

Educational Forum on Casino Gaming  
Best Practices and Lessons Learned  
sponsored by  
The Massachusetts Gaming Commission

Thursday, May 3, 2012

Boston Convention and Exhibition Center  
415 Summer Street  
Boston, Massachusetts 02210

## P A R T I C I P A N T S

Massachusetts Gaming Commission:

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

Keynote Speaker:

Frank J. Fahrenkopf, Jr., President and CEO  
American Gaming Association

Panelists:

Andrea J. Cabral, Sheriff  
Suffolk County, Massachusetts

Robert J. Carroll, Esq.  
Michael and Carroll, P.C.

Michael C. Epps, Commissioner  
New Jersey Casino Control Commission

Diane Legreide, former Commissioner  
New Jersey Casino Control Commission

Richard Lindsay, Captain (Ret.)  
New Jersey State Police

Guy S. Michael, Principal  
Michael and Carroll, P.C.  
former Deputy Director of Operations for the  
New Jersey Division of Gaming Enforcement

Kevin F. O'Toole, Executive Director  
Pennsylvania Gaming Control Board

Hon. Steven P. Perskie, Judge (Ret.)  
New Jersey Superior Court

Gerald E. Stoll, Director  
Pennsylvania Bureau of Casino Compliance

Catherine Walker, President and CEO  
Seneca Gaming Corporation

Susan Yocum, Esq., Assistant Chief Counsel  
Pennsylvania Gaming Control Board

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2

MORNING SESSION

3

9:08 a.m.

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5

COMM. CAMERON: Good morning, everyone.

6

Could I ask everybody to take their seats? We will

7

start the program.

8

I would like to welcome you to our first

9

educational forum hosted by the Massachusetts Gaming

10

Commission. I'm Gayle Cameron, one of the five now-

11

appointed gaming commissioners. I'm a former

12

lieutenant colonel, deputy superintendent with the

13

New Jersey State Police with some casino gaming

14

oversight. My fellow commissioners, who are all

15

here today, have diverse backgrounds, a tremendous

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amount of experience, and we share the same

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commitment to developing a secure and robust gaming

18

industry here in the Commonwealth.

19

We are a full-time commission with many

20

responsibilities. Just to name a few, we are

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responsible for determining which applicants will be

22

awarded gaming licenses; writing regulations,

23

conducting background investigations, working with

24

our law enforcement partners on policing matters,

1 regulatory matters.

2 To assist us with our startup operation --  
3 we are just completing our fifth week, by the way,  
4 as a commission -- we have invited subject-matter  
5 experts from other jurisdictions to help educate us  
6 on the best practices in the industry, lessons  
7 learned. We are very fortunate to have a  
8 distinguished group, an experienced group of  
9 panelists and speakers here today.

10 This training was designed to assist us,  
11 the Commission, as well as our other partners who  
12 have gaming oversight in learning the best practices  
13 in the industry. We decided it was important enough  
14 and there was enough interest in casino gaming to  
15 open it to the public so that all may benefit from  
16 this day of education. We realize that there are  
17 many important subjects concerning and surrounding  
18 casino gaming, but we set this program today to  
19 really address the startup operation: What do we  
20 need to know immediately to make good decisions and  
21 move forward? We will have other forums where other  
22 topics will be discussed.

23 Today's panelists will -- I think you  
24 should all have a program; you got one on the way

1 in. If not, they are on the table outside. We are  
2 going to talk about things like determining  
3 priorities, lessons learned, as I just mentioned,  
4 nuts and bolts of financial oversight, writing  
5 regulations, setting up an office. At the end of  
6 the day we are going to end with our law enforcement  
7 panel talking about those shared responsibilities in  
8 enforcing gaming.

9 We will not be taking live questions  
10 today. We have a jam-packed program. But I do have  
11 a Twitter account and you can text questions in.  
12 We'll bring those questions to the moderator. The  
13 moderator will decide how much time we have to  
14 answer some of those questions. So please don't be  
15 disappointed if we don't get to all of them. I'm  
16 going to give you the hash tag now. It's the pound  
17 sign at at mass gaming. Say that three times fast!  
18 Again, the hash tag: pound at at mass gaming, all  
19 one word.

20 Just a few other housekeeping items.  
21 We'll take a 15-minute break between the first and  
22 second panel. We will take an hour lunch today.  
23 We'll try to hold that to an hour if we can. We'll  
24 let you know exactly how much time when we take the

1 break. The food court is open here at the  
2 Convention Center, so if you choose not to leave the  
3 premises, you do not have to. Out in the hall, make  
4 a left, there's a food court.

5 Let's see. Okay, now I just want to move  
6 on with the program.

7 We are very fortunate to have the  
8 president of the American Gaming Association join us  
9 here today, so it is my pleasure to introduce  
10 President Fahrenkopf. His organization addresses  
11 regulatory, political and educational issues  
12 affecting the industry. He has a distinguished  
13 career, 17 years experience as a trial and gaming  
14 attorney in Las Vegas, and he is here to talk to us  
15 about the state of the industry today.

16 So, thank you, Mr. Fahrenkopf.

17 [APPLAUSE]

18 MR. FAHRENKOPF: Thank you, Gayle, and  
19 good morning, everyone. It's a particular treat for  
20 me to come back to Boston. I have spent a heck of a  
21 lot of time here and one of my daughters is a  
22 graduate of Boston University Law School. My  
23 youngest daughter did her residency and spent five  
24 years on the faculty as chief attending physician at



1 Boston Children's Hospital. And then of course my  
2 dear, dear friend Paul Kirk, former Senator Paul  
3 Kirk of Massachusetts, and I as co-chairmen of the  
4 Commission on Presidential Debates brought the first  
5 presidential debate to UMass Boston back in 2000.  
6 So I always enjoy coming to this great city.

7           Let me first indicate to you -- And I hope  
8 you'll excuse me, I'm not very good at this, but  
9 we're going to try to keep this thing moving and in  
10 sync with what I'm saying. But, first of all,  
11 I represent the commercial casino industry. And  
12 I emphasize the word "commercial" in that we do not  
13 represent Native American casinos. And if you've  
14 studied this at all, you will find that there are  
15 more Native American casinos in more jurisdictions  
16 than there are commercial casinos spread across the  
17 country. And we represent them at the federal  
18 level. We do not lobby or get involved at the state  
19 level, although over the past 17 years on many  
20 occasions I have testified before legislative  
21 committees in various states that are considering  
22 whether or not to expand gaming. But we do that  
23 only upon request, and so we are not really involved  
24 at the state level.

1           Let me speak to the commissioners down  
2 here in front by saying, thank you, thank you in  
3 advance for the important and very, very critical  
4 commitment that you are making to the State of  
5 Massachusetts. As you are going to see from the  
6 folks that you have here, the experienced people who  
7 have been in the regulatory régime for many, many  
8 years across the country, it's a tough job. But  
9 you're in a wonderful position because you've got  
10 experts here who have been regulators who I think  
11 are going to be able to give you a tremendous amount  
12 of background.

13           We were created this says in 1995 and I'm  
14 the only president and CEO that we have had. There  
15 was no representation prior to that time, so it's  
16 been a real treat for me over the last years. But  
17 let me talk about the way it used to be for just a  
18 minute.

19           I grew up in Reno, Nevada, and I can tell  
20 you gaming in those days -- and this sounds  
21 unpolitically correct but it was the way it was --  
22 was that casinos back when I was a kid provided  
23 table games at which men gambled and there were a  
24 few slot machines around the back of the casino for

1 the wives to play while the men were gambling. Now,  
2 very unpolitically correct today, but it's really  
3 the way it was. But the world has changed  
4 dramatically, particularly as slot machines have  
5 spread in popularity. But much of the change since  
6 when I was a kid in Reno is due to the rigorous  
7 regulation and appropriate law enforcement oversight  
8 of our industry.

9 We are an unusual industry. We want  
10 regulation. We want tough regulation. Because it  
11 provides the integrity to our business. Most  
12 industries, as you know, don't want to be regulated.  
13 This is an industry that needs regulation and wants  
14 regulation.

15 Among one of the most important shifts was  
16 made a number of years ago in ownership from private  
17 companies to publicly held companies and the  
18 accompanying resources that led to the creation of  
19 the fabulous resorts that you've seen around the  
20 world and which are the hallmark of the industry  
21 today.

22 The industry has also truly become global  
23 during the past two decades. As I told some of the  
24 commissioners this morning, I'm leaving in about a

1 week to go to Macao where now the Asian market has  
2 grown so big that we do a Global Gaming Expo Asia in  
3 Macao every spring. So it is a global business  
4 that's happening today.

5           And the patrons of casinos have also  
6 changed dramatically. In today's casinos men and  
7 women from all walks of life and from across the  
8 nation and around the world not only play slots and  
9 cards, but in the new mega resort era we have fine  
10 dining with Michelin two-star restaurants, and you  
11 can shop at a variety of stores and experience  
12 world-class entertainment shows. The typical casino  
13 patron has a higher-than-average annual income and  
14 is either a college graduate or has some college  
15 education.

16           And they no longer have to go to Nevada or  
17 New Jersey to visit a casino. Because chances are,  
18 with commercial and tribal casinos now in 38 states  
19 and soon to be 40 with Ohio and this state, there's  
20 a casino within easy driving distance wherever you  
21 are in the United States. Of course, not all of  
22 those casinos are the mega resorts, but even in the  
23 smaller non-resort casinos, they offer  
24 sophisticated, exciting games and they focus on

1 providing patrons with a great entertainment  
2 experience.

3 I want to tell you a little bit more about  
4 the industry I represent. Today there are 566  
5 commercial casinos in 22 states that generate just  
6 under \$50 billion in consumer spending and 400,000  
7 direct jobs in 2010. And in addition, when indirect  
8 and induced impacts are taken into account, for you  
9 economists here, the industry supports an estimated  
10 additional \$76 billion in spending with suppliers  
11 and other businesses and more than 470,000  
12 additional jobs with salaries and benefits totaling  
13 almost \$25 billion.

14 Taken all together, the commercial casino  
15 industry supported about \$125 billion in spending  
16 and 875,000 jobs in the U.S. in 2010. The economic  
17 activity was roughly equivalent -- we were quite  
18 amazed by this statistic -- to 1 percent of the  
19 14.5 trillion U.S. gross domestic product in 2010.  
20 And I believe we sent to the commissioners a copy of  
21 The Brattle Group's study from which most of these  
22 numbers are derived.

23 That study also compares the gaming  
24 industry with others that are similar in size and

1 scope; and when compared with industries of similar  
2 revenue, we generate far more jobs and the average  
3 salary and benefits provided our employees in our  
4 industry totaled almost \$42,000 a year, more than  
5 many segments of the broader recreation and retail  
6 industries in the country.

7           And then there are the tax benefits to the  
8 states and communities where commercial casinos  
9 operate. Nearly three-quarters or 71 percent of our  
10 community leaders polled, which I am going to get  
11 into in a little bit more detail in just a moment,  
12 those poll respondents said casinos generated a net  
13 tax increase. And well more than half, 57 percent  
14 said casino tax revenues allowed their communities  
15 to avoid cutting key programs and they were able to  
16 start new projects that they would not otherwise  
17 have been able to do. Now, that response is  
18 understandable when you consider that in 2010 the  
19 commercial casino industry directly paid almost \$60  
20 billion in taxes and that another 9 billion can be  
21 indirectly attributed to our companies.

22           The AGA companies that operate casinos  
23 large and small are also committed to being good  
24 corporate citizens, and even the smallest casinos

1 adhere to a formal code of responsible gaming  
2 conduct and support internal and external efforts to  
3 address problem gambling.

4           So, as you can see, casino gambling has  
5 become a critical component of the U.S. and global  
6 entertainment economies. Our casinos and the  
7 manufacturers, suppliers and vendors that support  
8 our business are creating jobs in almost every state  
9 in the Union and our employees and local operators  
10 have become a part of the fabric of the communities  
11 where they live.

12           Now, as the industry has evolved and grown  
13 during the past few decades, so too has the  
14 technology that drives our operations. For example,  
15 many games are now networked and designed to  
16 accommodate multiple players or allow for a single  
17 machine to host a variety of games. Technological  
18 changes present a host of new challenges to  
19 regulators. However, technology also offers  
20 regulators the tools to even more closely monitor  
21 the games, casino management, and financial  
22 activities. And in addition to the technological  
23 changes, today's commercial casinos are also subject  
24 to more sophisticated federal regulation from the

1 IRS, the SEC, the Treasury Department, and believe  
2 it or not, we spend a lot of time with the Coast  
3 Guard in our office, riverboats.

4 All of these factors enmeshed in the  
5 global geographic expansion of gaming, the  
6 modernization and diversification of casinos,  
7 technological advances and greater federal  
8 oversight, contribute to a growing interest in  
9 modernizing, streamlining, and coordinating current  
10 gaming regulations, which makes this meeting  
11 extremely timely.

12 Several gambling states have already begun  
13 review of their regulations. Nevada governor Brian  
14 Sandoval recently convened a gaming policy committee  
15 to examine current regulatory technology and to work  
16 towards modernizing regulation of the industry.  
17 Similar conversations are taking place in other  
18 jurisdictions, including Missouri, Mississippi, and  
19 Iowa. As a major stakeholder in this discussion,  
20 the AGA and our member companies look forward to  
21 working with regulators as they undertake these  
22 reviews or, as is the case here in Massachusetts, as  
23 you develop your own set of regulations.

24 Last fall the AGA organized a task force



1 of compliance officers, lawyers and other industry  
2 experts, including former and current regulators, to  
3 identify necessary regulatory reforms and to  
4 determine practical opportunities for change. The  
5 result was a white paper, which we think we sent to  
6 you, entitled Improving Gaming Regulations: Ten  
7 Recommendations for Streamlining Processes While  
8 Maintaining Integrity.

9           The paper, as its title suggests,  
10 recommends broad-based regulatory reforms and state-  
11 specific actions such as improving the licensing  
12 process, simplifying the gaming licensee's ability  
13 to gain access to financing, reforming regulation of  
14 gaming machines, and reporting requirements. Let me  
15 tell you about these two simple -- and these are  
16 very simple -- examples of ways new technology could  
17 make current regulations more efficient and  
18 effective.

19           First, many jurisdictions require that an  
20 employee's fingerprints must be taken by a law  
21 enforcement agency within the jurisdiction as part  
22 of the licensing process. Many employees are  
23 licensed in multiple jurisdictions and subject to  
24 continuing license renewal. If you talk to anyone

1 in the manufacturing business, if you talk to people  
2 at IGT or you talk to people at Bally, some of their  
3 officials are licensed in over 100 jurisdictions  
4 around the world and they have to go to all of those  
5 places to have their fingerprints taken every year.  
6 You know, it's just not necessary. With today's  
7 technology, regulators could accept electronic  
8 images of an applicant's fingerprints from a  
9 legitimate law enforcement agency, rather than that  
10 time-consuming task of visiting an agency in person  
11 whenever and wherever fingerprints are needed.

12 Similarly, videoconferencing could be used  
13 for conducting regulatory licensing interviews. In  
14 the current system applicants often have to travel  
15 long distances, even abroad, for a relatively brief  
16 ten-minute interview. We could also save time and  
17 money by taking advantage of a reliable technology,  
18 videoconferences, the use of Skype, whatever you  
19 want to do, which most businesses use in today's  
20 modern world of economics.

21 So these are just simple suggestions, and  
22 we get in the paper into others, so I hope they will  
23 be helpful to you. But these examples I've  
24 indicated to you I believe very clearly demonstrate

1 the need not for less regulation -- let me make  
2 clear, I'm not saying we need less regulation -- we  
3 need more efficient regulation. And as the white  
4 paper points out, duplicative or dated regulations  
5 can increase costs and divert industry resources  
6 away from investment and innovations that create  
7 jobs and economic opportunity. They sap the  
8 creative spirit of employees and waste taxpayer  
9 dollars and industry resources on misguided  
10 enforcement, and they reduce the morale of  
11 regulators who recognize they are imposing standards  
12 that are losing their relevance.

13           Massachusetts, I submit to you, is in the  
14 unique and enviable position because your new  
15 regulators have the opportunity to craft regulations  
16 that can address modern gaming from the beginning.  
17 You can start afresh and incorporate most of the  
18 changes your peers nationwide have implemented and  
19 are discussing. And as you undertake the task in  
20 creating your regulations, I hope you will consider  
21 our paper.

22           And really, today -- You know, Nevada went  
23 with gaming in 1931. Then it took years for New  
24 Jersey to go online in, what, '78. So New Jersey

1 faced very much what Massachusetts regulators face:  
2 What do you do? Where do you go? Who do you get  
3 the assistance from? And you also have here in  
4 addition to the New Jersey mob -- oh, excuse me --  
5 the New Jersey group that's here, you have  
6 Pennsylvania. Pennsylvania is a large jurisdiction  
7 that just started and the Pennsylvania regulators  
8 who are here and going to share their thoughts with  
9 you have just gone through what you're going to be  
10 going through here. So you have a remarkable  
11 opportunity here to gain from what's already gone  
12 before.

13 Now, let me talk about a couple of things  
14 that I think all regulators must consider  
15 particularly when developing regulations. As you  
16 can imagine, I have closely followed the media as  
17 you debated here in Massachusetts whether or not to  
18 have casinos and I have heard the litany of  
19 anti-gaming claims, and it is understandable, and  
20 you should have concerns about the widely claimed  
21 negative social impact of commercial casinos.

22 In the last 17 years I have been in almost  
23 every state speaking about this, whether before a  
24 legislative committee or some organization that's

1 brought in. The claims are out there. There are  
2 people who are professional opponents of gaming. We  
3 poll every year; we have for 20 years. And as you  
4 will see in a moment, because I'm going to refer to  
5 one of those polls, we appear in a Wall Street  
6 Journal/NBC poll by Peter Hart, and pretty much over  
7 the last 20 years it's been pretty consistent: 85  
8 percent of the American people have no problem with  
9 gaming for themselves and others. But there is a  
10 hardcore 15 percent that are opposed to all forms of  
11 gaming. And most of them, it's because of their  
12 religious faith. And you have to respect that.  
13 Nothing is going to change their mind. But they're  
14 going to be there and I think it's important that  
15 you as regulators hear both sides. You should hear  
16 from advocates and you should hear from opponents.

17 But I would just tell you as I've told  
18 most, follow the rule and suggestion of my old boss  
19 Ronald Reagan, who, if you go back to the '80s when  
20 we were in a cold war with Russia, remember what he  
21 said: Trust but verify. Trust but verify.

22 Listen to both sides, but then verify.  
23 You don't have to really trust any side. You have  
24 the advantage of the people who are here today and

1 will be open to you. But if there are questions, go  
2 back and talk to the mayors, go back and talk to the  
3 chiefs of police, go back and talk to people in  
4 jurisdictions that have just brought on gaming and  
5 find out what the truth is. Trust but verify.

6 Now, I mentioned a minute ago NBC  
7 News/Wall Street Journal pollster Peter Hart  
8 recently conducted a poll that went to elected  
9 officials and community leaders in casino  
10 jurisdictions. We didn't go to Nevada and we didn't  
11 go to New Jersey because those states have had it  
12 for a long time. We went to emerging jurisdictions.  
13 And you will see that 83 percent of elected  
14 officials and community leaders in these  
15 jurisdictions say that the introduction of casinos  
16 has met or exceeded their expectations. That same  
17 overwhelming majority says that the overall impact  
18 of casinos has been positive. These civic leaders  
19 view casinos as vital community partners.

20 The positive feelings toward us don't stop  
21 there. More than eight out of ten community leaders  
22 think that casinos have done a good or fair job of  
23 producing promised benefits such as taxes and  
24 government revenue, quality jobs, increased local

1 and regional economic activity, increased tourism  
2 and expanded entertainment options. 76 percent of  
3 them say casinos have done more to help than hurt  
4 other area business, because that's an argument that  
5 you will hear, and meanwhile nearly three-quarters  
6 say casinos are good corporate citizens. But  
7 perhaps the most telling result is that when  
8 everything is taken into account, 76 percent of  
9 these community leaders would choose to vote yes if  
10 given the chance to go back and cast the deciding  
11 vote whether to allow casinos into their community.

12 And community leaders aren't alone. You  
13 know, I thought one of the interesting experiments  
14 was Iowa. When Iowa in the late '80s brought in  
15 casinos, they did something very interesting; it was  
16 a county option. And I think originally it was  
17 eleven counties that opted to have casinos, but  
18 every eight years they would get to go to the polls,  
19 the people in those counties, and vote whether to  
20 keep them or not.

21 After eight years, the first election,  
22 70 percent said keep; then another eight years, 75  
23 percent, average, said keep. It got to be so high,  
24 it was no longer an issue. The Iowa legislature did

1 away with the eight years. And I'm talking about  
2 people in Iowa. I'm not talking about people from  
3 Nevada or New Jersey where they have lived with it  
4 for many, many years.

5 Another area of natural concern are those  
6 who cannot gamble responsibly. I know that  
7 responsible gaming is a priority for you and it is  
8 also a priority for the gaming industry. We take  
9 this issue very seriously and work hard to make sure  
10 policies and regulations -- I guess I've got to go  
11 to another slide here.

12 While gaming opponents would have you  
13 believe that pathological gambling is a rampant  
14 problem that tears communities apart, the truth of  
15 the matter is that countless peer-reviewed research  
16 has confirmed the prevalence rate of pathological  
17 gambling has held steady at approximately 1 percent  
18 of the adult population for the past 35-plus years.

19 If more casinos in and of themselves were  
20 going to create more gambling problems, then the  
21 explosive growth of casino jurisdictions over the  
22 last two decades would have seen a proportionate  
23 increase in the prevalence rate of pathological  
24 gambling. Research shows that is simply not the



1 case. Now, that is not to say that we shouldn't  
2 spend the time that is so necessary to help those  
3 who can't gamble responsibly, because that 1 percent  
4 have real problems, problems for themselves and  
5 their families and those around them. And our  
6 companies make every effort to address this  
7 important issue. In fact, the issue of responsible  
8 gaming was on the agenda, I brought it up 17-1/2  
9 years ago at the first meeting when I took this job,  
10 and that we had to do something and we had to face  
11 it head on. And I think we have made significant  
12 progress on this topic, and I want for just a few  
13 moments to talk about two specific programs.

14           The first is the AGA Code of Conduct for  
15 Responsible Gaming, which was created in 2003 to  
16 establish a consistent industrywide approach to  
17 responsible gaming across all our member companies.  
18 The code is a pledge to employees, patrons and the  
19 public to promote responsible gaming in every aspect  
20 of the casino business, including employee training,  
21 customer education, the prevention of underage  
22 gambling, responsible alcohol service, and  
23 responsible marketing and advertising.

24           The code also details the commitment of

1 AGA members to continue support for research  
2 initiatives and public awareness activities  
3 surrounding responsible gaming and underage gaming.  
4 Specific provisions include a commitment to train  
5 employees with regard to responsible gaming and  
6 responsible alcohol service as well as a provision  
7 to allow patrons who have a gambling problem to  
8 self-exclude themselves from gaming activities. And  
9 the self-exclusion also includes opportunities for  
10 patrons to request to be removed from promotional  
11 mailing lists or to revoke privileges for casino  
12 services, player club privileges, on-site checking,  
13 et cetera.

14 All our companies are committed to the  
15 provisions of this code and it has become a model  
16 for responsible gaming programs not only here in the  
17 United States but in international jurisdictions;  
18 and many nonmember casinos across the country follow  
19 it as well. But it is just one part of our  
20 industry's commitment to responsible gaming.

21 In 1996 the AGA founded the National  
22 Center for Responsible Gaming, the NCRG, which is  
23 the largest private funder of research on gambling  
24 and addiction in the nation and the only national

1 organization exclusively devoted to funding research  
2 that helps increase the understanding of  
3 pathological and youth gaming. The organization is  
4 devoted to finding an effective method of treatment  
5 for the disorder. Its mission is to help  
6 individuals and families affected by gambling  
7 disorders by supporting the finest peer-reviewed  
8 research, encouraging the application of new findings  
9 to help improve prevention, intervention and  
10 treatment strategies, and to advance public  
11 education about gambling disorders and responsible  
12 gaming.

13 The NCRG's competitive grant-making  
14 process is overseen by a scientific advisory board  
15 that is composed of leading independent scientists  
16 with expertise in addiction and related topics.  
17 They monitor the conduct of the research grants and  
18 peer-review panels evaluate all proposals based on  
19 criteria used by those at the National Institutes of  
20 Health.

21 With the AGA's affiliated charity, the  
22 NCRG, the AGA has provided some \$22 million for  
23 research and education programs that have stood the  
24 test of time and been reinforced by numerous studies

1 conducted by both gaming proponents and gaming  
2 opponents. I should note that one of the foremost  
3 researchers on gambling and addiction is right here  
4 in your own backyard. Dr. Howard Schaefer and his  
5 team at the division on addictions at the Cambridge  
6 Health Alliance have probably contributed more to  
7 this field of research than perhaps anyone, and the  
8 NCRG has been proud to support their work and  
9 benefit from their expertise over the years.

10           Given the NCRG's high standards for  
11 awarding grants, NCRG-funded studies have resulted  
12 in the publication of more than 170 articles in  
13 highly competitive, peer-reviewed scientific  
14 journals, such as the Harvard Review of Psychiatry,  
15 Addiction, Psychology of Addictive Behaviors, the  
16 American Journal of Public Health, and the Archives  
17 of General Psychiatry. This peer-reviewed research  
18 has been conducted at some of the most prestigious  
19 institutions in the U.S., including Harvard, Yale,  
20 Johns Hopkins, Massachusetts General, University of  
21 Minnesota, Duke, the University of Iowa, the  
22 University of Michigan, and leading educational  
23 institutions around the world.

24           The NCRG is committed to translating this

1 research into practical applications that prevent  
2 problem gambling. Now, many of these applications  
3 will be of use to you as your state prepares to open  
4 commercial casinos. In fact, the NCRG has already  
5 begun building relationships with stakeholders in  
6 Massachusetts. Each year the NCRG road tour travels  
7 to a new city to share information about the latest  
8 research on gambling disorders and make key  
9 stakeholders aware of the science-based programs and  
10 resources the organization has to offer.

11 In fact, my team just returned from Miami.  
12 Chris is here from NCRG and they were in Miami on  
13 this year's road tour. Last year the road tour  
14 stopped in Boston and partnered with the  
15 Massachusetts Council on Compulsive Gambling for  
16 several events. The NCRG maintains a strong  
17 relationship with that council today.

18 So as your state moves forward with  
19 gaming, both the AGA and the NCRG can serve as  
20 excellent resources when addressing the issues of  
21 responsible gaming.

22 Casino companies in Massachusetts can  
23 adopt the code of conduct. And, of course, if any  
24 of the AGA members are eventually licensed, they are

1 already bound to the code. You also should be aware  
2 of the Harvard-developed EMERGE training program.  
3 It is also a tool that can prove helpful here in  
4 Massachusetts. EMERGE stands for executive,  
5 management and employee responsible gaming  
6 education. It is the only program of its kind  
7 grounded in scientific research that has been  
8 translated into an acceptable training tool for  
9 gaming employees across the board.

10           Additionally, the AGA has a variety of  
11 tools to educate consumers/customers about how slot  
12 machines work, what the odds of each game are, and  
13 ways to play responsibly. Research has shown that  
14 understanding the odds and how casino games work are  
15 key elements in making responsible decisions when  
16 playing. Such an understanding also helps prevent  
17 gambling problems before they start.

18           The NCRG also provides resources that can  
19 be used to address underage gaming, one of which is  
20 collegegambling.org, a first-of-its-kind online  
21 resource designed to help colleges and universities  
22 address gambling and gambling-related harm on  
23 campus. The website was created for campus  
24 officials, students and parents, and it brings

1 together the latest research and best practices in  
2 responsible gaming and in the field of addiction  
3 awareness and prevention. Again, Massachusetts  
4 professors from Boston University School of Public  
5 Health, Bridgewater State College and the Harvard  
6 Cambridge Health Alliance were among the blue ribbon  
7 group that helped in the development and utilization  
8 of this tool.

9           The industry has a strong relationship  
10 with the NCAA and we have over the years worked  
11 together with them to prevent youth gaming and  
12 sports betting. Sports betting patterns to identify  
13 and prevent are, for sure, potential cheating or  
14 point shaving. The NCRG will be present at the  
15 NCAA's annual gambling summit later this fall to  
16 share in that college gaming resource and further  
17 strengthen that partnership.

