with the market as

24 we define it, and also demonstrates a connection

1 to the financial projections. In other words,
2 we test that what they tell us in their business
3 plan is reflected in their spreadsheets and
4 their cash flows.

5 We review and assess key components
6 of the plan, look at their strategies for the
7 market. I've talked a lot about the market
8 strategy. But it's important to mention that we
9 triangulate with the budgets, the financial
10 projections and make sure that they are
11 consistent and start to paint a picture of what
12 their overall business plan and go-to market
13 strategy is. All of this are responses
14 contained in the finance section.

15 Next slide. In terms of their
16 parking plan, I'm just going to quickly go
17 through this. They both appear reasonable with
18 slight more spaces, as I mentioned, for the
19 Mohegan Sun, but of course they do have more
20 gaming positions.

21 The slots plan is reasonable. They
22 both lease around the same amount of games,
23 which also is consistent with what our
24 consultants tell us is the case in other

1 jurisdictions.

2 The table product plan is also both
3 reasonable, especially given it also reflects
4 the intended local market in the case of
5 Mohegan. And it's really reflective of the
6 high-end market and international play when it
7 comes to Wynn.

8 The hotel plan, and again all of
9 these details are in the report. I'm just
10 summarizing them here. The average daily rate
11 is consistent with the midmarket brand when it
12 comes to Mohegan. The rate is consistent with
13 the higher-end brand when it comes to Wynn.

14 The retail plan are both reasonable.
15 They incorporate them in the gaming complex.
16 Their food and beverage plan is in the case of
17 Mohegan, the size and scope are reasonable, but
18 neither applicant provided for a buffet, which
19 HLT tells me is something that the customer, the
20 regional market customer may come to expect.

21 Sourcing, this is a sourcing
22 question. When it comes to Mohegan they are
23 predicting or they're counting on sourcing all
24 of their food and beverage. Sourcing some of it

1 is typical, but sourcing all of it could pose
2 challenges when it comes to operational control.

3 I can give you a quick example. If
4 the tenants decide that the marginal cover after
5 11:00 is just not worth their time. They might
6 close at 11:00, which may mean that there is a
7 high-end play after that hour that may not be
8 attended to which is something that they come to
9 expect.

10 Marketing plan is consistent with
11 what we just described relative to the typical
12 North American regional casino. And in the case
13 of Wynn, it's also consistent with their market
14 strategy building on the notion of the higher-
15 end and the domestic and international premium
16 customer.

17 I think we talked quite a bit about
18 this already. This is where I was originally
19 planning on talking about the section in the
20 application that details the marketing
21 restriction between MGA Palmer Partners and MGA
22 Gaming the latter entity that is controlled by
23 Brigade.

24 In this regard, there's a notion

1 that if Brigade sells the interest, as I state
2 here, some of the Commission's interest in this
3 regard may not be protected. So, I have a
4 condition relative to this marketing restriction
5 that I will talk about in a couple of slides.

6 This we've talked about in some
7 regard. They did provide for what the spirit of
8 that marketing restriction is. But I mentioned
9 already that the notion of standards and
10 procedures would be determined at a later time
11 the way that they described it here.

12 There's a specified zone we've
13 talked about. It's not aligned with the casino
14 gaming objectives. And although the marketing
15 restriction in the case of Mohegan does provide
16 a level of comfort in respect to the other
17 properties, we would disagree with the
18 representation that it's perfectly aligned with
19 the state's casino objectives, maximizing
20 revenues from going currently out-of-state and
21 capturing traveling dollars.

22 So, to summarize the consistency of
23 the business plan section, the parking, slot,
24 table, hotel, retail plans are all reasonable

1 for both applicants. The market strategy, as I
2 mentioned, is something that we've already
3 talked about.

4 The outsourcing of all food and
5 beverage is not typical, could pose operational
6 challenges. And we've already talked a little
7 bit about the marketing, quite a bit about the
8 marketing restriction.

9 On the other hand, Wynn has a
10 marketing plan and a market strategy that
11 focuses on the higher-end not exclusively of
12 course and some international premium customers.
13 Although does not have a prominent focus on the
14 local market, we do believe that that may result
15 in some additional food and beverage seats that
16 may be required to accommodate some of the local
17 market that is indeed available.

