

In The Matter Of:
Massachusetts Gaming Commission

April 10, 2012 Meeting
April 10, 2012

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COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION

TRANSCRIPTION OF AUDIO RECORDING OF
MEETING

DATE: April 10, 2012

PRESENT: Chairman Stephen Crosby,
Commissioners Enrique Zuniga,
Bruce Stebbins, Gayle Cameron and
James McHugh

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P R O C E E D I N G S

CHAIRMAN CROSBY: By virtue of my appointment pursuant to the legislation by the Governor, I serve as Chair of the Massachusetts Gaming Commission, and I thought I would ask each of the other Commissioners to introduce themselves and enumerate their appointing authority.

Do you want to start, Enrique?

COMMISSIONER ZUNIGA: Thank you, Mr. Chairman, Enrique Zuniga. By virtue of the appointment of the Treasurer and Receiver General, Steve Grossman, I'm serving as -- on appointment to the Gaming Commission.

COMMISSIONER STEBBINS: I'm Bruce Stebbins. I am an appointee to the Commission by the Governor, the Attorney General, and the Treasurer.

COMMISSIONER CAMERON: And I'm Gayle Cameron. I also was appointed by the Governor, the Attorney General, and the Treasurer.

COMMISSIONER McHUGH: And I'm Jim McHugh. I was appointed by the Attorney General.

CHAIRMAN CROSBY: And they are a great

1 group of people, I can attest to that.

2 And thank you to our appointing
3 authorities. This is a tremendously challenging
4 and exciting opportunity. All of us have
5 discussed frequently that the debate about
6 whether or not to have casino expanded gaming in
7 Massachusetts is over. It has been authorized by
8 the representatives of the people and the
9 Governor, and we now are committed to trying to
10 implement that public policy in the best way that
11 we possibly can, and that's what we are
12 undertaking to do.

13 This will be the first of very, very many
14 public meetings. This is an unusual situation.
15 As many of you know, there are no other
16 commissions in the Commonwealth that are made up
17 of full-time commission members and that are in a
18 startup mode and that have virtually no staff,
19 and yet, we operate under the same appropriate
20 rules and regulations, particularly the Open
21 Meeting Law that everybody else does. We're all
22 sitting in the same office but we have to be very
23 sensitive to the letter and to the spirit of the
24 Open Meeting Law.

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1 This meeting is the first of many where we
2 will be doing our regular business. In other
3 environments, you might just sit in your office
4 and have conversations with your peers. We can't
5 do that. When we deliberate on anything, that is
6 an open meeting if a forum of us are involved, so
7 this will be one of many of our regular meetings,
8 and they may be as frequent as weekly or possibly
9 even more frequent than that.

10 There will be many, many opportunities for
11 hearings. We are working -- we'll talk more
12 about this in a few minutes. We're working on an
13 elaborate methodology and approach to outreach,
14 and we will be asking to hear from the public and
15 many different publics, but typically not at our
16 regular business meetings which this is.

17 We take our mandate to implement, design
18 and implement a participatory, transparent and
19 fair process. This is the first step in that
20 direction and we are committed to making that be
21 our top priority from every moment that we
22 proceed.

23 As part of that, this event is being
24 streamed live on the web. It's on our website at

1 mass.gov/gaming. As many of our meetings as we
2 can possibly arrange will be streamed live on the
3 web. They will be later stored on our web, and
4 as we get a little bit more sophisticated, the
5 video will be searchable. So wherever we hold
6 our meetings, the people of western
7 Massachusetts, central Massachusetts, North
8 Shore, South Shore, Cape Cod and the Islands will
9 have every bit as much access to our activities
10 as anybody else in the Commonwealth, and indeed,
11 we will be traveling around the Commonwealth in
12 person talking to folks as well.

13 There are copies of our agenda and our
14 fact sheet in the room somewhere. Who has those?
15 In the back of the room. I think we've mentioned
16 that as we are -- we are in a learning mode
17 ourselves, trying to understand exactly how we
18 operate in this unusual environment, how we
19 operate in this critically important public
20 policy item, topic, and how we operate with this
21 five full-time Commissioner situation or status.

22 For members of the press, we have asked
23 that if you'd like to talk to us after this
24 meeting, that you line up through or talk to

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1 Karen Schwartzman whom I think you all know.
2 We're perfectly happy to talk to people. We just
3 want to do it in some slightly organized and
4 systematic way.

5 A lot of the content of this meeting
6 you'll see is simply organizational, getting
7 ourselves organized, getting a system built.
8 When we started, we didn't have letterhead. We
9 didn't have office space. We still have phones
10 which are metza-metza; all of the basics. We do
11 have office furniture, although a new -- our
12 conference table is being delivered today and
13 we're moving up the ladder now to a little more
14 serious but still organizational.

15 What the people of the Commonwealth really
16 care about, and frankly what we really care
17 about, is getting to the process of creating the
18 value structure and the literal process by which
19 we will ultimately make the decisions about where
20 expanded gaming facilities will go, who will
21 operate them, under what circumstances they will
22 operate. That's what really matters. Everyone,
23 I think many people at least, are anxious that we
24 do that as quickly as we can, but we're still

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1 just getting started, and a lot of this meeting,
2 unlike other meetings, has to do with a lot of
3 our administrative, administrative work. So
4 we're now getting ready to do the really
5 important work that's coming down the road.

6 I think that's it by way of my opening
7 comments. If I missed any things, please speak
8 up.

9 The second item on our agenda is the
10 swearing in, and we've had to change that a
11 little bit. We were not able, unfortunately, to
12 have the Governor come today to swear us in. We
13 have done the technical swearing in under the
14 statute so that we are empowered to operate, but
15 we will be having a formal swearing in at a later
16 date at the State House with the Governor. I'm
17 sorry that we weren't able to do that now.

18 The next item on our agenda you'll see is
19 the adoption of a mission statement and Robert's
20 Rules of Order, or at least that's the idea. I
21 had felt that it would be useful to establish a
22 mission statement right off the bat that would
23 try to say to the public and to the participants
24 in this process exactly what it is that we intend

1 to be doing here. And I'd like to read a draft
2 of a mission statement, and then we'll talk about
3 it with the Commission, and if we can all agree,
4 we'll adopt it.

5 The mission statement that I'm suggesting
6 reads as follows: The mission of the
7 Massachusetts Gaming Commission is to create a
8 fair, open and transparent process for
9 implementing the Expanded Gaming Law passed by
10 the Legislature and signed by the Governor in
11 November 2011. In creating that process, the
12 Commission will strive to ensure that its
13 decision-making and regulatory systems engender
14 the confidence of the public and the participants
15 and that they provide the greatest possible
16 economic development benefits and revenues to the
17 people of the Commonwealth, reduce to the maximum
18 extent possible the potentially negative or
19 unintended consequences of the new legislation,
20 and allow an appropriate return on investment for
21 gaming providers that assures the operation of
22 casino resorts of only the highest quality.

23 Anybody have any thoughts about the
24 mission or our mission?

1 Commissioner Zuniga, do you want to start?

2 COMMISSIONER ZUNIGA: Sure, yes. I like
3 the spirit of the balance that the mission
4 statement speaks to, which I've said it before as
5 well, that it's incumbent upon this Commission to
6 balance the economic development goals of the
7 Commonwealth, the jobs that it can generate.
8 There's a real economic drive behind this, but
9 also there's a need to balance that with what
10 potentially could be an adverse or unintended
11 consequence; as well as the realization of the
12 financially feasible nature that these casinos or
13 resorts really do have. So I'm very happy with
14 this draft and believe that the spirit of balance
15 has really been achieved here.

16 COMMISSIONER STEBBINS: Like any
17 corporation, non-profit, business, you know,
18 adopting a mission statement isn't just fluff.
19 It's a critical statement I think to the public
20 at large about who you are, and you're directing
21 that comment to the public or potential
22 customers. You ask any non-profit or business
23 about their mission statement, and chances are
24 they've spent a considerable amount of time on

1 it. You open up their company or non-profit
2 website, it's one of the first things that pops
3 up. It drives them and how they operate. And
4 it's commonly referred to whenever they meet with
5 potential clients or customers or contributors.

6 So I think our mission statement clearly
7 outlines our guiding principles, how we're going
8 to operate, but I think it also addresses three
9 key stakeholders in this process. Certainly the
10 first are the residents of Massachusetts;
11 secondly are the folks who are concerned about
12 the unintended consequences of gaming, and third
13 are potential investors, the casino gaming
14 operations that are considering Massachusetts and
15 understanding up front that we value their
16 potential investment in the Commonwealth.

17 CHAIRMAN CROSBY: Thank you.

18 COMMISSIONER CAMERON: I also like the
19 overall tone and balancing that we tried to --
20 tried to create here with this statement. In
21 thinking of my own contributions to the
22 Commission, you know, I was focusing on, excuse
23 me, you know, the regulatory systems engender the
24 confidence of public and the participants. My

1 background with some oversight experience with
2 the New Jersey State Police, this is something
3 that really hits home for me and something I'll
4 be striving to make sure that we do, that we
5 achieve. And also the part of the statement that
6 talks about reducing the maximum extent of the
7 potentially negative or unintended.

8 And again, I think of partnerships here,
9 how important it is for all of us to work
10 together to really reduce that, and I had
11 meetings with the Attorney General's office and
12 our federal partners here in the state and the
13 State Police certainly, and you know, I've just
14 been really, really pleased with the focus and
15 how much people want to work together here in the
16 Commonwealth, and I'm very hopeful that we can
17 achieve all of these -- all of these parts to
18 this mission statement.

19 COMMISSIONER McHUGH: Mr. Chairman, like
20 the others of my colleagues, I think this is an
21 excellent mission statement. This Commission has
22 by statute a great deal of power and discretion
23 over matters that can deeply affect the
24 communities throughout the Commonwealth, and it's

1 important that in exercising that power and that
2 discretion that we be fair, that we be open, that
3 we be transparent, that we build confidence in
4 the process, so that in the end, regardless of
5 the decisions we make, people will know that
6 they've been heard and that we have listened to
7 their concerns and the things they want us to
8 hear.

9 The mission statement describes the three
10 primary goals, as I see them, of the statute,
11 economic development for the benefit of the
12 citizens, reduction of undesirable side effects,
13 and creation of high quality jobs. But public
14 confidence in the process by which the Commission
15 seeks to achieve those ends is in the end of the
16 utmost importance. So I support this because it
17 captures those ideas.

18 CHAIRMAN CROSBY: Thank you very much. I
19 just want to -- I want to add a thought here, and
20 it's something that I think needs to be a theme
21 throughout our conversations, and it's a line
22 that we're going to have to learn how to walk.
23 It may be perceived to a certain extent as
24 unusual to have in the mission statement a

1 setting out the objective that our providers can
2 get an appropriate return on investment. It's
3 kind of a funny thing to put in, but I am very
4 mindful.

5 One of my prior experiences was with the
6 cable television industry years and years ago,
7 and in those days, the public sector that was
8 licensing the cable television industries got
9 very excited about how they could put pressure on
10 the cable operators that wanted to come into each
11 of their communities, particularly the big
12 communities, and they put out standards that were
13 not viable. They asked for so much that they
14 forced, effectively, the providers to offer more
15 than they could promise and many of the deals
16 didn't work.

17 We have to find a really careful balance
18 here, where we can get every penny and every item
19 of mitigation as we can possibly get for the
20 people of Massachusetts, but we have to do it in
21 a way that lets these folks see that by bringing
22 big money into our Commonwealth and investing it
23 in our Commonwealth, that they can get the kind
24 of return they want. And it's going to be --

1 it's not going to be the easy line to walk and
2 it's going to go into much of our future of how
3 we get to our fee, how we get to our specs.

4 Do we really understand what the economic
5 viability is in the community? And in order --
6 because in order to do this, we're going to have
7 to really understand the economics of this
8 business in our Commonwealth. Maybe we do, maybe
9 we don't. I'm not sure. But I wanted to expand
10 on that point, because I think it's a little bit
11 unusual. I hope in the long run it will be
12 considered by the industry as a positive sign.
13 You know, we want competition. We want you to
14 come here. We want you to be successful, and to
15 the extent that it's consistent with our
16 regulatory role, we will collaborate with you to
17 try to make that happen.

18 Any other discussion about the proposed
19 statement?

20 COMMISSIONER STEBBINS: Mr. Chairman, I
21 move that we adopt the Commission statement as
22 presented.

23 COMMISSIONER CAMERON: Second.

24 CHAIRMAN CROSBY: Any further discussion?

1 All in favor of adopting the mission
2 statement as read say aye.

3 COMMISSIONERS: Aye.

4 CHAIRMAN CROSBY: All opposed?

5 And so the motion passes. Our first
6 motion, I believe, hooray. Big stuff. We're off
7 to the races. Nobody laughed. Thank you.

8 All right. Next on Item 4 is the adoption
9 -- we referred in the agenda to the adoption of
10 Robert's Rules of Order. We've subsequently been
11 talking with other entities, and as I said to
12 you, there are not other entities like ours. But
13 we do need to adopt some kind of basic rules of
14 the road for the conduct of these meetings. I
15 think it will be less -- more informal than
16 formal, but I wanted to ask Commissioner McHugh
17 if you would speak a little bit to this agenda
18 item.

19 COMMISSIONER MCHUGH: Well, I think,
20 Mr. Chairman, that we do need some rules. I
21 think that, obviously, but I think that the main
22 thrust of Robert's Rules of Order, which is a
23 large volume of rules for almost any contingency
24 that can arise in a meeting, contains much that

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1 we're not going to ever encounter, the five of
2 us. Those are rules that are universal rules for
3 the governance of town meetings, for the
4 governance of legislative bodies, for the
5 governance of all kinds of large groups.

6 And so I think that what we ought to do is
7 adopt rules of order that are modeled on Robert's
8 Rules of Order and use them as a general guide to
9 our conduct of business in the Commission and in
10 our Commission meetings. So I'd move that we
11 adopt as a general guideline for the conduct of
12 our business Robert's Rules of Order.

13 CHAIRMAN CROSBY: Do I have a second?

14 COMMISSIONER ZUNIGA: Second.

15 CHAIRMAN CROSBY: Thank you. Any further
16 discussion on this business?

17 Again I want to -- I think we're going to
18 learn as we go here, on how this operates. I
19 think we don't want to overly structure this but
20 we do want to have rules of the road as we need
21 them, and I think, you know, for the time being
22 at least, this makes -- this gives us sort of an
23 appropriate starting point.

24 Any other discussion?

1 All in favor of the motion to adopt
2 generally the principles of Robert's Rules say
3 aye.

4 COMMISSIONERS: Aye.

5 CHAIRMAN CROSBY: All opposed?

6 Two down. Thank you.

7 Item Number 4, the legislation calls for
8 the election of a secretary and a treasurer from
9 the Commissioners, and I have done a little bit
10 of prior work on seeing if we might get people to
11 be willing to serve, and I would like to ask if
12 we have any nominations for the office of
13 secretary of the Mass. Gaming Commission.

14 COMMISSIONER CAMERON: Mr. Chair, I'd like
15 to nominate Commissioner James McHugh to serve as
16 our secretary.

17 COMMISSIONER STEBBINS: I would second
18 that nomination.

19 CHAIRMAN CROSBY: Thank you. Any
20 discussion? Oh, are there any -- are there other
21 nominations? You might get lucky, Jim.

22 COMMISSIONER McHUGH: Oh, it's an
23 uncontested election it looks like.

24 CHAIRMAN CROSBY: Okay. Discussion on the

1 nomination of Commissioner Jim McHugh? I will
2 just say for the record, I served with
3 Commissioner now, then Judge McHugh on the
4 so-called Harshbarger Commission, which looked
5 into hiring and promotional practices in the
6 Massachusetts judiciary after the probation
7 scandal, and I can say that what he brings to
8 this role is a sense of fairness and
9 judiciousness that is unparalleled, and I'm going
10 to be casting my vote in his favor.

11 Go ahead.

12 COMMISSIONER ZUNIGA: Mr. Chairman, I
13 would just add to that the many years of
14 experience of Judge McHugh in the proceedings,
15 the public laws of this Commonwealth I believe
16 make him an excellent candidate to be in the role
17 of the secretary for this Commission.

18 CHAIRMAN CROSBY: Great. Any other
19 discussion?

20 All in favor of the election of
21 Commissioner James McHugh as secretary of the
22 Massachusetts Gaming Commission, please say aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN CROSBY: All opposed say nay.

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1 The ayes have it and the motion is passed.
2 Thank you.

3 We are next asked to elect a treasurer,
4 and again, I've done some spade work, and I think
5 we have a candidate. Do I have a nomination for
6 the office of treasurer?

7 COMMISSIONER STEBBINS: Mr. Chairman, I
8 would like to nominate my colleague, Enrique
9 Zuniga, as treasurer. Since joining this
10 Commission, I've taken a fond appreciation of his
11 financial background and expertise, and think
12 he'd be a great candidate for this slot.

13 CHAIRMAN CROSBY: Great. Do I have a
14 second?

15 COMMISSIONER CAMERON: I second.

16 CHAIRMAN CROSBY: Any other nominations?
17 There being none, I call for discussion of
18 this nomination.

19 COMMISSIONER McHUGH: Mr. Chairman, I
20 support the nomination. Commissioner Zuniga has
21 the background and the experience to deal with
22 this and deal with the sometimes complicated
23 financial responsibilities that the Commission is
24 going to have, and he's displayed in the short

1 time that I've been working with him a zealous
2 approach to our internal structure and how we
3 approach the public trust we have, and I think
4 he'd be an excellent candidate for this job.

5 CHAIRMAN CROSBY: Any other discussion?

6 All in favor of the motion to nominate
7 Enrique Zuniga as the treasurer of the
8 Massachusetts Gaming Commission, please signify
9 by saying aye.

10 COMMISSIONERS: Aye.

11 CHAIRMAN CROSBY: All opposed?

12 The motion passes unanimously. Welcome.

13 Item Number 5, procurement rules. I told
14 you this was going to be a lot of housekeeping
15 stuff, folks. It's going to get better in the
16 future. Those of you on the web, I promise you,
17 it's going to get better in the future, but we've
18 got a lot of housekeeping to do. I'm sorry.

19 We are going to be doing a lot of
20 procurement. We're a very little operation right
21 now. We have five Commissioners and we have
22 three staff, and we have essentially -- and six
23 desks, but we will be doing a lot of procuring.
24 We do need to have controlling rules in place for

1 how we do our procurements that are in compliance
2 with the laws of the Commonwealth, and I'd like
3 to ask Commissioner Zuniga to lead the
4 conversation on what you think we ought to be
5 doing on this.

6 COMMISSIONER ZUNIGA: Yes, thank you.
7 Thank you, Mr. Chairman.

8 I have submitted a memorandum to the
9 Commissioners here relative to the procurement of
10 services. As we engage this startup phase, but
11 will continue to operate, procure and buy, issue
12 purchase orders, equipment, supplies, but also
13 importantly the services of professional services
14 and professional providers.

15 And I've done research in our statute and
16 have concluded that Section 3(w) of our enabling
17 statute does exempt us, this Commission, from
18 having to comply with the public procurement
19 rules of state agencies. We also, given my
20 familiarity with Chapter 30B, we also, according
21 to my research, do not believe that those rules
22 would apply to this Commission.

23 But in my memorandum here I have submitted
24 to these Commissioners, my recommendation to

1 nonetheless adopt those procedures, procedures
2 that the Executive Office of Administration and
3 Finance issues for agencies, for state agencies.
4 Those are regulations 801 CMR 21. They govern
5 essentially the procurement rules and procedures,
6 the tasks that state procurement agents should
7 follow for the solicitation and procurement and
8 engagement of those professional services.

9 So again, because -- although the law does
10 not require us to adopt those, I'm submitting
11 that it's in our best -- in the best interest of
12 this -- of the taxpayers to follow them because
13 embedded in those procedures, there are a number
14 of best practices that ensure the proper and
15 efficient use of the public resources as well as
16 create a very fair and competent environment.

17 Again, what I'm talking about, I'm posing
18 to you is that we consider the adoption of those
19 rules, 801 CMR, and I can take any questions or
20 have any discussion.

21 CHAIRMAN CROSBY: Any discussion about the
22 topic, besides this?

23 COMMISSIONER McHUGH: Mr. Chairman, I
24 think that although it's clear that these rules

1 do not apply to us by statute or by their own
2 force, they are the rules that other entities in
3 the Commonwealth live by. They are rules that
4 have been carefully thought through. There is
5 not only a set of rules that have been carefully
6 thought through, but a set of practices that have
7 grown up around those rules, and so it provides a
8 framework for us to -- within which we can work
9 without having to reinvent something that
10 probably wouldn't be as good no matter how long
11 we spent doing it. And it also is appropriate
12 that we have rules that everybody understands for
13 our major procurements. So I strongly support
14 this motion.

15 COMMISSIONER ZUNIGA: Mr. Chair, I need to
16 just, two following points on that notion.

17 The Office of the Governor, and we'll talk
18 about this as per the agenda, but the Office of
19 the Governor has already conducted, started the
20 procurement of two service providers, a gaming
21 consultant and an outside counsel under those
22 rules, and according to that RFR, or those two
23 RFRs, after the forming of the Commission, the
24 selection would come to the Commission. So

1 there's another great segue into the adoption of
2 those rules.

3 I also just as per my memorandum here
4 would like to clarify that this is for the
5 procurement and purchasing of services and
6 commodities for our operations. This does not
7 apply to the procurement of licensees or anything
8 like that. Indeed, our own chapter -- enabling
9 statute gives us a lot of the direction and a lot
10 of discretion into how we undertake that
11 procurement or those procurements.