18           The NCRG's effort to prevent youth gaming  
19 also includes a science-based guide for parents  
20 called Talking with Children About Gambling. It  
21 helps parents and others who work with kids to deter  
22 children from gambling and recognize possible  
23 warning signs of problem gambling and other risky  
24 behaviors.

1           Several educational opportunities are also  
2 available through the NCRG, including its annual  
3 conference, which is I believe the leading gambling  
4 and addiction conference in the world. People come  
5 from all over the world, clinicians, professors,  
6 people who are really involved in trying to solve  
7 this problem, like Rachel here. Rachel Goldberg has  
8 been at that conference a number of times.

9           The NCRG also hosts a series of workshops  
10 and webinars for counselors and clinicians across  
11 the country. It also offers an extensive library of  
12 publications to help everyone from business leaders  
13 to the general public have a better understanding of  
14 gambling disorders and responsible gaming.

15           Now, I know my office, as I've said, sent  
16 out a package to each of you members of the  
17 Commission and I hope you will take the time to look  
18 those over and will find them informative. These  
19 tools are already in use in gaming jurisdictions  
20 across the country and around the world and can be  
21 tailored to the individual needs of each state.  
22 I also encourage you to go on our website and the  
23 NCRG's. The websites are located here on the  
24 screen. I think both of these sites offer a wealth



1 of resources, including many I have discussed today.

2 Also of note, our annual State of the  
3 States Report will be released next week. It  
4 includes much of the public opinion polling data  
5 I've just shared with you, as well as detailed  
6 national and state-level economic impact data on the  
7 commercial casino industry for 2011. And it goes  
8 state by state giving you the revenues, the jobs,  
9 et cetera. Probably more information than you'll  
10 ever want to know. And we'll be sure to send a copy  
11 to all of you after it is released publicly next  
12 Wednesday.

13 Let me close by reiterating my commitment  
14 and that of the AGA member companies in working with  
15 you and other regulators to improve on what already  
16 has been for decades a regulatory success story.  
17 The proof of its success is the trust our patrons  
18 have when they come to our casinos and the reward  
19 for us, both as regulators and in our companies, of  
20 the hundreds of thousands of jobs and billions of  
21 dollars in economic stimulation and tax revenue.

22 We are an industry that welcomes the role,  
23 as I have said, of the men and women in this room  
24 who will be regulators. So I want to conclude by a

1 sincere thank-you for inviting me. And remember,  
2 when all else fails, trust, but verify. Thank you  
3 very much.

4 [APPLAUSE]

5 COMM. CAMERON: Thank you, President  
6 Fahrenkopf. Very informative presentation.

7 May I ask the first panelists to come and  
8 be seated? As they take the stage, I am going to  
9 introduce the moderator who will then introduce the  
10 panel members.

11 Guy Michael has been in the gaming  
12 business a long time. Mr. Michael started in New  
13 Jersey. You'll notice that we relied somewhat  
14 heavily on expertise from New Jersey and  
15 Pennsylvania for this forum, and we did that for a  
16 reason. Like Massachusetts, New Jersey has a full-  
17 time commission. That is unusual in most  
18 jurisdictions. So it really was important for us to  
19 understand the work flow and understand the  
20 responsibilities of a full-time commission. And  
21 Pennsylvania, being one of the newest jurisdictions,  
22 as President Fahrenkopf just mentioned, we thought  
23 those lessons would be of great value to us also.

24 So Mr. Michael is behind me, but I am

1 going to introduce him. He was the deputy director  
2 of the Division of Gaming Enforcement in New Jersey.  
3 He now practices law. His law firm specializes in  
4 gaming law and he's spoken at panels all over the  
5 world. He is an expert in gaming, so he's going to  
6 moderate this first panel for us.

7 [APPLAUSE]

8 MR. MICHAEL: Thank you. Thank you,  
9 Gayle. Thank you for that kind applause. We hope  
10 that we are informative today and we'll start out  
11 with this very informed panel. You can probably say  
12 that this is maybe square number two. If square  
13 number one was the passage of the gaming legislation  
14 here in the Commonwealth, then square number two is  
15 its implementation. And that is the stage we're in  
16 right now. And it may be a more colloquial way to  
17 say implementation is to ask the question, well,  
18 what do we do now? And there probably are no more  
19 qualified people to answer that question than the  
20 people we're lucky enough to have on the panel with  
21 us today.

22 To my immediate left, as you may have  
23 figured out by the sign in front of him, is Steven  
24 Perskie. Despite his boyish good looks as he sits

1 here today, Mr. Perskie -- it's hard to believe --  
2 35 years ago was the principal author of the New  
3 Jersey Casino Control Act as an assemblyman in the  
4 New Jersey legislature, then became a state senator,  
5 was the chief of staff to Governor Florio, became  
6 the chairman of the New Jersey Casino Control  
7 Commission, and then a judge in the Superior Court  
8 of New Jersey. He's been around and he knows this  
9 area like the back of his hand -- I assume he knows  
10 the back of his hand -- and should be able to answer  
11 all the questions that you have.

12 Next to Mr. Perskie is Cathy Walker.  
13 Cathy is also a former regulator. She was with the  
14 New Jersey Casino Control Commission for some  
15 thirteen years and then she left the government side  
16 and has gone over to the operational side. She was  
17 a high-ranking executive with the Trump  
18 organization, with Harrah's and with Players Hotel,  
19 and is now the president and chief executive officer  
20 of Seneca Gaming Corporation, a tribal casino in  
21 upstate New York.

22 Finally, at the end of the table there is  
23 Kevin O'Toole. Sometimes you can spot talent right  
24 away, and in 1981 a bespectacled young man walked

1 into our offices in the Division of Gaming  
2 Enforcement and we hired him, because you could tell  
3 that he had a great deal of talent. He worked for  
4 the Division of Gaming Enforcement then for many  
5 years, left and then served as executive director  
6 for the Oneida Indian Nation Gaming Commission, is  
7 now the executive director of the Pennsylvania  
8 Gaming Control Board.

9 So those are our three experts on this  
10 panel, and I think you can tell from their  
11 backgrounds that they certainly are experts.

12 I would like to start with a question for  
13 whoever wants to chime in at probably the most basic  
14 level we possibly can. What is the role of a gaming  
15 commission? Steve, can you start?

16 JUDGE PERSKIE: The role essentially  
17 initially starts with a mandate from the  
18 legislature. And I would indicate that my review of  
19 the Massachusetts legislation suggests that the  
20 governor and the people and the legislature in this  
21 state, in this commonwealth -- excuse me -- took  
22 their responsibilities very seriously. A very  
23 significant range of important policy decisions were  
24 in fact articulated in the legislation. Even more

1 significantly, the legislation gives to the  
2 Commission and to the enforcement office the powers  
3 and responsibilities that they need to have and the  
4 authority that they need to have and the insulation  
5 from political and other influences that they also  
6 need to have.

7           So that my answer to your question, Guy,  
8 first is that the regulators have been given a  
9 responsibility to advance the public interest as the  
10 legislature defines it. In the context of this  
11 industry with its past history, not more recent, the  
12 regulators here as elsewhere must always be  
13 sensitive to the concept that the public is  
14 watching. And the public has every reason and every  
15 right to watch and the public has every reason and  
16 right to expect that the operations of the casinos  
17 will be conducted in strict compliance with every  
18 applicable law and regulation and that the  
19 regulators have both the power and the will to make  
20 that so.

21           The bottom line is that the public vests  
22 significant confidence in the regulatory process and  
23 in the regulators themselves, and that is both as it  
24 should be and dangerous. Because it means, as with

1 all appearance issues, if there is a problem, it's  
2 very difficult to unmake the mistake. And therefore  
3 the regulators have to be mindful from the jump of  
4 not only what their responsibilities are but the  
5 need to attend to the fact that the public is  
6 watching.

7 MR. MICHAEL: Cathy? Do you have  
8 something? Could you also address maybe the  
9 relationship that the Commission would have with the  
10 industry itself too.

11 MS. WALKER: Yes. Thanks, Guy.

12 I have a little different take on it than  
13 Steve had. I believe that the regulators need to  
14 provide a fair and efficient process that is  
15 standardized for all of the applicants so that there  
16 is consistency in the process, that there is  
17 fairness in the process, but also that there is a  
18 sense of decorum and respect and that there is a  
19 high level of confidence in the regulatory process.  
20 And I think much of that can be done between  
21 regulation and -- again, I keep saying it over and  
22 over -- process. I believe that that is very, very  
23 important.

24 I also believe that the regulators do have

1 an advocacy responsibility. In looking through your  
2 statute, there are many public policy initiatives  
3 that are covered in there and I believe that the  
4 regulators not for one or two different operators  
5 but for those public policy initiatives that are  
6 outlined there, that they have a responsibility to  
7 keep the legislature informed of how we're doing,  
8 benchmarking against those policies, and also to  
9 make suggestions of what might need to be changed or  
10 tweaked as you go forward in the process.

11 MR. MICHAEL: Kevin, some additional  
12 comments?

13 MR. O'TOOLE: I agree with both Steve and  
14 Cathy. I think that the role of the regulator is to  
15 ensure the integrity of both the regulatory process  
16 and of the casino operation. In my experience, you  
17 also look to the legislative intent, and in  
18 Pennsylvania they stated that the first and primary  
19 responsibility of the gaming commission is to  
20 protect the public through strict regulation of all  
21 aspects of gaming. So we take that as our mantra  
22 and in all of the various policy decisions that we  
23 make, we try and evaluate what effect does that have  
24 on the gaming public and does it further that



1 purpose of having an honest and fair gaming  
2 operation.

3 MR. MICHAEL: You've all used the word, as  
4 Cathy pointed out, "process" over and over again in  
5 your answers. Can you elaborate a little bit on  
6 that? What do you think are the main aspects of the  
7 process that makes a gaming regulatory agency work  
8 well?

9 JUDGE PERSKIE: Well, the first one I  
10 think is the most obvious, transparency. The public  
11 is watching and the industry, of course, itself is  
12 watching. There has to be a sense of confidence by  
13 everybody in the processes and decision-making that  
14 is going on. And that means it's got to be open,  
15 out front. And that is kind of a given.

16 Sometimes it is a little harder in actual  
17 practice, but it's got to be a mental discipline  
18 that you err on the side of providing too much  
19 information rather than not enough. And Cathy is  
20 absolutely right when she observes that the eventual  
21 policymakers, the legislature who invested the  
22 regulators with this authority has to be fully  
23 informed at each step along the way as well; and  
24 there are a number of different ways that that can

1 be and should be done by way of dialogue. The  
2 Commission, for example, could regularly invite the  
3 appropriate legislative committees to ask the  
4 Commission to come in and make a report to the  
5 legislature.

6 MS. WALKER: In my mind, at the early  
7 stages, one of the most important things is to  
8 determine what your regulations are going to be so  
9 that everyone has written down how the process will  
10 work. I think that that adds a lot. And I know one  
11 of the things that everybody says is, what did you  
12 learn? I think that learning when I worked in the  
13 New Jersey Casino Control Commission, what we  
14 learned was that in every area where we didn't have  
15 a written regulation, somewhere along the line it  
16 bit us.

17 So, if anything, my recommendation would  
18 be to make sure that you cover the regulations,  
19 understanding that nothing is perfect and  
20 regulations are there and you have a process to be  
21 able to change them. But early on, I think that  
22 that also adds to the confidence that the public can  
23 have in the fact that you've got a full, open forum  
24 for consideration of not only the regulations but

1 then how do those regulations get applied.

2 MR. O'TOOLE: Transparency in Pennsylvania  
3 is certainly a very important topic. The  
4 legislature in Pennsylvania established gaming  
5 caucuses on both the house side and the senate side.  
6 So we are called over and we appear at various  
7 hearings throughout the year to discuss the status  
8 of various matters involving the casino industry.  
9 So to a large extent we answer to the legislature  
10 and we are accountable to the legislature, and we  
11 are mindful of that.

12 But certainly to be truly transparent, you  
13 need to have a free flow of information and really  
14 good lines of communication. And I think one of the  
15 best ways to do that is through technology, without  
16 a doubt. It is very important that in today's  
17 environment a gaming regulatory commission establish  
18 a very robust website. We post so much information  
19 on our website, it's incredible. And it can be  
20 viewed as rather intrusive to some extent, but it is  
21 an effort to be transparent, to let all of the  
22 various constituencies and the general public know,  
23 number one, how we spend money. We post monthly all  
24 of the expense reimbursements of anyone in the

1 Pennsylvania Gaming Control Board who has received  
2 an expense reimbursement. That same obligation  
3 applies to the Pennsylvania State Police, to the  
4 Department of Revenue, and to the Office of the  
5 Attorney General.

6 We post every right-to-know request that  
7 we get, how we handled it, what the disposition of  
8 that was. We post contracts that we've entered  
9 into, both contracts related to competitive bid  
10 processes or sole-source bids or emergency  
11 requisitions.

12 So that's one avenue that I think is very  
13 important in today's technological environment.

14 JUDGE PERSKIE: If I may, I would like to  
15 follow up on a couple of points that Cathy made  
16 because it's really critically important to this  
17 Commission. The legislature has vested the  
18 Commission with, as I've said, a great deal of power  
19 and responsibility. And indeed in the sections  
20 where the Commission's authority is defined, it for  
21 example says that the Commission is to establish  
22 standards for debt/equity ratio, a concept that in  
23 New Jersey we call financial stability.

24 When I first got to the commission in 1990

1 after fourteen years of operations by the  
2 commission, literally the first week I was there  
3 I was told that one of our first responsibilities or  
4 my first responsibility with my colleagues would be  
5 to determine the financial stability of one of our  
6 licensees, who at the time was tottering, as we say.  
7 I said fine, that should be no problem, let me see  
8 the regulations and the standards that define  
9 financial stability so that we can then set up a  
10 hearing and decide whether this licensee meets the  
11 standard. Well, we don't have any standards. We've  
12 never adopted regulations on financial stability.

13 That made it very hard to conduct a  
14 hearing to determine whether that licensee was in  
15 fact financially stable.

16 A second observation along the same lines.  
17 I note that the legislation gives the Commission the  
18 authority to establish or to permit, rather, the  
19 licensees in Massachusetts to extend credit to  
20 gamblers or to patrons under certain circumstances.  
21 And that is neither unusual or surprising or  
22 particularly challenging. But, again, it says to  
23 the regulators you have the responsibility now to go  
24 look around and there are, thankfully from your

1 point of view, a number of places you can go to  
2 where there are extensive regulations on the subject  
3 of casino credit, which I suggest to you is terribly  
4 important in setting up a comprehensive regulatory  
5 process.

6 My point simply is, as Cathy mentioned,  
7 the authority that you have has to be exercised with  
8 great detail in those areas that you're going to  
9 determine are significant for the operations of your  
10 licensees.

11 MR. MICHAEL: To get back for a minute to  
12 the transparency issue that you've all raised too  
13 and maybe getting into a little more sensitive area.  
14 Gaming commissions deal with all kinds of  
15 information, and are there not issues of privacy  
16 that need to be addressed as well whereas the public  
17 would not necessarily expect, although transparency  
18 is a very important policy, that everything the  
19 Commission does will be available to them? Are  
20 there some ways to protect against that kind of  
21 problem?

22 JUDGE PERSKIE: There always are. But you  
23 have to start, again I go back to the legislation.  
24 And it's the nature of the beast. Your legislation

1 says that licensure, whether as a casino company or  
2 even as an employee, a key employee or whatever,  
3 licensure by the Commission is a revocable  
4 privilege. It is not a right.

5 That's an important concept to remember.  
6 The legislature put that in there to a purpose, and  
7 you're going to find that you're going to come back  
8 to that concept time and time again. In this  
9 particular context it suggests, at least to me, that  
10 what in an ordinary course might be considered  
11 private information is, because of the need of the  
12 public for transparency, not going to be private.

13 Now, Social Security numbers are easy.  
14 That you will probably always want to be private.  
15 But there are whole categories of items that you  
16 would normally think of, I'm going to get a job; I  
17 shouldn't have to tell the world about my divorce, I  
18 shouldn't have to tell the world about the lawsuits  
19 I have been involved in or the judgments that have  
20 been outstanding against me or lawsuits that I was  
21 involved in, or whatever.

22 And, in fact, if you start with the notion  
23 that participation in this industry as a licensee  
24 for a casino company or as a licensed employee is a

1 revocable privilege, that raises the standard  
2 somewhat on the determination of what should be  
3 public.

4 MR. MICHAEL: Anyone else have any  
5 thoughts on the public-private dichotomy?

6 MS. WALKER: I do, Guy.

7 Guy has brought up what I think is one of  
8 the most difficult things that you as commissioners  
9 and your staff will wrestle with, especially when  
10 you get to the individual licensing as Steve  
11 mentioned, divorces, financial situations. There's  
12 always that balance. You obviously want to protect  
13 to the extent you can the personal interests and  
14 respect that.

15 But I do believe that all of us working in  
16 the gaming industry understand and it would be  
17 important in my view for you to make sure that this  
18 is something that you get out right away, that you  
19 give up some of the right to the privacy that you  
20 may have as an ordinary citizen not involved in this  
21 industry.

22 But I do think it is a difficult balance  
23 and I think that commissions struggle with this each  
24 time a new question comes up.



1 JUDGE PERSKIE: Absolutely, absolutely.

2 MR. MICHAEL: Didn't mean to hold you for  
3 last, Kevin.

4 MR. O'TOOLE: Certainly the balance  
5 between transparency and confidentiality is a  
6 difficult one. But the operators when they submit  
7 the petition or a gaming floor plan change or a  
8 refinancing application, they will file with that a  
9 petition to maintain the substance and attachments  
10 as confidential. In many cases but not all, the  
11 gaming commission will approve the confidentiality  
12 and nondisclosure of that information.

13 But another thing that we treat as  
14 confidential on a day in/day out basis is the  
15 casino's internal control submission. There are  
16 certain aspects of that submission that may not be  
17 all that confidential. Certainly surveillance,  
18 security, how money flows within the casino,  
19 confidential; and it should never be disclosed.

20 But we also have a compulsive and problem  
21 gambling plan. That is how the casino has advised  
22 us that they will handle that social issue. And it  
23 is part of the internal control submission but it  
24 may be something that would be instructive for the

1 public to have access to or legislators to have  
2 access to. So if we get a right-to-know request for  
3 something like that, we have been asked and we have  
4 adopted a plan where we will go to the operators and  
5 request that they waive confidentiality and specify  
6 exactly what it is we're asking them to waive  
7 confidentiality on; and if they grant that waiver,  
8 we will send that information out.

9 MR. MICHAEL: Obviously Massachusetts now  
10 is at the very earliest stages and you have all been  
11 through situations where a gaming agency was at its  
12 very early stages. So at a day one situation, what  
13 would you think would be some of the priorities that  
14 the Massachusetts experience here or other  
15 jurisdictions would have to address?

16 JUDGE PERSKIE: The range day one is very  
17 difficult. I mean, you're starting obviously from  
18 scratch. One of the lessons that I believe the  
19 process in New Jersey could teach has to do with  
20 what I'll call community impact. Massachusetts is,  
21 as New Jersey did, focusing on the use of casino  
22 licenses to impact on the community, economic  
23 impact, social impact, tourism, all of the public  
24 interest, if you will, impacts.

1           In New Jersey, at least from my  
2 perspective retrospectively, the mistake that we  
3 made was to vest a sense of too much of that  
4 responsibility in the casino companies and not  
5 enough in the government agencies that start with  
6 the responsibility. By which I mean at the  
7 beginning in New Jersey -- it changed eventually --  
8 at the beginning, the concept was as a part of your  
9 responsibilities as a gaming company in New Jersey,  
10 you will figure out ways to help the Atlantic City  
11 and New Jersey communities utilize the benefits of  
12 the investment capital that you're bringing.

13           And it took about ten years, in my  
14 opinion, for the government agencies to recognize  
15 that was not the best approach.

16           The casino companies should be expected to  
17 come in here, into Massachusetts, and having won the  
18 process of getting a license, should be expected to  
19 comply with every commitment that they make to  
20 operate their facilities in full compliance with all  
21 of the requirements of the law and everything else.

22           But they don't as a company necessarily  
23 have the expertise to determine how the resources  
24 that they are generating should best benefit the

1 public interest. That, in my view, remains the  
2 responsibility of government both at the state level  
3 and at the local and regional levels. So that it is  
4 indeed a cooperative effort. You can't do it  
5 without the involvement of the management of the  
6 casino companies, and you shouldn't think about  
7 doing so. But you cannot either vest all of the  
8 responsibility to determine how the public interest  
9 should be fulfilled, you can't assume that the  
10 casino companies can or should have that  
11 responsibility.

12 My point simply is that the Commission has  
13 a role to play in this, but more significantly so do  
14 the local governments and the state government in  
15 order to define how the benefits of the investments  
16 by the casino companies can best benefit the public.

17 MR. MICHAEL: Cathy, you want to speak on  
18 that?

19 MS. WALKER: Again, we have emphasized a  
20 lot the importance of the written process and the  
21 regulations. I think the other thing I would  
22 suggest that you want to be thinking about now, and  
23 it is a longer process, is that down the road you  
24 have your licensees who are going to have three or

1 four hundred thousand employees each, let's assume,  
2 plus you have your vendors, who may have individuals  
3 that need to be licensed.

4 So at this point I would be putting  
5 thought into how am I going to work that individual  
6 personal licensing process and how do I get that  
7 started early enough so that I can make sure that we  
8 don't get to a crunch point when a facility is ready  
9 to open and we haven't got the licensed individuals  
10 ready to go to work.

11 JUDGE PERSKIE: I think you meant three or  
12 four thousand at each.

13 MS. WALKER: Oh, I'm sorry. Yes.

14 JUDGE PERSKIE: You said three or four  
15 hundred thousand.

16 MS. WALKER: Oh, sorry. You're right.

17 MR. MICHAEL: That's a lot of people!

18 JUDGE PERSKIE: You've got every  
19 unemployed person in Massachusetts already working!

20 MR. MICHAEL: That would really impose a  
21 crunch in the licensing process.

22 MS. WALKER: It sure would.

23 MR. MICHAEL: Kevin?

24 MR. O'TOOLE: I certainly think the

1 Massachusetts Commission is past day one and it  
2 certainly seems like you're taking a very  
3 deliberative approach in studying what your next  
4 steps need to be. And in following up on Cathy's  
5 comment, you've got to look at technology. And I  
6 think Pennsylvania did an outstanding job very early  
7 on in determining how should technology be used to  
8 facilitate that process.

9           Data is transmitted electronically today;  
10 it's stored and retrieved electronically. We  
11 developed through our IT professionals early on a  
12 system that we coined SlotsLink. All of these  
13 thousands of applications come in electronically.  
14 There's a special computer link with every operating  
15 casino in their human resource department. So a new  
16 hire or an applicant for a job at any casino can sit  
17 down at a dedicated terminal with the aid of an HR  
18 assistant and they can complete their application  
19 online and, when they have all the fields filled  
20 out, press the send button and we instantaneously  
21 receive that application.

22           And then you have to also use technology  
23 to develop the work flow of that information. It  
24 has to be determined to be complete by your

1 licensing intake unit. When it is determined to be  
2 complete, it can then be transmitted electronically  
3 to whatever agency or unit is going to conduct the  
4 background investigation. And you need to have  
5 technology that is going to look at not only what  
6 they need to do in the next twelve months but where  
7 you as an agency should be three years or five years  
8 down the road in the area of technology.

9 MR. MICHAEL: You have all had experience  
10 in agencies and in the structure of an agency,  
11 establishing those structures. We'll start with  
12 Kevin this time so he doesn't feel so left out.  
13 What would you recommend in terms of any suggestions  
14 for internal structure of an agency, the kinds of  
15 units that are necessary and how they interact?

16 MR. O'TOOLE: Well, that kind of dovetails  
17 to the potential question of how big should a  
18 commission get, what size should a commission be.  
19 And that is a continual challenge for the leaders of  
20 a gaming commission, to try to make that evaluation.  
21 You know, have you gotten to the point where you  
22 should be?

23 In Pennsylvania, certainly the legislation  
24 there established a Bureau of Investigations and

1 Enforcement and they gave them the duty and  
2 responsibility to conduct all background  
3 investigations, so that unit was in the Pennsylvania  
4 Gaming Control Board. It's worked out well from my  
5 perspective. I have had three years to watch the  
6 operation of our BIE. We hired experienced former  
7 law enforcement persons, former troopers from  
8 Delaware, New Jersey, Pennsylvania. We have hired  
9 former law enforcement agents on the federal and the  
10 state level.

11 So it is quality people, which would be  
12 akin to some very good companies out there that you  
13 could outsource background investigations to. They  
14 get the same personnel, these former qualified law  
15 enforcement personnel who know how to do background  
16 investigations. But we have been categorized as a  
17 single regulatory agency as opposed to a dual model.

18 MR. MICHAEL: Could you explain a bit more  
19 what that means?

20 MR. O'TOOLE: Well, it means that we have  
21 the investigatory and the adjudicatory roles both  
22 within the same agency. Now, if you do it that way  
23 or if you're mandated to do it that way, as we were,  
24 you have to develop processes and procedures to



1 ensure that the investigatory doesn't encroach on  
2 the adjudicatory. And we do that through  
3 regulations controlling any ex parte communications,  
4 precluding any discussion on any outstanding matters  
5 from the investigatory side. BIE doesn't report to  
6 the commission; they report to the executive  
7 director for purposes of policy and administration.  
8 We have a bureau director and we have a chief  
9 enforcement counsel that work with our BIE.

10           It opens up certain questions: Is the  
11 ability to separate that effective? Is it working?  
12 And in my view it is. But you're always going to  
13 face some critics that say you should completely  
14 separate the hierarchy between investigatory and  
15 adjudicatory.

16           MS. WALKER: I think that there are really  
17 four basic areas that you need to think about.  
18 Obviously, you have the employee side that has to be  
19 handled, and those individuals are your most  
20 important, the folks that you really need to take  
21 care of. You also then have the finance side, which  
22 we have talked about a little bit previously. You  
23 have the operations side and then you have the  
24 company or the operator's side. And I think that

1 will be at a minimum a total of four different areas  
2 that I would see that you want to take a look at  
3 lining up again with the public policies and then  
4 the mandate that you have from your legislature and  
5 see whether you can fit each of those into those  
6 four categories. If not, you may need to create a  
7 fifth.

8 JUDGE PERSKIE: If the question of this  
9 entire process today and tomorrow is something along  
10 the lines of what do we as a new commission really  
11 need to keep in mind and remember, the one common  
12 theme to all of this that I would ask that you keep  
13 in mind is the need to be light on your feet and to  
14 remain flexible. You're going to be going through  
15 processes with research as you are doing today;  
16 you're going to get a whole lot of information on a  
17 given subject.

18 You're going to then make a decision and  
19 implement that decision. And it will be by  
20 definition, because of the integrity of the process,  
21 it will be a good decision. Whether it's how to  
22 structure the agency, regulation on financial  
23 stability, whatever it is, it's going to be a good  
24 decision when you make it. And it's going to be a

1 good decision for as long thereafter as the  
2 circumstances continue basically the same.

3 Your responsibility on a continuing basis  
4 is to examine those circumstances and make sure that  
5 the good decision that you made at the beginning is  
6 still a good decision. Because frequently, either  
7 by reason of technology or market changes or  
8 whatever, you're going to need to revisit some of  
9 those good decisions.

10 In the context of the structure of the  
11 agency, the New Jersey experience is again helpful  
12 in that respect. The people who started the agency  
13 in New Jersey in -- well, the legislation was '77,  
14 the agency was created in '77, started work in  
15 '78 -- they developed a model for the structure of  
16 the Casino Control Commission. And as Guy has  
17 indicated, in New Jersey, as you have here, the  
18 investigative and enforcement side was a different  
19 agency from the regulatory and licensure side.

20 So we're talking about the commission as a  
21 regulatory and licensing agency, and a structure was  
22 developed with a table of organization. And, as  
23 Cathy has indicated, eventually four divisions is  
24 what it eventually wound up with, but in the

1 beginning it was six or seven. In any event, by the  
2 time I got there in 1990, that structure had never  
3 been changed from its original concept. It was up  
4 at that point to 503 authorized positions, a number  
5 that shouldn't mean anything to you at all whether  
6 that's large or small except to tell you that over  
7 the course of the next year we reduced that 503 to  
8 360, a 30 percent reduction in the size of the  
9 commission, and not only didn't sacrifice anything  
10 but got more work done faster and cheaper.

