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THE COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
REGULATIONS HEARING and  
PUBLIC MEETING #143

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

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January 22, 2015 10:30 a.m. - 5:17 p.m.

BOSTON CONVENTION AND EXHIBITION CENTER

415 Summer Street, Room 102A&B

Boston, Massachusetts

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

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3                   CHAIRMAN CROSBY: I'm pleased to  
4 call to order the 143rd meeting of the  
5 Massachusetts Gaming Commission once again at  
6 the Boston Convention Center on January 22 at  
7 about 10:30.

8                   We are doing, as we sometimes do,  
9 two parallel things today. We're having our  
10 regular meeting, good morning. And we are also  
11 holding hearings where it is an opportunity for  
12 public comment on four sets of regulations that  
13 have been published in the public domain for a  
14 period of time. There is a sign-up sheet for  
15 people to comment.

16                   We are going to start to register to  
17 comment. Comments will be limited to having to  
18 do with the topic of the matter of regulations.  
19 We will -- If there are speakers signed up now,  
20 we will invite them to speak. We will then  
21 hold the hearing open for another about an  
22 hour. So, if people come in late, they have an  
23 opportunity. Just be sure to use the sign-up  
24 sheet and you will speak.

1           We are honored today to have our  
2 first speaker about our regulations the newly  
3 sworn-in Attorney General of Massachusetts,  
4 General Maura Healy. And we are pleased to  
5 have you here and welcome you to the podium.

6           GEN. HEALEY: Good morning, Mr.  
7 Chairman, Commissioners. My name is Maura  
8 Healey. Yesterday I was sworn in as the  
9 Massachusetts Attorney General. The Attorney  
10 General is the people's lawyer and it is an  
11 honor to be here today.

12           As a person charged with enforcing  
13 the gaming law on behalf of the public, I  
14 intend to make gaming enforcement a priority  
15 for my administration. I am pleased to be here  
16 today, as I say, to share a few thoughts with  
17 you, and I look forward to working together.

18           Expanded gaming, as we know,  
19 presents unique challenges. And we know that  
20 the Plainville slots parlor is scheduled to  
21 open in just a matter of months. Casinos are  
22 coming to Massachusetts just as the gaming  
23 industry is experiencing seismic shifts in the  
24 East Coast, the decline of casinos in Atlantic

1 City and struggles in neighboring states  
2 requires us to tread carefully and pay close  
3 attention on behalf of the public.

4 Our office is committed to using the  
5 full civil and criminal authority to ensure  
6 that the gaming industry is held to the many  
7 financial and legal commitments it has made to  
8 our state, host and neighboring communities and  
9 to the people of Massachusetts.

10 Over the past years, advocates for  
11 expanded gaming and applicants for casino  
12 licenses in Massachusetts have made significant  
13 commitments to the people of Massachusetts  
14 including promising to create jobs and hiring  
15 local residents and vendors.

16 In addition, casino operators have  
17 promised host and surrounding communities that  
18 they will address public safety concerns,  
19 infrastructure and environmental impacts. And  
20 they've also promised importantly to address  
21 problem gambling.

22 Our office will make sure that  
23 casinos abide by their commitments and follow  
24 the law. We will insure that consumers are

1 protected from unfair and deceptive practices;  
2 that casinos employees are treated fairly, and  
3 that all processes are open and transparent.  
4 This is important so that public protections  
5 are never left to chance.

6 We believe that an active regulatory  
7 and enforcement approach is good for the public  
8 and for this new industry which benefits from  
9 clear rules of the road.

10 In the coming days, my office will  
11 be submitting to you a detailed letter  
12 recommending important enforcement and consumer  
13 protection related changes to the proposed  
14 regulations, which I believe are critical to  
15 protecting casino patrons and the public at-  
16 large.

17 Today, I'll just briefly highlight a  
18 few of the consumer protection issues that will  
19 be raised in our letter in which I hope the  
20 Commission will consider and address.

21 The first has to do with variances.  
22 We believe that no casino should be allowed to  
23 deviate from important consumer protection  
24 regulations and that any other variances should

1 be sought subject to a full and transparent  
2 public process.

3           With regard to ATM machines, I spoke  
4 to this a couple weeks ago, I believe and urge  
5 you to explore this issue through a separate  
6 standalone public process. I urge you to  
7 consider a wide range of protections on this  
8 issue including requiring that cash machines be  
9 placed certain distances from casino floors,  
10 putting caps on withdrawals and also  
11 prohibiting credit card cash advances on ATMs.

12           With regard to credit extension,  
13 another important issue, the Attorney General's  
14 office has advocated for the Commission to  
15 adopt strong credit extension regulations. We  
16 believe that casinos should be required to  
17 conduct rigorous analysis of any patron's  
18 ability to repay their credit. Anyone who  
19 cannot afford to sustain the losses shouldn't  
20 be extended the credit.

21           Finally, my administration will  
22 commit significant resources to our Gaming  
23 Enforcement Division to investigate and  
24 prosecute any attempts by organized crime to

1 infiltrate the gaming industry.

2           The Commission deserves credit for  
3 collaborating with the Attorney General's  
4 office and referring suspected criminal  
5 behavior to the Attorney General's office and  
6 the Gaming Enforcement Division for further  
7 investigation and prosecution.

8           This partnership is important going  
9 forward. I welcome this partnership and it's  
10 indeed critical to ensuring that the industry  
11 operates with integrity.

12           Going forward, I intend to  
13 thoroughly investigate any allegations of  
14 organized crime, corruption, money laundering,  
15 human trafficking and other criminal activity  
16 relating to the casino industry in  
17 Massachusetts. In this new era, it is  
18 important that the public feel confident in the  
19 process and feel confident that no casinos will  
20 be brought online before meeting commitments  
21 and following the law.

22           I have a responsibility to the  
23 public to ensure gaming industry  
24 accountability, and I have made this, as I say,

1 a priority for my administration. I thank you  
2 very much for the opportunity to speak with you  
3 today. And I look forward to working together  
4 in the days ahead. Thank you.

5 CHAIRMAN CROSBY: Thank you,  
6 General. Does anybody have questions or  
7 comments?

8 COMMISSIONER CAMERON: Yes. I'd  
9 like to welcome the Attorney General. Thank  
10 you for coming. And I think you'll see as you  
11 serve and you learn more that many of the  
12 things you've talked about are things that we  
13 believe are very, very important. We spend a  
14 lot of time talking about them, debating them.

15 Certainly, all of the decisions have  
16 not been made yet. But I think you will see  
17 that we really do take these issues seriously  
18 and we certainly welcome your partnership when  
19 it comes to proper enforcement.

20 COMMISSIONER MCHUGH: I'd echo those  
21 sentiments and echo the words of welcome. I'm  
22 delighted that you could take time from your  
23 schedule to be with us today.

24 But I think from what I hear you say



1 that we are exactly aligned on major outcomes.  
2 I think that there is a strong desire to  
3 protect the consumers. I think we have and are  
4 working on one of the most robust compulsive  
5 gambling prevention regimes in the country.  
6 Indeed today's agenda is filled with those  
7 things.

8           And much of what we have to has come  
9 through this partnership that we've had with  
10 the Attorney General's office and the fine and  
11 thoughtful people who are there. So, I look  
12 forward very much to continuing that process,  
13 your help, your assistance, your insights and  
14 your guidance can only improve the overall  
15 process.

16           GEN. HEALEY: Well, I thank you,  
17 Commissioner McHugh and Commissioner Cameron  
18 for those words. I certainly look forward to  
19 the Attorney General's office under my  
20 administration continuing to be there to work  
21 in partnership, and to ensure that the public  
22 interest is protected and that there is  
23 fairness in the process and that we are  
24 considering the various needs of the public

1 interest.

2 So, I look forward to continuing  
3 that effort. I appreciate the work that you  
4 all are doing. And I thank you for your time  
5 today.

6 CHAIRMAN CROSBY: I would simply add  
7 that your staff or General Coakley's staff,  
8 many of whom are your staff have been terrific  
9 in helping us. And I echo the partnership.

10 I appreciate your coming down here  
11 your first full day in office. I'm sure we  
12 won't agree all of the time. You will feel  
13 free to criticize or to make constructive  
14 suggestions. We disagree, that's part of the  
15 arrangement.

16 But for the most part we completely  
17 buy this partnership notion. We do share the  
18 objectives. And we will do everything in our  
19 power to be your partners in making this law,  
20 as we've said repeatedly, absolutely reduced to  
21 the barest minimum possible any unintended  
22 negative consequences. That's our job too.

23 GEN. HEALEY: Very good.

24 CHAIRMAN CROSBY: Thanks very much

1 for coming.

2 GEN. HEALEY: Thanks again.

3 CHAIRMAN CROSBY: I believe we have  
4 one other person signed up for his four minutes  
5 of testimony on our regulations, Mr. Graham  
6 Lewis. Welcome, have a seat.

7 MR. LEWIS: Thank you, Sir, for  
8 allowing me to come here today and speak. I  
9 would like to speak about the difference  
10 between a fraudulent application and an  
11 incomplete application.

12 This year, many people have been  
13 fined and they have been told --

14 CHAIRMAN CROSBY: You're talking  
15 about applications for what?

16 MR. LEWIS: Application for an  
17 occupational license to race horses in this  
18 state. Many people have been preconditioned by  
19 the previous Racing Commission by their laws  
20 stating that after several years that their  
21 application is satisfactory.

22 This year many applications have  
23 been found to be fraudulent and a fine has been  
24 given. This information has been passed onto

1 the United States Trotting Association.

2 COMMISSIONER CAMERON: Mr. Lewis,  
3 you have a pending matter before this  
4 Commission, correct -- having to do with your  
5 application?

6 MR. LEWIS: Yes, Ma'am.

7 COMMISSIONER CAMERON: So, I think  
8 it's inappropriate for us to hear about that at  
9 this time. That matter is pending.

10 MR. LEWIS: Ma'am, I'm not talking  
11 about my own application. I'm talking about  
12 other people's.

13 COMMISSIONER CAMERON: You know this  
14 is an opportunity to talk about regulations,  
15 right?

16 MR. LEWIS: Yes, Ma'am.

17 COMMISSIONER CAMERON: So, there is  
18 not an issue in our regulations that speaks to  
19 this matter.

20 MR. LEWIS: Therefore, I have  
21 nothing else to say.

22 COMMISSIONER MCHUGH: Thank you,  
23 Sir.

24 CHAIRMAN CROSBY: We appreciate it.

1 Thank you. And of course, you're welcome to  
2 submit any other comments at any time online in  
3 our comments box. Anybody else, Janice?

4 MS. REILLY: No.

5 CHAIRMAN CROSBY: Okay. We will  
6 suspend the hearing on the regs. If anybody  
7 else comes, they will be welcome to speak. We  
8 will hold it open for about an hour.

9

10 (Hearing suspended at 10:44 a.m.)

11

12 CHAIRMAN CROSBY: Meanwhile, we will  
13 move onto other items on the agenda starting  
14 with the approval minutes, Commissioner McHugh.

15 COMMISSIONER MCHUGH: Yes, Mr.  
16 Chairman, the minutes are in the book, the  
17 minutes that is of the January 8 meeting. I  
18 move their approval in the form they appear in  
19 the book with the usual reservation of the  
20 power to correct typographical and other  
21 mechanical errors.

22 COMMISSIONER STEBBINS: Just a quick  
23 note. Again, I apologize I was late for the  
24 January 8 meeting. I think under the first

1 motion it says that I was absent. But later on  
2 in the minutes, it records that I initiated a  
3 motion. So, I don't know if we need to put in  
4 some time sequence of when I joined the  
5 meeting.

6 CHAIRMAN CROSBY: Actually, I think  
7 you got there before we started.

8 COMMISSIONER STEBBINS: I think you  
9 had already done maybe minutes approval and  
10 Director Day's presentation before I arrived.

11 COMMISSIONER MCHUGH: We'll go back,  
12 Commissioner, and make sure the times are  
13 there. I think that's right. I think you came  
14 in just after we started. So, we'll fix that.

15 CHAIRMAN CROSBY: Anything else?

16 COMMISSIONER CAMERON: Second with  
17 that correction.

18 CHAIRMAN CROSBY: All in favor, aye.

19 COMMISSIONER MCHUGH: Aye.

20 COMMISSIONER CAMERON: Aye.

21 COMMISSIONER ZUNIGA: Aye.

22 COMMISSIONER STEBBINS: Aye.

23 CHAIRMAN CROSBY: Opposed? The ayes  
24 have it unanimously. There was one other thing

1 I meant to mention when Attorney General Healey  
2 was here, Treasurer General Deborah Goldberg  
3 was also sworn in yesterday and also made  
4 casino a major priority of her administration,  
5 particularly with respect to protecting the  
6 lottery revenues from being poached by the  
7 casino revenues.

8 This was something that the  
9 Legislature paid a great deal of attention to  
10 when the law was first passed. One of the  
11 principle directives in our mandate is to  
12 protect and enhance where possible lottery  
13 revenues. Everybody knows that about \$1  
14 billion a year goes to local aid from lottery  
15 revenues. And we take that mandate very  
16 seriously.

17 We've been working very closely with  
18 the lottery. All of our applicants and  
19 obviously therefore also our licensees had to  
20 work out collaborative agreements with the  
21 lottery either before or during the time  
22 they're preparing their operations.

23 We've worked very closely with Beth  
24 Bresnahan, the Executive Director of the

1 lottery who has been tremendously  
2 collaborative. And her agency has worked  
3 collaboratively with our licensees.

4 And we are more than open to  
5 Treasurer Goldberg's further suggestions about  
6 what else can be done and we welcome that since  
7 that is a key part of our own mandate.

8 I just want to point out another  
9 thing that the Legislature did. They have  
10 directed that a portion of the licensing fees,  
11 the one-time licensing fees, a total of \$195  
12 million that a portion of that \$195 million go  
13 directly to local aid. That's about \$8.5  
14 million that's already on its way to local aid  
15 from the licensing fees.

16 Then once the casinos begin to  
17 operate, 20 percent of the gross gaming revenue  
18 of the casinos will be dedicated to -- I'm  
19 sorry, to our share of the tax revenue, 20  
20 percent of the tax revenue on the casinos will  
21 be dedicated to local aid. With the estimated  
22 revenues that would occur from the three bodies  
23 that have been licensed to date Plainville,  
24 Springfield and Boston that would be about \$56-



1 \$60 million a year, which will be about six  
2 percent.

3 So, if there were a six percent drop  
4 in lottery revenues as a result of the casinos  
5 that would be offset dollar for dollar with  
6 money that is coming out of the gross gaming  
7 revenues. Again, we didn't do that. That was  
8 the Legislature's commitment to protecting the  
9 lottery.

10 Frankly, none of us knows exactly  
11 what happens when you introduce casino gambling  
12 to a jurisdiction that already has so much  
13 lottery gambling. Most of you know we have  
14 way, way, way more lottery gambling per capita  
15 in Massachusetts than in any other  
16 jurisdiction. So, it's hard to predict exactly  
17 what will happen.

18 But I only make these comments  
19 because we are very supportive of Treasurer  
20 Goldberg's commitment to enhancing that  
21 relationship and wanted to remind the public  
22 about all of the steps that are already in  
23 place by virtue mostly of what the Legislature  
24 mandated. We've already met with Treasurer

1 Goldberg and we will continue to work with her  
2 on that critical policy objective.

3 COMMISSIONER ZUNIGA: Mr. Chairman,  
4 can I make an additional point?

5 CHAIRMAN CROSBY: Yes.

6 COMMISSIONER ZUNIGA: It's the same  
7 point but 100 percent of the Category 2 revenue  
8 or tax revenue goes to local aid as well.  
9 That's one that we will see next year.

10 CHAIRMAN CROSBY: I'm sorry. I  
11 totally misspoke.

12 COMMISSIONER ZUNIGA: No. You spoke  
13 totally fine about everything else, the  
14 casinos. But in the case of the Category 2,  
15 which is the one that begins this year, there  
16 will be 100 percent of that 40 percent tax goes  
17 to local aid.

18 CHAIRMAN CROSBY: Excuse me, I made  
19 a major mistake. Thank you for correcting me  
20 and not saying I made a mistake.

21 The casino revenues, 20 percent of  
22 casino revenues will go to local aid, 100  
23 percent of the slots parlor revenues will go to  
24 local aid. That's another \$45 million a year.

1           So, there is 100 -- Given the  
2 estimates that are on the table and they are  
3 just estimates, for the three licensees that we  
4 have today, there is \$100 million a year that  
5 is dedicated to local aid. That's 10 percent  
6 of the present total.

7           So, if there's a 10 percent drop in  
8 lottery proceeds, that would be offset dollar  
9 for dollar by casino and slot parlor revenues,  
10 \$100 million.

11           There's never been a drop -- In the  
12 history across the country, there's never been  
13 a drop in lottery revenues that's been anywhere  
14 near that much. We don't know, again, for the  
15 reason that I said, exactly what will happen in  
16 this jurisdiction because we have so much  
17 lottery revenues.

18           But the Legislature -- Thank you for  
19 reminding me. -- made a really huge commitment  
20 to protecting local aid to the tune of  
21 something like \$100 million a year. Thanks,  
22 Commissioner.

23           COMMISSIONER ZUNIGA: Thank you.

24           CHAIRMAN CROSBY: Okay. We were at

1 item number 4, the Ombudsman, Ombudsman Ziemba.

2 MR. ZIEMBA: Thank you, Mr.  
3 Chairman, members of the Commission. We are  
4 joined here by Robert DeSalvio, President of  
5 Wynn MA, LLC and Jacqui Krum, Senior Vice  
6 President of Wynn and General Counsel to  
7 provide an update regarding the redesign of the  
8 Wynn facility.

9 As you're aware, during the  
10 deliberations of the Region A license, the  
11 Commission expressed concerns regarding the  
12 design of the facility. As a result as part of  
13 the conditions placed on the Wynn license, the  
14 Commission strongly urged Wynn to reconsider  
15 the exterior design of the buildings and  
16 present a revised design to the Commission.

17 Also as part of the conditions to  
18 the license, the Commission required Wynn to  
19 continue its design-related work so that Wynn  
20 would be ready to commence work on the project  
21 as soon as practicable after the effective date  
22 of the license.

23 Mr. DeSalvio and Ms. Krum are here  
24 today to show some new renderings of the

1 facility and to give the Commission an update  
2 of its progress in meeting these conditions.

3 MR. DESALVIO: Thank you, John. And  
4 good morning, Commissioners. I'm joined, as  
5 you know, by Jacqui Krum. I'm very happy to be  
6 here today. Thank you for the time to present  
7 our new designs.

8 Before we actually show them to you,  
9 I would like to take a minute to talk about the  
10 process. The process began, of course, back in  
11 the deliberation period and the discussion of  
12 license condition. So, the Commission knows we  
13 obviously took that condition very seriously.

14 Mr. Wynn who leads the charge, as  
15 you know, in design for the company is very  
16 ably joined by two people that he's been  
17 working for almost 40 years in the business.  
18 And I want to knowledge them. One is Roger  
19 Thomas who is the Executive Vice President of  
20 Design for Wynn Design Development and DeRuyter  
21 Butler who is the Executive Vice President of  
22 Architecture for Wynn Design Development.

23 And the three gentlemen have worked  
24 extremely hard in putting together this

1 presentation for today and showing our new  
2 renderings. I think we can go ahead and put  
3 the first slide up.

4           This is a new nighttime rendering of  
5 the property. You will notice right away the  
6 graceful curve, bronze-colored glass tower with  
7 the cream-colored bands. It's very  
8 representative of the type of tower that we've  
9 done in Las Vegas. When you think about our  
10 Vegas property now approaching almost its 10-  
11 year anniversary, and has been viewed by  
12 millions of people from not only domestically  
13 but internationally for the last 10 years to  
14 incredible accolades, when you think about how  
15 many awards the property has won.

16           And so the style the tower is  
17 something that we really like. And it's a way  
18 to combine a signature Wynn look with a very  
19 local harbor walk and waterfront that's  
20 representative of the Mystic River and here in  
21 New England. So, we think it really represents  
22 a great opportunity to combine our signature  
23 look with this incredible waterfront that we  
24 will be delivering.

1           You'll notice the tower. It's about  
2 the same height as the previous tower but due  
3 to its curved nature, the tower got wider,  
4 which gave us the ability to add more rooms.  
5 So, the current configuration would show 629  
6 rooms.

7           That gives us the ability -- At the  
8 curved top we have a couple of luxury duplex  
9 suites. Actually, the entire, from what you're  
10 looking at, the left side of the building  
11 comprises what's called the Wynn Towers suite  
12 concept. Those suites will have an incredible  
13 view of the Mystic River and the very dramatic  
14 Boston skyline.

15           If you'll notice the waterfront is  
16 now in its newest configuration. We have moved  
17 the convention meeting space, through some  
18 thoughtful discussion is now at the end of the  
19 retail esplanade. So, we'll be able to take  
20 advantage of the green space out in front of  
21 the water and combine it for events that may be  
22 open to the public for indoor/outdoor. So, the  
23 use of the meeting facilities worked very well  
24 at the end of the retail esplanade.

1                   This also gives a chance for Mr.  
2 Wynn and the team to look at the arrival  
3 sequence. We've got a beautiful atrium garden  
4 as you come in off the front door, which is  
5 currently in the design process. It will be  
6 highlighted by tremendous floor work by  
7 impressive artwork and sculptures.

8                   It gave us another opportunity to  
9 create another level right above the lobby  
10 level. That serves as an area for food and  
11 beverage with a glass front looking out over  
12 into the harbor area. So, the new arrival  
13 sequence actually worked very well along with  
14 the new tower.

15                  You'll notice -- I'll want to also  
16 bring up the daytime rendering. So, there's  
17 the shot during the day. It really, we think  
18 complements the landscape very well. And it  
19 represents a lot of work.