18 COMMISSIONER MCHUGH: Could I ask,
19 are you about to go to the next section,
20 Commissioner?

21 COMMISSIONER ZUNIGA: Do I have to
22 go?

23 COMMISSIONER MCHUGH: No. Are you
24 about to go to the next section?

1 COMMISSIONER ZUNIGA: I was, yes.

2 COMMISSIONER MCHUGH: Could I just
3 ask a couple questions about the marketing plan
4 because we've talked now about it a couple of
5 times. And I just want to make sure that I
6 understand a couple of features of it.

7 There's something in the marketing
8 or maybe this is the operating agreement. I'm
9 not sure what the proper term is. But there's
10 something called a specified zone, right?

11 COMMISSIONER ZUNIGA: Yes.

12 COMMISSIONER MCHUGH: And the
13 specified zone is a number of zip codes around
14 downtown Boston, right? And the zip codes
15 extend out to about a 30-minute drive from
16 downtown Boston; is that right?

17 COMMISSIONER ZUNIGA: Yes.

18 COMMISSIONER MCHUGH: Within that
19 30-minute drive in those zip codes, Mohegan Sun
20 the big entity will turn over to Mohegan Sun MA
21 the names, addresses and other contact
22 information and whatever information they have
23 about bettors, people who are known to Mohegan
24 Sun already; is that right - within that

1 specified zone?

2 COMMISSIONER ZUNIGA: No. Is it
3 within the specified zone?

4 MR. SCARPELLI: Yes.

5 COMMISSIONER ZUNIGA: Just within
6 the specified zone, yes.

7 COMMISSIONER MCHUGH: It's just
8 within the specified zone.

9 COMMISSIONER ZUNIGA: You're talking
10 about the seed --

11 COMMISSIONER MCHUGH: I'm talking
12 about the initial seeding of customers. And
13 we'll give that information to Mohegan Sun MA.

14 COMMISSIONER ZUNIGA: Correct.

15 COMMISSIONER MCHUGH: And allow
16 Mohegan Sun MA to market to those people, right?

17 COMMISSIONER ZUNIGA: That's right.

18 COMMISSIONER MCHUGH: And the
19 restriction there is that Mohegan Sun
20 Connecticut can only market to those people
21 within that 30-minute drive time to the same
22 extent that the Mohegan Sun MA markets to them.

23 COMMISSIONER ZUNIGA: Correct.

24 COMMISSIONER MCHUGH: So, if Mohegan

1 Sun MA for example and this is a rough example,
2 spent a dollar apiece on them a month then
3 Mohegan Sun Connecticut would be restricted to
4 spending a dollar a month apiece on them as
5 well.

6 COMMISSIONER ZUNIGA: Correct.

7 COMMISSIONER MCHUGH: But outside
8 the specified zone, this 30-minute drive zone,
9 Mohegan Sun in Massachusetts would not give
10 Mohegan Sun -- Mohegan Sun in Connecticut not
11 give Mohegan Sun MA the information.

12 COMMISSIONER ZUNIGA: Correct.

13 COMMISSIONER MCHUGH: And outside
14 that 30-minute drive zone Mohegan Sun MA would
15 be free to compete with Mohegan Sun Boston to
16 the fullest extent it wanted.

17 MR. SCARPELLI: Mohegan Sun
18 Connecticut.

19 COMMISSIONER MCHUGH: There'd be no
20 equivalency, no restriction no nothing; is that
21 right?

22 COMMISSIONER ZUNIGA: Right. There
23 will be no restriction on Mohegan Sun
24 Connecticut.

1 COMMISSIONER MCHUGH: Right,
2 competing with and trying to attract people from
3 those areas.

4 COMMISSIONER ZUNIGA: Correct.

5 COMMISSIONER MCHUGH: So, if Mohegan
6 Sun MA spent two dollars a month on customers
7 outside that 30-minute drive so Mohegan Sun
8 Connecticut would be free to spend \$50?

9 COMMISSIONER ZUNIGA: Yes.

10 COMMISSIONER MCHUGH: That 30-minute
11 drive zone includes places roughly outside the
12 495 belt; is that fair to say? That's a rough
13 estimate.

