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THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION

OPEN MEETING

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

MAY 22, 2012, 1:00 p.m.

OFFICE OF THE DIVISION OF INSURANCE

First Floor, Hearing Room E

1000 Washington Street

Boston, Massachusetts

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MAY 22, 2012

PROCEEDINGS:

CHAIRMAN CROSBY: It is 1:00 on May 22 and I would like to call the meeting to order. The first order of business is the minutes from May 15, which were submitted by Commissioner McHugh. Do we have a motion to adopt?

COMMISSIONER MCHUGH: Mr. Chairman, the minutes were posted. I move that they be adopted.

COMMISSIONER CAMERON: Second.

CHAIRMAN CROSBY: Any questions, any corrections, issues? All in favor of adoption say I. I.

COMMISSIONER STEBBINS: I.

COMMISSIONER CAMERON: I.

COMMISSIONER MCHUGH: I.

COMMISSIONER ZUNIGA: I.

CHAIRMAN CROSBY: All opposed? The I's have it five, zero.

CHAIRMAN CROSBY: Next is administration. The first item Commissioner Zuniga is the executive search process.

COMMISSIONER ZUNIGA: Yes. Thank you, Mr. Chairman. I have submitted a memo to the Commissioners and to the procurement file recommending that we cancel the current solicitation for executive search firms and conduct

1 a re-bid or re-issue the solicitation shortly thereafter.

2 Let me just step back a little bit and have
3 some background. We received two responses to our
4 solicitation. We underwent what is called a phase one
5 review purely for compliance with the forms or the form of
6 submission that they were asked in the solicitation.

7 Both firms were found to be responsive.
8 Neither of the firms is disqualified or anything like that
9 like there is language in the RFR. My recommendation comes
10 mostly from the fact that we did get two responses as opposed
11 to three or more, which is normally found to be a minimum
12 acceptable for the procurement of commodities and services.

13 Canceling the solicitation is part of the
14 procurement process options that we have as part of this
15 procurement. My recommendation comes with additional
16 procedures to conduct when we re-issue this RFR. Those
17 procedures include additional advertising, clarification
18 relative to the fee structure.

19 CHAIRMAN CROSBY: What is the issue there?

20 COMMISSIONER ZUNIGA: We received a
21 question after the question period was over, which we did
22 not respond because it is not appropriate. The question
23 was relative to the fee structure as to whether it included
24 -- We set a maximum fee and whether it included expenses
25 or not.

1 My recommendation is that of course we make
2 that very clear. I thought it was clear but there are two
3 sections in the RFR that speak to that. That may have been
4 the source of the confusion. I make a suggestion that we
5 clarify that unequivocally.

6 CHAIRMAN CROSBY: The expenses would be
7 outside of the cap?

8 COMMISSIONER ZUNIGA: Outside the cap,
9 right. That was my intention when I wrote it. It wasn't
10 clear because one section spoke about fees and another
11 section spoke about expenses and you could wonder whether
12 those are synonyms or not.

13 Additional direct solicitation is also a
14 procedure that we could undertake, an enhanced procedure.
15 That is go to the 25 or so top executive search firms and
16 email them directly on a blind copy so it is widely
17 distributed. We could include a number of contacts that
18 we have of interested parties that have signed up for public
19 forum, etc. in that distribution as an enhanced procedure
20 for advertising.

21 Doing it this way would allow the two
22 respondents to turnaround a response, be motivated to
23 respond to the second solicitation, in my opinion, if we
24 cancel now and we issued again.

25 Of course, this has some time implications.

1 We would have lost a few days, if you will, between having
2 to re-issue and allowing of time to get more people
3 interested.

4 COMMISSIONER CAMERON: I am wondering,
5 Commissioner, if we could consider an interim step, which
6 may be since we have two candidates who are qualified,
7 knowing as we do that the gaming community is not a large
8 community and many of the individuals are well-known, and
9 knowing that we have our gaming consultants who have
10 volunteered to assist us with this search and reach out to
11 qualified candidates, I am wondering if we could interview
12 the two candidate who are qualified in the interest of
13 saving time, moving the process along. And if in fact one
14 of them is acceptable for our needs, we could consider
15 taking that step before re-bidding the interview process.

16 I give them credit for responding properly.
17 I am wondering if we are not discounting their abilities
18 by not at least allowing them to interview before we start
19 the process over again.

20 COMMISSIONER ZUNIGA: That is a very valid
21 concern. I would mention a couple of things. If we go
22 through the process of evaluating them and for whatever
23 reason find that we are not entirely satisfied by their
24 response or their qualifications, we would then be in a
25 position of contemplating repeating at a later time. It

1 is something that we have to weigh against the merits of
2 having received only two responses rather than three.

3 For background, I think right now that
4 governments don't necessarily do a lot of these type of
5 solicitations for executive search firms. It's been
6 mostly the private sector who undertakes this. There may
7 be firms out there that they just didn't know about this
8 process.

9 The Governor's office conducted a similar
10 solicitation for an executive search firm for the two
11 positions that were jointly nominated by the Governor, the
12 Treasurer and the Attorney General. And in that response,
13 they obtained four firms, four responses. They may have
14 had more visibility of this. We modeled that solicitation
15 to a great degree on that one. We had that one available
16 to us.

17 COMMISSIONER CAMERON: It's my
18 understanding that the candidates were solicited
19 separately from the firm, the candidates -- In other words,
20 getting back to my point about this being a small community
21 and having the backdrop of consultants who know individuals
22 very, very well and could get the information out there to
23 qualified candidates. Again, I go back to my point that
24 we could save time and it could possibly be one of the two
25 firms who was very well-qualified for the position.

1 CHAIRMAN CROSBY: Do we know anything about
2 why we only got two?

3 COMMISSIONER ZUNIGA: We did some outreach
4 to some -- Janice, our Chief of Staff, knows some people
5 who know of this type of firms and made some inquiries,
6 relative only to the effect as to whether they knew that
7 this solicitation was out there, and obtained a couple of
8 responses that they didn't really.

9 That is the genesis -- This was not an
10 exhaustive request for information. There may have been
11 out there some firms that we didn't reach that knew about
12 it and decided not to respond.

13 But this was more of a spot-checking because
14 that is what we had access to. We gained some intelligence
15 that at least a couple the firms did not know that this was
16 out there. One of those two friends thought there was not
17 enough response time when they saw it. Even though you
18 could argue as to whether --

19 I want to stress that we complied with
20 everything that is customary by the bidding regulations.
21 We have more than the minimum response time. We advertised
22 on our website, in Comm-Pass, which is appropriate for these
23 types of solicitations.

24 We could certainly decide by a majority to
25 go forward with the process with the two responses that we

1 have. At this point, I wanted to bring that up for
2 consideration of this Commission because I think it is
3 relevant and important.

4 COMMISSIONER MCHUGH: We anticipated that
5 the total process would take a number of months between the
6 time we put out the bid request for the search firm and the
7 time we actually had somebody on board. This won't -- If
8 we re-bid it, it won't add significantly to that amount of
9 time, will it?

10 COMMISSIONER ZUNIGA: Not significantly, it
11 does add time.

12 COMMISSIONER MCHUGH: I understand that.
13 Everything is a cost-benefit analysis, right?

14 COMMISSIONER ZUNIGA: Absolutely.

15 COMMISSIONER MCHUGH: If we got additional
16 bidders, this being a critically important position that
17 we need to fill, we would have an opportunity to take a look
18 at a full array of people with different skills and
19 different approaches and select somebody whose approach we
20 thought was most likely in a broad range of respondents to
21 produce the best result.

22 At the cost of a couple of weeks to get a
23 greater array of choices is really what the choice is, I
24 think, right?

25 COMMISSIONER ZUNIGA: Right. I do want to

1 speak a little bit about the point of a limited pool, which
2 is I believe is very important. I concur with that.

3 What I understand about executive search
4 firms, and this just my general knowledge about this, is
5 that they will serve two main purposes, which is to do a
6 lot of the legwork and soliciting and sometimes cold calling
7 potential candidates. But they also rely on a lot of the
8 connections that they have by way of industry expertise.

9 Some firms specialize in financial services
10 and they have either done a lot of work in the financial
11 industry and they leave to become part of an executive
12 search firm and they have a lot of contacts and business
13 associates and former, etc., etc.

14 That is a piece of this, of course, which
15 Commissioner Cameron may be alluding to that there are
16 certain search firms that they don't see themselves with
17 those type of connections for the gaming industry. We may
18 inherently have a limited pool of firms.

19 Nonetheless, somebody else may say well we
20 will be doing a lot of the legwork, it could be complemented
21 by our consultants, etc. and that may be a good outcome.

22 I am going to make the counterargument there
23 is also hospitality related industry expertise that could
24 also be very relevant. There could be some executive
25 search firms with a lot of hospitality, leisure, etc. with

1 those kinds of connections.

2 Another piece that is important about
3 executive search firms in my opinion is that they will also
4 be able to ascertain some of the best candidates that may
5 be good on paper but may have an additional level of due
6 diligence just by virtue of having done this for others.

7 That again is something we would have to
8 ascertain. And the best way to ascertain that is by going
9 through the evaluation. The evaluation of having them come
10 in and interview with one of us or however that may be.

11 By long way of saying it is not a slam-dunk
12 either way.

13 COMMISSIONER STEBBINS: I want to make a
14 point that one of the things that I think has changed for
15 us somewhat since the RFR was issued is we have had some
16 buy-in or willingness from our consultant partners to
17 assist us with some of the initial hiring processes.

18 Those are certainly people that I trust to
19 know where the potential field of candidates will be from,
20 what publications to advertise in.

21 So, I guess since the issuance of the RFR,
22 my feelings about what a recruiting firm's responsibilities
23 would be maybe have shifted somewhat knowing that we have
24 this expertise kind of at our disposal.

25 I'm somewhat less reluctant to reissue the

1 RFR based on some people saying well, it is not the
2 traditional avenue, which we hear about an RFR. Certainly,
3 we are not looking for CFOs or large general positions.
4 This is a pretty defined spot.

5 And I agree with your statement about perhaps
6 limiting their work to doing the kind of legwork, following
7 up on the references, doing the outreach, vetting some
8 candidates.

9 I guess I am reluctant to reissue the RFR
10 without talking to them perhaps in partnership with our
11 consultants to say is there a process whereby we can utilize
12 your skills.

13 They went through the hard work and process
14 of completing all the paperwork, which did the phase one
15 review they have been compliant with. I just think it would
16 be beneficial for us to have that initial discussion.

17 CHAIRMAN CROSBY: With the bidders or with
18 our gaming consultants?

19 COMMISSIONER STEBBINS: I think with both as
20 part of an interview process.

21 CHAIRMAN CROSBY: So, you are saying go
22 ahead and open them up and open up the bids and see what
23 we've got.

24 COMMISSIONER ZUNIGA: Within the evaluation
25 process.

1 COMMISSIONER STEBBINS: Yes, within the
2 evaluation process. Again, we are not looking for a CFO
3 or a chief administrative officer. We are looking for a
4 pretty defined set of skills at least since we have reviewed
5 our executive director job profile.

6 CHAIRMAN CROSBY: We have consultants here,
7 should we ask them?

8 COMMISSIONER CAMERON: We could.

9 CHAIRMAN CROSBY: Do you want to come
10 forward Guy and Bob? Guy Michael and Bob Carroll from
11 Michael and Carroll.

12 COMMISSIONER STEBBINS: I mean as we look
13 ahead even at your 16-week plan, there is a piece of this
14 in terms of providing assistance and identifying and
15 interviewing candidates.

16 I guess my question would be whether that
17 would also extend to our efforts to finding an executive
18 director.

19 MR. MICHAEL: We would certainly be willing
20 to be helpful in that regard. I think the points that have
21 been made concerning the limited pool of potential
22 candidates is accurate. The industry as much as it has
23 grown is still kind of a fraternity in a lot of ways.

24 We do have contacts with a lot of the people
25 who are presently in it who would have the experience to

1 serve in that kind of a capacity. We certainly would be
2 of assistance.

3 We are not experts in recruitment. To the
4 extent that a recruiting firm would be able to do what they
5 do, we could work with them to assist in finding someone.

6 MR. CARROLL: We work with enough gaming
7 regulatory executives to be able to assist you in terms of
8 the qualifications as a general statement and also the
9 qualities of a good leader in that position. It is an
10 important position.

11 COMMISSIONER STEBBINS: Is there also a
12 piece of identifying industry publications where
13 potential candidates would turn to to look for an
14 opportunity?