11 The point I'm making simply is that the  
12 good decisions that were made at the beginning about  
13 what the size of the commission should be, how that  
14 commission should be organized and structured,  
15 worked well at the beginning and then needed and  
16 didn't get for a 14-year period, needed revisiting  
17 to make sure that the initial decisions were still  
18 the right ones.

19 That is going to apply not only to how you  
20 build a casino control commission. It is going to  
21 apply to how you define financial stability, it is  
22 going to apply to how you impose licensing  
23 standards, it is going to apply to how you evaluate  
24 internal controls. All of these kinds of questions

1 are questions that will require your ongoing and  
2 continuous willingness to sit back and say, okay,  
3 that was right two years ago. Is it still right  
4 today?

5 MR. MICHAEL: If I can make a substantive  
6 statement, I would certainly second that.  
7 Flexibility is very important. And it ties into  
8 Cathy's point and Kevin's also about the initial  
9 stages and the bulk of work that needs to be done at  
10 the very outset that will probably be larger than  
11 the work that may need to be done as time goes on.  
12 And so to staff up on the basis of what you need to  
13 do right away may not be the best outlook to take,  
14 because that will only last for a temporary period  
15 of time.

16 Also, to try to tie in a couple of things,  
17 there are basically, I would think, two types of  
18 models of regulation. We talked about promulgation  
19 of regulations. Some jurisdictions promulgate very  
20 detailed regulations and every casino has to follow  
21 every one of those regulations precisely. Some  
22 jurisdictions promulgate generalized regulations and  
23 say, well, fit within these minimum standards and  
24 then everything will be okay. In terms of advising

1 the Massachusetts experience here on either one of  
2 those models, do you have thoughts on a preference  
3 or what you think might work better?

4 MR. O'TOOLE: Well, we had pretty unique  
5 circumstances in Pennsylvania that I think kind of  
6 contributed largely to the fact that the operators  
7 in Pennsylvania have been successful. And that is  
8 we didn't necessarily have a grand plan in 2004-2005  
9 that the economy was going to take a significant  
10 downturn. But by authorizing initially slots-only  
11 gaming, casinos were able to build with a fairly  
12 modest capital investment nice facilities that were  
13 convenient to patrons in fairly large metropolitan  
14 areas and it got these casino operators off on a  
15 very good footing; and we only needed to promulgate  
16 regulations that covered the slot operations.

17 But that is still pretty extensive. It  
18 covers surveillance and security. And we have very  
19 significant concern over underage gambling. It has  
20 certainly been an issue that we continually  
21 approach, and the casinos have done a terrific job  
22 to try and guard against underage gambling.

23 The casinos wanted to get table games.  
24 The legislature agreed with that proposal and we

1 were able to implement table games subsequent to  
2 these casinos operating slots. So we were able to  
3 open up nine operating casinos with extensive table  
4 game operations in the middle of 2010, and that  
5 necessitated us to promulgate additional table game  
6 regulations.

7           And we had a unique set of circumstances.  
8 We wanted to make sure -- As a new jurisdiction, we  
9 expected many of these casinos were going to have  
10 anywhere from 80 to 85 percent brand-new first-time  
11 dealers, and that can be kind of scary; and I'm sure  
12 Cathy would concur in that. Because it's a  
13 difficult job, very difficult job. They hold the  
14 assets of the company right in front of them in  
15 their chip tray.

16           MR. MICHAEL: They sure do.

17           MR. O'TOOLE: So we wanted to keep it  
18 simple. So what you might not understand is, there  
19 are an enormous number of ways to play just  
20 blackjack. It's not just one way and everybody does  
21 it that way. There are companies out there that  
22 have these intellectual property scientists  
23 developing new wrinkles to every game and now  
24 there's anywhere from seven, eight, nine, ten

1 different side wagers that you can place on the game  
2 of blackjack. There's traditional blackjack and  
3 then all these little variations.

4 So we wanted to go and keep it simple  
5 early, and we just promulgated regulations that  
6 allowed the casinos to play and operate the basic  
7 games. We allowed some progressive wagers in there  
8 and we said, look, come back to us in three months,  
9 six months, and we'll be flexible and we will give  
10 you some of these side wagers or most of the side  
11 wagers. And that's kind of how our regulations  
12 evolved.

13 The side wagers are not particularly  
14 favorable to the player; they're more favorable to  
15 the house. But most people understand if I put a  
16 dollar wager over here, it's like buying a lottery  
17 ticket. The chances aren't that great that I'm  
18 going to win the major jackpot for that dollar. But  
19 when I make my wager at the traditional game of  
20 blackjack, I want to make sure it's being played in  
21 that traditional fashion where there is a house  
22 advantage but if a player plays smart, plays  
23 intelligently, they have an opportunity to go away a  
24 winner.



1 MS. WALKER: I think some of it depends on  
2 the subject matter; and Kevin touched on it. In  
3 areas such as surveillance, credit, some of the  
4 areas that are the high-integrity, responsible  
5 gaming, I think you need to be more specific so that  
6 there are clear guidelines. But in other areas  
7 between technology and the changes that are coming  
8 on, you may want to consider building in more  
9 flexibility right at the beginning.

10 Because one of the things that frustrates  
11 operators the most is that a new piece of technology  
12 has come out and regulations were developed and  
13 those regulations were developed based upon what  
14 vendor X did a year ago and now vendor Y comes in  
15 and vendor Y has a better way to do things, or a  
16 different way, but it doesn't fit within your  
17 regulations. So then there is that time period that  
18 it takes to get the regulation changed. So I think  
19 it is more on a case-by-case subject matter basis.

20 JUDGE PERSKIE: That's exactly what I was  
21 going to say. It depends. Some things, you need to  
22 be incredibly detailed. Some things, you need to  
23 set minimum standards that satisfy the public  
24 interest and let the operator work from there.

1 MR. O'TOOLE: Well, if I can just  
2 supplement that slightly, because the Native  
3 Americans through the National Indian Gaming  
4 Commission had a very effective way of dealing with  
5 technology. I had the pleasure of serving on a  
6 tribal advisory committee during my period with the  
7 Oneida Indian Nation and they set out to develop  
8 minimum internal control standards covering every  
9 Native American tribe in the country. So you can  
10 just imagine the scope of trying to get one set of  
11 regulations that has relevance at any type of  
12 property.

13 But as we went through topic by topic in  
14 the regulations, we always ended that topic with a  
15 provision that said if a casino licensee finds a way  
16 to use technology to improve the process described  
17 above, they can submit that to the tribal gaming  
18 commission for approval and it would comply with  
19 this section.

20 So I thought that that was --  
21 Unfortunately, the National Indian Gaming Commission  
22 lost the court case and they don't mandate those  
23 minimum internal control standards on Class 3  
24 casinos. But that's one way of being flexible to

1 the operator, to allow them to submit procedures  
2 that might be different and use technology in an  
3 effective way.

4 MR. MICHAEL: Let's talk a little bit more  
5 about the increase and the expansion of gaming  
6 technology. When we all started, a slot machine was  
7 basically --

8 JUDGE PERSKIE: In the year one?

9 MR. MICHAEL: Right. -- a machine with a  
10 handle and some pictures of fruit on it. But now  
11 obviously it has changed drastically.

12 JUDGE PERSKIE: It's a computer.

13 MR. MICHAEL: It is a computer. And then  
14 how about the Internet and online and all of those  
15 kinds of things? What suggestions would you have  
16 for -- Again, flexibility I suppose is the key. But  
17 are there any other more specific kinds of  
18 recommendations that you would give in terms of  
19 handling the new technology?

20 JUDGE PERSKIE: Only that the focus has to  
21 be by the regulator, in this case the Massachusetts  
22 Commission, on identifying the interest that needs  
23 to be protected. And in the case obviously of  
24 technology, you want to be sure that as regulators

1 you understand what the technology is and that it  
2 meets the public interest in terms of fairness of  
3 odds or whatever it is. The technology is going to  
4 evolve faster than whatever the pace has been over  
5 the last ten years, it's going to increase over the  
6 next ten years. So being light on your feet as  
7 regulators becomes even more important in that  
8 respect.

9           Keeping up with the technology is  
10 difficult in that sense, but not if you keep your  
11 eye on the target. The target is: Does this new  
12 development pose any risk at all to what we have  
13 defined as the public interest? And if it doesn't,  
14 let it be. And if it does, try to figure out a way  
15 to get the proponent to meet the standard that  
16 you're talking about.

17           As far as the Internet is concerned, that  
18 raises at least to me very significant issues that  
19 probably can be resolved but need to be addressed  
20 very carefully in terms of the integrity of the  
21 process, in terms of knowing who's doing the  
22 gambling, in terms of making sure that the games are  
23 consistent with the standards that you're setting  
24 here.

1 I think that as technology evolves, it  
2 will be futile to say that we cannot effect a valid  
3 regulatory process over Internet gaming. I think  
4 that that is going to be a Model T Ford at some  
5 point. I think the regulatory process has to get to  
6 the point where it can trust that system, and it  
7 will be the responsibility of the proponents to  
8 devise a system that meets the regulatory standards  
9 and it will be the responsibility of the regulators  
10 to understand what their interests are and to  
11 undertake the appropriate evaluation.

12 MR. MICHAEL: We've all been calm and  
13 agreeable so far. Let me see if I can get a little  
14 bit of a fight started here.

15 Cathy, you're an operator now and, Kevin,  
16 you're a regulator. From your different  
17 perspectives as an operator and as a regulator, what  
18 would you like to see? How would you like to see an  
19 agency deal with the Internet and the regulation of  
20 new technology?

21 MS. WALKER: I think one of the things  
22 that President Fahrenkopf touched upon and the thing  
23 that I would like to see is for everybody, when new  
24 technology comes out, I'm like everybody else, I

1 don't understand it, I don't know what this is.  
2 First I would say get yourself a 22-year-old whom  
3 you trust and understands IT security somehow  
4 involved with your commission. I think that that's  
5 very important because there is so much  
6 sophisticated change in technology that you need an  
7 expert; and some of us that are a little older here  
8 have to understand we have to rely on those  
9 individuals who know this area.

10 I think the other piece of it is that  
11 you've got to remember that technology also brings  
12 in more accountability. And what you find is that  
13 somebody comes in with some new whizbang thing but  
14 it also has a back-end system associated with it  
15 that will give you better control over the revenues,  
16 the play, and more information that's there. So I  
17 would suggest this is one of the areas where you  
18 want to keep maximum flexibility because it changes  
19 on a daily or weekly basis in this industry.

20 MR. O'TOOLE: There's a couple of points  
21 there, obviously. But on the Internet and online  
22 gaming, we certainly view that as requiring  
23 legislative action in Pennsylvania. But certainly  
24 as a regulator, I would be hopeful that if the

1 coordination between the federal government and the  
2 state government over online and Internet gambling  
3 works out and moves forward, that the legalized  
4 casino industry have a significant role in being  
5 able to use that technology to their benefit.

6           The other point in terms of technology is,  
7 I had read about this before I came to Pennsylvania  
8 in 2009, and since I've been there it still amazes  
9 me that we have a central control computer system  
10 that is linked to every single slot machine in the  
11 Commonwealth of Pennsylvania. We know when one  
12 dollar of revenue is earned by Cathy's casino, if  
13 she was in Pennsylvania, at exactly the same time  
14 that Cathy knows when that dollar is earned. And  
15 this computer system calculates the tax liability  
16 from that revenue without any intervention from my  
17 agents or the commission.

18           And it's really fascinating. It's  
19 technology at its best. There are companies out  
20 there that have the ability to set that system up.  
21 These are companies that have set up equally  
22 sophisticated lottery systems throughout the world.  
23 And in Pennsylvania it is overseen by the Department  
24 of Revenue, which I'm also glad about too, as

1 opposed to the Gaming Control Board. But it is not  
2 that way on the table game side. So you do have to  
3 have systems in place to ensure the proper  
4 collection and counting and recording of revenue on  
5 the table game side in a more manual environment.

6 JUDGE PERSKIE: Under the heading of maybe  
7 starting a fight, let me ask a question. And this  
8 is a rhetorical question for the Commission. I  
9 don't want anybody on the Commission to feel that  
10 they need to respond verbally or by body language in  
11 any way. But Steven Perskie wants to be licensed as  
12 a key employee in one of the companies that has a  
13 license in Massachusetts and comes in and says  
14 "Here's my licensure in New Jersey, here's my  
15 licensure in Pennsylvania. That's all you need to  
16 know." Is that going to suffice to have you, as the  
17 people charged with the responsibility to the people  
18 of the Commonwealth of Massachusetts, say okay,  
19 that's good enough?

20 Phrased in a more general way, what should  
21 be the future of interstate or interagency processes  
22 and standards with respect to licensing either of  
23 individuals or of product? Does Kevin, running the  
24 Pennsylvania operation, believe that his commission



1 can simply accept at face value what the  
2 determinations of another jurisdiction have been  
3 even if that jurisdiction is one, for example, that  
4 he helped to create? Cathy, on the other hand, as  
5 an operator would like to believe that if she can  
6 establish her licensure and qualification to an  
7 agency that has sufficient authority, that ought to  
8 be good enough for everybody else.

9 This is a concept that as new regulators  
10 you're going to be facing and dealing with. You  
11 just heard Frank Fahrenkopf mention the AGA is  
12 looking to try to encourage this on a national  
13 level, and it is going to be an issue that every  
14 agency is going to have to face.

15 MR. MICHAEL: Speaking of new technology,  
16 as Gayle has pointed out, we have questions coming  
17 in from the ether somewhere that I can now try to  
18 pose to you as we wind down. One of them is, and  
19 Frank Fahrenkopf touched extensively on this, what  
20 programs in your various jurisdictions that you have  
21 been involved in have been implemented to address  
22 problem gambling?

23 MR. O'TOOLE: Well, we wanted to address  
24 that issue head on and we gave it the status of a

1 director-level employee at our agency. I think we  
2 may have been one of the first agencies to have a  
3 director oversee our office of compulsive and  
4 problem gambling. And then we established the  
5 requirement that the casinos provide a compulsive  
6 and problem gambling plan. They lay out in detail  
7 training programs, mandatory training programs that  
8 they pretty much apply to their entire work staff  
9 for what should they do if they see a person who  
10 they feel has gambled too much or is talking  
11 verbally in a despondent way about gambling. And it  
12 works. That has been effective.

13           Also, from the regulator's standpoint, we  
14 have had a self-exclusion list, and we are up to  
15 about 3500 people in the last five and a half years  
16 have placed themselves on the self-exclusion list.  
17 The policy determination on that, if you decide to  
18 have one, and most jurisdictions nowadays do, is:  
19 What term should there be?

20           We have a one-year, a five-year, and a  
21 lifetime ban. One jurisdiction, I think it was  
22 Missouri, perhaps, had only a lifetime ban and they  
23 got up to twelve, 13,000 lifetime bans and they  
24 figured they should have some procedure to allow a

1 person after a certain period of time to request to  
2 come off of the self-exclusion list. Social  
3 scientists in the area of compulsive or problem  
4 gambling have done studies on self-exclusion lists  
5 and they have found them to be effective. Social  
6 scientists say that a person can be a recovering  
7 compulsive gambler and still be able to manage some  
8 degree of gambling after a period of recovery.

9 I'm not a social scientist; I'm not  
10 offering any opinions in any of those areas. But it  
11 is a very important issue.

12 Funding is also a crucial component of the  
13 issue of compulsive and problem gambling. And as  
14 much as I admire New Jersey, I think we all kind of  
15 look at that model as the gold standard. They never  
16 got that funding issue right. Their provision in  
17 New Jersey when the Council on Compulsive Gambling  
18 in New Jersey had trouble doing a lot of projects,  
19 the legislature came forward and said, okay, here's  
20 what we're going to do. We're going to give you the  
21 first \$600,000 that the Division of Gaming  
22 Enforcement prosecutes and the Casino Control  
23 Commission issues fines.

24 So they pegged funding to fines. Now,

1 there's a bit of irony there, because as a regulator  
2 you want your industry to comply one hundred percent  
3 of the time. You know that that is a standard that  
4 most of them aren't going to be able to meet, but  
5 that's the goal and that's what you want to impress  
6 upon them. But compulsive and problem gambling  
7 wasn't going to be funded if the casinos didn't  
8 occasionally screw up and the enforcement council  
9 didn't bring action.

10 CHAIRMAN CROSBY: I have a question about  
11 that, if I may.

12 MR. MICHAEL: Sure.

13 CHAIRMAN CROSBY: From everything I can  
14 tell, there's a lot of attention being paid to this  
15 problem.

16 JUDGE PERSKIE: And underage, too.

17 CHAIRMAN CROSBY: But to understand the  
18 extent to which pursuing this issue is counter to  
19 the industry's interest, do you know more or less  
20 what percentage of revenues comes from compulsive  
21 and problem gamblers? Whatever it is, is that  
22 cohort significant to the success of the industry?

23 JUDGE PERSKIE: I haven't ever seen any  
24 data specifically on that. Although as you have

1 seen and heard today, and it's been a consistent  
2 conclusion for a long time, the percentage of the  
3 population that suffers from this is very small.  
4 But I have never seen any data that translates that  
5 into revenue.

6 I would suggest, and this is an important  
7 concept I hope that you will keep in mind, Kevin is  
8 right at least in my view when he criticizes the  
9 linkage the New Jersey legislature made between  
10 funding the program and the assessment of fines.  
11 And I don't think that was particularly smart.

12 But the fact is that although every  
13 company, I would assume, would tell you and mean it  
14 that they would much prefer that no underage gambler  
15 and nobody on the self-exclusion list or on the  
16 exclusion list would ever be marketed to or promoted  
17 to come to their property, mistakes get made and  
18 somebody's not watching while a kid who is 18 or 19  
19 years old and looks like he's 23 is playing a slot  
20 machine. Or that somebody who's got a computer list  
21 to send out to invite people to a weekend sends it  
22 to somebody who is on the exclusion list.

23 Mistakes will get made. Forgetting for  
24 the minute about linking fines with anything else,

1 I would suggest to you that even though they are  
2 mistakes, that the Commission should have a very  
3 strict policy in dealing with that. Certainly if  
4 it's intentional, that's a whole nother category.  
5 But even if it is a mistake, a significant and very  
6 visible sanctioning system should be in place and  
7 consistently and immediately utilized so that the  
8 message is very clear that, as regulators, we cannot  
9 tolerate and we want the industry to help us not be  
10 able to tolerate violations in these areas. That's  
11 a terribly important message that the regulators  
12 need to convey.

13 CHAIRMAN CROSBY: Do you know anything,  
14 Cathy, about where the money comes from?

15 MS. WALKER: I don't know of any studies  
16 that have done that. It is one of those issues  
17 where it is difficult to get information.  
18 Obviously, if somebody comes in and self-excludes,  
19 then you can always go back and say, well, let's  
20 look at what that person played. But you have those  
21 individuals who don't go through that process that  
22 are in the mix as well.

23 I think, again, one thing that  
24 Pennsylvania has done very, very well, and I think

1 it is something for you to consider, is to make sure  
2 that your licensees are all linked on these self-  
3 exclusions. I think that is a very, very important  
4 piece of this. Because if you self-exclude at  
5 casino X, you need to make sure that they are  
6 excluded within the jurisdiction. Because the goal  
7 here is to help an individual who has a problem.  
8 The last thing you need them doing is the next day  
9 waking up and going from one to another.

10 JUDGE PERSKIE: Here's an instance, by the  
11 way, where the advancement of technology can help by  
12 cutting down on the mistakes.

13 MS. WALKER: Absolutely, yes.

14 MR. MICHAEL: My experience too has been  
15 that the industry, certainly in the last decade, has  
16 become very sensitive to this issue.

17 JUDGE PERSKIE: I agree with that.

18 MR. MICHAEL: In the casino industry there  
19 are enough public relations problems that casinos  
20 can have, they don't need this headache as well.  
21 And it is simply not good business for word to get  
22 around that people have been taken for more than  
23 they should have been. And casinos are very active.  
24 Harrah's I know has done enormous work in terms

1 of --

2 JUDGE PERSKIE: Harrah's was the leader  
3 many, many years ago.

4 MR. MICHAEL: Right. Project 21, I think  
5 they called it, to deal with underage gambling. And  
6 there is great sensitivity in the industry to this  
7 kind of problem and to avoid it.

8 In Pennsylvania, don't they have staff  
9 that are devoted exclusively or primarily to problem  
10 gambling?

11 MR. O'TOOLE: Well, what we have done, we  
12 have a director and program coordinator, but we have  
13 trained all of our on-site personnel to be intake  
14 persons for self-exclusion lists. So if a person is  
15 at a casino and while they are at the casino they  
16 get the epiphany that "I gotta stop this activity,"  
17 they can put themselves on the list by meeting with  
18 one of our agents at the casino.

19 MR. MICHAEL: Well, we won't be able to  
20 cover all of the questions that have come in. Some  
21 of them are maybe more appropriate for other panels  
22 and I will hand them to those moderators and maybe  
23 they can get to them as well. But here's one that  
24 we can address: Did cities receive -- well, did



1 Atlantic City in our case -- did cities receive  
2 money to cover increased safety and traffic costs,  
3 infrastructure costs?

4 JUDGE PERSKIE: Yes and no. I mean, that  
5 covers the ground, I guess. In Atlantic City there  
6 was no direct payment either by the state or by the  
7 industry to the city. But certainly the city's  
8 financial ability to do what it needed to do was  
9 dramatically impacted by the development of the  
10 casino industry.

11 Again, just giving you historical figures,  
12 in 1976, and again the numbers are ancient, but in  
13 1976 the total assessed value of all real estate in  
14 Atlantic City was \$297 million, call it \$300  
15 million. Over let's say the next 15 years, as of  
16 when the Taj was built in 1990, there was some six  
17 billion dollars of investment put into the city.

18 Obviously that had a rather dramatic  
19 effect on the city's tax base. And of course, in  
20 addition to shifting, I don't even remember what the  
21 percentages are anymore, but in addition to shifting  
22 90-some percent of the burden from the homeowner to  
23 the commercial side, it provided the city with all  
24 the resources that it needed to be able to do what

1 it needed to do.

2 MS. WALKER: Just one comment on that is,  
3 of all the jurisdictions I have worked in, New  
4 Jersey was the only one that didn't have a local  
5 host community share portion to help cover some of  
6 those expenses.

7 MR. O'TOOLE: We do have a local share  
8 assessment; it's 4 percent of the 55 percent tax  
9 rate on slot operations and 2 percent on the  
10 14 percent tax rate on table games.

11 MR. MICHAEL: And I do know that the  
12 Massachusetts statute deals very directly with the  
13 host community impacts and surrounding community  
14 impacts in a very fine manner.

15 JUDGE PERSKIE: It does indeed, in a very  
16 comprehensive way.

17 MR. MICHAEL: I think we have bumped up  
18 against our time limit. So I want to thank the  
19 panel for a wonderful discussion, and thank you for  
20 your attention.

21 [APPLAUSE]

22 COMM. CAMERON: I want to thank everyone.  
23 Excellent panel discussion.

24 Some of the questions that the moderator

1 didn't get to had to do with coffee, questions about  
2 where's the coffee. There is now coffee in the  
3 hall. And I had erroneous information. The food  
4 court is not open for lunch, but we brought in a  
5 food wagon, I guess they're calling it, so there  
6 will be lunch here and there is coffee out there  
7 now.

8 Fifteen-minute break. Could we be back at  
9 11:00 o'clock? Thank you.

10 (In recess 10:43 a.m. to 11:03 a.m.)

11 COMM. CAMERON: Could I ask everybody to  
12 take their seats? We are going to start with our  
13 next panel discussion.

14 Our next panel is entitled Launching a New  
15 Commission - Lessons Learned. We have former  
16 commissioners here and our moderator is also a  
17 former commissioner from New Jersey. Michael Epps  
18 is the former vice chair of the New Jersey Casino  
19 Control Commission. As you are aware, he and his  
20 colleagues had responsibility for regulating all  
21 aspects of casino gaming in New Jersey. Mr. Epps?

22 [APPLAUSE]

23 MR. EPPS: Thank you, Commissioner. I  
24 have the distinct privilege of moderating this

1 panel, which I should call the legends panel. I was  
2 a commissioner in New Jersey and I had the privilege  
3 of serving with Diane Legriede for a very short  
4 time. I had the privilege of having Guy Michael  
5 appear before us when I served and I had the  
6 privilege of having as my mentor whenever I had a  
7 question Steve Perskie. So I will introduce the  
8 panel quickly.

9 I'm also privileged or I have the benefit  
10 as the moderator of this panel of having gone  
11 second, and Guy did a lot of my work because he  
12 introduced himself, so I don't really have to  
13 reintroduce Guy. And he introduced the legend,  
14 Steve Perskie, so I really don't have to reintroduce  
15 Steve Perskie other than to just reiterate that he  
16 is a former legislator, both in the senate and the  
17 assembly of New Jersey; he is a former judge in New  
18 Jersey; he is a former chief of staff to a governor;  
19 and he is a former chair of the Casino Control  
20 Commission. Any other government jobs, Steve?

21 JUDGE PERSKIE: It has been said to me  
22 that I have the professional version of ADD.

23 [LAUGHTER]

24 MR. EPPS: So I will introduce Diane

1 Legriede, as I indicated, a former commissioner with  
2 the New Jersey Casino Control Commission who also  
3 has thirty years of government experience in New  
4 Jersey having worked as deputy chief of staff for  
5 Governor Corzine, also director of the Office of  
6 Economic Development for Atlantic City Projects for  
7 Governor Corzine. She served in several capacities  
8 in the McGreevey administration and most importantly  
9 for this panel today, I guess, is having served as a  
10 commissioner with the New Jersey Casino Control  
11 Commission.

12           So we'll get right into our discussion.  
13 We generally have some topics that we thought were  
14 relevant for this panel: lessons learned in setting  
15 up a new commission, particularly at the very  
16 beginning. Although I look pretty old, I wasn't a  
17 commissioner around in a government role when  
18 casinos started in '78 in New Jersey, so it's  
19 appropriate, I guess, that I moderate and I ask the  
20 questions and you guys can give the benefit of your  
21 experience in this regard.

22           The first question I'm going to combine.  
23 And that is, I would ask you to discuss with the  
24 audience some of the examples of lessons learned in

1 launching a new commission. And if you could add,  
2 what did New Jersey do best and what do you think  
3 New Jersey may have done differently if it had a  
4 chance to launch again as it goes forward. And  
5 that's tough, because it's thirty-some years down  
6 the road; you can't have revisionist history. But  
7 if you could, how would you do it differently?

8 JUDGE PERSKIE: A very good question. And  
9 there are some obvious parallels to the position in  
10 which the five commissioners here find themselves  
11 with the original five commissioners in New Jersey.  
12 There are some significant differences too. But the  
13 most significant distinction is that when they  
14 started in New Jersey in 1977-78 to set about the  
15 process of adopting regulations based on a  
16 legislative mandate and then receiving applications  
17 for licensure, which is the position that you are in  
18 now, there was no resource to attend to other than  
19 what happened and was happening then in Nevada.

20 And again, this is a generation ago. This  
21 is 35 years ago. Whew! You need to understand that  
22 in that context, using Nevada as a model was  
23 anything but what the New Jersey commission was able  
24 or willing to do. The whole idea was we're going to

1 do it differently than they do it in Nevada, we're  
2 going to do it better than they do it in Nevada.  
3 And that reflects what the state of mind politically  
4 in those days was in New Jersey at least and  
5 certainly in other parts of the country, not only  
6 with respect to the Nevada regulatory process but  
7 also the casino industry.

8           Keep in mind when New Jersey started, one  
9 of the singular features of the casino industry was  
10 that it could not obtain what we now call  
11 conventional financing. Most of the original Nevada  
12 properties were financed with this pension fund or  
13 that loan from whoever. The concept of going to  
14 Wall Street, to New York, to achieve conventional  
15 financing to build a casino resort, it was just a  
16 fantasy. So when New Jersey started, they had to  
17 make it up from scratch. You, thankfully, will not.

18           Regardless of what the substantive area  
19 is, and I mentioned a few this morning in terms of  
20 credit regulation, in terms of the definition of  
21 financial stability or debt/equity ratios or any  
22 other standard that you are being called upon to  
23 establish, you have resources. And the fact that  
24 all of us are here today shows that you are aware of

1 that and that you are willing to use them. And I  
2 absolutely think that's commendable on your part.  
3 I think it's terrific.