14 COMMISSIONER ZUNIGA: Yes.

15 COMMISSIONER MCHUGH: I'm just
16 trying to get the big picture here. So, outside
17 roughly let's say the 495 belt, Mohegan Sun MA
18 is free to -- Mohegan Sun Connecticut is free to
19 compete at whatever level it wishes for the
20 customers who live in that area. Inside the 495
21 belt basically it's head-to-head competition and
22 both have to wear eight-ounce gloves or
23 something like that, but the restrictions are
24 the same. They have to be balanced. They have

1 to be equivalent.

2 COMMISSIONER ZUNIGA: Mohegan MA
3 sets the bar, Mohegan Connecticut can match it.

4 COMMISSIONER MCHUGH: Okay. I
5 thought I understood that and I do. Thank you.

6 COMMISSIONER ZUNIGA: A lot of
7 questions arise out of that. And I guess I
8 already mentioned them.

9 COMMISSIONER MCHUGH: And I look
10 forward to discussing them.

11 COMMISSIONER ZUNIGA: \$10 of free
12 play are going to be perceived differently.

13 COMMISSIONER MCHUGH: I just wanted
14 to get the big picture as I walked away from the
15 presentation.

16 COMMISSIONER ZUNIGA: Yes, you got
17 it right on. Let's go to the financial
18 projections. I already spoke about the prior
19 slide.

20 Financial projections Mohegan Sun is
21 aligned -- If you take their projections and
22 their business plan and corroborate them with
23 their view of the market or their market
24 strategy they would be in alignment not what

1 necessarily what the potential we believe is
2 there, but nonetheless it is aligned.

3 There's also things here that are
4 only summarized in this slide but detailed in
5 the report. The slot and table game payroll is
6 lower than what would be expected.

7 This is part of the area that I was
8 talking about earlier where we test some of the
9 costs, some of the projections. The labor costs
10 as an example in some cases, I'm not going to
11 get into those details. I believe there's a lot
12 more detail in the economic development section.
13 In some cases, it's actually lower than what MGM
14 predicted which serves as a great point of
15 comparison.

16 Our belief is that some of these
17 costs would probably be higher for the
18 operation, for the Mohegan operation.

19 Although it reads there that the
20 community payments, land rent and management
21 fees are higher than what would be expected, I'm
22 not talking about the community payments, this
23 is not a reason for this being only sufficient.
24 The applicant has made great strides in terms of

1 dispersing or making commitments to the host and
2 surrounding communities.

3 However, the land rent and
4 management fees in the context of the revenues
5 that we believe are aggressive and the costs
6 that we believe are understated in some pieces
7 are higher than what would be expected.

8 There's something here that I sense
9 and in general a lot of value of the application
10 -- of this operation is being extracted by
11 multiple parties and by the promises they've
12 made and the way they've structured the deal in
13 terms of management fees, etc.

14 This is something that I think is
15 worthy of notice which is that the applicant has
16 assumed that there would still be debt
17 outstanding after the 15-year term to the tune
18 of 528 million. So, this goes back a little bit
19 to the notion that I was talking about earlier.

20 Even though they do have highly
21 confident letters from two banks that say they
22 would obtain financing -- Let me actually pause
23 there.

24 Highly confident letter is not a

1 commitment letter. It's not money in the bank
2 by any means. We never expected that applicants
3 would arrive to this point with financial
4 commitments on something of this size. But if
5 I'm the bank, and I'm going to lend 730 million
6 and there's going to be only about 400 million
7 going into actual property that I can go after,
8 and at the same time applicant doesn't assume
9 that it pays it all back, it's a little bit like
10 something goes wrong, I may not be able to
11 recapture all of the loan and we talked about
12 the loan-to-value.

13 And if everything goes right, I'm
14 not even getting paid over the term of the
15 license. There's a balance at the end. I as the
16 bank with a high loan-to-value with the
17 assumption that this is not going to be repaid
18 might start to get a little nervous as to
19 whether there's enough to repay here.

20 So, having said all that they do
21 have a highly confident letter as I mentioned.
22 The revenues although projected high in our
23 opinion, we've already addressed that in the
24 market assessment, there is alignment in terms

1 of their business plan and the opportunity of
2 the market.