12 CHAIRMAN CROSBY: Thank you. That's a
13 very good -- that's a good point for the public
14 to understand. We're talking about the
15 procurement of goods and services for the use of
16 the Commission. We're not yet getting into how
17 we procure the gaming licenses and the resources
18 associated with that. Thank you. That's a good
19 point.

20 Any other points? In general, I mean,
21 there's no -- you can't not favor this, I think.
22 And in general, we're not going to be in a mode
23 where we're in an urgent situation. We are,
24 however, as we start up a little bit in an urgent

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1 situation. Is there any -- I mean, sometimes we
2 need people desperately. We need consultant help
3 desperately and so forth. Is there any
4 flexibility in these rules to help us move
5 expeditiously when the need is there?

6 COMMISSIONER ZUNIGA: For the most part my
7 understanding is that yes, there are thresholds
8 that, for example, the administrate -- the Office
9 of Administration and Finance has set forth in
10 policy, not in regulation, relative to incidental
11 purchases, for example. Anything under \$5,000 we
12 -- you know, the policy statement states that an
13 agency could just use best business practices,
14 not necessarily have to get a minimum of three
15 bids.

16 CHAIRMAN CROSBY: For under 5,000.

17 COMMISSIONER ZUNIGA: Under 5,000.

18 CHAIRMAN CROSBY: Right.

19 COMMISSIONER ZUNIGA: I, as outlined in my
20 memo, I also move that we adopt that policy of
21 incidental purchases could be very well done
22 using best practices. Over that, there is other
23 thresholds that apply, and we do have the
24 flexibility by having chosen to adopt these rules

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1 if an emergency arises, to temporarily pause them
2 or suspend them, if you will, whatever may show
3 up.

4 CHAIRMAN CROSBY: I think we -- I mean,
5 the Commission has been in place now for 12 days.
6 Three of us have been here for 12 days. The
7 other two have been here for seven days. But in
8 that time, and in the month prior to that where
9 we just had some consultant staff who were
10 helping, we have done a lot. And I'll speak to
11 this later on, a lot of state agencies have
12 helped us to get moving.

13 But I do think that even as we adopt this,
14 which I think is the right thing to do, we do
15 need to make sure that we know what the
16 appropriate processes are, and there are some for
17 the speedy execution of things that really need
18 to move quickly, and so just as an aside. And we
19 will, I think, continue to look to you for help
20 and guidance in that area. So if you can help
21 make sure that we know every -- every appropriate
22 shortcut that there is, just in case. This is
23 the former businessman in me speaking.

24 COMMISSIONER ZUNIGA: I will call them

1 flexibility. There's enough rule in -- there's
2 enough flexibility in the rules that would allow
3 us to do that.

4 CHAIRMAN CROSBY: Okay. That's great.

5 Do I hear a motion to move forward on this
6 -- on this proposal?

7 COMMISSIONER ZUNIGA: Yes. I would submit
8 to you that as per my memo and description, that
9 you please consider this a motion to adopt the
10 rules, 801 CMR 21, as articulated in the
11 memorandum.

12 CHAIRMAN CROSBY: Okay. Is that
13 sufficient to -- for the motion to adopt whatever
14 that number was you said?

15 COMMISSIONER ZUNIGA: I could read it.
16 I'm recommending and move to adopt 801 CMR 21 and
17 follow associated procurement procedures when
18 necessary and conduct the procurement of
19 commodities and services accordingly.

20 CHAIRMAN CROSBY: Okay. Do I hear a
21 second?

22 COMMISSIONER STEBBINS: Second the motion.

23 CHAIRMAN CROSBY: Any further discussion
24 on the motion?

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1 All in favor of the motion as read by
2 Commissioner Zuniga please indicate by saying
3 aye.

4 COMMISSIONERS: Aye.

5 CHAIRMAN CROSBY: All opposed?

6 There are none. Motion passes. Thank you
7 very much for that work.

8 Under this same -- no, under the next
9 item, Item 6 on the agenda, we need to do a
10 little bit of work in just adapting and adopting
11 those steps which we've already taken as we were
12 in our consummating mod -- mode, and the first
13 issue is the lease for our office space. We're
14 at 84 State Street.

15 As the Commissioners know, we -- we don't
16 have any idea how many personnel we will
17 eventually have when the Commission gets up and
18 running. The numbers are anywhere from a hundred
19 to 150 probably, somewhere in that range, but in
20 different offices around the state. So we
21 couldn't get a space and we won't need that space
22 or all that space for another couple years
23 probably. So we decided to get space for a
24 one-year lease that will hold us for up to 30

1 people, and by the end of this year, we will be
2 able to make an informed decision about how much
3 more space we'll need, either in this building or
4 someplace else.

5 And as I think the Commissioners know,
6 this was the -- the lease was negotiated by DCAM,
7 our Department of whatever it's called, Capital
8 Asset Management, thank you, and I did sign the
9 lease. The lease is, as I said, for one year.
10 It will hold about 30 people. It's for \$256,000
11 for the year, plus utilities, which if I'm right
12 is somewhere in the neighborhood of 25 to
13 \$30,000. I have signed it tentatively but I do
14 think it needs to be adopted by a formal vote of
15 the Commission. Could I have a motion to that
16 effect?

17 COMMISSIONER McHUGH: I move that we adopt
18 the or ratify the lease that the Chairman signed
19 for the space at 84 State Street.

20 COMMISSIONER CAMERON: Second the motion.

21 CHAIRMAN CROSBY: Any discussion?

22 COMMISSIONER ZUNIGA: Just --

23 CHAIRMAN CROSBY: No negotiating on who
24 gets which office.

1 COMMISSIONER ZUNIGA: No. Just to note
2 that I -- and I will vote in favor of this, but
3 to note that \$33 per square foot for a one-year
4 lease that allows us the flexibility to renew as
5 early as six months, start negotiations, is very
6 reasonable. It's the going rate of downtown
7 space. So I just wanted to make that known.

8 CHAIRMAN CROSBY: Thank you. That's good
9 to hear. And we, you know, because we only took
10 a one-year lease, we had left negotiated room --
11 space, but I think DCAM did a good job, so thank
12 you for that.

13 Any other discussion?

14 All in favor of the motion as stated by
15 Commissioner McHugh say aye.

16 COMMISSIONERS: Aye.

17 CHAIRMAN CROSBY: All opposed?

18 Motion passes unanimously. Thank you.

19 Under this same item, we have done a bunch
20 of other things. We bought office furniture.
21 We've signed up for phones. We bought some
22 computers. For the most part, this has been
23 handled by other state agencies who know how to
24 do this, and I just for the record, as we've been

1 trying to pull this Commission together, as I
2 said, when we started we had zero, and we hired
3 -- the Governor's office on your behalf hired a
4 public relations consultant who many of you have
5 met, Karen Schwartzman, and Janice Reilly, who
6 was a consultant to help us get up and running.
7 Janice served as my chief of staff when I was
8 Secretary of Administration and Finance, and she
9 is still just a consultant. But Janice, in
10 particular, worked with the state agencies that
11 work under A&F, ITD, the IT department; HRD,
12 human relations; OSD, the Office of -- what's it
13 called? OSD --

14 COMMISSIONER ZUNIGA: Operational Services
15 Division.

16 CHAIRMAN CROSBY: -- Operational Services
17 Division which is the procurement body and the
18 Comptrollers Office, and I want to say for the
19 record that they've all been great. We would not
20 have been able to operate if those folks hadn't
21 put their shoulder to the wheel. And the answer
22 to: Can state government move quickly, is yes.
23 And I want to thank those folks if they're
24 watching or they're out there somewhere.

1 But the question I want to ask,
2 Commissioner, is whether you think, do we need to
3 do anything else? Is it all pretty much under
4 control? Do we need anything to sort of ratify
5 everything we've done or is it all right as is?

6 COMMISSIONER ZUNIGA: I move and suggest
7 to approve the expenditures as they have -- as we
8 have them and know of them right now.

9 CHAIRMAN CROSBY: Okay.

10 COMMISSIONER ZUNIGA: And given that we
11 just adopted the procurement rules a few minutes
12 ago, then operate under those -- under those
13 assumptions. Literally cleaning the house,
14 housekeeping item, if you will, but a good one.

15 CHAIRMAN CROSBY: That would require
16 another motion?

17 COMMISSIONER ZUNIGA: Yeah, it would
18 require another motion. I have actually spoken
19 with Janice and have -- and can speak a little
20 bit about the expenditures, just summarize them
21 for the record.

22 CHAIRMAN CROSBY: Good, yeah, great. Do
23 we have that?

24 COMMISSIONER ZUNIGA: Yeah, we have that

1 in the packets. We have a total of \$66,000 on
2 what I would term fixed assets. These will
3 eventually go into our fixed asset ledger. It's
4 chairs, equipment, desks, et cetera. So they're
5 itemized here for your consideration. So this is
6 -- this has been a purchase.

7 CHAIRMAN CROSBY: Okay, great.

8 COMMISSIONER ZUNIGA: There is a couple of
9 other items which we are leasing and are
10 customarily leased, and I find them to be
11 reasonable as well. A copier, computer,
12 monitors, laptops, that get us started as well.
13 Given the nature and depreciation of these
14 assets, it's very advisable in this -- these days
15 to lease that equipment. The yearly costs amount
16 to \$5,380 currently for computers, 3,000 for a
17 copier, and those are the expenditures that we
18 have.

19 And third and last, we have an item of
20 charge backs for our connectivity, e-mails,
21 voicemail, et cetera, to be part of the Mass.
22 mail system. Those are also itemized here for
23 your consideration and are \$1,300 a month.

24 CHAIRMAN CROSBY: Okay, great. I will say

1 that we're -- for reasons which you can all
2 understand, the public can understand, we are
3 paying particular attention to various elements
4 of security. We don't have just -- we won't have
5 just the normal voicemail system, just the normal
6 e-mail systems and so forth, since typically
7 gaming commissions are under a much stricter
8 standard of security. We haven't done a lot of
9 this yet, but it's something that we need to
10 continue to be focused on, and we'll look to your
11 help in overseeing that as well, along with our
12 former state trooper.

13 Any other discussion on -- do you want to
14 put this in the form of a motion?

15 COMMISSIONER ZUNIGA: Sure. I move that
16 this Commission approve the costs summarized as
17 -- in the attachment, \$66,696 for fixed assets,
18 they're in the spreadsheet, and the other leasing
19 costs, also itemized in the packet, as well as
20 the charge back costs to be approved by this
21 Commission.

22 CHAIRMAN CROSBY: Do I have a second?

23 COMMISSIONER McHUGH: Second.

24 CHAIRMAN CROSBY: Any further discussion?

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1 Other than thank you for looking up this stuff.

2 All in favor of adopting the motion as
3 read by Commissioner Zuniga please indicate by
4 saying aye.

5 COMMISSIONERS: Aye.

6 CHAIRMAN CROSBY: All opposed?

7 Again, the motion passes unanimously.

8 We are now on item 7 which begins to get
9 to the more substantive and critical --
10 critically important part of our work which is
11 the discussion of and perhaps selection of a
12 gaming consultant. A couple of introductory
13 remarks here.

14 We have asked -- there are two finalists,
15 Michael & Carroll, and Spectrum Gaming. We have
16 asked both of them to come and make a
17 presentation. We'll tell you a little bit more
18 about this in a minute. We'll discuss this
19 process a little bit more. We have asked that
20 all of them be willing to step outside, if you
21 are willing, while we're having this entire
22 segment, and we will ask each of the groups to
23 come in at the right time to have the discussion.

24 In addition, Commissioner Cameron wants to

1 make a statement about this item.

2 COMMISSIONER CAMERON: Mr. Chair, as it
3 turns out, the two finalists for the gaming
4 consultant are both New Jersey-based companies.
5 As my fellow Commissioners know, I spent my
6 entire professional career with the New Jersey
7 State Police and I know some of the individuals
8 of teams, and I know all of them by reputation.
9 I thought it was appropriate, so there's no
10 appearance of a conflict, that I recuse myself
11 from the selection process. So I am going to
12 leave the room at this time and let this piece of
13 the process proceed.

14 CHAIRMAN CROSBY: Commissioner Cameron
15 brought this up herself. She has not been
16 involved in any of the discussions, preliminary
17 or otherwise.

18 I would like to say for the record that
19 there is a standard by which we will -- which we
20 will be using for issues of recusal, a two-step
21 standard that each of the Commissioners will need
22 to answer. The first question is given this
23 apparent conflict, can I be objective? And I
24 believe Commissioner Cameron believed that she

1 could be.

2 But the second question is is there any
3 appearance of a conflict, notwithstanding the
4 fact that I can be objective? And to that,
5 Commissioner Cameron was -- was gracious and wise
6 enough to say in the interest of the appearance
7 of absolute propriety, she would recuse herself
8 and has throughout this entire process.

9 So if the folks from Spectrum and Michael
10 & Carroll would be willing to go out back, Janice
11 Reilly with the pretty much red hair will show
12 you where to go. And I appreciate you folks
13 coming and indulging on this.

14 [Pause].

15 CHAIRMAN CROSBY: Okay. Here is the
16 process. We're going to get a little bit of
17 background on how we got to where we got. Some
18 of you know this. Then we're going to have each
19 of them come in, and then we will talk for as
20 long as we need to talk about this decision.

21 By way of background, the RFP for the
22 gaming consultant was issued on November 29th.
23 It was issued by the Governor under the authority
24 that's vested in the Governor along with money to

1 help get the Commission up and running before the
2 Commission existed. And we asked them in order
3 that we could have an RFP teed up, ready to go by
4 the time we started, rather than have the
5 Commission have to put out an RFP so we'd lose a
6 month or a month and a half, we wanted the
7 Governor to get this set up for us.

8 We did collaborate with him on the writing
9 of the RFP. That went out on February 29th. The
10 scope of services included such things as
11 reviewing the Act and advising us on its content,
12 assisting us with all of the activities to
13 implement the Act, in particular to develop a
14 strategic plan for the Commission, particularly
15 in its startup phase that would include
16 timelines, staffing plans, preliminary budget, et
17 cetera; assist with other procurement activities
18 related to the licensing process, and so forth.

19 The deadline for the proposals was
20 March 21st. The response that was required from
21 the firm was -- from the proposals, proposers was
22 a history of the firm, a description of their
23 relevant experience, similar projects,
24 references, conflicts that they may have in the

1 Massachusetts gaming environment, et cetera.

2 The responses that came in, I believe
3 there were five, by March 21st. They were
4 reviewed in the first instant by -- instance by
5 the review team designated by the Governor's
6 office, which consisted of me and someone from
7 the Office of Consumer Affairs and Public
8 Licensing, Adam Forkner.

9 We winnowed the applications down to the
10 two finalists, and for the two finalists to
11 interview and then call in for an interview the
12 two finalists. Adam and I, given that
13 Commissioner Cameron was recused, and this was
14 the week when we still only had three
15 Commissioners, I asked Commissioner McHugh to
16 join us and Adam for that process of review. And
17 Commissioner McHugh will report on that process
18 and our reactions to the interviews after we've
19 had the interviews.

20 So I think I want to turn to the
21 candidates, right?

22 COMMISSIONER MCHUGH: Yeah.

23 CHAIRMAN CROSBY: Okay. We chose the
24 order of interview, surprise, by alphabet, and

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1 the team of Michael & Carroll will be our first
2 interviewees. If you'd bring them in, Janice.

3 [Pause.]

4 CHAIRMAN CROSBY: We have two mikes and
5 two chairs, but please bring up other chairs.
6 That was -- that's good. That counts for a lot.

7 Why don't you introduce yourselves, and as
8 last time, we've asked you to make a brief
9 presentation of what you think is important and
10 we will then fire away. So gentlemen.

11 MR. CARROLL: Thank you. Chairman Crosby
12 and Commission, thank you very much for this
13 opportunity. This is a very important day,
14 historic day in the history of the Commonwealth.

15 We have submitted a written proposal to
16 you which we trust contains the basic background
17 information, our experience over the decades
18 we've been involved in gaming, and particularly
19 in gaming regulation. What I'd like to do now,
20 if I could, is just introduce myself and my
21 colleagues, and we'll also note, there is one
22 person missing which we'll explain in a minute.

23 To my right is Mr. Guy Michael. He's part
24 of my firm. It's Michael & Carroll. And Guy is

1 a practitioner for almost 37 years I guess now,
2 something like that. Who's counting?

3 Guy is regarded in the gaming industry as
4 one of the seniors, the deans of gaming. He was
5 involved in New Jersey in the initial drafting of
6 the Casino Control Act back in the '70s. He
7 stayed on to head important divisions,
8 departments in the Division of Gaming
9 Enforcement. He was involved in the initial
10 licensing the New Jersey casinos, the setting up
11 of that regulatory apparatus, and obviously the
12 results over the many years that have shown that
13 those initial apparatus were very effective in
14 keeping out undesirable elements.

15 He was also involved in establishing
16 gaming into Australia. We were involved in the
17 drafting of legislation for the Pennsylvania
18 gaming project. Guy is also a past national,
19 international president of the International
20 Association of Gaming Attorneys. He currently
21 serves as a counselor to that organization. And
22 more importantly or relevant to our presentation
23 today, our firm has been involved since the very
24 beginning of the advent of what is now a

1 \$26 billion Indian gaming industry throughout the
2 country.

3 We were involved in the initial setting up
4 of Foxwoods, the gaming Commission there, the
5 Pequot Gaming Commission, that is. We were also
6 involved in developing systems and methodologies
7 that were used as a pattern and as a model for
8 all around the country in terms of other Indian
9 gaming operations that have been set up. And Guy
10 and I also have held regulatory positions, and
11 still hold such positions today. For over --
12 almost two decades now, I've been chairman of a
13 gaming commission in Louisiana, and Mr. Michael
14 has been legal counsel.

15 From that experience, Guy is regarded as
16 not only an expert, but as a person who is called
17 upon by many of the largest gaming organizations
18 in the world for advice and for consultation.
19 I've been very proud to work with him now for 20
20 years, and he has taught me a great deal, and I
21 find that every day he comes up with new
22 innovative ways and methods to better gaming
23 regulation throughout this country.

24 To Guy's right is Mr. Jim Darcy and

1 Mr. Bernie Murphy. Both of these individuals are
2 veteran FBI supervisors who have a very unique
3 skill set. Both were involved in New Jersey in
4 conducting complex investigations of public
5 corruption, organized crime, and other matters,
6 and most specifically, matters involving
7 corruption related to gaming. Both were
8 intimately involved in the various attempts by
9 organized crime to get into Atlantic City, and
10 through their efforts, those efforts, those
11 invasion attempts were, in fact, rebutted.

12 In addition to that, after their careers
13 with the FBI, they were retained by some of the
14 largest gaming companies in the world for both
15 advice on compliance, regulatory systems, as well
16 as general advice to managers on how to do it
17 right, and make sure that their systems would
18 remain clean and in complete compliance with
19 regulatory guidelines.

20 There's one person missing from our table
21 right now, and that is our other colleague,
22 Kathleen O'Toole. Kathleen is well-known in
23 Massachusetts. She is the former commissioner of
24 the Boston Police Department. She was also the

1 former superintendent of the Massachusetts --
2 excuse me, superintendent of the Metropolitan
3 Police and she was also a lieutenant colonel of
4 the Special Operations for the Massachusetts
5 State Police.

6 Kathy, in addition to that, has had very
7 responsible positions over the years, including a
8 very important position as she was Secretary of
9 Public Safety. She supervised 20 different state
10 agencies with over 10,000 employees, and she
11 brought not only integrity, but organization to
12 that effort.

13 She has also been involved on many high
14 profile projects. She has been consulted for the
15 United States Department Justice -- United States
16 Department of Justice, the Civil Rights Division,
17 on police profiling and other racial-related
18 matters. She currently is a member of the
19 Independent Commission on Policing in Northern
20 Ireland, which is known as the Patten Commission,
21 and she's been involved in teaching proper police
22 procedure in governmental administration to the
23 Irish government.

24 All of that being said, we're here today

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1 because this is a very special team that we've
2 assembled. All of us have been involved on many
3 occasions with starting up gaming commissions
4 from zero, I mean, literally like you are, no
5 desks, no pens, no telephones, nothing whatsoever
6 to start. We've been there. We've done it. We
7 think our record speaks for itself. We have a
8 documented history of both integrity and also
9 transparency, and the clients that we have
10 advised over the years, both in the industry and
11 governmentally, have always been very satisfied
12 with our work product and have advised us, and I
13 believe we contained some letters of
14 recommendation as you had requested.

15 We've studied your gaming law, and we've
16 analyzed it from the perspective of our
17 experience, and we believe that there are many
18 good things in that legislation that other
19 jurisdictions have not included. You are
20 evolutionary. You are -- you have included in
21 there matters that we think are not only
22 important, but will be critical in maintaining
23 the integrity of your process. We applaud that.
24 It makes everyone's job easier going forward.

1 In addition to that, we wanted to point
2 out that the persons you see here, with Kathleen
3 O'Toole, are the persons you would be dealing
4 with if you select us. We don't delegate. We
5 don't have a pool of people that are going to be
6 given different responsibilities to interact
7 with. We believe in running our practice in a
8 way that we devote our intention and our focus on
9 the matters of most importance. This is most
10 important.

11 We also had supplied you recently with a
12 couple of handout charts. We thought, just to
13 give you a little sampling of our thinking, in
14 looking at your statute, there is one that has to
15 do with an inter-agency relationship chart. It
16 has -- I apologize for the multi-colors, but that
17 was my daughter's work and she did a pretty good
18 job, so.

19 The document we think is self-explanatory,
20 but our -- Mr. Michael will comment a little more
21 about the detail of it, but we thought it was
22 just a visual on both our experience in how these
23 agencies can interact and the importance of that
24 interaction.