4 Also, frankly, at the risk of insulting  
5 your intelligence, I will tell you that I, as  
6 everybody here did, took a look at your backgrounds.  
7 It is obvious that the leadership in Massachusetts  
8 has invested this process with a great deal of  
9 serious attention because the five of you by your  
10 backgrounds and qualifications are more than equal  
11 to the task. Nobody could possibly say that you are  
12 here because you voted this way or sent that  
13 political contribution or whatever.

14 So the first thing to do is what you're  
15 doing now: pick the areas of prime importance to  
16 you from the list that the governor has given you,  
17 whether it is the application process and the  
18 standards to be applied to that, whether it is the  
19 standard you are going to set up to regulate and  
20 govern the operations themselves. Sequence the  
21 priorities that are important to you and then go do  
22 the homework and find out what New Jersey did, what  
23 Pennsylvania did, what Illinois did, what  
24 Mississippi did, Iowa. All of the other places have



1 different variations on the same theme.

2 MR. MICHAEL: If I could, there are many  
3 things. It's a very open-ended question, as it  
4 should be, because it's a very difficult area. But  
5 if there is one thing I have to point out primarily,  
6 New Jersey set out at the outset legislation setting  
7 up I guess you'd call it a bicameral regulatory  
8 system. There were two agencies, still are, the  
9 Casino Control Commission and Division of Gaming  
10 Enforcement. They are in different departments.  
11 And it was well-intentioned. The idea was that the  
12 commission would be the quasi-judicial and  
13 regulatory promulgating agency and the Division of  
14 Gaming Enforcement would be the investigative  
15 agency.

16 Unfortunately, the legislation didn't  
17 spell out clearly enough what the delineation of  
18 responsibilities would be as between those two  
19 agencies. And as a result, as time went on, even in  
20 the very beginning, there was an overlap and a  
21 duplication of functions and duties. It was unclear  
22 as to whose responsibility was what.

23 I tell this story all the time, that in  
24 the late '70s, early '80s we tried to address that

1 problem by creating a duplication committee. Its  
2 members were representatives of the commission,  
3 representatives of the Division of Gaming  
4 Enforcement. We got together to try to identify  
5 specific tasks that each of us should do; and I was  
6 the representative from the Division of Gaming  
7 Enforcement. And the duplication committee ended up  
8 issuing two reports. We duplicated the reporting.

9 [LAUGHTER]

10 So that duplication continued for many  
11 years and only recently, within the past year or so,  
12 the legislation has been drastically changed. We'll  
13 see in the future whether for better or for worse.  
14 Whereas the responsibilities of the division have  
15 increased, the responsibilities of the commission  
16 have decreased and there is a more specific  
17 delineation of function. As with any government and  
18 any administrative process, there are always turf  
19 wars; and the fewer that you can engage in,  
20 obviously the more efficient the operation will be.  
21 Massachusetts has not created two agencies; it is a  
22 single agency. And from my experience anyway in New  
23 Jersey, it augurs for the better.

24 MS. LEGRIEDE: I would just like to pick

1 up on what Guy said for one minute. Twenty-five  
2 years after Guy said you had this duplication of  
3 duties, I was empowered by Governor Codey to try to  
4 convene a commissioners group of the industry and  
5 regulators in order to try to eliminate the  
6 duplication of duties. So it took that long to even  
7 start a process. And each year that we would go  
8 through it, there would be some regulations that  
9 were changed and some things that were done, but it  
10 didn't change the inherent conflict between the two  
11 agencies.

12 And I guess that's one thing that I  
13 wish.... I think in the beginning, and Guy is  
14 saying no, in the beginning it might have been  
15 somewhat okay because I think that that's when you  
16 have the toughest regulation, is a new entity. You  
17 have to have tough regulations in the beginning that  
18 are somewhat flexible, and you can reduce them, but  
19 you can never be easy on someone and go back. I  
20 think that's one of the main lessons.

21 I think New Jersey did a phenomenal job  
22 with, as Steve said, no resources. They developed a  
23 staff that developed regulations and internal  
24 controls with nothing to copy after. You are in

1 such a different place now. I think the problem  
2 with New Jersey was, fifteen years in, that it could  
3 have done things a lot differently. The approval of  
4 gaming equipment in Jersey was probably legendary in  
5 how long it took to get a new game approved, or even  
6 simple things like changing things on the floor.  
7 I'm not pointing fingers at either the division or  
8 the commission because it was both sides' fault,  
9 whether it was internal controls or approving a new  
10 game.

11 One of the things that I firmly believe,  
12 and people will disagree with me and it might get me  
13 in trouble back home, but the division had an  
14 internal lab to test new gaming equipment. I  
15 certainly don't think that is necessary in today's  
16 day and age where all these jurisdictions have the  
17 same games. There are several private labs in the  
18 country that can test new gaming equipment. It gets  
19 on the floor quicker. Why reinvent the wheel when  
20 you already have all of the knowledge?

21 Certainly it doesn't mean you shouldn't  
22 have a lab to be proactive in looking to make sure  
23 that the games that are on the floor are operating  
24 fairly and nobody has manipulated them. I think

1 that that is very appropriate. But testing of new  
2 games can be contracted out much cheaper and much  
3 quicker turnaround, relying on all the information  
4 that is there.

5 MR. MICHAEL: One other point that might  
6 be relevant. Another thing that the New Jersey  
7 legislation did was, it required that all the  
8 casinos have a lot of ancillary activity included  
9 inside them. They had to have a certain amount of  
10 restaurant space, sports and exposition space,  
11 dining space, and so on. As a result, whereas the  
12 intention of the legislation was for the city to  
13 redevelop, when you went to a casino, it was an  
14 oasis of activity that didn't require any of the  
15 patrons to leave it to go and get dinner or see a  
16 show or do any of the other things that maybe a  
17 visitor to the city might have had to do.

18 So that the city, and there are probably  
19 many reasons for this, but it is one of the reasons  
20 that the city did not develop as quickly as has been  
21 hoped. So as you consider the impacts on  
22 surrounding communities and so on and what the  
23 project should look like, what the casino project  
24 should look like that you want approved, you may

1 want to consider the impacts that a self-contained  
2 facility has on what is around it.

3 MR. EPPS: As I thought this panel would  
4 do -- I had it all mapped out -- but the discussion  
5 took its own course. But I'm flexible, so I can  
6 deal with that. And it's appropriate that the  
7 discussion went the way it went because actually one  
8 of the Twitter questions and one of my questions I'm  
9 going to kind of morph together and let you guys  
10 have at this concept.

11 So it's another one of those broad, open-  
12 ended concepts and you can kind of go where you want  
13 to with that. And it's a combination of the Twitter  
14 question. The Twitter question is: When casinos  
15 came in, was there a negative impact on local  
16 restaurants and businesses? Hold that thought. And  
17 then the other part of the question is: What role  
18 does economic development play at the outset? And  
19 as the industry matures, how does the economic  
20 benefit mature with it? And then what was the New  
21 Jersey example or experience?

22 I know there are several different  
23 experiences in New Jersey. Having been born and  
24 raised in Atlantic City, I lived it every day,

1 because all I had to do was walk outside my door and  
2 watch the changes. So at the end, maybe I'll chime  
3 in a little bit on my personal experience, but I'll  
4 let you guys have at it first. The concept is  
5 impact on local businesses and then the economic  
6 benefits of gaming and how it expanded and took  
7 shape for the Atlantic City, New Jersey model in  
8 particular and the surrounding communities, because  
9 I think that is a significant.

10 JUDGE PERSKIE: There are certain laws  
11 that neither the New Jersey legislature nor the head  
12 of the Commonwealth of Massachusetts can change.  
13 Your legislation says that in order to be eligible  
14 for a license, somebody's got to come in here with a  
15 \$500 million capital investment.

16 Let me make you a promise. Whoever gets  
17 each of those licenses and invests \$500 million is  
18 going to put up a terrific facility, a complex, a  
19 resort. It's going to have restaurants. It's going  
20 to have nightclubs. It's going to have bars.  
21 Probably have some convention space, among other  
22 things. And the delicatessen down the street is  
23 going to go out of business and the nightclub around  
24 the corner is going to go out of business.

1 Don't have any illusions about that.

2 That's the law of commerce.

3 Now, in Atlantic City what happened? A  
4 whole lot of those places that couldn't survive  
5 didn't. On the other hand, there are facilities in  
6 Atlantic City today, I won't mention the names here  
7 because only Cathy would recognize them and so would  
8 the other locals, but there are restaurants, there  
9 are nightclubs that are flourishing in Atlantic City  
10 today and have from long before the casinos were  
11 there and all through the period of development.  
12 Why? Because they were idiosyncratic, they were  
13 unique, they were high quality, they had a very  
14 strong market base in the community to begin with so  
15 that the local community had always supported them  
16 and continued to support them throughout.

17 So you shouldn't have any unrealistic  
18 expectations. If you ask someone to come in and  
19 spend \$500 million in this community, they're going  
20 to put something up that is from an economic point  
21 of view a monster. And that's what you want. The  
22 people in the community are by their business  
23 practices going to figure out how to absorb that.  
24 And some of it will be very easy to absorb; some of



1 it will put some people out of business. And  
2 nothing that the Massachusetts Gaming Commission  
3 could think of to do is ever going to change that.

4 MS. LEGRIEDE: If I could just jump in,  
5 the one thing that Steve said that I'm not sure  
6 I totally agree with is the deli down the street, if  
7 they're creative enough, is going to know that they  
8 can supply sandwiches to the workers at the casino  
9 or supply them to conventions that are there.

10 JUDGE PERSKIE: Yes, absolutely.

11 MS. LEGRIEDE: It really depends on their  
12 business acumen on how to do it. But you have  
13 vendors that are going to be supplying these  
14 casinos, and if it's in the locality, it becomes  
15 easier. Flowers, linens, whatever the case might  
16 be, it's a new opportunity for new businesses to  
17 develop in these locations.

18 JUDGE PERSKIE: Somebody asked me during  
19 the break essentially exactly that question: Can  
20 the Commission, for example, by regulation tell a  
21 licensee that it's got to spend X percent of its  
22 expenditures for whatever, whether it's towels or  
23 sheets or meats or whatever, in the local community?  
24 And I don't think that can be done. At least I've

1 never seen it done effectively by a regulatory  
2 process. I don't think government has a successful  
3 way to do that. But the community does.

4 If that \$500 million is going to be  
5 invested in whatever it's going to be invested in  
6 and if that investor is going to rely upon the --  
7 Each of your cities has about how many people? Two  
8 million. So if the facility in that region is going  
9 to depend principally on the support for its  
10 operations from the two million people who are  
11 there, the people who are running that project, they  
12 well ought to have the perspective if I want these  
13 people to support my facility, I should do business  
14 as much as I can, consistent with whatever the  
15 criteria are, with the businesses in that community.  
16 It's a synergistic approach.

17 MR. MICHAEL: And let me clarify the point  
18 I was making. Far be it from me to disagree with  
19 the legend over here, which I do not.

20 JUDGE PERSKIE: My hair is merely gray,  
21 you know.

22 MR. MICHAEL: But the point of distinction  
23 I think with the New Jersey experience may be that  
24 the New Jersey legislation specifically said you

1 have to have restaurants, you have to have sports  
2 space, you have to have all these other things. And  
3 you're absolutely correct, Steve, that the  
4 Massachusetts legislation requires a \$500 million  
5 investment. That's no small thing. But there may  
6 be creative ways both on the part of the operator  
7 when they build and on the part of the regulator  
8 when they assess the proposals to possibly mitigate  
9 the impacts on the local businesses that were the  
10 result of the New Jersey experience.

11 MR. EPPS: Let me turn the question around  
12 just a little bit and use the Atlantic City model  
13 again. The legislation in New Jersey was a tool of  
14 urban redevelopment. It was a failing city that  
15 needed a shot in the arm and it was a way to -- It  
16 was a project that was designed to specifically try  
17 to rebuild the queen of resorts, if you will.  
18 Massachusetts's plan is a little bit different.

19 JUDGE PERSKIE: Significantly different.

20 MR. EPPS: It is integrating gaming into  
21 an existing, thriving community. How is that a  
22 little bit different and how do you think the  
23 emerging companies can take advantage of an  
24 established community where there's restaurants,

1 there's nightlife and entertainment and tradition  
2 that exists that they are not necessarily designed  
3 to replace or fix but to become integrated with?

4 JUDGE PERSKIE: Well, we don't know that  
5 yet, or at least I don't know that yet.

6 MR. EPPS: Well, assuming.

7 JUDGE PERSKIE: You've got three regions.  
8 I don't know anything about any of the regions  
9 except, as I noted at breakfast this morning, all of  
10 the counties were spelled with a small letter.  
11 Which I don't understand, but be that as it may.  
12 I'm assuming that within each of those three regions  
13 you've got what you just described as thriving local  
14 communities with a solid business base and,  
15 furthermore, somewhere in each of those regions is  
16 an area in need of significant investment and  
17 redevelopment and rebuilding.

18 If I'm right about that, then one policy  
19 question that this Commission is going to have to  
20 decide in each of the regions is: Where do we put  
21 this? Assuming that somebody applies to put it here  
22 and somebody applies to put it there. It's a  
23 completely different economic model.

24 If you're going to put it into an area

1 with a solid existing commercial base, maybe the  
2 regulators would have to say, okay, that \$500  
3 million should be addressed in this kind of fashion  
4 rather than in that kind of fashion and do less by  
5 way of competition for the leisure dollar with the  
6 community businesses that are already there in some  
7 intellectual exercise that works. And the corollary  
8 also works: that if you are putting it into an area  
9 that is more in need of redevelopment, has less of  
10 an existing economic base, that 500 million can be  
11 spent differently.

12 All of that is great theory and great  
13 logic. It may or may not have any practical  
14 economic reality with respect to the person who  
15 comes in here and says "I'm investing \$500 million.  
16 This is how I want to spend it and this is how I  
17 want to achieve a return on my investment. And if  
18 you're not going to let me because you're going to  
19 put me in an area that has a very solid existing  
20 economic base, you're going to tell me I have to  
21 spend \$500 million but I can't spend it in ways  
22 that, given my own druthers, I would?"

23 It may be a difficult exercise. I don't  
24 profess to suggest a right or wrong. I'm not sure

1 there is one. I am suggesting only that all of  
2 these considerations are going to be before the  
3 Commission.

4 MR. MICHAEL: I agree a hundred percent.  
5 I think one of the factors, though, that might  
6 distinguish those issues from what might be the  
7 Massachusetts experience is that here you have a  
8 selective process. It's not a question of if I  
9 qualify, I get a license. There will be a number of  
10 people who likely will qualify for a license and  
11 then it will be the Commission's job, not an  
12 enviable one, but the Commission's job to select the  
13 better of the qualified people. And in that context  
14 there may be room for determining that some of the  
15 project proposals have less of an impact on these  
16 economic issues than other proposals do.

17 MS. LEGRIEDE: The other thing that I  
18 might add is, all of the operators that are going to  
19 be coming in here and bidding on these projects know  
20 that they have to have an employee training program  
21 to create jobs. I mean, there's going to be a huge  
22 benefit to whatever area, in my mind, these are  
23 going to go into by just the employment  
24 opportunities and supposedly maybe new housing that

1 is needed if there are new employees that have to  
2 come in.

3           Going back to Atlantic City, I think this  
4 was a totally dying city and it took a good ten  
5 years before anything was really done right. We had  
6 problems in Atlantic City with corruption. We went  
7 through three mayors in a row, I think -- five?  
8 Okay, sorry -- who were indicted, convicted, and all  
9 of that certainly set a tone for how you're going to  
10 spend money in a city where the city government was  
11 participating in some of the decisions on how that  
12 would be spent.

13           Today you have an outlet mall in Atlantic  
14 City that is one of the most successful in the  
15 Northeast region today. People are not afraid to  
16 walk from the boardwalk to the convention center,  
17 which they never would have done even fifteen years  
18 ago, probably. So there are a tremendous amount of  
19 changes. And some of the other restaurants that  
20 were there and maybe not doing so well twenty years  
21 ago are really thriving today.

22           JUDGE PERSKIE: Absolutely right. And  
23 Diane is correct that this is an evolutionary  
24 process. And one of the goals that I hope this

1 whole process that we're undertaking now and that  
2 the Commission will be continuing on is kind of to  
3 educate the public. This is May of 2012. You're  
4 going to set up your regulations; you're going to  
5 set up your licensing process. Do you have at this  
6 point yet -- I don't even know -- a target date for  
7 when you think you might be approving somebody as an  
8 applicant? Any concept of that? It's certainly not  
9 going to be, I would assume, within a year. And  
10 then you've got the construction period that goes on  
11 after that. So before this even starts, you're  
12 looking at a couple of years of anticipation.

13           You should not expect that the day that  
14 the facility opens or each of the three facilities,  
15 or the other one also, but each of the three major  
16 facilities opens, that nirvana will have been  
17 reached. You and the community will undertake a  
18 process of absorption. Problems will develop that  
19 hadn't been anticipated that can be resolved.  
20 Issues will be developed that will need resolution  
21 perhaps by changing the legislation, perhaps by  
22 changing the business plan of the licensee.

23           The point is that, in a different context  
24 as we talked about this morning, you have to be



1 flexible. The community has to be flexible, the  
2 Commission has to be flexible, the legislature has  
3 to be flexible in order to be able to recognize new  
4 realities.

5 MR. MICHAEL: Let me point to another  
6 example of a jurisdiction that went completely the  
7 other way, mistakenly. In Louisiana they passed  
8 legislation for a casino in New Orleans where they  
9 banned restaurants in the casino. The New Orleans  
10 restaurant industry is a very powerful lobby and  
11 they were able to obtain support for a bill that did  
12 not allow restaurants in the casino, so that the  
13 patrons had to go elsewhere.

14 Well, that didn't work. People aren't  
15 going to necessarily want to leave and then come  
16 back, so when they went to dinner, they didn't come  
17 back; and the business in the casino suffered  
18 terribly. That law has since been changed. So you  
19 don't want to go in totally one direction or the  
20 other.

21 MR. EPPS: Another part of economic  
22 development is the employment that these operations  
23 will bring to the various regions. So let's shift a  
24 little bit. Let's talk about employment

1 opportunities and things of that nature and another  
2 broad question but surrounding the employment  
3 opportunities.

4           So the questions are: What types of  
5 expertise should the new agency be looking to  
6 obtain? Now, we're going to talk about both  
7 industry-specific and agency-specific, if you will,  
8 so it's kind of a two-part question. So what type  
9 of experience is the agency looking for and what  
10 type of experience or type of individual do you  
11 anticipate the industry will be looking for from  
12 this area? And then: What advice can you provide  
13 to the Commission in seeking employees and looking  
14 at licensing employees? And also looking at  
15 developing its own staff, particularly from the  
16 level of executive director and down.

17           I know that's a broad category, so we're  
18 basically in the area of expertise and employment  
19 opportunities both in the industry and in the  
20 agency. So what should the Commission be looking  
21 for as it staffs up its own agency and how can you  
22 educate the public on the experiences that the  
23 employees are going to need to have?

24           JUDGE PERSKIE: Let me take the easy part

1 of that first.

2 MR. EPPS: Is there one?

3 JUDGE PERSKIE: Yeah, there's an easier  
4 part to it. In almost every community of which I am  
5 aware, the immediate success story, if you will, is  
6 with respect to employment opportunity in the casino  
7 industry. With his permission, many years ago  
8 I used my brother-in-law as an example. He was a  
9 fireman in one of the neighboring communities in  
10 Atlantic City making \$11,000 a year. When the  
11 casinos opened in Atlantic City, he got a job which  
12 over the years he's held in three or four different  
13 casinos as a credit executive, and he shows up to  
14 work in a coat and tie every day, makes a very nice  
15 living.

16 And that's one of I don't know how many  
17 thousands and thousands of examples. School  
18 security guards make casino security guards,  
19 teachers became pit supervisors, bank tellers became  
20 credit executives. The upward float of the  
21 employment base in the community in every instance  
22 that I am aware of has been rather dramatic.

23 Now, training goes along with that. And  
24 one of the things you do at the beginning, and in

1 the beginning in Atlantic City we actually licensed  
2 two or three schools to teach people how to deal, to  
3 teach people how to do the business of, in those  
4 days you had actual coins that you put into a slot  
5 machine.

6 MR. MICHAEL: Prehistoric.

7 JUDGE PERSKIE: Right. So you had to  
8 teach people how to do that and how to repair and  
9 maintain all the equipment and whatnot, and we  
10 actually had schools for that purpose. Any more,  
11 now, you don't need or they don't have too many  
12 schools for that process. A lot of it is done  
13 in-house by the operators themselves.

14 So from the point of view of private  
15 employment, if you will, within the industry, this  
16 is probably the most dramatic, the most visible, the  
17 most impactful of all of the consequences of the  
18 decision that your legislature has made. That's  
19 going to work. It's going to work immediately and  
20 it's going to work well.

21 With respect to the regulatory process,  
22 frankly, Guy is in a better position than I am, I  
23 think, and probably also Diane, because although  
24 I watched this from the outside when New Jersey's

1 regulatory process was established, I was still in  
2 the legislature; I did not have a hands-on tie to  
3 that. My sense of it, having served later on the  
4 commission, is that people with some degree of prior  
5 government experience, whether in the State Police  
6 or whether in the Department of the Treasury or in  
7 some other agency that dealt with applying  
8 regulatory standards to private operations, those  
9 people in most instances I think present attractive  
10 candidates.

11           There is a downside to it. And I will  
12 quote a conversation that I had with somebody very  
13 talented when I got to the commission in 1990, a  
14 senior supervisor. I went to see him one day to ask  
15 about something that I didn't understand about what  
16 his department was doing and I said "Well, why are  
17 you doing that?" "Well, we've always done it that  
18 way." And then I found that was a mantra. Every  
19 time I would ask a question, not every time but much  
20 too frequently when I would ask a question, I would  
21 get from very talented people and very committed  
22 people "Well, we've always done it that way."

23           With all due respect to all of my former  
24 colleagues in government service, there is that

1 trend in the mind of a government employee and  
2 particularly a regulator, we've got a good system,  
3 it works, it's always worked this way, there's no  
4 reason to change it, I'm just going to continue on  
5 this course. That, for the reasons I have indicated  
6 this morning, is a risk.

7 MS. LEGRIEDE: I think Steve is absolutely  
8 right in some of what he says. But I think that you  
9 have to rely on people particularly for top-level  
10 jobs who have some, if you can find them, regulatory  
11 experience in the casino industry. That would help  
12 you really start developing a staff. And that means  
13 taking someone obviously from another state if  
14 they're available, because I think --

15 JUDGE PERSKIE: Oh, poach, absolutely.

16 MS. LEGRIEDE: I think that really  
17 increases your ability to start off with a really  
18 good head start. The one thing I will say is, the  
19 people that you hire for the top level, I mean,  
20 you're talking about executive director and that  
21 level, have to have great management skills. They  
22 have to be able to have the people skills to deal  
23 with five individual commissioners. The chairman is  
24 the boss and he sets the agenda, but it's really

1 necessary to have all of the commissioners vested  
2 into what's going on and all of the policy decisions  
3 in the Commission. And that's going to take a lot  
4 of work, particularly the Open Public Meetings Act  
5 where you can't all sit and talk about it at one  
6 time.

7           So it means the staff has to develop a  
8 process where everybody is informed and briefed and  
9 talks about regulations that are going to be adopted  
10 or any other things that are going to come along as  
11 far as the approval of the casino properties.

12           So management skills, somebody who might  
13 have past casino experience, regulatory experience,  
14 I think is critical for you to look at. And then,  
15 as Steve said, certainly investigators who have  
16 previous investigative experience in the State  
17 Police or FBI or someplace where they know what  
18 they're doing and looking at are critical. The  
19 financial people I think coming out of Treasury or  
20 another agency that is dealing with certifying  
21 revenues you can look to. And you're going to be  
22 poaching there too from your own entities.

23           MR. MICHAEL: I agree a hundred percent.  
24 When we started in New Jersey in the late '70s,

1 there weren't other jurisdictions to poach from  
2 except Nevada, and we did. We hired people who were  
3 from the Nevada Gaming Control Board. The chief  
4 investigator and some of the investigative staff  
5 came from Nevada. But that was a very limited  
6 extent. And so not only was the industry new to the  
7 public, it was new to us. And that wasn't a  
8 particularly terrific situation. So if you have the  
9 opportunity, it's kind of self-evident, if you have  
10 the opportunity to get people who have had the  
11 experience and have done this before and to whom  
12 everything is not a new experience, it is enormously  
13 beneficial.

14 JUDGE PERSKIE: Just one second. You were  
15 around when the Division of Gaming Enforcement was  
16 originally set up. Weren't a lot of those personnel  
17 taken from the Attorney General's office?

18 MR. MICHAEL: Yes. I was. There was a  
19 bunch of people taken from the Attorney General's  
20 office. State Police were there, State Police  
21 investigators. But Dennis Gomez and his co-workers  
22 were taken from the Nevada Gaming Control Board for  
23 investigative purposes.

24 JUDGE PERSKIE: Right.



1 MR. EPPS: For the purpose of establishing  
2 leadership, let me ask this question: What benefit  
3 might it be to speak to the industry about people  
4 that they have had experiences with, to even just  
5 seek out the kind of mind to search? Is there a  
6 benefit to that or not?

7 JUDGE PERSKIE: There is surely a benefit  
8 to asking, certainly when you get to the point where  
9 you have applicants who are approved and you have  
10 licensees, if you will, or licensee designates.  
11 There is certainly a benefit to hearing what they  
12 have to say about anybody with whom they might have  
13 some familiarity.

14 The problem with it is self-evident. The  
15 problem with it is that you don't want to allow the  
16 slightest degree of public perception that the  
17 regulators are people that have been selected by the  
18 industry in any way. And you need to be very, very  
19 careful. It is a delicate kind of situation because  
20 sometimes some of the best people you will want who  
21 do have the independence of vision that you want  
22 will be people who have earned a great deal of  
23 respect from some of the casino operators around the  
24 country. So if you ask them, they're going to say,

1 "Oh, he's terrific" or "She does a great job." And  
2 that's wonderful. But then when all of that gets  
3 out through the public disclosures and whatnot,  
4 "Well, we asked the Steve Perskie Casino Company and  
5 they think that John Jones is great," then somebody  
6 in the public who is not predisposed to the agenda  
7 to begin with says, aah, look at that! They put  
8 somebody in an important regulatory position because  
9 the casino recommended him. So you have to be very  
10 careful about that.

11 MR. EPPS: Let me go back to a point that  
12 was made during the first question and see if the  
13 panel will give me a little bit more feedback on  
14 this concept. It's been suggested over time that  
15 New Jersey made the gaming industry attractive to  
16 Wall Street via regulation. Can you guys expound on  
17 that?

18 MR. MICHAEL: I think it's true. And  
19 Steve has mentioned earlier that in the late '70s  
20 the casino industry was not a place that could  
21 enlist traditional financing from major  
22 institutions. The stories about the Teamsters fund  
23 and everything in Las Vegas are a testament to that.  
24 But that with regulation and with a public

1 perception that grew with the regulation, an  
2 accurate public perception, it legitimized an  
3 industry that was not just legal then; now it was  
4 legitimate. And it became a place for legitimate  
5 funding sources to invest. I think that occurred,  
6 and regulation was a major factor in it.

7 JUDGE PERSKIE: I cannot tell you because  
8 it simply isn't true that what we set about to do in  
9 New Jersey in the 1970s was to legitimize the casino  
10 industry to Wall Street and to Main Street. What we  
11 set about to do was to fix Atlantic City. But as  
12 history has its own way of things, that is in effect  
13 exactly what we did. It wasn't our purpose, but it  
14 was the effect of our actions, the establishment of  
15 the statutory standards and the regulatory  
16 standards. And your statute in all important  
17 respects mirrors what we did right in New Jersey in  
18 that regard.

19 The strength, the power, the public  
20 confidence that were vested in the regulatory  
21 system -- And Nevada, by the way, then reacted by  
22 over the years, over the 35 years since all this  
23 happened, Nevada has made rather dramatic changes in  
24 its own regulatory system. So that now the

1 regulations and the systems in all of the states can  
2 and do contribute to the confidence that the  
3 investing community now has in the casino industry.