20                  As John mentioned earlier, we have  
21 continued this design work both inside and  
22 outside of the property from the day of the  
23 license award so we could stay on our schedule.  
24 And we are in fact on our schedule. So, with



1 that I want to open it up for the Commission if  
2 there's any questions about the design.

3 CHAIRMAN CROSBY: Commissioners?

4 COMMISSIONER MCHUGH: Let me begin.

5 I am grateful that our request to rethink the  
6 design that we had before us was taken so  
7 seriously and has produced a radically  
8 different approach to this process.

9 These are two renderings.

10 Obviously, there are many more details  
11 underlying and behind them. What is the  
12 prognosis and the timetable for seeing the rest  
13 of the material that comes behind the floor  
14 plans and the other elevations and the like?

15 MR. DESALVIO: We have been, as I  
16 mentioned, in the serious design work for the  
17 interior of the building. As a matter of fact,  
18 I'll be in Las Vegas next week doing design  
19 reviews with each of the different departments  
20 and looking at the layouts, which will  
21 ultimately lead to that final floor plan that  
22 will be presented to the Commission at a later  
23 date.

24 Along with the exteriors, the design

1 team is currently working on new renditions for  
2 the interior. One of the things we like to do  
3 is look at the spaces in their proper view.  
4 So, even to the point of doing possibly a model  
5 of the front arrival sequence and the lobby  
6 area that Mr. Wynn has talked about.

7 So, we'll be finishing that up,  
8 making sure the perspectives are correct, doing  
9 new interior renderings, finalizing the floor  
10 plans. And those will be available in the not-  
11 too-distant future.

12 COMMISSIONER MCHUGH: And with those  
13 revisions, will any updates necessary for other  
14 things such as parking spaces, square footage,  
15 overall footprint, will all of those be covered  
16 too?

17 MR. DESALVIO: Yes. Those actually  
18 will be covered in our SFEIR filing that we  
19 will be doing shortly as well. So, that will  
20 recount any program changes from the original  
21 program.

22 MR. KRUM: But the footprint of the  
23 building will remain the same.

24 CHAIRMAN CROSBY: The footprint of

1 the footprint of the building remains the same.

2 MR. DESALVIO: Yes.

3 COMMISSIONER MCHUGH: Thank you.

4 COMMISSIONER ZUNIGA: Same with the  
5 massing that affects a little bit your -- you  
6 mentioned briefly the height, but some of the  
7 permitting depends on the actual massing from  
8 the river. Does that change?

9 MR. DESALVIO: No. We looked at the  
10 tower in relationship to all of the  
11 requirements whether it was FAA, wind, shadow,  
12 that's all been covered and will be addressed  
13 in the SFEIR. And it looks like it fits very  
14 well with all of the environmental  
15 regulations.

16 COMMISSIONER STEBBINS: Do the  
17 additional rooms have any substantial impact on  
18 the job count, you're adding hotel space?

19 MR. DESALVIO: It will add -- It's  
20 about 100, a little over 100-room impact. So,  
21 that will add some housekeepers as well some  
22 supervisors. For the most part, I think it's  
23 going to be mainly in the housekeeping and the  
24 supervisory area, but yes, it would.

1                   CHAIRMAN CROSBY: That's all to the  
2 good.

3                   COMMISSIONER ZUNIGA: You mentioned  
4 meeting space. Did you have some meeting space  
5 before?

6                   MR. DESALVIO: Yes, we did. We just  
7 moved it to a different area of the building to  
8 take advantage of -- The folks in Las Vegas  
9 helped us think through that and realizing that  
10 this wonderful outdoor space exists in the  
11 green space area. There may be many groups  
12 that want to use that for functions. We can  
13 tent it. We can use it for outdoor catering.  
14 And by having the space all contiguous, we  
15 think it will get even more use.

16                   COMMISSIONER ZUNIGA: Good. So,  
17 what happened the nightclub that was in that  
18 place?

19                   MR. DESALVIO: We actually removed  
20 that from the plan. That was one of the  
21 changes that we made. We felt that having the  
22 meeting space out in that front area we thought  
23 would be used much more often than the  
24 nightclub space. So, we actually removed that

1 from the program.

2 COMMISSIONER CAMERON: Mr. DeSalvio,  
3 has the parking changed at all with the new  
4 design?

5 MR. DESALVIO: Yes, it has. We're  
6 going to be at 3400 spaces in the new count.  
7 It is a reduction from where we were  
8 previously. It was 37, that's correct.

9 CHAIRMAN CROSBY: So, you've added  
10 rooms but reduced parking?

11 MR. DESALVIO: Right. Going back  
12 and looking at the parking analysis, and  
13 actually many of the comment letters we got  
14 when we did the FEIR actually were recommending  
15 that we take a look at the count to encourage  
16 more mass transit use.

17 We feel we have adequate spaces, the  
18 3400, when we redid the traffic counts in  
19 relationship to changing the nightclub space  
20 coming out of the program. It very adequately  
21 covers what we need. And we felt it was very  
22 responsive to some of the comments that we  
23 received.

24 CHAIRMAN CROSBY: Since I was not a

1 part of this decision, I have a question for  
2 the Commissioners. Does the change in room  
3 numbers, is there a procedural step that we  
4 need to take to approve that?

5 COMMISSIONER MCHUGH: There are  
6 regulations that deal with evolutions in the  
7 design and footprint and other aspects of the  
8 building. And we have a set of regulations  
9 that deals with all of that. That's part of  
10 what the Penn National reporting requirements  
11 are designed to help us flag and focus on. And  
12 we'll have an opportunity to deal with all --

13 CHAIRMAN CROSBY: Penn National  
14 reporting?

15 COMMISSIONER MCHUGH: Yes. We're  
16 going to have later today. That's what all of  
17 that's in aid of. And we take a look at  
18 evolutions in the design of the building and  
19 changes in the building.

20 There was a significant change in  
21 their building in the placement of the  
22 nightclub, if you recall in the interior from  
23 exterior a change in the programming of that  
24 initial interspace. And those are the kinds of

1 things that we need to take a hard look at and  
2 think about and work on as the process goes  
3 forward.

4 But the regulations anticipate that  
5 there will be evolutionary changes in these  
6 buildings and the design of the buildings.  
7 That always happens. None of these things  
8 comes fresh fully penned out when they are  
9 presented. So, that's the process that we'll  
10 follow when we deal with this and as we get  
11 more detail.

12 MR. DESALVIO: Yes. We will follow  
13 your normal process.

14 CHAIRMAN CROSBY: I just want to  
15 make it clear for the record that just because  
16 Wynn wants to add 100 rooms doesn't mean Wynn  
17 gets to add 100 rooms. There is a process by  
18 which we determine whether changes are material  
19 enough to require Commission approval. And  
20 that would be one of those that would be  
21 considered by us.

22 COMMISSIONER MCHUGH: Right.

23 CHAIRMAN CROSBY: Again, I wasn't a  
24 part of it so I can just say it looks great.

1 Personally, it's just one person speaking.  
2 It's a vast improvement over the design before.

3 This is going to be incredibly  
4 visible from a lot of places. I was over at  
5 Assembly Square on the weekend, coming down 93,  
6 hopefully it will be more visible than the  
7 windmill that's nearby.

8 And having something that is  
9 striking, you can just think of what happened  
10 to Boston when we put up the Charlestown  
11 Bridge, the Zakim Bridge, all of a sudden that  
12 became iconic to the city of Boston. All of a  
13 sudden that bridge became probably the single  
14 most photographed element in promotion of the  
15 city of Boston.

16 To some extent this will have that  
17 same kind of an impact. So, having it be  
18 something that we can be excited about and be  
19 proud of is important. This is just one person  
20 speaking. I think it's real progress.

21 MR. DESALVIO: Thank you, Chairman.

22 CHAIRMAN CROSBY: Anybody else?

23 COMMISSIONER ZUNIGA: I echo that.

24 I think it is very iconic, as you mentioned,



1 and very much in line with the signature of the  
2 design that Mr. Wynn and his team has. And I  
3 look forward to some of the other details that  
4 Commissioner McHugh was talking about in terms  
5 of the program and the renderings or internal  
6 floor plans, etc.

7 MR. DESALVIO: Great. Thank you,  
8 Commissioners.

9 CHAIRMAN CROSBY: Thank you, very  
10 much.

11 COMMISSIONER CAMERON: Thank you.

12 OMBUDSMAN ZIEMBA: Mr. Chairman, the  
13 next item on the agenda is a review of the Penn  
14 National quarterly report. I will defer to  
15 Executive Director Day to take this from here.

16 MR. DAY: We've seen this team  
17 before.

18 CHAIRMAN CROSBY: Yes, we have.

19 MR. DAY: So, we have Jack Raun and  
20 Lance George and Jennifer Pinck. So, I will  
21 just refer to Lance to go ahead with the  
22 report.

23 MR. GEORGE: And I will quickly  
24 defer to Jack to get started on an update.

1           MR. RAUN: That was quick. And I  
2 just save the big bucks, so I'll defer to  
3 Jennifer.

4           MS. PINCK: I'd just like to start  
5 off with good morning Commissioners. Thank you  
6 for having us here. We've been working closely  
7 with Penn to monitor their performance and  
8 adheres to the commitments and coordination  
9 with the Gaming Commission staff.

10           As we get into the final leg, if you  
11 will, of this journey to get the slot parlor  
12 open, I want to let you know that we are  
13 planning and beginning to map out the very  
14 detailed list that is integrated and  
15 coordinated with Executive Director Day and his  
16 staff's obligation to commitments and  
17 requirements to get the slot parlor open with  
18 Penn, both the design and construction and  
19 operation.

20           So, that is really what we will  
21 start -- We have started to look at. But we  
22 are going to start to develop a lot of very  
23 detailed checklists, if you will, with due  
24 dates and responsibilities so that nothing

1 falls through the cracks. Or should something  
2 become on the critical path, attention is  
3 focused on it and no one party could be said to  
4 blame the other, we can't open today.

5 So, that's really where our focus is  
6 now, as well as honoring the commitments that  
7 are in the host and surrounding communities and  
8 pertain to opening. There are some of those  
9 and those are really critical. That is my take  
10 on the quarterly report. The next two we'll be  
11 updating you in more detailed fashion on some  
12 of those.

13 MR. RAUN: Good morning. As always,  
14 thanks for the opportunity to be here. It's  
15 great to come and tell you about our progress  
16 over the last quarter.

17 The fourth quarter and January to  
18 date gave us pretty good weather and therefore  
19 good progress. We not surprisingly have had  
20 significant activity on the construction side,  
21 not just on the site, getting it ready for  
22 winter, but the garage and office spaces have  
23 taken real defined shape. The casino building  
24 progresses and work on the racing building

1 continues.

2           On the owner's side, we've started  
3 our fit out and procurement activity for owner  
4 equipment, surveillance equipment, audiovisual  
5 equipment, gaming and operations equipment have  
6 all started taking shape. Contracts purchase  
7 orders, vendor licensing it's all moving along.

8           On the racing side, we relocated our  
9 simulcast operations from one side of the  
10 second floor of the racing building to the  
11 recently completed multipurpose room on the  
12 same level of the racing building. Now we can  
13 work on redoing the simulcast for its permanent  
14 home. So, on all three areas of the site, we  
15 are moving along.

16           As I've done with you in the past, I  
17 thought we'd point out a couple of highlights  
18 in the report. And if there's anything along  
19 the way for questions, please stop me.

20           I don't know if you can track along  
21 here, but if you can go to Appendix 2.  
22 Appendix 2 is a critical one for us now because  
23 it talks about schedule. In this appendix, we  
24 state that we are still on track for a June

1 2015 opening.

2 We are in constant communication and  
3 coordination with Pinck, with Rick Day and  
4 Commission staff on a whole host of issues  
5 related to schedule. It's a process that has  
6 really picked up in the past quarter and will  
7 continue certainly until we get the casino  
8 open.

9 A couple of key areas we're working  
10 on right now are vendor licensing, internal  
11 controls, and the surveillance plan to make  
12 sure our process for submitting information is  
13 clear and the Commission's timetable for  
14 approving is also clear. Those are critical  
15 areas to us. Appendix 4, please.

16 COMMISSIONER ZUNIGA: Jack, before  
17 are you moving from schedule?

18 MR. RAUN: I was, yes.

19 COMMISSIONER ZUNIGA: Quick  
20 question. I remember the schedule and all of  
21 the internal activities was a potential  
22 critical path but also external, the curb cuts,  
23 etc., the access road.

24 MR. RAUN: I was going to touch on

1 permits a bit later, but we'll jump to that  
2 now.

3           If you are referring to the MassDOT  
4 issue, we had plenty of occasion to talk about.  
5 We have really made progress in the past  
6 quarter, both us and MassDOT. We have  
7 submitted 100 percent plans. We have received  
8 numerous rounds of comments from MassDOT.  
9 We've updated our plans for all of those  
10 comments, which include pretty much the full  
11 scope that we proposed and the town wanted, the  
12 curb cut, several traffic signals, all of the  
13 important features have now been put into the  
14 final plans.

15           At this point, we got all of the  
16 MassDOT comments, we responded to them. The  
17 plans are complete. And we actually have a  
18 preconstruction meeting with MassDOT scheduled  
19 for tomorrow.

20           COMMISSIONER ZUNIGA: Great.

21           MR. RAUN: So, it has really taken  
22 shape. I would point out two things to you,  
23 one on a positive note, we have received  
24 extraordinary cooperation from MassDOT at the

1 highest level. They've really taken a personal  
2 interest in this project. And when we complain  
3 to them, they help us move things along.

4 At this point though, we still do  
5 not have a permit. It would be wonderful to  
6 hold that permit in our hand and understand  
7 exactly what it says and exactly what our work  
8 conditions and other important elements will  
9 be. But, for the time being, it's winter and  
10 it's more important now that we're talking with  
11 them and coordinating with them. They do tell  
12 us the permit will be imminent. I hope that  
13 answers your question.

14 COMMISSIONER MCHUGH: Going back to  
15 the three elements that you said were your  
16 primary focus of concentration now, are they  
17 progressing to satisfactorily insofar as the  
18 Commission support is concerned?

19 MR. GEORGE: I'll talk first about  
20 internal controls. Certainly a gating item for  
21 us. We will begin drafting those ICs based on  
22 regs. that are completed. There is a  
23 surveillance plan that is due that is in my  
24 inbox. I think that came in last night. So,

1 our hope is to provide that by the end of this  
2 week.

3 In addition to that, we are looking  
4 to provide the beginning of a responsible  
5 gaming plan. We'll have that submitted, at  
6 least a cursory look at it within the next two  
7 weeks.

8 So, I think Jack mentioned it, we're  
9 on the phone with Bruce or Mark or Rick on a  
10 daily basis to work through these issues. A  
11 lot of questions on our end and on the other  
12 side as well to make sure we're doing things  
13 exactly right.

14 That would also relate to vendor  
15 licensing. We're ready to place our slot order  
16 next week. We want to make sure that we are  
17 following procedure. Good communication  
18 yesterday with Bill Curtis and David Acosta,  
19 touched base with Rick this morning.

20 So, long winded answer of saying  
21 certainly a great spirit of cooperation and  
22 that everything is moving forward. And I think  
23 everyone is on the same page with the hot  
24 buttons right now.



1 COMMISSIONER MCHUGH: Good.

2 COMMISSIONER STEBBINS: One other  
3 item on article two on the schedule. The other  
4 requirements, the regional kind of tourism  
5 strategy which you need to provide a certain  
6 number days out before your opening. Just not  
7 to be nitpicky, but it's down there and it  
8 shows a start last year. Just update the date,  
9 but we know you need to share that with us.  
10 And certainly run it through the local and  
11 regional tourism council at the appropriate  
12 point.

13 MR. GEORGE: Fair enough. We'll get  
14 that process started as well. Understanding  
15 the time and make sure again that we loop in  
16 everybody that needs to be looped in.

17 MR. RAUN: One of the surrounding  
18 community agreement requirements calls for a  
19 number of baseline studies before we open. And  
20 while the report doesn't specifically touch on  
21 that I can tell you that we have moved into  
22 that phase of work.

23 And we are currently looking to  
24 release the traffic studies that are required

1 by pretty much all of the surrounding community  
2 agreements. So, that is the longest of those  
3 baseline studies. And we're currently going  
4 through proposals and looking to engage someone  
5 soon.

6 Appendix 4, we have provided and as  
7 work has progressed we have a number of  
8 pictures to show you this time about progress.  
9 A couple of things to touch on.

10 The exterior of the building is  
11 enclosed, the casino building that is, and  
12 temperature controlled. And we have about 300  
13 very happy construction workers to be working  
14 inside this winter.

15 A lot of the pictures showed you  
16 aerial or roof shots about the photovoltaic  
17 panels that are part of our energy program and  
18 LEED program. So, those have taken shape. The  
19 exterior finishes of the casino and the garage  
20 are now really taking shape, and really  
21 starting to look like the pictures we've shown  
22 you over time.

23 And on the casino interior, a  
24 significant effort in framing and drywall. So,

1 much like the outside, the interior spaces are  
2 now taking shape and are starting to more and  
3 more look like the picture.

4 Appendix 5, is where we normally  
5 provide you with a table of financial  
6 information and a statement about our ability  
7 to complete the project from a financial  
8 standpoint. In this particular quarterly  
9 report, we have not provided that table because  
10 it contains capital information and other  
11 information that's part of our quarterly and  
12 annual release to the public. We haven't done  
13 that yet. Therefore, we were not able to  
14 provide the normal table of financial  
15 information.

16 Our earnings release for the year is  
17 scheduled for January 29. And concurrent with  
18 that release, we'll provide you with the normal  
19 table. What I can tell you today though is  
20 that Penn National or what we give you on the  
21 29th will show you that Penn National has  
22 sufficient financial resources to complete the  
23 project. So, that we can tell you.

24 CHAIRMAN CROSBY: That's reassuring.

1 MR. RAUN: Appendix 8. Appendix 8  
2 is the construction workforce update. We are  
3 now upwards of 150,000 work hours into the job.  
4 Through December 31, we are showing 15 percent  
5 of the on-site construction workforce is  
6 minority versus a goal of 16, four percent  
7 women versus a goal of seven, and 10 percent  
8 veteran versus a goal of three.

9 So, we're over halfway through the  
10 job. We are holding our own. It is a pretty  
11 tough environment though. There is a lot of  
12 construction activity in the region. Resources  
13 are at premium. Turner has done and the  
14 various subs have done a good job of making  
15 sure we can obtain and retain as many minority,  
16 women and vets as possible. So, we are close  
17 to our target and we are holding our own.

18 CHAIRMAN CROSBY: Jack, you talked  
19 about the subcontractors who are in  
20 noncompliance continue to hold corrective  
21 action meetings. The numbers in this chart  
22 really jump out. You've got some big  
23 providers, some big subcontractors who are  
24 doing well.

1 I look at NB Kenny for example on  
2 both scores pretty well. But you've got some  
3 other big ones that you just run zero, zero,  
4 zero, zero, zero on women, TJ McCarty, Island  
5 International, Cox. So, what is the process  
6 with these folks?

7 MR. RAUN: I think Commissioner, it  
8 reflects those trades those trades the  
9 diversity and the bodies simply aren't there.  
10 Nobody gets a pass on this job. We do not say  
11 to some of those you mentioned for example,  
12 that's okay. It's not okay.

13 Each one of those subs has to  
14 regularly interact with Turner and either get  
15 us on target or explain why they can't.  
16 Constant communication with business agents in  
17 terms of who's in the hall, who's coming up,  
18 where we can obtain these resources from other  
19 jobs. It's a full effort. Some trades just  
20 aren't well represented and some are.

21 CHAIRMAN CROSBY: Ms. Pinck, you've  
22 been a woman on a construction site, are they  
23 doing what needs to be done? This has not been  
24 our experience with Penn National. So, I say

1 this not about Penn National, but the standard  
2 answer is you can't find anybody. That's  
3 everybody's answer about everything. Sometimes  
4 it's true, sometimes it's not. What's your --

5 MS. PINCK: I'd say they're doing  
6 better than I've seen historically. I think  
7 the unions, obviously, have a big role to play  
8 in this. And in Plainville, the labor pool to  
9 draw on is somewhat more sparse even though I  
10 know workers are coming down from Boston.

11 I think the competition for labor  
12 right now of any two-legged person is getting  
13 harder and harder to fulfill with the work  
14 going on. So, I would give them a better than  
15 passing grade. But their challenge is pretty  
16 extraordinary. And I know you've met with the  
17 Policy Group on Tradeswomen, right? You've  
18 talked to them.

19 MR. RAUN: Yes.

20 MS. PINCK: I also would say that I  
21 think as we get to potentially more finished  
22 trades, it may go back up. There's some trades  
23 where women are just historically grossly  
24 underrepresented rather than just badly

1 underrepresented.

2 MR. RAUN: We're going to be moving  
3 into the phase of the work where it's dominated  
4 by electric and by the finish trades. And I  
5 think electric will present us challenges just  
6 by the sheer numbers that we need on-the-job.  
7 But the finish trades are an opportunity.

8 Back to your question and I want to  
9 repeat it, this is serious endeavor for us. We  
10 don't take it lightly. Nobody gets a pass.  
11 And we do work hard at it.

12 CHAIRMAN CROSBY: Okay. That's  
13 great. And I think that's consistent with what  
14 we've heard from our Director of Supplier and  
15 Workforce Diversity. But in the big picture,  
16 the idea here is to create enough demand that  
17 there is pressure on supply. And if the demand  
18 side is pushing properly then one of these days  
19 it's got to start pulling people through the  
20 supply.

21 Your project is a short one. You're  
22 going to be out of the ground pretty soon. But  
23 in terms of preparing the way for the big  
24 projects coming down the line, never mind all

1 of the other projects around Massachusetts,  
2 hopefully at the training end and at the union  
3 end, the word is growing that the demand  
4 pressure is real. It doesn't do us any good if  
5 all we do is grab the 11 women that are around  
6 and rotate them around. There needs to be a  
7 whole bunch more.