15 MR. CARROLL: Yes. We could get you that.
16 That's no problem.

17 MR. MICHAEL: There are a number of,
18 probably too many, industry publications and we could
19 identify the ones that would be most important.

20 COMMISSIONER ZUNIGA: For candidates for
21 the executive director. I just want to make the
22 distinction that what I was talking about relative to
23 advertising would be for -- that it would reach additional
24 executive search firms, respondents to our solicitation.

25 I know you were not -- I just wanted to make

1 that distinction for everybody.

2 MR. MICHAEL: We would be able to identify
3 industry publications where people in the industry would
4 be able to be informed about the availability of this
5 position.

6 If executive search firms read other
7 industry publications, I suppose they would see this as
8 well. It would be more helpful to identify people in the
9 industry than it would be to identify search firms.

10 COMMISSIONER CAMERON: So, I guess our
11 question is so we could feel confident that we could reach
12 the right sources without totally relying on a search firm
13 to do that for us? In other words, you could assist the
14 search firm in making sure that this advertisement got to
15 the right --

16 MR. MICHAEL: Yes, that is accurate.

17 COMMISSIONER MCHUGH: Here is my concern and
18 that is with the concept of the limited group. I am sure
19 that there is a limited group of highly qualified executive
20 gaming executives. I am sure there are a number of avenues
21 into that group.

22 But if we start the search by -- It is
23 important to look at that group. But if we start the search
24 with that group in mind, there is a chance that we miss
25 somebody with qualifications, though not gaming rooted that

1 ultimately would be the best for this undertaking.

2 It is true time and time again in the mobile
3 world that successful leaders from one industry goes to
4 another -- The automotive industry is an example. -- and
5 does a very good job. And fills the subordinate positions
6 with highly skilled people from the industry.

7 So, I just wonder in terms of the utility of
8 a search firm whether we don't forgo or decrease the
9 likelihood of finding that person if we don't open the
10 search up again and get a greater pool of applicants who
11 might be able to help us look in areas that we wouldn't
12 otherwise look. I think I favor doing that because the risk
13 -- the cost is a few additional weeks.

14 COMMISSIONER CAMERON: But we don't know
15 that the search firms that were ambitious enough to read
16 and apply appropriately in a timely manner could not do that
17 for us unless we interview them.

18 COMMISSIONER MCHUGH: No. You don't know
19 what you don't know. That's right. The whole issue is a
20 question of likelihoods, I think.

21 CHAIRMAN CROSBY: I am torn on it.

22 MR. MICHAEL: It was never our intention to
23 say that we would work to the exclusion of a search firm.
24 We would work in conjunction with a search firm. And the
25 search firm certainly would be able to expand the circle

1 of people to contact. I just don't know.

2 MR. CARROLL: Inclusive of non-gaming,
3 there are professionals out there that would fit the bill
4 from an executive level of experience.

5 CHAIRMAN CROSBY: Right. I am torn.
6 Because if we are not satisfied with the firms then we are
7 going to lose another week or two or however long that will
8 take, probably two weeks.

9 So, should we bite the bullet and add two
10 weeks on now? Or should we run the risk of adding a total
11 of four weeks, which begins to become -- two is not very
12 material. A month begins to become material. I kind of
13 lean towards being safer than sorry.

14 COMMISSIONER ZUNIGA: Let me answer one
15 thought, which I think is relative to what Commissioner
16 Stebbins was saying. We have all discretion of coming back
17 to them to the two bidders with a narrower scope to say we
18 are going to provide additional resources in the form of
19 our gaming consultants who have knowledge of the industry
20 etc., etc.

21 In that scenario, it would be our duty to open
22 up a negotiation relative to the fee that they proposed,
23 because they proposed on a wider scope that we are now
24 narrowing. Again, it would just be our duty to do that.

25 COMMISSIONER CAMERON: Couldn't we

1 interview the two firms in a day? I'm not sure I see the
2 two-week delay.

3 COMMISSIONER ZUNIGA: There would be at
4 least one of the evaluation. And then if the firms are
5 local, yes. I don't know that they are or that the groups
6 or the people responding may want to travel. That adds up.
7 I don't know. We would have to schedule it.

8 CHAIRMAN CROSBY: It couldn't be possibly
9 less than one week, because we couldn't decide until the
10 next Tuesday meeting. We couldn't talk about it ourselves
11 for at least one week.

12 Can we have our cake and eat it too? Can we
13 open the proposals? How long is it going to take to get
14 another -- to get the re-bid out? If we decided today to
15 put it out, how long would it take?

16 COMMISSIONER ZUNIGA: If we set the clock to
17 the advertising time, which for us started --

18 CHAIRMAN CROSBY: But how long would it take
19 to start the RFP process going? When would we publish that?

20 COMMISSIONER ZUNIGA: When would we be able
21 to publish again, tomorrow, a couple of days, to re-issue,
22 to post it again in Comm-Pass.

23 I would probably want to coordinate as well
24 with periodicals. I would recommend at least two
25 periodicals in addition to Comm-Pass and our website. They

1 usually have a lead turnaround time.

2 CHAIRMAN CROSBY: Could we agree to start
3 that process going and go ahead and open up the two? And
4 if decided we were satisfied with one of the two, cancel
5 the other one?

6 COMMISSIONER ZUNIGA: I would advise
7 against that. There's a couple of reasons. There's a main
8 reason, which is going through the evaluation process
9 commits us a little bit in the way of letting it play through
10 and make a decision. It is only fair to those who bid and
11 want to be evaluated on their own merits.

12 If we undertake that process and were not
13 satisfied, then we have lost those additional weeks, the
14 evaluating and interview process, but we have also lost two
15 potential bidders. If we are not satisfied then now we have
16 zero. We are starting the process with no one.

17 If we cancel right now, and we signal to those
18 two potential bidders that they should be able and hopefully
19 willing to respond to the next solicitation. In other
20 words, we would be looking for additional or however many
21 more bidders. You know what I mean? Does that make sense?

22 CHAIRMAN CROSBY: Sort of, yes.

23 COMMISSIONER MCHUGH: How many weeks does
24 this have to stay open for?

25 COMMISSIONER ZUNIGA: The minimum is two

1 weeks. The last one we did it for 20 days.

2 COMMISSIONER MCHUGH: If we got a bid out --
3 If we got a new RFP out by the end of this week say, then
4 we are looking at a closing date of three weeks hence.

5 COMMISSIONER ZUNIGA: Probably.

6 CHAIRMAN CROSBY: Anybody else, thoughts
7 before we vote? I guess we need or do we need a vote if
8 we are going to cancel? What do we do, we just have
9 consensus here as to --

10 COMMISSIONER ZUNIGA: I would make the
11 motion with your permission to cancel and re-bid the
12 solicitation as outlined in my memo/recommendation.

13 CHAIRMAN CROSBY: Second?

14 COMMISSIONER MCHUGH: I will second that.

15 CHAIRMAN CROSBY: Any further discussion?

16 COMMISSIONER MCHUGH: Maybe we ought to
17 amend the motion or at least have it understood that the
18 new bid gets out by the end of the week so that we have a
19 timeline on where we are going.

20 COMMISSIONER ZUNIGA: Yes.

21 CHAIRMAN CROSBY: All in favor say I.

22 COMMISSIONER ZUNIGA: I.

23 COMMISSIONER MCHUGH: I.

24 CHAIRMAN CROSBY: I think reluctantly, I.

25 All opposed?

1 COMMISSIONER CAMERON: Nay.

2 COMMISSIONER STEBBINS: Nay.

3 CHAIRMAN CROSBY: The first time, the I's
4 have it three to two.

5 Additional hires. I guess just to quickly
6 update, there is nothing really much to report. We have
7 two levels. We have the junior level administrative
8 assistants and office management kind of help.

9 I think Janice is in the process of
10 interviewing people now. Enrique and I are going to finish
11 interviewing probably a fifth candidate for the more senior
12 person who is substituting for the acting ED, but that's
13 not quite right. But the more senior position we will have
14 interviewed by the end of the day Thursday I think five or
15 six people. We will have something to you shortly after
16 that. Anything else on that?

17 Then 3C, the contract with Polaris,
18 Commissioners Zuniga.

19 COMMISSIONER ZUNIGA: Yes. Thank you. I
20 submitted a memorandum to the Commissioners and the
21 procurement file relative to memorializing the nature of
22 the emergency contract of Ms. Schwartzman who is doing
23 business as Polaris Public Relations. It is here for your
24 consideration.

25 For documentation purposes, her services

1 were procured on an emergency basis and we need to document
2 that in the form of a contract. That contract option, an
3 emergency contract, requires the business case, if you
4 will, the reason and a budget to be attached to that
5 contract. I have submitted this two-page memo to that
6 effect. It describes the steps that took place prior to
7 Mr. Crosby being named or appointed to the chairmanship of
8 this Commission and the total budget for those.

9 CHAIRMAN CROSBY: I think it might make
10 sense just for the public record to quickly explain the
11 story, just what did transpire. What you have in the memo
12 there, but just quickly.

13 COMMISSIONER ZUNIGA: Sure. For
14 shorthand, upon being told that he would be appointed
15 Chairman of the newly created Mass. Gaming Commission back
16 in December, Chairman Crosby made a determination that he
17 would need assistance with somebody in the public relations
18 arena to help him prepare a statement and also help him with
19 multiple questions that he was likely to receive, again,
20 relative to the public relations and media communications.

21 He reached out to the Governor's office as
22 to whether it would be appropriate. A Chief of Staff
23 responded that it would. He reached out to Ms. Schwartzman
24 for these services.

25 Ms. Schwartzman also coordinated with the

1 Governor's office relative to billing rate. She was
2 communicated that because this was an emergency contract
3 on a sole-source basis, her rates would have to reflect a
4 discount. On that basis, she was also notified that the
5 Commission once appointed in full may decide to do any
6 number of things, hire another firm, conduct another RFR,
7 hire some staff, etc.

8 Ms. Schwartzman accepted all of those terms,
9 supplied a bidding rate of \$150 an hour and has been working
10 since December 17, I believe, on that ad hoc hourly basis.
11 That is the gist of the events that took place.

12 In order to execute a contract, we also need
13 a budget. And it is outlined here. There is a number of
14 hours that have been incurred to date, additional hours for
15 the rest of May. Some hours estimated, less than what has
16 been before for June, in anticipation of a communications
17 director coming on a full-time basis sometime in June.

18 That is submitted all here for your
19 consideration. The total of \$75,000 commitment plus
20 reasonable expenses, which would take us until June 30 of
21 this year, which is the end of our fiscal year.

22 CHAIRMAN CROSBY: She and Elaine have talked
23 about working together a little bit as the transition
24 happens. Then after that who knows what happens after
25 that.

1 Do you want to move?

2 COMMISSIONER ZUNIGA: Yes. I make a motion
3 that this budget and commitment be accepted by this
4 Commission as a form of documentation of the procurement
5 of her emergency contract.

6 COMMISSIONER CAMERON: Second.

7 CHAIRMAN CROSBY: Any further discussion?
8 We did also, just to mention that, we did have a background
9 check done prior to her being retained.

10 All in favor say I. I.

11 COMMISSIONER STEBBINS: I.

12 COMMISSIONER CAMERON: I.

13 COMMISSIONER MCHUGH: I.

14 COMMISSIONER ZUNIGA: I.

15 CHAIRMAN CROSBY: All opposed? The I's
16 have it five, nothing. Commissioner, Racing Commission
17 status report.

18 COMMISSIONER CAMERON: Mr. Chair, as we
19 pointed out last week, we filed emergency regulations with
20 the Office of the Secretary of the Commonwealth on May 17
21 of this month. These regulations were adapted to provide
22 for an orderly transition of the regulation of horseracing,
23 pari-mutuel wagering and simulcasting from the authority
24 of the Mass. State Racing Commission to the Mass Gaming
25 Commission. These were effective on May 20.

1 Also, an intradepartmental service
2 agreement with the Division of Professional Licensure was
3 signed off on by Director Mark Kimmitt and me on May 17 of
4 this month, also effective May 20.

5 Just to reiterate the terms of that
6 agreement, the daily track and laboratory operation,
7 simulcasting, human resources, administrative functions,
8 fiscal oversight and enforcement and public safety
9 responsibilities will remain with DPL until the conclusion
10 of this racing season.

11 As stated last week, the Mass. Gaming
12 Commission, we are responsible for all adjudicatory
13 functions, policies, recommendations and approvals until
14 next year when we will be prepared to take all of those
15 functions.