4           And sitting here in 2012, for those of you  
5 who weren't active at the time, it is simply not  
6 possible to explain the image of corporate  
7 corruption and mob connections and all of the other  
8 nefarious concepts that the casino industry was  
9 burdened with, not to mention, as Diane indicates,  
10 putting that industry into a city whose five  
11 previous mayors had just gone to jail and about  
12 which state government -- the United States Attorney  
13 in New Jersey -- had a couple of years before  
14 identified by name three members of the state  
15 legislature who he said were, and I quote, "entirely  
16 too comfortable with organized crime," end quote.

17           So we were putting a corrupt industry into  
18 a corrupt city in a corrupt state, and that's what  
19 was happening in 1976. Well, fast-forward to 2012.  
20 You've got an industry that has earned the right to  
21 achieve public confidence in the manner of its  
22 operations. The people who run the gaming companies  
23 now in this country are graduates of business  
24 schools, one of which, I don't want to use its name,

1 it starts with an H, it's down the street, but from  
2 business schools all over the country. These are  
3 the people who are now running the casino companies,  
4 people who have had years of experience. Where is  
5 she? There's one who started off as a lawyer in the  
6 New Jersey Casino Control Commission and worked her  
7 way up to running one of the largest casino  
8 operations in the country for one of the tribal  
9 entities.

10 And as a result of that, Wall Street,  
11 conventional funding sources have sat and taken  
12 another look and said "Oh, okay. If we invest, if  
13 we underwrite that \$500 million that somebody wants  
14 to invest in Massachusetts, we are not going to get  
15 burned by having somebody find out that we're doing  
16 business with the mob" or we're doing business with  
17 whomever. And the result of it is that now that  
18 \$500 million, once you give them the license, I  
19 promise you they're going to be able to find that  
20 \$500 million with no trouble.

21 MR. MICHAEL: I would point out there is  
22 an ancillary effect of all of that. That the  
23 original rules were set up to address, as Steve  
24 explains it, a situation where the industry was not

1 considered legitimate and where the funding sources  
2 were questionable. Those days are now gone. So the  
3 application of those original rules, that very  
4 technically and in a very detailed fashion had to  
5 examine the source of funds for these casinos, can  
6 be reevaluated.

7           When these large institutional investors  
8 come into a casino situation, they may not have to  
9 be reviewed as closely and as carefully because of  
10 their international reputations and their  
11 international record as you might have originally  
12 wanted to inquire into Joe Blow who happens to want  
13 to invest in your casino. I see in the statute that  
14 there are discretionary ways to deal with  
15 institutional investors, and that is all to the  
16 good. And those rules, as we talked about  
17 flexibility before, the changing technology requires  
18 flexibility. The changing economic situation in the  
19 casinos also requires flexibility.

20           JUDGE PERSKIE: I agree with every word of  
21 that. I would simply add that the corollary should  
22 not be that because we don't usually need to give an  
23 institutional investor, for the exact reasons that  
24 Guy indicates, the same qualitative or quantitative

1 scrutiny that we would give somebody else, it  
2 doesn't mean and your legislature has recognized  
3 that it doesn't mean that you shouldn't have that  
4 power. You have the power to require full licensure  
5 by anybody who is investing in any form in any  
6 casino. And that's as it should be. You also have  
7 the discretion, as you should have for the reasons  
8 Guy has just indicated, you should have the  
9 discretion to decide that you don't need to do a  
10 certain thing with respect to a certain type of  
11 investor.

12 MR. MICHAEL: Agreed.

13 MR. EPPS: You have something to add,  
14 Diane?

15 MS. LEGRIEDE: No. The only other thing  
16 I wanted to add is, Steve is talking about in the  
17 beginning and everything and how Atlantic City was.  
18 And I just want to mention that once we went to a  
19 five-person commission, there was never any scandal  
20 or anything with the commission, nor any of the  
21 industry that came into New Jersey. And that's  
22 really saying a lot, since it was 1978 and coming  
23 from Nevada and the reputation there.

24 So I think a good part of that is in your

1 hands as far as the Commission and the public  
2 perception and the way you handle yourselves. The  
3 licensees today aren't going to take the risk of  
4 doing something stupid and losing a license and in  
5 all these other states, so you do have an advantage  
6 over what New Jersey was in 1978. Most of the  
7 people that are going to be applying for a license  
8 to you have multistate facilities and they do  
9 something wrong here, they're going to have problems  
10 every place else.

11 MR. EPPS: I always love as a moderator  
12 segues, and that is again a perfect segue. And,  
13 Guy, you're going to be a little bit excluded in  
14 this situation, but Steve, Diane and I had the  
15 benefit of serving as commissioners on a five-member  
16 commission. And just briefly I want to discuss for  
17 the benefit of the commissioners here the dynamic  
18 that we went through day to day in being in offices  
19 side by side with each other but not being able to  
20 convene en banc to discuss items that would come  
21 before us unless we were at our public panel.

22 So let's talk a little bit about the  
23 exercise of going from office to office to discuss  
24 items but avoid the open public meeting issues that



1 are attendant to being a five-member commission that  
2 is an everyday functioning body where you have to  
3 work together every day and avoid running afoul of  
4 the law, if you will.

5 JUDGE PERSKIE: I have dealt with that in  
6 any number of capacities for any number of years,  
7 and I have to put out there as I always will tell  
8 people, when I was real young I was a sponsor in the  
9 New Jersey legislature of the Open Public Meetings  
10 Act, and a very proud one, and that was a  
11 significant thing about 1975 or so when we did that.  
12 I was then and I am now a strong advocate of that  
13 statute.

14 Does it complicate the work of a five-  
15 member commission when it says that no more than two  
16 of them can sit down over a cup of coffee and have a  
17 substantive discussion at any one time? Sure it  
18 does. Does it significantly, did it at least in my  
19 experience as a commissioner, significantly impact  
20 or impair my ability as chair or any of the  
21 commissioners' ability as members to get something  
22 done or to communicate? Absolutely not.

23 It is a difficulty; it is a delicacy.  
24 I could go one at a time and talk to any one of my

1 colleagues and I could ask Commissioner McHugh to  
2 please talk to Commissioner Stebbins about this  
3 issue and report back to me as to what they had  
4 said. You could do the same thing through a staff  
5 person. We had a chief of staff at the commission  
6 and I could say "Joe, do me favor. Go talk to" --  
7 Diane was not there at the time, but "Go talk to  
8 Diane, see what she thinks about this, because  
9 I need to know."

10           It can be done. It can be done perfectly  
11 consistent with the statute. I would not suggest to  
12 you -- I don't know, frankly, the details of the  
13 Massachusetts Open Public Meetings Act; I am going  
14 to assume it's generically the same as New Jersey's.  
15 And I am going to suggest to you don't worry about  
16 it, go about your business, communicate with each  
17 other consistent with the requirements of the  
18 statute; you'll be all right.

19           MS. LEGRIEDE: I think one of the things  
20 that we did quite frequently as commissioners, not  
21 the chair necessarily but, I mean, if I were looking  
22 at an agenda book and it had a variety of items in  
23 it, I might get up and walk into Mike's office or  
24 one of the other commissioners and sit and, you

1 know, "What do you think about this? Do you  
2 understand it? Or should we get a staff person in?"  
3 I mean, any number of things.

4           And it might be Mike one day and, I mean,  
5 I was the initiator of it. There were other people  
6 who didn't do it and go into another commissioner's  
7 office the other day because each person has a  
8 little bit of a different perspective or may bring  
9 up something you haven't even thought of. And  
10 that's healthy.

11           I can remember sitting in my office one  
12 time and someone came in to talk about some dinner  
13 we went to and a third commissioner walked in, and I  
14 thought the lawyer was going to have a heart attack  
15 when they walked in and saw the three of us sitting  
16 there, not talking about anything that related to  
17 business; it was social, personal. But there's a  
18 healthy respect for the law by staff, as there  
19 should be, and the attorneys, in keeping you on  
20 track. Because there are some times where you have  
21 a three meeting that is perfectly acceptable, you're  
22 all in the room, and whether it's on litigation or  
23 personnel matters or something else where a  
24 commissioner will ask a question unintentionally and

1 the lawyer has got to say "Hold it. We can't talk  
2 about that in this room."

3 JUDGE PERSKIE: That's right.

4 MS. LEGRIEDE: And that happened quite  
5 frequently.

6 JUDGE PERSKIE: And don't be afraid, by  
7 the way -- There was about a year and a half period  
8 when I was at the commission where all five of us  
9 were really good friends as well as colleagues, and  
10 we would go to lunch in groups of three or four or  
11 occasionally five and we would talk about a whole  
12 bunch of things, and it was perfectly fine. We were  
13 all sensitive to what we couldn't talk about.

14 But don't be concerned about that. The  
15 development of interpersonal relationships among the  
16 commissioners, as with any five-member group about  
17 anything, is an important part of what you're doing.  
18 By your backgrounds you all already understand that.  
19 Don't let the statute which restricts you in certain  
20 respects let you ever believe that three of you  
21 can't sit down and talk about whatever you want to  
22 talk about as long as it doesn't involve a pending  
23 decision before your board.

24 MR. EPPS: And just for the benefit of my

1 own experience in this regard, because I  
2 participated in it, I will just share with you that  
3 while we always had those discussions and you could  
4 always pick the brains of your fellow commissioners,  
5 one thing to be mindful of is stay committed to your  
6 conviction and if you believe that you don't want to  
7 go with whatever is the trend, be strong enough to  
8 your conviction to say I don't necessarily agree.

9           There is no requirement that you vote five  
10 zero on every single item. If you don't agree with  
11 the notion, then you don't agree. And I have never  
12 felt compelled to go along to get along with my  
13 colleagues. And we always had a healthy respect for  
14 each other when there was a difference of opinion  
15 and we agreed to disagree on some of those things  
16 and it was never you had to fall in line or they  
17 would beat you over the head until you fell in line  
18 because it had to be uniform. We never had that  
19 situation in our body and no one ever exerted that  
20 authority over anybody. So it was a comfortable  
21 dialogue and discussion and discourse and you could  
22 state your position and you felt comfortable enough  
23 to state your position such that you came to your  
24 informed decision and then you stuck with that

1 decision.

2           The second thing is, there may be a  
3 perception that you don't know the issues and your  
4 staff is dictating to you what you're deciding. Be  
5 resistant to that too. Be strong enough in your  
6 convictions that you've got all the information that  
7 you need, and if you don't have it, seek it out to  
8 understand the concept for yourself and then you're  
9 making an informed decision. I think that's the  
10 most important thing that you do as a commissioner:  
11 that the industry trusts that you are making an  
12 informed decision, not someone that's feeding you  
13 the decision to make and you're just kind of doing  
14 what you're told. I think that's very important.  
15 If any of you want to chime in on that.

16           MS. LEGRIEDE: I do have one thing on  
17 that. I think it's really critical that the  
18 commissioners are making policy decisions and it is  
19 not staff-driven. I mean, the staff is advising,  
20 but it is your policy decision. So in my mind if  
21 it's a major, not even a major but a policy decision  
22 on an operator that wants to do something and the  
23 staff is telling us "No, we can't because," you  
24 should know that. And you wouldn't know it

1 necessarily sometimes in New Jersey until they  
2 appealed it to the commission and you would be  
3 sitting there going, why not? We never decided on  
4 that. I think you have to have careful control that  
5 you are making the policy decisions.

6 MR. MICHAEL: From an external basis as  
7 someone who appears before the commission both in a  
8 public and private capacity, it is certainly  
9 frustrating not to be able to present your arguments  
10 to the commission in any other forum but the public  
11 forums. The full commission I'm talking about. But  
12 it is entirely appropriate and totally necessary for  
13 transparency purposes that that be the case.

14 However, another point to address what  
15 Diane is talking about, there can be a tendency,  
16 because the practitioners before you cannot speak to  
17 any more than two commissioners at a time in any  
18 kind of informal way, that you are dealing mostly  
19 with staff. And because you are dealing mostly with  
20 staff, what you are telling the commission is being  
21 transmitted to the commissioners by staff.

22 And so on the one hand you really need to  
23 trust staff that the information that they are  
24 transmitting is good information. Of course,

1 lawyers always think they're the only ones who can  
2 communicate accurately what they want to say. But  
3 you also may want to talk about the ability of  
4 practitioners to meet informally with not more than  
5 two but to be able to be accessible to practitioners  
6 in accordance with the Open Public Meetings Act so  
7 that you don't become totally dependent on staff  
8 advising you about what is before you.

9 MS. LEGRIEDE: Or at least you're hearing  
10 both sides. You're hearing what the industry wants  
11 to do and the regulator staff is saying why it  
12 shouldn't be done and the industry is able to  
13 respond without it coming in a full-blown petition,  
14 so to speak, before the commission. And some of  
15 them are small things, and I could give you many  
16 examples over the last number of years of when you  
17 say why not, it goes back to what Steve said before:  
18 Well, because that's the way it's always been done.  
19 And there's a better answer.

20 JUDGE PERSKIE: And your risk in that  
21 regard is that that is going to evolve. When you go  
22 about to build your initial staff, no matter who  
23 they are, they're going to ask you what you want  
24 done and without any question, they're going to do



1 it. Whatever you tell them or ask them to do,  
2 they're going to do it; they're not going to ask any  
3 questions; they're not going to come back at you;  
4 nothing.

5 As time goes by and as the staff becomes  
6 institutionalized and as perhaps some of your  
7 membership eventually changes, the balance of  
8 information and at least the starting point on any  
9 given issue will shift and you will be, particularly  
10 as the newer commissioners come on, not only looking  
11 to each other but looking to staff for, well, how  
12 have we handled this? Or, what are the important  
13 things? And the staff will have that much more  
14 influence with respect to each individual  
15 commissioner.

16 And there's nothing necessarily wrong with  
17 that as long as you're keeping in mind what you've  
18 just heard from Michael and from Diane in terms of,  
19 at the end of the day it's your responsibility and  
20 your decision.

21 MR. EPPS: I am ever mindful of two  
22 things: A, the public. And so I'm just going to  
23 check to make sure that we don't have a Twitter  
24 question for me to ask. The second thing I'm ever

1 mindful of is not to stand in the way of folks at  
2 lunch, and we're right at lunch, so we're going to  
3 wrap up and I will turn it over to Commissioner  
4 Cameron and then I guess we'll be released.

5 [APPLAUSE]

6 COMM. CAMERON: Another excellent panel  
7 discussion. Thank you all.

8 And, by the way, everyone volunteered to  
9 come here. We made the calls and people were very,  
10 very helpful. I made some cold calls to other folks  
11 I knew and I'm just very grateful to everyone.  
12 Excellent discussion.

13 It is 12:00. Why don't we be back here at  
14 1:00 for our next panel discussion. There is lunch  
15 if you don't want to leave the building. Thank you.

16 (Luncheon recess at 12:01 p.m.)

17 -----

18 AFTERNOON SESSION

19 1:01 p.m.

20 -----

21 COMM. CAMERON: Before I introduce our  
22 moderator, just one concern that came to mind about  
23 the questions that are coming through on Twitter.  
24 We just can't get to all of them today, but we will

1 address the questions in the near future. They'll  
2 go back to our office, we take them all seriously,  
3 and we will address them in the near future. Also,  
4 for those of you who are not Twitter-savvy, you can  
5 e-mail it. There's a link on our website, the  
6 Mass. Gaming Commission website, that you can e-mail  
7 a question in also. And we have been trying to  
8 respond to those as quickly as we can.

9 Our next panelists are here. This is a  
10 nuts-and-bolt panel before the doors open. We're  
11 talking about the bidding process, the background,  
12 financial, smart regulations, really those things  
13 that we'll be dealing with immediately. So we're  
14 using some of our panelists a couple of times  
15 because they have so much expertise, but we also  
16 have a terrific moderator here also, Robert Carroll.

17 Bob is a former colleague of mine. He  
18 prosecuted some of the biggest organized crime cases  
19 in New Jersey, but he's been focusing on gaming for  
20 the last twenty or so years in private practice and  
21 he is also the chairman of the Tribal Gaming  
22 Commission for the Chitimacha tribe in Louisiana.  
23 So he's got experience at all levels of government  
24 with gaming.

1           So, Robert? Come moderate this.

2           [APPLAUSE]

3           MR. CARROLL: Thank you, Commissioner.

4           I hope everyone had a good lunch, and we are honored  
5           to be here today.

6           As Gayle said, my background is a little  
7           bit different from some of the earlier panelists.  
8           I started out as a state prosecutor for many years  
9           and then for the last two decades have been involved  
10          in gaming and particularly in setting up gaming  
11          commissions and working in areas of compliance,  
12          regulations and things of that sort.

13          With over 28 states and 236 Native  
14          American tribes who operate in excess of 422 casino  
15          gaming operations, there's no shortage of regulatory  
16          experience and no shortage of regulatory missteps.  
17          To that end, Massachusetts is fortunate. They have  
18          the benefit now of being able to look at the many  
19          jurisdictions that have been involved across the  
20          United States and to pick and choose areas that the  
21          statute requires regulations be drafted in.

22          To that end the actual regulations  
23          themselves oftentimes are the same as exist in other  
24          jurisdictions. And because of that, the tried and

1 true methods that are standard, say, your base  
2 regulations, have been augmented and supplemented  
3 with those that the Massachusetts statute will add  
4 to and also with the policies and the direction that  
5 the Commission and the Commonwealth have set out.

6 To that end, again, we have panelists  
7 here. You've met two panelists already. I would  
8 like to introduce the third. Susan Yocum is the  
9 deputy chief counsel of the Pennsylvania Gaming  
10 Control Board. She has also been specifically  
11 involved in drafting regulations. And as  
12 Commissioner Cameron said, we are here to talk about  
13 some of the nuts and bolts or to drill down a little  
14 bit into the system so that the public can be aware  
15 of some of the issues that we will be facing.

16 We thought it might be a good point to  
17 start with a couple of basic definitions. One is  
18 the definition of regulation itself. A regulation  
19 is an authoritative rule dealing with details or  
20 procedure, a process of administrative legislation  
21 that constitutes or constrains rights and allocates  
22 responsibilities.

23 Now, you're going to hear a thing today,  
24 smart regulation. That too now is becoming a term

1 of art. And by a smart regulation, it is an  
2 initiative to ensure that an agency's policies are  
3 effective; that seeks to ensure a high-quality  
4 regulatory framework for citizens and businesses,  
5 and process ways of fully connecting and integrating  
6 an agency's responsibilities with the best interests  
7 of the affected citizens and businesses of the  
8 Commonwealth.

9 Now, some of the noteworthy components of  
10 a smart regulation are careful evaluation of the  
11 costs and benefits of proposed regulations;  
12 potential effects on jobs and the economy;  
13 exploration of the least burdensome approach to  
14 accomplish intended policy goals; and improved  
15 transparency.

16 An integral involvement with the industry  
17 involved and getting input from the stakeholders, in  
18 this case the gaming industry, the local  
19 governments, the surrounding communities, is all  
20 imperative in developing smart regulations. So to  
21 that point we are going to start off with a little  
22 discussion about regulations themselves.

23 The Commission will be tasked with putting  
24 forth a complete regulatory body in the next few

1 months. That process has already begun. And to  
2 that end we would like to first address an issue to  
3 our panelists and say: As a general statement, what  
4 advice could you give to the Commission about  
5 regulations and particularly smart regulations that  
6 they may find helpful? If we could start on the  
7 end, maybe.

8 MS. WALKER: Sure. I think just to follow  
9 up on some of the things that Kevin talked about  
10 this morning, one of the things that we see in smart  
11 regulation is the use of technology. It is, as he  
12 described, so much easier when your applicants  
13 especially for individual licensure can submit their  
14 application via an Internet connection. It is  
15 automatically there for your team to begin doing  
16 their investigation.

17 So I would encourage you to take a look at  
18 all the different jurisdictions but especially  
19 Pennsylvania, because in my opinion -- and I don't  
20 work there -- they actually have the best from a  
21 technology perspective that is in place right now  
22 out there.

23 MR. CARROLL: Kevin?

24 MR. O'TOOLE: I think when it comes to

1 operational standards, the regulations in any gaming  
2 jurisdiction pretty much have the same objectives:  
3 to safeguard the assets of the casino, to provide  
4 for an adequate audit trail, and to ensure  
5 accountability over those transactions. But those  
6 goals can be accomplished with being mindful of  
7 operator discretion in quite a few areas.

8           So I think that the regulations that you  
9 draft should accomplish those specific objectives.  
10 But when a casino submits something more detailed in  
11 their internal control submissions that will need to  
12 be reviewed and approved, oftentimes the approval of  
13 an internal control submission is delegated to staff  
14 and doesn't necessarily get placed on a public  
15 meeting agenda. Maybe the first couple of times it  
16 would go along that process. But in the internal  
17 control submissions there is a much greater ability  
18 to incorporate flexibility in how a casino actually  
19 is going to operate the particular aspects of their  
20 casino.

21           MS. YOCUM: I think it is also vitally  
22 important to reevaluate your regulations as you're  
23 going along. Pennsylvania has not been on board in  
24 gaming for very long, yet the evolution in



1 Pennsylvania from where we were when we started to  
2 now, specifically one topic that comes to mind is  
3 vendors. Where we started with vendors, everybody  
4 had to come in at various levels of licensure.  
5 Where we are now is we have reevaluated and said,  
6 you know, we can pull back in some of these areas  
7 and we aren't sacrificing any integrity by doing so.

8 I also think it is vitally important to  
9 get feedback from the industry as well as the  
10 public. When our legislation was drafted, the  
11 legislature gave us the authority to write temporary  
12 regulations. Our board then opted to open up those  
13 regulations for a thirty-day public comment period  
14 where both members of the general public as well as  
15 the industry and our legislative standing committees  
16 had an opportunity to provide comment. We adopted  
17 several of them. They made a lot of sense. Others  
18 we didn't. Then when we moved from temporary to  
19 final regulations, the legislature also gave us  
20 another opportunity for comment. It's an invaluable  
21 resource.

22 MS. WALKER: I just had one further  
23 thought you might want to consider; and this is  
24 putting my operator hat on. If there's ever an

1 opportunity to put a time frame within a regulation,  
2 I think one of the things that frustrates operators  
3 is something gets submitted and then there is no  
4 thought of how long is it going to take to either  
5 get the answer yes or no. So if there are certain  
6 regulations where you can say if it's submitted and  
7 it's complete on day X, 60 days from now we're going  
8 to give you an answer on it one way or another, that  
9 would be helpful from the operator's perspective.

10 MR. O'TOOLE: And I think the operator  
11 deserves that time line so that they know if they  
12 can move forward with a particular procedure.

13 MR. CARROLL: I am going to move into some  
14 of the more specific areas that are required by the  
15 statute that were touched upon in the task that is  
16 before the Commission. There's going to be requests  
17 for proposal here and there are different ways of  
18 writing a request for proposal. They can be tightly  
19 specified with a numeric ranking system, very  
20 formal, or they can be more open and fluid and  
21 enable creativity by the applicants and the bidders.

22 The innovation of the second method allows  
23 for perhaps the applications to be more varied and  
24 more wide-ranging. But that can be constrained by

1 the RFP process itself. What are the pros and cons  
2 of those, the differences between those two systems,  
3 allowing for an RFP that is very tight and very  
4 rigid or something that should allow more operator  
5 input or applicant input?

6 Susan? Want to start?

7 MS. YOCUM: I would say Pennsylvania  
8 didn't specifically use an RFP process. I think the  
9 RFP process can be great at establishing a threshold  
10 in terms of who from a threshold perspective are  
11 going to be the people who you want to invest your  
12 resources and really evaluate whether they are a  
13 qualified applicant. So an RFP process can be used  
14 as a threshold requirement. As I said, Pennsylvania  
15 didn't specifically use that RFP process.

16 MR. O'TOOLE: And we used a one-step  
17 process. We announced at a public meeting that we  
18 would solicit bids for whatever license was open at  
19 the time, a category 1, a category 2 application.  
20 And then we would have online on our website the  
21 ability of any applicant to download the application  
22 form.

23 And what I think is important, and Susan  
24 can elaborate on this, is that you be very, very

1 specific as to what you expect the applicants to  
2 submit to you, including the order in which you want  
3 them. You know, you'll have a basic application  
4 form, you'll have a set of instructions, and then  
5 there's a number of documents that you're going to  
6 want to get. And you want to specify Attachment 1  
7 is going to be a site plan, Attachment 2 is going to  
8 be an architectural rendering of your project,  
9 Attachment 3 will be your letter of commitment for  
10 financing, all the way down to however many pieces  
11 of material you want to evaluate. Because as you  
12 get through that process of evaluation, you want to  
13 be able to go to each applicant and look at their  
14 material and know where you can make that comparison  
15 to evaluate it.

16 MS. YOCUM: And this does dovetail with  
17 due-process requirements when you're awarding  
18 licenses. Writing regulations, it's important that  
19 all applicants have notice of what the expectations  
20 are; and Kevin mentioned about making sure that  
21 subsection A is always going to be your financing,  
22 for instance. That makes it very easy for your  
23 staff to do a side-by-side comparison.

24 I think it is important to have that

1 process in place because the board, whatever  
2 licensing decision that they make, on appeal you're  
3 going to want to make sure that it is going to  
4 withstand judicial scrutiny. In order to do that,  
5 you have to ensure that all parties were on notice  
6 of what the expectations were and all parties were  
7 given an opportunity to be heard.

8 MR. O'TOOLE: It is more likely than  
9 unlikely that the bidders who are not selected will  
10 challenge the decision that the commission makes.

11 MS. YOCUM: Every licensing decision that  
12 the Gaming Board has made has been appealed to the  
13 Supreme Court.

14 MS. WALKER: I was just going to add the  
15 same thing. I think that specificity is important  
16 because you have to think ahead that whoever is not  
17 going to get the award is likely going to appeal,  
18 and there may be not only those appeal rights but  
19 there may be other protracted side litigation on  
20 those decisions that you make.

21 MS. YOCUM: And that can substantially  
22 delay the opening of your casinos.

23 MR. CARROLL: The Massachusetts law also  
24 requires that the host community also have a say by

1 referendum. Does that make a difference?

2 MR. O'TOOLE: Well, it certainly makes a  
3 difference. It makes a large difference. We in  
4 Pennsylvania, I'm not exactly sure what the time  
5 frame is, if it's at the time that we solicit --  
6 Well, it is not at the time we solicit bids, but at  
7 least 60 days prior to a public input hearing, which  
8 we do conduct, we allow for written submission of  
9 comments. They are logged and they are cataloged  
10 and they are put in binders, and every commissioner  
11 receives that as part of the record when it's time  
12 to make a licensing decision.

13 But we also do conduct public input  
14 hearings. Anybody in the community, the local  
15 governing body can sign up and testify to any matter  
16 that they want at the public input hearing. The one  
17 that we had that had the greatest notoriety would be  
18 when a project fairly close to Gettysburg in  
19 Gettysburg, Pennsylvania, was one of the four  
20 applicants for one licensed position. And the town  
21 there was pretty evenly split on both sides of  
22 whether a casino should be close to a national  
23 memorial park. It was passionate. I mean, there  
24 were people that were really passionate that a

1 casino should not be located near Gettysburg  
2 National Memorial Park and then there were residents  
3 who were passionate about the need for the economic  
4 development and the desire for that economic  
5 development in that area.

6 MS. YOCUM: And those are all factors that  
7 the board considered. It wasn't just the public  
8 input; it was your financial suitability, the  
9 suitability of your participants involved with the  
10 project. But, yes, it was a factor that the board  
11 considered.

12 MS. WALKER: And I think when you think  
13 about these businesses that you want to locate and  
14 be here 50, 75 years from now, having host community  
15 support is critical to the success of the business.

16 MR. CARROLL: In regard to the bidding  
17 process itself, many of the companies that are  
18 involved are also involved in international  
19 projects, and the national governments that are in  
20 control of the jurisdictions and so forth where  
21 these companies are operating have different  
22 business standards in many cases. The information  
23 that comes in about that company's performance in a  
24 different jurisdiction, is that an important factor?

1 MR. O'TOOLE: We treat the international  
2 operations of any applicant similar to if they have  
3 other operations in the United States. When that  
4 background investigation is assigned, that team of  
5 investigators is required to do a full investigation  
6 of their interactions both in other jurisdictions  
7 here as well as internationally.

8 So we take the same -- It's the same  
9 approach. Two or three investigators might go to  
10 Japan or might go to Singapore, might go to Macao,  
11 and they will have a prearranged contact with the  
12 regulatory authorities in those foreign  
13 jurisdictions. They will have prearranged contact  
14 with the law enforcement community in those foreign  
15 jurisdictions, and they will go through the same  
16 process to vet the applicant, to ensure that that  
17 company has not violated any criminal laws in that  
18 jurisdiction or any regulations, that they are in  
19 good standing with the regulatory agency.