8 COMMISSIONER ZUNIGA: Were any ways  
9 of total projected construction hours? You  
10 mentioned you were at 150,000 or thereabouts.

11 MR. RAUN: I don't know off the top  
12 of my head. I'll get you that. We're about 55  
13 percent of the way down the work now. So, say  
14 upwards of 300,000 hours. It might be a little  
15 bit more than that.

16 COMMISSIONER ZUNIGA: Right.

17 MR. RAUN: Appendix 9, please.

18 CHAIRMAN CROSBY: Sorry, I just  
19 wanted to ask, I'm still in appendix 8. Excuse  
20 me, Jack. You had the chart that talks about  
21 cumulative individuals on site. I'm just  
22 curious, what does that represent? Is that  
23 people who have been on-site once or more?

24 MR. RAUN: Once or more.



1 CHAIRMAN CROSBY: Once or more.

2 MR. RAUN: Obviously, many of them  
3 have been there hundreds of times but that is  
4 what that number means. I think it's 760  
5 something, if I'm not mistaken. That is number  
6 people who have shown up to work one or more  
7 days on the job.

8 CHAIRMAN CROSBY: Okay.

9 MR. RAUN: Appendix 9 is the normal  
10 information we've supplied and talked many  
11 times about with respect to construction  
12 contracting. At this point we are  
13 substantially bid out. There are very limited  
14 areas of the work that are still not bid.

15 We have issued over \$82 million in  
16 direct construction contracts. And our numbers  
17 remain very favorable to our plan. Minorities  
18 are 12 percent of the work. Minority business  
19 enterprises, sorry, 12 percent of the direct  
20 contract work versus a goal of four, WBEs at 13  
21 versus a goal of seven and VBEs at 10 versus a  
22 goal of three percent.

23 Overall we've had \$27 almost \$28  
24 million in M, W, and VBE contracts, or about 34

1 percent of the overall direct construction work  
2 that's been awarded. And today we've made \$10  
3 million in payments. So, we've had occasion to  
4 present this subject to you in the past. And  
5 we remain pleased with where we're at and the  
6 results Turner's achieved.

7 COMMISSIONER MCHUGH: Yes, I think  
8 those results are great.

9 CHAIRMAN CROSBY: I agree.

10 MR. RAUN: And they are at this  
11 point not likely to change. There is very  
12 little work to left to bid out.

13 CHAIRMAN CROSBY: That's really  
14 great.

15 MR. RAUN: We are pleased with it,  
16 to say the least.

17 COMMISSIONER STEBBINS: Those  
18 numbers do look good. I have a quick question.  
19 Help me understand in layman's terms  
20 commitments are out \$27 million, actual  
21 payments as of December 31 is about a third of  
22 that.

23 MR. RAUN: Right.

24 COMMISSIONER STEBBINS: Help me

1 understand kind of the payment schedule for the  
2 rest of the work that you successfully bid out  
3 to the MBEs, WBEs, VBEs.

4 MR. RAUN: It will occur as they put  
5 the work in place. The commitments are awards.  
6 The payments come when they bill us for work  
7 performed. At this point, the work that's been  
8 awarded to M, W and VBEs is about a third  
9 complete. And the rest will be paid out as  
10 it's done over the next few months.

11 COMMISSIONER STEBBINS: Remind me  
12 again what the payment terms are from the time  
13 you get an invoice to when a check goes out the  
14 door.

15 MR. RAUN: In summary it's 30 days.  
16 Turner usually cuts off their business cycle  
17 towards the end of the month. They give us a  
18 pay application in the beginning of the month.  
19 And we pay that towards the end of the month.  
20 And we've been running pretty consistent on  
21 that.

22 Appendix 10, please. Actually, we  
23 can skip over appendix 10. That was to touch  
24 base on the MassDOT permit and we've covered

1 that already.

2 Appendix 12, please. This is the  
3 last one I wanted to touch on. And this is the  
4 first information we've provided for our owner  
5 equipment buyout. In the quarter, we have  
6 issued contracts and purchase orders for just  
7 under \$6 million for various pieces of the  
8 equipment program. The surveillance equipment,  
9 audiovisual equipment and a host of other  
10 operational related items.

11 And on that \$6 million that we've  
12 issued to date, six percent of that which is  
13 right on the goal has gone to MBEs. Five  
14 percent versus a goal of 12 for women business  
15 enterprises and 23 percent was to VBEs versus a  
16 goal of three. So, we are early in the  
17 operations equipment process but at least as  
18 we've encountered with construction, we've  
19 gotten off to a good start.

20 COMMISSIONER ZUNIGA: What is the  
21 order of magnitude of the total?

22 MR. RAUN: It's probably in the  
23 neighborhood of \$30 million for everything.  
24 Those were the highlights. Happy to entertain

1 any other questions you might have.

2 CHAIRMAN CROSBY: Anybody?

3 COMMISSIONER MCHUGH: No. I think  
4 that is overall continues to be a terrific  
5 report, both as to the progress on the ground,  
6 the physical progress and as to the approach to  
7 the minority and veterans and female  
8 participations.

9 MR. RAUN: Thank you.

10 CHAIRMAN CROSBY: I agree. On the  
11 numbers it shows that you're taking this  
12 seriously but we hear that anecdotally too and  
13 we appreciate that.

14 MR. RAUN: I'm glad to get that  
15 feedback. It's important to us. A final  
16 comment echoing what Jennifer says. While 330  
17 construction workers are working hard every day  
18 myself and Lance, Pinck and Commission and  
19 their staff, now we're into an important  
20 communication phase about submissions, about  
21 approvals. And that carries over to the town  
22 of Plainville, to MassDOT as examples of key  
23 groups whose approvals we have to get before we  
24 wrap all of this up.

1           So, over the next couple of months  
2 while construction progresses, we have our  
3 approvals and submissions work to do as well.

4           CHAIRMAN CROSBY: There's a big  
5 crunch time coming for all of us, including our  
6 end. As I say every time you come, you will  
7 let us know -- We are under as much pressure as  
8 you are to try to make sure we are getting our  
9 part of the deal done here. So, I'm sure we'll  
10 make it. Thank you very much.

11          MR. RAUN: Great. Thank you very  
12 much.

13          CHAIRMAN CROSBY: Yes. Do you want  
14 to do an early lunch? We had scheduled lunch  
15 now.

16          COMMISSIONER CAMERON: No, it's  
17 11:30.

18          COMMISSIONER MCHUGH: 12:30 is when  
19 we scheduled lunch.

20          CHAIRMAN CROSBY: That was after the  
21 Ombudsman report. So, we are running ahead of  
22 schedule. So, shall we go ahead into the  
23 administration.

24          COMMISSIONER MCHUGH: Yes.

1                   COMMISSIONER ZUNIGA:  If we just  
2 take a break.

3                   CHAIRMAN CROSBY:  Yes, good idea,  
4 and we'll adjust the time for lunch.  We'll go  
5 ahead and do some other things.

6                   It's now 11:30, which means we've  
7 been here for an hour.  Is there anybody else  
8 here to testify?  I'm getting a no.  So, we  
9 will close the formal hearing on the  
10 regulations enumerated on the agenda.

11                   We always accept comments later on.  
12 And of course we can always revisit these  
13 issues.  We've got a tremendous number of  
14 written comments, a lot about the ATM issue, a  
15 lot about the credit issues, all of which are  
16 being incorporated into our review and analysis  
17 of our final draft of these regs.  Anybody else  
18 who's got remaining thoughts, anybody out  
19 there, we welcome them.  As I say, any of these  
20 issues can be re-open if there is important new  
21 information.

22

23                   (Hearing closed at 11:29 a.m.)

24

1           CHAIRMAN CROSBY: Let's take a brief  
2 recess and we will come back with item number  
3 five, administration.  
4

5                   (A recess was taken)  
6  
7

8           CHAIRMAN CROSBY: We can reconvene  
9 our meeting. We will go to item number five on  
10 the agenda, Executive Director Day.

11           MR. DAY: Thank you, Chairman Crosby  
12 and good morning Commissioners. I'd like to  
13 start off by we're going to be talking about  
14 central management system again here. I have a  
15 general report because we've got two  
16 administrative issues already under  
17 consideration for today.

18                   One thing I'd like to note is our  
19 CIO, Mr. Glennon, cannot be here today because  
20 he's been selected as a juror. So, his choices  
21 were limited at this point. Definitely I can  
22 tell you he misses being able to be part of  
23 this conversation as the Commission concludes.

24           CHAIRMAN CROSBY: You think?



1 MR. DAY: Yes.

2 COMMISSIONER MCHUGH: That's an  
3 important public service. So, that's a  
4 perfectly legitimate reason not to be here.

5 MR. DAY: With that though, I'm  
6 going to do my best to sub in and the rest of  
7 us here fill in for John while he's not here.

8 What I'd like to do is take us back  
9 a little bit. I think the last time we were  
10 with you, we had three basic items I think we  
11 were going to come back and talk about. One  
12 was a potential concern regarding conflict of  
13 interest. Another one was providing the  
14 opportunity for a technical discussion with MGM  
15 and other licensees and their technical  
16 representatives. We were able to do that and  
17 had a meeting at our offices. I think we went  
18 about two hours.

19 Then also come back and see if we  
20 have any further comments regarding the  
21 financial report or this capability question  
22 that was raised.

23 With that it seemed to me that  
24 probably the best way to start off with this

1 would be to ask Director Wells to come before  
2 the Commission here this morning and talk about  
3 what her findings are so far with the conflict  
4 of interest question for GTECH. Director  
5 Wells.

6 MS. WELLS: Thank you, Sir. Good  
7 morning Mr. Chairman and members of the  
8 Commissioner. I was asked to report to the  
9 Commission on the GTECH/IGT merger and the  
10 issue of whether or not the merger poses a  
11 conflict of interest problem if the Commission  
12 utilizes GTECH for a CMS provider and then IGT  
13 as the gaming vendor for the licenses as those  
14 companies merge and have sort of different  
15 sides of the house.

16 There's only been a short period of  
17 time. I can only give the Commission some  
18 preliminary findings, but I do have some  
19 recommendations for the Commission going  
20 forward.

21 Ultimately, the question here is  
22 whether there is a risk of the CMS data being  
23 provided to the vendor side of the company, and  
24 whether the Commission will be satisfied that

1 there are sufficient policies and protocols in  
2 place if we use the GTECH CMS system to  
3 mitigate that risk.

4 I did review the transcript of the  
5 Pennsylvania hearing on this issue. The  
6 Pennsylvania Gaming Control Board ultimately  
7 was comfortable on this issue given a number of  
8 factors. Those include: in Pennsylvania access  
9 to the CMS is restricted by the Pennsylvania  
10 Department of Revenue. The Massachusetts  
11 Gaming Commission would take this role as the  
12 collector of the data in Massachusetts. DOR  
13 holds that role in Pennsylvania.

14 Only one person at GTECH, the system  
15 administrator, has day-to-day access to the  
16 reports in Pennsylvania. The system  
17 administrator's access is monitored and the DOR  
18 can prepare reports at any time as to what the  
19 system administrator has looked at.

20 There are other individuals that may  
21 have access from time to time to that data but  
22 that access is created by the DOR and is  
23 modified and shut off at different times by the  
24 DOR.

1           For example, software developers may  
2 need to have access for updates and DOR  
3 provides that access and then terminates it.  
4 DOR runs biweekly reports to show activity on  
5 the system. DOR reviews them with GTECH to  
6 make sure that the access is appropriate. DOR  
7 can also run such reports at any time without  
8 GTECH's knowledge.

9           Any individual that has access to  
10 the system is licensed by the board and a  
11 background check is done. That includes that  
12 system administrator that I spoke about as well  
13 as the other individuals that may have access.  
14 In Pennsylvania that's about 20 individuals  
15 that have done a background check and are  
16 licensed for that purpose.

17           There was testimony in Pennsylvania  
18 that there were no reports generated that were  
19 not authorized by the board. GTECH does have  
20 internal procedures with respect to the  
21 Pennsylvania model. No one who is not licensed  
22 by the board has access to the system.

23           Additionally, if anyone does request  
24 information from the system, the established

1 policy established by DOR in conjunction with  
2 GTECH that any requests are passed onto DOR for  
3 approval. If there's approval, it's okay to  
4 move on with the request. If not, the request  
5 is denied regardless of who the request may be  
6 from.

7 The Bureau of Investigation, which  
8 is similar to the IEB, there was testimony from  
9 one of their investigators in 10 years they've  
10 never heard a complaint about GTECH. That was  
11 a factor in their determination.

12 In addition, their chief enforcement  
13 counsel, Cyrus Pitre, testified that his office  
14 did not have a problem with the merger. He  
15 also testified that the Office of Enforcement  
16 Counsel is probably the most suspicious group  
17 of all people in the Commonwealth of  
18 Massachusetts -- in the Commonwealth of  
19 Pennsylvania when it comes to gaming.

20 CHAIRMAN CROSBY: That's probably  
21 appropriate here.

22 MS. WELLS: I will say after meeting  
23 him previously and numerous conversations with  
24 him, I think that is a reasonable description

1 of Cyrus Pitre.

2 Those are generally the factors that  
3 Pennsylvania took into consideration when they  
4 addressed this merger and the conflict of  
5 interest issue and they were comfortable moving  
6 forward.

7 I think the Massachusetts Gaming  
8 Commission as you always do needs to make an  
9 independent evaluation of this issue.  
10 Therefore, I have some recommendations should  
11 the Massachusetts Gaming Commission wish to  
12 proceed with the CMS under GTECH.

13 I would recommend GTECH prepare  
14 written policies and protocols for the  
15 Massachusetts operation to ensure appropriate  
16 access to the data. Those policies and  
17 procedures should include administration,  
18 system repairs protocol, operational  
19 procedures, information management, which would  
20 include data query logs, data sharing and  
21 retention, as well as very significantly audit  
22 procedures.

23 I think those protocols and  
24 procedures should be approved by the

1 Massachusetts Gaming Commission. My  
2 recommendation is that similar to Pennsylvania,  
3 all those with access to the data should be  
4 licensed by the Massachusetts Gaming Commission  
5 and therefore have to go through a background  
6 check.

7 I also recommend the IT department  
8 at the Massachusetts Gaming Commission should  
9 be provided with the information regarding  
10 database integrity and security and confirm  
11 that it is acceptable on the backend for data  
12 security purposes.

13 And I also recommend GTECH to  
14 provide employee reporting lines for those who  
15 have access to the data. I did ask about a  
16 table of organization to show how the  
17 organization is going to be structured after  
18 the merger. It's a little premature for them  
19 to provide that but I do believe they would  
20 provide that so we can see the reporting lines.  
21 Who has access to the data and how that  
22 structure works within the company.

23 I also recommend the MGC should  
24 routinely conduct their own audit procedures to

1 confirm compliance.

2 In summary, should the Massachusetts  
3 Gaming Commission proceed, I recommend we  
4 require a written policy to address the  
5 conflict of interest issue and we actively  
6 monitor to ensure compliance. GTECH has  
7 indicated there have been to date no complaints  
8 or violations against GTECH on this issue.

9 So, that is the information that I  
10 have at this point to report to the Commission.  
11 And I think the Commission should consider and  
12 evaluate as we go forward on this issue.

13 COMMISSIONER CAMERON: Director, do  
14 I understand your comments to mean that if in  
15 fact these steps are followed and put in place  
16 that we can be comfortable that the conflict  
17 issue is addressed properly?

18 MS. WELLS: There's always going to  
19 be some risk. So, you could always have a  
20 rogue employee and a rogue supervisor. The  
21 issue is how do you mitigate the risk? And is  
22 it reasonable to have these protocols and  
23 procedures in place to mitigate that risk?

24 Given that GTECH is a licensed



1 company in many jurisdictions and that any  
2 breach of this nature could devastate the  
3 company in that it could result in an ethics  
4 problem and a revocation of license not only in  
5 Massachusetts but other places, I believe that  
6 substantially mitigates that risk particularly  
7 if the Commission is monitoring.

8 I also believe audit procedures to  
9 ensure that what they're reporting is accurate.  
10 For example, if Jane Smith is the system  
11 administrator and a report is generated that  
12 shows when she logged in and what she did, I  
13 don't believe you just need to review the  
14 report to show that she did. You need to go  
15 back to Jane Smith to have her certify that  
16 yes, this is when I logged in and this is what  
17 I looked for.

18 If you have effective checks and  
19 balances, it is reasonable to ensure that this  
20 kind of data breach would not happen. And  
21 given the potentially catastrophic consequences  
22 for the company if something happens and it  
23 shows that the individuals involved in it were  
24 doing something inappropriate and unethical, we

1 believe there's an incentive for the company to  
2 ensure that would not happen.

3 COMMISSIONER CAMERON: And the fact  
4 that there is no history of any kind of  
5 breaches is an important factors as well.

6 MS. WELLS: Correct.

7 COMMISSIONER MCHUGH: What if  
8 anything more do you have to do on the IEB's  
9 exploration, investigation, call it what you  
10 will of this issue, if anything?

11 MS. WELLS: I believe at this point  
12 the Commission could go forward. And then if  
13 the Commission does decide to go with this CMS  
14 system and use GTECH, I believe we would need  
15 to do complete background investigation of  
16 GTECH just as if we would do with any other  
17 vendor. I expect they are going to be seeking  
18 a vendor's license as well. So, those  
19 background checks can work in tandem.

20 In addition, if they do that I  
21 believe the IEB in conjunction with the CIO and  
22 our IT department would look at the policies  
23 and protocols, report back to the Commission on  
24 sufficiency of those.

1           Since they haven't done that for  
2 Massachusetts yet, we would have to look at  
3 that and review that for the Commission, make  
4 sure the Commission deems that acceptable.

5           COMMISSIONER MCHUGH: I was just  
6 thinking about timing of this. Time is of the  
7 essence to get this thing rolling. You can't  
8 do a full background investigation by next  
9 Tuesday -- by tomorrow.

10          MS. WELLS: Right, that's correct.

11          COMMISSIONER MCHUGH: So, how would  
12 that play out? I ask you or Director Day.

13          MR. DAY: Commissioner McHugh, one  
14 thing is GTECH would actually be, if we went  
15 forward with the contract, would be a  
16 contractor. As such, we do have a background  
17 that we specifically use, background approach  
18 at that level of contract which is different  
19 from the licensing.

20          COMMISSIONER MCHUGH: Okay. Are you  
21 convinced that this can all be done -- whatever  
22 needs to be done, can be done in time so that  
23 it won't impinge on the ability to have this  
24 system in place when Penn opens, if that's the

1 direction we choose to go?

2 MR. DAY: If the Commission were to  
3 -- For instance, if you choose to authorize us  
4 to negotiate a contract subject to background  
5 and IEB conditions, then yes, I think we can  
6 make that work.

7 COMMISSIONER MCHUGH: Right, right.  
8 Okay.

9 COMMISSIONER ZUNIGA: I know you  
10 mentioned this, but I didn't quite follow on  
11 the following detail. In Pennsylvania, the  
12 gaming enforcement people, I'm sorry, the DOR  
13 manages this and has access to this data,  
14 correct?

15 MS. WELLS: Right.

16 COMMISSIONER ZUNIGA: But the  
17 Commission licenses those who access data  
18 outside of all those people, correct?

19 MS. WELLS: So they license the  
20 employees at GTECH.

21 COMMISSIONER ZUNIGA: The employees  
22 at GTECH.

23 MS. WELLS: Right.

24 COMMISSIONER ZUNIGA: But you

1 mentioned one person being the main one, the  
2 system administrator but you spoke about  
3 several licenses.

4 MS. WELLS: Correct. So, the system  
5 administrator is the individual who has day-to-  
6 day access. So, that person is having  
7 continual contact with the system. For  
8 example, if there's a software upgrade or  
9 someone needs do some technical work on the  
10 system, they would have a group of people that  
11 are already licensed. And then DOR -- So, if  
12 for example they need John Smith to work on the  
13 project, DOR would grant John Smith a limited  
14 access for a limited period of time. And DOR  
15 controls the access.

16 Commissioner Cameron is familiar  
17 with running someone's record. Not everybody  
18 can run the record. You need a username and a  
19 password and there's protocols in place to make  
20 sure that's tracked. Similarly, if someone is  
21 working on it and they needed access, they  
22 would use their access. And that would be  
23 granted for a limited period of time. And then  
24 revoked by DOR when the action is complete.

1           COMMISSIONER ZUNIGA: Right. But in  
2 this instance, we are the function, the  
3 Commission is the function of DOR.

4           MS. WELLS: So, the Commission -- If  
5 that's the policy you want to set up with  
6 GTECH, you can work out with GTECH how you want  
7 to do it. I would recommend doing it the same  
8 way, because I think it makes sense. But the  
9 Commission would control who had access, who  
10 could log in and look at the information.

11           COMMISSIONER CAMERON: This is very  
12 similar to -- This would be a conditional, if  
13 granted, a conditional award based on not only  
14 background but appropriate policies and  
15 procedures --

16           MS. WELLS: Correct.

17           COMMISSIONER CAMERON: -- audit, all  
18 of the steps that you outlined.

19           MS. WELLS: Correct, that would be  
20 my recommendation.

21           CHAIRMAN CROSBY: If I remember from  
22 two weeks ago there was discussion. Are there  
23 other companies that have similar dual  
24 relationships?

1 MS. WELLS: I think I had asked John  
2 Glennon that question. And I think he did say  
3 yes. I don't know that myself. I think there  
4 are other companies that do it. And the other  
5 CMS providers also have the vendor side of the  
6 house.

7 MR. BAND: Scientific Games.

8 MS. WELLS: Okay.

9 CHAIRMAN CROSBY: So, this isn't  
10 unique in the industry apparently, quite the  
11 opposite. And if I remember also from two  
12 weeks ago, Maryland is about to install a CMS  
13 system. And obviously GTECH and IGT operate  
14 there. I assume they've approved it. You  
15 didn't talk to them it sounds like.