1 Secondly, we gave you a chart, also, what
2 I would call the regulatory review process which
3 was just a sample of our thinking in terms of
4 perhaps how a review protocol could go, utilizing
5 some techniques and methods that have proven to
6 be very successful in maximizing integrity,
7 transparency and yet, allow for maintaining the
8 balance that you spoke about before, Chairman, of
9 allowing the industry to breathe and be able to
10 expand and put the capital investment in, and not
11 be choked by unnecessary or overzealous
12 regulations. That review protocol is a sample.
13 It's by no means a final submission, but we
14 wanted you to get the benefit of that thinking.

15 I'll turn it over to Mr. Michael now. Oh,
16 I forgot one person. I should tell you about
17 myself. I'm Robert J. Carroll. I was also
18 involved as a state prosecutor for the first half
19 of my career. I've been an attorney for over
20 three decades. I formerly headed the New Jersey
21 Organized Crime and Racketeering Task Force for
22 many years, a Division of Criminal Justice.
23 During that phase, we also cracked down on a lot
24 of illegal slot machines and things of that sort.

1 I learned a great deal about gaming in those
2 early years.

3 After coming out of government, I was
4 recruited by Mr. Michael, and at that point his
5 partner, Mickey Brown, who was the first CEO of
6 Foxwoods, and we worked together at the beginning
7 of the Indian gaming movement. Since then, we
8 have counseled dozens and dozens of tribes,
9 hundreds of state, federal and tribal officials
10 on processes of good gaming. We believe we have
11 an excellent record on providing governments with
12 the input and the models and the tools that you
13 can chose from that will best work and serve the
14 Commonwealth.

15 So Mr. Michael.

16 MR. MICHAEL: Thank you. Thank you, Bob,
17 and I'll echo Bob's comments, Mr. Chairman, and
18 members of the Commission in thanking you for
19 this opportunity to be able to present ourselves
20 to you and hopefully, be able to present a
21 compelling case for our retention.

22 I'm Guy Michael. Bob has explained to you
23 my background, and he did it precisely the way I
24 wrote it, and so I appreciate that.

1 But the purpose of my presentation, and
2 we'll try to keep it as short as possible, is not
3 to repeat the concepts that Bob has so adequately
4 explained in terms of our ideas and our -- our
5 projections on how we intend to go about this
6 job, but maybe get more involved in some of the
7 details.

8 Not to be picayune, but as everyone knows
9 in any of these activities, the devil is in the
10 details. And there are some aspects of the
11 startup process here, the administrative and
12 procedural processes, that really need to be
13 addressed very quickly as I'm sure you all
14 recognize, and what we wanted to do is point out
15 some of those as an introduction into the kinds
16 of things that we would be happy to and be able
17 to assist you with.

18 The Chairman earlier mentioned in terms of
19 the agenda items that you've already done that
20 they were simply organizational. I'm sure you
21 didn't mean it that way, because there's nothing
22 simple about the organizational issues that
23 you're going to be facing here.

24 So to begin with those, for example, the

1 statute provides for a variety of law enforcement
2 agencies to be involved in the casino regulation
3 procedures, and that's as it should be. The
4 coordination and the compilation of resources in
5 the law enforcement field is essential.

6 However, what is also essential is to make
7 sure that the areas of jurisdiction as between
8 those various agencies are clearly defined and
9 are well understood. We have been involved in
10 jurisdictions in the past in which there is
11 ambiguity as between what agency handles what
12 matters, and as a result, it is
13 counterproductive. There can -- it ends up with
14 no one handling it completely and no one handling
15 it well.

16 So we would recommend at the outset that
17 efforts be made for a memoranda of understanding
18 to be drafted and engaged in with, for example,
19 the Attorney General's Office, Division of Gaming
20 Enforcement, the Alcoholic Beverage Control
21 Commission, Gaming Liquor Enforcement Unit, and
22 the State Police Gaming Enforcement Unit. Those
23 are all agencies that have some overlap
24 jurisdiction, and it should be clear as to who

1 does what.

2 Besides that exterior coordination with
3 other agencies, you, of course, are going to need
4 staff and coordination among yourselves. That
5 goes without saying. But in doing that, you're
6 going to have to know, of course, what the staff
7 is intending to do. And we've taken the liberty
8 of drafting, initially at least, a listing of
9 what might be your internal units in terms of how
10 the Commission might chose to operate.

11 There could be, for example, a licensing
12 unit and Commission intake clerk to handle all of
13 the applications that you're going to receive.
14 The mounds of paper, both actual paper and the
15 electronic information, are going to be massive,
16 not to forget there's a vendor approval process
17 and your requirement to maintain records of every
18 vendor at every casino. That unit will need --
19 that documentation needs to be well handled.

20 There need to be a hearings unit to handle
21 the appeals and the various hearings on licenses
22 that you will face. We recommend an audit unit
23 to handle the required oversight of casino
24 financial operations. The statute also requires

1 you to be onsite on the casino floor. Actually
2 it says that casinos cannot operate unless the
3 Commission has representatives on the floor, so
4 you would need an inspectors' unit to operate and
5 to administer those onsite observers.

6 You're also tasked with handling any
7 variety -- I lost count I think, going through
8 this statute, of funds that are generated from
9 the casino revenue. So it might be a good idea
10 to have a fund administration unit. That would
11 be the ones who would handle possibly under the
12 treasurer of the Commission the administration of
13 those funds.

14 You're also tasked with reporting to the
15 Legislature and to the remainder of the
16 government the developments in the casino
17 industry, and so a research unit that would keep
18 track of the industry and know what the new
19 developments are so that you can prepare those
20 reports on an adequate basis.

21 Obviously being lawyers, I guess, we're a
22 little partial to the legal unit that would need
23 to be a part of your organization, a general
24 counsel and lawyers who will be able to

1 interpret, administer the Act.

2 An administration unit that would handle
3 the overall operations of the Commission
4 administratively. And potentially a racing unit.
5 There is that entire area of gaming that is not
6 typically within casino regulatory bodies, but
7 which the Legislature has vested in you to handle
8 racing as well. So you would need that, too.
9 That would just be, again, our 10,000 mile
10 overview of what might be worthwhile Commission
11 structure.

12 We've also in the review of the Act
13 noticed that there is what we read as potentially
14 a two-step process. There's an option that this
15 Commission may use in terms of licensing, that
16 initial applications be filed, including
17 certainly background information and
18 representations about the remainder of the
19 obligations that applicants will have, that that
20 background be reviewed by the Bureau and then
21 once the Bureau passes on the background, the
22 remainder of the application be forwarded to the
23 Commission. If the Bureau does not pass on the
24 background, it just doesn't go any further.

1 We think that kind of two-step process is
2 very wise because it avoids the unnecessary time
3 and expense of having what might be later
4 determined to be unqualified applicants go
5 through all of the election processes and so on
6 that ultimately turn out to be a nullity or also
7 not having what might potentially be determined
8 to be unsavory persons involved in that election
9 process at all.

10 The Act also was kind of unique in that it
11 -- although it makes a license a revokable
12 privilege, as do almost all the Acts that we've
13 seen, it also allows licenses to be transferable,
14 and this is something that we haven't often seen.
15 And we would -- we think we need to address the
16 due process implications, possibly counsel could
17 do that, of having a legislative outline that
18 vests some property right in the license as
19 opposed to it being just the revokable privilege.
20 The kinds of process that may be required to
21 remove that vested interest could be different
22 than if there were no transferability of the
23 license itself.

24 The issues surrounding tribal gaming, as

1 Bob has mentioned we are very experienced in, and
2 although the Commission is not directly involved
3 in that process, it is -- it does have a role,
4 and it's important that the Commission be fully
5 advised of and capable of addressing the issues
6 that arise from that.

7 There are two in particular that are
8 particularly acute in Indian country right now,
9 the implications of what's called the Carcieri
10 decision, which says that tribes cannot take land
11 into trust if they were recognized after 1932,
12 and what's called the Patchak case which is now
13 before the Supreme Court as to whether or not an
14 individual landowner can sue in Federal Court to
15 stop an Indian development if, in fact, the
16 Indian tribe that is engaged in development took
17 the land into trust after 1932 in violation of
18 Carcieri. So these are involved issues but
19 they're important and they could -- they could
20 determine the Indian aspects of the gaming
21 operations here.

22 In terms of immediate administrative
23 issues that we saw in the Act that really should
24 be part of your code of ethics that the

1 Legislature says needs to be done and should be
2 in your policies and procedures, there are some
3 language uses in the Act that we think need to be
4 massaged a little bit, not legislatively, but
5 that the Commission has the authority to under
6 Section 4, you have the power to effectuate the
7 provisions of the Act according to the purposes
8 of that Act.

9 For example, Section 3(i) says that no
10 funds can be transferred without Commission
11 approval. Now, obviously, you've started to work
12 on that today, which is very wise and we applaud
13 you for that. You would certainly not want to
14 have the Commission's approval on every check
15 that you need to write and every expenditure that
16 you need to make.

17 Section 3(k) says that the hiring of
18 employees, you cannot hire them if they're
19 convicted of a misdemeanor of more than ten years
20 prior to their application. We're kind of
21 certain that that might be a misstatement. It's
22 probably that you can't hire them if their
23 misdemeanor conviction was less than ten years
24 prior to their application. But these are things

1 that you could probably address in your policies
2 and procedures.

3 Section 3(m) talks about hiring anyone who
4 has an interest in a license within -- a licensee
5 within three years before employment. Well,
6 you're going to be hiring people now. There are
7 no licensees. So it's going to be very
8 difficult, if not impossible, to ascertain if
9 people that you hire have had an interest in a
10 licensee three years ago. They're not going to
11 know that. You're not going to know that. These
12 are issues that need to be addressed in the
13 policies and procedures, and we think you can
14 under your powers in Section 4.

15 No commissioner or employee can own stock
16 in a licensee. Now, that's a very legitimate and
17 very worthwhile rule. However, licensee covers a
18 variety of people, and it's not uncommon for
19 people to have stock in mutual funds in which,
20 for example, they may not even know what stock
21 they hold, and especially if it's a vendor such
22 as IBM or AT&T and so on. So that would need to
23 be interpreted, and codes of ethics and
24 procedures need to be implemented that would

1 address those practical concerns.

2 And finally, the applications are
3 considered public records, except for what the
4 Act calls secrets and competitively sensitive or
5 proprietary information, which typically means
6 commercial information. But it would also be
7 worthwhile if the Commission promulgated rules
8 that would allow for the confidentiality of
9 individual personal background information. We
10 don't -- of course, you want to be transparent in
11 your operations so that the public knows that
12 you're doing this job adequately and accurately,
13 but at the same time, you don't want to deter
14 applicants from applying because they're afraid
15 that their entire life history is going to be
16 available to anyone who wants to see it.

17 Again, those are illustrative. They're
18 not meant to be inclusive. We don't want to take
19 up all day, and we hope that it gives you an
20 example of the kinds of things that we'd be able
21 to identify and help you with as we proceed
22 through this challenging process.

23 I now turn it over to Mr. Murphy and
24 Mr. Darcy.

1 MR. MURPHY: I won't take too much of your
2 time, except to say Jim and I have worked
3 together for now going on 30 years. Both of our
4 backgrounds are FBI and then working in the
5 compliance end of the casino business after our
6 retirement from the Bureau.

7 I'm going to kind of turn it to Jim to
8 talk more specifically to some of those issues,
9 because while all of our work as agents and in
10 the commercial field have been casino related,
11 Jim's background does go back just a little
12 before mine in Atlantic City and like everything,
13 I think we should start at the beginning. So I
14 think that I'll turn it over to Jim for that
15 purpose.

16 MR. DARCY: Thank you. Mr. Chairman,
17 Commissioners, I'm the local guy. I was born in
18 Boston, and to let you know how old I am, I went
19 to BC High before any of this was here. So this
20 is a spectacular building.

21 I went on to BC and then eventually ended
22 up in the FBI, where I spent 17 years in Atlantic
23 City. I was an agent there for ten years and
24 then a supervisor I guess for the last seven, and

1 after that went into the casino business on the
2 compliance side.

3 One of the things that I think we could be
4 helpful to the Commission through this
5 consultancy goes to the issue of what the
6 legislation charges the Commission with,
7 coordinating with law enforcement agencies at
8 every level, to include the federal government
9 which is tremendous.

10 One of the things that occurred in the
11 1990s when there was a significant up-check in
12 the number of jurisdictions that came online is
13 that the FBI and the New Jersey State Police and
14 folks from Nevada, from both the FBI and the
15 Nevada Gaming Control Board, traveled around the
16 country and put on seminars for the various
17 jurisdictions, Louisiana, Mississippi, Missouri,
18 Indiana. I spent some time in Michigan with the
19 Assistant Attorney General from New Jersey and
20 other places. And the purpose of the -- of these
21 seminars, which were attended by U.S. attorneys,
22 Attorney General's office folks, local police and
23 local prosecutors, was to try and educate or give
24 these participants some background on the lessons

1 learned. Because the fact of the matter is a lot
2 of folks in law enforcement, back then and I
3 think maybe to this day, think that the movie
4 casino is what's going on with the industry, and
5 clearly it isn't.

6 Nevada, for sure, had a significant issue
7 with what we referred to as the strawman cases in
8 the 1970s. New Jersey's statutes and regulation,
9 regulatory backdrop, was set up to prevent that
10 from happening ever again, and it's done a
11 tremendous job. And Nevada cured their problems,
12 coupled with the fact that in the late '70s, they
13 required every licensee to have a compliance
14 program where they self-regulate themselves, to
15 the extent they operate outside of the State of
16 Nevada, and the fact that most of the players in
17 the industry from the late '90s to the present
18 are either publically traded corporations or
19 privately held corporations, who because of their
20 debt are almost the equivalent to publically
21 traded corporations in terms of transparency.

22 Now, when I -- when I speak of the lessons
23 learned, what we thought was important was to --
24 what our experience was in Nevada and New Jersey

1 was whatever the local crime problem is is really
2 what you have to pay attention to. And New
3 Jersey was a great example, a very, very robust
4 and successful regulatory system. The very first
5 thing that happened there was the Casino Control
6 Commission was indicted for taking a bribe. He
7 passed away before trial.

8 The mob knew that they weren't going to be
9 able to infiltrate casinos, as they did in the
10 '70s in Vegas. There's been testimony in Federal
11 Court to that extent. So what they did in
12 Atlantic City is they -- they controlled -- they
13 took, they developed a plan to control the Office
14 of the Mayor, and they were successful. They
15 paid for his campaign. In controlling the
16 mayor's office, they controlled the zoning and
17 planning, which was where they tried to make
18 money.

19 Now, luckily law enforcement was on top of
20 that. The mayor got indicted. The underboss of
21 the Philadelphia family got indicted. The mayor
22 was sentenced to 15 years and served seven. So
23 that's an example.

24 The other thing they did is they attempted

1 to exert influence over the industry by their
2 control of the largest union in Atlantic City,
3 the bartenders and restaurant workers. Now, that
4 was a long time ago, I grant you that. But our
5 point is, and we think we can be of assistance in
6 providing guidance, putting together seminars to
7 help everybody keep their eye on the ball.

8 We all know the issue of corruption
9 unfortunately across the United States is there,
10 and you know, I guess we wouldn't be surprised if
11 something happens along the way. But you've got
12 a strong legislation which we've seen and you've
13 got all the right pieces in place, and we think
14 we can contribute a lot to help expedite the
15 process and bring to the table experience on
16 issues of, you know, of grave importance
17 obviously.

18 And just finally towards that end, the law
19 enforcement business in a team sport. Now, it
20 doesn't always work as smoothly as it should, but
21 so what? That doesn't mean --

22 CHAIRMAN CROSBY: You've heard about that
23 in Boston?

24 MR. DARCY: Yes, sir, I'm familiar. But

1 the legislation charges the Commission with
2 reaching out, and we think we could be helpful in
3 that regard.

4 As far as the industry goes, my experience
5 in the compliance end of it, the history of it is
6 in Nevada, as I said earlier in the late '70s,
7 they required all their licensees to have a
8 compliance program in place. Basically it's an
9 internal review system where they monitor
10 everything they do, and they do it because they
11 have to. We worked -- the group here has worked
12 in many jurisdictions. I can name seven off the
13 top. We had casinos in Canada, Australia. We
14 did new development work in Macau. We had a
15 casino in South America and one in South Africa.
16 So we're very well experienced towards that end.

17 We would internally do about 10 to 12,000
18 backgrounds a year. We're a 50,000 employee
19 company, and of that number, 200 to 300 were key
20 employees. So we're very familiar with how to
21 get the backgrounds done, how to get them done
22 quickly, and what various regulators from the
23 various jurisdictions would expect. And I think
24 that's pretty much of what I have at this point,

1 sir. Thank you.

2 MR. CARROLL: If you have questions, we're
3 more than happy to answer any of your concerns.

4 CHAIRMAN CROSBY: Great. Thank you very
5 much.

6 Why don't Commissioner Zuniga and
7 Commissioner Stebbins lead off?

8 COMMISSIONER ZUNIGA: Yes, and thank you
9 for your presentation. I have a couple of
10 questions or in general, I thought or I saw the
11 way that the legislation was written and it's
12 envisioned to take place, I envisioned this
13 process as two mega processes, if you will.
14 There's a big upfront siting, location, real
15 estate development piece that will take place,
16 and there's one of once casinos are eventually
17 built, one later on of eventually operation of
18 the casinos.

19 I think you touched on a lot of great
20 illustrations relative to the operation, the
21 ongoing, the licensing, et cetera, but is there
22 anything that you could tell us relative to the
23 upfront process, if you will, of construction,
24 operating -- sorry, the construction and

1 development piece that you could speak to?

2 MR. MICHAEL: I'll start on that. We --
3 we agree with you. I think you've identified, I
4 think, the two main areas. There's the back --
5 there's the initial developmental, if you want to
6 call it that, and then later the operational.

7 As part of that developmental aspect,
8 though, we perceived the background investigation
9 and the qualification of those who are developing
10 to be an integral piece of that process. It
11 would be, as I said earlier, counterproductive
12 and time-consuming and delaying to allow an
13 applicant to go through the entire -- the
14 development, to oversee their construction, to
15 make sure that they have everything in place,
16 their election, their approvals, and then find
17 out that they can't get a license.

18 So our recommendation is that the license
19 -- that the background procedure be done
20 initially as applicants with an intention to
21 proceed with a project first be screened, vetted,
22 and that their qualifications be determined.
23 Once that's done, then the remainder of the
24 process can take place.

1 Now, if those applicants choose to proceed
2 with development and purchase as much as they
3 want to develop in the meantime, if they're
4 confident that they're going to succeed in the
5 vetting process, that's their risk. If they --
6 if they want to wait, they can wait. We -- from
7 what we gather from public reports, it seems that
8 most of the persons who have expressed an
9 interest in Massachusetts are well established,
10 well qualified in many jurisdictions types of
11 companies. In that case, a background
12 investigation may not take very long, or if it
13 does, at least those companies might have a more
14 confident willingness to be able to proceed with
15 the developmental aspects while they're going
16 through the background parts. But our basic
17 recommendation in that area is that the screening
18 is at the first stage, the priority.

19 CHAIRMAN CROSBY: Commissioner, anything
20 else? Okay.

21 COMMISSIONER STEBBINS: I have a quick
22 question, and you pointed to your history and
23 experience with startup legislation. I feel
24 Massachusetts is somewhat unique. I mean, we've

1 identified a capped number of casinos. Do you
2 see us mirroring another jurisdiction where you
3 have some involvement that had a similar
4 legislation, similar startup to the Commonwealth?

5 MR. CARROLL: Yeah. We view Massachusetts
6 as I said before evolutionary. Your Act contains
7 some of the best developed provisions from
8 legislation from different states and
9 jurisdictions. Refinement of that would occur in
10 your regulation process and your implementation
11 process.

12 I don't think there's any one state that
13 it would mirror. Obviously, you know, in the
14 early days, and Guy would speak better to this
15 about New Jersey, you know, there was a drawing
16 upon of Las Vegas, but there was a different
17 intent. They wanted to start at a higher level
18 to screen out the bad elements from just coming
19 to the East Coast. That experience over the
20 years itself was refined. In fact, just recently
21 New Jersey went through a major reorganization of
22 its regulatory system, all for the good.

23 I would say that Massachusetts, from our
24 perspective right now, has a very good starting

1 point, and some of those fine tuning that Guy's
2 talked about, and that was only illustrative,
3 there are other areas, but within your purview
4 and within your authority, you'll be able to
5 address those.

6 We could certainly provide to you examples
7 of other jurisdictions in those same areas, both
8 positive and in some cases very positive, and on
9 occasion negative. I would think that you should
10 design it. You have a core element that is let's
11 say within industry standard, but there will be a
12 certain Commonwealth direction for this that's
13 going to be unique here.

14 We were impressed with the inclusion of
15 the law enforcement agencies. For example,
16 Pennsylvania didn't do that. They went a little
17 different direction, which was problematic. That
18 particular observation was made early and was
19 corrected. That's going to enable you, I think,
20 to move more quickly and then do those type of
21 things. So that would -- I would say, I would
22 view yours as, you know, a quality starting
23 point, and the fine tuning is where it gets
24 interesting now.

1 MR. MICHAEL: If I could just add to that
2 briefly, Bob pointed to it. If you're asking for
3 a jurisdiction that has a similar kind of
4 process, Pennsylvania is one of them in the sense
5 that whereas New Jersey or Nevada or Mississippi,
6 anyone who wants to have a casino can apply for a
7 license and if they qualify, they build a casino.