20 MS. YOCUM: And most of your operators  
21 nowadays are licensed in many jurisdictions, so if  
22 their integrity is called into question in one  
23 jurisdiction, it has a domino effect in other  
24 jurisdictions. And most operators know that, so



1 that I don't necessarily think it is going to be a  
2 big issue.

3 MR. O'TOOLE: But just to supplement that,  
4 though, one of my very earliest assignments at the  
5 Division of Gaming Enforcement was to take a look at  
6 the Foreign Corrupt Practices Act. And there was  
7 some issue with an applicant or an existing licensee  
8 and my recollection is that, yes, it did involve the  
9 country of Mexico. And that analysis is apropos  
10 today as much as it was in 1981. I do not believe  
11 that a casino regulatory agency would look kindly on  
12 bribery in a foreign country to get your goods in  
13 and out or to have your projects go smoothly,  
14 whether there are customs or norms along those  
15 avenues or not.

16 MS. WALKER: I think the other piece to  
17 that is that the companies that you're dealing with  
18 would presumably also have robust audit committees  
19 and compliance committees. As another area where  
20 your investigative teams can get information, that  
21 would be a great source of what's going on within  
22 the company.

23 MR. CARROLL: And we think we should make  
24 it clear, if the company is operating in a foreign

1 jurisdiction, the standards of the company may be  
2 different; it is the standards of the Commonwealth  
3 that would apply. So if in fact there are more  
4 strict standards in Massachusetts over a domestic  
5 jurisdiction here, it is the strictest standard that  
6 would be applied in those circumstances.

7 In our experience we have all had  
8 situations where companies have been involved in  
9 conduct that was lawful in the jurisdiction that  
10 they were operating in but would not necessarily  
11 pass muster under domestic jurisdiction here, and  
12 adjustments had to be made. And disclosure and so  
13 forth is critically important so those items can be  
14 fully vetted and investigated and a decision can be  
15 made.

16 Moving on now to background investigation.  
17 I am going to try to move quickly through some of  
18 these things to get as much information out. Let's  
19 talk a little bit about financial oversight also.  
20 There are various ways to do background checking:  
21 outsource to third parties, hiring your own staff  
22 and so forth. But, mindful of the fact that in the  
23 initial operations there will be somewhat of a tidal  
24 wave of applicants for the different positions and

1 so forth, can you comment a little bit on the  
2 methodologies that you have practiced in your  
3 jurisdictions about, for example, using the State  
4 Police, outsourcing at the beginning and then moving  
5 into agency employees and so forth conducting it?  
6 Just to advise the public and also the Commission as  
7 to what methodologies have worked in the past.

8 MR. O'TOOLE: Well, I wasn't associated  
9 with the Pennsylvania Gaming Control Board in the  
10 early years, but they did recognize the need to get  
11 assistance in conducting background investigations  
12 and they did retain one or two outside companies to  
13 assist as they were building their staff to take  
14 over background investigations completely. And it  
15 was enormously helpful and allowed the process to  
16 move forward.

17 With regard to financial information and  
18 analysis, we did recognize the need to have  
19 qualified people to be able to read SEC filings and  
20 financial statements and some pretty complex  
21 documents. So within our Bureau of Investigations  
22 and Enforcement, we have a financial investigations  
23 unit; and right now there are six people in that  
24 unit for the eleven casinos. Some of them have CPA

1 degrees or certifications, but they are all capable  
2 of conducting a financial review.

3 CHAIRMAN CROSBY: Bob, could I interrupt?  
4 I had a thought about this in our earlier panel, and  
5 the earlier panel said the first thing the  
6 legislation in Pennsylvania called for was  
7 protecting the public interest or something like  
8 that. And now you're talking about outsourcing the  
9 background checks. But we all read the grand jury  
10 report. It certainly made me think that the public  
11 interest was not particularly well-served early on  
12 and in fact they thought the background check  
13 process was one of the things that was called into  
14 serious question.

15 And I know you weren't there at the time,  
16 so hopefully you can look back and be candid.  
17 I think we would like to know what there is to be  
18 learned. There were mistakes made early on in the  
19 process in Pennsylvania and all I know is what I  
20 read in the report, but it did not all go well.  
21 What can you tell us? What can we learn from the  
22 missteps that happened early on in Pennsylvania?

23 MR. O'TOOLE: Well, the missteps that I  
24 focused on, Chairman, were those that I felt that we

1 could learn from and move forward in a better, more  
2 transparent way. In Pennsylvania the grand jury,  
3 whether it's a county-based grand jury or a  
4 statewide-based grand jury, can issue a report. And  
5 in this particular case there was a two-plus-year  
6 grand jury investigation of the initial licensing of  
7 the operators in Pennsylvania. In the report they  
8 made 21 recommendations. About half of those  
9 recommendations suggested additional legislative  
10 reform and half of them were items that the Gaming  
11 Control Board could unilaterally move forward on and  
12 make improvements.

13 We had already done half of those and we  
14 continued to make those improvements until we  
15 finished them. Part of that that I alluded to  
16 earlier was placing on our website more information  
17 about how we spend our money. One of the things  
18 that came out of that report, in my view, was the  
19 need to be good stewards of the money that is  
20 appropriated for the regulation of legalized  
21 casinos. And we have done that. We took a more  
22 proactive role in ensuring that we were spending the  
23 money in a reasonable and necessary way.

24 For instance, money that you spend for

1 training, it's an extremely important process to get  
2 properly trained. Today's proceeding is certainly  
3 an aspect of training for the Massachusetts Gaming  
4 Commission. Back in the early period of the  
5 Pennsylvania Gaming Control Board, there were a  
6 number of very good conferences around the country.  
7 Mr. Fahrenkopf -- I think he's left -- is one of the  
8 major sponsors of the Global Gaming Expo in Las  
9 Vegas. You can see products there and slot machines  
10 there; you can attend educational seminars. It's  
11 very well attended and I went there almost every  
12 year. But in Pennsylvania, what happened in the  
13 earlier stages was we used that as a training tool.  
14 We might send twelve people. And various  
15 constituencies felt that that was excessive.

16 There's also other training mechanisms,  
17 there's other organizations; some are international.  
18 We are very proud of the fact that our director of  
19 the bureau of licensing, Susan Hensel, is the  
20 president of the International Association of Gaming  
21 Regulators. They occasionally hold their meetings  
22 in the United States, but they will hold their  
23 meetings in Austria or Singapore. And four of the  
24 seven commissioners took a trip to Rome, Italy. And

1 they were castigated for it. How could they spend  
2 the money entrusted to them to go to Rome?

3 We're past that. We are certainly more  
4 open and transparent and we are good stewards of the  
5 money that has been allocated for our use.

6 MR. CARROLL: Steve Perskie mentioned  
7 earlier today in one of the other panels about the  
8 degree of respect that licensing in other  
9 jurisdictions should be given in, in this case, the  
10 Commonwealth. Obviously, it is an individual  
11 decision for each jurisdiction to make on an  
12 applicant. What other criteria would you deem are  
13 important or worth commenting on in the evaluation  
14 of applicants?

15 MS. YOCUM: I would say your financial  
16 suitability. And that would be how much equity  
17 you're bringing to a project, where your financing  
18 is coming from, the overall look of your project,  
19 how many jobs are going to be created, how many jobs  
20 do you anticipate will be created. Those are the  
21 big things.

22 MR. O'TOOLE: We also required from our  
23 bidders that they submit an irrevocable letter of  
24 credit or a payment bond demonstrating that they

1 could pay the \$50 million license fee if they were  
2 awarded the license. And in consulting with my  
3 Bureau of Licensing director, she informed me that  
4 three applicants failed that point. So that made  
5 the process much more efficient because we didn't  
6 have to move forward with those three applicants.  
7 They could not produce that irrevocable letter of  
8 credit.

9 MS. WALKER: And I think that some of the  
10 discussion this morning was around the fact of  
11 standardization of the licensing process, which I do  
12 think is helpful, because if you filled out the form  
13 once and you're asked the same questions in three  
14 other jurisdictions, there can be a sharing of that  
15 same information. But I do believe each  
16 jurisdiction has different standards that they want  
17 you to meet. And if somebody has a different focus,  
18 again going back to the policy statements in your  
19 legislation, that is what has to guide you.

20 From a personal individual perspective,  
21 I'm all for having a residence standard or at least  
22 a minimum that you have to meet and then each could  
23 go above it. I get my prints rolled every time I  
24 renew, and we don't even have an electronic system,



1 so it does get to be a little burdensome. And if  
2 you're in a large company, which may be some of the  
3 applicants you have, and this is the 101st  
4 application that you've had to fill out this year,  
5 sometimes that process can be a little  
6 overburdensome.

7 MS. YOCUM: I mean, in Pennsylvania we  
8 used a standardized form for our principals. It's a  
9 multijurisdictional base application. Then  
10 Pennsylvania has some additional questions, the  
11 Pennsylvania supplement, so those are the questions  
12 that are specifically applicable to either the  
13 Pennsylvania statute or the objectives of what the  
14 Gaming Board itself is trying to further.

15 MR. CARROLL: Susan, I will direct this to  
16 you because I noticed it's an area you specialize  
17 in. Could you explain the differences between, say,  
18 a casino operator license and licenses that are  
19 issued for vendors and ancillary businesses and so  
20 forth?

21 MS. YOCUM: Sure. From the operator  
22 perspective, you award a license to the specific  
23 operator. Well, then you also have your classes of  
24 people who work for the casino. That would be your

1 officers, owners and directors, your key personnel  
2 who are involved in operations. And then you have  
3 your day-to-day personnel, so to speak, like your  
4 dealers. So that's one area of licensure.

5           Then you go into your manufacturers.  
6 Those are your IGTs, the ones who create the slot  
7 machines and table game equipment. With respect to  
8 vendors, those are your companies that provide goods  
9 and services to your facility. In Pennsylvania we  
10 started out very rigorous with everyone where we had  
11 very-low-threshold dollar amounts that would  
12 necessitate you to come in and be licensed and  
13 investigated. As time has progressed, we have  
14 reevaluated and said, you know, in a lot of areas  
15 this doesn't make sense.

16           So we have increased the threshold  
17 substantially. It used to be \$200,000, it is now  
18 \$500,000 for our highest level of licensure. We  
19 have also included sixteen exemptions for things  
20 that we just don't feel it's necessary to require  
21 that you be involved in oversight under the Gaming  
22 Board's jurisdiction. We just recently added an  
23 exemption for professional sports teams of Major  
24 League Baseball, the NFL, NHL. It just wasn't

1 necessary to require the officers, owners and  
2 directors of those companies to come in when they  
3 are providing advertising for our licensees, for  
4 instance. Schools were also included in the  
5 exemption area, universities, public utility  
6 companies, things like that.

7 MR. O'TOOLE: Just to elaborate a little  
8 bit on that, some jurisdictions will focus on  
9 gaming-related versus nongaming-related companies in  
10 the vendor licensing. We kind of did that slightly  
11 different. We established a category all by itself  
12 for manufacturers and a category all by itself for  
13 suppliers, and these are manufacturers and suppliers  
14 of gaming-related goods and services.

15 So then when we talk about vendors, and  
16 the legislature coined the word gaming service  
17 providers as a vendor, we're just talking about all  
18 companies that provide any type of goods or  
19 services, including the construction companies and  
20 the subcontractors in that category. And it is in  
21 that category that we started out with very low  
22 limits. Anyone who would do business over \$15,000  
23 with one casino or multiple casinos would have to  
24 come into the system, and we have raised that up to

1 a 100,000 threshold. So below 100,000 the casino  
2 has to submit a notification form to the board that  
3 indicates its intent to do business with this  
4 company and they expect business to be less than a  
5 hundred thousand dollars.

6 CHAIRMAN CROSBY: Looking back now, would  
7 you say that if you had to do it over again, you  
8 would start where you are now? Are you in effect  
9 saying to us you might want to start with these  
10 slightly lesser standards, less rigorous standards?  
11 Or are you saying it is appropriate to start what  
12 might be overly rigorous and back off?

13 MR. O'TOOLE: We followed that latter  
14 course. And we followed the latter course because  
15 in our research with other gaming jurisdictions, the  
16 information shared with us was that these companies  
17 that provide goods and services to casinos is an  
18 area of vulnerability or potential vulnerability to  
19 some type of inappropriate company doing business  
20 with a casino or a company that might have a secret  
21 ownership interest with people who may not be  
22 suitable to hold the license directly.

23 So the general rule is, set the bar high  
24 and as you get comfort in the system, readjust where

1 you've set the bar.

2 MS. WALKER: And on the flip side, one  
3 thing you might want to consider, we talked about  
4 economic development and getting the casinos once  
5 they are located to be partners with some of the  
6 local vendors. You might want to think about how  
7 you set your thresholds and whether there are  
8 certain requirements that you may be able to  
9 implement that could help spur that partnership with  
10 local vendors.

11 MS. YOCUM: Again, you also don't want to  
12 discourage local businesses from coming in to  
13 participate, to provide goods and services to your  
14 licensees, because of the expense of doing so. And  
15 that is one of the reasons why I think Pennsylvania  
16 has kind of reevaluated where we are, because we  
17 want to ensure that businesses in the local  
18 community like the mom-and-pop shops still have an  
19 opportunity to participate, considering there is an  
20 expense that comes with coming under the  
21 jurisdiction of the Gaming Board.

22 MS. WALKER: Right. It's your local  
23 flower shop and you want to encourage them to buy  
24 their floral arrangements there and that is maybe a

1 \$20,000 investment that they makes which would be  
2 huge for your small vendor, but that kind of a  
3 number probably doesn't support them going through  
4 the licensing process.

5 MR. CARROLL: Also, Chairman, you don't  
6 have the benefit of common past practice with these  
7 companies. After they have established a history  
8 and you apply the scrutiny that the Gaming  
9 Commission does to a business, you get a better read  
10 on them. So if there has to be a rollback of the  
11 standards, you have a demonstrated record that you  
12 can compare it to. Most jurisdictions that I have  
13 had experience in, they start off high and roll  
14 back.

15 Michele is counting, so I just want to  
16 make sure I get every question.

17 MR. O'TOOLE: Well, Bob, I had one thing  
18 that I thought would be instructive to share. Every  
19 jurisdiction might have slightly different criteria  
20 for what constitutes an automatic disqualifier from  
21 licensure. I am not sure about the Massachusetts  
22 legislation, if it addresses that. But in  
23 Pennsylvania, our automatic disqualifiers are a  
24 felony on any key or principal license application.

1 And that's a high-level executive with the casino  
2 operator or the parent company of the casino  
3 operator. It is an automatic disqualifier. Below  
4 the key, the gaming employees or supervisors of  
5 gaming employees, there's a 15-year rule. If the  
6 felony is older than 15 years from the date of the  
7 conviction, it's not an automatic disqualifier but  
8 it is certainly a factor to consider in the  
9 determination of suitability.

10 MR. CARROLL: Cathy, do you have anything  
11 to comment about that in terms of standards for  
12 disqualification?

13 MS. WALKER: Each jurisdiction is  
14 different and I think that there is a pretty robust  
15 group of regulations out there for you to look at to  
16 use in guiding you in setting the standards that you  
17 would have. I think the one thing to remember is  
18 that you want to be fair to your applicants. If  
19 there are certain things that are at such a level  
20 that obviously they are an exclusion, that you  
21 provide a process that lets them have a hearing,  
22 especially as time goes by. As Kevin mentioned,  
23 it's prevalent in most jurisdictions.

24 JUDGE PERSKIE: Can I just throw something

1 in here? Because it's directly on point.

2 MR. CARROLL: We'll make one exception,  
3 Steve. Question from the audience. Go ahead.

4 JUDGE PERSKIE: The regulation that you  
5 are going to adopt with respect to an individual  
6 licensing process is based on the statutory  
7 reference that participation is a revocable  
8 privilege. The regulation should clearly articulate  
9 the standard of proof and clearly make it the  
10 obligation of the applicant to meet that standard.  
11 Whether you call it reasonable doubt or clear and  
12 convincing evidence or preponderance of the evidence  
13 or whatever it is, the standard should be  
14 articulated and it should specifically provide that  
15 it is the applicant's burden to meet the standard  
16 rather than the burden of the regulators to prove  
17 that they are disqualified.

18 MR. O'TOOLE: And that supplemental  
19 discussion by Judge Perskie also reminds me of the  
20 important issue of where, in the licensing decision  
21 process, your background investigators from whatever  
22 source are going to come up with persons that they  
23 recommend be denied a license. There needs to be a  
24 due-process system for any applicant to be able to



1 challenge that adverse recommendation.

2 In New Jersey we started out with  
3 utilizing the Office of Administrative Law and any  
4 contested case proceeding, whether it was on the  
5 licensing side or the compliance side, would be  
6 transmitted to the OAL and it would be assigned to  
7 an administrative law judge, and the regulatory  
8 prosecutors with the Division of Gaming Enforcement  
9 would put on the case for either denial or a  
10 sanction due to a violation case.

11 Steve recognized that that was an  
12 expensive proposition for all contested cases to be  
13 transmitted to the OAL, and he recognized that he  
14 and the commissioners had the ability and the  
15 qualifications to act as hearing examiners. So he  
16 changed that system in New Jersey, I think for the  
17 betterment of the whole process.

18 In Pennsylvania I am continually amazed at  
19 the fact that we have an Office of Hearings and  
20 Appeals that is staffed by five people. That's  
21 total. We have a director who acts as the hearing  
22 examiner and two hearing examiners, along with a  
23 clerk of court and one administrative assistant.  
24 And they process an enormous amount of cases that

1 need to be litigated before they get to the Gaming  
2 Control Board for an ultimate decision.

3 Certainly a fair number of them turn out  
4 to be uncontested because the applicant may have  
5 initially sought a hearing and then didn't show up  
6 for the hearing or didn't request a hearing. So if  
7 there's no hearing requested, there is no report and  
8 recommendation; it just goes through the process.  
9 But that is a decision that this Commission will  
10 need to make: How are you going to set out rules  
11 and procedures to handle contested cases?

12 MR. CARROLL: With regard again to  
13 financial oversight, what structure, what is the  
14 role of the Gaming Commission in financial  
15 oversight? What methodologies have you in your  
16 experience utilized?

17 MR. O'TOOLE: The process that we utilize  
18 in things like refinancing or new equity offerings  
19 and that area, we do require all casino licensees to  
20 agree with a statement of conditions when they  
21 receive their license and at any point in time when  
22 they are renewed. And it is an extensive set of  
23 requirements.

24 MR. CARROLL: Could you give some examples

1 for everyone?

2 MR. O'TOOLE: Well, the examples are, that  
3 is the document that we rely upon to ensure that  
4 they give us prior notification of any potential  
5 transaction where they are going to refinance or  
6 increase the amount of debt load that they have.  
7 And they have to do that before the transaction is  
8 consummated. That gives us an opportunity to look  
9 it over.

10 If it is not a complicated one, our  
11 financial investigations unit will prepare a summary  
12 memorandum and it will be distributed at an  
13 executive session. Our board holds executive  
14 sessions the day before a public meeting so that  
15 they can engage in quasi-judicial deliberation.  
16 They will be given a binder of what is on the agenda  
17 for the following day. And the statement of  
18 conditions is the vehicle through which the casinos  
19 are obligated to give us notification of those  
20 financial transactions, along with a whole host of  
21 other requirements, including the point we just made  
22 on if you set threshold limits for licensing  
23 vendors.

24 Every casino in Pennsylvania is required

1 on a monthly basis to send their disbursements list  
2 electronically to the board and we link that up with  
3 our system, and we can tell you exactly what  
4 companies have received payment from the casinos,  
5 and we can monitor when a company reaches the  
6 \$100,000 threshold to require registration or the  
7 \$500,000 threshold to require certification.

8 MS. WALKER: I think the last four years,  
9 with the state of the economy, the question of the  
10 financial stability or financial wherewithal of  
11 casino companies, like any other company that's out  
12 there, has come into question. And I would suggest  
13 to you that we still haven't gotten past all of the  
14 economic downturn that we have experienced and  
15 started to move forward, so I would suggest  
16 flexibility.

17 I think that every company files quarterly  
18 financial statements. Every company has auditors  
19 that they use routinely. There's a lot that can be  
20 looked at by your investigative team as you go along  
21 in the course of a year so that it doesn't just come  
22 down to an annual review of the financial  
23 qualifications of a company. And that constantly  
24 having your financial folks talking to the CFO at

1 the property and those sorts of things can help get  
2 you have a feel for where those companies are going.  
3 And of course, as people are giving you their  
4 applications and their projections, your team will  
5 have a feel for are they getting to the numbers that  
6 they have said they needed to get to or not.

7 MS. YOCUM: In Pennsylvania financial  
8 suitability, well, suitability in general is an  
9 ongoing requirement. So we don't just look at your  
10 financial suitability at the time of renewal or at  
11 the time of initial licensure and then leave it  
12 alone; it is a continuing obligation. And your  
13 numbers and where you are revenue-wise, our financial  
14 investigations unit is routinely evaluating that  
15 information.

16 MR. CARROLL: Long before you get to the  
17 regulatory oversight, you also have the companies  
18 themselves who will typically have audit committees.  
19 There will be external, independent audits done.  
20 There are compliance committees, which have a  
21 responsibility to ensure compliance with applicable  
22 laws and regulations. And all of those internal  
23 safeguards as to the financial stability and  
24 financial tracking are required of the companies,

1 and the layer on top of that of the regulatory  
2 system has access to all that information and  
3 obviously can verify it. And we talked about it  
4 before: trust and verify. The opportunity to  
5 verify and the opportunity, more importantly, to  
6 investigate is present at all times.

7 Just getting down to the bottom of the  
8 list here, there are some areas just in terms of the  
9 review of applicants. Could you provide some of the  
10 criteria that you have used in your experience to  
11 evaluate the veracity of applicants? I know that's  
12 a hard question, but can you just highlight some  
13 things that you feel would be something to pay  
14 attention to going forward?

15 MR. O'TOOLE: The applications are for  
16 keys and principals. A couple of the things we did  
17 to improve that process -- actually it was done at a  
18 legislative level and we supported it a hundred  
19 percent -- a provision was put into our act in early  
20 2010 that requires all applicants for a key license  
21 or higher to submit a Freedom of Information Act  
22 request to any federal or state agency that the  
23 Bureau of Investigations and Enforcement requires  
24 them to make that filing. And along with the basic

1 FOIA request, the applicant is required to sign a  
2 waiver that authorizes the information to be sent  
3 directly to the Bureau of Investigations and  
4 Enforcement; and we receive responses from the  
5 Federal Bureau of Investigation. It is then the  
6 responsibility of the investigator to conduct a  
7 thorough vetting of that information to determine if  
8 it can or cannot be corroborated.

9 That involves direct contact with the FBI,  
10 direct contact with other law enforcement  
11 authorities, usually a sworn interview of the  
12 applicant where the applicant is questioned about  
13 the information received. And in some cases it is  
14 determined that the information could not be  
15 corroborated, that it was strictly intelligence,  
16 that there was no basis in fact to indicate that any  
17 of that derogatory information was credible, and the  
18 person would still be licensed. But that would all  
19 be in the background investigation report that is  
20 provided to the commission prior to them making a  
21 decision.

22 MR. CARROLL: Cathy, you had something to  
23 add.

24 MS. WALKER: I think every jurisdiction

1 I am aware of still requires for certain high/  
2 principal/key employee levels that an investigator  
3 from either the State Police or someone from that  
4 realm goes out and does a personal interview with  
5 them. And I can't think of a better way to judge  
6 somebody's veracity than to sit down with them face  
7 to face and have them explain their financial  
8 statement or whatever it is the questions are about,  
9 and I think that that gives you a good deal of  
10 comfort.

11 MS. YOCUM: Just as a broad perspective,  
12 as a commission it is going to be entirely up to you  
13 who it is that you want to require to come in: who  
14 from your officers, owners and directors, your very  
15 key people? And then once you decide who you want  
16 to bring in, what level of licensure you want to  
17 investigate, and what kind of background  
18 investigation you want to do on the various persons  
19 involved in the licensing process. Because,  
20 obviously, your key people are going to be  
21 investigated more thoroughly than your dealers and  
22 your lower-level employees.

23 So it is ultimately a consideration the  
24 board is going to want to take into account.



1 MR. CARROLL: This is another topic; this  
2 is our first Twitter question, if we have time for  
3 it. Will you make casino operators share  
4 information about money spent on PR and advertising  
5 to influence voters? Is that an appropriate  
6 criteria? Or requirement, put it that way, an  
7 appropriate requirement.

8 MS. YOCUM: In the beginning the Gaming  
9 Board didn't have any particular requirements  
10 regarding advertising other than compulsive and  
11 problem gaming on all their advertisements. Beyond  
12 that, the Gaming Board didn't go in that direction.

13 MR. O'TOOLE: I concur with my colleague.

14 COMM. McHUGH: Could I ask a question as  
15 to whether or not you have any requirements for  
16 disclosure of contributions to public elected  
17 officials or to charities that may exist in various  
18 towns where casinos seek to operate?

19 MS. YOCUM: Our gaming act is very  
20 specific. If you are going to be an operator of a  
21 casino, you cannot contribute to political  
22 candidates in the Commonwealth of Pennsylvania.

23 MR. O'TOOLE: On the state level.

24 MS. YOCUM: On the state level.

1           COMM. McHUGH: And how do you determine  
2 when that ban begins? Because if somebody is an  
3 applicant or is going to be an applicant or thinks  
4 they might be an applicant, I mean, when does this  
5 occur?

6           MR. O'TOOLE: I believe it is the date of  
7 the submission of their application. That is the  
8 beginning date.

9           MS. YOCUM: So that going forward matters.

10          MR. O'TOOLE: We also have a provision  
11 that places a responsibility on the casino operator  
12 to ensure that none of its employees have made such  
13 political contributions.

14          MS. YOCUM: And that is designed to  
15 protect the integrity of gaming, that the commission  
16 isn't influenced by politics.

17          MS. WALKER: Every jurisdiction I have  
18 worked in has had a prohibition, so it hasn't been  
19 an issue. But there is then the ongoing obligation  
20 to make sure that your key employees at a minimum  
21 have not had any involvement in political  
22 activities.

23          MR. CARROLL: The only thing I would add  
24 on this, kind of breaking this question down a

1 little bit, if a casino is spending over the  
2 threshold amounts on advertising or PR and so forth,  
3 that would be picked up in the vendor process if  
4 they are a vendor supplying those services.

5 MS. YOCUM: That's correct.

6 MR. CARROLL: That would be something that  
7 would be recorded in a document, if that clarifies  
8 it a little.

9 Okay, anything else you would like to add  
10 that you feel would be instructional or helpful?

11 MR. O'TOOLE: Well, there was a comment  
12 about casino credit, and I do believe that casino  
13 credit can be adequately regulated in the casino  
14 context. If you look at the New Jersey regulations  
15 or the Pennsylvania regulations, an applicant for  
16 casino credit has to disclose quite a bit of  
17 personal information, information about their  
18 current indebtedness, sources of their income and  
19 their assets, and the commission is under an  
20 obligation to rule on that credit application based  
21 upon the applicant's creditworthiness.

22 So it is a good process and pretty much,  
23 in our experience, it goes to those serious gamblers  
24 who have resources that they are able to utilize in

1 the activity that they choose and they don't want to  
2 bring that kind of money down to a casino. But in  
3 looking at the mantra trust but verify, in the area  
4 of casino credit, it's don't trust and verify twice.

5 [LAUGHTER]

6 MR. CARROLL: Anything else anyone else  
7 wants to say?

8 CHAIRMAN CROSBY: Is there a general smart  
9 regulation prototype out there? Is there an agency  
10 or even a manual of some kind? Is there some place  
11 where the smart regulations have been sort of  
12 codified in some sense?

13 MR. O'TOOLE: Well, everybody on the East  
14 Coast has always used New Jersey as the model of  
15 regulatory practice. And in New Jersey, they  
16 started out by specifying the rules of the games.  
17 You know, here's how you are going to play  
18 blackjack. And they can be expanded to allow for  
19 optional payouts; they can be expanded to allow for  
20 optional wagers. So there's flexibility that allows  
21 one casino to differentiate itself from another  
22 casino. But they are the model.