16 MS. WELLS: Not specifically.

17 COMMISSIONER MCHUGH: I thought  
18 Maryland has it in place and the new MGM  
19 facility in Maryland --

20 CHAIRMAN CROSBY: -- is adopting it,  
21 correct. Yes, right, thank you.

22 COMMISSIONER MCHUGH: -- is  
23 mandated, I think.

24 CHAIRMAN CROSBY: So, Maryland

1 must've already gone through and approved this  
2 conflict issue as well.

3 MR. CDEOR: I wasn't involved in the  
4 Maryland approval. So, I can't say I have  
5 firsthand knowledge of what they did. I don't  
6 believe we went through the same process that  
7 Pennsylvania required us to do, but to my  
8 knowledge, no jurisdiction where we currently  
9 operate has raised any concerns.

10 CHAIRMAN CROSBY: Okay. Anybody  
11 else? Thank you.

12 MR. DAY: Just really an initial  
13 preliminary matter as we go into the rest of  
14 the discussion, there was also as the  
15 Commission might recall, a lot of discussion  
16 about G2S communication protocol standard  
17 that's in our regulation. And I understood  
18 from the licensees as we discussed it that  
19 their chief concern about this potential was  
20 that it may in some form limit the availability  
21 of different styles of games and particularly  
22 some that are very popular as well.

23 And as we talked about that that  
24 factor seemed to be the most important relative



1 to the whole concept of G2S and was the  
2 possibility of the limiting nature for them to  
3 obtain equipment, machines to put on the floor.

4 With that though through the  
5 discussion the idea that the G2S had something  
6 definitive relative to the central management  
7 system, there wasn't any. So, from my  
8 perspective that is as we talked about the  
9 concept that it may create a competition  
10 problem, may limit the ability to put games on  
11 the floor that is something that at least I'd  
12 suggest and I think staff would that the  
13 Commission revisit in the regulations in our  
14 standard as we move forward with the  
15 discussion.

16 But I would say it really is  
17 something that's separate from what we're  
18 talking about as far as the central management  
19 system itself.

20 COMMISSIONER MCHUGH: And it doesn't  
21 affect Penn because they are grandfathered in,  
22 right?

23 MR. DAY: Correct. To this point at  
24 least.

1                   COMMISSIONER MCHUGH: They can do  
2 whatever they want.

3                   MR. DAY: Unless Penn has changed  
4 their thoughts, my understanding that they  
5 don't plan on putting any G2S machines on the  
6 floor that they will use the SAS communication  
7 protocol. Then as well MGM though as they move  
8 forward with their new facility in Maryland,  
9 you are correct Commissioner McHugh that is a  
10 CMS state as well. I get my abbreviations  
11 confused.

12                   So, what the licensees have done as  
13 well is they did ask if they could provide some  
14 time to provide some additional comment to the  
15 Commission this morning. MGM did send an  
16 additional set of records and facts in a new  
17 communication for the Commission to consider.

18                   One other issue that MGM raised was  
19 the concept of a hybrid floor where there were  
20 both types of machines and whether or not that  
21 would be problematic.

22                   So, I think rather me trying to  
23 address it at this point, I'd just ask MGM to  
24 come up and talk directly to the Commission

1 about what they have sent in. Then I think  
2 it'd be a good idea for us to look to GTECH to  
3 respond and their opinion on the effect of  
4 that.

5 We also do have a guest with us  
6 today Ethan Tower, who is the protocol  
7 director. Ethan, where are you? There you  
8 are. Why don't you come up too, Sir. Ethan is  
9 the protocol director for the Gaming Standards  
10 Association. He is also present and I think  
11 could help us answer any questions that there  
12 might be relative to the G2S standards. He was  
13 critical to the development of those standards.  
14 So, he has some pretty good information on it.

15 And there's also a question raised  
16 about certification of the GTECH system. I  
17 think Ethan can also help us with that if we  
18 have questions on it as we move forward. I'd  
19 suggest if we go to MGM, if you would consent,  
20 Chairman.

21 CHAIRMAN CROSBY: Were you asking --  
22 I'm sorry, your last name was?

23 MR. DAY: Ethan Tower, T-O-W-E-R.

24 CHAIRMAN CROSBY: Were you asking

1 Mr. Tower to come up to the mic?

2 MR. DAY: Right there.

3 CHAIRMAN CROSBY: Okay, good. Yes,  
4 go ahead. Good morning.

5 MR. DAY: MGM?

6 COMMISSIONER MCHUGH: MGM et al,  
7 good morning.

8 CHAIRMAN CROSBY: All sing Kumbaya  
9 before we start.

10 MR. MATHIS: That's right. I do  
11 want to point out that our opposition to CMS is  
12 the first issue that's brought us together as a  
13 unit. So, I think that's meaningful for this  
14 discussion.

15 Michael Mathis, President of MGM  
16 Springfield. Thank you Director Day for  
17 allowing us to speak to you this morning. And  
18 I want to apologize on behalf and I think our  
19 fellow operators will share in this sentiment.  
20 I think we have been a source of irritation and  
21 a little bit of aggravation to staff as they've  
22 pushed to implement the system.

23 They've consistently been in favor  
24 of it. We as an industry have consistently

1 been opposed to it. And I know at some point,  
2 and I think today's the day we've got to make a  
3 decision. So, we are bringing the collective  
4 benefit of our group to this discussion.

5 I want to introduce my colleague  
6 Josh Soliz who is the Vice President of  
7 Technology. We had a very good discussion last  
8 week about the merits of the technology. And I  
9 think he can speak best to that. So, on behalf  
10 of the group, we're going to allow Josh to  
11 share our thoughts on this.

12 MR. SOLIZ: Thank you, Chairman and  
13 Commissioners for taking the time today to  
14 listen to the collective concerns of the new  
15 operators that I'm going to represent today  
16 regarding the proposal to implement a central  
17 monitoring management system.

18 I'd like to start today by giving  
19 you an overview of who I am, what I do for MGM  
20 Resorts and why this is relevant to this  
21 discussion. Then I'd like to cover the  
22 information that was submitted on behalf of the  
23 operators.

24 Finally, to address any questions

1 you may have. If you have any questions along  
2 the way, please feel free to interrupt me as I  
3 know technical discussions especially with  
4 acronyms often need clarification at time of  
5 discussion and not after the fact. They can be  
6 quite confusing for non-technical people.

7 Also, before I begin, I would like  
8 to highlight that I have reviewed the  
9 information available to us regarding the RFR  
10 created by the Commission staff, and in all  
11 candor, I commend them in their work. Any  
12 technical or technology proposal of this  
13 magnitude is a difficult endeavor even for the  
14 most seasoned of technology staff.

15 My purpose here is not to impugn  
16 their good work but to share information that  
17 you may not have been privy to and to ensure  
18 you have as much information as we have in  
19 order to make an informed decision.

20 My goal from a technology  
21 perspective is to ensure that your new  
22 operators, including MGM Resorts, are as  
23 competitive as they can be against each other  
24 and more importantly against other

1 jurisdictions and to ensure that the  
2 Commonwealth benefits as much as possible from  
3 that competition.

4 As Mike mentioned, my name is Joshua  
5 Soliz. I've been in information technology for  
6 25 years. Approximately, 16 of those years  
7 have been in hospitality and roughly the last  
8 eight of those have been in casino resorts.

9 During that time I was also in  
10 charge of IT operations at multiple levels for  
11 all infrastructure systems including servers,  
12 storage, networking, desk side network cabling  
13 and telecommunications. Currently, I am the  
14 Chief Technology Officer for MGM Resorts and  
15 I've held this position for just over two  
16 years.

17 In my role as chief technology  
18 officer, I am the most senior technical advisor  
19 to the company on all matters regarding  
20 technology. Also, I continue to be the last  
21 line of defense from a technology leadership  
22 perspective in any major outage situation. In  
23 short, I am called to any outage situation that  
24 has exhausted all normal methods and procedures

1 and am expected to lead our technical teams to  
2 recovery of service.

3           One item to note here is that in my  
4 role, I must strike a balance of advocating new  
5 technologies versus operational stability for  
6 our business and ultimately for our customers.  
7 In general, I advocate tried-and-true  
8 technologies for operating our business,  
9 limited deployments for testing newer  
10 technologies until they are proven, and rarely  
11 advocate untested technologies especially at  
12 our scale and volume.

13           Because of our size and volume and  
14 experience with that size and volume we often  
15 break even proven technologies. Time and time  
16 again we have run into this in our industry and  
17 specifically our company.

18           So, now I would like to review the  
19 documents we submitted to the Commission and  
20 share our experience that we feel we are  
21 uniquely positioned to provide. So, this was  
22 the question that we -- This was the document  
23 that we brought up regarding the hybrid slot  
24 floor that was mentioned previously. What this



1 means is in a slot floor there are different  
2 protocols that are used to communicate to the  
3 electronic gaming devices or EGDs. Those games  
4 typically have run SAS or slot accounting  
5 systems.

6 The new protocol, game to system, is  
7 also a new standard and a new protocol which  
8 was created by the GSA and is also in use.

9 When we met last week, we were  
10 talking with GTECH about the experience that  
11 they have with the hybrid slot floors. When we  
12 asked that question and has been previously  
13 asked about whether they had experience with a  
14 CMS in a hybrid slot floor environment, the  
15 technical representative answered no.

16 The salesperson later answered yes  
17 based on further conversations but it appeared  
18 that the numbers that were being indicated were  
19 extremely smaller in scale and a different  
20 architecture, which is called a distributed  
21 environment according to them. And we are  
22 still unable to determine how the system is  
23 designed, although we believe we have the  
24 concept based on the discussion that we had in

1 that meeting.

2           So, the concept and if we could  
3 maybe switch to the diagram that we submitted.  
4 Here is a picture of the concept. The concept  
5 is this is actually what we have proposed to  
6 provide, which is on the left-hand side of the  
7 diagram. We have a typical SAS connected game,  
8 which in our case would be connected via what  
9 is called a serial protocol which is an older  
10 protocol and a proprietary protocol. It would  
11 go up to what is called -- it would leave from  
12 what is called SMIB, which is basically a  
13 connection point. It would go through a  
14 protocol conversion which would translate to a  
15 more common protocol known as TCP/IP.

16           CHAIRMAN CROSBY: Hang on just one  
17 second, let's just get to the right slide up  
18 here. Just give Amy a chance.

19           MR. SOLIZ: Yes, that's the one  
20 right there. So, we're on the left-hand side.  
21 The connectivity goes back to, as I stated,  
22 TCP/IP that would go up to our machine  
23 accounting system. Then on the right-hand side  
24 is the G2S systems. That would actually go up

1 to a server based gaming system and it would  
2 also go up TCP/IP to our machine accounting  
3 system. This is what the operators have  
4 proposed to use as a hybrid floor. And this is  
5 running today.

6 If we go to the next slide, which is  
7 what we understand GTECH's hybrid floor to be,  
8 the difference here is if you look on the left,  
9 which is still SAS-based game, when it goes up  
10 from the SMIB, which is just a connectivity  
11 from the EGD, you'll see that there's something  
12 called a splitter board which actually splits  
13 the protocol.

14 And that goes -- one side goes to  
15 our machine accounting and the other side goes  
16 to the CMS. Same data, they see everything we  
17 see. On the right-hand side, you will see the  
18 G2S portion. So, on the G2S portion what we  
19 have is we have the TCP/IP connection that goes  
20 up to the server based gaming environment as  
21 before and goes to our machine accounting.

22 Then you'll see where we have an  
23 arrow depicted what we covered in the meeting  
24 was that there's a secondary connection from

1 the game, which we are not aware of games  
2 having these secondary connections that are  
3 networked, meaning over TCP/IP for G2S. And  
4 they would go up to the CMS system.

5 So, we believe we understand the  
6 concept of what GTECH is proposing. According  
7 to GSA and perhaps we can get some more  
8 conversation on this is that when you have an  
9 IP endpoint that would be used for a G2S, what  
10 should happen is you have one network  
11 connection that goes to multiple hosts. That  
12 is per GSA standards.

13 This system appears to be mimicking  
14 the SAS legacy system in order to accomplish  
15 this presumably to segment out for CMS to  
16 ensure that there is complete separation. You  
17 should be able to accomplish the same thing  
18 using a single network port talking to multiple  
19 systems, which can be accomplished by security  
20 zones using firewalls and technology of that  
21 sort.

22 COMMISSIONER MCHUGH: On the left-  
23 hand side of this second diagram though, the  
24 operation is exactly the same as it was in the

1 first slide except that one of the services  
2 that the split signal goes to is the CMS,  
3 right?

4 MR. SOLIZ: Correct.

5 COMMISSIONER MCHUGH: So, it is only  
6 with the G2S and the device or protocols or  
7 both used to split the signal. And that's the  
8 problem.

9 MR. SOLIZ: That's correct. That's  
10 part of the problem. That is one area of  
11 concern that we have.

12 COMMISSIONER MCHUGH: I got that.

13 MR. MATHIS: Commissioner McHugh, if  
14 I can interrupt, because I think you raised a  
15 question last meeting which is isn't the  
16 discussion of G2S really separate than the  
17 discussion of CMS? And I think one of the  
18 things that came out of last week's discussion,  
19 this diagram would not be possible under your  
20 current regs. Your current regs. require G2S  
21 only slot floors.

22 COMMISSIONER MCHUGH: I understand  
23 that.

24 MR. MATHIS: One of the things that

1 came out of last week's discussion I thought  
2 was an understanding from staff, and I don't  
3 know if Director Day can clarify that today,  
4 but there still seems that there is short of a  
5 recommendation from staff that we change that  
6 regulation to allow this hybrid of floor.

7           Because I think if that's the  
8 consensus that we should be allowed to present  
9 this hybrid floor to stay competitive, then it  
10 becomes particularly relevant about our  
11 concerns of CMS connecting to a hybrid floor.  
12 And that's why from our perspective it's  
13 difficult to separate the two issues.

14           If it was a SAS only which is not  
15 contemplated by the regs., a SAS only floor,  
16 then think there is some precedent for CMS  
17 connecting to a SAS floor. What we're  
18 concerned about is that there is no precedent,  
19 no proper precedent for a CMS connecting to a  
20 hybrid floor.

21           And it still concerns me that staff  
22 seem short of making that recommendation even  
23 though we've had a number of discussions where  
24 I thought that they understood that's that what

1 we needed to do.

2 COMMISSIONER MCHUGH: Okay. I get  
3 it. I get that.

4 MR. SOLIZ: So, regardless of this  
5 issue, regardless of this connectivity which  
6 again we do believe we understand the concept  
7 of this, and it can even work. We're not  
8 saying that it will not work.

9 The second issue, which I believe is  
10 more important, based on my experience is that  
11 is the volume of G2S traffic. What we  
12 understand is based on this model that there is  
13 going to be twice the number of connections  
14 because we have two connections now to each  
15 game per the diagrams.

16 So, if you take into account that  
17 we've had upwards of 1600 G2S EGDs in one  
18 casino, we potentially could have 3000, roughly  
19 3000 in our new casino that is double the  
20 amount of connections that we've had. It's  
21 actually four times. So, it's double the 1600  
22 and then it's double because we're adding a  
23 secondary network. So, it's four times the  
24 amount of connections.

1                   COMMISSIONER ZUNIGA: I need to  
2 understand that. Even double or quadruple, can  
3 you just repeat it and maybe go even a little  
4 bit further?

5                   MR. SOLIZ: We've only had up to  
6 1600 EGDs that have run the G2S protocol with  
7 one connection.

8                   COMMISSIONER ZUNIGA: We where?

9                   MR. MATHIS: I think one of the  
10 reasons that our fellow operators have felt  
11 comfortable with us presenting our experience,  
12 meaning MGM, is we are the first company I  
13 think the only company that has experimented  
14 with the G2S platform in one of our Las Vegas  
15 operations. That's unique in the industry.

16                   We went from the cutting edge to the  
17 bleeding edge, because of the experiences that  
18 we've had in that facility. That's what Josh's  
19 background is on this. You take the G2S, which  
20 is already a fragile system and based on this  
21 count that he's going to give you, we are  
22 talking about double the machines. So, 1600 in  
23 this Las Vegas operation, say we're at 3000 in  
24 the new facility, we want the ability to be



1 able to go to a full G2S platform even though  
2 we're going to start hybrid.

3           So, we double our numbers  
4 potentially for the number of machines. And  
5 then based on the way this network is set up,  
6 we can speak to the number of ports. That's  
7 why we're talking about doubling, quadrupling  
8 what has been a connection to a fragile system.

9           COMMISSIONER MCHUGH: Can I just  
10 pursue that for second? Is the experience with  
11 the G2S system sufficiently bloody that you are  
12 not prepared to continue with that? Or are you  
13 going to go through and continue to roll it  
14 out?

15           MR. SOLIZ: So, bloody would be an  
16 understatement in my opinion. When we opened  
17 the first server-based gaming floor in Las  
18 Vegas, six months before we were going to be  
19 doing that we spent approximately two years  
20 getting the system to work, which we got to  
21 work three months before opening.

22           But three months before that which  
23 was six months before opening, I recommended  
24 from a technology perspective not to implement

1 the system and to go to an all SAS floor. For  
2 business reasons, we decided to move forward.  
3 And we have spent thousands of hours dealing  
4 with the system over the years, and that was  
5 back in 2009.

6 COMMISSIONER MCHUGH: So, if we just  
7 fast forwarded, and I'm not holding you to  
8 this, just as a predictor, in the present state  
9 of G2S, I take it you would not be eager to  
10 deploy G2S machines in new facilities.

11 MR. SOLIZ: We would like the  
12 flexibility, because we are committed to using  
13 the G2S protocol, the protocol and the standard  
14 is sound in its concept and where it needs to  
15 go. We are not disputing that this isn't where  
16 the industry is going to be going. What we are  
17 disputing is where its maturity is at this  
18 stage in the game. And we are committed to  
19 continue working with all of our partners, we  
20 are platinum partners with GSA to continue  
21 maturing that protocol and standard.

22 MR. MATHIS: Commissioner, if I can  
23 because that's the question I asked internally  
24 as well. Is we're being sensitive, not too

1 sensitive as you can tell by the testimony, but  
2 be sensitive to our vendor and the location.

3 We are not being very specific, but  
4 we experimented as a company on rolling out the  
5 G2S platform at one of our facilities. We did  
6 it on a partial floor at one of our facilities  
7 with the expectation that it would be a full  
8 G2S floor in that facility and further that our  
9 remaining properties would become more G2S.

10 Five years into it, we are on  
11 version 1 trying to tweak version 1. We have  
12 reduced the number of machines on that one Beta  
13 floor and we have not proliferated it. So, we  
14 are committed to make it work long-term, but it  
15 is in its infancy. And that's what Josh speaks  
16 to is when we enroll something on a facility  
17 like this in a new jurisdiction, we would want  
18 to see it proven more than just version one,  
19 we'd want to see it proven in a realistic  
20 environment.

21 COMMISSIONER MCHUGH: I got that.  
22 But I'm back on -- Maybe it's no secret of what  
23 I am back on and that is whether this is a  
24 question separate from the CMS question.

1 I take it from your answer, and I  
2 know you haven't finished that you would want a  
3 more mature G2S system before you roll it out  
4 in new places. And that maturing process is  
5 going to take some time and some energy and  
6 some thought. And if that maturing process is  
7 going to take that kind of time and energy and  
8 thought and given the fact that you are going  
9 into Maryland where a CMS is required, as I  
10 understand it, that time and energy and thought  
11 undoubtedly will encompass how to deal with a  
12 CMS.

13 And so why isn't this G2S piece of  
14 this puzzle something that can be postponed for  
15 a while that maturing and deliberation and  
16 thought takes place?

17 MR. SOLIZ: And actually the tie in  
18 in here with regards to that protocol is the  
19 flexibility and mix of the games. So, what we  
20 feel is that if we implement the CMS because it  
21 is on a network and because it talks to the  
22 games and because we have had severe  
23 interoperability issues, and interoperating  
24 with the CMS could potentially be an

1 interoperability issue like we have seen, is we  
2 are concerned about the risk of stability to  
3 the slot floor.

4 MR. MATHIS: Commissioner, I think I  
5 understand the question which is related to let  
6 G2S catch up down the road, but potentially  
7 deploy CMS today.

8 COMMISSIONER MCHUGH: Right. That  
9 was a much shorter version of the same  
10 question.

11 MR. MATHIS: There are going to very  
12 few opportunities where I'm more articulate  
13 than you. So, I am quite pleased with myself.

14 I think what we've heard in the past  
15 in terms of the justification for the CMS, and  
16 I will not retread the cost-benefit discussion.  
17 Director Day specifically asked me not to, so  
18 we will not do that. But I think what is  
19 relevant is in the previous discussions you've  
20 heard John Glennon talk about the justification  
21 for the CMS is the rich data, and that's the  
22 phrase he uses, is the rich data you can pull  
23 from the G2S. So, the business case for CMS is  
24 tied to the old assumption about a full G2S

1 floor.

2 I think if we are making a separate  
3 determination that perhaps a full G2S floor may  
4 not occur then I think it compromises the  
5 business case for the CMS. So, I know there's  
6 this attempt to potentially bifurcate them so  
7 that you can take action on Penn's floor and  
8 delay the discussion of G2S because it may  
9 become more mature. But I think it's one that  
10 goes to the business case, which I won't fight  
11 the merits. I'll just raise that.

12 Second is in talking with Penn  
13 National, I think our belief as the three  
14 operators is the experience of a customer in  
15 any Massachusetts facility speaks to the  
16 experience that they might expect throughout  
17 the facilities.

18 So, we are invested in the success  
19 of Penn National. And if they experience, if  
20 they choose to have the flexibility to have a  
21 hybrid floor and the machines are going down --  
22 I'll point out by the way, not only are the  
23 three of us aligned on this issue, but Mohegan  
24 Sun back in the summer of '14 also raised the

1 concern about CMS because they operate it in an  
2 environment in the Poconos in Pennsylvania.  
3 And they talk about the outages and the  
4 disruption.