8 Here in Massachusetts, as in Pennsylvania,
9 the legislation specifies certain areas and
10 limits the number of licenses to those areas. So
11 in that sense, you're consistent with the
12 Pennsylvania process. And we were -- we were
13 involved in the drafting of the Pennsylvania
14 legislation. The legislation is fine. It has
15 everything it needs. As is no secret, the
16 administration of that legislation at the outset
17 of the Pennsylvania process had some difficulty,
18 but it was not a flaw in the law. It was
19 different.

20 COMMISSIONER STEBBINS: Leaving the State
21 Police out was not flawed in the law?

22 MR. MICHAEL: Well, leaving -- the State
23 Police should have had more of a role, yeah,
24 there's no question about that. But the State

1 Police could have -- just because the State
2 Police wasn't legislatively authorized to do it
3 doesn't mean there couldn't have been any
4 cooperation as between the State Police and the
5 gaming board, and there was an administrative
6 failure to communicate, even if it wasn't a
7 required communication. Information that the
8 State Police, for example, might have developed
9 might have been shared and we're not sure that
10 was done.

11 But we think that if properly
12 administered, certainly there's no -- there's no
13 necessary consequence of having this kind of
14 process where you have only limited licenses in
15 limited places that would have to repeat that
16 Pennsylvania process.

17 COMMISSIONER STEBBINS: Did you -- did you
18 approve of the structure of the Commission
19 itself, the appointees of the structure, the
20 Pennsylvania Commission itself?

21 MR. MICHAEL: Candidly, no. We --
22 [simultaneous speech].

23 CHAIRMAN CROSBY: I thought you said it
24 was good.

1 MR. MICHAEL: It was a good -- it was a
2 good statute. We would have preferred certain
3 things would have been done differently. I mean,
4 we would have preferred, for example, that there
5 may have been different -- like you say, the
6 State Police part. There might have been
7 different standards placed in. Overall, there
8 was -- we weren't -- it might have been more
9 transparency, as Bob says. But no system is
10 perfect, and it was not the law itself. It was
11 the administration of it.

12 COMMISSIONER ZUNIGA: I have another
13 question. Excuse me.

14 Can one of you tell us your view of the
15 gaming and hospitality industry, just sort of
16 like a summary? You alluded to it a little bit
17 relative to how it has evolved from Nevada and
18 New Jersey. But where do you see that -- the
19 industry going, its sustainability? Do you see
20 consolidation? What can you tell us relative to
21 that generally?

22 MR. CARROLL: Again, it's no secret that
23 it's different now. The competition that exists
24 with so many different jurisdictions online, I

1 don't mean -- online, there's another problem.

2 But so many jurisdictions in place that
3 have casinos and have gaming, there's so much
4 competition as between the various entities that
5 when I first got involved in it in the '70s, for
6 example, we were first involved, it was, you
7 know, build it and they will come.

8 I remember the initial days of Resorts
9 International, which was the first and for a year
10 and a half the only casino is Atlantic City.
11 They literally -- it didn't have 24 hours at the
12 time. It opened at 10:00 o'clock, and they would
13 literally blow a bugle at 10:00 o'clock, while
14 the crowd was winding its way around the exterior
15 of the building and on the Boardwalk. And then
16 the crowds would just crush into the operation,
17 and you couldn't find a place to stand. People
18 were actually selling their seats. If they had
19 -- if they were sitting at a blackjack table,
20 people could bid on the seat. You know, I'll pay
21 you to be able to sit there, and they'd make more
22 money selling their seat than playing the game.

23 Those days are gone and -- so the ability
24 to manage and administer your casino and to

1 market it is much more important now than it ever
2 was before. The quality of management, the
3 quality of marketing, as I say, are all elements
4 that are as key, more key now. We just focused
5 in the beginning on integrity and there's no
6 reason not to focus on that now, but for the most
7 part, the people who are involved in the industry
8 have been in the industry for a long time. They
9 understand regulation. They know the business,
10 and if you get people with that kind of an
11 experience -- experience in the business, then
12 you have a chance of success, but, you know, the
13 days of certainty in the business are gone.

14 MR. DARCY: Sir, I might in Atlantic City,
15 for sure, it wasn't a casino problem. Atlantic
16 City had a corruption problem long before the
17 casinos got there and they had a mob problem
18 going back a long time. The issue was a lot of
19 investment right now and opportunists trying to
20 take advantage of that. So you could have built
21 a theme park at \$2 billion, criminals do what
22 they do.

23 CHAIRMAN CROSBY: Mr. McHugh?

24 COMMISSIONER McHUGH: I have no questions.

1 CHAIRMAN CROSBY: This is a tough business
2 that you folks are in and that we're getting
3 into, with a lot of issues. Is there anything in
4 your backgrounds, professional backgrounds, any
5 difficulties that you've had that -- where you
6 appear to get in trouble or might have got in
7 trouble or anything that we should know about?

8 MR. CARROLL: I think I speak for everyone
9 and also Ms. O'Toole, I would say absolutely not.

10 CHAIRMAN CROSBY: Okay.

11 MR. CARROLL: Unless that beer I had in
12 high school is still haunting me. Other than
13 that, no. No, sir.

14 CHAIRMAN CROSBY: We're tough -- we're
15 tough on beers.

16 We will for the record be doing further
17 background checking of all the various people
18 that we -- we select. So everything that we do
19 here will be conditional on getting people, you
20 know, the appropriate level of backgrounds.

21 Second question is whether you have any
22 ethnic or racial diversity in your team anywhere?

23 MR. CARROLL: Well, Kathleen O'Toole
24 obviously is organized as a W.B.E, and at that

1 point, you know, we had submitted that as part of
2 -- as part of our team. We certainly
3 historically have always demonstrated a strong
4 sensitivity towards both racial and ethnic. The
5 casino, for example, that Guy and I now regulate
6 in Louisiana, it has been a model for racial and
7 ethnic diversity. I mean, our past clientele
8 alone would exhibit that.

9 This particular team that's been put
10 together has been assembled because of the
11 individual skill sets that we bring. There was
12 absolutely no concerns about anything other than
13 the ability they bring, their reputations and
14 their skills. We did not in any way expand
15 beyond what we felt was needed to bring to this,
16 but if that is necessary at some point, we
17 certainly are open to that.

18 CHAIRMAN CROSBY: Well, it is an area, as
19 you know, that the law is very clear on the
20 importance of diversity of the workforce,
21 diversity of the supplier relationships, and it's
22 something that we on the Commission are going to
23 be caring about, too, amongst ourselves and
24 amongst our providers. So it is something I hope

1 you'll be sensitive to.

2 MR. CARROLL: We acknowledge and are
3 sensitive, absolutely.

4 CHAIRMAN CROSBY: My last question is your
5 -- and we talked about this a little bit when you
6 -- when we met before, your team is very, very
7 strong from a law enforcement and compliance
8 standpoint. You know, it's very impressive from
9 that standpoint and from the lawyering side.

10 What concerns me slightly is where are the
11 kind of senior management resources who can help
12 -- you know, we're sitting here trying to figure
13 out how we get up and running, how we get a
14 Commission. We're not yet worried about, you
15 know, overlooking the licenses and applications
16 of people. The RFP calls for things like
17 proposed timeline and identification of
18 priorities, staffing plans, preliminary budget.
19 You don't talk about that much. Where does that
20 reside in your team and how will you attack that
21 -- the strategic plan which is really at the
22 heart of the RFP?

23 MR. MICHAEL: We carry that expertise as
24 well. We have -- as we said in our backgrounds,

1 for example, I was the fourth employee of the New
2 Jersey Division of Gaming Enforcement, and for
3 the next six years, we struggled from precisely
4 the same situation you are in to, as I say, six
5 years later, being a -- and sooner than that, a
6 fully operational regulatory agency. As deputy
7 director, I was intimately involved in the
8 construction of that organization from the hiring
9 to the administration of it, to the policies and
10 procedures, timelines for licensing. It was all
11 part of that job.

12 Bob and I are also, as he said, we operate
13 a gaming commission in Louisiana and started that
14 from scratch when it had no experience when the
15 casino opened. So we have in both, in our New
16 Jersey hat and our Louisiana hat, been involved
17 in those situations.

18 I guess I can speak for Jim and Bernie
19 that in administrative capacities, both on the
20 public sector and in the private sector in
21 casinos, they are administrators at a high level
22 in the operations of the casino activities
23 themselves, the casino operations themselves. So
24 we do know that. We tried to point out some of

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1 those -- for example, the units that needed to be
2 framed and so on, so we hope that you can achieve
3 some confidence in our experience and our ability
4 to handle those tasks.

5 CHAIRMAN CROSBY: Okay. Anybody else?
6 Last shot?

7 Thank you very much. We really appreciate
8 it. You guys have been here twice, and you've
9 given us a lot of time and we really appreciate
10 it.

11 MR. CARROLL: Thank you, and we'll just
12 leave by saying that we can get this done for
13 you.

14 CHAIRMAN CROSBY: Thank you. Appreciate
15 it. We will be moving as quickly as we can to
16 make this decision for obvious reasons. Thanks.
17 Thank you.

18 MR. CARROLL: We will go back out?

19 CHAIRMAN CROSBY: Yeah. Janice will take
20 you out the back and then bring in our next
21 guests.

22 While we are waiting for our next guests,
23 I am going to have a quick facilities break for
24 anybody who would like it. I will be right back.

1 [Short break in proceedings.]

2 CHAIRMAN CROSBY: Okay. We have the
3 people that matter here, I think. Thank you,
4 folks. I really appreciate your coming back.
5 This is a lot of time and a lot of commitment,
6 and I appreciate it very much.

7 Your -- the floor is yours. You did give
8 us a presentation, which we do have here. If you
9 want to start with that, but the floor is yours
10 to --

11 Sorry. Our second finalists, excuse me,
12 are the folks from Spectrum Gaming, headquartered
13 in New Jersey. I'm sure they will tell you
14 something about themselves, but they are one of
15 the two firms that we came up with as finalists
16 in this gaming consultant process. You're on.

17 MR. GUSHIN: Thank you. Thank you,
18 Mr. Chairman, members of the Commission. My name
19 is Fredric Gushin. I'm Managing Director of
20 Spectrum Gaming Group, and with me today is
21 Michael Epps, who is an independent contractor
22 with Spectrum Gaming. I'm going to review our
23 proposal, and I'll be glad to take any questions
24 that you may have for us.

1 We want to first thank you for inviting us
2 to present today. We appreciate the opportunity
3 and we know you're starting this path of casino
4 operations and the licensing process. It's an
5 interesting process, to say the least. It's a
6 process that we've been through on a number of
7 occasions, both in the United States and
8 internationally, and we hope to bring our
9 experience to bear.

10 We did prepare a brief PowerPoint, and I'd
11 just like to introduce you to Spectrum Gaming
12 Group, what we do and how we do it, some of our
13 key team members, and talk a little bit about how
14 we would approach the strategic plan and the
15 related issues relating to gaming regulatory
16 services.

17 Spectrum Gaming Group's been in business
18 since 1993. We have decades of regulatory,
19 licensing and public sector experience. We've
20 actually conducted numerous complex, sensitive
21 gaming-related investigations. We're under
22 contract to a number of states at the present
23 time doing casino licensing and vendor licensing
24 investigations, and as I'll discuss in a minute

1 or two, we're still under contract to the
2 government of Singapore out in Asia. And those
3 of you who may have followed Singapore, just I
4 note by way of passing, Singapore this year will
5 surpass the Las Vegas strip in terms of revenue.
6 So it's one of the most successful, the most
7 successful RFP process, and we've been fortunate
8 enough to be with the government of Singapore
9 since November 2005.

10 We understand the gaming industry. We are
11 primarily regulators, and have the law
12 enforcement experience. We understand the unique
13 challenges that gaming commissions face. We
14 understand the relationships and the balances
15 between the public sector, the private sector,
16 and always maintaining that balance. But the
17 regulation of gaming, the integrity of gaming, is
18 the threshold upon which it's all based.
19 Without the integrity of the process, without the
20 integrity of the regulatory process, everything
21 else kind of falls.

22 Now, you have our full bios in the formal
23 proposal. I'll be project manager for this job.
24 Bill Kisby will be deputy project manager. He's

1 former New Jersey State Police, headed up casino
2 intelligence during the time I was there, and has
3 acted as deputy project manager on many of the
4 jobs for Spectrum over the years. Michael
5 Pollock, who's the other managing director of
6 Spectrum Gaming, will head up the casino license
7 RFP team. Steve Ingis who's an attorney, former
8 assistant counsel to the Casino Control
9 Commission, will head up the regulatory law
10 enforcement team, and John Bowman who also has
11 governmental experience will head up the
12 Commission organizational and administrative
13 team.

14 Mike Epps will work with Steve Ingis here
15 on the regulatory and legal matters, and I should
16 note, Mike is a former vice-chairman of the New
17 Jersey Casino Control Commission. He was a
18 two-term commissioner there.

19 And we also have on our team Ted Grove,
20 who headed up casino prosecutions and has worked
21 with us on a number of these projects over the
22 years, and he's been brought in to look at and
23 evaluate the law enforcement versus the
24 regulatory issues which all gaming commissions

1 face, and we also brought in Margaret Tau
2 [phonetic] who headed up the Singapore RFP
3 process, and again, as most people believe, the
4 Singapore RFP process was the most transparent
5 and most successful gaming RFP to come down the
6 pike, ever.

7 The next chart is how we're going to
8 organize for this engagement, again, three teams,
9 a casino licensee RFP strategic planning team, a
10 commission administration and development team,
11 and a regulatory and law enforcement team. And
12 we have people who will be working in each of
13 those sections, and obviously, there'll be a lot
14 of communication between the different teams to
15 make sure that you get the best product that you
16 need to make your decisions.

17 We look at our job as providing
18 information to the Commission, options, so that
19 you can ultimately make an informed decision.
20 We're not the decision-maker. The Commission is
21 the decision-maker. We can make recommendations,
22 but ultimately it's what the Commission, as you
23 as individuals and as a Commission feel most
24 comfortable with going forward.

1 Some of our recent governmental clients
2 include the State of Delaware. We're actually
3 still under contract with Delaware. We were
4 responsible for drafting a strategic plan when
5 they implemented table gaming. They had slot
6 machines for many years, and about three years
7 ago they decided to add table games.

8 In addition, our client was the Delaware
9 lottery, but we also worked with the Governor's
10 office and the Department of Law and Public
11 Safety. In fact, one of our recommendations was
12 to create within the Department of Law and Public
13 Safety a division of gaming enforcement to have
14 that law enforcement balance with the regulatory
15 enforcement balance.

16 We're still under contract to Maryland.
17 We're doing all their entity licensing work and
18 vendor licensing. Again, we're still there.
19 We've been fortunate enough to have some
20 experience in Massachusetts. In 2009, Spectrum
21 under Michael Pollock's direction did an economic
22 impact study which helped set forth some of the
23 broad guidelines and the economic issues related
24 to gaming, the economic impacts. And in 2010 we

1 helped -- we were hired by the Speaker to help
2 draft the regulatory portions of the legislation
3 and we worked with Brian Dempsey and his team
4 there, and it was a very successful relationship
5 and most -- a lot of what we came up with at that
6 point in time survived in the legislation.

7 We're still under contract with the State
8 of Maine doing their entity and vendor licensing.
9 We had a two-year commitment to West Virginia.
10 They had lottery and slot machines at the
11 racetracks. When they decided to implement table
12 gaming, they hired Spectrum and we worked with
13 them for two years. We developed a strategic
14 plan for them as well.

15 The Pokagon Tribal Gaming Commission, we
16 were basically responsible for all the regulatory
17 issues, setting up the gaming commission, hiring
18 the staff, hiring the executive director, writing
19 the regulations, and doing the background
20 investigations.

21 We are still under contract to the State
22 of Ohio. We're involved with strategic planning.
23 Their first casino opens May 14th. The second
24 casino opens May 28th. So somehow, some way,

1 we're able to stay essentially on track there.
2 We also were responsible for doing the entity
3 licensing and vendor investigations in a lot --
4 early on, a lot of the legal issues relating to
5 who had to file under Ohio law, which is going to
6 be the same type of issues you face, who has to
7 file under Massachusetts law.

8 I'll just briefly go through some of our
9 other clients. We've been with Puerto Rico for
10 15 years. We've been with the U.S. Virgin
11 Islands, their Division of Gaming Enforcement and
12 Casino Control Commission, for over 15 years.
13 Again, we've been most fortunate to have been
14 selected by Singapore in 2005 to work with them.
15 We did their entity investigations for the two --
16 there were two sites, one called Marina Bay and
17 one called Sentosa. And there were five or six
18 applicants in the first group, and five or six
19 applicants in the second group, and they
20 entrusted Spectrum to do those entity background
21 investigations, and we did them.

22 They've hired us for special projects.
23 We're still being retained to do the junket
24 investigations. Unless there's a question on

1 that, I won't go any further on that. But they
2 are some of the most controversial investigations
3 to come down the pike, ever, in the history of
4 gaming, just because of the unique location of
5 Singapore to Macau, and they also hired us for
6 strategic guidance over the years. So we still
7 -- we hope that relationship will continue.

8 The next chart just includes some of our
9 other governmental clients. I'm not going to go
10 through them. In addition to what's listed
11 there, we've worked for over 30 tribal
12 governments over the years, tribal nations,
13 tribal gaming commissions and tribal casinos as
14 well.

15 I guess the point I'm trying to make is
16 that Spectrum understands that when we're hired
17 by governments, the governmental agency is
18 putting a lot of trust in us, and we take that
19 trust very seriously, whether it be a tribal
20 nation, whether it be the government of Singapore
21 or any other government in between.

22 We know governments need advisors who can
23 work in a comprehensive, timely and professional
24 manner. Our focus has always been on the

1 integrity of the process, the integrity of the
2 regulatory process. It certainly behooves
3 everybody, including the casinos, when that
4 process is transparent, fair, and has the highest
5 level of integrity.

6 And just in my own governmental experience
7 in New Jersey, you know, the press covered us
8 every day, the New York Times, the Philadelphia
9 Inquirer. We know what it is to be under press
10 scrutiny. The Singapore papers covered
11 everything. Everywhere we go, Ohio, the Columbus
12 Dispatch. So we know how to function in that
13 environment. Everything -- transparency is
14 always better, and it always inures to the
15 benefit of everybody.

16 We can be trusted with complex,
17 confidential issues. Most of our key team
18 members have worked in government, and we have a
19 long-standing track record, having successfully
20 completed many engagements.

21 Now on the strategic plan, this is our
22 vision of how it would go down, but obviously,
23 should we be retained, we'd want to meet with the
24 Commissioners and meet with other parties to

1 refine this because these are just our thoughts
2 at this point, subject to change. We would want
3 to review any prior reports.

4 The key thing from our perspective is the
5 RFP process, how the casino -- who's going to
6 apply for the casino licenses, and that is a very
7 complicated process in our opinion and it should
8 be transparent. It has to be legally
9 supportable. We've been involved in -- when I
10 was a state official in New Jersey. The New
11 South Wales in Sydney casino had to be rebid
12 three times because it didn't withstand legal
13 scrutiny. We've been involved with the Singapore
14 RFP process. Closer to home, you've seen what
15 happened in Pennsylvania. You saw what happened
16 in Illinois. So these processes can get very
17 cumbersome. They have to be legally supportable.
18 They have to be transparent and into the day.
19 It's basically the entry process of getting the
20 process started.

21 The goal of any strategic plan and the
22 goal of regulation is to assure that only
23 suitable individuals, companies, and other
24 individuals participate in gaming. Suitability

1 and probity is the key. If a company is not
2 suitable, if individuals do not meet probity,
3 they do not earn the right to get a privileged
4 license such as exists in the State of -- the
5 Commonwealth of Massachusetts.

6 Also, assuring that the games are fairly
7 played. The public entering the casinos must
8 believe that the games are fair. If the games
9 are not fair, then there's no reason to go there.
10 Assure that all monies are accounted for in the
11 casino, that the state is getting -- that the
12 Commonwealth is getting its taxes, that the money
13 in the count room is getting properly recorded,
14 that the money gets to the count room in the
15 first instance, and again, implement all the
16 state public policies which are in your Gaming
17 Act.

18 From an organizational perspective, we
19 think it's important to avoid duplication, to
20 address staffing issues, to address budgetary
21 issues, have a timeline that everybody
22 understands and that will be essentially the
23 guideline going forward, the RFP process, the
24 investigative process, the casino operational

1 process, the vendor licensing, employee
2 licensing, kind of putting it all together in one
3 plan.

4 Licensing, there's a lot of licensing
5 issues in the Casino Control Act, entity
6 licensing, vendor licensing, key employee
7 licensing. All those things have to be
8 synchronized essentially, so that when the casino
9 opens, all these different elements are in place
10 ready to go.

11 Commission organization, the executive
12 director, initial Commission budgeting, are all
13 critically important issues, as are the law
14 enforcement issues, criminal prosecutions, the
15 relationship between regulatory enforcement and
16 criminal prosecutions; outline for Commission
17 regulations, a timeline again for the opening of
18 the casinos, a phased opening perhaps to get them
19 open quicker; hard milestones, soft milestones,
20 all of which play into the process of when a
21 casino opens.

22 We've just been through this process in
23 Ohio. We developed their timelines and developed
24 their commission staffing, and we're now in the

1 process of implementing what was agreed upon. We
2 look at this strategic plan as essentially a
3 blueprint. We look at it as a collaborative
4 process. We're going to be talking to a lot of
5 people. We're going to do site visits. We're
6 going to talk to government officials, want to
7 interview the members of the Commission, other
8 relevant state agencies, the Attorney General's
9 office, the State Police. All the other
10 stakeholders need to be heard and their input
11 needs to be synthesized and harmonized into one
12 strategic plan.