23 Pennsylvania looked at New Jersey first  
24 and foremost and even the East Coast Indian tribes

1 have looked to New Jersey. When I went up to  
2 Turning Stone and looked at their system of internal  
3 controls, their compact incorporated standards that  
4 had been tried and true in the New Jersey model.

5 MS. YOCUM: With respect to Pennsylvania,  
6 our legislature did something a little bit  
7 different, different than New Jersey. And that is,  
8 they didn't allow a deduction for bad debt; they  
9 took that out of the equation. So if debt went bad,  
10 the casino operator doesn't get a deduction from  
11 revenue for that. So it kind of took the -- There's  
12 no incentive for them to give credit that people  
13 can't pay back.

14 MR. O'TOOLE: Casino credit.

15 MS. YOCUM: Casino credit, right.

16 COMM. McHUGH: How about a plain English  
17 regulation? Is there any process that you use or  
18 that you are aware that anybody else uses to test  
19 regulations for their comprehensibility to the broad  
20 segment of the populace before the regulation is  
21 promulgated?

22 MS. YOCUM: In Pennsylvania the structure  
23 that the independent regulatory commission has set  
24 up is a two-step process. You have first a proposed

1 rulemaking that goes out for public comment. The  
2 independent regulatory review commission also has  
3 agents that review it for legality; they review it  
4 for clarity. We get comments all the time back from  
5 them saying this needs to be more specific or we  
6 don't understand exactly what it is that you're  
7 saying or that you want to require an operator to  
8 do.

9 So, like I said, the two-step process is  
10 invaluable. It gives us a kind of second bite at  
11 the apple to make sure that our regulations by the  
12 time they are official are clear and understandable,  
13 that the expectations are known.

14 MR. CARROLL: Enrique?

15 COMM. ZUNIGA: Many of these companies  
16 clearly are global companies and operate in many  
17 countries, et cetera. How is financial suitability  
18 overseen: at the state level, country level, global  
19 level?

20 MS. WALKER: I believe that they are  
21 looked at on a corporate basis. Certainly you will  
22 have the individual numbers either daily or weekly,  
23 depending on how you set up your system, that are  
24 coming in from each of your properties, and

1 depending on when you're going to have them make  
2 their tax payments. And I would assume that would  
3 be more frequent than not. So your financial team  
4 will quickly get familiar with what the patterns are  
5 and they will be able to tell you. In New Jersey,  
6 when I was there, there was a weekly report that  
7 came out and it told everybody where each of the  
8 casinos was or where their projections were simply  
9 based on the tax revenues that came over.

10 But I do think that because they are now  
11 international companies that you will be dealing  
12 with, that you need to look at the companies on a  
13 more global basis and take a look at the corporation  
14 versus just the individual property.

15 MR. CARROLL: The key is, you have access  
16 to it. And, again, licensing is a privilege, so  
17 they are compelled to provide the information for  
18 your examination. And the degree of scrutiny can  
19 vary -- okay? -- depending on your experience with  
20 the company, the company's reputation, its current  
21 financial situation, and so forth.

22 But I think it does start with the  
23 corporate level internationally. Sometimes you get  
24 cooperation from the other gaming commissions in the

1 different jurisdictions, and that is where the  
2 process involving exchange of information comes in.

3 Okay, Commissioner? Thank you.

4 [APPLAUSE]

5 COMM. CAMERON: I want to thank this panel  
6 and the moderator. Again, critical information for  
7 us to contemplate and lets us know all the important  
8 decisions we are going to have to make.

9 If I could ask our last panel of the day  
10 to come forward, and our moderator. As they are  
11 coming forward, this is a panel on full-scale  
12 operations. We are talking about shared law  
13 enforcement investigators; it's the compliance  
14 issues here. And being a former law enforcement  
15 official, this one is important to me, as it is to  
16 all of us, though, and we have brought in some  
17 experts from Pennsylvania and New Jersey again to  
18 talk to us about these issues.

19 But in dealing with the Commonwealth here,  
20 I have to tell you I am very impressed with the  
21 level of commitment to this issue. The colonel of  
22 the State Police and key staff members are here  
23 today. Jan Stark from the Attorney General's  
24 office, who is gaming counsel, has been here all day



1 long. The Under Secretary for Public Safety is here  
2 paying attention to these issues. Chief Mahoney  
3 from the Alcoholic Beverage Control Commission and  
4 some staff members are here. So everyone is taking  
5 this responsibility seriously, and I just think that  
6 this is an area where we will get it right.

7 We are honored to have Sheriff Cabral  
8 moderate for us today, the first woman sheriff in  
9 the Commonwealth. Very proud of that, Andrea --  
10 former District Attorney, former Assistant Attorney  
11 General, lots of experience on the legal side and  
12 now working in corrections and all the  
13 responsibilities a sheriff has. But in speaking  
14 with the sheriff, she has a great concern for these  
15 shared responsibilities, how do we do this and do it  
16 well and everyone cooperate and share information.

17 So I am going to let the sheriff introduce  
18 the panel; and I'm looking forward to this one.

19 [APPLAUSE]

20 MS. CABRAL: Good afternoon. I know you  
21 ate about an hour ago so we'll try to keep this  
22 lively. I know what happens the hour after the hour  
23 after lunch. And because we only have an hour, we  
24 are going to focus this panel on things we need to

1 know right now: How do we best prepare and what do  
2 we need to put in place to get the kind of law  
3 enforcement infrastructure that we want for gaming  
4 in Massachusetts?

5           And we do have a terrific panel of very  
6 experienced professionals who are going to help us  
7 do that. Jerry Stoll is the director of compliance  
8 for the Pennsylvania Gaming Control Board. Thank  
9 you for coming. Rick Lindsay is a former New Jersey  
10 State Police Casino Gaming Bureau chief. Now, with  
11 the "former," I couldn't tell which was the former.  
12 Was the "former" the state trooper part or the  
13 bureau chief part or both?

14           MR. LINDSAY: Both.

15           MS. CABRAL: Both, okay. And Bob Carroll  
16 is chief of compliance for the Foxwoods Gaming  
17 Resort. Thank you for being here.

18           I think everybody has everyone's bio, so  
19 we are going to just jump right in. I will likely  
20 direct a specific question to a specific panelist.  
21 I really do want you all to jump in and have this be  
22 interactive; and I am going to start with Jerry.  
23 Can you give the audience an idea of the universe of  
24 law enforcement that we're talking about here that

1 has to be involved with gaming? I think we have a  
2 sense of many different agencies, regulatory and  
3 otherwise, having to be involved. But who actually  
4 are we talking about?

5 MR. STOLL: The first decision that you  
6 will have to make as a commission is who has the  
7 primary responsible for casino crimes. Once that  
8 decision has been made, your second decision will be  
9 as to who is responsible for the area surrounding  
10 the casino. As your day develops, you have to  
11 incorporate some federal agencies for Title 31  
12 compliance.

13 There are going to be issues,  
14 intelligence-sharing issues. There will be  
15 information issues that are extremely important,  
16 because you're going to find that the nexus of a lot  
17 of your issues will originate in the casinos. We  
18 must all pay attention. And with the technology as  
19 it is today, everything is interrelated. So what  
20 occurs in the casino will have a relationship to the  
21 local jurisdiction, to the state, and ultimately at  
22 some point in your future to the federal level.

23 Communication is key. All agencies have  
24 to cooperate. And I would suggest that when you get

1 together, leave your egos at the door and get down  
2 to business. The turf battles just delay the  
3 inevitable because you must communicate, you must  
4 cooperate, or you are going to really be in a  
5 position that is unenviable. I need some help.

6 MS. CABRAL: Picking up on what you said,  
7 are the rules of the road really clear -- this is  
8 for Rick -- between regulatory agencies and  
9 statutory criminal law compliance, or is there some  
10 overlapping flexibility and is that where the  
11 cooperation comes in?

12 MR. LINDSAY: There is some overlap and  
13 flexibility, but it is clear and they are clearly  
14 delineated. Regarding the universe, as Jerry was  
15 saying, the universe of crimes affecting the casino  
16 industry, if you think about the casino industry,  
17 the patrons come from lots of places. It's not your  
18 local patrons, typically. You're going to try to  
19 attract customers and businesses from outside the  
20 jurisdiction, outside the state, outside the  
21 country, and that's why the law enforcement  
22 perspective is so important and having those  
23 relationships and building those relationships is so  
24 important, because it is a force multiplier for

1 intelligence, for investigation. And basically for  
2 having a good operation and an effective operation,  
3 you want to have all those players involved.

4 MS. CABRAL: Bob, who do you have in terms  
5 of law enforcement? What agencies are participating  
6 and cooperating at Foxwoods?

7 MR. CARROLL: We have done it at several  
8 different locations. At Foxwoods all the federal  
9 agencies and the state agencies, the State Police  
10 has an on-site presence; there is a tribal police  
11 component. There's memorandums of understanding and  
12 there is a compact process that sets out the  
13 relationships specifically. That is the Native  
14 American situation, which would be different. But  
15 the same process of memorandums of understanding is  
16 critical to establishing relationships.

17 One of the advantages that you have in the  
18 existing statute is it sets forth a lot of those  
19 relationships already. It provides the roles and it  
20 allows future flexibility on discussions in how  
21 those roles are going to be defined. But it is  
22 absolutely essential to have those relationships set  
23 up before the doors actually open. And they are  
24 very doable. It's not even a question of egos

1 anymore as much as it is just practical, good law  
2 enforcement cooperation. And I think that the  
3 systems that have been pretty well developed and  
4 matured now are pretty effective and many of those  
5 examples, I'm sure, will be examined by the  
6 Commission and they will choose the best possible  
7 combination for the Commonwealth.

8 MS. CABRAL: So for each of you, how did  
9 you go about getting all the players to the table?  
10 And where does that leadership come from to do all  
11 of that where law enforcement is concerned? And how  
12 did you go getting everybody in the same room and  
13 figuring it out?

14 MR. STOLL: In New Jersey the leadership  
15 came out of necessity. Actually, as an industry  
16 matures there are always measures that will  
17 eliminate cost; and the State Police contingent in  
18 the casinos has diminished over time. We were  
19 forced to engage with the county, the city, and the  
20 Feds in a task force environment to combat a lot of  
21 the issues that were extant at that period of time.

22 In Pennsylvania, the Pennsylvania State  
23 Police has the law enforcement responsibility in the  
24 casinos and they have entered into MOUs with the

1 local policing authority when it is other than the  
2 State Police. And they have done a pretty  
3 significant job in addressing the crimes in  
4 Pennsylvania casinos.

5 Now, as a footnote, the crimes have been  
6 minimal in the casino, much less than was thought to  
7 have occurred. But it's been a positive experience  
8 so far.

9 MR. LINDSAY: And also like in Atlantic  
10 City, for instance, it's been a good experience and  
11 it's been a bad experience and it is dynamic and it  
12 changes over time. It is really an evolutionary  
13 process affected by the economy, restructuring,  
14 leadership, political influences, the emphasis from  
15 the business standpoint.

16 But those relationships are really  
17 important and keeping them intact and moving forward  
18 I think is important. Before I left the Casino  
19 Gaming Bureau, the driving force behind that was  
20 intelligence and the driving force behind that was  
21 Homeland Security. So when I worked actually for  
22 Colonel Cameron in the division, I was chair of an  
23 intelligence-led policing workgroup.

24 And so upon my return to Atlantic City, it

1 really gave me the opportunity to have a microcosm  
2 there as an example for the State Police of what we  
3 could do. And it was a really fertile ground and  
4 brought in the Atlantic City Police Department,  
5 brought in the county and the local departments.  
6 And although this was done before, it was a little  
7 bit different because now they had chips in the  
8 game. They wanted the intelligence, they wanted to  
9 share the intelligence. And that was a really  
10 helpful aspect to get everybody on the same team.

11 MR. CARROLL: My experience is simply to  
12 work up what are the basic criteria that are  
13 required in the statute, perhaps even create a  
14 template for a memorandum of understanding that can  
15 be used and circulated among agencies. You do have  
16 preexisting relationships that have to be addressed.  
17 The areas, I think, in my experience that we have  
18 experienced issues in are primary and secondary  
19 criminal jurisdiction.

20 Some of that is established by statute  
21 already here. But a relationship is worked out so  
22 that, for example, you may have a statute or you may  
23 have a regulation or you may have an MOU which would  
24 state that the State Police, for example, have



1 primary criminal jurisdiction, if not exclusive  
2 jurisdiction, within the casino. That also would  
3 require, obviously, staffing and having a trooper  
4 available for response to a criminal event that may  
5 happen at any time of day. It's a 24-hour cycle.

6 Most of the facilities that we have been  
7 involved with in jurisdictions also have first-  
8 responder arrangements where the MOU establishes  
9 what the jurisdiction is. But if somebody is being  
10 stabbed on a casino floor, you need a law  
11 enforcement presence immediately. Okay? And  
12 generally speaking the locals, the local police  
13 departments have that responsibility, whether it's a  
14 sheriff or local department of the host community or  
15 on occasion if there is a trooper available,  
16 whatever it may be, that there may be an immediate  
17 response to deal with a specific situation.

18 That doesn't change the jurisdictional  
19 allocations, but there is a reality check that you  
20 have to have, and that kind of translates down  
21 through the chain because the practical things law  
22 enforcement officers face are, "I'm called to make  
23 an arrest. Do I have authority here?" Yes or no.  
24 "I've made an arrest. Now where do I bring the

1 prisoner? Where do I file my complaint?" Who is  
2 going to prosecute? Is it going to be the State  
3 Attorney General, the Assistant Attorney General, or  
4 is it going to be a DA?

5           Some of these again are addressed in the  
6 statute, and I think quite well, so that has been  
7 laid out. But there are still a lot of areas that  
8 are going to have to be filled in by the Commission  
9 in the form of regulations to make the system work;  
10 and you will have some growing pains. I mean,  
11 that's just a natural occurrence. But, again,  
12 I believe that already there's a strong basis to  
13 move forward.

14           MS. CABRAL: Do you find the task force  
15 model to be best or one of the best practices versus  
16 individual memoranda of understanding or agreements  
17 but no cohesive center group?

18           MR. CARROLL: Again, you have to  
19 distinguish the different roles. I mean, regulatory  
20 obviously is the Commission. Okay? When you get  
21 down into criminal, you have to distinguish a  
22 criminal charge in the circumstance through, say,  
23 criminal intelligence-sharing. There may be a  
24 situation where you have your arrangement in a task

1 force concept where information is shared with the  
2 local host community and vice versa at the state  
3 level with the federal agencies. And that  
4 information exchange is something completely  
5 separate from who could arrest, when and where. So  
6 all of those are addressed either in the legislation  
7 or in an MOU on policies and regulations of the  
8 Commission.

9 But to get back to your initial question,  
10 for a lot of this, established basic parameters are  
11 set for an MOU and then a lot of good meetings have  
12 to occur with people going in with open minds, and  
13 out of that will come a thorough and efficient  
14 memorandum of understanding that is workable.

15 MS. CABRAL: Jerry, you mentioned crime.  
16 I wanted to get into specifically the kinds of  
17 incidents that law enforcement should expect to  
18 encounter, but let's talk first about whether or not  
19 there's a difference between the perception and the  
20 reality of the amount of crime. I think there is  
21 some anticipation or some perception that crime  
22 spikes when you have a casino. I want each of you  
23 to address this. But starting first with Jerry, can  
24 you tell us if that has happened in your experience

1 and, if it has, specifically where?

2 MR. STOLL: Well, let me answer that in a  
3 couple phases. My experience in New Jersey was that  
4 whatever happens in the real world will happen in  
5 the casino, homicides, rapes, robberies, shootings,  
6 et cetera, but at much lesser frequency. In  
7 Pennsylvania, since I have been up there almost  
8 seven years and since the casinos have opened,  
9 there's been zero if any increase in crime and only  
10 one event that I would even say would hit the radar  
11 in the level of significance. It's been a pleasant  
12 surprise.

13 MS. CABRAL: And I will come back to you,  
14 but I want to hear your experience and also why you  
15 think you have had the experience you've had.

16 MR. LINDSAY: You mentioned rapes and  
17 everything, and you have no significant crime.  
18 I don't know.

19 MR. STOLL: In New Jersey.

20 MR. LINDSAY: In New Jersey, okay. It's  
21 true. I mean, it is basically a small city. A  
22 casino complex is essentially a small city, and if  
23 there's going to be an increase in crime, and  
24 statistically there probably is, but it's going to

1 be proportional because you're bringing in more  
2 people, you're bringing in more commerce, you're  
3 bringing in more businesses, you're also going to  
4 bring in probably more of the negative element as  
5 well. So it's like Willie Sutton said: Why do you  
6 rob banks? That's where the money is.

7 Well, maybe that's it. It is because it's  
8 an opportunity. But also with casinos you have  
9 enhanced security; you have a vastly increased law  
10 enforcement and a knowledgeable law enforcement  
11 presence, because as it evolves, they really  
12 understand the business. They understand the trends  
13 in the business. It's really important, and so you  
14 have that.

15 You have an enhanced, typically, property  
16 that is designed for security with that taken into  
17 account. That is actually part of the physical  
18 design of the casino complex, including CCTV.  
19 I know in Atlantic City, and it was unique in New  
20 Jersey initially and with technology it's changed  
21 quite a bit, but there was CCTV coverage or video of  
22 almost every crime that we had. So our evidence  
23 room in Atlantic City as opposed to if you went to  
24 another jurisdiction, we had video for everything

1 that happened. So for a prosecutor, I think it's  
2 very helpful for prosecuting cases. It's very  
3 helpful. But also to persuade people maybe not to  
4 come to a casino to commit a crime, it's very  
5 powerful.

6 MR. CARROLL: I would say, short answer,  
7 no. In my experience, and I would include in that  
8 as a prosecutor where we supervised the corruption  
9 unit in New Jersey, that the mere presence of  
10 casinos did not in and of itself in any way  
11 accelerate additional crimes.

12 I would point this out, though. With  
13 regard to the casino as a facility itself, the  
14 visual surveillances that are available, responsive  
15 management, clear policies, a good relationship  
16 between the regulatory agency and the casino  
17 management in terms of reporting in a timely  
18 fashion, all act as deterrents.

19 Another area that I think might be  
20 relevant to you, over the years we have had the  
21 opportunity when I was doing organized crime cases  
22 to sit down with significant leaders of organized  
23 crime, heads of families and particularly in the New  
24 York-New Jersey area. And we specifically

1 questioned them at the time about casinos.

2           And it is legendary in the Philadelphia  
3 area about the Scarfo family and all the power and  
4 control and all the corruption and things of the  
5 sort. What really surprised us, and this  
6 information is not really that dated to the extent  
7 that this is probably from the mid '90s, the early  
8 '90s that was particularly relevant, those bosses  
9 all said that they felt that the casinos were dead  
10 to them. They did not feel that they could risk the  
11 exposure. They of course would concentrate on the  
12 ancillary businesses and try to get in under the  
13 radar. That wasn't working.

14           They credited a very, very aggressive  
15 vendor compliance function. They credited strict  
16 regulations, reporting, licensing, things of this  
17 sort. Because the one thing organized criminal  
18 elements hate is exposure. And that is a critical  
19 factor that the casinos happen to do pretty well in  
20 terms of their ability to document who's on  
21 property, what they're there for, who they're  
22 meeting with. Add to that the extensive amount of  
23 access that a commission has to paperwork. All of  
24 that is a major deterrent.

1           I wouldn't want to sit here here and in  
2 any way say they have completely given up, because  
3 obviously crime will go where crime can be  
4 successful. But I can tell you firsthand in  
5 speaking to these people who control significant  
6 organized crime families, that they had real  
7 difficulty in penetrating the regulatory systems of  
8 casinos. And those systems have only improved. The  
9 ability now to get through digital access and so  
10 forth even more detailed records, the tremendously  
11 improved visual surveillance capability in the  
12 casinos, only acts at this point I think to make it  
13 even more difficult.

14           So I'm very positive on it, I believe,  
15 from the criminal point of view.

16           CHAIRMAN CROSBY: Might I interrupt to  
17 expand the venue part? In other words, you have  
18 spoken mostly to the issue of the facility itself  
19 and the parking lots surrounding it and what you're  
20 saying kind of makes sense, really, that that  
21 environment is not really great for many kinds of  
22 crimes. But what about the rest of the broader  
23 community? People are concerned about what the  
24 consequences are going to be in the rest of the host



1 community and the abutting communities surrounding  
2 it. Is there any generalization you can make about  
3 what happens in those areas as well?

4 MR. STOLL: For the most part what you can  
5 experience there is increased traffic, increased  
6 potential of person-on-person crime. If someone is  
7 leaving a casino and if security is lax enough where  
8 they don't view the entire picture, someone could be  
9 followed and accosted for their winnings or  
10 something like that.

11 But I believe that it is incumbent upon  
12 the casino and the locale to set up the safety  
13 perimeters and things like that. You want to have  
14 an environment where the patron is secure, that they  
15 are safe, because if the patron believes they're not  
16 safe, they are not going to come back to your  
17 facility.

18 So you have to look at the whole picture  
19 but really focus on your perimeters on the casino.  
20 You keep out the unsavory element and you pay  
21 attention. You have dress codes. You do different  
22 things within your power to assure that the  
23 clientele that you want in a casino is a clientele  
24 that supports your facility.

1 MS. CABRAL: Rick, could you speak to this  
2 question? Could you also talk in terms of what  
3 about the residents and property owners who may not  
4 necessarily be patrons of the casino but feel as  
5 though their property or safety is at risk by people  
6 leaving the casino or hanging around the casino who  
7 need money to go to the casino or need something  
8 else. Can you include that in your response to  
9 Steve's question?

10 MR. LINDSAY: Sure. Like Jerry said, it  
11 is good security, adequate security and good  
12 customer service, which kind of keeps people at the  
13 door, confronts people when they come in, makes sure  
14 people I guess behave properly while they are there.  
15 But also in Atlantic City they have kind of  
16 rethought their position, which is pretty evident  
17 now, I think, if you look at the media and the  
18 newspapers.

19 Prior to my leaving, Governor Christie had  
20 requested that we reexamine the casino district in  
21 Atlantic City to focus on the casino district itself  
22 so essentially the casinos would not be islands unto  
23 themselves and interact more with the community.  
24 Speaking to intelligence, that was part of the plan.

1 So along with the Atlantic City Police Department,  
2 we looked at how to better police, how to better  
3 address issues in those neighborhoods, about  
4 displacement. Okay? So if there is criminal  
5 activity, because it is an urban environment, and if  
6 crime is going to be displaced, where is it going to  
7 go? When it goes to those places, what's going to  
8 happen?

9 So actually as part of the intelligence  
10 program that we created, it was inclusive of our  
11 surrounding police chiefs, our surrounding  
12 communities, so that they have a total awareness and  
13 they have a stake and they have a buy-in and they  
14 have a voice, which I think is important.

15 MR. CARROLL: Some of the most effective  
16 cases you make come from the surrounding community  
17 because of the cooperation with local law  
18 enforcement. But, interestingly enough, you also  
19 have a lot of your casino employees who live locally  
20 and they too don't want necessarily crime in their  
21 neighborhoods, so you are more apt to get more  
22 cooperation on a citizen level than you would in,  
23 say, just a factory or industrial type concept.

24 The other aspect of it is, there is more

1 opportunity to be able to report crime at different  
2 levels. The true conspiratorial, deeply rooted  
3 crime, the deep corruption and so forth that you get  
4 again is addressed with strong and aggressive  
5 regulations. And that acts as a very strong  
6 deterrent.

7           One-on-one crime, the junkie that's  
8 waiting to mug somebody, it can happen at a bus  
9 stop; it can happen anywhere. But, again, those  
10 same people know that if they do it anywhere near  
11 the casino, there's a likelihood they are going to  
12 be seen, plus you also have a confluence of law  
13 enforcement because of these very same agreements.  
14 You have your locals and you have your on-site State  
15 Police and you have agents and so forth in the area.  
16 So it's just not an attractive venue, if you will,  
17 per se for something if you want to go and commit a  
18 series of crime. Sure, you may take a shot, but  
19 you're going to get caught.

20           MS. CABRAL: Did that address your  
21 question, Steve?

22           Now, with all we have been talking about,  
23 is there any distinction between when a casino is  
24 sited in an urban area versus a suburban area in

1 terms of any of the answers you have given about  
2 crime? Have you notified a difference?

3 MR. LINDSAY: Atlantic City is unique  
4 because Atlantic City has boardwalk casinos, which  
5 have a lot of foot traffic and people travel from  
6 casino to casino a little bit like Las Vegas; and  
7 then you also have three casinos that sit on the  
8 bay. There was always a marked difference in crime  
9 in the casinos that were off the boardwalk because  
10 you need a car to get there. And it's as simple as  
11 that. Because you needed a method of conveyance to  
12 get there, it was a barrier, it was an insulator,  
13 I think, for the lower-level type criminal activity.

14 In Atlantic City, that's our experience.  
15 You have different jurisdictions completely.

16 MR. STOLL: We have two urban casinos in  
17 Pennsylvania, one in Pittsburgh, one in  
18 Philadelphia. And, really, the incidence of crime  
19 in those two casinos has been negligible. The  
20 clientele is different, though, but it seems to be  
21 they are there for entertainment. There's a lot of  
22 areas in the Pittsburgh casino that are available  
23 for non-gaming amenities, so there's bars, there's  
24 restaurants, there's buffets and different things

1 that family people can go for an evening out.

2 The SugarHouse Casino is on Delaware  
3 Avenue, which is near the sports stadiums and many,  
4 many clubs on the same road. But their experience  
5 has been relatively benign when it comes to crime  
6 since we opened. And I think it has something to do  
7 with, they have incorporated the Philadelphia Police  
8 as a partner in their parking areas. The State  
9 Police contingent there is very, very aware and the  
10 security and surveillance take notice of exactly  
11 what's going on within the casino.

12 So that multilayered approach to security  
13 and surveillance of the employees, the patrons and  
14 the revenue, it seems to be working well.

15 MR. LINDSAY: If you've been in the  
16 boardwalk casinos in Atlantic City, it was always  
17 very noticeable: the casinos themselves were more  
18 vigilant. The casinos themselves. And by vigilant,  
19 I don't mean that they had overreckless security.  
20 I mean they had better customer service. They paid  
21 more attention, I think, to their customers, and  
22 that seemed to be a less inviting environment for  
23 criminal activity. So I don't think it's  
24 necessarily the urban aspect of it; I think it is a

1 business aspect.

2 MR. CARROLL: I agree. And, I mean,  
3 I agree. I don't think there is an appreciable  
4 difference. The size of the casino sometimes can  
5 make a difference in terms of number of employees  
6 and things like that and number of incidents you may  
7 have as a total. But, no, I don't think simply  
8 setting a casino in an urban environment necessarily  
9 triggers from a crime point of view any difference.

10 MS. CABRAL: So staying with you, Bob, we  
11 talked about organized crime just a second ago. Can  
12 you talk a little bit about how we make it incumbent  
13 upon the casino essentially to be the first line of  
14 defense in terms of, my perception is that one of  
15 the ways organized crime gets in is through third-  
16 party associates with vendors and so forth.

17 MR. CARROLL: Yes.

18 MS. CABRAL: How do you make sure that the  
19 casino, I don't know if it's through the RFP process  
20 or some other way, make sure that the casino is the  
21 first line of defense and then make those vendors  
22 responsible and accountable for reporting and so  
23 forth?

24 MR. CARROLL: There are several different

1 criteria. One is that you obviously need responsive  
2 and effective management. You need a set of clear  
3 policies that would apply to any criminal event that  
4 may happen in any way, shape or form, and the  
5 ability to report and document that and transmit  
6 that to the appropriate authorities.

7           Effective surveillance, which is really  
8 part of the regulations, would be a requirement that  
9 the Commission will have for both what degree and  
10 type and scope of visual surveillance there will be.  
11 That will certainly play a role. Also, additional  
12 items such as the ability to handle patron  
13 complaints and response. That can be effective from  
14 a front-line point of view.

15           And then you get to the whole process  
16 apart from just, say, patron type crime internally.  
17 You have an internal audit process, as I mentioned  
18 before. You have a compliance department. You have  
19 an external audit group that usually comes in, does  
20 an annual audit. These are all mechanisms that are  
21 built into the system.

22           The overall interest of the casino owner  
23 himself not to be defrauded and not to be beat by  
24 employees or corruption comes into play also. The



1 fact that the state is getting a portion of those  
2 revenues, the state benefits from that vigilance too  
3 because all of those numbers have to be documented  
4 and verified; and if there's any monkey business  
5 going on, it is likely to be picked up by any one of  
6 those oversight groups before you even get to the  
7 regulatory level and its own financial oversight  
8 mechanisms.