5 So, I am very concerned and I think  
6 we are collectively concerned that a system  
7 going down if it's in its infancy is going to  
8 be problematic for all of us long-term and you  
9 can't really separate the two.

10 COMMISSIONER MCHUGH: Is the  
11 shorthand on the first concern that there is  
12 not enough data in a CMS system to provide the  
13 rich data that a G2S system --

14 CHAIRMAN CRSOBY: -- in an SAS  
15 system.

16 COMMISSIONER MCHUGH: -- in an SAS  
17 system that doesn't provide as much data.

18 MR. MATHIS: That's right. I take  
19 that from the staff and GTECH's pitch.

20 COMMISSIONER MCHUGH: Thanks.

21 COMMISSIONER ZUNIGA: Doesn't that  
22 concern get addressed, doesn't part of the  
23 concern get addressed if we were to postpone  
24 the time of the regulation for G2S currently

1     kicks in?

2                     Right now as you mentioned the way  
3     the regulations are currently written, which  
4     would require a G2S protocol by, and I know  
5     John isn't here, by January 1, 2017, if we were  
6     to change that requirement to a later date,  
7     thus allowing your business decision to have  
8     whatever amount of hybridness in the floor you  
9     would want whether you want 100 percent or 50-  
10    50 or whatever the case may be --

11                    CHAIRMAN CROSBY:  -- or zero.

12                    COMMISSIONER ZUNIGA:  -- or zero,  
13    you make that business decision essentially.  
14    In the meantime, technology is hopefully  
15    evolving, not in its infancy anymore.  We get  
16    more examples as to how a CMS may hopefully  
17    interact or not with a G2S protocol, wouldn't  
18    that solve a lot of the concern?

19                    Help me understand whether those --  
20    I like Commissioner McHugh am thinking two are  
21    separate issues but what if we dealt with it  
22    like postponing that G2S requirement?

23                    MR. MATHIS:  I think the case we are  
24    making right now assumes that that is going to



1 be corrected.

2 COMMISSIONER ZUNIGA: But you are  
3 looking at the people that can actually change  
4 it.

5 MR. MATHIS: Understood and I'm  
6 imploring you to make that change for us  
7 because right now it would be a full G2S floor.  
8 And the connections that Josh is speaking to  
9 are going to be quadrupled, the concerns that  
10 he's having about the connections. So, this  
11 diagram assumes that this hybridness is  
12 permitted for us as much it is permitted for  
13 Penn.

14 So, in that instance, I am making a  
15 case that even if that fix is made, we still  
16 have a problem. If the fix is not made, we  
17 have that much more of a problem if that's at  
18 all possible.

19 But the issue today is in terms of  
20 waiting is whether the CMS connected to a full  
21 volume floor is ready. Is it ready for  
22 primetime in Massachusetts? Is it going to be  
23 ready in Lance's case for Penn National in six  
24 months?

1           The only precedent we were given in  
2 GTECH's discussion last week, and I think Josh  
3 is right, when we asked for have you done this  
4 before in a hybrid floor, the response from the  
5 technical individual from GTECH was no we  
6 haven't.

7           Then Matt with GTECH, in charge of  
8 sales, said actually there is one example. And  
9 I would point out he was only able to give us  
10 one example. There is one example which is  
11 Ocean Downs in Maryland. Ocean Downs has 800  
12 machines.

13           We're talking about 1250 for Lance  
14 and then we're talking about 33,000 for our  
15 case. And I will tell you the number of  
16 machines is meaningful because the amount of  
17 traffic that happens is directly correlated to  
18 how buggy it is.

19           And we just don't feel comfortable  
20 (1) that that represents the hybrid floor we're  
21 going to bring. So, I don't think the one  
22 example is an example. And (2) that it is  
23 ready to be rolled out in six months in a  
24 really robust rich environment that Penn will

1 have and that we will have.

2 MR. DAY: Mr. Chairman, could I  
3 suggest that we're talking a lot about what  
4 GTECH has the ability to do and not to do. I'd  
5 suggest that maybe we move along and then can  
6 let GTECH answer those questions because I  
7 think maybe they have a little bit more detail.

8 CHAIRMAN CROSBY: For sure.

9 MR. DAY: Incidentally, I don't  
10 believe that Matt is in charge of sales but  
11 perhaps. I think that might be a record  
12 correction. Matt, what is your title?

13 MR. CEDOR: I'm a Regional Vice  
14 President of Operations and not in charge of  
15 sales.

16 MR. DAY: I just think maybe at  
17 least for clarity as we move on.

18 COMMISSIONER ZUNIGA: I actually  
19 would like to understand. I am really trying  
20 hard to stay up on the technical piece and  
21 we'll see if I can succeed.

22 I, with all due respect to Director  
23 Day, I wonder if the issue is not related also  
24 to a matter of cost not just a technical issue.

1 It's something that I am also more comfortable  
2 in terms of understanding the financial  
3 implications. But if it is, I would really  
4 like to hear from you as to that cost-benefit,  
5 whatever that conversation you feel need to  
6 address.

7 I would rather not let time or a  
8 directive from Director Day, who again with all  
9 due respect, if that's also a point that we  
10 need to discuss.

11 CHAIRMAN CROSBY: Let's hold that  
12 one just for a minute. I just wanted to  
13 continue the track we were on about the hybrid  
14 floor issue.

15 If I understood you correctly, are  
16 you guys the only ones that have deployed G2S  
17 machines?

18 MR. SOLIZ: No.

19 CHAIRMAN CROSBY: Or in any scale?

20 MR. SOLIZ: We were the first. But  
21 we are not the only ones.

22 CHAIRMAN CROSBY: So, why are other  
23 people deploying G2S machines if they're a  
24 bloody experience?

1 MR. SOLIZ: Again, this is not  
2 related to whether the concept of G2S and  
3 server based gaming is a sound one. It is a  
4 sound one. The issue here is scale. From what  
5 we've experienced that once you get to a  
6 certain scale, there are significant issues.  
7 And I can give you a quick example with regards  
8 to --

9 CHAIRMAN CROSBY: Let me just before  
10 you do that.

11 MR. MATHIS: I think I can I think  
12 is the question. There has been limited  
13 expansion of the G2S platform. We are a very  
14 small industry to that extent. And I think our  
15 experiences in our one facility have been  
16 pretty telling.

17 As I understand it, the other two  
18 facilities that have deployed it, one is Revel  
19 in Atlantic City and we know what happened to  
20 that facility, maybe unrelated -- unrelated to  
21 G2S because there is no. I don't think that  
22 would be fair to what happened to Revel on G2S.

23 COMMISSIONER MCHUGH: That was a  
24 good try though.

1 MR. MATHIS: That was a stretch. I  
2 will back pedal on that one. But the point is  
3 there is no data from that facility. The other  
4 facility in Las Vegas is the Cosmopolitan,  
5 which again, I don't think provides the rich  
6 data because it is very well known that they  
7 don't produce the kind of gaming revenue that  
8 any of the other facilities are. So, they are  
9 not getting the activity and the use that our  
10 floors are getting.

11 CHAIRMAN CROSBY: So, you're  
12 launching in Maryland when?

13 MR. MATHIS: Sometime in '16.

14 CHAIRMAN CROSBY: What is the  
15 percentage, what number of G2S machines are  
16 scheduled there?

17 MR. MATHIS: It is still under  
18 discussion. I think the Maryland piece is  
19 important. One is we didn't have the  
20 opportunity for this discussion in Maryland,  
21 frankly. We were coming into an already mature  
22 jurisdiction that had already implemented a  
23 CMS.

24 CHAIRMAN CROSBY: It sounds like

1 even without the CMS experience, which I agree  
2 is a force multiplier, so to speak, your  
3 judgment would have been based on your prior  
4 experience not to deploy a significant number  
5 of G2S machines because it's not working right.

6 MR. MATHIS: We're in those  
7 discussions. I think one of the things that's  
8 happening with G2S is they're updating their  
9 versions all the time. Because of this  
10 discussion we are particularly focused now on  
11 the Maryland discussion. In fact, I think some  
12 of the lessons learned from Maryland will help  
13 inform this conversation a year from now.

14 So, to the extent that there was any  
15 willingness to defer the whole discussion  
16 together for a year or say -- I think our  
17 Maryland opening will be one of the first  
18 openings that we can look at to see how a CMS  
19 works in a hybrid, a true hybrid system with a  
20 lot of volume. We're going to have upwards of  
21 4000 machines there.

22 CHAIRMAN CROSBY: Right, okay.

23 MR. SOLIZ: And we share the same  
24 stance. I will recommend that we tune our mix

1 for G2S versus SAS significantly.

2 CHAIRMAN CROSBY: Way down, but the  
3 begins to address to solve the problem. Then  
4 you're moving back towards a minimally hybrid  
5 platform without the scale on the G2S side that  
6 apparently causes the problems. And that's my  
7 point.

8 MR. SOLIZ: It severely limits our  
9 ability to even do the maturation process  
10 because --

11 CHAIRMAN CROSBY: There's plenty of  
12 other facilities around the world where the  
13 maturation process is taking place.

14 MR. SOLIZ: I think our scale and  
15 volume, we are the leaders in the maturation  
16 process.

17 MR. MATHIS: Respectfully, Chairman,  
18 I think if CMS drives how you mix your floor  
19 then does that make sense? Should CMS be  
20 driving those types of decisions because of --

21 CHAIRMAN CROSBY: Right. But my  
22 point was that I don't know that it is CMS  
23 that's driving. You're saying that your  
24 experience has been that the G2S is an unstable



1 immature technology today, period. Nothing to  
2 do with CMS. You're afraid that CMS might come  
3 along and make matters much worse.

4 MR. MATHIS: Right.

5 CHAIRMAN CROSBY: But that's a  
6 secondary problem. You are not going to deploy  
7 -- I'm going to get around to Penn in a minute.  
8 You're not going to deploy a significant scale  
9 of G2S empowered technology until you believe  
10 it's a mature, stable, reliable technology at  
11 which point the introduction of the CMS is a  
12 new issue about which we don't know very much.

13 MR. MATHIS: That's right.

14 CHAIRMAN CROSBY: You have the  
15 ability to control how much threat there is to  
16 your system by managing back the G2S  
17 deployment, which you are planning on doing  
18 anyway for a whole set of other reasons while  
19 G2S stabilizes.

20 MR. SOLIZ: I would double my  
21 recommendation based on the extra load that the  
22 CMS is going to incur versus not.

23 CHAIRMAN CROSBY: I don't know if  
24 that's the end of the world, but I guess I'm

1 trying to emphasize there are a host of other  
2 issues relative to the same issue. But are  
3 there two issues here or one?

4           There are host of other issues in  
5 the way of deployment and by holding back  
6 deployment you can reduce your risk yourself  
7 independent of what kind of a CMS is out there.  
8 Lance, what's the mix of G2S?

9           COMMISSIONER ZUNIGA: It's all SAS.

10          CHAIRMAN CROSBY: It is all SAS?

11          MR. GEORGE: It is all SAS. I would  
12 reiterate and I think our point and our concern  
13 is what's already been expressed is we will  
14 roll out with all SAS. I think as any good  
15 business operator, we love the flexibility and  
16 the capability to transition. And it seems  
17 like there may be a bit of a question as to  
18 what a CMS could accommodate as it relates to a  
19 hybrid floor.

20          CHAIRMAN CROSBY: But in our process  
21 you are all SAS. So, that's like before no  
22 problem. Meanwhile you start operating. Mid-  
23 2016 comes along because of somebody else's  
24 decision-making, a hybrid floor of some

1 dimension deploys and some number of months  
2 after that we will be making a final decision  
3 on whether or not we will be requiring you all  
4 to install the CMS in your system in your  
5 floors. You will also be making your decisions  
6 about your mix of G2S.

7           So, it sounds like what we've all  
8 been talking about, and believe me, my  
9 knowledge on this is so narrow it's thinner  
10 than a piece of paper. It sounds like we've  
11 been trying to set up a system where the  
12 Commission retains the option to go towards a  
13 technology, which in theoretical concept is  
14 pretty interesting and pretty powerful but we  
15 don't want to do it at the expense of screwing  
16 anything up, or overspending, wasting people's  
17 money.

18           To deploy the CMS with you gives us  
19 that flexibility and let's watch what is  
20 happening in the rest of the world as the  
21 floors become hybrid.

22           COMMISSIONER ZUNIGA: I am not sure  
23 I follow because isn't Penn grandfathered  
24 effectively to SAS?

1 MR. GEORGE: We are, correct.

2 COMMISSIONER ZUNIGA: According to  
3 our current regulations, you don't have to  
4 change to a G2S if you don't want to.

5 MR. SOLIZ: That's correct.

6 COMMISSIONER ZUNIGA: Therein lies  
7 the difference. The objection appears to be  
8 the question whether there is a hybrid model  
9 that they would like to have at some point in  
10 the future that has not been tested with the  
11 CMS, the hybrid of G2S and SAS. But Penn will  
12 not be able to give them that example.

13 CHAIRMAN CROSBY: I didn't say Penn  
14 would. Penn is held harmless. Penn is  
15 operating SAS, no problem. It's not an issue.  
16 But they like everybody else will be watching  
17 Maryland and wherever else there are G2S  
18 deployments. And Penn will be using that data  
19 as part of its decision to make a decision on  
20 whether they want to deploy G2S machines,  
21 opting out of the grandfather clause as will  
22 our other two operators who are coming on board  
23 in mid-to-late 2017, a year after or something  
24 like that a year to a year and a half after the

1 hybrid system has been in operation because of  
2 somebody else's rules.

3 MR. GEORGE: I think the concern  
4 would be if it turns out to be that there is a  
5 concern, a genuine concern and a valid reason  
6 that a CMS could not accommodate a hybrid  
7 floor, but we have already been mandated to  
8 have a CMS, I think therein lies the issue.

9 If there is a genuine concern that a  
10 CMS could not handle a hybrid, I guess I'm  
11 reiterating, if it's already been imposed upon  
12 us and it's not able to accommodate it, then  
13 we're already down the road and we wouldn't be  
14 able to have a hybrid.

15 CHAIRMAN CROSBY: You're already  
16 wired to do the CMS, right? That's a decision  
17 that's already been made.

18 MR. GEORGE: Yes.

19 CHAIRMAN CROSBY: If we chose  
20 because Maryland is really bloody, if we chose  
21 not to require the new systems to use the CMS  
22 or wanted to turn the whole thing off, we just  
23 turn it off and put in place a manual process  
24 or whatever we decide to use.

1                   COMMISSIONER ZUNIGA: That is not  
2 the way the contract is priced. It's a  
3 multiyear proposal.

4                   CHAIRMAN CROSBY: Well, we've talked  
5 about having out clauses if there are radical  
6 changes in circumstance. That's an important  
7 issue which you've brought up and I agree.

8                   You've talked about scaling the  
9 cost, which I think makes sense. And we've  
10 talked about negotiating an out clause if there  
11 is some kind of a radical change in  
12 circumstances. I am sure there will be  
13 functionality warranties.

14                   If this system is deployed in  
15 Maryland and is a mess, I am sure we will have  
16 an out that we don't have to make Massachusetts  
17 a mess. This is new to me. So, it sounds to  
18 me as if, and I wasn't aware of this because I  
19 wasn't clear where you were on your system, it  
20 sounds to me as if it's sort of logical to go  
21 ahead and start it. Let us get the benefit of  
22 learning how to do this. Don't set up a manual  
23 system that we might have to switch out of  
24 later on and go through a different learning

1 curve.

2 Let other people be on the bleeding  
3 edge. And give us the opportunity to make an  
4 informed decision in 2016 about how we go  
5 forward on whether or not we will require  
6 hybrid floors of some degree.

7 It sounds like the circumstances are  
8 kind of lined up to make our decision easier.  
9 I understand you'll feel like you're a slippery  
10 slope once you get the foot in the door. But  
11 we're not any more interested, believe me, we  
12 are not any more interested than you are in  
13 having Massachusetts be a mess or be  
14 noncompetitive. I think we've demonstrated  
15 that on any number of circumstances.

16 Within the rules that we think are  
17 important, we are going to be pushing your  
18 industry and supporting your industry to be as  
19 competitive as possible. To keep our decision  
20 tree open at relatively minimal cost or risk  
21 seems like it's in the cards, so to speak.

22 COMMISSIONER ZUNIGA: I kept  
23 thinking of you keep talking about -- It's the  
24 same point. You keep talking about the

1 decision on the CMS, but I keep thinking this  
2 could be easily resolved by simply  
3 grandfathering everybody on the protocol, SAS  
4 or G2S. Do whatever time is appropriate.

5 Then you can make a decision based  
6 on the technology at the time, the operability  
7 elsewhere, the questions that may have been  
8 answered in the meantime as to how a CMS, an  
9 existing CMS that's required can operate with  
10 any number of hybrid floor.

11 In other words, postponing the  
12 milestone where the G2S kicks in gives the  
13 ability to, as I'm hearing it, make decisions  
14 based on both a technology consideration and a  
15 competitive consideration.

16 COMMISSIONER MCHUGH: Mr. Soliz, I  
17 understood you to say, if I understood you  
18 correctly, that even if we got rid of the G2S  
19 concern, there was still another problem that  
20 you had with the CMS. Did I understand you  
21 correctly?

22 MR. SOLIZ: It was the scale.

23 COMMISSIONER MCHUGH: So, it's  
24 related to the G2S.



1 MR. SOLIZ: And when we talk about  
2 introducing new technologies, at least in my  
3 personal opinion, introducing new technologies  
4 to see how they work often ends very badly.

5 COMMISSIONER MCHUGH: Right.

6 MR. SOLIZ: It just costs a lot of  
7 money, resources, time. So, I would recommend  
8 not to do that. I understand your position.

9 But the other thing is that if I  
10 were to look at a progression here that would  
11 make sense, the progression I would see is to  
12 get to a floor that would be all G2S, which  
13 would basically get the volume and scale  
14 questions out of the way and then you can  
15 inject a CMS into it.

16 Not inject a CMS as you are going  
17 along trying to prove out scale, which is what  
18 I think is being talked about in Maryland.  
19 Because candidly, we will not be testing on our  
20 floor to see how far we can get with a CMS. We  
21 will intentionally try and limit within reason  
22 because we do not find it to be stable is my  
23 experience.

24 CHAIRMAN CROSBY: Part of my point,

1 right.

2 COMMISSIONER MCHUGH: Right, right.

3 MR. MATHIS: If I could just add,  
4 and I know we're going to have a separate  
5 discussion about the business case for this,  
6 but as I understand the sequence that you just  
7 outlined the RFR that went out was for 20,000  
8 machines on a G2S only platform.

9 What we're talking about now is a  
10 CMS connected to a SAS only 1250 machine floor.  
11 To me those are two very different RFRs.  
12 Again, I think this slips into the discussion  
13 about the business case. But how many of the  
14 other bidders would have been able to better  
15 respond to an RFR that was for a SAS only 1250  
16 machine scope.

17 CHAIRMAN CROSBY: I wouldn't quite  
18 say it like that. The RFR is what the RFR is.  
19 I think we have a presumption of where we are  
20 going. And we're not now saying well, forget  
21 all that. Let's just do it in Penn National.  
22 But it's a rebuttable presumption. We have had  
23 a number of conditions raised which cannot be  
24 pre-negotiated so we don't know for sure

1 whether they'll get.

2 We've had a number of conditions  
3 raised which makes the incidents that if that  
4 presumption is rebutted, we are protected and  
5 our partners in the industry are protected.  
6 So, I think the intention is still to go to the  
7 place where the RFR anticipated.

8 But we've thought about it and are  
9 looking for some out clauses and if they could  
10 be negotiated into the contract then we would  
11 maintain that presumption with the out clauses.  
12 Anybody else more on this part of the topic?  
13 Then we want to go to Commissioner -- But we  
14 might have either a lunch break or a biology  
15 break before we do that.

16 COMMISSIONER ZUNIGA: Do you feel  
17 you're at a point where you've expressed what  
18 you wanted to expressed in terms of the  
19 technology?

20 MR. SOLIZ: There's just one more  
21 point on the stability side, which again I show  
22 as critical because it reminds of way back in  
23 2009 when I made a recommendation and it was  
24 not done. And we really had thousands of hours

1 of great people's time to deal with this. I  
2 would not wish that on the staff or anyone  
3 that's an operator.

4 In our case, 32 games that were  
5 supposed to be compliant to the GSA. They were  
6 certified. They were Tier-1 providers, 32  
7 games took down a floor of 1600 machines. This  
8 is how fragile the system is. We do not feel  
9 it is any more stable today. And I just want  
10 to try and explain the magnitude of what we're  
11 talking about here because it's not as simple a  
12 game goes down and it's the game.

13 It really has the capacity to  
14 disable the entire floor with just a few games  
15 that have issues with the standard, which is  
16 just because it's a standard doesn't mean that  
17 everyone codes to it correctly, develops to it  
18 correctly. So, I just wanted to highlight that  
19 as one last point.

20 MR. DESALVIO: Mr. Chairman, if I  
21 could just say a word before the lunch break,  
22 because I may have to leave during that lunch  
23 break and I wanted to get this on the record.

24 I know that there's been a lot of

1 discussion about the regulation and the CMS.  
2 And our point, I'm going to use my past  
3 experience for this one. I had a very active  
4 3000 floor slot facility with a GTECH system.

5 So, first and foremost for the folks  
6 that are here from GTECH, the GTECH system  
7 performed excellently. Never had a problem  
8 with it in five and a half years that I was in  
9 the operation. It was a SAS 6 floor. So, in  
10 that environment it was very stable.

11 The scary part for Wynn Resorts is  
12 actually not having the regulation changed. I  
13 know and I certainly appreciate that's going to  
14 be addressed, just for the comfort level I was  
15 wondering if there would be consideration that  
16 you might be able to do these kinds of things  
17 simultaneously. Because if we knew that we  
18 would not be obligated by January 1, 2017 to  
19 move to that standard, it takes a complete  
20 level of uncertainty out of this equation.

