



October 31, 2013

Stephen P. Crosby, Chairman  
Gayle Cameron, Commissioner  
James McHugh, Commissioner  
Bruce Stebbins, Commissioner  
Enrique Zuniga, Commissioner

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

RE: SUITABILITY INVESTIGATION FOR CROSSROADS MASSACHUSETTS,  
LLC, APPLICANT FOR A CATEGORY 1 GAMING LICENSE

Dear Chairman Crosby and Commissioners,

Crossroads Massachusetts, LLC (“Crossroads”) has applied to the Massachusetts Gaming Commission (“MGC”) for a Category 1 gaming license pursuant to M.G.L. Ch. 23K.

Pursuant to M.G.L. Ch. 23K section 12, the Investigations and Enforcement Bureau (IEB) of the MGC was tasked with conducting a suitability investigation of each applicant for a gaming license. The MGC recognized that these types of investigations are unprecedented in Massachusetts and that it would be impractical to staff these investigations internally under the expected time frames for licensure. Accordingly, recognizing the need for expertise in this area, the MGC posted a Request for Response (RFR) in order to obtain the services of expert gaming investigators to work with the IEB in this process. 205 CMR 115.03(1) There were two responses received by the MGC and the Commission made the award to the joint application from the consulting firms of Spectrum Gaming and Michael & Carroll. The Crossroads investigation was assigned to the Michael and Carroll team.

Michael & Carroll is a New Jersey based law and consulting firm with extensive experience in the area of gaming investigations. The principals, Guy Michael and Robert Carroll, have personally conducted and/or supervised thousands of gaming applicant background investigations over the last 30 years. The Michael and Carroll investigative group features a structured team of 19 investigators including retired FBI, State Police,



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state investigators, gaming financial specialists, gaming attorneys and other support personnel who have all worked on highly complex investigations for decades.

Over the past several months, the IEB has supervised the contract investigative personnel and the Massachusetts State Police (MSP) Gaming Enforcement Unit while they worked together to conduct the statutorily required suitability and background investigations. The process commenced with “scope of licensing determinations,” based on each applicant’s organizational structure. The interested parties were permitted to submit briefs and memoranda detailing the entities and individuals they believed were required qualifiers, along with those they felt were statutorily eligible to be waived from qualification.

The IEB, MSP and investigative staff participated in various meetings with the applicant, Crossroads, to determine which entities and individuals required qualification as part of the RFA Phase I licensing process. After careful review of materials and discussions with Crossroads representatives, the entities and individuals identified in this investigative report were required to qualify in accordance with the filing requirements as established at M.G.L. c.23K Section 14 and 205 CMR 116.02. It should also be noted that the applicant was given the opportunity to object to these determinations, and after review, the IEB finalized the list of Crossroads qualifier persons and entities. This final determination was accepted by the applicant. Each qualifying entity or qualifying individual natural person was then subject to the full statutorily required background investigation conducted by the IEB.

The criteria utilized by the IEB in the determination of Crossroads’ qualifiers are set forth in the relevant statutory provisions governing the scope of licensing issues, that is, M.G.L. c.23K Section 14(a), (b), (c), (g), and (h). Additionally, the IEB applied all relevant sections of the MGC’s own regulations, specifically, 205 CMR 116.01 – 116.03, inclusive. After the initial scope of licensing was determined, Crossroads then complied with the submission of the required application materials, privacy and liability waivers, application fee, and all information requested during the course of the comprehensive investigation of each qualifier.

It should also be emphasized that the initial scope of licensing determinations made herein do not prejudice nor limit the IEB and Commission’s right to include any person or entity as a qualifier at any time, should it be deemed necessary in the best interest of the Commonwealth. 205 CMR 116.03(3). Indeed, any initial waiver of a person or entity does not exclude those persons or entities from scrutiny. The IEB may, and in fact did, investigate anyone that it determined had a bearing on the evaluation of the suitability of Crossroads and its qualifiers. 205 CMR 116.03(3).



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Finally, the IEB has also advised the applicant that it is required to establish the suitability of all financial sources relating to the gaming establishment. All of these financial sources are not known at this juncture and any additional financial sources will need full disclosure, background and suitability investigation and evaluation when identified by the applicant, if the Commission approves the applicant's advancement to the Phase II processes.

In order to achieve Phase I suitability, an applicant for a casino gaming license and any person or entity deemed a qualifier pursuant to M.G.L. c.23K §14 and 205 CMR 116 et seq must provide all required application materials set forth in 205 CMR 111 relevant to Phase I evaluations, as well as satisfy the relevant statutory suitability criteria as set forth in M.G.L. c.23K §12 and §16 of the Act. The standard for satisfaction of the suitability criteria requires each applicant/qualifier to establish its qualification for licensure to the commission by clear and convincing evidence (M.G.L. c.23K §13(a)). The various statutory criteria with appropriate annotations are listed below.