16 In addition, our racing consultant, Ann
17 Allman, will be on board this week Wednesday and Thursday
18 to begin her work for the Commission. I will be attending
19 a series of meetings with Ms. Allman tomorrow at DPL with
20 DPL and State Racing Commission employees. And on Thursday
21 we will be visiting Suffolk Downs and Plainridge Racecourse
22 to observe the operations and meet the employees.

23 That concludes my update for this week.

24 CHAIRMAN CROSBY: Great. Any questions?

25 COMMISSIONER STEBBINS: I think it is

1 helpful to point out that not only the work of Commissioner
2 Cameron, but also Commissioner Zuniga and Commissioner
3 McHugh are doing on a number of issues that we were able
4 to meet the intent of the law that assume management of the
5 Racing Commission by the deadline.

6 CHAIRMAN CROSBY: I agree with that. It's
7 been great. Fortunately, you came with a great racing
8 background, so we're able to take advantage of that.
9 That's great.

10 As soon as the weather is reliably good, we
11 will be out there with you checking out the facilities.

12 COMMISSIONER MCHUGH: I would like to
13 arrange to do that. I think it would be helpful to us all
14 to go to those facilities.

15 COMMISSIONER CAMERON: We will make
16 arrangements for that.

17 CHAIRMAN CROSBY: Janice, maybe you can
18 help. Just pick a date and we will just go do it.

19 Gaming consultant and legal consultant, if
20 you gentlemen would like to come back. There is a variety
21 of steps here. Do you want to introduce yourselves to the
22 group?

23 MR. MICHAEL: Guy Michael, Michael &
24 Carroll.

25 COMMISSIONER STEBBINS: Bob Carroll.

1 MR. LAHEY: Bill Lahey from Anderson and
2 Kreiger.

3 CHAIRMAN CROSBY: Anderson and Kreiger is
4 our law firm and Michael & Carroll in conjunction with
5 Spectrum Gaming is our gaming consultant to be.

6 The first thing I think is the statement of
7 work, which has been distributed to the Commission.
8 Commissioner Zuniga and I have gone over it several times.
9 I think Commissioner McHugh reviewed it at an early stage
10 as well.

11 It is fully approved by the consultant. So,
12 unless there are any questions about that if there are --
13 does anybody have any questions about this document?

14 This will be the guts of the contract, which
15 we will talk about in a minute. This directs the consultant
16 in collaboration with us to develop the work plan, which
17 we will also be talking about. But we do not need the work
18 plan done. That is subsumed into the statement of work.

19 COMMISSIONER MCHUGH: I guess the only thing
20 I would like to say, and this applies to both this contract
21 -- this statement of work and the legal statement of work,
22 is that these work plans are evolving documents.

23 We are right now taking the steps of
24 consolidating two separate work plans. That is the first
25 thing that we are going to do. That is going to replace

1 the separate work plans that have been discussed thus far.
2 And the evolution is going to continue.

3 So, there will be updated documentation as
4 we proceed. That is at the core of both of these contracts
5 that these work plans are fluid.

6 CHAIRMAN CROSBY: Any other questions about
7 this? Can we have a motion to adopt? Let me just think.
8 Commissioner Zuniga, we also don't have the final I's dotted
9 and T's crossed on the contract, right?

10 COMMISSIONER ZUNIGA: We have a semblance of
11 a draft. We have the draft. I can speak to that.

12 CHAIRMAN CROSBY: Yes, go ahead.

13 COMMISSIONER ZUNIGA: I drafted what I
14 understood would derive from this statement of work into
15 the standard form of contract, which references both this
16 statement of work and the work plan, which also acknowledges
17 the evolving nature of that. And stipulates the fee that
18 was agreed to by the parties and is in accordance with the
19 maximum set forth in the RFR.

20 So, the standard form of contract, again,
21 which is the Commonwealth mandated contract incorporates
22 this statement of work by reference and it would be
23 sufficient to fill it out and execute it if it is approved.

24 CHAIRMAN CROSBY: Should we have one motion
25 that adopts the statement of work and directs us to execute

1 the contract shortly thereafter?

2 COMMISSIONER ZUNIGA: Yes. And the motion
3 should stipulate or clarify that as this statement of work
4 stipulates designates you, Mr. Chairman, as the project
5 manager or --

6 CHAIRMAN CROSBY: -- or my designee.

7 COMMISSIONER ZUNIGA: -- or your designee as
8 the project manager and hence a contract manager. The
9 contract stipulates the contract manager. It only made
10 sense to me that that person be the project manager but
11 again, it could be your designee as well.

12 CHAIRMAN CROSBY: The amount is \$500,000.
13 That is the maximum amount that would be split equally 50-50
14 between the two firms, between Spectrum and Michael &
15 Carroll?

16 COMMISSIONER ZUNIGA: That is correct. The
17 termination date or duration, if you will, does stipulate
18 the later of the 16 weeks stipulated in the work plan or
19 the satisfactory completion and acceptance of the
20 deliverables, some of which will be ironed out in the work
21 plan. That is by acceptance of the Commission in full not
22 just the project manager. That is something that I wanted
23 to clarify.

24 CHAIRMAN CROSBY: Right, that's important.
25 Basically, for the Public, this is a 16-week project to

1 write the comprehensive strategic plan for the work of the
2 Commission going forward while also during that 16 weeks
3 beginning to do a fair amount of work of the Commission.

4 We do have a copy of the present draft, which
5 we are going to be talking about. The members of the press,
6 if they want it, the present draft of the work plan, which
7 is the essence of this project.

8 Do you want to put a motion on the table to
9 do those two steps?

10 COMMISSIONER ZUNIGA: Sure. I move that
11 the statement of work as drafted between the parties, the
12 three parties, two consultants and the Gaming Commission
13 be approved and that this Commission give authority to
14 Chairman Crosby to enter into a contract and execute a
15 commitment of a maximum of \$250,000 with each of our gaming
16 consultants.

17 CHAIRMAN CROSBY: Do I have a second?

18 COMMISSIONER STEBBINS: Second.

19 CHAIRMAN CROSBY: Any more discussion? All
20 in favor say I. I.

21 COMMISSIONER STEBBINS: I.

22 COMMISSIONER CAMERON: I.

23 COMMISSIONER MCHUGH: I.

24 COMMISSIONER ZUNIGA: I.

25 CHAIRMAN CROSBY: All opposed? The I's

1 have it five, nothing. Thank you.

2 Now we get to item 5B, which is the discussion
3 that we asked the consultants to lead two weeks ago on the
4 topic of can we bifurcate the RFP process to an RFQ process,
5 which will prequalify basically for financial and character
6 issues anybody who wants to be a bidder. After which time
7 everybody who is prequalified will get the full RFP, which
8 has to do with the specific project itself.

9 The consultants did as they were asked,
10 submitted this memorandum about the project. We all, I
11 think, have had a chance to read it. Would you like to hear
12 anything from the consultants at first by way of
13 introduction? Or do we want to just jump right in?

14 COMMISSIONER MCHUGH: An introduction would
15 be good, not only for my benefit but perhaps for the benefit
16 of everybody.

17 MR. MICHAEL: As the Chairman has explained,
18 we were tasked with the responsibility to analyze the
19 processes that would be necessary for a bifurcation of the
20 RFP process so that it would include the preliminary stage
21 of an RFQ, request for qualifications, analyzing the
22 backgrounds of the proposed applicants, vetting out those
23 that are not qualified.

24 And then moving onto the second stage, which
25 would be the developmental reviews. That way eliminating

1 the possibility that some unqualified persons would
2 themselves use up the resources of the regulatory agencies
3 and their own. And that the localities would be in a
4 position when they actually review proposals from
5 applicants to know that those applicants, if they are
6 chosen, would be able to proceed with it and would not
7 ultimately be found unqualified.

8 Our suggestion in that respect is based in
9 part on the statute, which says in section 12 that the Bureau
10 would first review the application. And if it found the
11 applicant qualified then submit the application to the
12 Commission for a full review of the application, which we
13 would then permit this process since that is precisely what
14 we would be doing here.

15 What we have proposed to you is a variety of
16 necessary steps that would be required in order for the
17 Commission to be in a position to undertake this process.

18 We divided them up into first of all
19 retention of the necessary staff. That would, we think,
20 require something beyond just internal staff. If the
21 intention of the Commission here with this RFQ process is
22 to expedite it, then it would not be feasible for you to
23 staff up your Bureau fully before you undertake it.
24 Therefore, we would think that it would be worthwhile to
25 analyze and engage, review third-party contractors who are

1 available to do these kinds of investigations.

2 They would only perform those functions as
3 your Bureau staffs up and up to the point that they would
4 be in a position to take over those responsibilities. So,
5 the third-party contractors would train the Bureau staff
6 as it comes on ultimately to, as you say, to replace them.

7 The third parties too would be people who
8 have contacts with other jurisdictions that are gaming
9 jurisdictions which is critical in any of these kinds of
10 investigations to find out information about applicants
11 that have been in other places previously, which most
12 applicants at this point are. As I said, it would be a
13 training process for your own internal Bureau.

14 Another step would be in determining the
15 scope of licensing. By this, we mean that it is not just
16 a simple well the applicant company files and we investigate
17 that company. Companies are the ones in most of the
18 jurisdictions the people who give them their direction and
19 control.

20 So, each jurisdiction identifies for itself
21 those people who they feel are the ones who are the directors
22 and the controllers of an entity. It is those people whose
23 individual applications are required as a prerequisite for
24 the approval of the entity that they are controlling.

25 It's easy with respect to officers and

1 directors and so on. But it is not as easy when it comes
2 to financial sources, equity and debt holders and so on.
3 So, standards would need to be developed. There are
4 standard standards that are used in other jurisdictions.
5 But this would all have to be molded towards what the
6 Commonwealth would prefer.

7 Those scope determinations would need to be
8 made. Then once they are made, forms developed, which
9 again we supplied you with those multi-jurisdictional
10 forms, which form the basis of the application, but would
11 not be exclusively what the application would look like.

12 Those forms would be promulgated, proposed
13 and then used to elicit the base information that would come
14 from the various applicants. These forms would extend
15 solely to the background information that you would be
16 requesting of the applicants.

17 There are statutory sections of the Act that
18 lists the general kinds of information you need. Certain
19 of those subsections would be identified and used in this
20 form, but you would not get into the developmental aspects,
21 the community impact and all of those, which would later
22 become a part of the RFP.

23 We have been speaking with Anderson and
24 Kreiger and they can speak better to this in terms of what
25 portion of those particular aspects of the preparation

1 would require regulations. And whether or not those
2 regulations should be done on an expedited basis or on a
3 regular promulgation schedule.

4 All of that affects the timing of these
5 things. We will talk about that in a while too. Bob will
6 pick up on some of the other areas that we have identified.

7 MR. CARROLL: For example, on fees, the
8 Commission obviously has the authority to set up a fee
9 structure. However, you must be in compliance with the
10 statute.

11 Right now the statute provides for \$400,000
12 application of which \$350,000 of it is earmarked for
13 Commission use for the applications. \$50,000 would be a
14 set-aside for the impacts of the process on local
15 communities.

16 What we propose is that as part of the RFQ
17 process that that fee, which by statute is nonrefundable,
18 would have to be posted as part of RFQ process, and then
19 would be put into escrow and then drawn down upon as the
20 investigation costs would require.

21 Of course, as the process would continue if
22 an entity is found to be suitable and qualified, any
23 remaining amounts would just be carried over for the
24 completion of the RFP process.

25 In the event that a candidate or an applicant

1 is found not be suitable for integrity or other issues, the
2 amount that would be expended would of course be
3 nonrefundable.

4 The statute also provides for the
5 replenishment to the extent that the \$400,000 is really a
6 minimum fee. That would be driven by the individual
7 applicant's requirements in terms of what would be needed
8 for the backgrounds. The larger the organizations, the
9 more multi-jurisdictions, international and otherwise that
10 they are involved in, the scope of the background
11 investigation expands accordingly.

12 So, the fees and so forth are pretty well set
13 out by statute. All of the authority is there, mostly in
14 Section 15 for what the Commission would need to set that
15 up.

16 Regulations in terms of the issuance,
17 however, as Guy has pointed out would be necessary. We did
18 have an extended discussion this morning with Anderson and
19 Kreiger about the merits of emergency regulations versus
20 permanent regulations. That discussion is ongoing. We
21 have legal research that has to be done.

22 But we believe we have developed an
23 understanding of the issues in terms of what would be a
24 preferable methodology. But we will advise the Commission
25 as soon as we have completed the research and get the final

1 information to you.