3 Conversely, Wynn has alignment in
4 terms of the business plan and the market. The
5 table payroll is lower than expected in the VIP
6 section, but the margins of the applicant are
7 very different when it comes to the costs that
8 they've assumed elsewhere. And very importantly
9 in my opinion, the applicant assumes that there
10 would be no debt outstanding at the term of the
11 license, which is also a very good assumption.

12 Let me just read for the record --
13 Melissa, if you can just stay with that slide,
14 I'm going to read the next ones because it's
15 very hard to read, I believe.

16 Overall the Mohegan Sun applicant
17 submitted a comprehensible proposal. They
18 demonstrated that they have access to funds
19 necessary to develop what they propose. There
20 is consistency among the investment market and
21 operations as submitted. The project is
22 predominantly focused on penetrating the
23 available market area in Eastern Massachusetts
24 and New Hampshire.

1 This market focus however is not
2 consistent with why, in my opinion, the state
3 decided to limit the number of casino licenses,
4 permit and impose a low gaming tax rate and a
5 minimum investment threshold. The proposal and
6 strategy in my view does not recognize the full
7 potential market opportunity of the Region A
8 location.

9 Also, while the applicant
10 demonstrated the necessary financial capability
11 and operational expertise, the funding plan is
12 complex. There's multiple parties with
13 investment and operational responsibilities.
14 Some of the details have not been finalized.

15 There's various project components
16 that come together by some measures, and I
17 already spoke about this, they are highly
18 leveraged. Commissioner McHugh to your point
19 even the common equity, the 50 million of common
20 equity is coming from other investors.

21 And this complexity would likely
22 reduce the degree of flexibility that the
23 applicant requires to efficiently and
24 effectively respond to marketplace changes.

1 Those changes will likely occur over the term of
2 the license, but they may very well occur
3 shortly after opening.

4 So, overall the Mohegan Sun proposal
5 is sufficient with one insufficient element,
6 mainly their market strategy as outlined there.

7 Wynn, on the other hand, submitted a
8 comprehensive proposal in our opinion. They
9 provided a credible plan based on its experience
10 in operating casino complexes or casino projects
11 that are in highly competitive market.

12 They're focused on penetrating the
13 high-end but not at the exclusion of the local
14 market. There's regional and international as
15 well. The market focus is consistent with why
16 the state decided to limit the number of casino
17 licenses and impose a low gaming tax rate and a
18 minimum investment threshold.

19 In our view, the applicant Wynn
20 recognizes the full potential market opportunity
21 of Region A. They demonstrated they have the
22 necessary financial capability to develop and
23 operate the proposed project.

24 Their funding plan is

1 straightforward. There's consistency among the
2 investment market and operations plans
3 submitted. The applicant will directly operate
4 virtually all project components with the
5 exception of those four food and beverage
6 outlets and the retail tenants.

7 Third-party operators will be
8 limited to non-core project components, although
9 they will incorporate some retail if they add
10 market appeal. They talk about Michelin-starred
11 restaurants.

12 The financial strength of the
13 applicant including the amount of equity that
14 they come into the project is significant. They
15 provide the project in our view with a needed
16 flexibility to efficiently and effectively
17 respond to market changes that will likely occur
18 during the term of the license.

19 Overall, we rate of proposal of Wynn
20 as very good with outstanding elements, mainly
21 the ability to obtain project capital, the
22 commitment to spend materially more of their
23 required capital and the view that the potential
24 market opportunity of the Region A is great.

1 Next slide, and I can pause there.
2 The two slides that I just read -- I can pause
3 there for questions.

4 COMMISSIONER MCHUGH: Questions?
5 Thank you.

6 COMMISSIONER ZUNIGA: I do have the
7 conditions although I don't know if we need to
8 break for the day.

9 COMMISSIONER MCHUGH: No. Let's go
10 ahead and do the conditions. And then we'll
11 take a break and wrap this section up.

12 COMMISSIONER ZUNIGA: Let me just
13 preface this by saying that I thought a lot
14 about these conditions. We went back and forth,
15 my advisors and I, as to the parties that come
16 together. I first pondered a lot about the
17 governance of these parties. There will be a
18 notion of a transfer upon award of a license for
19 the case of Mohegan. By the way, my conditions
20 are on Mohegan only.