21 And of course we trust you as  
22 regulators to do what you're going to do for  
23 the industry knowing that it's for the good of  
24 the industry and the Commonwealth, but we are

1 still making a decision on something that  
2 relies on a regulation that puts us in an  
3 environment that is very scary as operators.

4           So, my only ask would be could this  
5 somehow be done simultaneously and just remove  
6 that restriction so that I knew that if the  
7 Commission made a decision to go with GTECH  
8 that as of today I would be able to operate  
9 with a SAS 6 floor until such time as the  
10 technology could actually be caught up and we  
11 wouldn't be worrying about what you're hearing  
12 about today.

13           Because for us, having the floor go  
14 down, and I think you've heard me discuss this  
15 when we were talking about play management and  
16 the institution of new technology on a floor,  
17 it probably is the thing that scares us the  
18 most.

19           So for us, the comfort level would  
20 be just make the change on the reg., get us out  
21 the obligation to go G2S and it would probably  
22 take a level of tension off of this. That's my  
23 only recommendation.

24           COMMISSIONER ZUNIGA: Assume that we

1 did that. Are there additional concerns  
2 relative to the technology, the business case?  
3 And we can break and then come back to this.

4 MR. DESALVIO: I didn't have  
5 anything else on that. And again, I was a  
6 GTECH user for many years and they performed  
7 very well.

8 COMMISSIONER CAMERON: Mr. DeSalvio,  
9 has Wynn considered the G2S system or is  
10 holding off?

11 MR. DESALVIO: I can't speak for Las  
12 Vegas. I can find out on my trip next week.  
13 Again, I'll just refer to the last casino I was  
14 at, we were considering even a 50-game test of  
15 adding G2S to a floor that was GTECH enabled  
16 and the rest of it was SAS 6. Before I left we  
17 recommended against it because of the very  
18 issues that you are hearing at the table.

19 We didn't want to run the risk of  
20 ruining a very good thing, which was a very  
21 stable floor with no problems with GTECH. I  
22 didn't want to introduce anything where 50  
23 games could take down 3000 slot machines.

24 So, we left it that we did not make

1 the test because there was not enough  
2 information about it that enabled us to move  
3 forward. However, we were very happy with  
4 GTECH's performance on our existing floor.

5 CHAIRMAN CROSBY: For what it's  
6 worth in response to that suggestion, I  
7 certainly learned things I didn't know before.  
8 And there's always two sides to every story.  
9 And so far I've only maybe heard one.

10 But from what I've heard, I would be  
11 more than willing to alter that reg. I see a  
12 lot of nodding heads from staff. We have  
13 certain requirements about how we could change  
14 our regs. We would have to comply with that.

15 But just speaking as one  
16 Commissioner I think that's -- what I now  
17 understand is that that is a perfectly  
18 reasonable request. And from what I've heard  
19 so far, I would be supportive of that.

20 COMMISSIONER ZUNIGA: Same here. I  
21 think it's done very easy and it's really just  
22 a three word change.

23 CHAIRMAN CROSBY: What do we have to  
24 do to change a reg.? Can we do it?



1 MR. DAY: Actually, we'll be coming  
2 forward to you with a series of smaller slot  
3 standard changes already to allow progressives  
4 and take up voucher systems. So, it actually  
5 would not be a problem at all to bring this  
6 amendment to the reg. in at the same time.

7 MS. BLUE: It's the same process  
8 that we use enact a regulation. So, we take it  
9 through the same steps.

10 CHAIRMAN CROSBY: If we wanted to,  
11 we couldn't do it right now but we could do it  
12 in two weeks.

13 COMMISSIONER CAMERON: Start the  
14 process.

15 MS. BLUE: You have to go through  
16 the entire process. It would take probably 60  
17 days to do. You go through the same process.

18 COMMISSIONER MCHUGH: You could  
19 initiate it right away.

20 CHAIRMAN CROSBY: Okay. Do other  
21 Commissioners have any interest in commenting  
22 on your state of mind on this issue given the  
23 request from Mr. DeSalvio?

24 COMMISSIONER MCHUGH: I too think it

1 is a perfectly reasonable request. I thought  
2 from the outset that these were two different  
3 conversations. But I really would like to hear  
4 the other side before we do this.

5 It seems to me that there's a  
6 consensus here that G2S is not ready for  
7 primetime. And one can't predict exactly when  
8 it will be. But we have a standards man here.  
9 And I'd like to hear what he has to say before  
10 we make a final decision.

11 CHAIRMAN CROSBY: Anybody else?

12 COMMISSIONER CAMERON: I would  
13 concur. From what I hear, we should seriously  
14 consider this change.

15 MR. MATHIS: If I may, Mr. Chairman.  
16 If we are talking about potential changes to  
17 the regulations, then maybe what I would offer  
18 up from the MGM perspective, if we're going to  
19 proceed potentially with the CMS that it's only  
20 being approved in this instant on SAS only  
21 floor. And maybe to the extent that that helps  
22 alleviate MGM's concerns that might be a way of  
23 proceeding.

24 I think what we are talking about is

1 the problem of a CMS tied to a hybrid floor.

2 COMMISSIONER MCHUGH: But if we  
3 simply took away the requirement for a G2S  
4 system by a date certain that would leave the  
5 operators and said we have a CMS floor -- a CMS  
6 system, that would leave the operators the  
7 discretion if this technology suddenly matured  
8 and if a hybrid floor were sufficiently proved  
9 to go ahead and do it rather than say you  
10 can't.

11 CHAIRMAN CROSBY: Or not.

12 COMMISSIONER MCHUGH: Or not. It  
13 just would not mandate any G2S involvement on  
14 the floor at all, right? I just don't see how  
15 you would lose if that's what we did.

16 MR. MATHIS: Let's talk practically.  
17 Eighteen months from now, we are making a  
18 decision about -- starting to make a decision  
19 about our floor in terms of laying wire. We  
20 come to you at that point and there is to  
21 anxiety at that point on our side about the  
22 ability of a CMS to connect to a hybrid floor.

23 Either we're having that debate  
24 again or there's already an understanding that

1 if it's a SAS only floor, if we go that route  
2 then CMS is already in place. If it's a hybrid  
3 floor, then I think there is no understanding  
4 as of today that that's what you want to  
5 compel.

6 So, either we're having the  
7 discussion in 18 months or we have an  
8 understanding today that potentially there's  
9 not been a case made for a CMS connecting to a  
10 hybrid floor and that your regs. could reflect  
11 that. The regs. could reflect that CMS is  
12 approved for a SAS only floor.

13 COMMISSIONER MCHUGH: I see what you  
14 are saying. You may come to a conclusion that  
15 some G2S is stable enough to put on the floor,  
16 but not come to a conclusion simultaneously  
17 that a G2S interoperability with a CMS is  
18 stable enough to deploy.

19 MR. MATHIS: That's right. And I  
20 think it's fair to say that that will be our  
21 belief in 18 months because we're still working  
22 on the first piece, much less the second piece.

23 COMMISSIONER ZUNIGA: But in that  
24 instance we would have a hybrid monitoring of

1 sorts, right? We would be monitoring only the  
2 SAS and manually monitoring, which is something  
3 we're contemplating here if we didn't go with  
4 the CMS.

5 COMMISSIONER CAMERON: Which I think  
6 is problematic. We'd have a regulatory staff  
7 that would be partially manual, partially  
8 electronic. I just see real issues with trying  
9 to do that.

10 COMMISSIONER ZUNIGA: That's also  
11 further up in the future.

12 MR. MATHIS: I just wanted to touch  
13 on that.

14 COMMISSIONER MCHUGH: Your point is  
15 made. I understand your point.

16 CHAIRMAN CROSBY: I think you get a  
17 sense in response to your question of a  
18 predisposition, by no means a commitment, but a  
19 predisposition that we have heard. And I hope  
20 you will take with that on your point to  
21 exactly how we do this. There's a question,  
22 sort of presumptions.

23 And we want to make sure that we're  
24 abiding by our procurement laws and there's

1 time sensitivity this, that and the other  
2 thing. I hope you'll take from our response to  
3 Mr. DeSalvio's question that clearly we are  
4 going to have different opinions on things, but  
5 I think we are committed to the same common  
6 sense outcomes and we'll be very attentive to  
7 not trying to shoot this golden goose.

8 Okay. We will come back if  
9 Commissioner Zuniga wants to pursue some  
10 business questions. But in any event we will  
11 have GTECH and GSA here. Is half an hour  
12 enough or 45 minutes, hour? Let's make it 45.  
13 So, we'll see you back at 1:45.

14  
15 (A recess was taken)

16  
17 CHAIRMAN CROSBY: We will reconvene  
18 public meeting number 143 at about 1:45. Did  
19 you resolve your issues? We had asked those  
20 folks to stick around if you wanted to pursue  
21 your issues.

22 COMMISSIONER ZUNIGA: Let's go back  
23 to that later.

24 CHAIRMAN CROSBY: Okay. Do you

1 want to introduce your next set of guests,  
2 Director Day?

3 MR. DAY: I actually will defer to  
4 Matt and have him do the introductions. And if  
5 you'd each state your name again for the  
6 record, we'd appreciate it.

7 MR. CEDOR: Sure. Good afternoon,  
8 Matt Cedor with GTECH, Regional Vice President  
9 of Operations. With me is Jackie Mancini,  
10 legal counsel for GTECH.

11 MR. TOWER: My name is Ethan Tower.  
12 I'm the protocol director for GSA, Gaming  
13 Standards Association.

14 MR. LENNON: I'm Derek Lennon from  
15 MGC.

16 CHAIRMAN CROSBY: Do you guys have  
17 comments or do you have questions? Or how do  
18 you want to start?

19 MR. LENNON: I think what we wanted  
20 to do is respond to some of the concerns. I'll  
21 let Matt touch on some of the issues. But I  
22 just wanted to clarify on a few things  
23 procedurally.

24 The licensing issue that Director

1 Wells brought up, we don't intend on licensing  
2 the CMS side because we'll be paying them. The  
3 only people we license are the ones that are  
4 paid by the industry. So, we'll do background  
5 checks like we do with all of our other  
6 vendors, just like our oversight project  
7 managers have gone through, the consultants  
8 that reviewed the applications. We'll do  
9 thorough background checks and that will be the  
10 process for that.

11 I think it's a good idea for us to  
12 sit down and work out the protocols as well as  
13 the system architecture and database security  
14 that's required. So, we'll work out that and  
15 then can always bring in an outside vendor to  
16 test against those protocols.

17 We're doing it right now. We have  
18 an outside vendor engaged that has done some  
19 penetration testing and done some protocol  
20 testing on our license management system. They  
21 did it on all of our own security architecture.  
22 So, we already have that engagement. We'll  
23 just include this in the scope of it.

24 There are a lot of issues I'll let



1 Matt deal with. The idea that there is no  
2 precedent for a distributed floor or a  
3 distributed environment, I think GTECH does  
4 have experience. They've done that in multiple  
5 jurisdictions while it may not be on one single  
6 floor.

7 In the meeting that we had that was  
8 long, two, two and a half hour meeting where  
9 went over a lot of these issues, it became  
10 clear that it's not a CMS issue. It seems like  
11 it's the software and the application that the  
12 operator's using.

13 So, in Maryland they do have an  
14 environment, one facility, where they are  
15 monitoring a couple of hundred G2S. So, we've  
16 already established and I think people here  
17 have said the SAS floor is pretty consistent,  
18 is pretty stable with the CMS.

19 And in Maryland, GTECH is monitoring  
20 a floor that has 200 machines or 200 EGDs on  
21 the G2S protocol and the floor has never gone  
22 down.

23 CHAIRMAN CROSBY: On a hybrid floor  
24 that has 200, okay.

1 MR. LENNON: So, it's a total of  
2 800, as was reported, machines. And a couple  
3 hundred of those are G2S. And the floor has  
4 never gone down, neither the operator nor the  
5 CMS has brought the floor down. You have  
6 something different happening at MGM where 32  
7 machines brought a floor down. So, I don't  
8 think this is a problem with the CMS, to tell  
9 you the truth, being impartial listening to it,  
10 but you let the people from GSA and GTECH have  
11 that conversation with you.

12 One of the other ideas that was  
13 brought into question was the business case and  
14 the return on investment. That issue was  
15 brought up at our meeting, so I was shocked to  
16 hear it come up again, the discussion about  
17 rich data.

18 The scenarios that we brought to  
19 you, the type of events that our gaming agents  
20 would have automated for them and they wouldn't  
21 have to rely on the operator systems have the  
22 same prompts, same messages, same protocols  
23 coming out of the SAS protocol if we were to  
24 switch to that as they are coming out of the

1 G2S protocol. So, our return on investment  
2 doesn't change one bit. The business case  
3 doesn't change one bit.

4 CHAIRMAN CROSBY: In terms of the  
5 data, the suggestion that Mike made I thought  
6 or somebody made was that and I was going to  
7 ask this question is if there were no G2S,  
8 forget G2S, there's just SAS systems, does the  
9 management benefit to a regulator approximately  
10 the same?

11 MR. LENNON: It's the exact same.  
12 The G2S is mainly to the operators because they  
13 can push games down from a system. And I'll  
14 let the GSA expert talk about this. But from  
15 our standpoint, we're monitoring the same  
16 events. We are monitoring the same things we  
17 would be doing manually. And we get those same  
18 things from the SAS based protocol.

19 COMMISSIONER MCHUGH: Don't you have  
20 to give the operators who are afraid of G2S  
21 credit for being afraid of G2S?

22 MR. LENNON: Absolutely.

23 COMMISSIONER MCHUGH: The reality is  
24 G2S could be the best thing in the world, but

1 what I listened to them all this morning say  
2 was that they're afraid of it. And they're  
3 afraid of its stability and they're afraid of  
4 its ability to perform. And they're afraid of  
5 its ability to interact on a floor with a SAS  
6 based system.

7 That may be an irrational fear. My  
8 sense is that it isn't. But that may be  
9 irrational but it's still a fact, right -- that  
10 one has to take into account.

11 MR. LENNON: That is a fact, but  
12 that is a separate issue from whether the CMS  
13 can read the data.

14 COMMISSIONER MCHUGH: I understand  
15 that.

16 MR. LENNON: That's a regulation  
17 debate. What came up were a lot of questions  
18 about GTECH's product without any factual  
19 evidence about GTECH's product. So, this is  
20 the problem I'm having.

21 COMMISSIONER MCHUGH: I didn't hear  
22 questions about GTECH's product.

23 MR. LENNON: Whether they could  
24 interact with it, whether it would bring a

1 floor down. Those are the problems I'm having.

2 CHAIRMAN CROSBY: No. The point was  
3 not the GTECH system. The point was the GTECH  
4 system in a position on an unstable G2S system.  
5 I referred to it as a force multiplier. It  
6 wasn't at least the guts of the argument was  
7 not that there was something inherently wrong  
8 with CMS.

9 DeSalvio was quite explicit that  
10 there was not any from his standpoint. But  
11 it's the imposition of the additional ports and  
12 the additional scale on an unstable G2S that  
13 was the issue.

14 MR. LENNON: Which once again, I  
15 bring back that that's a regulation issue not a  
16 central management issue.

17 CHAIRMAN CROSBY: Right, I  
18 understand that.

19 MR. LENNON: The question regarding  
20 the RFR, would this change it. No, the pricing  
21 hasn't changed. The type of systems are very  
22 similar.

23 COMMISSIONER MCHUGH: The ultimate  
24 objective has to change necessarily. If it's a

1 regulatory change that may change the timing  
2 but it does not necessarily change the  
3 objective because if there's a stable G2S that  
4 comes out that makes people happy, even if we  
5 stop, we could reconsider going to a G2S CMS  
6 system if stability on both parts was  
7 satisfied.

8 MR. LENNON: Correct. And we did  
9 answer that question in five separate occasions  
10 during the question-and-answer part of the RFR.  
11 Would it be compatible with a hybrid  
12 environment? And I will end my comments there.

13 MR. DAY: I think it would be a  
14 really good opportunity for both Matt and Ethan  
15 to take up the discussion and talk particularly  
16 about hybrid floors and G2S. Why don't you go  
17 ahead and start.

18 MR. TOWER: I'll just talk a little  
19 bit about the technology. And then I'll defer  
20 to Matt. He can talk about their experiences  
21 with the protocol.

22 Unfortunately, the feedback we were  
23 getting from the operators today was based on  
24 one system in one location. And apparently, it

1 was installed back in 2009. There haven't been  
2 significant upgrades done to it in the past.  
3 And they're basing their fears, I guess as you  
4 said, based on that experience. And I'm not  
5 going to say that those fears aren't founded.

6           Because this new technology for the  
7 manufacturers, some of them have had a number  
8 of years five, six, seven years' experience  
9 with the protocols now. Some of them are just  
10 starting their initial implementations of it.

11           So, the fear that they have that  
12 they could get boxed into a corner because they  
13 want to get a product, but they're afraid of  
14 the implementation of that particular product  
15 is probably founded. So, I think there could  
16 be some legitimate concerns there.

17           I find it unfortunate that they want  
18 to characterize every system and every product  
19 based on that experience with the one product  
20 that they have, because I think as Matt will  
21 say their experience with the protocol is  
22 completely different. And they have a number  
23 of installations out there, very large  
24 installations where they're not having the type

1 of problems that were described by the  
2 gentleman from MGM.

3 In terms of the difference between  
4 G2S and SAS, I think -- Derek says they could  
5 be very similar in terms of what's needed.  
6 That all comes down to what your requirements  
7 are for data.

8 At some point, you need to go  
9 through the exercise of looking at exactly  
10 which meters you need, what type of  
11 authentication of the software you want to do  
12 on the machines, what type of events you're  
13 interested in. And then verify that those are  
14 in fact available through SAS and in fact  
15 available through G2S for that matter, right?

16 That exercise has to take place.  
17 Because when you get into all those details,  
18 there are some significant differences between  
19 SAS and G2S. There are places where G2S goes  
20 into a lot more depth and detail than is  
21 available through SAS. So, I think that  
22 exercise though will determine what will be  
23 available for SAS and whether that will in fact  
24 satisfy the requirements of the Commonwealth.



1           My last comment has to do with  
2 certification. The GSA certification process  
3 is extremely rigorous. To get GSA  
4 certification, you actually have to meet 100  
5 percent of the requirements in the functional  
6 areas you want get certified for.

7           You can opt-in to certain functional  
8 areas, but once you opt-in, you've got to be  
9 100 percent there. So, it's not easy to get  
10 certified. There aren't very many certified  
11 GSA products out there. In fact, as you're  
12 aware because MGM brought it up, GTECH has one  
13 of the certified GSA products, which was not an  
14 easy undertaking for them to get that.

15           So, it sort of bothered me a little  
16 bit because they did infer that the products  
17 that are being used in Las Vegas were  
18 certified. And to the best of my knowledge, if  
19 it's the property I think they're talking  
20 about, none of those products were GSA  
21 certified and went through the level of  
22 rigorous testing that the GTECH system did. I  
23 just want make sure it's clear when we talk  
24 about certification, it is a very high standard

1 that we have at GSA.

2 CHAIRMAN CROSBY: So, does that mean  
3 to say that there are G2S systems that are  
4 deployed in Las Vegas where the technology has  
5 not yet been GSA certified? They're sort of  
6 like BETA sites or something?

7 MR. TOWER: There's no requirement  
8 that a manufacturer get GSA certification to  
9 put a product in the field. You don't have to  
10 necessarily go to Underwriters Laboratory to  
11 put a product out in the field. A lot of  
12 people prefer to get those certifications so  
13 that an independent third-party has looked at  
14 the product and verified that they work they're  
15 supposed to that they work the way they're  
16 advertised and there aren't going to be any  
17 problems.

18 So, like I said in fact most of the  
19 products that are in the field that are G2S  
20 based are not certified. We would like them  
21 all to be certified. We have a certification  
22 program. We encourage all of the manufacturers  
23 to take advantage of it. For one reason or  
24 another, time to market, product capabilities,

1 whatever it is, they have not become certified  
2 yet.

3 COMMISSIONER ZUNIGA: So, these  
4 products are operator systems for example,  
5 these G2S products that you talk about or are  
6 they central monitoring systems?

7 MR. TOWER: They would typically be  
8 the operator's systems as well as the gaming  
9 machines. In fact, a couple of the larger CMS  
10 vendors have gotten certified, GTECH being one  
11 of them.

12 I would say the majority of the  
13 products in the field right now have not been  
14 GSA certified. So, they have not been looked  
15 at independently by one of the independent test  
16 labs to verify that they are 100 percent  
17 compliant and they do what they're supposed to  
18 do.

19 Obviously, it would be a, from my  
20 standpoint at GSA, it would be a big move  
21 forward in the industry if we could get  
22 everybody to step up and do that.

23 CHAIRMAN CROSBY: Who is writing the  
24 G2S code? Who developed this? Was that GSA?

1 MR. TOWER: GSA, just for  
2 background, is a trailer organization. So, we  
3 have about 60, 65 members. They are  
4 manufacturers in the gaming industry as well as  
5 some of the larger operators are members of  
6 GSA. So, our funding comes from them.

7 The guys who work on the technical  
8 committees and actually write the protocols,  
9 there are volunteers from those different  
10 organizations.

11 So, the engineers get together. I  
12 referee it.

13 They hash out what's needed. And  
14 then GSA, we actually publish the protocols, a  
15 lot of the editorial work and put the final  
16 documents together and manage the approval  
17 process.

18 We follow a process that is very  
19 much like ISO. When the protocols are done,  
20 they go out for member comment. They go out  
21 for vote. We have processes to deal with  
22 change of control and things like that.

23 CHAIRMAN CROSBY: So, the impetus to  
24 deploy G2S comes from the industry, I guess.

1 MR. TOWER: Correct.

2 CHAIRMAN CROSBY: I gather that this  
3 is a more efficient system for managing slot  
4 machines once it's good, once it's solid than  
5 SAS is. It's the industry that wants this to  
6 happen, it's the operators principally; is that  
7 right?