2 Also in terms of the issuance, the timing of
3 the RFQ, obviously time is of the essence for everything.
4 It also does require prudence and effort and attention paid
5 at all times to the integrity of the process.

6 With that being said we also examined and
7 discussed with our legal colleagues today how the process
8 could move ahead in an expeditious manner but respect all
9 of the statutory requirements, allow for enough time to be
10 included for due diligence of the highest caliber and yet
11 provide some time savings when and where it is possible.

12 To that end, the RFQ process we believe
13 offers several benefits as Guy mentioned. But also in the
14 process of getting that up and running, we can get the
15 regulations that are required for that issuance and that
16 processing to be done as part of the first phase or the first
17 part of this process, followed then, of course, by the RFP
18 and the remainder of the process that would be required.

19 To that end, it is all doable. We believe
20 that just as a general statement, it is going to take a good
21 piece of the summer to get all of the regulations
22 identified, to get those regulations that have to be done
23 immediately put before the Commission for your
24 consideration.

25 As a result, we were very happy to discuss

1 with our colleagues today the process is available and is
2 workable for the timelines that we envisioned just
3 conceptually before.

4 In addition to that, it is not just the RFQ
5 process that we would be working on. As we talked about,
6 we have a 16-week program for the strategic plan. In
7 addition, the overall regulatory scheme and the regulations
8 will be developed on a parallel track to the initial
9 regulations that will be needed for the RFQ process. Both
10 of those will be proceeding at the same time. The net
11 result again would be a savings of time.

12 We would hope to be able to advise you shortly
13 as to some target dates, called milestones if you will. We
14 would request some flexibility in those dates because we
15 have to envision exactly what the process is going to take
16 to get the regulations through. Anderson and Kreiger will
17 be advising everyone on the necessary steps. But we are
18 looking at a process that will consume most of the summer
19 but will be very productive by the end of the summer.

20 The timing I have mentioned already, I guess.
21 The only thing from a statutory point of view we have to
22 obviously adhere to the requirements that the category two
23 license would have to be initially advertised for,
24 solicited before the category one. We have also taken that
25 into account.

1 There is some discussion going on exactly how
2 that process would take place. A lot of this of course
3 would be impacted by a final decision on the Native American
4 concept that will be decided as a result of the negotiations
5 on the Compact.

6 There are some variables, but we believe we
7 have sketched out a clear path that we can follow. The
8 track is not only the statutory requirements will provide
9 for the maximum integrity in the process and also comply
10 with the applicable Massachusetts Administrative Law in terms
11 of getting it all done.

12 COMMISSIONER CAMERON: I have two
13 questions. First is with regard to the regulations. I
14 believe you are referring to emergency regulations that we
15 just implemented with Racing. Is that what we are
16 referring to when we talk about doing this? I believe you
17 used the word emergent manner. Is that accurate?

18 MR. LAHEY: Bill Lahey from Anderson and
19 Kreiger. As Mr. Michael and Mr. Carroll mentioned, one of
20 the things we talked about this morning is the option of
21 doing the regulations associated with the bifurcated
22 process, the phase one, the RFQ process through emergency
23 regulations versus the regular mode of promulgating
24 regulations in Massachusetts with either public notice and
25 comment or a public hearing process.

1 So, yes. Option one would be the emergency
2 regulations process similar to what we just went through
3 for the State Racing Commission regulation -- The content
4 of courses is different. -- versus the process to go through
5 the more formal process.

6 One of the things that we mentioned this
7 morning, we mention to the full Commission is the emergency
8 regs by law are only in effect for three months, for 90 days.
9 So, even if you went that route, you're left with having
10 to promulgate and go through the formal rulemaking anyway
11 to keep them in effect past the 90 days.

12 COMMISSIONER CAMERON: It's a timesaving
13 measure to use an emergency regulation?

14 MR. MICHAEL: It is somewhat of a timesaving
15 measure. To be very candid, we entered the discussions
16 this morning of the opinion that emergency regulations
17 would be the best way to do this. We ended the conversation
18 today after reviewing all of the issues thinking that that
19 may not be the case. That's a decision that the Commission
20 needs to make from a policy standpoint.

21 There are a number of areas that these
22 regulations will cover that are fairly sensitive and not
23 pro forma and that the Commission may want to enlist public
24 comment about before they are officially put into place.

25 The nonemergency process would allow those

1 kinds of -- solicitation of those kinds of public input.
2 And in terms of timing, since the emergency regulations are
3 in place for only 90 days anyway, it would take about 90
4 days to do the regular regulatory process. There would be
5 some savings of time but it wouldn't be as substantial as
6 we originally thought it might be.

7 COMMISSIONER CAMERON: Thank you. Second
8 question was with regard to the retention of the necessary
9 staff. When you talk about third-party contractors, I
10 believe we are talking about mostly retired law enforcement
11 individuals who have experience with gaming
12 investigations?

13 MR. MICHAEL: Yes.

14 COMMISSIONER CAMERON: That is exactly what
15 you are referring to?

16 MR. MICHAEL: Right, right.

17 COMMISSIONER CAMERON: Who have worked in
18 other jurisdictions with these investigations?

19 MR. CARROLL: Generally speaking in some
20 cases retired but a lot of other persons, FBI agents, state
21 troopers and so forth that have specialized in this, have
22 gaming experience but have worked particularly in the areas
23 of backgrounds.

24 Another benefit too also is that many of
25 these persons have worked in multiple jurisdictions and

1 have built very good relationships. They are important for
2 a new jurisdiction. Because if you choose that particular
3 method, the persons who are ultimately chosen for your staff
4 will be working with them and will be getting those
5 introductions.

6 As the third party would be leaving and
7 transferring to you those contacts and those
8 communications, they are vital to going forward. From a
9 time-saving point of view and doing background
10 investigations, exchanges of information about everything
11 from ongoing criminality to changes in people's
12 backgrounds. Unfortunately, not everything hits written
13 documentation. But there are a lot of things that are
14 learned through the intelligence network and so forth, and
15 the sharing of it is critically important.

16 It is our feeling that having watched those
17 methodologies and frankly the people who perform this are
18 of a very high quality. And they serve the role as both
19 mentor and actual investigator in turning two products over
20 to you instead of one.

21 COMMISSIONER CAMERON: Thank you.

22 COMMISSIONER STEBBINS: You have a point of
23 the conclusion about the development of the necessary MOU
24 with the State Police. Is that specific to this type of
25 investigations or do you see that as an MOU that will kind

1 of carry the Commission's relationship with the State
2 Police going forward?

3 MR. CARROLL: I think that would be a policy
4 determination on what role, what relationship would be
5 worked out with the State Police in terms of their ability
6 to staff your Bureau of Investigation and Enforcement. The
7 number of people they might put into that obviously would
8 be guided by the MOU and the relationship that is
9 established.

10 That MOU may not be the same MOU you would
11 enter into with other agencies. What I think is
12 essentially a template that would follow that would have
13 most of the same criteria but there would be differences
14 for each relationship.

15 MR. MICHAEL: For example, the State Police
16 responsibility in the statute essentially goes towards
17 enforcement and not necessarily toward background
18 investigation.

19 On the other hand, you certainly want
20 information exchanged between whoever is doing the
21 background investigations for the Commission and the
22 information that the State Police may have. At the very
23 least, an MOU would be worked out for that kind of
24 information exchange.

25 COMMISSIONER MCHUGH: This is a really

1 promising avenue, not only because of its potential
2 timesaving that may or may not be significant but because
3 of the certainty that it gives to cities and towns that want
4 to negotiate and put the energy and time into the
5 negotiations that they've got a qualified applicant on the
6 other side.

7 There were a couple of thematic thoughts and
8 questions that I had as I was thinking about this today.
9 And I don't need answers today, but as we move forward I
10 think it would be helpful to think about.

11 We are operating in a dynamic environment.
12 And if we issue this RFQ, I take it we would have a deadline
13 theoretically for applications. What would happen if we
14 found some qualified, there then is going to be a lag time
15 between the finish of the RFQ and the filing of the
16 application.

17 What would happen if conditions changed or
18 how would we determine that conditions have not changed
19 between the time of the completion of the RFQ process and
20 the filing of the application? Maybe you have already
21 thought of that.

22 MR. MICHAEL: We have thought of it, but we
23 have not necessarily concluded what to do. I think one of
24 the options could be that as in any kind of RFP/RFQ process
25 a reopening of it.

1 If for example, you find an applicant
2 qualified and during that lag period that you have
3 identified, the applicant for some reason changes their
4 mind or something happens with respect to them that renders
5 them unqualified, certainly we would think, and again
6 Anderson and Kreiger could answer this in terms of the
7 Massachusetts procedure, that there would be an opportunity
8 to reopen the process for that region. Although we
9 obviously would lose time, it would be a necessary loss.

10 COMMISSIONER MCHUGH: I was thinking more of
11 how would you know you had to reopen the RFQ piece? In other
12 words, you've got somebody who had gone through this
13 rigorous process. They are qualified. Now you've got a
14 lag time of say eight to 10 months between the end of that
15 process and the filing of the application.

16 How do we ensure that nothing vis-à-vis the
17 applicant has changed?

18 MR. MICHAEL: That is easier to answer.
19 Once an applicant is found qualified in any process, there
20 is a continuing obligation on the part of that applicant
21 to notify the Commission of any material changes in their
22 circumstances.

23 Clearly any qualifiers, any of the people
24 that were investigated, if they leave and someone
25 substitutes for them, that has to be notified and you have

1 to do their background. Any material change in their
2 financial situation, and that would apply not only in the
3 interim between the RFQ and the selection, but once they
4 are selected as they are operating and licensees, they would
5 have a continuing obligation to notify you of any changes
6 in their circumstances.

7 MR. CARROLL: There is also testimony taken
8 under oath for the Commission in that regard certifying as
9 to the accuracy of the information and that there's nothing
10 changed since the filing dates.

11 COMMISSIONER MCHUGH: So, at the very end as
12 we are processing the completed application that kind of
13 certification would be necessary.

14 MR. CARROLL: Yes.

15 COMMISSIONER MCHUGH: The other thought
16 that occurred to me is that people may not expect to be in
17 the pool. But circumstances may change that convinces them
18 that they ought to be. The Commission may decide, has the
19 power to decide, that fewer than three casinos would be
20 appropriate for Massachusetts or that casinos ought to be
21 sequenced in some way to decide how many.

22 A potential applicant who everybody thought
23 would be a player might be found unqualified or drop out.
24 Somebody who wasn't going to get in because that person was
25 there now decides to get in.

1 How would you deal with those kinds of
2 conditions under this bifurcated process?

3 MR. MICHAEL: Again, the hard-line would be
4 to say there is a deadline. If you have any interest or
5 you think you might have any interest in operating a casino
6 in Massachusetts then you have to apply for this RFQ within
7 the deadline. Otherwise, you are out of the game. That
8 is harsh, but that is one option.

9 Another would be that if the Commission
10 determines for a good cause that circumstances have changed
11 and that there is a valid reason to again reopen the
12 licensing process and the RFP process that it could be
13 reopened. I guess you could envision some circumstances
14 where that would be fair to the other parties and it could
15 be accomplished.

16 COMMISSIONER MCHUGH: So, those are policy
17 decisions that we would have to make. And then those policy
18 decisions would have to be reflected in the regulations?

19 MR. MICHAEL: Correct. The regulations we
20 are contemplating here would provide for that kind of
21 authority.

22 COMMISSIONER ZUNIGA: I suppose along those
23 lines, an RFQ may not necessarily need a hard deadline.
24 There could be an RFQ that overlaps with the RFP process;
25 is that not correct?

1 MR. MICHAEL: It would be a subset of the RFP
2 process. We envision it as all one process. Part one is
3 the RFQ. And part two would be the remainder. There would
4 still I think be a hard deadline for the filing of the RFQ.
5 It would all be due as of a certain date

6 MR. CARROLL: What we would envision from a
7 pragmatic analysis would be an applicant would file with
8 the RFQ within a deadline that would be set a date certain.
9 They would have all of their qualification materials
10 submitted. That would be subject to an ongoing
11 investigation.

12 While that is happening, they are going to
13 be diligently working to get the rest of their package
14 together, the local aspects, the design and all of the other
15 things, which obviously will take some time. Both would
16 be proceeding at the same time, one ahead of the other.

17 So, at some point in the process, depending
18 on what their commitment is from a capital point of view
19 and with their local parties and everything else, they are
20 moving ahead up to here.