21 And the fundamental notion here is
22 that the parties agreed to it. And I am not
23 interested for one in trying to re-create the
24 deal. Having said that, what we do have a lot

1 of say, in my opinion, is in the piece that I
2 think becomes compounded and a little bit
3 worrisome. And that is the equity that is
4 available for the actual start of construction.

5 The statute talks about the debt-to-
6 equity ratio that the Commission can set that
7 ratio. We have chosen to not do that by
8 regulation for everybody. I think wisely
9 because it depends on a lot of things. For one,
10 it changes over time. And I think that's
11 important. And for another we would not know
12 what to set it as because for one the deals can
13 be put together in a very complex and different
14 way.

15 Let's go to the next slide. The
16 condition that I'm going to build these couple
17 of slides towards is one of additional equity.
18 Maybe Commissioner McHugh this is a little bit
19 of what you were asking in the past or earlier
20 in the presentation rather.

21 Mohegan Sun proposes to finance the
22 senior debt here or to get 732 million to cover
23 the entire project with the exception of the
24 FF&E and that is the gaming equipment. Those

1 gaming machines are going to be leased. Those
2 are capital leases. So, somebody will have a
3 claim against those first.

4 The third-party hotel and the third-
5 party fit-out is also not included in what they
6 need for their bank loan.

7 So, if we take the 1.1 billion total
8 project cost, and we take out -- This is a good
9 way we kind of like walk through it. Their
10 stated equity is 235 million.

11 We take out capital lease of 75
12 that's for the equipment I just talked about,
13 and we take out all of the third parties, fit-
14 out, hotel equity and hotel debt, these are all
15 third parties. And they have to finance
16 everything else with the bank.

17 They have to start by paying
18 interest right up front including all of the
19 payments that they have promised, upfront
20 payments that they have promised to surrounding
21 and host communities. There's a number of them
22 that come up front. There's a lot of
23 infrastructure spending that has to start
24 happening early on. Those are things that a

1 bank cannot really go after because that's going
2 to be -- putting in roads for example.

3 So, let's go onto the next slide.

4 By looking at this slide, we are breaking down
5 -- In similar fashion, if we start with the 235
6 million that they've stated as equity, and you
7 take out the 105 million that has been spent to
8 date and the license fee, there is about 45
9 million of equity available to initiate the
10 project, including a lot of infrastructure
11 spending that I was talking about.

12 The applicant you might remember has
13 to deposit 10 percent of the project costs with
14 the Commission as well as the host and
15 surrounding communities that are around 33
16 million when it comes to upfront costs. They
17 don't happen immediately but they happen
18 upfront.

19 So, the 45 million doesn't go very
20 far in my view when it comes to even beginning
21 the actual design and construction. So, as
22 submitted, the applicant current debt-to-equity
23 ratio is about 5.8 percent. This in my view is
24 a highly leveraged and thus slightly concerning

1 leveraged ratio

2 I've thought a lot about this debt-
3 to-equity ratio. Something more in line with a
4 little bit more comfort level would be an 80/20.
5 For that given that ratio generally as
6 calculated here would in my view -- for the
7 applicant to achieve this, the applicant would
8 have to obtain \$100 million more in additional
9 equity.

10 If we request that and see what we
11 get in terms of response, my suspicion is that
12 some of the parties would have to come back into
13 all of those term sheets. And this is something
14 that might not be resolved right away.

15 Something tells me we'll have to see
16 what they tell us. But the Commission, I would
17 be looking for \$100 million more in additional
18 equity and then I would like us to be in a
19 position to approve all credit agreements with
20 the senior lenders.

21 Also, the Commission would approve
22 the transfers of ownership including among
23 existing partners, not just with other partners.

24 Are there any questions that

1 calculation? Should I walk through it.

2 COMMISSIONER MCHUGH: No. Questions
3 from colleagues? I understand how you got to
4 that number.

5 COMMISSIONER ZUNIGA: Now in my
6 opinion what I really would like this equity to
7 do is to be directed to the project, but
8 recognize that there's a lot that they would
9 have to spend probably in and around the
10 project. It's all part of -- eventually would
11 be part of conditions of the license. But I
12 wanted to put that out there.