8 MR. TOWER: Correct. Yes, it's the  
9 manufacturers and the operators. And even as  
10 the gentleman from MGM stated that they are  
11 fully behind G2S. It's the question of  
12 individual products whether those individual  
13 products are up to their standards for their  
14 particular floors.

15 CHAIRMAN CROSBY: Right. Anything  
16 else?

17 MR. TOWER: No. I think that was it  
18 for me.

19 CHAIRMAN CROSBY: Matt?

20 MR. CEDOR: I just had a couple of  
21 things. In the interest of time, I'll just try  
22 to give you some statements of fact. And if  
23 you have any questions on these, feel free to  
24 ask me. I apologize because these are going to

1 jump around a little bit as our previous  
2 conversation kind of jumped around, and I just  
3 took notes as we went along.

4 The first thing I would say as Derek  
5 mentioned, Josh during his statements indicated  
6 that a hybrid floor does not exist in the  
7 industry today. In fact, it does. In  
8 Maryland, it is one of Maryland's smaller  
9 properties of about 800 machines.

10 CHAIRMAN CROSBY: Is this the so-  
11 called Ocean Downs?

12 MR. CEDOR: Ocean Downs, correct.

13 CHAIRMAN CROSBY: He did refer to  
14 that.

15 MR. CEDOR: They've had a hybrid  
16 floor in operation since the end of 2012 with  
17 no issues. Our system has been in place since  
18 September 2010. So, there have been no issues  
19 with Maryland with that property running the  
20 hybrid floor. I think Mike did later state  
21 that in fact Ocean Downs was running a hybrid  
22 floor.

23 CHAIRMAN CROSBY: How many G2S  
24 machines are there out of the 800, do you know?

1 MR. CEDOR: It's a couple hundred  
2 machines.

3 CHAIRMAN CROSBY: Did you talk to  
4 those people did you say? So, GTECH is saying  
5 there is no problems. It might be worth a  
6 phone call.

7 MR. CEDOR: Actually, if there were  
8 problems with the machines on the floor, we  
9 would see it go down in our system and the  
10 regulator in Maryland would notify us of it.

11 So, we from our own personal  
12 experience know that there have been no  
13 problems. But I can also state factually we  
14 have never received a notification from the  
15 regulator that there have been problems on the  
16 floor of that property.

17 CHAIRMAN CROSBY: Okay.

18 MR. CEDOR: Josh made a number of  
19 references to the G2S system at their property  
20 being a fragile system that's not mature. The  
21 only thing that I would say there is that is  
22 not the same GTECH system that we're talking  
23 about here. That is not the CMS that we are  
24 looking at for --

1 CHAIRMAN CROSBY: I'm sorry. He was  
2 saying what was not mature?

3 MR. CEDOR: He kept referring to the  
4 G2S system.

5 CHAIRMAN CROSBY: Which is in the  
6 EGDs, not the CMS system.

7 MR. CEDOR: There is a system  
8 component to that that they have in their  
9 property as well. The only point I wanted to  
10 make is when he is saying the word system, he  
11 is not referring to GTECH system. They don't  
12 have any GTECH technology in that property.

13 COMMISSIONER ZUNIGA: That was  
14 clear.

15 MR. CEDOR: So, it's not an apples-  
16 to-apples comparison.

17 Mike made a comment that he had a  
18 discussion with Mohegan Sun. And they referred  
19 to numerous outages at their property in  
20 Pennsylvania caused by the CMS in Pennsylvania.  
21 The CMS in Pennsylvania is a SAS only CMS.  
22 That is just simply not true. The CMS has  
23 never caused a floor outage in the facility in  
24 Pennsylvania.



1 I think that you got some comments  
2 from the representative from Wynn, and Penn  
3 National has stated many, many times that in  
4 working with our system in Kansas and in  
5 Pennsylvania and in Maryland the system has  
6 never caused an outage on their facility  
7 floors.

8 Lastly, in regards to this RFR and  
9 the G2S protocol, the RFR required a central  
10 monitoring system that could support 20,000  
11 machines. It did not say 20,000 G2S machines.  
12 The RFR also required that the system support  
13 both the SAS protocol and the G2S protocol.

14 So, the system that GTECH would  
15 provide, if you choose to go in that direction,  
16 is a system that will support upwards of 20,000  
17 machines and to both protocols. It doesn't  
18 matter to the system if you have 100 percent  
19 SAS, 100 percent G2S or some mixture there in  
20 between.

21 And as far as our experience with  
22 the G2S protocol, we've implemented 17 systems  
23 around the world that utilize the G2S protocol.  
24 They all operate today. We don't have issues

1 that MGM has experienced in their facility in  
2 Las Vegas.

3 Five of those systems are in Canada,  
4 12 of them are in Europe. And there are  
5 various reasons those regulators chose to go  
6 G2S primarily, and this is the key difference  
7 between those implementations and  
8 Massachusetts, those implementations are very  
9 majority distributed implementations, which  
10 means they will have a handful of machines in  
11 each environment.

12 A couple of them have small casinos  
13 as well. So, the system supports both on one  
14 system. But primarily those jurisdictions are  
15 looking at G2S because it opens the door to do  
16 things like server-based gaming and downloading  
17 of game content so that they don't need to have  
18 a field service staff that goes out to each  
19 machine if they want to change a game. And  
20 they get a benefit from the protocol by having  
21 the system automatically do things like that  
22 for them.

23 But the fact of the matter is, it's  
24 running today. The largest of those

1 implementations is in Sweden with 8000 machines  
2 on a single system. And we don't have these  
3 problems. Thank you.

4 COMMISSIONER ZUNIGA: Matt, in some  
5 of the comments made about the RFR, about the  
6 20,000 machines, there was an implied notion  
7 that if there were less number of machines not  
8 just the mix between the protocols, like 1250  
9 because those are the ones that are imminent  
10 for Penn, that the system would be perhaps very  
11 different. Would you concur?

12 MR. CEDOR: So, if the RFR required  
13 us to support only 1250 machines instead of  
14 20,000?

15 COMMISSIONER ZUNIGA: Or less than  
16 20,000, call it 5000.

17 MR. CEDOR: The only difference  
18 would be the hardware to store data that you  
19 receive from the machines. It's a hardware  
20 scalability of the system.

21 The software that we write for the  
22 system is there whether you have one machine or  
23 30,000 machines. That doesn't matter. But  
24 you'll need more larger database, more disk

1 space, possibly more memory as you add machines  
2 in order to support the reporting and data  
3 storage for those machines.

4 COMMISSIONER ZUNIGA: There was also  
5 another question relative to the number of  
6 connections depending on because of this hybrid  
7 mix. Eight hundred times two is 1600 and maybe  
8 quadruple the number of connections given the  
9 protocol.

10 The implication that I took from  
11 that is the more number of connections the more  
12 likely that you could have a failure of  
13 whatever sort. Can you speak from your  
14 perspective to that?

15 MR. CEDOR: I don't have any  
16 experience with how MGM has implemented their  
17 systems or network designs at their own  
18 properties.

19 What I can say for Massachusetts as  
20 with other jurisdictions, you have a separate  
21 network in place. So, the network that they  
22 have that would be connected to their casino  
23 system is completely different than the network  
24 that would be in place to support the CMS.

1           So, the traffic is going in two  
2 different directions. And the networks don't  
3 mix with each other. They do at the endpoint,  
4 the machine. But when the machine sends a  
5 message to the system, it sends the message  
6 once and it gets sent to both systems.

7           COMMISSIONER MCHUGH: I didn't want  
8 to step on you, but I did have a similar  
9 question which I thought was both naive and  
10 irrelevant but maybe it's not. And that is  
11 whether the G2S system can be set up the way  
12 the SAS system is diagrammed there on the left.

13           CHAIRMAN CROSBY: To a splitter  
14 rather than --

15           COMMISSIONER MCHUGH: To a splitter  
16 rather than two independent --

17           MR. CEDOR: I can't really comment  
18 on that diagram, because despite the fact that  
19 it says GTECH at the top, it's not a GTECH  
20 diagram. So, would you need a splitter?

21           COMMISSIONER MCHUGH: Could you use  
22 a splitter instead of two separate connections  
23 or is two separate connections, which I  
24 understand is the right side inherent in a G2S

1 machine?

2 MR. CEDOR: Well, in a G2S floor,  
3 you simply add a network card into the machine  
4 and that sends the same message over two  
5 different network ports. So, the machine in  
6 essence is the splitter itself. You don't need  
7 to add another piece of hardware.

8 That's why this diagram -- I haven't  
9 seen it before. It wasn't created by GTECH.  
10 It's not something that we would provide as  
11 fact to the Commission.

12 CHAIRMAN CROSBY: One of the points  
13 was that the G2S system requires twice as many  
14 ports per EGD as the SAS system does. And that  
15 it's inherent when you take the number of ports  
16 times the number of machines that there is an  
17 inherent instability in that. There is an  
18 inherent risk that is related to the increased  
19 numbers of ports and machines.

20 MR. CEDOR: I would disagree with  
21 that.

22 CHAIRMAN CROSBY: Well (A) does it  
23 have to have two ports rather than one like  
24 this diagram has it? And (B), maybe both of

1 you can speak to this, is there something  
2 inherent about the multiplicity of ports times  
3 the scale of the number of machines that  
4 creates instability?

5 MR. TOWER: Maybe I can try. I  
6 think Josh got at this a little bit too in his  
7 discussion. In fact that diagram doesn't  
8 really represent sort of the standard picture  
9 if you take it out of the G2S book on how the  
10 network is configured.

11 Typically, there is only one  
12 connection to the network. And then the  
13 traffic on the network is just routed to the  
14 correct servers.

15 CHAIRMAN CROSBY: Like on the left?

16 MR. TOWER: Kind of yes. Usually,  
17 there is just the connection from the machine  
18 that goes right up to the Ethernet, right up to  
19 the top level up there.

20 There is no need for any  
21 intermediary hardware. You just put the  
22 machine on the network and typically using all  
23 of the fancy network technology they have  
24 today, they route and they filter and they

1 firewall the information so it all ends up in  
2 the right place. And they manage the traffic  
3 on the network appropriately.

4 So, typically in a G2S  
5 implementation, you've only got one port on the  
6 machine. It connects to the network. And the  
7 network management tools are used to  
8 appropriately secure the data to make sure it  
9 ends up in the right places.

10 Possibly the concern out of that  
11 though is that you're putting more traffic on  
12 the network. That's probably where the concern  
13 is leading.

14 MR. CEDOR: And the single port  
15 approach is what we've done in other  
16 jurisdictions that didn't require a separate  
17 network.

18 But in this case you're not putting,  
19 you're not doubling the traffic over a single  
20 network by adding a second port to the machine.  
21 You're dividing that traffic into two separate  
22 networks. So, does it create instability in a  
23 single network, no, not necessarily. You are  
24 adding a second port to the machine, but the



1 machine is just sending the same message over  
2 both ports.

3 So, it's not doing anything that  
4 it's not already doing. You're adding a  
5 network card into the machine, which is not a  
6 significant upgrade to a machine.

7 So, in those jurisdictions where the  
8 regulator requires a completely separate  
9 network that's how we handle it. If a  
10 completely separate network is not required,  
11 then you just simply don't add the separate  
12 network card into the machine.

13 But it doesn't create a significant  
14 instability on one specific network, because  
15 the transactions are already routed into two  
16 separate networks.

17 COMMISSIONER ZUNIGA: Does anybody  
18 know whether we have by regulation implicitly  
19 required a separate network for this?

20 CHAIRMAN CROSBY: No, we have not or  
21 no, we don't know?

22 MR. DAY: We haven't to our  
23 intention, to our knowledge required it.

24 COMMISSIONER CAMERON: So, it could

1 be done either way with one port or two,  
2 depending on the requirements of that  
3 jurisdiction?

4 MR. CEDOR: For the G2S  
5 implementation, yes. I don't know that it  
6 works the same way for the SAS implementation.

7 CHAIRMAN CROSBY: SAS isn't a  
8 problem.

9 MR. CEDOR: You may need a separate  
10 network for the SAS implementation is my point.

11 COMMISSIONER ZUNIGA: The point is  
12 the diagram on the left may be right even  
13 though it's not yours and you have just seen  
14 it.

15 MR. CEDOR: It could be, yes.  
16 Again, I haven't seen it before, but it could  
17 be.

18 CHAIRMAN CROSBY: Okay. Other  
19 questions, issues? Anybody else?

20 COMMISSIONER ZUNIGA: I realize this  
21 is not a technology question. But there is  
22 this notion about competitiveness, one that the  
23 operators have brought up that a date certain  
24 of a protocol like the one we have currently in

1 regulations will diminish their ability to be  
2 competitive given whether they would be  
3 required to go all with one protocol, etc.

4           Given your knowledge perhaps of the  
5 industry as a trade organization, could you  
6 comment on that?

7           MR. TOWER: Absolutely. That's why  
8 I sort of said at the outset of my comments  
9 too. I think they do have a legitimate concern  
10 there, because at this point in the last survey  
11 that was done by GSA worldwide, not just in the  
12 US suppliers, but worldwide suppliers, 70  
13 percent based on ship shares, the manufacturers  
14 of 70 percent of the ship shares that's the  
15 total machines going into the market have  
16 currently adopted G2S. So, at this point today  
17 or actually did the survey the beginning of  
18 last year, there were still 30 percent of the  
19 manufacturers who don't do that.

20           A lot of those are like South  
21 America, some of the European manufacturers,  
22 Asian manufacturers and things like that, but  
23 there still are. So, the fact that some of  
24 those manufacturers haven't adopted G2S yet or

1 implemented in their machines could end up  
2 limiting the selection of machines for the  
3 operators.

4           The other problem that you have and  
5 I call it the 57 Chevy problem, is that there  
6 are older machines that are still very popular  
7 with players. And the operators might want to  
8 bring some of those 10-year-old machines into  
9 their operations. Frankly, it would be  
10 impossible to put G2S on those machines.  
11 You're going to have to use some sort of  
12 converter board to convert the SAS into what's  
13 needed for the network.

14           So, on those two ends of the scale,  
15 to the holdouts who haven't gone to G2S yet and  
16 the older machines that don't have G2S and  
17 probably can't support it are where their  
18 concerns would lie. I think they want to be  
19 able to bring those products into their  
20 properties and not be restricted.

21           COMMISSIONER ZUNIGA: Fair enough,  
22 thank you.

23           MR. DAY: Matt, I want to make sure  
24 so I understand correctly, if I've got it right

1 GTECH has experience with a hybrid system which  
2 is G2S and SAS equipment in it. You also have  
3 all G2S systems and you have all SAS systems;  
4 is that correct?

5 MR. CEDOR: Yes, that's correct.

6 CHAIRMAN CROSBY: So, the all G2S  
7 systems those are the ones you were talking  
8 about in Canada and Europe?

9 MR. CEDOR: Yes.

10 CHAIRMAN CROSBY: Those are all G2S?

11 MR. CEDOR: Yes.

12 CHAIRMAN CROSBY: Is the US behind  
13 other countries in the adoption of G2S  
14 machines, utilization of G2S machines?

15 MR. TOWER: Do I have the answer  
16 that question? It all comes down to business.  
17 And the market for new machine sales in the US  
18 has not been that robust in the last few years  
19 because of the economy and the saturation of  
20 the market.

21 To get new products with new  
22 technology in them, there have to be new  
23 machine sales. So, in fact in other areas of  
24 the world where the business climate has been

1 different, they've been able to adopt G2S  
2 faster in many areas than they have been in the  
3 US.

4 Canada is very notable. You  
5 probably know the exact counts up in Canada but  
6 a vast majority of the machines now in Canada  
7 have all gone to G2S and are all new machines  
8 up there. That sort of turnover in inventories  
9 has not happened as quickly in the US as it has  
10 in Canada or in other parts of the world.

11 CHAIRMAN CROSBY: That's startling  
12 that a year ago the ship share was 70 percent  
13 G2S. Just from having heard the operators  
14 before, I would have just guessed it was way,  
15 way, way lower than that.

16 MR. TOWER: I'm not sure if it's 70  
17 percent of the machines going in the market,  
18 but 70 percent -- the manufacturers who control  
19 70 percent of the market have adopted G2S and  
20 has put it into their products.

21 They might be selling older products  
22 that don't have it, newer products that do have  
23 it. The other statistic that they got during  
24 the survey that there are currently 192,000

1 machines that support G2S worldwide. So, it's  
2 not a handful of them here and there. There's  
3 a large number. The other statistic is there  
4 are actually over 1000 systems in use worldwide  
5 where they are also communicating using G2S.

6 CHAIRMAN CROSBY: What is the total  
7 number of machines?

8 MR. TOWER: With G2S, 192,000.

9 CHAIRMAN CROSBY: Of what universe?  
10 What's the total number of machines?

11 MR. TOWER: I don't know. How many  
12 machines are out there, a lot.

13 CHAIRMAN CROSBY: Is that 10  
14 percent, 50 percent, one percent?

15 MR. TOWER: I don't know offhand.  
16 There are a lot of gaming machines out there.

17 CHAIRMAN CROSBY: Okay, anybody  
18 else? Director Day.

19 MR. DAY: I just have a couple of  
20 summary comments just as you're pondering where  
21 to go from here. From my perspective, the one  
22 thing that I found as I was listening to the  
23 discussion is that my earlier days came back  
24 where I was down on my knees and pulling out a

1 micro-chip from a machine and attempting to do  
2 a field test. I'll only acknowledge it now,  
3 but when I closed the machine back up, it  
4 didn't work.

5 I think what really in the end that  
6 reflects to me is it's better now, but what  
7 we're looking at here is a concept that  
8 actually can bring us -- be the best regulatory  
9 solution on tracking of assets, software and  
10 effectiveness of the machine through a  
11 regulatory approach.

12 I also would recommend to the  
13 Commission as we move forward that the  
14 Commission not try -- we've had a lot of  
15 discussion about it, and maybe this comes from  
16 me reviewing all of the activities and what we  
17 have to get done before we actually get our  
18 system ready for the slot parlor, that the  
19 Commission not try to do any kind of two-  
20 pronged development in this area.

21 That we just actually look if we  
22 want to go with a CMS if that's the  
23 Commission's ultimate decision that we do that  
24 and we implement with Penn as we open up the



1 establishments. Part of that comes from at  
2 least my knowledge that it's been very  
3 difficult once you get going in full operations  
4 and people are off running, I've had some  
5 personal experience that it is difficult to  
6 actually change from a CMS or from a manual  
7 system to a CMS system once everybody gets in  
8 that operation mode.

9 I also had as we were developing  
10 this along the way, I had the opportunity to  
11 run into a professional peer, and talked to him  
12 a little bit about it. And he made comments to  
13 me that it's really a source of confidence. As  
14 he goes up to the Legislature to testify about  
15 revenue and splits and taxes and has the  
16 information that comes actually directly to his  
17 state system that he can reproduce that and the  
18 level of confidence he has in that kind of  
19 information and its availability I also thought  
20 was significant.

21 CHAIRMAN CROSBY: Who was that?

22 MR. DAY: Steve Martino, Maryland.  
23 The other thing that strikes me in this whole  
24 process, we've had a huge technical discussion

1 and we've talked about G2S and whether it's  
2 stable and all of this kind of stuff.

3           One thing we ended up I think not  
4 focusing on is the issue about transparency and  
5 availability of information. And I say this  
6 respectfully, but as a regulator as we pursue  
7 and we've seen this as of late with our  
8 licensees, when we pursue information and  
9 request information, we are really at the mercy  
10 and the industry's responsiveness to those  
11 requests. And they have other priorities in  
12 many cases, but we are there to try to  
13 regulate.

14           The CMS does offer us that  
15 opportunity that we have our information and we  
16 have it when we need it. We are confident in  
17 the level that it's there. And it also allows  
18 us to look at the actual deterring effect.  
19 Even in all of our cost analysis, our staff has  
20 generated a great cost analysis. And I know  
21 there's disagreement and assumptions.

22           I know MGM doesn't necessarily hold  
23 that same opinion about the result, but one  
24 thing we can't identify in that kind of cost

1 analysis is the value of deterrence. That  
2 people know the industry knows that we're  
3 watching every day and we're watching on our  
4 own system.

5           So from my perspective, this system  
6 does give Massachusetts the opportunity to put  
7 forward a regulatory piece that is very  
8 effective, very efficient and allows us to take  
9 advantage of our staff in the right places at  
10 the right time.

11           So, with that as I listen to it, I  
12 thought well just for -- the Commission may go  
13 in a different direction, but I thought it  
14 might be worthwhile to say I think in the end  
15 we've talked a little bit about this from  
16 staff.

17           The recommendation I think from  
18 staff on this end is that the Commission in  
19 order to move this forward or not that the  
20 Commission select GTECH and authorize us to  
21 begin contract negotiations, subject to IEB's  
22 recommendations that we heard and a successful  
23 background investigation, and return to the  
24 Commission for final approval of a contract.

1                   And what I think we've heard here is  
2                   our discussion. But I would also suggest that  
3                   if the Commission thought this was the way to  
4                   go that you also direct staff to bring an  
5                   amendment to the slot standards to provide  
6                   flexibility to the G2S standard. Bring that  
7                   back to the Commission for discussion and  
8                   consideration for possible amendment. From  
9                   there, I appreciate your discussion.

10                   CHAIRMAN CROSBY: It's our turn.  
11                   Thank you. Does anybody want to start off?

12                   COMMISSIONER CAMERON: I will start.  
13                   Interesting conversation lots of different  
14                   perspectives. My initial concerns with regard  
15                   to this were certainly cost and our  
16                   uncertainty. Also, the ability to explore  
17                   another option. And I have in speaking to our  
18                   people, having meetings, I am convinced that we  
19                   have the ability to explore another option  
20                   while we entertain this option as well.