13 Potential casino licensees should also be
14 heard and any other interested parties should be
15 heard, and then we'll come up with essentially a
16 blueprint and discuss it with the Commissioners,
17 options. It will contain a number of options
18 which ultimately have to be decided by the
19 Commission. We look at this as a collaborative
20 process as opposed to Spectrum just dumping a
21 plan on you. Nothing in that plan should be a
22 surprise at the end of the process because all
23 the issues will have been discussed, evaluated in
24 the plan and where possible, we'll present

1 options so that the Commission can ultimately
2 make the decision.

3 The next two charts are just our guideline
4 for ourself in terms of how we would approach
5 this job, again, subject to discussion with the
6 Commission to make sure we're meeting all of your
7 needs. I won't take, you know, valuable time
8 going through this, but we just wanted to put
9 some sort of structure in place so that, you
10 know, we all know where -- where this is going.

11 The deliverables will include a timeline
12 and discussion of the RFP process for issuing
13 casino licenses. Commission organizational
14 structure, discussion of advantages and
15 disadvantages of the key options in the propose
16 -- in the plan, and our recommendations.

17 The last chart is when we were named one
18 of the faster growing companies in the U.S. by
19 Inc. Magazine. They said: A focus on integrity
20 has allowed Spectrum to thrive. That has been
21 our mission from day one. We will never take a
22 job that's a conflict of interest or a perceived
23 conflict of interest. We turn down enough jobs
24 as I mentioned to keep a small company in

1 business full-time. But when you do this type of
2 work for governmental agencies, you have to err
3 on the side of not taking jobs. As you said,
4 Mr. Chairman, it's not the conflict per se. It's
5 the perception of a conflict, and we take that
6 very seriously.

7 Thank you for allowing me to do the formal
8 presentation. Mr. Epps and I would be glad to
9 answer any of your questions.

10 CHAIRMAN CROSBY: Great. Thank you very
11 much.

12 Again, Commissioner Zuniga?

13 COMMISSIONER ZUNIGA: Thank you for your
14 presentation. In your presentation you describe
15 roughly a 16-week strategic plan process. You
16 have a project, and I can see the steps well
17 here. Thanks for that.

18 But can you expound on after that process,
19 the steps that this Commission could take? You
20 talked about collaboration. Can you just sort of
21 give us a little bit of an idea sort of, you
22 know, the blueprint, if you will, that's done; we
23 can talk about that, but after the blueprint?

24 MR. GUSHIN: After the blueprint, I think

1 the Commission -- commissions typically adopt the
2 plan once everybody is comfortable with it, and
3 the plan then becomes the blueprint going
4 forward. The investigation, the process would be
5 opened under your law. The suitability
6 determinations of the applicants should be made
7 first before anything else because that's such an
8 important component. If a company can't pass a
9 suitability determination, then it makes no sense
10 to develop the public support or the local
11 support or whatever that's necessary in what goes
12 into this. Suitability is the foundation.

13 And while that process is taking place, I
14 mean, we would see the Commission adopting its
15 reg -- the non -- the regulations that aren't
16 necessary for the RFP process. You have time
17 there to develop the regulations, to hire the
18 staff that will be in the casinos, to carve out
19 the memos of understanding between the law
20 enforcement and the casinos' law enforcement
21 group and the Attorney General's office for all
22 the things that will be done in a way that will
23 make it efficient.

24 I am opposed to duplication. It just

1 wastes money, and in this day and age,
2 governments don't have money to waste. So it
3 needs to be clear. All the interested parties
4 need to understand their role in the process,
5 what they're going to be doing, and you'll have
6 time during the built-out to put essentially meat
7 on the bone, but the strategic plan will
8 essentially lay out all of those steps.

9 MR. EPPS: If I could, on a parallel track
10 what you will have the opportunity to do as
11 you're building and working through that plan is
12 to also develop your staff, develop your
13 budgeting, figure out what you -- what you're
14 going to look like and how you're going to
15 operate as you go forward. Because you want to
16 be ready to go when the entities are ready to go
17 because the last thing you want is the Commission
18 to be the obstruction to progress.

19 So on a parallel track while that process
20 is building out, you're building your regulations
21 that you can build over time, and you're also
22 building your staff and setting your budgets, so
23 that you know what you're going to look like and
24 how you're going to operate; so when they're

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1 ready to come to you, you're prepared and you're
2 staffed up and ready to go so that they're not
3 waiting for you to get this process started.

4 CHAIRMAN CROSBY: I've forgotten. Is your
5 cost proposal for the 16-weeks only, so beyond
6 that would be more, or does that go on? Does it
7 go on? I forget how you structured it.

8 MR. GUSHIN: Well, the proposal included
9 the strategic plan and the items that were in the
10 RFP, and basically some of the services were a
11 little nebulous. We just -- we're going to bill
12 them on an hourly basis.

13 CHAIRMAN CROSBY: Okay. And the strategic
14 plan was estimated at the 369, right?

15 MR. GUSHIN: Yes.

16 CHAIRMAN CROSBY: Okay. Commissioner
17 Stebbins?

18 COMMISSIONER STEBBINS: Going back to your
19 project team, you've identified two positions
20 which maybe it's more internal than actually
21 having direct interactions with us, but an
22 inner-governmental affairs slot and an editor's
23 slot. If you could just expound on those.

24 MR. GUSHIN: We have just found, yeah,

1 when you have this type of engagement, we like to
2 have an editor who synthesizes the material, who
3 basically puts it in a uniform shape, the quality
4 control essentially.

5 And the governmental affairs person, one
6 of the items there was -- in the proposal seemed
7 to relate to governmental affairs, to work with
8 your person who will handle communications and
9 governmental affairs, if needed, and he has also
10 worked on some of these projects in the budgeting
11 and administrative side as well.

12 COMMISSIONER ZUNIGA: Would you tell us in
13 general your view of the gaming industry, how has
14 it evolved and where do you see it evolving from
15 this point?

16 MR. GUSHIN: Well, I'll focus on the
17 American gaming industry and then Asia, if you
18 want to hear it. But the American gaming
19 industry, I mean, when I was a regulator back in
20 New Jersey, basically it was Nevada and New
21 Jersey, and we've seen since 1991 this
22 proliferation of tribal gaming and states getting
23 into gaming over the years.

24 I always thought there would be a

1 saturation point but obviously, I've been wrong.
2 So you have this expansion of gaming. You have
3 states legalizing gaming for a variety of
4 reasons, but the most important reason is to
5 generate income. We see in some -- and every
6 state's different. The experiences in all the
7 different states, they're based on culture, based
8 on the political environment, based on the way
9 the states are set up.

10 Some states, slot machines were legalized
11 through the lottery. Most states they've been --
12 they've been legalized through gaming
13 commissions. We prefer, quite frankly, gaming
14 commissions because they have a dedicated focus
15 on the integrity and the policy issues related to
16 gaming, but historically some states have done it
17 through the lotteries because that was legally
18 what they had to do to legalize casinos. In
19 Delaware, the three racetracks are considered
20 lottery agents, and that was the legal basis upon
21 which they licensed them to have slot machines
22 and now table games.

23 So the state constitutions, the legal
24 structure, the criminal laws in each state are

1 different, and so that has -- that has explained
2 some of the differences we see in gaming today.
3 But gaming is an industry today that generally
4 has, you know, a high degree of integrity. Most
5 of the companies are publically traded companies.
6 Up until the 1980s, the public markets, the
7 financial markets would not invest in gaming
8 because it didn't have the integrity. And I'm
9 sure as the previous group told you, once New
10 Jersey and Nevada basically started the licensing
11 processes, that made the gaming industry more
12 attractive to Wall Street, to international
13 financing. They didn't have to go to illegal
14 sources or questionable sources to raise money.
15 So in the U.S. there's been a transformation of
16 gaming.

17 We see now worldwide, especially in Asia
18 but also in South America and other places, where
19 American companies are going overseas and
20 investing in Macau and investing in Singapore,
21 and it's raised a whole new set of issues. I'm
22 not talking out of school here because it's been
23 in the press. There are investigations in Macau
24 relating to the Foreign Corrupt Practices Act and

1 other things going on there. Macau is an unfort
2 -- it's successful financially but from a law
3 enforcement, a regulatory perspective, it leaves
4 a lot to be desired.

5 Singapore from day one told us we never
6 want to become like Macau, and they've stuck to
7 that. They -- you need governmental will in that
8 part of the world to do that, and they were able
9 and so far have been able, and I have no doubt
10 that they will continue to be able to distinguish
11 themselves in that regard.

12 COMMISSIONER ZUNIGA: On that note, can
13 you speak a little bit more about the law
14 enforcement background of your team and your --

15 MR. GUSHIN: Sure. Well, I was Deputy
16 Director of the Division of Gaming Enforcement,
17 Assistant Director, and an Assistant Attorney
18 General, and I was responsible -- we had at that
19 point 170 State Police assigned to us, and I was
20 their civilian supervisor. They also reported
21 primarily to the colonel of the State Police at
22 that point in time, and we had squads in each
23 house.

24 Bill Kisby was New Jersey State Police.

1 He was head of -- he's the deputy project manager
2 here. He retired in 1996, and he was head of our
3 casino intelligence group which is -- was
4 critical. At that point in time as you recall in
5 the '70s and '80s and early '90s in New Jersey,
6 there was a mob war for control over Atlantic
7 City. I'm sure Commissioner Cameron will fill
8 you in, and it took a lot of governmental will to
9 basically try and get that situation under
10 control.

11 We expanded the Casino Control Act to
12 include construction because we saw unsuitable
13 companies and individuals moving -- they couldn't
14 get a vendor license so they would move to the
15 area that was unlicensed, which was construction,
16 and we expanded the law to include construction
17 as part of the Casino Control Act at that time.

18 There was a labor union called Local 54
19 that was allegedly, it was mobbed up. It was not
20 alleged; it was mobbed up. And New Jersey gaming
21 enforcement took that case up to the U.S. Supreme
22 Court to try and carve out an exemption to the
23 federal, the national labor laws to allow New
24 Jersey to have that labor union register, and we

1 were successful. So that was a very important
2 case. We had the governmental will.

3 Some of the other people on our team, Ted
4 Grove, is an attorney. He headed up casino
5 prosecutions in New Jersey, and we would decide
6 weekly which cases would be handled on a criminal
7 law basis and which cases would be handled from a
8 regulatory enforcement basis. And you'll be
9 facing the same issues, you know, every week as
10 well, because it's important from an evidence
11 handling, from the approach to the case, how it
12 should be handled. So we thought Ted would bring
13 that type of experience into the team in that
14 regard as well.

15 CHAIRMAN CROSBY: Mr. Stebbins, anything
16 else?

17 COMMISSIONER STEBBINS: Obviously, if you
18 look on our agenda, one of our other
19 conversations we're having is about interim
20 executive director, permanent executive director.
21 Looking at the strategic timeline, have you had
22 opportunities where you're stepping into a
23 process where there's really no full-time
24 executive director on board, how do you kind of

1 ease through that transition period?

2 MR. GUSHIN: We've done that, you know, in
3 multiple assignments in the past. I mean, we
4 work with the Chairman and the members of the
5 Commission until you begin your staffing process
6 to provide you with the professional services.
7 In Pokagon, we interviewed for the position.
8 They wanted us to do the interviews for the
9 Commissioners and for the executive director. In
10 Delaware and West Virginia, they were already
11 mature organizations so they had a staff in place
12 and we just then overlaid the gaming regulatory
13 staff on what they had.

14 In Singapore, we started from scratch
15 basically. Before the casino regulatory
16 authority was established, we worked for the
17 Ministry of Home Affairs. The Casino Regulatory
18 Authority is part of the Ministry of Home
19 Affairs, and we were there, basically present at
20 the creation, before even the Casino Regulatory
21 Authority was established.

22 So we can work in any environment. It's
23 really -- we're going to be making the same
24 recommendations to you. When you hire an interim

1 executive director, we'll work through that
2 individual as well.

3 MR. EPPS: I guess it's sort of a process
4 whereby if that's the way you would have it, we
5 would be your staff until you had a staff, and as
6 you grow, we would scale back and only be there
7 as you need us to be. So if you need us to be
8 advisors, if you need us to be staff for you,
9 whatever the Commission's needs are, we prepared
10 to be for you until you're up and going on your
11 own as part of that process.

12 CHAIRMAN CROSBY: Commissioner McHugh?

13 COMMISSIONER MCHUGH: I wanted to ask you,
14 Mr. Epps. You said, well, we have fairly
15 recently, and so what -- two questions really --
16 specifically would your role in this process be,
17 first of all, and secondly, what do you see as
18 the most important two or three things that we
19 have to do in the next six months?

20 MR. EPPS: Well, the first question is
21 with respect to Spectrum, I have been an
22 independent contractor to them, particularly on
23 regulatory matters, and I'm an attorney by
24 profession, so some of the legal issues that may

1 come up with respect to gaming, although not
2 specific -- not specific to the State of
3 Massachusetts but more broadly, those issues as
4 they relate to gaming. So I would sit in those
5 roles as you construct your regulations and
6 things like that, and as you set your
7 organization. So my experience comes in that
8 regard, so that's how I serve Spectrum.

9 But as a commissioner, some of the things
10 I see is -- as most important for you as you move
11 forward, the first is to stay -- to keep your
12 focus on what your objective is, and that is, to
13 make sure that the games offered in Massachusetts
14 are conducted fairly so that the customer,
15 because you serve two people. You serve the
16 customers who come to play in Massachusetts, so
17 that they understand that they have a fair shot
18 at a game. So the games are regulated, highly
19 regulated. It's a highly regulated environment
20 and the games are fairly regulated so that they
21 have an absolute fair shot at playing these
22 games.

23 Second is that you protect the citizens of
24 the Commonwealth that you make certain that this

1 operation that they've approved which will
2 generate revenue generates some proper revenue.
3 So your job is to make sure that the games are
4 properly operated and the revenue is properly
5 collected.

6 Other than that, your other objective is
7 to be like I said before, be ready when it's time
8 to be ready, so that you're not an obstruction to
9 the process, but then be thorough in your process
10 as you review those candidates who are seeking to
11 be -- to participate in Pennsylvan -- I mean, in
12 Massachusetts. Because it's a privilege not a
13 right, and you have to be firm in that and be
14 willing to stand by that conviction.

15 Because a lot of times, expediency is a
16 competing factor to fairness and to integrity,
17 and you have to avoid the urge to be expedient at
18 the -- at the complication of or at the -- to the
19 detriment of integrity and thoroughness. So my
20 advice there is don't hesitate to take the time
21 that you need to be thorough in your integrity
22 issues because that's the most tantamount part of
23 it.

24 Going back to a reference that Mr. Gushin

1 made, in the early '80s when New Jersey came onto
2 the scene and really began to be as stringent as
3 it was with respect to regulation, which is about
4 the same time that Wall Street began to take
5 notice of the gaming industry and not be afraid
6 of it because for a long time it was seen as
7 seedy operation. But once it became thoroughly
8 regulated by stringent regulations like those in
9 New Jersey, it became a more attractive model for
10 Wall Street money and investment dollars because
11 it was a well regulated operation that their
12 constituents didn't have to be afraid of.

13 So integrity is the key to what you do,
14 and your focus is that this privilege to
15 participate in this industry here in the
16 Commonwealth is a privilege and not a right. So
17 the people who are interested in participating
18 have to go through the hoops and jump through all
19 the hoops that are established in the law, if
20 that's what they want to do. They don't get to
21 change the law. They have to comply with the
22 law, and whatever it says must be done must be
23 done, and you take them through that process.

24 Because your integrity in how you conduct

1 your operation is what stays with you, and so
2 that's the most important thing I see as you sit
3 there, is your job is not to make it easier or
4 harder for them. Your job is to make sure they
5 do what they're required to do for you in order
6 for them to participate in this process.

7 COMMISSIONER McHUGH: And recognizing all
8 of the caveats that go with this, looking at your
9 approach, the approach you're presenting, and
10 this is a question for either of you, we would
11 have a plan in 16 weeks that would be -- have a
12 number of steps laid out, priorities assigned,
13 objectives and goals and milestones, the kind of
14 plan you have when you're going to build a
15 complex building, for example.

16 Where, under your guidance and your --
17 your -- with your tutelage and your background
18 that you bring to it, where would we be in -- do
19 you have any vision? Is it possible to say where
20 we would be in six or eight, ten months? And
21 taking into account the need to preserve the
22 deliberateness that's essential to ensure that
23 integrity in the process.

24 MR. GUSHIN: Well, let me answer and then

1 Mike can supplement.

2 Down the road, I couldn't agree more with
3 what Mr. Epps has said. In the life of a casino,
4 if it gets delayed three or four months, it's not
5 the end of the world. It's going to be here for
6 the next 50, 60, 70 years. So it's more
7 important to get it right and to be deliberate
8 and to make sure that the process has the maximum
9 amount of integrity and transparency.

10 So yes, everybody wants to get open. The
11 pressure is always to get open. In Ohio, the
12 Commission put a two-month hold on because of
13 some of the legal issues that we faced and
14 because of the investigative process. You know,
15 the legal issues delayed the investigative
16 process. Therefore, the opening process was
17 delayed. So they're all related.

18 Six to eight months down the road, you can
19 have -- probably have some emergency regulations
20 in place, have the RFP process pretty much under
21 control, maybe bid, and certainly some time by
22 the fall start, you know, the background
23 investigations of those companies that have
24 expressed interest in participating.

1 CHAIRMAN CROSBY: You're talking about the
2 first tier of the application process?

3 MR. GUSHIN: Yes.

4 CHAIRMAN CROSBY: What you referred to as
5 the probity step, I think.

6 MR. GUSHIN: Yes.

7 CHAIRMAN CROSBY: Was that you?

8 MR. GUSHIN: Exactly. So that is a
9 reasonable expectation. The key thing is keeping
10 -- and one thing which the strategic plan does is
11 to get everybody on board. The casinos have one
12 perspective, you know. Maybe certain
13 stakeholders have another perspective now.

14 The strategic plan puts everybody on the
15 same page. They'll know exactly what is going to
16 happen, and it gets everybody moving in the same
17 direction to get to the same goal, which is the
18 opening of the casinos but more importantly, the
19 regulation of those casinos thereafter.

20 MR. EPPS: And six months down the line
21 what you may see in place is the beginning of
22 your application structures, building your
23 applications according to your statute, your
24 applications at each level, your key employee

1 applications, your vendor applications, your --
2 some of those other applications and those
3 processes begin to be built to figure out when --

4 Like, for example, when the RFP is
5 implemented, and who is going to move forward,
6 what those people can expect then if they're
7 successful, who they'll have to bring forward,
8 who's probably going to be looked at and things
9 of that nature. So as you build -- as you start
10 the RFP structure, you also build your
11 application structure, so that when the
12 successful candidate is selected, they can be
13 handed an application and the people that they
14 have to get to fill out the documents can start
15 doing that paperwork.

16 The last thing you want to do is have your
17 candidate selected and then tell them, we'll have
18 you an application in another six months because
19 you're building your applications. So all those
20 things kind of work in tandem. So the
21 applications are built and the process is begun
22 so that you can then begin to -- you can then
23 have them fill out the applications. Because
24 once those come back is when your investigations

1 start, and that process could become lengthy.
2 And then you may run into some issues as to who
3 wants -- who believes they have to file and then
4 that's where some of the legal issues come in.
5 But if those things are in place or built as you
6 go along, once you're ready for them, they're
7 ready for you.

8 COMMISSIONER McHUGH: Thank you.

9 COMMISSIONER STEBBINS: Quick question on
10 the timeline. The first two weeks you talk about
11 key stakeholder meetings. Can you give me just a
12 quick glimpse as who you think that group
13 includes?

14 MR. GUSHIN: Well, I think it includes the
15 Commissioners. I think it includes
16 representatives of the Attorney General's Office,
17 the State Police, perhaps any other government --
18 the budget people, the administration people, how
19 an agency is set up, so that we can then figure
20 out what these budgets are, based on the salaries
21 that Massachusetts pays. Each state is, like I
22 said, different.

23 We would like to get a running start
24 because, you know, 16 weeks goes by pretty fast.

1 COMMISSIONER STEBBINS: No kidding. Do
2 you have something?

3 COMMISSIONER ZUNIGA: No. I was actually
4 going to ask a very similar question so.

5 CHAIRMAN CROSBY: This is a tough, tough
6 business, the gaming business, with a lot of
7 controversies, a lot of pitfalls. Has your firm
8 or any of your individual -- your key people been
9 involved in any controversies, any issues that we
10 ought to know about?

11 MR. GUSHIN: No. We basically, you know,
12 I testified before the Pennsylvania grand jury.
13 I didn't consider it controversial, but basically
14 I did offer testimony before the Pennsylvania
15 grand jury. And our work is basically very
16 transparent, and we've never had any legal or
17 integrity problems in the company.

18 CHAIRMAN CROSBY: Okay. Your -- you've
19 got a lot going on, your firm, and a lot of
20 places all around the world and a lot of
21 contracts that are a lot bigger than this
22 contract, but you are ostensibly the project
23 manager. How -- how realistic is it that you can
24 really be what we would think of? You say

1 project manager you mean -- you think kind of
2 hands-on as opposed to sort of the project
3 supervisor or the executive overseer. How
4 realistic is it that you can really be the
5 project manager, and who are we likely to see as
6 the real serious boots on the ground
7 personalities?

8 MR. GUSHIN: Well, I would -- I'm a
9 hands-on person so you'll see me, and you'll see
10 the team leaders, and in my absence, you'll see
11 Mr. Kisby. We are -- we have --

12 The Commissioners may not be aware, but we
13 have an Asian arm based in Bangkok, a company
14 called Spectrum OSO Asia, which is -- we have
15 offices with them in Tokyo, in Hong Kong, in
16 South China, in Macau. And they are finishing --
17 we're almost finished, close to the finish line
18 with those junket investigations in Singapore.
19 We don't know if there's going to be another RFP
20 or not, but, you know, we'll address that.