#### **RELEVANT PHASE 1 STATUTORY CRITERIA**

Has applicant/qualifier been convicted of a felony or other crime involving embezzlement, theft, fraud or perjury?  
M.G.L. c.23K §16(a)(i)

Has the applicant/qualifier submitted an application for a gaming license which contains false or misleading information?  
M.G.L. c.23K §16(ii)

Has the applicant/qualifier committed prior acts which have not been prosecuted or in which the applicant/qualifier was not convicted but form a pattern of misconduct that makes the applicant unsuitable for a license under this chapter?  
M.G.L. c.23K §16(iii)

Does the applicant/qualifier have affiliates or close associates that would not qualify for a license or whose relationship with the applicant may pose an injurious threat to the interests of the Commonwealth in awarding a gaming license to the applicant?  
M.G.L. c.23K §16(iv)

Does the applicant/qualifier demonstrate integrity, honesty, good character and reputation?  
M.G.L. c.23K §12(a)(1)



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Does the applicant/qualifier demonstrate financial stability, integrity and background?  
M.G.L. c.23K §12(a)(2)

Do the business practices and the business ability of the applicant/qualifier demonstrate the capacity to establish and maintain a successful establishment?  
M.G.L. c.23K §12(a)(3)

Does the applicant/qualifier have an adverse history of compliance with gaming license requirements in other jurisdictions?  
M.G.L. c.23K §12(a)(4)

Is the applicant/qualifier a defendant in litigation involving its business practices?  
M.G.L. c.23K §12(a)(5)

Are all the parties in interest, including, but not limited to, affiliates, close associates and financial sources suitable to hold or participate in the gaming license?  
M.G.L. c.23K §12(a)(6)

Is the applicant/qualifier disqualified from receiving a license under M.G.L.c.23K section 16?  
M.G.L. c.23K §12(a)(7)

Has the applicant/qualifier failed to establish their integrity or the integrity of any affiliate, close associate, financial source or any person required to be qualified by the commission?  
M.G.L. c.23K §12(b)(i)

Has the applicant/qualifier failed to demonstrate responsible business practices in any jurisdiction?  
M.G.L. c.23K §12(b)(ii)

Has the applicant/qualifier failed to overcome any other reason, as determined by the commission, as to why it would be injurious to the interests of the Commonwealth in awarding the applicant a gaming license?  
M.G.L. c.23K §12(b)(iii)

Has the applicant/qualifier made any political contributions prohibited by M.G.L. c.23K?  
M.G.L. c.23K §46, §47 and 205 CMR 108



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## INVESTIGATIVE PROCESS

Outlined below are the various steps taken in evaluating each applicant, qualifying entity and qualifying individual's suitability. While the following items contain specific areas of inquiry, such information is gleaned from many different and diverse databases. These services were initially focused on specific areas (for example, civil litigations, criminal conviction information, real estate and title records etc.), and then expanded as needed depending on the results. If information was revealed, then it was accumulated, cross-referenced, and compiled into workable summaries for careful evaluation by analysts. Thereafter, from this mass of information, a database report was derived on each applicant/qualifier, and was then reviewed by a supervisor and field investigator. Follow-up verifications of relevant important data (for example, licenses, compliance histories etc.) and areas of concern were then the subject of follow-up investigative activities. Qualifiers were interviewed in person, and that interview included an opportunity to provide clarification of any issues in the event derogatory information was found during the investigation. Next, an attorney review of the investigative results was conducted, followed by a detailed consultation between both the legal and investigative teams. The material was then digested into the suitability report, which was submitted for final review to the IEB Director, Massachusetts State Police and staff. The subject areas of this investigation have included the following:

1. Public record database checks which included, but were not limited to, the following:
  - a. Incorporation papers and corporate filing searches for incorporation in other states have been conducted for the identified privately held companies.
  - b. The intended **Crossroads Massachusetts, LLC** location of the gaming facility, the applicant company and its owners and affiliated entities and individual identified qualifiers have been verified through address verification and other companies operating from the same location(s) have been identified.
  - c. Dun & Bradstreet verifications of business information and credit profiles have been obtained on all qualifiers.
  - d. A fictitious-business-name search and doing-business-as search on a national basis have been conducted.
  - e. A civil litigation search relative to liens, bankruptcies and judgments in state of incorporation and all other states or commonwealths that have such information online has been conducted.
  - f. A nationwide bankruptcy search on the entity and individual person qualifiers has been conducted.