21 Then the decision comes down from you whether
22 they are in fact suitable and qualified. If that's the
23 case, then they just continue on and the process catches
24 up to them.

25 However, if in fact the integrity is attacked

1 and there is some integrity issue or there is some other
2 situation that befalls the company that makes them unable
3 to meet the statutory criteria and a decision is made that
4 they are not qualified, then really that is on them. There
5 isn't much more you can do at that point. You have made
6 your decision. Then there's a process for them to appeal,
7 obviously, but it is limited.

8 CHAIRMAN CROSBY: Just to be clear on what
9 our motivation is here, is it actually realistic that
10 companies -- The companies that are in the mix now are
11 already talking to communities, well along talking to
12 communities. It doesn't seem to me -- would they suspend
13 that? As a practical matter, it seems to me that we don't
14 really likely going to save very much money or time for the
15 communities because it's all happening in parallel. The
16 time we save is by not waiting until the full RFP is drafted
17 to put out phase one.

18 MR. CARROLL: Right.

19 CHAIRMAN CROSBY: While we are drafting the
20 RFP with all of the local conditions, we can in parallel
21 be having the RFQ process taking place, which could amount
22 to some significant time.

23 MR. MICHAEL: One caveat I think and that is
24 there would not be a local election until the RFQ process
25 is completed. The town would not elect or choose an

1 applicant that later would be disqualified.

2 CHAIRMAN CROSBY: You might save money on
3 the referendum?

4 MR. MICHAEL: Right.

5 CHAIRMAN CROSBY: That's fine. It seems to
6 me like this really could save some significant time to the
7 overall process. I am not sure how much difference it is
8 really going to make to the cities and towns. And I didn't
9 want that to be mischaracterized.

10 COMMISSIONER STEBBINS: Each applicant is
11 required to reimburse the host community for the referendum
12 vote anyways.

13 MR. CARROLL: There is a \$50,000 allotment
14 of the \$400,00 application fee. There is also another
15 section that mentions some reimbursement, but that is
16 something you will have to --

17 COMMISSIONER STEBBINS: Reimbursement
18 within 30 days to the community for the cost of holding the
19 referendum.

20 I think Commissioner Zuniga and Commissioner
21 McHugh had interesting points about opening up another
22 window. If we get several RFQs and from one region for
23 whatever reason they are found not qualified, we have in
24 the legislation kind of a 180-day wait window if your local
25 referendum vote fails.

1 I'm wondering if we can also make that a
2 condition, somewhat of regulations to the RFQ process to
3 say fix your financial boat or whatever your issue is and
4 then come back to us and re-apply within that six-month
5 window.

6 MR. CARROLL: I think as a regulation I think
7 you could. You could create a failsafe, if you will. You
8 have the authority under the statute now. It's just a
9 question of what you put in the regulations that would
10 govern this specific practice.

11 MR. MICHAEL: I don't think the RFQ process
12 necessarily is what creates that window problem. You would
13 still have that problem if you didn't have an RFQ process
14 and you just went all of the way through to the RFP.

15 At some point, people may change their mind.
16 There has to be a deadline as to when everybody needs to
17 apply. If everybody applied all at once, if it was just
18 one application at one time, no RFQ, everyone would need
19 to apply then. And if two months later another company
20 decided that now they want to apply, they just might be able
21 to.

22 Whether it's applied for the RFQ or applied
23 for the full RFP, there still needs to be a deadline.

24 COMMISSIONER MCHUGH: I think Commissioner
25 Stebbins' point is an interesting one. If the RFQ process

1 results in a disqualification say because Mr. X is on the
2 board, then the regulations could provide that they could
3 resubmit within X period of time if Mr. X. will be removed.

4 MR. MICHAEL: It's very commonplace that
5 companies are not -- very seldom are companies found
6 unqualified. The person who caused the company to be found
7 unqualified is removed and then the company proceeds.

8 The only situation I know of where that was
9 not possible was Playboy was denied a license because of
10 conduct of Hugh Hefner. Obviously, he was not going to
11 leave Playboy, so the company had to leave. With every
12 other denial of a license for a casino company, the
13 individuals who are the miscreants were the ones who had
14 to leave.

15 COMMISSIONER ZUNIGA: I have a question that
16 is clearly going to be a policy question. But I am
17 interested in your perspective from knowledge about other
18 jurisdictions or the practicality of this.

19 This RFQ is, of course, envisioned to be
20 relative solely to the background of applicants that
21 initial process. That as you pointed out leaves everything
22 else. I am going to characterize the everything else into
23 these couple of buckets, if you bear with me.

24 There is criteria that is set forth by the
25 legislation. There is also criteria that this Commission

1 has the ability to do in addition to what is in the
2 legislation. And then there's going to be the economics,
3 the full economic merits of whomever decides to respond to
4 the RFQ and RFP.

5 Some of the criteria maybe is qualitative in
6 nature. How is your mitigation plan? Or what do you
7 intend to do for workforce development? What is your
8 workforce plan? This Commission will have to evaluate
9 those qualitative in nature but that's the nature of the
10 business.

11 There is other quantitative criteria, which
12 is how many jobs, how much investment and how much are you
13 planning in terms of economic balance benefit.

14 I'm wondering whether the qualitative and
15 the quantitative could be separated leaving the
16 quantitative at the end. The economic benefit really being
17 the full factor that determines the ultimate winner, if you
18 will, of the license. Whereas much of the other, the
19 qualitative has either been previously evaluated either as
20 part of this RFQ, of course, that would lengthen the RFQ
21 process that we are contemplating or as an interim step,
22 a third one.

23 I know it starts to get little cumbersome all
24 together. We now have three tracks as opposed to two. But
25 I am interested as to whether the coupling, the rest between

1 the qualitative and quantitative makes sense from trying
2 to ascertain the most benefit in terms of responses.

3 MR. MICHAEL: Let me try to answer that in
4 two ways. In terms of the distinction between the RFQ and
5 the other, although it is not all-inclusive, a good
6 guideline is in section nine of the Act that lists the
7 various areas that the Commission should inquire into.

8 In the first six subsections of Section 9A,
9 we would think would be the ones that would be included in
10 the RFQ. The remainder from seven through 19 would be the
11 ones that would be remaining for the RFR.

12 In terms of the quantitative and qualitative
13 analysis that would be necessary for that second part, our
14 experience is that the qualitative areas kind of lead
15 inexorably to the quantitative ones.

16 You are taking a look at the project itself.
17 You are going to be requiring financial projections, which
18 will hinge on what the project is going to look. How big
19 is it going to be? How many games are they going to have?
20 How many hotel rooms? What do they anticipate for
21 amenities?

22 All of those things mean nothing unless they
23 translate into some kind of projection. So, the subjective
24 judgment that you are making about the facility and the
25 project is really combined with what the financial end

1 result is going to be. I don't know that they are
2 separable.

3 COMMISSIONER CAMERON: That makes sense.

4 MR. CARROLL: The capital investment that
5 will be provided as part of the rest of the RFP process will
6 often set forth very aggressive projections. One of the
7 tasks that you will face in the future will be testing those
8 projections, both at the time of the economy at that
9 particular time. There's a variety of different things
10 that can impact on it. We have seen applications from the
11 beginning change drastically both in expansion and
12 contraction depending on what the situation is.

13 But at the end of the day you will have
14 available to you pretty good data from the point of view
15 of the financial analysis and what this particular
16 applicant is expecting anticipating. This is what they are
17 going to put in. This is what they believe, using their
18 experience, will produce. You will be able to test that
19 through very technical analysis.

20 At the end of that, it still comes down to
21 a subjective assessment as part of the overall decision.

22 But I don't think you can really just drop
23 a cleaver and separate the two. I agree with Guy. I think
24 there is a combined overlap that is pretty significant.
25 You will get the feel for that.

1 These applications that will be provided,
2 every one of them is good. It is just a question of you
3 ranking them and what the benefit will be to the
4 Commonwealth.

5 No one is going to present something to you
6 that is going to not be attractive or not going to on paper
7 make money. The process of it, you will be able to see the
8 distinctions.

9 MR. MICHAEL: There is one thing in your Act
10 that we have never seen before, which is a benefit to this
11 process too. And that is, if I recall, you have the
12 authority to penalize people if they don't meet their
13 projections.

14 In other situations, other jurisdictions,
15 they make some projections, pie-in-the-sky and you choose
16 them on that basis. And if they don't meet them, well they
17 miscalculated.

18 The projections you are going to get because
19 of that provision we would think would be held to a lot
20 higher standard because they are going to be held to those
21 projections.

22 MR. CARROLL: It would be in their best
23 interest to be conservative I would think.

24 CHAIRMAN CROSBY: I am troubled a little bit
25 by the relationship of our staffing to this getting this

1 function done.

2 At the moment, we have one professional staff
3 person. I think we had been thinking that we wouldn't hire
4 the head of our Enforcement Bureau until after we had an
5 executive director. And as much as possible we wanted the
6 executive director to be able to hire her or his own people
7 and bring his or her expertise into the mix of who we hire.

8 So, it looks like the RFQ would be out and
9 very well data coming back in, background checking being
10 done before we get staffed up almost at all, which means
11 that we would be outsourcing this totally, critical
12 function to some third-party without anybody inside to
13 oversee that other than us.

14 One of us knows something about this stuff,
15 so maybe we designate. I think this is a topic for us to
16 think about. Do we want or to what extent do we want this
17 function to be really out of our control? Or do we need
18 to have some degree either of a delegation to one of us?
19 Or should we break the mold and go hire?

20 What does everybody think about the extent
21 to which we should have our own people accountable for this?

22 MR. CARROLL: Chairman, if we can provide
23 one factor. Just among ourselves today trying to work
24 through this and set up a sensible and progressive timeline,
25 just as a general and this is very, very general, our target

1 point was that by the end of this year, by January 2013 we
2 should by then have before you the RFQ and the applications
3 filed for the RFQ process. That gives you the remainder
4 of the year to staff up even those couple of key positions.

5 CHAIRMAN CROSBY: You wouldn't think that
6 approximately, more or less, you wouldn't think that we
7 would have any materials to start vetting until give or take
8 January?

9 MR. MICHAEL: It would be a three-month
10 process to get the regulations done and the forms out. Then
11 another three months or so, give them 120 days, 90 days to
12 file them. We are at the end of the year.

13 CHAIRMAN CROSBY: Okay. If we had our
14 executive director in four months, four or five months, we
15 might be staffing up?

16 COMMISSIONER ZUNIGA: Even though that
17 makes perfect sense, I am of the opinion that we should be
18 looking at some key positions. Identifying those that
19 would benefit the most by being part of this process,
20 understanding it, understanding the insights from our
21 consultants, our lawyers, etc. Understanding the debate
22 relative to policy questions.

23 Some of those key positions, a permanent
24 executive director be able to relate. Many directors come
25 into organizations that are fully in place. And I don't

1 see them necessarily dependent.

2 COMMISSIONER MCHUGH: I agree with that.
3 The more I thought about it that we do need to think about
4 some key positions that we need to get people to fill now.

5 I know that the work plan that has been
6 submitted has some short-term or near-term pieces where
7 that is going to be given consideration. I think it is
8 really important to do that because there is too much going
9 on now for all of us to continue to manage as we add more
10 things to it without getting some additional staff.

11 COMMISSIONER STEBBINS: Is it your
12 experience -- And I want to go back to the Chairman's point
13 about -- First of all, this is work that we are required
14 to do anyways. Information that we are gathering from the
15 RFQ process is information that we have to review.

16 MR. MICHAEL: Right.

17 COMMISSIONER STEBBINS: We are trying to do
18 a beforehand. I think an RFQ process gives communities
19 themselves the flexibility to put on the brakes or many of
20 them will just continue to keep their negotiations and work
21 going. That is completely up to them.

22 My guess is as you look at what you have broke
23 out out of the law that would be pieces of an RFQ, those
24 are not necessarily when we go out for public hearings in
25 these communities. One through six are not going to be the

1 questions or contentions or issues that people in the
2 community are going to raise. It is going to be more on
3 the project piece of it.

4 MR. CARROLL: Right.

5 COMMISSIONER STEBBINS: I just wanted to
6 clarify that was generally your experience or what you would
7 expect to see happening?

8 MR. MICHAEL: That is correct.

9 CHAIRMAN CROSBY: I am just looking at the
10 schedule in the chart, in the work plan for the RFQ. The
11 RFQ planning is the one that has the green page.