21 Ohio, we're finishing up the entity and
22 vendor licensing. Maryland, Caesars, Rock
23 Caesars has applied in Maryland as well, and so
24 that's really the same investigation we're doing

1 for Ohio. So you'll probably see more of me than
2 you want.

3 CHAIRMAN CROSBY: All right. Any -- any
4 other questions, anybody?

5 Thank you very much for coming. This is
6 great.

7 MR. GUSHIN: Thank you for having us.

8 CHAIRMAN CROSBY: He appreciate it very
9 much. We will be making this decision as quickly
10 as we can. I should say for the record that any
11 decisions that we do make, we will be doing our
12 own background checking. So anything that we do
13 here will be subject to that kind of last minute
14 vetting, which I'm sure you would understand.

15 MR. GUSHIN: Absolutely. Thank you.

16 CHAIRMAN CROSBY: Thank you very much for
17 coming.

18 [Pause.]

19 CHAIRMAN CROSBY: Okay. Now, what we
20 wanted to do was ask Commissioner McHugh to give
21 his report from the reviewing that we had done
22 earlier on, subject to whatever else has come up
23 in your mind since then, and then we'll just talk
24 about it and see where we are.

1 COMMISSIONER McHUGH: So I think that you
2 saw what -- you saw a difference in approach
3 between the two groups. The first group, the
4 Mitchell & Carroll group --

5 CHAIRMAN CROSBY: Michael & Carroll.

6 COMMISSIONER McHUGH: -- Michael & Carroll
7 group is steeped in law enforcement and
8 investigatory experience. They have done this
9 kind of -- their law enforcement background is --
10 permeates the team. All of them have extensive
11 experience in law enforcement, both in the
12 federal side and on the state side. They are
13 well focused on the kind of investigation and
14 background checks and the training of people to
15 do investigation and background checks, the
16 nuances and the subtleties of investigation and
17 background that is an essential part of this kind
18 of operation going forward.

19 We have relationships with the State
20 Police, with the Attorney General's office, with
21 the ABCC and others, and they're very heavy
22 there. They've spent a lot of time on
23 substantive regulations and in substantively
24 regulating and giving advice to regulators on the

1 casino industry, and so they bring that strength.

2 The Spectrum Group has perhaps not as
3 much, at least we didn't hear as much, we didn't
4 see as much, of the hands-on enforcement
5 investigatory piece as the first group did. But
6 what they do bring is a focus on planning and a
7 focus on structure, and a focus on creating a
8 framework within which we can move forward. And
9 a framework that is created in a participatory
10 fashion so that we understand what the
11 stakeholders want, what we want ultimately
12 prevails, but so that we can build something
13 based on the understanding of the stakeholders,
14 and so that we can really have the kind of a plan
15 that we need, as I said when we were talking,
16 that you'd need if you were building a complex
17 building.

18 We have so many things to do and so many
19 pieces of this puzzle to fit together that we
20 really need some help in creating a -- an
21 organized, publically available target and set of
22 priorities, goals, and milestones. We're not
23 going to meet them all. Inevitably things come
24 up, but that is, it seems to me, a way to start

1 off.

2 So there are strengths in both of those
3 and it seems to me the best, and I'm only
4 speaking for myself but Mr. Crosby and I talked
5 after the initial review period. It seems that
6 there is value in both of these service
7 providers, and that the ideal solution would be
8 to try to take advantage of both of those
9 qualities and both of those capabilities and get
10 the best of both strengths and negotiate further
11 with them as to a statement of work, subject to
12 the background checks and other kinds of things,
13 that would allow us to go forward and get the
14 best of both worlds.

15 Mr. Chairman, I don't know whether you
16 want to add anything to that or differ with that.

17 CHAIRMAN CROSBY: No, no, I certainly
18 don't differ with that. I mean, one -- I'd
19 rather wait. I'd rather have -- hear from you
20 folks before I say any more, so.

21 COMMISSIONER ZUNIGA: I want to make a
22 couple of points. I -- I remember, because I did
23 check and for the record, the RFR specifically
24 spoke about our ability to select more than one

1 respondent. So it's -- it's great that that was
2 -- that flexibility was there in the RFR, for a
3 procedural matter.

4 But I also agree with Commissioner McHugh
5 that the approach, the structured approach of the
6 last, Spectrum, in terms of the focus on the
7 blueprint that they call is -- is very important.
8 It is something that has been very much in our
9 minds, at least I can speak for myself, as we
10 undertake this process. But the other group,
11 Carroll, Michael & Carroll, focus on enforcement
12 was also very positive. So I share that opinion.

13 COMMISSIONER STEBBINS: Yeah. I probably
14 don't have much to add. I was impressed with --
15 first of all, I think we're lucky that we found
16 two such quality respondents, and I think both of
17 them stressed what we already knew is about the
18 uniqueness of Massachusetts. I think it was
19 Michael & Carroll that talked about how well we
20 structured the legislation. Turning that into
21 regulations is another piece of it. I did find
22 they focused their priority on what appears to be
23 their strongest area of expertise on the
24 enforcement side.

1 At the same time, I appreciated Spectrum
2 laying out a timetable and really putting a
3 little more meat on the RFP process, which as we
4 all know, there's some serious timelines in the
5 legislation that we need to be mindful of. So,
6 you know, if it's possible to potentially
7 negotiate and blend these two, I think that would
8 be to our advantage.

9 CHAIRMAN CROSBY: I am torn. I mean, sort
10 of on paper, the PowerPoint presentation of
11 Spectrum is much more impressive. I mean,
12 they're much more buttoned up. And I don't
13 particularly doubt that what's behind the
14 PowerPoint is right, I mean, their
15 recommendation. Stan McGee, who works for the
16 Secretary of Housing and Economic Development and
17 was the Governor's chief contact person for the
18 Spectrum project when they did the first project,
19 spoke well of them.

20 But Gushin, the head of the company, is
21 the one who does all the talking, and he did all
22 the talking at the other time, and we never --
23 this guy Kisby, or whatever he is, who is the
24 deputy project manager, we've never met. And the

1 next tier down, the three team leaders, I think
2 we met two of them, and they were not -- one was
3 on the phone and we never heard from him once,
4 and the other was not particularly impressive.
5 So the bottom -- we don't really -- I don't know
6 really who's going to be doing the work. It's
7 not going to be Fred Gushin. It's just not
8 possible, no matter how proactive a manager he
9 is.

10 On the other hand, the Michael & Carroll
11 folks were much funkier and much less responsive
12 to the RFR's explicit direction on the strategic
13 plan and, you know, didn't really respond to that
14 in a way that was visually appealing or even sort
15 of logically appealing, but unfortunately for
16 them, this round their strongest person wasn't
17 here, this Kathy what, Kathy -- what's her last
18 name? Kathy --

19 COMMISSIONER STEBBINS: O'Toole.

20 CHAIRMAN CROSBY: Kathy O'Toole was --
21 would be the person on the ground. Of all the
22 teams, she's the only one who actually lives in
23 Boston. She's in Ireland right now, but she's
24 coming back. So we would have an on-the-ground

1 project manager who is a known quantity who was
2 impressive.

3 And she did more to sort of pull the rest
4 of those guys, they were guys, into a kind of an
5 organized, coordinated approach to us. And she
6 gave me confidence, and even though the team was
7 kind of funky -- they're all cops, you know; they
8 don't know how to do PowerPoints; he had his
9 daughter do the -- do the, you know, the
10 PowerPoint -- that she would be able to pull that
11 team together and use the expertise which is
12 there, but doesn't present as well.

13 So, you know, I'm sort of torn. I do
14 agree, and Commissioner McHugh and I talked about
15 this, the taking advantage. The RFR was
16 envisioned to give us access to a pool of
17 resources so that we could pull on those
18 resources as needed. I don't see an easy, clean
19 break between the two. I couldn't right now at
20 the moment say, okay, let's have one do X and one
21 do Y. And it's a little weird, you know, to have
22 a double team arrangement, but I don't come down
23 with a real clear comfortable feeling.

24 I think if we had had a project manager

1 from Spectrum who really was -- is likely to be
2 the acting project manager and was really
3 impressive and did most of the talking, and
4 orchestrated his or her other team partners and
5 let them show their stuff, I would say Spectrum,
6 you know, is a home run. But they decidedly
7 didn't have that, so then that gives me some
8 pause.

9 COMMISSIONER McHUGH: Well, I think one
10 approach is to -- is to today, if we're in
11 agreement, to try to get a more specific
12 statement of work that would draw whatever kind
13 of line or -- between what the two would do, or
14 talk about overlapping lines and how we're going
15 to deal with that and how that would be priced,
16 and then get some better statement of who
17 specifically is going to do what to try and take
18 advantage of that.

19 Because while -- while Kathy O'Toole did
20 rein them in and get them focused at the
21 discussion we had, the focus was still on the law
22 enforcement and training and vetting and security
23 piece, rather than the strategic planning piece.
24 And I think that starting right now on both this

1 front, and as you'll hear me say in a few
2 minutes, on the legal consultant front, we really
3 need a strategic plan to help us get focused,
4 even if -- even if the strategic plan is a plan
5 that -- that somebody else carries out, so.

6 CHAIRMAN CROSBY: Well, that's
7 interesting. Yeah, okay. So would your
8 suggestion be that we -- we vote to qualify each
9 of them?

10 COMMISSIONER McHUGH: Yes.

11 CHAIRMAN CROSBY: And then set the task,
12 led presumably by me I guess --

13 COMMISSIONER McHUGH: Right.

14 CHAIRMAN CROSBY: -- to negotiate a scope
15 of work and turn that into operational structure
16 and then contracts with presumptively the two of
17 them?

18 COMMISSIONER McHUGH: Yes. So I mean, if
19 we want that in a motion, I can attempt to put
20 that in a motion.

21 COMMISSIONER ZUNIGA: No, no, a little bit
22 like, you know, I used to see this in some of the
23 consulting work we've done, I've done in the
24 past. What we would call a diagnostic phase, if

1 you will, somebody could come in and, you know,
2 both of these entities really, to come in --

3 CHAIRMAN CROSBY: What was that phrase?

4 COMMISSIONER ZUNIGA: A diagnostic phase,
5 to come in and put real meat to the statement of
6 work, some detail as to how many meetings a week,
7 how many visits to Boston, not just this generic,
8 you know, we'll do site visits, and we'll meet
9 with stakeholders.

10 I do think, by the way, that two weeks for
11 a meeting with stakeholders may be too short,
12 but, you know, that's where all those things get
13 hashed out, you know. If you're talking three
14 stakeholders, then that's fine, but if we're
15 talking about 10 or 15, then it might not be
16 possible.

17 CHAIRMAN CROSBY: Right.

18 COMMISSIONER ZUNIGA: I'm sorry, meaning
19 if we could engage them to put a detailed work
20 plan or a statement of work as you say,
21 Commissioner McHugh, might be a worthwhile
22 operation or exercise, rather.

23 CHAIRMAN CROSBY: Anything else? All
24 right. Do you want to try to put that into a

1 motion?

2 COMMISSIONER McHUGH: Yeah. I move that
3 the Commission qualify both firms to -- subject
4 to further background checks, to provide services
5 to the Commission for the planning of the --
6 planning of the gaming side of the Commission's
7 business, subject to negotiation by the Chair of
8 a detailed statement of the work to be provided
9 by each of the two. Is that comprehensible?

10 CHAIRMAN CROSBY: Just, I'm not sure what
11 the clarification process, but would -- if it
12 ended up that, for one reason or another, within
13 this, is it possible that we might end up with
14 only one of them?

15 COMMISSIONER McHUGH: Yes.

16 CHAIRMAN CROSBY: Okay. So it's really
17 sort of a free --

18 COMMISSIONER McHUGH: Right.

19 CHAIRMAN CROSBY: -- and open structure to
20 try to firm this up, nail it down, and strike a
21 deal.

22 COMMISSIONER McHUGH: Yes. And trying to
23 take advantage of the best of both, but if it
24 turns out that the homogenized capacity of one is

1 the better way to go, then we can do that.

2 CHAIRMAN CROSBY: Okay. Do I have a
3 second?

4 COMMISSIONER ZUNIGA: Yes, second.

5 CHAIRMAN CROSBY: Any further discussion?

6 Then all in favor of the motion, that is
7 recorded somewhere and which we will recapture,
8 please indicate by saying aye.

9 COMMISSIONERS: Aye.

10 CHAIRMAN CROSBY: All opposed?

11 Motion passes unanimously. Thank you.

12 All right. We can find Commissioner
13 Cameron.

14 [Pause.]

15 CHAIRMAN CROSBY: We made a dramatic
16 decision to approve them both.

17 COMMISSIONER CAMERON: Oh.

18 CHAIRMAN CROSBY: We'll fill you in on the
19 details later on.

20 COMMISSIONER CAMERON: Okay, very good.

21 CHAIRMAN CROSBY: Thank you for speaking
22 up.

23 All right. We're now on item 8; it being
24 3:30, not too bad. Item 8 is a discussion and

1 hopefully selection of a law firm, pursuant also
2 to an RFP, a recent RFP, and I will ask
3 Commissioner McHugh to describe the process and
4 recommendations for that procurement.

5 COMMISSIONER McHUGH: All right.
6 Mr. Chairman, thank you. On February 29, 2012,
7 the same day as it issued the gaming consultant
8 RFR, the Office of the Governor issued a request
9 for responses in which it sought and I'm quoting
10 here: Legal advice and services relating to
11 implementation of the Gaming Act.

12 Now, the Office of the Governor issued
13 that request because the Commission was not in
14 existence at the time. Indeed, it would not come
15 into existence for the next three weeks, and the
16 Governor sought outside counsel to provide legal
17 advice and services related to various components
18 of standing up the Commission, that is, getting
19 the Commission underway and getting it the
20 regulatory and legal advice it needed in order to
21 do its initial job, and also on the initial
22 phases of preparing for implementation of the Act
23 by the Commission when the Commissioners were
24 named and sworn in.

1 At the heart of the decide -- desired
2 services were such things, and I'm going to quote
3 again as: Promulgating emergency regulations for
4 the implementation, administration and
5 enforcement of the Act, application of the
6 conflict of interest laws, open meeting laws and
7 other Massachusetts-specific laws, codes,
8 regulations in the operation of the Commission,
9 and preparation of potential codes of ethics and
10 procurement documents and procurement regulations
11 and rules, the kind of things, that is, that any
12 public organization needs to have in place in
13 order to start effectively.

14 Deadline for the responses was March 21,
15 2012. The RFR provided that the responses would
16 be reviewed by the Office of the Governor for
17 technical compliance and then by an evaluation
18 committee the Office of the Governor designated.

19 By March 21, the Commission had been
20 appointed. It was appointed that day. Our
21 appointment papers are signed that day, and a
22 review committee consisting of myself and
23 Attorney Abim Thomas was designated to review the
24 responses, Attorney Thomas being a member of the

1 Governor's legal staff. And it was the
2 Governor's legal staff that was still taking the
3 lead in this.

4 The review criteria included expertise and
5 experience in advising public sector clients
6 about regulatory startup issues, range of
7 services a bidder is capable of providing within
8 the scope of service being solicited, references
9 and past performance, capacity to commit
10 personnel and resources necessary to provide high
11 quality services in a timely and responsive
12 manner, proposed fee arrangement, completion,
13 presentation and responsiveness of the response
14 -- of the bidder's response, and any and all
15 relevant information about the bidder that was
16 known to the Office of the Governor.

17 The office received four responses by the
18 deadline, and after reviewing them, Mr. Thomas
19 and I recommended further consideration of three,
20 the firm of Shefsky & Froelich of Chicago,
21 Illinois, who by the way also responded on the
22 gaming side; Deutsch, Williams, Brooks, DeRenis
23 and Holland, PC; and Anderson & Kreiger PC of
24 Boston, and the fourth was Michael & Carroll, one

1 of the gaming respondents of whom we heard
2 earlier. Both -- both Shefsky & Froelich bid for
3 both sides of this. Both Shefsky & Froelich and
4 Michael & Carroll bid for both sides.

5 The Office of the Governor designated
6 Ms. Thomas and me as reviewers who would meet
7 with the three, if she were available, and the
8 Commission would make the final selection. That
9 was the process the Office of the Governor
10 promulgated. With the desirability of having
11 these meetings before today's meeting in mind,
12 Ms. Thomas was unavailable due to a series of
13 prior commitments and so I asked Chairman Crosby
14 to meet with me in her stead and with her
15 approval.

16 So Chairman Crosby and I met with all
17 three, and they all are experienced in the
18 relevant areas. Shefsky & Froelich, which also
19 as I said submitted a bid for the gaming
20 consultant, has done significant work in the
21 gaming regulatory field, and much of its response
22 during our interview and discussion with them
23 focused on the gaming side of its experience, on
24 what it could do in the regulatory field and its

1 work with -- its work with gaming regulation
2 elsewhere.

3 It proposed to partner with a local
4 lawyer, Mr. William Geary, who has had experience
5 -- extensive governmental experience in the
6 Commonwealth but who's been working since 1989 as
7 an executive of a business entity known as Clean
8 Harbors Environmental Services, Inc. He's
9 retired from that now, and his contribution would
10 have been to help us with staffing rather than
11 the legal, strictly legal kinds of components of
12 the bid.

13 The firm proposed to acquire knowledge of
14 local statutes and regulations, including the
15 local versions of the Open Meeting Law and the
16 Freedom of Information Act, and then based on
17 that acquisition of knowledge, to give us advice.
18 Every state has its own version of an open
19 meeting law and of a freedom of information act
20 and other things that are common throughout the
21 United States, but have local flavors, and so
22 that's how they would propose to do it.

23 The firm also told us that it is currently
24 in negotiations to represent the City of Taunton

1 to provide assistance to the city in connection
2 with its efforts to reach a host city agreement
3 with the Wampanoag Indian tribe. So those have
4 not come to fruition, but it is engaged in
5 negotiations with the city now.

6 Deutsch Williams, one of the two local
7 firms, has done extensive work in municipal law,
8 including the work necessary to start up various
9 municipal boards and commissions and to transfer
10 functions from one board to another. So it's
11 done the kind of work that we are looking for.

12 The firm serves as town counsel to a
13 number of cities and towns throughout the
14 Commonwealth, including the Town of Foxboro, a
15 long-standing client for whom it has done
16 significant work and continues to do significant
17 work of the type performed by town counsel, which
18 is a general advice on all legal matters.

19 Anderson & Kreiger, the other legal firm,
20 has also done extensive work in municipal law,
21 including the work necessary to start up various
22 municipal boards and commissions and to transfer
23 functions from one board to another. It, too,
24 represents of cities and towns, a number of

1 regional authorities, a number of airport
2 authorities. It's sort of carved out a niche in
3 representing regional airport authorities
4 throughout the state and throughout the nation.

5 None of its clients has thus far evinced
6 any interest in a gaming facility or being a host
7 city. Its response, in terms of the RFR, was the
8 most comprehensive in terms of precisely
9 identifying the work a startup required, breaking
10 that work down, assigning time, estimated times
11 to that work, assigning teams to that work, and
12 estimating the time that each team member would
13 have to spend. Its presentation during our
14 interview was the most precise, and it listed
15 among other components of its proposal a sort of
16 project manager who would guide the overall
17 creation of a project in a manner similar, quite
18 frankly, although the two are entirely divorced,
19 to what we just heard about from Spectrum,
20 creating if not a Gantt chart, at least a
21 comprehensive plan for identifying milestones and
22 goals and the like that would allow us to measure
23 our startup progress against known -- against
24 known goals.

1 The requirements on which the RFR focused
2 are those necessary for startup interpretation
3 and they are complex and highly nuanced,
4 typically requiring not only an interpretative
5 ability, but also an understanding and a feel for
6 the local flavor of the various laws. One has to
7 have not only an understanding of the content of
8 the law in order to be effective counselors, but
9 also an understanding of the way the
10 administrators are interpreting the law, the way
11 the local courts interpret the law, the kind of
12 -- the kind of common law, if you will, that
13 surrounds the way the statutes are interpreted
14 and applied. So local knowledge is essential,
15 and both Deutsch Williams and Anderson & Kreiger
16 have that knowledge.

17 Anderson & Kreiger's project plan
18 approach, the precision with which it has
19 identified the components of what it proposes to
20 do and the precision with which it has identified
21 the time it thinks it will take to accomplish
22 those components embody, I submit to you, the
23 precisely focused approach to startup we need to
24 get up and fully running as soon as possible with

1 a minimum of false starts and with a maximum of
2 competent advice.

3 And it is for that reason that I would
4 recommend and would be prepared to move, after
5 discussion and answering any questions, that we
6 engage Anderson & Kreiger as outside counsel,
7 subject to a background investigation that we're
8 going to perform with everybody, subject to a
9 precise identification and agreement on a
10 statement of work and the normal attributes of a
11 contractual undertaking.

12 So I'd be happy to answer any questions
13 about that. Chairman Crosby, you were with me.

14 CHAIRMAN CROSBY: Yeah. There were issues
15 -- one of the questions in the RFP, and we should
16 have brought this up with the other folks, too,
17 was whether they have conflicts or not, to define
18 whether or not there are any real or apparent
19 conflicts. We didn't have to get to the issue of
20 the conflicts with the other two firms because we
21 decided that this one was the best, but do you
22 want to speak to the issues of what this firm has
23 of conflicts, if any?