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- g. A search for all UCC filings to determine secured parties and banking affiliations has been conducted.
  - h. A national media search on all identified entity and individual person qualifiers, as well as relevant affiliations, was conducted.
  - i. A Federal District Court Docket Summary search for all states has been conducted.
  - j. A business asset search has been conducted.
  - k. A limited liability company search and a limited partnership search have been conducted.
2. The status of all current and expired licenses, especially gaming licenses, disclosed by the entity or individual person qualifiers has been verified.
- a. The compliance history of the applicant and/or identified owners, parent company or gaming related affiliates or subsidiaries in all gaming jurisdictions in which they operate has been examined and evaluated.
3. The company website and affiliated websites have been examined and evaluated.
4. If relevant, copies of stock certificates verifying each beneficial owner of the company as well as (again, if relevant) copies of the stock registry from the corporate secretary/registered agent have been obtained. Verifications of the various qualifier entities and individual person qualifiers' ownership interests have been verified.
5. A financial integrity and stability analysis of the applicant owners and specific applicant affiliated entities relevant to the new applicant entities creation and formation as well as the owner's annual financial statements and tax returns has been conducted by a certified public investigative accountant. In this financial evaluation, the following tasks have been undertaken:
- a. A review of the identified applicant individual person qualifiers' financial statements was conducted.
  - b. If the financial statements were not audited, an analysis of three years of reviewed, compiled and/or internally prepared financial statements was conducted.
  - c. If the financial statements were audited, the contact name and number of the independent CPA firm's audit manager was obtained.
  - d. Available management letters or internal control letters issued by the independent CPA for the past three years was evaluated.



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- e. The applicant entity and all identified entity and individual person qualifiers tax compliance history was reviewed and evaluated
  - f. Documentation/information of the identified owners and entity and individual person qualifier historical line(s) of credit and long term debt (mostly debt to/from a related entity) balances was obtained, reviewed and evaluated.
  - g. A comprehensive list of the identified entity's bank accounts (domestic and foreign banks) with copies of complete bank statements for past three years was obtained, reviewed and evaluated by financial investigators and accountants.
  - h. A letter from certain banks listing entities' and qualifiers' bank accounts and listing the most current balance for the applicable account was obtained.
  - i. A listing of all gaming-related licenses applied for by the applicant company, including the disposition and date of disposition, was obtained, reviewed and each identified individual licensing agency was contacted and the identified applicant's status and licensure was verified.
  - j. If a corporate entity, minutes of relevant Board of Directors meetings for the past three years were requested for review.
  - k. All relevant identified applicant qualifier compliance, due diligence and audit investigations conducted during the past five years were requested for evaluation. Additionally, if utilized, a copy of the identified applicant current compliance practices in existing licensing jurisdictions was obtained and reviewed.
  - l. An income analysis, net worth and asset evaluation on all identified individual person qualifiers was also conducted.
6. Where applicable, compliance with FCPA and AML policy and protocol compliance review was conducted on all identified relevant qualifier entities and individual person qualifiers. Applicable Policies and Procedures as well as a sampling of internal and/or external investigations or relevant compliance hypothetical scenarios were included as subjects of personal interviews with key owners/qualifiers and were evaluated.
  7. Motor vehicle registrations, driver's license and driving history records were examined and verified.
  8. The IEB investigative team also examined the applicant and its identified qualifiers past business practices and business ability as well as the



qualifier's demonstrated history to establish and maintain a successful gaming establishment.

9. The identified applicant qualifier's history of compliance with gaming regulations.
10. The identified applicant qualifier's litigation history.
11. The identified applicant qualifier's record of political contributions in Massachusetts, and if relevant, other jurisdictions.
12. The Massachusetts State Police conducted a thorough federal, state, and Commonwealth criminal history inquiry based upon the identified applicant qualifier's submissions and confirmed with the State Police examination of fingerprints.
13. An inquiry was conducted to determine if any credible information existed in any databases, online or available from law enforcement and regulatory sources regarding any applicant or qualifier involvement or affiliation with any organized criminal groups or persons with criminal histories, or who may pose injurious threat to the interests of the Commonwealth of Massachusetts.
14. The identified individual person qualifier's educational background was examined and verified.
15. The identified individual person qualifier's employment history was examined and verified as necessary.
16. All provided personal references for all identified individual person qualifiers were contacted and interviewed.
17. All professional licenses of any identified applicant qualifiers were examined and verified, including specific verification of any gaming industry related licenses, permits or suitability determinations.
18. Applicant business affiliations for identified applicant entities and individual person qualifiers were examined and evaluated.