12 COMMISSIONER MCHUGH: I think that is
13 overall planning, as I read it.

14 MR. MICHAEL: I think this is for the entire
15 strategic plan.

16 CHAIRMAN CROSBY: There is two. There is
17 one on page three and there is one on page five. Page five
18 has a lot of green RFQ planning. That is this process,
19 right?

20 MR. MICHAEL: Right.

21 CHAIRMAN CROSBY: I am just trying to think,
22 we want to try to stick to our schedules as much as we can.
23 Is there anything else besides -- We can decide today if
24 we decide that we want to go forward with this. Is there
25 anything else that you all would need to know from us now

1 to start moving forward on this if we decide to?

2 MR. MICHAEL: The timing would depend on
3 whether the regulations are going to be done on an emergent
4 or a nonemergency service. That would be a factor in terms
5 of timing. It's not something additional that we would
6 need to do. It is just when we would need it made.

7 CHAIRMAN CROSBY: We can't talk amongst
8 ourselves about stuff except at our weekly meetings unless
9 we have special meetings. So, if there are things that we
10 should be brainstorming on you with now in order to make
11 sure that we can use the time until the next meeting with
12 optimum efficiency, let us know. Maybe that's one.

13 MR. MICHAEL: That is one.

14 CHAIRMAN CROSBY: Maybe we will take it one
15 at a time. We probably shouldn't spend too much time on
16 that until we have decided to do this. Are there other
17 questions about this process?

18 COMMISSIONER ZUNIGA: The bifurcation of
19 the RFP?

20 CHAIRMAN CROSBY: Right. Do we need to
21 vote?

22 COMMISSIONER MCHUGH: I really don't think
23 we need to vote, because I think -- for one, I would like
24 to see this process develop. I think it is a good idea.
25 I think we need to express our sense that it is a good idea

1 and move forward and put some flesh on it.

2 And then see where we go, recognizing that
3 the work that goes into this if we for some reason decide
4 later not to do it can be collapsed and has to be done in
5 some ways for the full RFP process anyway.

6 So, I think it is enough to leave it today
7 that this is a good idea. Let's move forward and flush it
8 out without a formal vote or a motion that commits us to
9 this path.

10 CHAIRMAN CROSBY: Okay. Is everybody on
11 board with that? So, it's a consensus presumption that it
12 is going to happen.

13 Should we talk a little bit about the issue
14 of emergency versus regular?

15 MR. MICHAEL: Do you want to run through what
16 the difference are and what the process would be?

17 MR. LAHEY: At a very high level, emergency
18 regulations you need to make a showing that there is a public
19 necessity associated with promulgation of emergency
20 regulations that is in effect an emergency situation.

21 The statute in those situations allows for
22 the immediate promulgation. It is essentially in effect
23 when filed with the Secretary of State's office. So, the
24 formal promulgation steps and procedures is essentially a
25 24-hour exercise once you have your regulations developed.

1 Alternatively, there is essentially a 75-day
2 process to develop formal regulations. That is when
3 things, the stars align and everything works in your
4 advantage. There is various filing requirements. And we
5 can summarize in detail if the Commission would like about
6 the milestones that would need to be necessary.

7 But it boils down to where the time gets
8 chewed up is the 21-day notice. It has to go in advance
9 of a public hearing. Then some other notification
10 requirements and you have got to time it so it gets into
11 the Massachusetts Register. It gets published every two
12 weeks and it has to be two weeks in advanced. You can
13 subsume some time.

14 You essentially need to allocate in your
15 mind a minimum of 75 days. Once you have a draft
16 regulations that you have approved and voted on, at least
17 approved in draft form to go through the public process
18 with.

19 Of course, one of the advantages as Mr.
20 Michael and Mr. Carroll alluded to is that public
21 opportunity to review and comment and get feedback, which
22 you don't have in an emergency regulation situation.

23 Again, as I said the emergency regulations
24 are only in effect for three months. So, you have to go
25 back and go through this formal process anyway if you want

1 them to be in effect beyond that 90-day window.

2 MR. CARROLL: And as mentioned before of
3 January factors that in the long process, so to speak, of
4 regulations.

5 CHAIRMAN CROSBY: Do I read this right that
6 under the RFQ planning, the last item is to send a public
7 notice? Is that sending out the RFQ?

8 MR. MICHAEL: That would be sending out the
9 RFQ.

10 CHAIRMAN CROSBY: Middle of July?

11 MR. MICHAEL: Yes, that would be sending out
12 the RFQ.

13 CHAIRMAN CROSBY: So, the RFQ on this plan
14 would go out about less than two months from now?

15 MR. MICHAEL: This was put together before
16 this morning when we thought about the possibility of doing
17 the regulations possibly on a non-emergent system. That's
18 where we say the timing --

19 CHAIRMAN CROSBY: If we did them on an
20 emergent basis, it would be more or less the middle of July?
21 It sounds like if we did it in the regular process, it would
22 be minimally three and probably more like four months?

23 MR. MICHAEL: Correct.

24 CHAIRMAN CROSBY: So, that would be the
25 middle of September more or less?

1 MR. CARROLL: Right. We had discussed it
2 and we had felt that the RFQ probably should not go until
3 after the 31st of July because of Compact issue anyway. So,
4 that was our minimum continuum, so to speak. You would pick
5 up some time, but that again was envisioning emergency
6 regulations.

7 After the thorough discussion we had today,
8 we think we are not losing much time but we are going to
9 get a more permanent set of regulations.

10 CHAIRMAN CROSBY: You really lean towards --
11 Your recommendation basically is that we do the permanent
12 regulations? Is that really where you guys are at?

13 MR. LAHEY: Yes.

14 MR. CARROLL: That's what we came up with
15 after today's meeting.

16 COMMISSIONER CAMERON: Because of the
17 public notice piece?

18 MR. MICHAEL: Because there are areas in the
19 regulations as we examine what would be necessary that
20 really kind of cry out for some kind of public expression.

21 For example, what we talked about this
22 morning, there is the possibility -- Section 4 in the Act
23 talks about compensation to the local municipalities,
24 surrounding communities, and how much the casinos would
25 have to contribute to those surrounding communities.

1 For people to know whether or not they want
2 to apply, they may want to know what obligations are going
3 to be to those surrounding communities and how much they
4 would be responsible for and so on. This may be part of
5 the regulation package.

6 We are talking to some members of the gaming
7 community that we know. They have expressed slight concern
8 over the confidentiality provisions in the Act. We are
9 satisfied that there is adequate confidentiality in the
10 legislation, but it is not worded precisely the same way
11 it is typically worded in other pieces of legislation.

12 So, the regulations are going to have to
13 flush out what information is going to be held confidential
14 or what information is not going to be held confidential.
15 That's the kind of thing that is critical to an applicant
16 to know that their personal information is not going to be
17 banding about anywhere. It is probably useful to get some
18 public input from those who are interested in applying in
19 terms of those kinds of issues. And there are others.

20 It seems prudent, at least, to do that.

21 MR. CARROLL: The advantages outweigh the
22 negatives in our view with what we learned today. And in
23 terms of the process, we mentioned 75 days. That would be
24 if everything goes the way it is supposed to. Still
25 factoring that in, we thought that is a reasonable schedule

1 not much different than what is in this plan even with the
2 emergency regulations.

3 MR. LAHEY: I think also as Mr. Michael was
4 getting at is the added advantage is we are going to be
5 recommending to you for further discussion of things you
6 might want to couple with the regulations on the RFQ that
7 can work together like an enhanced code of ethics. You
8 might want to promulgate that early at the same time. That
9 is not something you probably would do as an emergency
10 regulation.

11 This gives it time to develop that package
12 that works together with RFQ requirements for your
13 consideration of what might be bundled. So, that is again
14 another advantage of the regular promulgation process as
15 versus emergency.

16 COMMISSIONER STEBBINS: You talked about
17 the ability to file emergency regulations based on public
18 necessity. Is there a possibility of being legally
19 challenged on our reasons for putting those out on an
20 emergency basis where someone would contest and say why are
21 you making that determination especially on the RFQ regs
22 that is part of a longer process?

23 MR. LAHEY: Someone certainly could ask that
24 question. And I think there's a credibility issue of only
25 doing it when it is truly necessary. This may be well. You

1 could look at some of the outside days and say we have got
2 to get this out.

3 We have not gone through that analysis to
4 determine this really is -- we don't know it is necessary
5 because we are recommending the full rulemaking process.

6 So, yes. You have to be careful about what
7 you use emergency regs for that reason.

8 COMMISSIONER MCHUGH: This is an enormously
9 complex package that we are contemplating. And doesn't it
10 make sense, and maybe I'm extracting from what I hear from
11 your presentation now that you have thought it -- doesn't
12 it make sense before we adopt an enormously complex package
13 like that to have an opportunity for a wide variety of
14 opinions to comment on it, recognizing that the
15 self-interested will find things that we perhaps have
16 overlooked?

17 That people with various levels of expertise
18 in various areas will have an opportunity to help us. And
19 that the ultimate package will be far stronger if we do that
20 at very little sacrifice in time, given the fact that we
21 would have to redo it again in 90 days after we did the
22 initial regulations by which time somebody would be going
23 down a path that we ultimately chose not to take?

24 MR. CARROLL: Could we adopt your basis for
25 our conclusion? Thank you.

1 MR. MICHAEL: We were influenced also today
2 by and re-thought when we found out it was only a 90-day
3 process. In some areas we have been, it takes a lot longer
4 to promulgate regulations. That would have been again of
5 course a cost-benefit analysis had an impact. It is only
6 this short period for the full process, it is probably worth
7 doing.

8 COMMISSIONER ZUNIGA: I agree with all of
9 the merits of going through the process of permanent
10 regulations and the rulemaking process rather than
11 emergency process. But would it be fair to say that if that
12 determination had been made, that we would go on the normal
13 rulemaking process that this bifurcated plan, this RFQ,
14 then allows this Commission to really meet some of the
15 deadlines that are lurking, some in August depending on what
16 happens relative to the Southeastern license, etc. Is that
17 a fair statement?

18 MR. MICHAEL: Yes, that is fair. If we were
19 waiting until we develop the entire package of all
20 regulations for everything and going through the full
21 regulatory process, it would be much longer.

22 COMMISSIONER ZUNIGA: Not just much longer,
23 but would cause us to miss certain deadlines.

24 CHAIRMAN CROSBY: Right. It sounds like we
25 have another consensus presumption. The consensus

1 presumption is that we go forward with the nonemergency
2 process, the regular process as recommended by the law firm
3 and the consultant. Okay. Great. Anything else?

4 While we are here, we want to talk a little
5 bit about the work plan. And I think you guys may have been
6 working on this since we got it. I think a few people at
7 least have some questions. Does somebody want to start,
8 anybody? I will jump in.

9 On budget -- If you number the pages, it makes
10 it a lot easier. On page one on the budget item, the second
11 thing says obtain revenue projections. Does that mean
12 revenue projections -- What does that refer to?

13 MR. MICHAEL: My understanding of this was
14 you had requested updated revenue projections of Spectrum.

15 MS. GOOCH: I am Kristin Gooch. I am a
16 project manager for the consultant. Since Spectrum isn't
17 here, maybe it would be easier if I talk a little bit about
18 it. I believe there were discussions going on at some point
19 about potentially updating the revenue projection that
20 Spectrum had done four years ago based on the changes in
21 the economy.

22 At the point at which this was put together,
23 the thought was that there would be some project around
24 updating the projections. I am not sure what the
25 Commission has determined about that or not. They need to

1 use some projection as part of the budgeting process.

2 CHAIRMAN CROSBY: I think at the moment we
3 don't we have that in the gaming consultant role. At the
4 moment we are -- And Commissioner Stebbins has been leading
5 the charges on this. -- We are definitely taking a look at
6 all of the numbers and trying to figure out do they still
7 make sense. But I don't think it is in our -- It is not
8 part of your mandate.

9 MS. GOOCH: There is no plan I don't believe
10 for the consultants to do an update. They will need to.
11 We will collectively have to decide what is being used for
12 projections.

13 COMMISSIONER STEBBINS: I would just
14 recommend under that budget section as we look to another
15 piece of it, is it is not just revenue coming into the
16 Commission for a number of purposes and how we all divide
17 it up. But there is a piece of our bench-line study, which
18 is supposed to be funded by a revenue source that may not
19 exist by the time we need to do the bench-line study.

20 As you are looking at those revenue pieces,
21 it would be interesting to piece how that one would find
22 its way in our door.

23 CHAIRMAN CROSBY: Okay. Also on page two on
24 scope of licensing, there is a funny thing about identifying
25 interested applicants and select potential applicants to

1 meet with. What is that?