24 COMMISSIONER McHUGH: This firm -- this,

1 Anderson & Kreiger has a potential conflict with
2 a potential surrounding city, surrounding town,
3 not -- there's one town in their extensive
4 portfolio that may someday be a surrounding town,
5 but that is so contingent and far down the line
6 that it's impossible to measure it at this point
7 and would not be an impediment to anything they
8 undertook in the first six months, which is
9 really the length of the contract, that will not
10 conceivably come into play anywhere down the
11 line.

12 CHAIRMAN CROSBY: And they also said if --
13 they would recuse themselves if asked from
14 anything relating to the casino business should
15 for some reason those lines cross at some point.

16 COMMISSIONER McHUGH: Right, right.

17 CHAIRMAN CROSBY: So it was a pretty
18 distant issue.

19 Any comments, questions?

20 COMMISSIONER CAMERON: I have one
21 question.

22 COMMISSIONER McHUGH: Sure.

23 COMMISSIONER CAMERON: Excellent
24 presentation. The only thing, and I may have

1 missed this, did they have specific experience,
2 the firm you're recommending, writing gaming
3 regulations?

4 COMMISSIONER MCHUGH: No, but this is not
5 what we're going to ask them to do, in essence.
6 This is -- this is a contract in which we're
7 going to ask for help on writing the code of
8 ethics that we need to write, advising us with
9 respect to the nuances of the Open Meeting Law,
10 helping us with the Freedom of Information Act,
11 not so much with the Freedom of Information Act
12 in terms of what's covered and what isn't
13 covered, but how to set up a set of
14 records-keeping systems that comply with the law
15 and make retrieval of records easy and
16 accessible, how to deal with -- smoothly and
17 efficiently with Freedom of Information Act
18 requests, how to deal with other kinds of
19 self-governance law and regulation that we need
20 in order to do our business. So this is -- this
21 is where their expertise lies and this is the
22 area that we're going to be calling on them for.

23 CHAIRMAN CROSBY: This is an important
24 point of clarification, because particularly the

1 Chicago firm wanted to talk immediately about
2 helping us write the regulations and so forth.
3 If I'm not mistaken, the word "gaming" does not
4 appear in this RFR. It's all about trying to get
5 us up and running, but none of them fully got
6 that, but this one that we're recommending got it
7 much better and was much more thorough.

8 COMMISSIONER McHUGH: Right.

9 CHAIRMAN CROSBY: Even they talked about
10 how they could help us with the gaming
11 regulations but that was not what this is about.

12 COMMISSIONER McHUGH: Right.

13 COMMISSIONER ZUNIGA: Commissioner McHugh,
14 as we will soon undertake more staffing of an
15 executive director and I know or I assume
16 eventually a general counsel, an office of
17 counsel, I guess here at the Commission, was
18 there any discussion with this firm as to how
19 they could be part of that process?

20 COMMISSIONER McHUGH: There was not
21 extensive discussion because this is a six-month
22 contract. Basically this contract would
23 contemplate a completion of its work in six
24 months, and by that time, they would lead us into

1 a more fully matured staff in which they would
2 help us identify the tasks to be taken over.

3 Outside litigation would be typically
4 taken care of by the Attorney General. We have
5 to talk further with them, but we've begun talks
6 with them. There may be some litigation
7 services. There may be some other special
8 counsel services that they could provide, but
9 this is really designed to get us up off the
10 ground and going on our own.

11 CHAIRMAN CROSBY: Anything else? Do you
12 want to turn this -- turn this into a motion?

13 COMMISSIONER McHUGH: I would be happy to,
14 Mr. Chairman. I would move that we engage
15 Anderson & Kreiger as outside counsel for the
16 period contemplated by the RFR, subject to
17 background investigations, to an execution of a
18 contract containing terms and conditions
19 satisfactory to the Commission, including a
20 satisfactory description of the scope of the work
21 the contract covers.

22 CHAIRMAN CROSBY: Do I have a second?

23 COMMISSIONER CAMERON: I second that.

24 CHAIRMAN CROSBY: Any further discussion?

1 All in favor of the motion as offered
2 please indicate by stating aye.

3 COMMISSIONERS: Aye.

4 CHAIRMAN CROSBY: All opposed?

5 Once again, we're like 8 for 8.

6 Commissioner McHugh, you may have to leave
7 and we're not going to get through this whole
8 agenda. If -- if that were the case, we might
9 move the ethics -- the ethics item up to now, do
10 that one, and then we could carry on, if need be.
11 Does that make sense?

12 COMMISSIONER McHUGH: All right,
13 Mr. Chairman. I regret that I may have to do
14 that because of a long-standing and unavoidable
15 conflict. So let me talk briefly, because that's
16 all there is at the moment, about the ethics
17 rules.

18 The statute requires us to establish a
19 code of ethics for all members and employees that
20 shall be more restrictive than the Code of Ethics
21 contained in Chapter 268A and 268B of the General
22 Laws. And I should explain that 268A and B
23 basically cover conflicts of interest, and that's
24 a topic included under the -- the topic of

1 ethics, which basically are rules designed to
2 ensure the impartiality, both in reality and
3 appearance, of us as Commissioners, and is
4 something that is important and statutorily
5 required of all bodies, but the requirement for
6 an emphasized and heightened code of ethics is --
7 for us is required by the Legislature.

8 And -- so such things as contacts, various
9 kinds of disclosures that may not be applicable
10 to others, a number of things might fall into
11 that category, and we're required to do it.

12 The statute also requires the Alcoholic
13 Beverage Control Commission personnel, who work
14 with us, to have such a code, such an enhanced or
15 heightened code. It requires the Attorney
16 General's Enforcement Division to have such a
17 code. And it requires the State Police Gaming
18 Enforcement Unit to adhere to our code, which
19 means that we have four entities, us and the
20 other three, who all have the obligation to have
21 such a heightened code.

22 And it seems to me, and I throw it open
23 for discussion with you, that it would make a
24 great deal of sense to begin quickly to talk with

1 the Attorney General about a comprehensive code
2 that would apply to all people to whom this kind
3 of a code has to apply, so that we have one set
4 of rules, one set of enhanced rules, that those
5 rules are clear for everybody and that everybody
6 operates and collaborates together under the same
7 set.

8 So in anticipation of this discussion,
9 I've reached out to the Attorney General's office
10 to see whether they would be amenable to that
11 kind of a conversation before I put that on the
12 table today, and they would be delighted to have
13 such a conversation. So I throw it open for
14 discussion among all of you.

15 CHAIRMAN CROSBY: I don't think there's
16 really much to discuss. I agree with you. It's
17 just something that's a high priority. It goes
18 to the heart of us, indicating that we are indeed
19 committed to being the fair, transparent and
20 participatory process that we aspire to, and I
21 think getting started, and we can also -- this
22 will be a big project. This will be something we
23 can get the help from our new law firm as well,
24 if we sign them up.

1 The only other thing that I would mention,
2 and there are a number of ethics issues, this is
3 maybe as much for the public as for us, that we
4 have to deal with in our daily lives. One in
5 particular that I've talked about to you and
6 we've talked about is my wife and I have personal
7 friends who we socialize with regularly who may
8 -- may be or are involved in one proposal or
9 another, and we've suspended those relationships
10 until we figure out how to do that. I don't want
11 to suspend these relationships for the rest of
12 this term, but, you know, it's the kind of thing
13 that is urgent, but it gives a sense to the
14 public of the degree that we're trying to think
15 this through. And that particular one was -- as
16 the good weather rolls around, it would be nice
17 if we could get to that issue.

18 COMMISSIONER McHUGH: Well, I think we
19 can. And those are going to be continuing
20 complex problems. There's no one-size-fits-all
21 answer to any of them. But they do exist and
22 there are ways to deal with them. And in
23 addition to working with a new code or statement,
24 we also can work with the Ethics Commission.

1 We've reached out to them, and they sit there to
2 give advice on matters like this, and I'm sure we
3 can find ways to -- we might not like the advice
4 they give, but that's why they're there. And so
5 there are ways to deal with that.

6 I should add one thing, though, to this
7 process, to this part of the discussion, and it
8 sort of permeates what we're doing and it
9 contributes somewhat to the pace at which we can
10 move. This is going to be a complex undertaking.
11 We're going to have to look at drafts. We're
12 going to have to look at pieces of things, and we
13 are going to have to do this in a unique position
14 of commissioners who have no staff as we move
15 forward, at least initially. And the Open
16 Meeting Law requirements are things that we're
17 going to have to adhere to. And we've talked
18 extensively with the Attorney General's office
19 about that, gotten some good advice from them
20 about how the law applies to us fully, and so
21 that's what we're going to do.

22 And it may be that we have to proceed more
23 slowly because we have to go through a lot of
24 what normally, if we had a staff, would be done

1 by staff in the kind of forum that we're in now,
2 and it means that we proceed at a more deliberate
3 pace, at least for a while until we're staffed up
4 and have a mature organization. So I think we
5 have to be prepared to do that, and I think those
6 who are watching us have to be prepared to
7 understand that the pace at which we are going is
8 in part a reflection of the deliberateness that
9 this process understandably requires.

10 CHAIRMAN CROSBY: Yeah, I think that's a
11 really important point, again, for the public to
12 understand as well, that this is -- it's a
13 system. Just to give you an example.

14 If we wanted to describe a job description
15 for an acting executive director, what in the
16 normal operations, you would do up a draft, you'd
17 send it to everybody. Everybody would send their
18 comments back, and that would be the end of that.
19 We can't do that. That transaction almost surely
20 falls under the Open Meeting Law. We could not
21 do that without having an open meeting announced
22 two days in advance, with that on the agenda.

23 So we'll have to figure out a way to do
24 it. When there's not a quorum, then bring it to

1 -- so it's just, you know, there are a lot of
2 people who are understandably impatient that they
3 want this process to get moving for lots of
4 reasons, and so do we.

5 One issue is we need to do it right, but
6 the second issue is we do have this important law
7 that we need to adhere to, but because of the
8 peculiar nature of our organization, it is going
9 to put some pretty serious time constraints on
10 our ability to move forward expeditiously.

11 COMMISSIONER McHUGH: Yes. And we simply
12 have to devise procedures to move with the
13 maximum speed we can, given those constraints,
14 adhere to those constraints and -- and help
15 everybody understand this is what we're doing and
16 why we're doing it.

17 CHAIRMAN CROSBY: Right. And just for the
18 record, nobody is suggesting that we shouldn't do
19 that. We're just trying to make it clear for
20 everybody to understand.

21 COMMISSIONER McHUGH: Right.

22 CHAIRMAN CROSBY: As we do -- the Open
23 Meeting Law is there for a reason. It's a good
24 law. It should be there. But we are in a little

1 bit of an unusual situation and we just need to
2 learn how to adapt to that and live with whatever
3 the efficiency consequences are.

4 Okay. I think that's it for that. I
5 guess the bottom line is just simply urging you,
6 you're sort of the point person on this project,
7 to move this forward as quickly as we can,
8 consistent with what the law has asked -- the
9 legislation has asked us to do.

10 Next on our list was Number 9. We are
11 directed by the legislation to assume the
12 operations of the State Racing Commission in late
13 May, and Commissioner Cameron has been taking the
14 lead on this project, and we look forward to her
15 comments.

16 COMMISSIONER CAMERON: Thank you,
17 Mr. Chair. At your request, Commissioner Zuniga
18 and I had taken the responsibility for this
19 transfer process. The State Racing Commission,
20 as you just said, presently reports to the
21 Division of Professional Licensure and that will
22 be moving over to the Gaming Commission. The law
23 calls for this transfer to occur on May 20th of
24 this year.

1 We do have concerns about our ability to
2 absorb those responsibilities by next month. As
3 we're all aware, this is our second week of work
4 as a full commission, and we really are working
5 hard to meet those responsibilities. One of our
6 strategies is to employ an industry expert to
7 assist us with the transition.

8 Just a status report on what we've done to
9 date. Commissioner Zuniga and I have had two
10 meetings with the deputy director of the Division
11 of Professional Licensure with the direct -- the
12 person who has the direct oversight, the State
13 Racing Commission transition coordinator, that's
14 a title, and other members of the management
15 team. We discussed oversight functions to
16 include operations, licensing, financial
17 management, legal affairs. I want to state that
18 these individuals, the management team from
19 Licensure, have been extremely helpful during the
20 transition and I'm confident they'll be --
21 they'll be helpful until the final plans are
22 executed.

23 Additionally we've been briefed by members
24 of the State Police who have responsibility for

1 racing investigations, a status update on what
2 those investigations are. And one immediate
3 responsibility that we have acquired is the
4 distribution of funds from this Racing
5 Stabilization Fund to certain entities for the
6 humane care, maintenance and adoption of
7 greyhound dogs that raced in the Commonwealth in
8 the calendar year 2009.

9 Mr. Chair, we have prepared a resolution
10 which I will summarize in order that we may vote
11 to execute, which will allow us to fulfill our
12 obligations. Now, this resolution authorizes the
13 execution of all necessary contractual
14 arrangements, including inter-agency agreements,
15 to satisfy obligations relating to the Racing
16 Stabilization Fund, established by Chapter 194 of
17 the Acts of 2011.

18 When resolved, the Massachusetts Gaming
19 Commission does hereby adopt the method and
20 criteria for distributing funds for the Racing
21 Stabilization Fund previously developed by the
22 Office of Consumer Affairs and Business
23 Regulation, in consultation with the State Racing
24 Commission pursuant to Chapter 167 of the Acts of

1 2009, and it will further resolve the
2 Massachusetts Gaming Commission does hereby
3 authorize and direct Commissioners Cameron and
4 Zuniga to negotiate, finalize, execute and enter
5 into on behalf of the Massachusetts Gaming
6 Commission all necessary contractual
7 arrangements, including but not limited to
8 inter-agency agreements and amendments thereto in
9 connection with fulfilling the Massachusetts
10 Gaming Commission's obligations related to the
11 administration of the Racing Stabilization Fund.

12 Now, this was a responsibility that
13 frankly is to be executed this week, and again,
14 we worked in collaboration with the Division of
15 Professional Licensure to put this resolution
16 together. This will authorize us to move funds
17 to the proper account and cut those checks this
18 week.

19 So at this time, Mr. Chair, I'd request
20 that you call a vote to authorize the resolution.

21 CHAIRMAN CROSBY: So why don't you -- you
22 put this into -- why doesn't someone put it into
23 a motion to adopt -- you're familiar with this,
24 Commissioner. Why don't you?

1 COMMISSIONER ZUNIGA: The motion would
2 really read just like the last two paragraphs
3 that Commissioner Cameron spoke about, which is
4 that we move that the Mass. Gaming Commission
5 does hereby adopt the method and criteria
6 distributing -- for distributing the funds from
7 the Racing Stabilization Fund that has been
8 previously developed by the Office of Consumer
9 Affairs and Business Organization in accordance
10 with Chapter 167 of the Acts of 2009, as well as
11 allow us to have the authority to negotiate and
12 -- what's called an inter-agency service
13 agreement in which this agreement, the Commission
14 will enter into the agreement along with the
15 Division of -- Office of Consumer Affairs in
16 order to make those payments. They will continue
17 to make those payments for us, but the money
18 comes through the Commission by way of agreement.

19 CHAIRMAN CROSBY: Is there a second?

20 COMMISSIONER STEBBINS: Second.

21 CHAIRMAN CROSBY: Any discussion?

22 COMMISSIONER McHUGH: I have two things,
23 Mr. Chairman, that I might offer. If we -- and
24 this goes back to our previous discussion.

1 As I understand it, if we create a
2 two-person group to move forward with this by a
3 formal vote, we have created a subcommittee, and
4 if we create a subcommittee, the subcommittee's
5 work is subject to the Open Meeting Law, which
6 means that the subcommittee would have to do all
7 of its work on this, signing and execution, in a
8 public meeting. We've got a posted public
9 meeting. We have from now until Thursday to do
10 this, and so that is an issue.

11 And one of the ways that we can comply
12 with the Open Meeting Law and achieve the kinds
13 of transparency that we need to apply would be to
14 appoint a single member to be responsible for
15 various functions and then to report at our
16 periodic and hopefully frequent meetings on what
17 they've done, but at least we'd be able to move
18 forward. That person would be able to come and
19 bring whatever motions for approval they'd need.
20 But I think we'd run the risk by appointing a
21 two-person group of running into the subcommittee
22 piece of the Open Meeting Law, which is not --
23 which is fine, but we -- we just have to
24 understand what we're doing there.

1 The second thing, and what is the
2 statutory section that creates this Racing
3 Stabilization Fund? I can't find it. Do we have
4 that right there? Because unfortunately, I think
5 there's a typo in the legislation, and I
6 mentioned that before.

7 COMMISSIONER ZUNIGA: It's Chapter 167 of
8 the Acts of 2009.

9 CHAIRMAN CROSBY: Are you talking about in
10 our legislation?

11 COMMISSIONER McHUGH: In our legislation.

12 COMMISSIONER ZUNIGA: Oh, sorry, no.

13 That --

14 COMMISSIONER CAMERON: I don't have it
15 with me.

16 COMMISSIONER McHUGH: Our legislation
17 creates the Racing Stable -- puts us in charge of
18 the Racing Stabilization Fund.

19 COMMISSIONER CAMERON: Mm-hmm.

20 COMMISSIONER ZUNIGA: It's around six --
21 Section 60, I believe, or thereabouts.

22 COMMISSIONER McHUGH: Of Section -- of
23 23K?

24 COMMISSIONER ZUNIGA: Yes. Page 122 in

1 the printout that we have.

2 COMMISSIONER McHUGH: That's the racing --
3 we're talking about the greyhound fund, are we
4 not?

5 COMMISSIONER ZUNIGA: Yes. It's just the
6 section preceding that.

7 COMMISSIONER McHUGH: I'm sorry. I didn't
8 realize this was --

9 COMMISSIONER ZUNIGA: Section 58, I
10 believe, and 59.

11 COMMISSIONER McHUGH: 58. No, 59.

12 COMMISSIONER ZUNIGA: Yeah, 59. Sorry.

13 COMMISSIONER McHUGH: Now, 59 of the
14 legislation? I'm sorry to be --

15 CHAIRMAN CROSBY: That's all right.

16 COMMISSIONER McHUGH: Well, maybe we could
17 move on for a minute, Mr. Chairman, and I could
18 find that and just invite your attention to it.
19 It may be --

20 CHAIRMAN CROSBY: What's the consequence
21 of it?

22 COMMISSIONER McHUGH: The consequence of
23 it is it's not clear who gets -- I mean, one
24 consequence is that read literally, it's not

1 clear who gets the money, and I think that was
2 not -- I think the intent is clear, but because
3 of what I think is a typographical error in the
4 legislation, it's not clear who --

5 COMMISSIONER ZUNIGA: We may need a
6 legislative fix.

7 CHAIRMAN CROSBY: Well, does this come
8 under our ability to self-correct that was
9 referred to by Mr. Michael, I think, early on?
10 He read a section that says we're authorized to
11 interpret these in such a way as to -- something
12 like that.

13 COMMISSIONER McHUGH: We certainly could
14 move in that direction, but we need to do that
15 with knowledge of what we're doing, and I'd like
16 to find that section.

17 CHAIRMAN CROSBY: Good point.

18 COMMISSIONER McHUGH: And simply read to
19 you what it says.

20 CHAIRMAN CROSBY: Okay.

21 COMMISSIONER McHUGH: And have us all on
22 the same page.

23 CHAIRMAN CROSBY: Okay.

24 COMMISSIONER McHUGH: As to moving

1 forward.

2 CHAIRMAN CROSBY: Well, while you look for
3 that, Commissioner Zuniga, would you be willing
4 to amend your motion to make it just I guess
5 Commissioner Cameron, would you take the lead?

6 COMMISSIONER CAMERON: Yes, certainly.

7 COMMISSIONER ZUNIGA: I will gladly do
8 that, and move that the last portion of the
9 motion, we resolve that the Massachusetts Gaming
10 Commission does hereby -- does hereby authorize
11 and direct Commissioner Cameron to negotiate,
12 finalize and execute and enter into, on behalf of
13 the Commission, the contractual arrangements for
14 the payments from the Racing Stabilization Fund.

15 CHAIRMAN CROSBY: And report back to us
16 regularly in open meetings.

17 COMMISSIONER ZUNIGA: Absolutely.

18 CHAIRMAN CROSBY: Right.

19 COMMISSIONER STEBBINS: Second.

20 CHAIRMAN CROSBY: Okay.

21 COMMISSIONER McHUGH: Here it is. I found
22 it. It's Section 80 -- it's Chapter -- it's
23 Chapter 194, Section 87. So it's Section 87 of
24 the legislation, which talks about this greyhound

1 fund. And it says --

2 It says as follows -- and this is
3 Section 87A, it talks about distribu -- it talks
4 about -- it talks about the kennel owners and it
5 talks about the greyhound owners both, and it
6 winds up by saying that: Provided that in no
7 event shall the sum of payments exceed the amount
8 dedicated to the Racing Stabilization Fund during
9 calendar years 2010 and 2011, provided further
10 that before any amount is distributed, the
11 Commission shall develop a method and criteria by
12 which to distribute such funds in an equitable
13 manner among the kennel owners and provided
14 further that the Commission shall begin payment
15 to the kennel on a biweekly basis beginning
16 April 12, 2012.

17 It seems to me that the word "owners" or
18 something is left out of that, and so we can
19 simply assume we know what is there, proceed in
20 the way it was done before, and assume that
21 that's a safe way to go. But I think we ought to
22 do that with knowledge that that ambiguity is
23 there.

24 CHAIRMAN CROSBY: Okay. And that's

1 something we can definitely discuss with the
2 folks who know this better than we.