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## CONCERNS REGARDING THE APPLICATION

As is detailed in the attached report, the applicant has yet to identify a 55% equity owner for the project. Robert Allen sent a letter to the IEB on October 17, 2013 indicating that they are finalizing a Letter of Intent to partner with [REDACTED] on the proposed project. A copy of that letter is attached for your consideration. To date, no Letter of Intent has been finalized and the applicant has yet to enter into an agreement with a 55% equity owner for the proposed project.

During the course of the investigation, the applicant was repeatedly advised that the full equity ownership needed to be identified in order to complete the investigation. On August 23, 2013 I sent a letter to Robert Allen advising him that the application was deemed incomplete for the purposes of the Phase 1 suitability investigation and that all applicable business entity disclosure forms and personal history disclosure forms should have already been submitted at that time. A copy of that letter is attached for your consideration.

The findings of fact relative to this investigation can be found in the attached report. Specifically, those findings of fact are listed in sections A and B of the Executive Summary and in sections III and IV of the report and the attached exhibits. **However, due to the applicant's inability to identify the complete equity ownership of the proposed project in a timely manner, the IEB cannot submit a complete investigatory report and recommendation to the Commission.**

As the investigation now stands, there are a number of issues that should be matters of consideration by the Commission regarding the applicant. Should the Commission choose to have a hearing on the suitability despite the incomplete status of the application, the IEB recommends that the Commission require the applicant to address the following concerns:

1. The inability of the applicant to yet identify its planned majority owner and financial source;
2. The suitability of the applicant's principal organizer, David Nunes;
3. The potential impact on **Crossroads Massachusetts, LLC's** suitability given the information in the report regarding Michael Thomas, Steven Thomas and Anthony Beltran;
4. The business ability of the applicant to run a successful gaming operation in Massachusetts given its difficulty in finding an additional equity interest and the current debt load and declining revenues of their proposed operator; and



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5. The legitimacy of the provision in the operating agreement for Foxwoods MA LLC that the entity has exclusive and irrevocable control over the proposed gaming enterprise.

#### **RECENT ADDITIONAL INFORMATION**

Subsequent to the original drafting of the attached report, there has been new information regarding Steven Thomas, who is identified in the report as the Treasurer of the Mashantucket Pequot Tribal Council. Specifically, on October 2, 2013 he resigned from his position as Treasurer and on October 3, 2013 he pled guilty to a single count of theft from an Indian tribal organization. A memo from Bessie A. Sacco on this development is attached to this letter for your consideration.

#### **CONCLUSION**

This report reflects the findings of the IEB as of this date. The Bureau will continue to investigate the background and qualifications of all applicants and ultimately, all licensees. Should any additional information be gleaned from further inquiry, it will be appropriately reported to the Commission for further review.

It should also be understood that any determination of suitability that might be made by the Commission based on this and other suitability reports during this Phase I process will not constitute the final analysis of those matters. This suitability report will become part of the material considered during Phase II of the evaluation process as the Commission is empowered to also consider the relative suitability of applicants when it makes its final license decision at the end of Phase II.

Respectfully submitted,



Karen Wells  
Director  
Investigations and Enforcement Bureau  
Massachusetts Gaming Commission



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August 23, 2013

Robert L. Allen, Jr. Esquire  
300 Washington Street, Second Floor  
Brookline, MA 02445

Re: Crossroads Massachusetts, LLC

Dear Mr. Allen:

Based upon the information submitted by Crossroads Massachusetts, LLC ("Crossroads") in connection with its application for a Category 1 license, there still remains a 55% equity owner which has yet to be identified. As such, please be advised that, at this time, the Crossroads application is deemed incomplete for purposes of the Phase I suitability investigation. In this regard, it is the IEB's position that all applicable business entity disclosure forms and personal history disclosure forms in connection with the proposed equity structure of Crossroads, as a Category 1 applicant, should have been submitted by this date.

As Crossroads is aware, the Massachusetts Gaming Commission ("MGC") has set a November 20, 2013 deadline for the completion of all Region A and B Category 1 suitability hearings. In order to meet the Commission deadline, the investigation must be substantially completed by the middle of September.

Not having received the required applications and supplemental information for the proposed new equity owners of Crossroads, the IEB cannot guarantee that it will be in a position to conclude the Crossroads suitability investigation and issue a complete suitability report in accordance with the above-referenced MGC timelines.

Please be guided accordingly in this matter.

Very truly yours,

Karen Wells  
Director  
Investigations and Enforcement Bureau  
Massachusetts Gaming Commission



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