9 So, again, the industry has evolved. It  
10 has matured to the point where there are a lot of  
11 very effective systems. The Commission will make  
12 the final choice as to what combination of those  
13 effective systems will be put in play.

14 MR. LINDSAY: Working together with casino  
15 security, casino surveillance, casino departments.  
16 And notice I spent about 17 years in the Casino  
17 Gaming Bureau, six years in the casino environment  
18 prior to my enlistment in the State Police, so I  
19 have been around the casino industry for quite a  
20 while. And it was important, and I think Jerry can  
21 attest to this as well, you actually become a part  
22 of that community if you're going to be any good.  
23 You really have to know what's going on. You have  
24 to know the players. You have to know how

1 everything works from a law enforcement perspective  
2 to be effective, where the money flow is, how the  
3 money flows. And then you also develop  
4 relationships with people to where you can walk into  
5 a casino cage and know what the process is and what  
6 the procedures are.

7           Having a strong set of procedures just on  
8 dealer games from cheating, and I have a background  
9 investigating specifically casino cheating crimes,  
10 the procedures are so important because that shows  
11 when people deviate from those procedures and they  
12 step out of line; it's the signal.

13           But having that combination of casino  
14 security, surveillance, good relationships where you  
15 are going to have that flow of information with  
16 casino management personnel, with the regulatory  
17 people in the casinos is really important and those  
18 are your flags and those are your pointers and they  
19 provide you intelligence. They provide you  
20 direction and essentially are going to be an  
21 indicator of when something is at hand.

22           MS. CABRAL: Jerry?

23           MR. STOLL: Yes. Actually, the casino  
24 environment is quite different from your normal city

1 environment, but there are norms. There are things  
2 that you should expect to see every day. There are  
3 things that should really raise the flag when you  
4 don't see them or when you see a deviation. In the  
5 old Atlantic City environment where there was coin,  
6 you could just walk across the floor and you would  
7 hear the slugs hitting the tray and then you would  
8 gravitate towards the sound and there would be  
9 somebody there putting lead coins in the slot  
10 machines, taking advantage.

11 In the casinos of today, there are  
12 indicators, whether the way a dealer handles the  
13 cards, a deviation from acceptable behavior with  
14 your cards. After a time they stick out like sore  
15 thumbs when you see somebody being lazy, somebody  
16 showing a hole card to the player on the other side,  
17 you know. Just things will become second nature in  
18 time.

19 But it's an exciting environment and you  
20 have to pay attention, and I think that success is  
21 in your future. I think you're taking the right  
22 course of action and I can't wait until you are up  
23 and running.

24 MS. CABRAL: Do people in the audience

1 have questions? No questions on law enforcement and  
2 criminal activity? See, everybody watches CSI  
3 and --

4 COMM. CAMERON: Because we had such a long  
5 panel, we asked them to tweet their questions  
6 instead of going to live questions.

7 MS. CABRAL: Oh, so everybody is tweeting  
8 them? I didn't realize that. So Steve is the only  
9 live question. Membership has its privileges.

10 CHAIRMAN CROSBY: You were asked about how  
11 does the casino act as the first line of defense  
12 against third-party vendors, say, organized crime  
13 elements who get in. And you didn't really speak to  
14 that. But I too like Sheriff Cabral understand that  
15 if there is going to be an attempt to infiltrate, to  
16 penetrate the facility by organized crime, it is  
17 likely to be through other providers, the laundry  
18 provider or something. So how does that work?

19 MR. STOLL: I believe those in a third  
20 party who would try to infiltrate would actually be  
21 identified by your background investigations and by  
22 the regulatory authority and with the investigation  
23 when it's completed there. Because chances are  
24 these folks, it's not their first time dealing with

1 you; they have been organized crime for a period of  
2 time and they have created a track record. And  
3 hopefully you have to get past the intelligence  
4 information to the information that you can  
5 substantiate and use that to adversely affect their  
6 licensing decision.

7 MS. CABRAL: And that assumes that it is  
8 incumbent upon the vendor, you make sure the vendor  
9 knows they have to report any changes in the people  
10 whom they deal with because that's what is not  
11 readily apparent, the subcontractor and the  
12 sub-subcontractor.

13 MR. LINDSAY: And the regulatory process  
14 I think really has improved to the point where I  
15 think early on, from my perspective, a lot of that  
16 information came through our intelligence, through  
17 our organized crime bureaus, and was very helpful to  
18 us. That became less and less of a player.  
19 Intelligence still played a major role, especially  
20 through other agencies; they would filter us  
21 information that would, I guess, have us target  
22 certain individuals or certain businesses to say  
23 this is something we absolutely have to pay  
24 attention to, there may be some involvement.

1           But the regulatory process I think was so  
2 good at keeping those types of people out or  
3 identifying those types of situations that they  
4 brought those to our attention, and I think that was  
5 a major element especially in recent years.

6           MR. CARROLL: Chairman, I would just add  
7 to that compliance. Aggressive compliance with  
8 regulations is a deterrent to organized crime  
9 infiltration. Again I go back to the management  
10 itself. It has such responsibility for reporting,  
11 and the systems that are in place now -- and we  
12 haven't even addressed things such as slot  
13 information systems that vendors have for slot  
14 machines and so forth where there is electronic  
15 monitoring of machines so that if there is anything  
16 that goes a little screwy with a machine, it's  
17 immediately detected by the casino and then steps  
18 are taken.

19           Patrons will complain all the time. You  
20 know, machines are tight or this and that. That's  
21 normal. Those are not criminal events. But when a  
22 cheat comes in, a professional cheat, intelligence  
23 sharing will sometimes detect that. If it is an  
24 organized crime type thing, the days are long gone

1 where they can come in and go into a counting room  
2 and skim a briefcase of money and walk out for so  
3 many different reasons. But I would think that even  
4 the electronic age that has now invaded casinos is  
5 very effective at watching every nickel and dime  
6 that is earned.

7 MR. LINDSAY: As for the cheating aspect,  
8 I think we were really effective at addressing  
9 cheating in Atlantic City, especially slot cheating,  
10 prior to becoming completely cashless. There were  
11 more ways to attack the machine and more  
12 opportunities. But even casino cheating as well,  
13 having a robust law enforcement presence, having a  
14 true investigative, not just a responsive law  
15 enforcement presence. Presence is paramount. It  
16 allowed us to develop an expertise.

17 And that is something that I think was  
18 detrimental prior to my leaving: that the nature of  
19 the organization that I belonged to, in order to  
20 promote people, they had to pull people out of their  
21 expertise. And so you develop years of an  
22 expertise, you go to slot school and you have this  
23 background and you have this pedigree, and then they  
24 pull you out and they bring someone else in who

1 doesn't have that.

2 My experience is when you are dealing with  
3 those type of criminals, it is a dirty secret. And  
4 when you start speaking to them about it, you want  
5 to interview somebody and you have some knowledge,  
6 that opens the door and they share.

7 And we were very successful in those type  
8 of crimes developing informants, especially for  
9 table game cheats. And when you can expose that  
10 type of cheating and you can prosecute that type of  
11 cheating very effectively, it's a deterrent to  
12 anybody to try and cheat like that. And I know  
13 you're in close proximity to M.I.T. and you're going  
14 to introduce blackjack, so....

15 [LAUGHTER]

16 MS. CABRAL: There will be a ban on all  
17 students and alumni.

18 COMM. McHUGH: Can I ask a question coming  
19 back to this third-party problem? Is the incentive  
20 for organized crime to infiltrate the linen  
21 suppliers and the trash collectors and other service  
22 vendors any greater for casinos than it is for a  
23 large hotel at a destination resort, and if so,  
24 what?



1 MR. CARROLL: I would say no.

2 MR. LINDSAY: I would say no.

3 MR. CARROLL: Any chance that organized  
4 crime would have to infiltrate any major business, I  
5 would say no, there's no difference. The fact that  
6 a casino is a casino in and of itself is not more of  
7 an attraction. Let's say for example in the '80s  
8 when there was the blossoming of new casinos in New  
9 Jersey, that happened to be the hot industry.  
10 That's where the people were going, that's where the  
11 businesses had to service.

12 So, no, the mere fact it's a casino,  
13 actually the opposite would be true. Because the  
14 more they got involved with casinos, they realized  
15 there's too many ways to get caught here.

16 MS. CABRAL: And it is also one of the  
17 places where it is rare that you are going to find a  
18 place that essentially has the involvement of both  
19 state and federal and local law enforcement. It may  
20 be the one place, maybe not your first choice, it  
21 might be the last place you would go, but it  
22 wouldn't be your first choice, I would imagine.

23 MR. STOLL: Where there's a will, there's  
24 a way. Now, in Atlantic City what we would find is

1 that dealers or employees with maybe a drug issue  
2 would purchase their narcotics from somebody with  
3 some organized crime ties and then the next thing  
4 you would see was they were betting heavily, going  
5 down into significant debt from betting; and what  
6 they would do is, they would pay off their bets on  
7 the craps table. The bookie would come in and the  
8 dealer would throw the game to the bookie to pay off  
9 his debt.

10 What organized crime attempts to do is to  
11 capitalize on the fallibility and the issues that a  
12 lot of people experience, whether it be narcotic  
13 addiction or pain pills or illegal gambling, and  
14 take advantage of it for their own use. And that's  
15 where scrutiny from the regulators is extremely  
16 necessary.

17 MS. CABRAL: Any questions from the  
18 Commission?

19 CHAIRMAN CROSBY: I would be interested  
20 from the compulsive gambling standpoint, you see it  
21 from a slightly different perspective. But what is  
22 your sense of how -- There is an art to this  
23 conversation that I don't know yet. Fahrenkopf  
24 talked about pathological gambling, which is

1 probably the extreme end of the spectrum, and  
2 I understand there is problem gambling, which is  
3 like problem drinkers as opposed to a full-blown  
4 alcoholic.

5           And I'm not quite sure what we're talking  
6 about here, but just as observers of the floor and  
7 observers of what goes on in a facility, to what  
8 extent are these operations actually capable of  
9 keeping away people whom we would generally consider  
10 shouldn't be there? In other words, who are there  
11 for reasons that are unhealthy and we would  
12 generally consider unacceptable.

13           MR. STOLL: Well, believe it or not,  
14 I believe they are specifically able to identify  
15 somebody that has been at a particular location  
16 outside of the norm. Four to six hours, say, is a  
17 normal time period where an individual comes and  
18 plays slot machines. Now, this day shift personnel  
19 has seen this particular person here today and gone  
20 home and then the next day sees the same person on  
21 the same machine.

22           Now, believe it or not, the casinos are  
23 just like little cities that everybody is familiar.  
24 There are no secrets in casinos and everything is

1 noticed. You know? There's training that the  
2 casino employees undergo to identify problem gamers,  
3 problem drinkers, and to really afford those  
4 individuals some options. We in Pennsylvania have a  
5 list of treatment facilities, that if we see  
6 somebody that has the potential of being a  
7 compulsive or problem gaming addict, we will try to  
8 afford them the opportunity to get some help. And  
9 the casinos are very, very aware, and they  
10 participate in that as well because it does benefit  
11 them and the patron and the Commonwealth, in my  
12 opinion.

13 MR. LINDSAY: Excess is a human condition.  
14 It's a detrimental one, but whether it's alcohol or  
15 narcotics or cigarettes or video games or gambling,  
16 it is what it is. And I know in Atlantic City the  
17 self-exclusion list, the process is a pretty easy  
18 and open process and I think it's been pretty  
19 successful. We have had very few issues and a lot  
20 of people I think benefited because of it.

21 MR. CARROLL: Again, I don't have too much  
22 to add to that. I think problem gaming, to a  
23 certain degree there's an analogy that can be made  
24 to the casino's responsibility to spot someone drunk

1 from an alcoholic point of view and has a  
2 responsibility to either cut the person off or  
3 assist that person perhaps in getting home.

4 I think the problem gaming situation,  
5 particularly if there is credit involved and so  
6 forth, they are always monitoring it. And I do  
7 think there is a moral responsibility of casinos  
8 that comes into play there also. And part of what  
9 you could evaluate going forward in terms of your  
10 operators and your applications, what is the record  
11 of the applicant in dealing with those types of  
12 issues? Do they have a demonstrable record of  
13 treating those situations aggressively? And it's  
14 just one of the criteria you can add to your  
15 shopping list of evaluative criteria.

16 MS. CABRAL: Let me ask you about that.  
17 What kinds of things would you add that you would  
18 require a casino to do? Can you require them to  
19 have a set-aside fund that actually contributes to  
20 treatment for addiction, or what kinds of things  
21 have you seen that help you vet one applicant from  
22 another in regard to that in particular?

23 MR. CARROLL: There are statutory  
24 distributions and so forth that address specific

1 issues. Casino companies, not necessarily casinos  
2 but companies will have their own programs that they  
3 can offer, whether it is an educational program or  
4 some sort of assistance. I would say every casino  
5 now, every company has an employee assistance  
6 program. That, by the way, is probably a bigger  
7 problem than public problem gaming: employees  
8 themselves getting involved in problem gaming  
9 situations. Because then you have a potential  
10 compromise, and that is an area that is being really  
11 addressed at this point in terms of employees  
12 getting themselves in over their heads, particularly  
13 where they can gamble.

14 So I think there is adequate funding out  
15 there. The problem is not eradicated, probably  
16 never will be, but there are sources available.

17 MS. CABRAL: Anything further?

18 MR. STOLL: No.

19 COMM. McHUGH: Let me ask another  
20 question. Despite the hopefully accurate but rosy  
21 picture in your portrayal about the actuality of  
22 crime, the perception and the fear is one that  
23 arises in many communities. Do you know of any  
24 strategies that have been effective in helping

1 people understand the statistical information that  
2 you have given us here today and your experiential  
3 information that paints a rather sanguine picture  
4 about the reality and help reassure people or at  
5 least let them have access to facts from which they  
6 can draw their own conclusions about the reality  
7 that you can share with us today?

8 MR. CARROLL: I think that's a very astute  
9 observation, Commissioner, because there is that  
10 perception out there. And I think what's happening  
11 right here hopefully will be helpful to some. It's  
12 a process of education. The statistics will be what  
13 they will be going down the road.

14 I think the industry record right now has  
15 improved dramatically in the last two decades.  
16 Companies have come to realize that they have to pay  
17 attention to these types of issues involving problem  
18 gaming and alcoholism and employee misconduct and so  
19 forth. And I think that to reassure the public, I  
20 think you just have to educate the public, and it is  
21 going to take actual operational statistics from the  
22 Commonwealth to show that there isn't this spike in  
23 crime, or these resources that have been dedicated  
24 to this are effective and here's why.

1 I think it is only a matter of developing  
2 the record, because right now you're starting with  
3 just public perception, public concern. All we can  
4 say is that in our experience now, and I think  
5 collectively we probably have many decades, the  
6 bogeyman fear of organized crime in the casino  
7 industry today is greatly exaggerated. And for my  
8 personal benefit, I know that we spent a fair amount  
9 of time with major league criminals and particularly  
10 the traditional La Cosa Nostra types and discussed  
11 with them what they didn't like and what they found  
12 to be problematic in convincing people to go bad and  
13 to become involved in crimes. And we came away with  
14 a different viewpoint.

15 We thought like most, that's where the  
16 money is, they'll find a way to get to it. But  
17 after you started looking at the statistics and  
18 started listening to what they were saying, it bore  
19 out differently. It came out instead that the  
20 deterrent factors that were being set up  
21 systemically in the industry were working. And I  
22 think as Frank Fahrenkopf spoke about today, the  
23 casino of today is not the casino industry of prior  
24 years. And I think we are all kind of proud of



1 that. And then, frankly, there has been an influx  
2 of real quality business methodology in the whole  
3 thing, the publicly traded companies. All of the  
4 different oversight that exists at different levels  
5 have changed everything. I think we've just got to  
6 educate the public and I can answer their questions  
7 as they come up and let's hope the stats bear out  
8 what we are saying.

9 MS. CABRAL: But to the commissioner's  
10 question, that's it. Even though you can sort of  
11 point to statistics and point to data, how do you  
12 get the reality to penetrate the perception as a  
13 startup? Because everything that we are talking  
14 about today is, how do we put our best foot forward?  
15 And a big part of that is educating the public. And  
16 so I'm wondering if there have been prior efforts --  
17 and anyone can answer this -- prior educational  
18 efforts beyond the town hall meetings or community  
19 forums that happen around the issue of whether or  
20 not something should be licensed? Once that  
21 decision is made, how do you get to the members of  
22 the public to allay that?

23 MR. CARROLL: Traditionally in other  
24 jurisdictions that we have worked in, commission

1 annual reports which contain specific sections on  
2 this, the impact on crime and the resources that are  
3 devoted by both the industry and the regulatory  
4 agencies and the law enforcement agencies to combat  
5 this, those annual reports can be very helpful and  
6 they are very well distributed.

7           Again, changing public perception is  
8 always difficult. But in this particular area some  
9 jurisdictions have been pretty successful in at  
10 least ramping down the concerns to where it is a  
11 much more realistic level. We're talking about a  
12 brand-new jurisdiction that is being born now, that  
13 has already been, I think, created with a very  
14 effective starting statute. And all of these steps,  
15 I mean, these very public meetings I think are  
16 effective. It shows the Commission's commitment to  
17 educate the public. And all we can do is give the  
18 benefit of our experience and the public will make  
19 the final decision.

20           MR. STOLL: What you can do is get your  
21 UCR statistics currently and now track them when you  
22 go forward and the casino actually locates in an  
23 area, and then you can really identify the  
24 subsequent increase or decrease of your UCR

1 statistics from that point.

2 MR. CARROLL: In New Jersey we just  
3 created a reality show, you know, Regulatory Agency,  
4 and God knows what'll come out!

5 [LAUGHTER]

6 MR. LINDSAY: But if there are statistics,  
7 they are germane to where the statistics occurred,  
8 where they were gathered from. So, I mean, I don't  
9 think there is a study that encompasses like if  
10 you're going to open a casino, this is going to  
11 happen. No. This is how it happened in  
12 Mississippi, this is how it happened in New Jersey,  
13 this is how it happened in whatever state,  
14 Connecticut. But also the focus is casinos,  
15 casinos, casinos.

16 It's not just casinos. We have more  
17 problems, truthfully more problems in the hotel than  
18 we have in the casino, because people come down with  
19 their family or they come down with their wife or  
20 they leave their wife at home and they bring someone  
21 else. And I mean that in the nicest way. But  
22 that's what happens.

23 And so you know what it is? It's a small  
24 city and it is going to bring those kinds of

1 problems, so you have things that we haven't  
2 discussed here. You have domestic issues. You have  
3 family fights. You have disputes with other people  
4 that don't happen in the casino; they have nothing  
5 to do with the casino. It just happens to be in  
6 proximity to a casino. And there's such a  
7 significant amount of rooms and a significant amount  
8 of people that it seems to get that attention.

9           And I know if you look at the paper or you  
10 look at the media in Atlantic City, well, it  
11 happened in the casino. Actually most of them  
12 don't. Most of them don't. In the casino it's the  
13 environment, it's entertainment, people are engaged,  
14 they're doing what they do and then they typically  
15 leave, and it is the hotel or the other ancillary  
16 businesses, the restaurants and things like that.  
17 And that can happen anywhere, and I'm sure in this  
18 town it happens in bars and it happens in  
19 restaurants and it happens in hotels already.

20           But you're going to bring in an  
21 environment where there's going to be a complex and  
22 you're going to have everything in one spot, and I  
23 think that's really what the primer is. That's what  
24 the issue is. And also because there's a heightened

1 level of enforcement, there's probably better  
2 reporting, better detection and better reporting and  
3 better documentation, which may lead to that  
4 heightened perception that there is an issue.

5           COMM. STEBBINS: It sounds like there is  
6 certainly a casino-immediate area where you have the  
7 security. From your experience kind of building off  
8 of that perimeter and there is the need to have this  
9 kind of joint cooperation among all the different  
10 levels of law enforcement, but have you seen  
11 individual jurisdictions where the local officials,  
12 both public safety officials and the elected  
13 officials, kind of stepped it up and kind of were  
14 proactive in trying to prevent any unintended  
15 consequences kind of flowing off-property?

16           MR. STOLL: Actually, I saw a positive  
17 commitment with Philadelphia and their casinos and  
18 then Pittsburgh and their casinos. Atlantic City?  
19 I can't say there was a whole heck of a lot of  
20 effort from the local municipality in the early  
21 days.

22           MR. LINDSAY: But that has changed, and  
23 it's really changed because of that concept of the  
24 casino district. Okay? And really it is the

1 infusion of places like The Walk, which is the  
2 outlet complex which is very successful. And it is  
3 a more conducive environment to visitors, to  
4 families, and that's the idea now, to control that  
5 and manage that a little bit better.

6 The emphasis is on clean and safe. So  
7 there is a very ongoing, significant, positive  
8 attempt to do that. But initially with Atlantic  
9 City, they were islands and they were islands and  
10 then when you stepped out of the island, that's why  
11 the development didn't follow maybe as quickly as it  
12 should or maybe as successfully as it should. But  
13 that's not the case current day, it's changed  
14 dramatically, and it is still in the process of  
15 change.

16 MR. CARROLL: I would just add that the  
17 funding is very relevant to that determination too.  
18 The sharing that would be done with a host community  
19 and probably to a lesser extent with a surrounding  
20 community is going to come into play here. Some of  
21 those resources that may be developed through  
22 revenues generated by the casino really should and  
23 must be earmarked to public safety issues. Each  
24 municipality is going to have its own methodology in

1 terms of making those determinations.

2 But to ensure the effectiveness of the  
3 perimeter areas once you get beyond the most  
4 protected zone, so to speak, definitely is going to  
5 require resources and it's going to require  
6 revenues. And to what degree is probably going to  
7 be left up to each town. They are going to have to  
8 prioritize their own. But I can say there has to be  
9 some set-aside for the police department, whether  
10 it's the police department, whether it's the county  
11 sheriff -- Did I do it right?

12 MS. CABRAL: I have no objection to that  
13 as far as the sheriff's department is cited.

14 MR. CARROLL: But in all seriousness it  
15 may come down to what is available, but I think that  
16 is a necessary component to the future distribution.  
17 And I know law enforcement is always short-funded,  
18 but I think it is an area that absolutely will have  
19 to be addressed and funded at the right time with  
20 whatever the local host communities and the  
21 surrounding communities can afford.

22 MS. CABRAL: Any Twitter questions? Any  
23 questions?

24 AUDIENCE MEMBER: Hey, first of all, thank

1 you guys very much for helping us in the state of  
2 Massachusetts. We really appreciate that. You have  
3 spoken a lot about the organized crime concept and I  
4 think that a lot of people have this fear that  
5 casinos are here to make money and that they are  
6 going to create a little bit of poverty around  
7 themselves and increase poverty at times. A lot of  
8 people kind of want to know what your insights are  
9 on that concept and that fear which may or may not  
10 be true.

11 MR. LINDSAY: First of all, my experience  
12 with casinos is they create jobs. And that's the  
13 truth. They create a lot of jobs. They employ a  
14 lot of people. They train a lot of people. And we  
15 just had the experience with The Revel in Atlantic  
16 City and there was an emphasis on the local  
17 community and trying to bring in the local community  
18 and give them opportunities. And, I mean, to me,  
19 that's something, and I don't work for a casino, but  
20 to me that is something that I think is applaudable  
21 because they are trying to do something for the  
22 community to involve the community; they want them  
23 to be part of the success. That's important.

24 And then also I know earlier there was a



1 question that somebody mentioned about casinos and  
2 the flavor of the neighborhood and the community.  
3 And what I noticed in Atlantic City and especially  
4 lately, I thought it was pretty positive, there's  
5 some pretty significant restaurants in Atlantic  
6 City. And anybody who has been to Atlantic City  
7 probably has eaten at the White House Sub Shop,  
8 which is a hole in the wall from the 1940s, but it's  
9 a treat to go there. Well, that's an Atlantic City  
10 experience.

11           The Taj Mahal brought in the White House  
12 Sub Shop and opened an outlet in the Taj Mahal  
13 because they want people to have that Atlantic City  
14 kind of experience. They want to make sure they get  
15 that, whether it's 3:00 o'clock in the morning when  
16 the White House is closed. And that's happened in  
17 several of the local community restaurants where  
18 they opened up in a variety of casinos; they have  
19 food outlets. Which I thought was pretty  
20 interesting.

21           And that, to me, you know, nobody ever  
22 said that was their marketing strategy, but to me  
23 I just see that as they're trying to actually bring  
24 the community inside and be part of the community.

1 So their businesses are still thriving on the  
2 outside, but now they have a business on the inside  
3 too, their name, their identity, their brand, the  
4 neighborhood. It's partnering with the casino.

5 MR. CARROLL: I think that's an excellent  
6 question. We have had a somewhat unique experience,  
7 my firm and I and my partner in particular, where we  
8 have represented setting up gaming commissions and  
9 so forth for Indian tribes. One of the more  
10 interesting things is, what is the effect of a  
11 casino on a community that previously in many cases  
12 was not overly employed, had some degree of economic  
13 distress?

14 Our experience has been that not only has  
15 the surrounding area been benefited by jobs, by just  
16 an overall increase in things positive within the  
17 jurisdiction, but clearly it's had an effect on  
18 crime. Because the people that in our experience  
19 are employed there, that brought families there,  
20 were interested in keeping their communities and  
21 their neighborhoods clean. And it made a big  
22 difference but very positive.

23 And these are really very good microcosms  
24 because you're talking about something that an

1 industry is dropped in, and in a matter of a couple  
2 of years that industry is probably the first or  
3 second largest employer in a rural area. And  
4 literally overnight the effect of that, the ripple  
5 effect, forget about the economics, just on the  
6 neighborhood and the quality of life for everybody  
7 has been significant.

8 So I would say, no, it does not increase  
9 the poverty type crime but would work against it.

10 MS. CABRAL: Thank you very much. Thank  
11 you to our wonderful panel.

12 [APPLAUSE]

13 CHAIRMAN CROSBY: Thank you all, folks.  
14 I'm Steve Crosby, the chair of the Gaming  
15 Commission. I want first to thank all of our  
16 moderators and our panelists for the tremendously  
17 generous contribution of your time, those of you who  
18 came and stuck with us, those of you who are seeing  
19 us on the Web. But particularly I wanted to thank  
20 Commissioner Gayle Cameron. Commissioner Cameron  
21 dreamed this idea up, that we all needed some  
22 primary learning, and thought the idea of having a  
23 bunch of experts come to us rather than us all get  
24 on a plane and fly around the country was a really

1 efficient way to do it. And then we added on the  
2 idea of making this an educational experience for  
3 the Commonwealth as well. But Commissioner Cameron  
4 organized this whole thing top to bottom and it's  
5 worked out great. So thank you.

6 [APPLAUSE]

7 There is a second educational forum  
8 scheduled already, I think it's June 14. Right?  
9 You will see information on the website. It will be  
10 principally about the issue of the economic and  
11 financial analysis of the industry, what can we  
12 reasonably expect from the economic and financial  
13 side. That's A and B, how can we leverage the  
14 economic impact, both sides of the economic  
15 equation?

16 And we are also working on a third, we  
17 don't have a date yet, but within a month or so  
18 there will be a third educational forum that will be  
19 focused on the issues of community mitigation and  
20 compulsive gambling. There will be a host of other  
21 activities as we go around the Commonwealth and  
22 reach out to people, but this gives you an idea of  
23 the kind of stuff we're trying to do on our behalf  
24 and on behalf of the public.

1 Thank you all for coming, and wish us  
2 luck.

3 [APPLAUSE]

4 (Event concluded at 3:07 p.m.)

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1 Commonwealth of Massachusetts )

2 County of Suffolk )

3 C E R T I F I C A T E

4 I, J. Edward Varallo, RMR, CRR, Registered  
5 Professional Reporter and Notary Public in the  
6 Commonwealth of Massachusetts (my commission expires  
7 12/24/2015), do hereby certify that the foregoing  
8 record is a true and accurate transcript of my  
9 stenographic notes taken on May 3, 2012, at the  
10 Educational Forum on Casino Gaming - Best Practices  
11 and Lessons Learned, sponsored by The Massachusetts  
12 Gaming Commission; and that the transcript was  
13 prepared in compliance with the Administrative  
14 Office of the trial Court Directive on Transcript  
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*J. Edward Varallo, RMR, CRR*

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