3 COMMISSIONER McHUGH: Right.

4 COMMISSIONER CAMERON: Commissioner
5 McHugh, this resolution does speak to the fact
6 that we will be using the method and criteria for
7 distributing funds previously developed by the
8 Office of Consumer Affairs and Business
9 Regulation.

10 COMMISSIONER McHUGH: Right. And I think
11 -- I think that takes care of it. I think we
12 simply need to understand that there's I think a
13 word missing from that legislation. This is a
14 long piece of legislation. It's not unusual for
15 that to happen.

16 CHAIRMAN CROSBY: Okay.

17 COMMISSIONER McHUGH: And we simply need
18 to know that that's there.

19 CHAIRMAN CROSBY: Just for the public who
20 are watching, this is indicative of why we
21 weren't sure that it made a lot of sense for us
22 to take this over right now, because if you don't
23 know what you're talking -- we were talking
24 about, we didn't know about it either.

1 When dog racing was outlawed and banned in
2 Massachusetts some number of years ago, an
3 agreement was made to pay some of the parties who
4 had lost their livelihood, kennel owners and dog
5 owners, some small amounts of money that was
6 derived from the revenues of the remaining
7 tracks, the two horse tracks and the simulcast
8 track or the simulcast facility. Revenues from
9 that goes into a so-called Racing Stabilization
10 Fund, and under certain circumstances and at
11 certain times, that money is distributed to those
12 folks who lost their livelihood when dog racing
13 went away. It is very convoluted, as you can
14 hear, and that's one of many such dimensions to
15 this element.

16 The legislation rightfully, I think, and
17 we'll get to another issue here, rightfully
18 foresaw that all gaming probably should be under
19 the Mass. Gaming Commission, except for the
20 lottery. Therefore the Racing Commission,
21 therefore Charitable Gaming, which we'll get to,
22 the legislation envisions that we will get our
23 arms around that at some point. I think that's
24 probably good public policy. It probably makes

1 pretty good sense, but doing it so quickly when
2 we've got these other priorities to deal with is
3 the issue that we're wrestling with. This has
4 nothing to do with citing casino facilities in
5 the Commonwealth of Massachusetts.

6 Okay. There's a motion on the table,
7 amended, with the need at least to do a little
8 checking out. We have a second. Do we have any
9 other discussion of this motion?

10 All in favor, please say aye.

11 COMMISSIONERS: Aye.

12 CHAIRMAN CROSBY: Opposed?

13 The motion is passed.

14 COMMISSIONER CAMERON: I have one more.

15 CHAIRMAN CROSBY: Yes, good. Yeah.

16 COMMISSIONER CAMERON: In closing, I would
17 just like to acknowledge that we are aware that
18 there are currently 12 full-time State Racing
19 Commission employees and 23 contract employees
20 who are uncertain about their employment future.
21 We're working to resolve this issue as quickly as
22 possible, and I just wanted to make note of that
23 before concluding. And that's our report,
24 Mr. Chair.

1 CHAIRMAN CROSBY: Thank you. And that's a
2 very good point. You know, there are folks who
3 have been working for the State Racing
4 Commission, full-time and contract, for many,
5 many years, some as many as 40 years, and their
6 lives are hanging, trying to figure out, as we
7 try to figure out how this happened. So I
8 appreciate your making that -- making that point.

9 Do we need a motion to authorize the
10 consultant or do we do that at the end of the
11 day?

12 COMMISSIONER CAMERON: I think we do not
13 at this time.

14 CHAIRMAN CROSBY: Okay, fine. All right.
15 Then I think we're ready to move on to item 11,
16 the charitable gaming provisions. This won't
17 take very long. There was a provision in the
18 legislation that directed that the MGC, the Mass.
19 Gaming Commission, make a report to the
20 Legislature making recommendations about the
21 management and oversight of charitable gaming,
22 bingo games and casino nights and so forth, to
23 the Legislature, with the intent, as I said
24 earlier, that the presumption, I think, as I said

1 earlier, that probably regulation of casino --
2 I'm sorry, charitable gaming should be under the
3 Commission as well.

4 That is obviously a deadline we couldn't
5 make. April 1st was what -- was the deadline.
6 We had barely even gotten started then. We have
7 talked with representatives of the Legislature
8 and said that we can't do that. But assuming we
9 all agree today, I will write a letter to the
10 Legislature saying that we understand we're
11 behind, but we will get moving on this. And
12 there are conversations already underway. The
13 Attorney General now has a significant oversight
14 role in charitable gaming. We need to start a
15 conversation with them, which is underway I think
16 in the next couple of days.

17 So I think what we just need here is a
18 consensus from the group to authorize us to go
19 forward, and in due time, we may need to get some
20 consultant help. This is actually a pretty big
21 project. The charitable gaming revenues, I've
22 forgotten the numbers, but it's like 1 or \$2
23 billion in Massachusetts, purportedly, which is
24 more possibly than ostensibly goes to Connecticut

1 and Rhode Island for casino gambling. So it's a
2 big, big number, and in due time, this will be a
3 very big project.

4 But I think just with your permission, I
5 think I just want to put on the record that we
6 are going to do this. I will be writing the
7 legislative leadership and we will get moving on
8 this as quickly as we can.

9 Anything else on that?

10 Okay. Certain personnel matters, item 12.
11 There are certain issues here that we're -- we
12 need to take one by one, and I think for
13 starters, the issue is the search for -- well,
14 the ED to begin with, and then the issue of the
15 acting executive director.

16 COMMISSIONER STEBBINS: Mr. Chairman, and
17 going back to the legislation, one of the key
18 references I found to an acting executive
19 director states the Commission may designate,
20 designate an acting executive director to serve
21 as executive director obviously until the vacancy
22 is filled or the absence -- or disability of the
23 incumbent executive director.

24 So the designate is an interesting term

1 that they have used in the legislation, I think.
2 In terms of posting the position for an executive
3 director, I think it behooves us to move rather
4 quickly.

5 CHAIRMAN CROSBY: You're talking the
6 full-time director?

7 COMMISSIONER STEBBINS: Sure, yeah, for
8 the full-time executive director. I think we --
9 from the presentations we heard today from both
10 Michael & Carroll and from the Spectrum Group,
11 they have some pretty definitive timelines. The
12 legislation lays out some pretty definitive
13 timelines. I am reluctant to allow an interim to
14 make some decisions and potentially hiring
15 decisions to create a team which I think any
16 incoming full-time executive director would
17 welcome the opportunity to make those decisions
18 for him or herself.

19 I feel finding a full-time director, it's
20 a small population of people who I think are
21 going to come to the table with the credentials
22 that we're looking for. So I don't believe the
23 timeline would necessarily pressure us into
24 hiring an interim. Then you get into questions

1 of, well, is the interim allowed to be a
2 candidate for the full-time position? Does the
3 interim have a leg up? Is an interim someone who
4 would be willing to walk away from his or her
5 current position to pursue the full-time
6 executive directorship?

7 Again, I think we have some -- some
8 concerns, some operational steps that we want to
9 take in-house as a Commission, that we might be
10 afforded the opportunity to designate an acting
11 executive director. This could be an individual
12 that we might have the opportunity to pull from
13 within state government from the limited -- for a
14 limited amount of time. But I guess my point
15 here is I would not wish to execute a search or a
16 posting for an interim executive director; move
17 right to beginning to pull together a posting for
18 a full-time executive director. If necessary
19 secure outside services from a recruitment firm
20 to help us solicit resumes.

21 But I think we all understand some of the
22 timelines that we're up against, and I think it
23 just makes sense, especially in light of our
24 efforts, to bring on a gaming consultant to work

1 alongside somebody in a full-time position that
2 we not, again, pursue a hiring process for an
3 interim executive director.

4 CHAIRMAN CROSBY: Not pursue a process,
5 but simply see if we can find one to designate?

6 COMMISSIONER STEBBINS: Exactly.

7 CHAIRMAN CROSBY: Not have a search, a
8 formal search.

9 COMMISSIONER STEBBINS: Exactly.

10 CHAIRMAN CROSBY: Right, okay. While
11 meanwhile, we are doing the search, a formal
12 search with a search firm for the full-time
13 director?

14 COMMISSIONER STEBBINS: Correct.

15 CHAIRMAN CROSBY: Okay.

16 COMMISSIONER STEBBINS: Correct. Those
17 are -- those are just my thoughts on that
18 position, but you know, going back through and
19 reading the statute and seeing we may designate,
20 and of course obviously, that applies to two,
21 three years down the line when we do have a
22 full-time on board and he or she leaves, we can
23 appoint obviously a designate, an acting
24 executive director in that lapse of service as

1 well.

2 But those are just my thoughts on kind of
3 that key position, which is going to be essential
4 to working with the gaming consultant that we
5 select and negotiate a contract with, and again,
6 moving the timeline along. Those are just my
7 thoughts.

8 CHAIRMAN CROSBY: Anybody else?

9 COMMISSIONER McHUGH: Well, it seems to me
10 we ought to do that. We certainly could use
11 somebody in the role of executive director as
12 soon as possible and yet it's going to take us
13 time to get the final one, so having both would
14 be great.

15 COMMISSIONER CAMERON: Commissioner
16 Stebbins, I think what you're saying is we're
17 looking for someone interim, an interim person
18 who is really a good administrator to help us
19 through the startup process and expedite the
20 process for a full-time executive director with
21 gaming experience.

22 COMMISSIONER STEBBINS: Exactly.

23 COMMISSIONER CAMERON: I would concur with
24 your thoughts on that.

1 COMMISSIONER STEBBINS: Commissioner?

2 CHAIRMAN CROSBY: Yeah. I definitely
3 think that the executive director will need
4 gaming experience big time. I don't think
5 there's any questions about that. I think we all
6 agree on that.

7 We might get lucky. It might happen
8 quickly. Quickly would probably be three months.
9 It might more likely be three to six. Who knows?
10 And I do agree that in the interim, we have these
11 two different tasks. One is for the
12 Commissioners to do their work which is these
13 kinds of meetings and the substance. We're
14 beginning to get in the process of developing the
15 RFPs and the criteria and talking to the public
16 about what we want and so on and so forth.
17 Meanwhile, somebody should be building this
18 organization and right now, we're doing both.

19 So I think if we could find somebody,
20 preferably with gaming experience, if we could
21 happen to get lucky, some retired person who's
22 done this kind of thing before, but if not, at
23 least proven administrative skills, I would agree
24 with that. So I think we're -- and we are going

1 ahead on an RFP for a search firm for the formal
2 ED, okay.

3 Now, what would be the process? So I
4 think we got a consensus on the acting ED, which
5 is at least a presumption of getting one if we
6 can find the right person. What would be the
7 process for -- I agree that I think the law makes
8 it clear, we don't have to do a particular
9 process. I think there's no harm in posting the
10 position. I mean, we can post the position, you
11 know, even as we're looking and post it for a
12 week or two. That's -- I think that makes good
13 sense, and I think that's a principle that we can
14 adhere to with no downside cost to us.

15 So we write a job description. We post
16 it, and we start looking as all of us already
17 have to some extent, thinking about candidates.
18 Let's set up a process, somebody on whose deck --
19 on whose desk the buck stops to do the initial
20 vetting. Does anybody have an idea on how to do
21 that?

22 Would we have the same subcommittee
23 problem? Could we ask two Commissioners to take
24 the lead on this or would that be a --

1 COMMISSIONER McHUGH: I think the better
2 way to go for expedition purposes and still
3 preserving the kind of transparency that we need
4 is to appoint in each instance a single
5 Commissioner to be responsible and to come to the
6 other Commissioners when he/she has made a
7 recommendation, has recommendations to prepare,
8 and we do that recommendation and consideration
9 in the public meeting.

10 CHAIRMAN CROSBY: Right.

11 COMMISSIONER McHUGH: But that way we can
12 move forward with somebody being -- having one
13 person having primary responsibility for
14 something. And if necessary, we can go through
15 an interview process like we did today with the
16 finalists.

17 CHAIRMAN CROSBY: They'll love that.

18 COMMISSIONER McHUGH: Well, you know,
19 that's -- that's --

20 CHAIRMAN CROSBY: Well, we can't -- the
21 first, I think we're clear that the primary level
22 of interviews can be confidential. That does not
23 have to be public, right? We don't have to make
24 public --

1 COMMISSIONER McHUGH: As long as there's
2 not a -- as long as there's not a subcommittee.
3 If there's a subcommittee, then we have to
4 contravene a public meeting, go into executive
5 session, if it's -- if certain criteria are met,
6 and then do the screening interviews. But if a
7 single person does it and comes to the -- comes
8 to the committee with recommendations in a public
9 meeting, then we can deal with that in that
10 fashion.

11 CHAIRMAN CROSBY: Okay.

12 COMMISSIONER STEBBINS: I'm more than
13 happy to offer myself to kind of assume
14 initiating the process and reporting back to the
15 full Commission at our next meeting.

16 CHAIRMAN CROSBY: Okay. And as I
17 mentioned earlier, our next meeting may be sooner
18 rather than later, so that would make this
19 process easier. Because I think we all are going
20 to want to see and talk about the job
21 description, and I do think trying to find a way
22 to make a distinction between the Commissioner's
23 work which is really to get about the business
24 of, you know, soliciting proposals for casinos

1 and maybe -- and a slots parlor in Massachusetts,
2 as distinct from the work of setting up the IT,
3 getting the HR going, working with the
4 consultant, beginning to think about the gaming
5 regs, you know, that's -- if you can make that
6 distinction, it would permit the person we'll
7 talk about now -- the chief of staff to the
8 Commission is really right now sort of half
9 acting as the semi-ED, doing all that other
10 stuff, that would free her up to help support us
11 so that we can do our work more efficiently. So
12 if you can -- do you agree with that distinction?

13 COMMISSIONER STEBBINS: I do.

14 CHAIRMAN CROSBY: Okay. All right. So as
15 a matter of consensus, thank you, Commissioner.
16 All right.

17 COMMISSIONER McHUGH: Mr. Chairman, I have
18 to --

19 CHAIRMAN CROSBY: Good luck. Sorry the
20 parking lot's so far away out here. The elevator
21 is right down there, Jim. All right, thank you.

22 Okay. So we have a consensus, I think, to
23 move forward on that. Thank you very much.
24 Commissioner Stebbins, and let's get moving on

1 that. Anybody who's got ideas, anybody who's got
2 ideas, you know, for interim EDs, interim
3 executive directors, please bring them up.

4 The next personnel matter, we, as I
5 mentioned earlier, one of the first two things we
6 did when I was appointed was retain the services
7 of Karen Schwartzman from Polaris PR. And she's
8 helped us very much with our communications and
9 the press issues and so forth, and also her
10 background happens to be five years as an
11 investigator in the Ethics Commission prior to
12 getting into the public relations business, which
13 gave her a tremendous asset for us as we've gone
14 through this process. But she has recommended to
15 us that we're now to the point where this is more
16 than she can do.

17 She has a consulting business with other
18 clients and this is, to wit, today's meeting, is
19 beginning to ramp up a lot, recommended that we
20 search for a permanent communications person, a
21 quite senior person who can really help with the
22 day-to-day press stuff, the events management,
23 the web, the web and the social media, a really
24 big picture, communications person, our outreach

1 across the Commonwealth, et cetera.

2 And so that process is in place. We've
3 asked Karen to lead it up, head it up. She has
4 asked Hank Shafran, who recently retired as head
5 of communications and public relations at Bingham
6 McCutchen, to help her, and the two of them are
7 in the process now of soliciting resumes. We
8 have said to them, as we've said on all these
9 positions, that diversity is an absolutely high
10 priority. Please be as aggressive and thoughtful
11 as you possibly can. We want this Commission and
12 its employees to represent the people of the
13 Commonwealth, and they are now underway. And
14 they will do the vetting and they did bring to us
15 some finalists, and we'll have to figure out how
16 to handle that in the context of the public
17 meeting process.

18 Any other thoughts on that? Thank you for
19 the work you've done so far. You've been great.

20 Okay. And the third, if Janice Reilly is
21 in the room, we're going to ask her to leave.

22 No. We don't want her. We want her to
23 stay out. Is she out?

24 VOICE: Yes.

1 CHAIRMAN CROSBY: Okay. We're now on a
2 personnel matter. I don't know how you do
3 personnel matters in a public meeting, but we're
4 trying to learn.

5 Janice Reilly, as I mentioned, was my
6 chief of staff when I was Secretary of
7 Administration and Finance. When I was appointed
8 to this job and we had this desperate need to get
9 the logistics going, we needed to get office
10 space, get computers and so forth, I asked her if
11 she would be willing to leave the job she was in
12 and come onboard as a consultant to get us up and
13 running, hired through this Governor's resource
14 that we've talked about earlier that was there to
15 get the Commission up and running. And she did.
16 You know where -- she's worked on this now for
17 the last, I don't know, couple months I guess,
18 getting us ready.

19 It has never been promised that this would
20 turn into a full-time job, although clearly that
21 was hoped for and suggested, but it was clear --
22 I made it clear that this was the business of the
23 Commission. This is nothing that I could
24 promise.

1 We have gone to HRD, the Human Relations
2 Division of the Commonwealth, given them a spec
3 of the job that she's being asked to do, Chief of
4 Staff to the Commission. They gave us a salary
5 range which was, I forget. I think it was 95 to
6 105, in part because of her. She was previously
7 making 93 or four, and we have agreed that if the
8 Commission agrees, that we would convert her from
9 a consultant to the full-time employee, Chief of
10 Staff, at 97.

11 Personally I think that's -- we should hit
12 the midpoint which is 101, but she wasn't
13 entirely comfortable with that, which is a credit
14 to her. So my suggestion would be, if you all
15 agree, that we bring her on as a full-time
16 employee and start her at 97, and in six months
17 when the Commission will have gone through a lot
18 of evolution, we will have learned a lot more,
19 that we take a look at her and her job
20 description and her salary.

21 But first of all, you know, I'm interested
22 in what you thought with how she's doing, and are
23 you with that program?

24 COMMISSIONER CAMERON: Mr. Chair, I'd like

1 to make a comment on that. Just in the short
2 time we've had to work together, the last couple
3 of weeks, Janice has been an excellent,
4 tremendous asset, prepared, professional, very
5 knowledgeable about state government and the
6 things that we need to do to move forward. So I
7 certainly concur with your comments and recommend
8 that we -- that we do hire her full-time.

9 CHAIRMAN CROSBY: Okay. Anybody else?

10 COMMISSIONER ZUNIGA: Yeah. I would echo
11 that thought as well. In the week that I've had
12 to -- well, actually, a couple days prior to me
13 coming here --

14 CHAIRMAN CROSBY: Week and a half.

15 COMMISSIONER ZUNIGA: -- a week and a half
16 that I've had the pleasure to work with Janice,
17 she's demonstrated a real knowledge of
18 procurement issues, some of which, you know, we
19 talked about earlier. She's been the one
20 essentially doing a lot of the operations for us
21 as well, financially. So I look forward for --
22 forward to her accepting and offering this
23 permanent offer.

24 CHAIRMAN CROSBY: Okay, great. May I have

1 a motion?

2 COMMISSIONER STEBBINS: So moved.

3 CHAIRMAN CROSBY: So moved, all right. So
4 you remember that motion. Second?

5 COMMISSIONER CAMERON: Second.

6 CHAIRMAN CROSBY: All in favor, please
7 signify by saying aye.

8 COMMISSIONERS: Aye.

9 CHAIRMAN CROSBY: All opposed?

10 Nay, I mean none.

11 Now, Janice, Janice can come back,
12 Brandon. Thank you.

13 All right. We're getting to the end of
14 the road. 13 is the -- the item 13 on our agenda
15 is new business. New business is within the
16 rules of the Open Meeting Law a section where if
17 things come up which the Chair could not have
18 reasonably anticipated was going to be on the
19 agenda at that time, that we may bring up new
20 things that came up at the time the announcement
21 went out. We don't really have any such things
22 at the moment, so I'm going to move on from new
23 business, unless anybody else has anything.

24 There was one thing I forgot to say at the

1 appropriate place up above, and that is that we
2 do have a number of briefings in our pipeline.
3 We have Ethics Commission, the Open Meeting --
4 the Public Records Laws, the IG, you know.
5 There's a whole series of briefing sessions for
6 all of the Commissioners that we're going to be
7 going through and that training is in the
8 pipeline coming up. That we can do together
9 because that's a training session.

10 Our next meeting is anticipated to be
11 April 24, two weeks from today, at the same time,
12 venue to be determined, but it may well turn out
13 that there are other meetings sooner. You can
14 see why we need to have these meetings frequently
15 in order to do our business. So we will be in
16 touch with everybody soon, but at the moment, the
17 next meeting is scheduled for the 24th at 1:00
18 o'clock.

19 There also may well be some other training
20 and preparatory sessions. We're working on ideas
21 for training us, and through us the public, of
22 what's going on in the gaming business, what are
23 the issues, what are some of our priorities, and
24 if that comes together, we may have something to

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announce about that pretty soon, too.

Have I missed anything else, folks, that needs to come up?

May I have a motion to adjourn?

COMMISSIONER ZUNIGA: So moved.

CHAIRMAN CROSBY: Second?

COMMISSIONER STEBBINS: Second.

CHAIRMAN CROSBY: All in favor.

COMMISSIONERS: Aye.

CHAIRMAN CROSBY: Thank you all very much for coming.

COMMISSIONER CAMERON: Good work.

[End.]

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C E R T I F I C A T E

COMMONWEALTH OF MASSACHUSETTS

I, Roberta Katz, do hereby certify that
the foregoing transcript represents a complete,
true and accurate transcription of the electronic
recording furnished to me in the above-entitled
matter, to the best of my knowledge, skill and
ability.

Roberta Katz

ROBERTA KATZ Commission expires:

March 22, 2013

April 17, 2012