13 Lastly, I have a condition on the
14 marketing restriction. The marketing
15 restriction I probably glossed over mentioning.
16 Didn't gloss over, the marketing restriction is
17 an agreement between Brigade, the entity that
18 Brigade controls and Mohegan Sun. And I
19 believe the Commission should be the one
20 approving the policies and procedures that
21 detail those marketing rules.

22 There's a lot that would have to be
23 detailed. I don't have those. I don't know
24 what those would be, but I would like the

1 Commission to be in a position of understanding
2 what those are whenever they are presented and
3 approving those.

4 My view, my additional condition in
5 terms of this marketing restriction is that
6 Mohegan Sun MA is marketed at no less than
7 equivalent basis on the defined market area.
8 Not just the one, the restricted zone, the
9 specified zone, but rather all of Massachusetts,
10 Connecticut, Rhode Island and New Hampshire for
11 the Mohegan's other properties.

12 This would in effect put everybody
13 on equal footing. And the Commission would be
14 in a position to understand and be comfortable
15 that everybody is marketed similarly.

16 I would want the third-party to be,
17 the Commission or the agent to be the one to
18 oversee and monitor the compliance with these
19 marketing policies and procedures. And the
20 costs of oversight and monitoring to be borne by
21 Mohegan Sun MA.

22 Those are my conditions. If there's
23 questions about them, I know we'll deliberate
24 about those I guess at a later time.

1 COMMISSIONER MCHUGH: Yes, we will
2 talk about those as a Commission on Wednesday.
3 We'll be talking about all of those.

4 COMMISSIONER ZUNIGA: I know that
5 they have been presented today for the first
6 time to the applicant. I suspect that this is
7 not something that they can put together right
8 away, but I know that the staff here will try to
9 get an inkling as to whether how long that may
10 need to -- how much time they might need for
11 these kinds of conditions.

12 COMMISSIONER MCHUGH: The procedure
13 is that we are going to on Wednesday talk as a
14 Commission as to the conditions that we want to
15 impose. And then having made that decision, ask
16 the staff to confer with the applicants to see
17 how much time they think they'll need to respond
18 to those conditions. So, that's the way we'll
19 proceed.

20 COMMISSIONER ZUNIGA: Okay.

21 COMMISSIONER MCHUGH: Good. All
22 right. If there are no further questions.

23 COMMISSIONER CAMERON: Thank you,
24 very well done.

1 COMMISSIONER MCHUGH: So, what we're
2 going to do now is we're going to adjourn for
3 the day. It's been a long day. We're going to
4 adjourn both because it's been a long day and
5 because there's no more time left.

6 But it's important as we break for
7 everybody to understand that what we've heard
8 today is the beginning of a discussion and the
9 presentation -- really not the beginning of a
10 discussion, but the presentation of reports by
11 individual Commissioners.

12 The views expressed are the first
13 time some of us have heard these views. The
14 views expressed are not necessarily going to be
15 the views of all of the Commission. And it's
16 important for everybody to understand that.

17 We're going to be back here tomorrow
18 morning. And we'll have the next two reports,
19 the next three really, Commissioner Cameron,
20 Commissioner Stebbins and then the three of us
21 talking about the overview report.

22 And it's only after those reports
23 are completed that we will regroup again on
24 Wednesday morning and talk first about material

1 errors that may have affected our ratings, and
2 then about the conditions that each of us
3 individually has recommended to the others.

4 So, there is certainly a great deal
5 of information for everybody to digest based on
6 today's process. But the group discussion, the
7 group application to those has yet to come.

8 So, with that thought in mind and an
9 urging to suspend this belief until we get a
10 little further down the road, we'll recess until
11 tomorrow morning at 9:00.

12

13 (A recess was taken)

14

15 (Meeting suspended at 5:00 p.m.)

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1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission September
3 8-17, 2014 Notice of Meeting and Agenda
4

5 GUEST SPEAKERS:

6 Rob Scarpelli, HLT Advisory
7

8 MASSACHUSETTS GAMING COMMISSION STAFF:

9 Catherine Blue, General Counsel

10 Karen Wells, Director of Investigations and
11 Enforcement Bureau
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C E R T I F I C A T E

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

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

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

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

WITNESS MY HAND this 15th day of September, 2014.



LAURIE J. JORDAN
Notary Public

My Commission expires:
May 11, 2018