2 MR. MICHAEL: We had thought that not the
3 Commission but the consultants in terms of developing the
4 scope of licensing. Who needs to qualify? Who would not
5 need to qualify that we get input from the potential
6 applicants. This is at a time when we did not contemplate
7 the non-emergent regulatory process.

8 If we had done it on an emergency basis, we
9 would not have been getting input in the hearing process
10 on the regulations. Now that we are getting input from the
11 hearing process on the regulations, this step is probably
12 not necessary.

13 CHAIRMAN CROSBY: Okay. I guess the next
14 step down on that on page two is the RFQ/RFP process, which
15 is the general RFP process that you were talking about?

16 MR. MICHAEL: Right.

17 CHAIRMAN CROSBY: Which doesn't quite tie to
18 the new approach, the RFQ approach.

19 Does anybody else have questions about this?

20 COMMISSIONER CAMERON: Yes, I have a
21 question. I see that most of the work you will be doing
22 independently and maybe a quarter of the project you will
23 need Commission involvement. As I read the chart, is that
24 accurate?

25 MR. CARROLL: On many occasions reviewing

1 options and so forth that we would identify, yes.

2 COMMISSIONER CAMERON: When you say the
3 Commission, would that be those individual members who may
4 have responsibility over that aspect?

5 MR. CARROLL: As you would direct.

6 MR. MICHAEL: The Chairman as project
7 manager or his designee would be the person that we would
8 go to first. If that person thought another Commissioner
9 should be the one we should talk to, we would talk to whoever
10 you tell us to.

11 CHAIRMAN CROSBY: I think when we work on
12 this, I think we may want to put -- Because there would be
13 sections that you would be particularly related to. So,
14 I think under the others involved, we do want to go through
15 this chart. We are going to talk a little bit more about
16 developing this Gantt chart more thoroughly. Other?

17 COMMISSIONER ZUNIGA: Yes. I had a couple
18 of questions or a question. Most of these subset of the
19 strategic plan and with the task that talks about the review
20 of the written plan and I know we are going to get the
21 strategic plan at the end on this process, but I am
22 interested in the interim deliverables.

23 Whether there are sections of the plan, there
24 is an organizational plan, if you will, that may be clearly
25 one section of the overall plan. I am interested in

1 identifying key interim deliverables. I know you will be
2 undertaking more detail in the next week relative to this
3 work plan. I would like to see those interim deliverables
4 reflected in this work plan.

5 Maybe it's just a matter of wording, but I
6 wasn't sure if this is just one plan or different
7 components.

8 CHAIRMAN CROSBY: I think that is something
9 we talked about with Kathy. So, as we start to turn this
10 into a Gantt chart, there clearly will be critical path
11 lines and deliverables that are a little more specifically
12 called out, where they occur and the timeframe and so forth.

13 MR. MICHAEL: Yes.

14 CHAIRMAN CROSBY: Anybody else? We got the
15 proposal, the response -- For the Public, what we talked
16 about doing was taking this chart and adding in everything
17 else that the Commission had to do, the State Racing
18 Commission should now be part of this. The communications
19 and outreach plan should be part of this as well as whatever
20 else we do.

21 We would like very much to have our
22 operations be governed or managed with a really effective
23 project management tool. And we have talked with the
24 consultants about whether they can do that. And the answer
25 is no, not really, not with your present team.

1 I think we need to think about whether we want
2 -- The recommendation from -- I can't remember if I sent
3 this around or not. The recommendation from Kathy O'Toole
4 and the consultant was that we find somebody who is good
5 at this kind of work using this kind of software and hire
6 them to put the chart together and then figure out who on
7 our team would manage that. That may go back to our issue
8 to the kind of person you and I have been looking into,
9 Enrique and I.

10 For my money, it would really be desirable
11 to get this going quickly. There are so many lose ends.
12 By now I think we have a consultant team and a law firm that
13 knows better than we do what the flow of items is. And we
14 need to convey that knowledge to ourselves as quickly as
15 we can.

16 So, does that make sense to reach out as
17 quickly as we can get somebody to build this chart?

18 COMMISSIONER ZUNIGA: I agree. The
19 question becomes whether that would be a staff person that
20 we hire either a permanent basis frankly because that maybe
21 the need or a firm, a project management type firm that we
22 could enter into a contract with. That should be for
23 consideration as well.

24 COMMISSIONER MCHUGH: We might also be able
25 to find a consultant, a single person, individual to come

1 in, stand it up --

2 CHAIRMAN CROSBY: Train our staff.

3 COMMISSIONER MCHUGH: -- either train our
4 staff or maintain it through this 16-week period while
5 training our staff to take over the next iteration of it.

6 COMMISSIONER ZUNIGA: Although there will
7 be the need presumably for a project management tool person
8 even after the 16-week period --

9 COMMISSIONER MCHUGH: I don't disagree.

10 COMMISSIONER ZUNIGA: -- to carry the
11 project management forward.

12 CHAIRMAN CROSBY: If the people that we have
13 been interviewing, you and I have been interviewing a little
14 bit, Commissioner McHugh, if we find somebody who can do
15 this, who can build this chart, happens to have that skill
16 that would be ideal. Chances are we won't. None of the
17 people I think I have talked to know how to do this.

18 So, I think we should probably look around
19 real quickly for what you suggested an individual
20 consultant type person who knows how to do this and get
21 working on that. And then the person we hire is probably
22 the person we want to have oversee this for us on a staffing
23 basis and train that person to use this even as it is being
24 built. Does that makes sense to everybody? You are
25 looking askant.

1 COMMISSIONER CAMERON: I need to hear more
2 about that. We are finding a person who can just combine
3 all this? Is that what we really are looking for?

4 CHAIRMAN CROSBY: It is just a software
5 program that not very many people know how to use well. We
6 need to find somebody who can work with all of us who can
7 take all these functions and all of the other functions that
8 we know are out there like the State Racing Commission and
9 build a year-long chart with every single thing in it. So,
10 we have a project management chart to guide our work and
11 that helps us identify all of the critical path items. What
12 things have to get done before we can do A-B-C. That's what
13 this kind of tool can help us manage.

14 COMMISSIONER MCHUGH: This document is
15 helpful in identifying tasks and when we'd like to have them
16 done. It doesn't and can't by its nature identify the
17 dependencies, the things that have to be in place, the
18 things that go with supporting the achievement of these
19 goals.

20 So, we need this kind of project management
21 tool that is adjustable in changing the date and everything
22 else changes automatically to accommodate it, to keep us
23 on track and to continue to update the dependencies and when
24 they are due. This is complex enough I think -- The
25 consultants recommend we have that kind of a tool as well,

1 if I'm not mistaken.

2 MR. MICHAEL: We can't do it.

3 COMMISSIONER MCHUGH: I know.

4 MS. GOOCH: Because you guys have so many
5 things going on, it is much broader than just what we are
6 talking about here. And you are needing to manage
7 deadlines in order to get things done.

8 In the private sector, organizations would
9 have somebody who was a project person who was responsible
10 for tracking everything to make sure everything is staying
11 on track. On a weekly basis, they are looking at what needs
12 to get done and bugging the people that said they were going
13 to get it done.

14 Then when strange things happen and you need
15 to adjust, you kind of move a date around and everything
16 flips out and it throws red lights at you and something that
17 is critical path went too far out of the timeline.

18 So, I think on our sense from the discussions
19 that Kathy has had and just hearing all of the different
20 things you have going on is that it would be really helpful
21 to have that all in one place where you can see it and manage
22 and know where you stand relative to everything that has
23 to get done.

24 COMMISSIONER ZUNIGA: I feel I should say
25 this. I have contributed to do this. I am very familiar

1 with Microsoft Project and Primavera from my previous work.
2 But it is resource intensive. We should talk about it
3 because it is very resource intensive to draw up a plan with
4 all of these dependencies. That can be done if a group of
5 people get together in a room and hash it out.

6 The biggest intensity comes with updating it
7 and keeping it on track, because what you referred to
8 relative to the project people, you need to continuously
9 check all of those assumptions and how that dependency may
10 have shifted or changed because of something that keeps on
11 going. That is again resource intensive.

12 It is incumbent upon us to contemplate what
13 is the best mechanism for us to do that outside consulting
14 firm or inside staff or even a combination of both. But
15 just laying it all out is important just as a basic
16 management tool.

17 CHAIRMAN CROSBY: Your having used this from
18 your prior life, you are persuaded that this would be a good
19 idea for us?

20 COMMISSIONER ZUNIGA: I think so, yes.
21 Especially this becomes a real project with multiple
22 dependencies that change many times probably having nothing
23 to do with us, but because of other things going on around
24 us, the Legislature, local jurisdiction, etc. So, there
25 will be any number of activities and durations that will

1 change even if everybody is doing the work here.

2 I have seen way too many times a reasonable
3 plan have a lot of scope creep. And we will have talk about
4 that when we get there. There's a real balance of how
5 somebody really manages a schedule. For example, I
6 wouldn't recommend resource loading a schedule just trying
7 to figure out who was going to work on where. That could
8 get overly complex to manage. It is important to manage
9 milestones, deliverables and durations. Resources, it
10 starts to get really complex.

11 CHAIRMAN CROSBY: Okay.

12 COMMISSIONER CAMERON: I am familiar with
13 intelligence management systems, systems that manage a lot
14 of moving pieces. I think I understand what you are saying.

15 CHAIRMAN CROSBY: So, we will look into that
16 as soon as we can look into the right person or people.

17 As you are now looking at your ongoing work,
18 are there other things you need from us, either right now
19 but also in terms of personnel? As you can see us kind of
20 grappling with what kind of people do we want, rre there
21 any particular needs that you all see about what we need
22 to have in order to interface properly with you? Or do you
23 have at the moment ideas in response to what Commissioner
24 McHugh was saying about are there some key people that we
25 probably ought to start moving to the front sooner than

1 later for purposes of our interaction with you?

2 MR. CARROLL: Obviously, the executive
3 director is important. I think the director of
4 Investigation and Enforcement Bureau is also a critical
5 position that would be helpful. Because the foundational
6 plans that are progressing now, if that person could be
7 brought on board in a reasonable time, I think that would
8 be helpful to that person to understand why some of these
9 things are done. We could certainly share with that
10 person a lot of our experience, both good and bad, that would
11 be helpful.

12 Another aspect that I think would require
13 some thinking and interaction would have to do with
14 investigative staffing, which again we would not
15 anticipate. Applications wouldn't have to be reviewed
16 until say starting in January 2013. But it would be good
17 to start the formation of that probably in the fall, but
18 also in conjunction between now and then to start the
19 process as we deal with State Police.

20 Start gauging the degree of resource
21 availability that would be allowed. Start setting up some
22 methods of coordination in that. Then again, that in turn
23 I think to a certain degree would affect our discussions
24 with you as to recommended tables of organization and
25 interaction. So, that would be my thinking.

1 MR. MICHAEL: I think at this stage we have
2 identified areas. We have identified work that needs to
3 be done. You have given us guidance with respect to moving
4 forward with the RFQ. At this stage, I think it is time
5 for us to roll up our sleeves and get into the meat and
6 potatoes and doing the work that needs to get done.

7 CHAIRMAN CROSBY: Okay. Anything else on
8 this whole topic, item five?

9 COMMISSIONER MCHUGH: I guess the only other
10 thing is a mechanical device. Would we anticipate
11 interacting with you in this fashion once a week, once every
12 other week, once a year?

13 MR. CARROLL: We were setting up with
14 Anderson today -- We have a weekly conference call among
15 the consultants, obviously, starting to coordinate with the
16 law firm also. If we can get back to you on that, obviously,
17 interaction would be good. We would like that.

18 CHAIRMAN CROSBY: We talked about this quite
19 a bit with Kathy O'Toole. As recently as this goes on, we
20 are expecting to have fairly common interaction with her.
21 Except for Kristin, the other gaming consultants are in New
22 Jersey. So, it is fairly expensive to get them up here.
23 And we said we wouldn't be insisting on that too terribly
24 frequently. But I think they are prepared to come as much
25 as we need them.

1 MR. MICHAEL: We will come when it is
2 necessary. Like we said, we can do conference calls. We
3 can do teleconferencing where it is available, any of those
4 kinds of medium.

5 MR. CARROLL: Part of the pros of
6 teleconferencing it is photogenic.

7 CHAIRMAN CROSBY: Great. Thank you very
8 much. We really appreciate. This is all exciting stuff.

9 Item six, is there anything there on finance
10 and budget?

11 COMMISSIONER ZUNIGA: Just very brief. As
12 per the authority that this Commission granted on
13 Commission Cameron, this Commission entered into an ISA
14 agreement with the Department of Public Licensure. The
15 total amount of those monies are \$3,280,728 as stipulated
16 in that agreement.

17 Eventually, it is all monies that have been
18 previously appropriated by the Legislature or are collected
19 from fees of the Racing operations. They include a number
20 of expenditures for capital expenditures, etc. That has
21 all been previously recommended by the people in that
22 department.

23 I reviewed them. I found them to be
24 reasonable. I just am reporting to the Commission.

25 CHAIRMAN CROSBY: We took it and now we are

1 giving it back?

2 COMMISSIONER ZUNIGA: That's right. We
3 became the trustees of those funds, because there are a
4 number of funds. Much of those monies have been previously
5 appropriated by the Legislature and we are now sending them
6 back for the purposes of lining that agreement.

7 It is noted that this agreement takes us to
8 June 30, the end of this fiscal year, and that is the
9 appropriation as well. All of those monies are subject
10 corresponding to that timeframe. We will have to think
11 about the next one sometime soon, the rest of the racing
12 season operation.

13 CHAIRMAN CROSBY: The racing stabilization
14 fund payments they are going --

15 COMMISSIONER CAMERON: I have meetings
16 tomorrow, which I hope to have an update. We were waiting
17 for the final numbers for DPL to put together in order to
18 get those checks out. My meeting is tomorrow. I should
19 be able to find out exactly where we are in that process.

20 COMMISSIONER ZUNIGA: The only other
21 financial commitments for this week would be the contract
22 with Polaris that we discussed which has been approved and
23 the commitments to each of our gaming consultants as
24 approved just a few minutes ago.

25 CHAIRMAN CROSBY: We could have signed the

1 statement of work, couldn't we?

2 COMMISSIONER ZUNIGA: Yes. You now have
3 the authority.

4 CHAIRMAN CROSBY: So, I could have given it
5 to them.

6 COMMISSIONER ZUNIGA: We can send it to
7 them.

8 CHAIRMAN CROSBY: Before we get to the last
9 two items, I would like to have a quick break.

10

11 (A recess was taken)

12

13 CHAIRMAN CROSBY: Item number seven, public
14 education information. Commissioner Stebbins, anything
15 new to report?

16 COMMISSIONER STEBBINS: We are just
17 finalizing one more speaker. Hopefully, we will have our
18 agenda all laid out. Tried to create a good sense of
19 balance from our speakers, both folks that have done study
20 and research work in Massachusetts as well as some outside
21 voices who may not have been the usual suspects, so to speak.

22 I know we have the announcement now up online
23 and we can accept registrations for the event in Worcester.
24 By next Tuesday's meeting, we will have the finalized agenda
25 with all of our speakers lined up.

1 CHAIRMAN CROSBY: June 14 at --

2 COMMISSIONER STEBBINS: -- Quinsingamond
3 Community College in Worcester.

4 CHAIRMAN CROSBY: At nine?

5 COMMISSIONER STEBBINS: Starting at 9:00,
6 8:30 registration, 9:00 start.

7 CHAIRMAN CROSBY: So, any friends in the
8 media, please get the word out.

9 On the community mitigation, compulsive
10 gambling, let me just give you a quick update and see if
11 this is going in the direction you want to go.

12 There was push back on a variety of issues.
13 First of all, we had originally talked about going to
14 Southeastern Mass., just because we want to go to various
15 places around the State, but realized that we were bumping
16 up against the referendum in Taunton and all of the stuff
17 that's going on down there. Maybe this was not the right
18 time to have the Commission end up -- because we do not want
19 to look like we are in any way trying to encourage anything
20 or taking a position on anything.

21 So, the community mitigation, which is being
22 led by MAPC, Mass. Area Planning Council, is now scheduled
23 for the 18th of June in Framingham. It will be on its own.
24 It will not be combined with the compulsive gambling.
25 There was feeling these are big enough topics that we need

1 more time. Everybody was glad to get more time.

2 So, this would be a full morning just on
3 community mitigation stuff. I've been talking with them
4 and they will circulate panels and so forth for us to
5 interact with.

6 Tentatively we have been talking --
7 Commissioner Stebbins and I have met with the Compulsive
8 Gambling Association and Kathy Scanlan who was their
9 director and still works with them. And they are very
10 interested in having also a half-day forum on compulsive
11 gambling issues. They have proposed several days. One of
12 them didn't work for us because it was our Tuesday meeting
13 day. So, I think it is the 25th. Is that a Monday?

14 COMMISSIONER STEBBINS: Yes.

15 CHAIRMAN CROSBY: So, Monday the 25th is
16 proposed to be the compulsive gambling forum. We have been
17 talking about -- We know people, Rachel Volberg. There are
18 a bunch of other people we've gotten information from who
19 would be participants in that. We will hear from them. We
20 are getting an agenda iterated around in the next probably
21 week or two.

22 Does that work for everybody? Does that
23 amount of lead time and so forth seem reasonable? We
24 haven't talked about a location for the compulsive
25 gambling. Maybe it's time to go to Western Mass. I don't

1 advisory committee, which I think will not be established
2 by the time we may need to initiate some of this bench-line
3 study work. Only because three of the representatives on
4 that policy advisory committee are from the three
5 licensees. Three others are from the host communities.
6 As we heard today, we will not know that for a while. But
7 they do have an advisory role. It is not a binding advice
8 that they give to us.

9 What I would like to do and prepare kind for
10 our next meeting would be some breakdown of Section 71, what
11 our requirements are. I think we need to have a discussion
12 where the law is rather broad that we begin to think about
13 what research we want to have done. What components of that
14 are to really measure and benchmark the success or the
15 impacts of gaming once these casinos are up and operating.

16 Hopefully, a baseline study that we can go
17 back and look at that empirical evidence in three years and
18 conduct another study to see what progress has been made
19 on any number of topics from employment to income to housing
20 to a lot of the unintended consequences that the law clearly
21 states that we need to study.

22 As I mentioned to our consultants, there are
23 some questions that I might have about the funding resources
24 for those, how those funds are generated for the study in
25 advance of having that revenue source established and out

1 there.

2 COMMISSIONER ZUNIGA: In one of these
3 discussions that I've had with Ms. Volberg and others, I
4 came to the personal realization that this research agenda
5 I think relates to the baseline study is really a long lead
6 item. In other words, it is something we need to be
7 thinking about sooner rather than later.

8 First of all, to hire and conduct it because
9 all of that would be the steady current state as we start
10 implementing what we are about to implement. That research
11 agenda will then have to be updated to then benchmark
12 against the baseline study. But this baseline study is
13 something key.

14 CHAIRMAN CROSBY: As I think I said to you,
15 I asked Commissioner McHugh to ask Anderson and Kreiger to
16 review the research roles. Maybe we should add the funding
17 to that because the language is convoluted enough that it
18 is not an easy reading to understand exactly what all is
19 supposed to be done when.

20 This issue of a baseline study, it is not
21 exactly clear to me what that consists of, what that is meant
22 to consist of.

23 I have been reading a report, which I am going
24 to be sending around. It's a big one but it's a Canadian
25 report that is, I think, the definitive compilation of

1 research done on post gambling, socio and economic impacts.

2 Basically, it is an academic study done by
3 a group from Canada. They searched on every word gambling,
4 casinos and found every study they could possibly find.
5 They came up with about 500 studies that have been done.
6 They just took everything, whether it was self-serving or
7 not. And then they did a very, very careful review of all
8 of them.

9 If I remember the numbers right, of the 500,
10 seven were considered excellent, 22 were considered very
11 good. Meaning the other 470 of them were not worth much
12 in the view of these folks.

13 There is a real dearth of academic quality
14 research about what happens to a community when you bring
15 in expanded gaming. From every aspect as you say, what
16 happens to the housing; what happens to the sociological
17 relationships, social capital.

18 We have a great opportunity to do some really
19 significant research on that topic. I think it is kind of
20 called for in the law. But even to the extent that it is
21 not, I think it's something we ought to think about doing
22 and fund it from whatever source we can think of to fund
23 it.

24 Everywhere from that kind of an idea to the
25 other things that are specifically in the statute, I agree

1 with you that I think sooner than later. I even wonder
2 whether we don't need a research director. We might need
3 somebody who is strong enough to help us really in that and
4 oversee and manage some serious research projects.

5 COMMISSIONER STEBBINS: As we get to the
6 application process, we are going to be reviewing a lot of
7 economic impact information, mitigation, data submitted to
8 us by our applicants. It would be helpful to have somebody
9 on board to validate whether what they are giving us is
10 genuine or whether it's their view of the world.

11 I think as we have laid out these three
12 forums, I think going through those three forums may give
13 us more thought into again that benchmark information that
14 we will hear from them in terms of what we should be
15 measuring ourselves against.

16 CHAIRMAN CROSBY: Good point.

17 COMMISSIONER ZUNIGA: There is also concern
18 as part of the RFP process, we have the discretion to request
19 a specific behavioral information where some operators
20 maybe reluctant to volunteer it where there is privacy
21 issues, etc. That all has to be ironed out.

22 Relative to understanding the level of
23 gaming or the level of gambling that may happen on an
24 existing casino. In other words, depending on how we
25 structure our licenses that data could be a benefit for this

1 Commission, which again will inform the research that would
2 have been done prior to that and then compare it.

3 COMMISSIONER STEBBINS: Keeping in mind
4 that that policy advisory committee can set a research
5 agenda for the year. To your point of having that team in
6 house to kind of manage it for our behalf, I think is
7 worthwhile.

8 CHAIRMAN CROSBY: I think it is an area where
9 we really can really contribute something to the industry
10 that would be really valuable. It hasn't started yet. We
11 still have a chance to establish real baseline data and
12 really serious methodologies.

13 So, I think that is a real important idea.
14 Commissioner Stebbins had kind of volunteered to take the
15 lead in sort of pulling this together. So, if you are
16 comfortable in continuing to do that to help frame this up
17 for us.

18 COMMISSIONER STEBBINS: Sure.

19 CHAIRMAN CROSBY: I think it is interesting
20 and kind of exciting. Anything else for other business?

21 COMMISSIONER ZUNIGA: The next meeting is
22 scheduled for Tuesday, which is the day after Memorial Day.

23 CHAIRMAN CROSBY: Yes.

24 COMMISSIONER ZUNIGA: Is there anything of
25 logistics?

1 CHAIRMAN CROSBY: We have to announce a day
2 earlier. We have a little bit less time to prep. Elaine,
3 I think, will be back. Elaine and Karen will both be there.

4 COMMISSIONER ZUNIGA: Just a question.

5 CHAIRMAN CROSBY: It's a good point. I
6 don't think of anything big enough that we should think
7 about postponing it or anything like that. I think we can
8 just go ahead. Are you okay with that?

9 COMMISSIONER MCHUGH: Sure.

10 CHAIRMAN CROSBY: I think that does it. Do
11 we have a motion to adjourn?

12 COMMISSIONER ZUNIGA: So moved.

13 CHAIRMAN CROSBY: Second?

14 COMMISSIONER STEBBINS: Second.

15 CHAIRMAN CROSBY: All in favor, I.

16 COMMISSIONER STEBBINS: I.

17 COMMISSIONER CAMERON: I.

18 COMMISSIONER MCHUGH: I.

19 COMMISSIONER ZUNIGA: I.

20 CHAIRMAN CROSBY: Thank you.

21

22 (Meeting adjourned at 3:23 p.m.)

23

24

25

1 ATTACHMENTS:

2

3 Attachment 1, Agenda

4 Attachment 2, May 16, 2012 Memorandum, Recommendation

5 to cancel current solicitation and re-bid for

6 the services of an Executive Search Firm.

7 Attachment 3, May 16, 2012 Memorandum, Contract with

8 Karen Schwartzman (d.b.a. Polaris Public

9 Relations)

10 Attachment 4, May 20, 2012 Memorandum, Timing & Impact

11 of the Proposed RFQ Process

12 Attachment 5, Statement of work

13 Attachment 6, Massachusetts Gaming Commission 16-Week

14 plan

15

16

17 SPEAKERS:

18 Guy Michael, Michael & Carroll

19 Robert Carroll, Michael & Carroll

20 Kristin Gooch, Project Manager Consultant

21 William Lahey, Anderson and Kreiger

22

23

24

25

C E R T I F I C A T E

1

2

3 I, Laurie J. Jordan, an Approved Court Reporter, do hereby
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24 Elizabeth Tice, President, Office Solutions Plus, LLC

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