21                   So, I was not convinced that that  
22                   was the case before but I do have a better  
23                   feeling about that now. Which would mean  
24                   though that we, which I think would be an

1 important piece here if in fact we do approve  
2 this is that during those negotiations, we do  
3 explore an out clause because there's no sense  
4 exploring something else that comes to -- that  
5 really has the ability do something else  
6 without -- while we're tied up for 10 years.

7           Those things give me a little more  
8 comfort in moving forward in this direction,  
9 frankly. And certainly listening to this  
10 morning's discussion, there are issues but I  
11 think a lot of them have been addressed here.  
12 And it's not perfect, but yet the G2S isn't  
13 perfect. And we heard that from MGM.

14           I think MGM is willing to move  
15 forward with that pain of exploring this system  
16 but in many ways is asking us not to move  
17 forward with a system. So, technology is  
18 important. And learning more about the manual  
19 system and I've seen it over the years, and I  
20 saw it again firsthand, I don't think that is  
21 the way for us to move forward in a permanent  
22 way is a manual system.

23           Again, I think we could have done it  
24 for a year or so, but I came to think and be

1 assured that we can explore other options but  
2 yet still be in a position where we can move  
3 forward here. One of the things that would be  
4 important to me is the exploration of some kind  
5 of an out clause.

6 CHAIRMAN CROSBY: Anybody else?

7 COMMISSIONER MCHUGH: I said last  
8 time that I was -- I gave the reasons why I was  
9 in favor of this, but I wanted the conversation  
10 that did occur this week to proceed. It  
11 proceeded with good and new information. I am  
12 in favor of Director Day's recommendation.

13 But I would strengthen the second  
14 part of that recommendation to say that staff  
15 should be instructed to come back with an  
16 amendment that took out the requirement of G2S  
17 by January 1, '17 or convince us that that for  
18 some reason shouldn't happen. That's what I'm  
19 predisposed to.

20 I think there are two separate  
21 conversations going on here and they can and  
22 should be split as we go forward.

23 I would also recommend that the  
24 contract negotiations include both an out

1 clause, as my colleague Commissioner Cameron  
2 talked about, but also a warranty that the  
3 system, the CMS system once installed will not  
4 degrade the operation of a G2S system, an SAS  
5 system or a hybrid field.

6 COMMISSIONER STEBBINS: I would  
7 concur with all of those points. One of my  
8 biggest concerns in looking at this was, and I  
9 shared this concern with our CFO was the  
10 scalability of the project and the upfront  
11 costs.

12 I know we really can't have that  
13 scalability discussion until we decide to  
14 direct staff to enter into a contract  
15 discussion with GTECH. For that reason, I'm  
16 also supportive of Director Day's  
17 recommendation.

18 COMMISSIONER ZUNIGA: Same here, but  
19 I would add and ask that those contract  
20 negotiations look at alternatives for  
21 structuring the payments on par with some of  
22 the machines that come at different times.

23 And I understand that this would  
24 have to be modeled financially, etc. But the

1 assumption that we made at that RFR was a solid  
2 one for uniformity, but the reality in my view  
3 is that we have the certainty of 1250 machines  
4 in the very near future, and we are less  
5 certain about the next and the next. Not just  
6 on the technology perspective like it's been  
7 discussed here relative with the protocol, with  
8 the requirements about the protocol but also  
9 about its very own existence, if you will. And  
10 the number of machines may change, etc.

11 So, I would ask that as you conduct  
12 those negotiations, you explore alternatives  
13 for different pricing that would accommodate  
14 for this out clause that we've been thinking  
15 about or certainly a different stream of  
16 payments that would be more reflective of just  
17 that scalability that we've talked about in the  
18 past.

19 CHAIRMAN CROSBY: Just as  
20 introductory remarks, I think I owe  
21 Commissioner McHugh and my colleagues an  
22 apology for two weeks ago expressing my  
23 frustration for the two-week delay.

24 Number one, I probably shouldn't



1 have expressed my frustration, but more  
2 importantly, I was flat wrong that there was no  
3 more to be learned and that positions weren't  
4 going to change. I was flat wrong on both  
5 scores. And I think it's a credit to my  
6 colleagues that with all of the intensity of  
7 these discussions, and there's been a lot of  
8 intense discussions that we have learned and we  
9 have changed our minds. So, my apologies to  
10 all of you.

11           Secondly, I take the reluctance of  
12 the operators at face-value. We've had a lot  
13 of negotiations with our operators here on a  
14 lot of things. And I've come to believe that  
15 they are clearly going to argue for their  
16 business interests. That's totally fine and so  
17 on and so forth. We're going to have our  
18 differences of opinion. But I respect the  
19 integrity of their opinions. And that means  
20 something.

21           When the three of them come up here,  
22 even though I think we've done a very good job  
23 of dealing with a lot of the facts, their  
24 concerns have inherent merit as well as

1 specific merit, which affects my agreeing with  
2 everybody else that I think it is the right  
3 thing to do.

4           There is a question about doing it  
5 in a prudent way. The debates that we've had  
6 have caused there to come up a number of really  
7 good ideas about scaled payments and out  
8 clauses and so forth.

9           There are some good-faith risks down  
10 the road. There are some unknowns. And we  
11 deserve, if GTECH wants to do this business, it  
12 would be good if they will share some of that  
13 risk with us.

14           Having said all that, I agree with  
15 the gist. If somebody wants to put it into the  
16 shape of a motion?

17           COMMISSIONER STEBBINS: I just have  
18 one other question in regards to some of the  
19 issues that Director Wells brought up. Should  
20 any contract discussions include the protocols  
21 with respect to the potential conflict of  
22 interest, the safeguards that we might look to  
23 Pennsylvania's model for.

24           Should that be included in the

1 contract discussions or do you see that as a  
2 separate item?

3 MR. DAY: It was basically my  
4 intention that as we move forward with any  
5 successful contract negotiation that it include  
6 the IEB conditions.

7 CHAIRMAN CROSBY: Does somebody want  
8 to put that in the form of a motion?

9 COMMISSIONER MCHUGH: Yes. I move  
10 that the staff be authorized to commence  
11 contract negotiations with GTECH for a CMS  
12 system that includes the safeguards recommended  
13 by the IEB; that includes an out clause; that  
14 includes consideration of a payment schedule  
15 reflective of when machines will come online;  
16 that includes a warranty sufficient to protect  
17 the Commission from introduction of a CMS  
18 system in a SAS environment, a G2S environment  
19 or a hybrid environment; and that the staff be  
20 requested to return to the Commission with a  
21 recommendation for an amended regulation that  
22 deletes, changes or in some other way postpones  
23 for the requirement of an all G2S by January 1,  
24 2017.

1 COMMISSIONER STEBBINS: Second.

2 CHAIRMAN CROSBY: Any further  
3 discussion?

4 MR. DAY: Can I ask just an  
5 administrative question?

6 CHAIRMAN CROSBY: Sure.

7 MR. DAY: Any contract would be  
8 subject to the background being successful as  
9 well?

10 COMMISSIONER MCHUGH: Yes.

11 MR. DAY: Did the Commission still  
12 wish the staff to come back with the negotiated  
13 contract for your approval?

14 COMMISSIONER MCHUGH: Yes.

15 COMMISSIONER MCHUGH: So, I would  
16 add that the staff return after the  
17 negotiations are completed with the completed  
18 contract for the Commission's approval and that  
19 the contract not be awarded until and unless  
20 there is a satisfactory completion of the  
21 background investigation of GTECH.

22 MR. DAY: Thank you.

23 COMMISSIONER MCHUGH: So, that's the  
24 complete package.

1                   CHAIRMAN CROSBY: Any further  
2 discussion? All in favor, aye.

3                   COMMISSIONER MCHUGH: Aye.

4                   COMMISSIONER CAMERON: Aye.

5                   COMMISSIONER ZUNIGA: Aye.

6                   COMMISSIONER STEBBINS: Aye.

7                   CHAIRMAN CROSBY: Opposed? The ayes  
8 have it unanimously. Never would have believed  
9 it. Thank you everybody for all of your  
10 continued participation.

11                   We are now on item 5(c), Director  
12 Day.

13                   MR. DAY: Chairman Crosby, what I'd  
14 like to do and this is actually the first stage  
15 of a series of recommendations that your  
16 directors and I are coming forward to the  
17 Commission with. To start that process today,  
18 Director Wells is here, because actually part  
19 of the reason is that a number of the lines  
20 that I've got on this little chart are IEB  
21 lines anyway. So, I think it's she just well  
22 be here to help me these questions.

23                   What I want to do is just in your  
24 packets you do have our planning chart. I'm

1 just going to run through this and kind of give  
2 you a glimpse of what your staff has in mind as  
3 we move forward and a little bit about what the  
4 deadlines we're looking at. We'll move right  
5 along down through the document. When I come  
6 back, I will also try to emphasize those I  
7 things that I think are actually very critical  
8 to the slot parlor actually being able to open  
9 on time.

10           So, I want to start at a usual place  
11 at the top of the diagram. What I just want to  
12 mention is of course we have our oversight  
13 project management. I think you heard Jennifer  
14 Pinck a little bit this morning, but there are  
15 some areas in particular that we need to depend  
16 on that crew to bring forward with us in  
17 cooperation with Penn.

18           Some of those are any change in  
19 schedule that may come forward if the  
20 Commission in fact is just going to look at the  
21 final site and design for the floor plan.  
22 Terms of the project that are possibly in  
23 surrounding community agreements and those  
24 kinds of things and then any license conditions

1 that apply.

2 So, we have a separate process that  
3 we'll be undergoing. And we're going to start  
4 strengthening that process probably with a  
5 separate weekly meeting as we get closer to the  
6 opening of the slot parlor itself so we don't  
7 lose track of any of those.

8 As you drop down the next line,  
9 which is probably in the end a lot of this is  
10 the preopening and test player establishment.  
11 We are now looking at that right around May 1  
12 through May 31. That will be IEB that  
13 completes that process in support with our  
14 gaming laboratory as we select that.

15 Going down a little bit further,  
16 you'll probably notice there's some other key  
17 elements training, of course. The IEB and the  
18 state police have to select the troopers that  
19 will staff the Plainridge facility. And at the  
20 same time we also have to open our advertising  
21 for gambling agents that will be stationed at  
22 the facility. The Commission does have the  
23 requirement of 24-hour coverage. Both of those  
24 groups along with our financial investigators

1 need to be appropriately trained.

2 As you move down a little further,  
3 our licensing there are some critical  
4 operations. Probably two of the most critical  
5 are being able to handle the influx of  
6 applications that come in particularly on the  
7 employee's side as those become larger. We  
8 anticipate, at least in our discussions with  
9 Penn that we're probably talking about 4/1  
10 being a very large dividing point, probably  
11 about half of the 500 anticipated will have  
12 come in at that point.

13 The other side of that of course is  
14 our ability to go forward with out-facing  
15 application system, which we are anticipating  
16 at this point of about February 15.

17 Responsible gaming is also moving  
18 forward. You've already passed some time ago  
19 now the self-exclusion regulations. And they  
20 have to move forward with actually getting that  
21 ready now to put in place in some fashion maybe  
22 even a temporary fashion for tracking those  
23 with self-exclusion as Penn begins to open.

24 Then of course is the development of



1 the play management process, which has its own  
2 complexities. We are looking at hopefully  
3 being able to make sure that its system is  
4 ready to go by May 30, which would incorporate  
5 the concept that we would be to begin with that  
6 program as Penn opened. I think we all know  
7 that that is a challenge in and of itself. But  
8 at least at this point, that is part of what  
9 we're planning.

10 In addition with that Mark and his  
11 team have to move forward with the Game Sense  
12 area right on-site. Of course, along with  
13 that, they've got to prepare the materials.  
14 They've got to prepare a marketing program to  
15 move it forward. They've already selected the  
16 Council to provide staff for that facility  
17 itself.

18 Of course, we are looking for our  
19 workforce and supplier diversity program and  
20 Jill to go forward with the announcement of the  
21 draft plan about M, W, VBE lending plan, and  
22 Commissioner Stebbins as well and hopefully  
23 we'll be able to get that in late winter of  
24 this year.

1           In addition, to move forward with  
2 the building capacity program in order to help  
3 with the vendor capacity in that area. One of  
4 the more critical processes is really our  
5 technology unit. We need to be able to certify  
6 our labs, which we are planning to do that  
7 hopefully by early March, March sometime.

8           And as the same process, we've got  
9 to come forward with an agreement so that a  
10 private lab can provide us testing services as  
11 we get to the preopening area. There's kind of  
12 another part there. There's basically the  
13 certification of the labs, the selection of  
14 labs for testing, which is usually done by the  
15 manufacturers, and then the actual on-site  
16 regulatory testing of the equipment before they  
17 can preopen which will be done by a lab as  
18 well.

19           COMMISSIONER ZUNIGA: Rick, where is  
20 that represented, the actual regulatory  
21 testing?

22           MR. DAY: Right at the bottom of the  
23 chart, Commissioner Zuniga. So, we pulled it  
24 out and it makes it pretty small is the lab

1 certification process basically been going on  
2 now. We hope to have it done by 3/31, I think,  
3 the blue line. Then the lab testing up to 4/30  
4 and the lab procurement.

5 COMMISSIONER ZUNIGA: Okay. So,  
6 we'll begin the lab procurement for the  
7 regulatory testing in March according to this  
8 or could we start that earlier?

9 MR. DAY: Hopefully we'll be able to  
10 get the lab procurement by April 15 and the lab  
11 certification by the 31st. We can work on  
12 these and process at the same time.

13 COMMISSIONER ZUNIGA: They don't  
14 have to be tied, in other words.

15 MR. DAY: The thing we do need is  
16 the certification. And then from those  
17 certified labs, we're going to pick a lab that  
18 will help us do the testing.

19 COMMISSIONER ZUNIGA: Fair enough.

20 MR. DAY: And the general  
21 administration and actually brought a little  
22 clarity to us as we go back to take a look at  
23 this, we were anticipating the design and  
24 testing of the CMS system. Now that we're

1 there, we can actually fine-tune that a little  
2 bit more. And we'll have to do that as part of  
3 the negotiations with GTECH anyways, exactly  
4 how fast the system will come online.

5 Real quick and let me hit the  
6 regulations just to let you know we've got  
7 those in view. We talked a little bit about  
8 the hearing this morning. The hearing we  
9 started with actually hit on some of the  
10 regulation areas that we are moving forward  
11 with in our key to the process. We talked  
12 about the credit, the ATM debit cards. That's  
13 moving forward and should be in place by about  
14 mid-February.

15 We also got the play management  
16 regulations with the first draft which  
17 Commission is going to look at. They're on  
18 board to look at today if I ever get through  
19 this process. And the concept there is to  
20 actually take a look at this proposed  
21 regulation and see if that is the direction the  
22 Commission wants to go in and then we can  
23 actually move further down that road.

24 Internal controls, the bulk of

1 internal controls were approved by the  
2 Commission some time ago. And we're at hearing  
3 again today. So, with those Penn is able to  
4 move forward with most of its submissions, the  
5 great majority of its submissions. And we are  
6 also on schedule to have the remaining internal  
7 controls dealing with financial reporting and  
8 tax reporting actually at the next Commission  
9 meeting.

10 We've already dealt with transfer,  
11 which is real critical to the slot parlor part  
12 with the licensee reporting. You'll see as we  
13 move down that the Commission has already  
14 passed that and put it in place form emergency  
15 regulation.

16 The two areas further down are two  
17 areas that we have to do more work and we need  
18 to move fairly rapidly on those. One is the  
19 complimentary services area, which most all of  
20 our licensees will have in some format. We  
21 need to make sure that we have the limitations  
22 and the descriptions of that in our  
23 regulations.

24 Preopening and test play is another

1 area that we need to move forward, but we  
2 obviously need to have that finalized in time  
3 for us to complete the preopening inspection  
4 on-site.

5 And the exclusion list, which is  
6 those individuals for in many cases criminal  
7 purposes that are actually in effect banned  
8 from coming in the location. It's different  
9 from the self-exclusion.

10 And our hearing process enforcement  
11 and civil penalties we of course need to have  
12 that done by the time they get open. So, we  
13 got still a little bit of time.

14 Overall, the critical areas that we  
15 need to keep a close eye on, because without  
16 them it will be hard to move forward in June.  
17 That's the lab the certification, the lab  
18 testing and the RFR -- not the RFR. We don't  
19 have to do an RFR, the procurement of the lab  
20 that's going to do the actual on-site testing.  
21 That is probably one of most critical ones.

22 The other is our oversight project  
23 management to make sure that we've got the  
24 conditions like the traffic studies and those

1 things taken care of and on-line. Along with  
2 the lab, one of the other major critical areas  
3 is the preopening inspection and test play.  
4 It's going to be absolutely necessary as we  
5 move forward to getting to the date when they  
6 open.

7 Another critical area will be the  
8 surveillance security plan and internal  
9 controls, which we all hit on as I discussed  
10 earlier. I'm just kind of repeating these.

11 Of course, our gaming agents and the  
12 MSP selection hiring and training. If we don't  
13 have anybody to put in there, that creates a  
14 little bit of a problem and we're in a  
15 situation obviously how well we can license  
16 particularly vendors and employees is going to  
17 be critical to making sure that we get Penn  
18 open on time.

19 COMMISSIONER ZUNIGA: Which means  
20 the LMS has to be working.

21 MR. DAY: Well, if the LMS doesn't  
22 work, we have been and we will continue to do  
23 it in some other fashion, manually if we have  
24 to. We want to have it working. That will be

1 the most efficient way and I think effective.  
2 Because it really will allow people to apply  
3 on-site with the help of their human resources  
4 office. So, it'll do it better. If something  
5 happens and it doesn't, then we may be doing a  
6 lot of paper traveling and tracking until such  
7 time as we can't do anything else to make sure  
8 we get it done.

9 I have to admit that little bump  
10 isn't particularly on my chart, but I'm  
11 anticipating it won't have to be.

12 CHAIRMAN CROSBY: Director Wells  
13 what keeps you up at night?

14 MS. WELLS: I sleep very soundly,  
15 Sir.

16 COMMISSIONER MCHUGH: I had one  
17 question about the play management test project  
18 and evaluation. I thought that we had  
19 discussed with Penn National and through a  
20 consensus certainly not a formal vote that we  
21 would not necessarily deploy that until  
22 everyone was satisfied that the machines were  
23 otherwise stable.

24 MR. DAY: And I agree that's my



1 recollection too. And I think this is just an  
2 optimistic belief that that can be done before  
3 they open. Not necessarily --

4 COMMISSIONER MCHUGH: That doesn't  
5 change the one step, two-step process for that.

6 MR. DAY: Correct.

7 CHAIRMAN CROSBY: It's not a  
8 critical path item.

9 MR. DAY: No, it's not.

10 CHAIRMAN CROSBY: If it's not ready,  
11 the casino still opens.

12 MR. DAY: Right.

13 COMMISSIONER MCHUGH: Okay. Thank  
14 you.

15 CHAIRMAN CROSBY: Anything else?

16 MR. DAY: I think that that's it for  
17 that item. Commissioner?

18 COMMISSIONER CAMERON: Director Day,  
19 you mentioned internal controls. The hearing  
20 we had this morning what is the next step  
21 there?

22 MR. DAY: Actually they need to be  
23 formally adopted by the Commission, any changes  
24 that come in that --

1                   COMMISSIONER CAMERON: So, we'll  
2 wait for the Attorney General's comments before  
3 we move that process along, right? We were  
4 told today that we could get a written --

5                   COMMISSIONER STEBBINS: She's  
6 sending a letter.

7                   MS. BLUE: We're supposed to  
8 comments either today or tomorrow. We are in a  
9 process now where we will be bringing those  
10 back to you within two weeks to look at what's  
11 final and then we'll file.

12                   So, we're already in the very formal  
13 process with the hearing today. As soon as we  
14 get their comments, we'll review them. We'll  
15 make changes but they will come back to you at  
16 the next Commission meeting so we can keep  
17 moving them forward.

18                   COMMISSIONER CAMERON: Okay. I just  
19 wanted to make sure we were waiting for those  
20 comments to come in.

21                   COMMISSIONER ZUNIGA: Another  
22 element, and I thought this was your question,  
23 but another element of the internal controls I  
24 heard today from Penn that they are ready to

1 submit the internal controls plan to Executive  
2 Director Day in the next few days just like  
3 they are required to do for the review of the  
4 actual plan, the actual document. That's also  
5 in the critical path, so to speak. And I'm  
6 pleased to hear that they're also progressing  
7 along,

8 MR. DAY: Commissioner Zuniga, we've  
9 also made it clear to them that they needn't  
10 wait to move it all forward. They're more than  
11 welcome to move each section. And Bruce Band  
12 is working with them individually to make sure  
13 that can happen.

14 CHAIRMAN CROSBY: Okay, great.  
15 Thank you.

16 MR. DAY: Thank you. That concludes  
17 my administrative report.

18 CHAIRMAN CROSBY: We are moving on.  
19 Actually, we're only 10 minutes late. We are  
20 moving onto Director Griffin. And her first  
21 item is the MGM diversity report, Director  
22 Griffin.

23 MS. GRIFFIN: Good afternoon,  
24 Chairman Crosby and Commissioners. We are

1 joined by representatives from MGM who are here  
2 today to present their diversity and  
3 affirmative marketing program. Why don't I let  
4 Mike Mathis introduce his team.

5 MR. MATHIS: Good afternoon, again.

6 CHAIRMAN CROSBY: Welcome back.

7 MR. MATHIS: Thank you. Before I  
8 introduce the team and kickoff on this topic, I  
9 just wanted to make one comment, if I may,  
10 about the prior item, on the CMS. While we're  
11 disappointed with the decision, I wanted to  
12 express our gratitude for the many protections  
13 that you laid into the conditions that felt  
14 reflective of our concerns.

15 I think that speaks to the  
16 relationship that we have with this Commission.  
17 And I appreciate your comments about taking our  
18 concerns to heart. So, sincerely thank you,  
19 thank you for those protections.

20 Moving onto a new topic and one that  
21 we're very excited to talk about I think we're  
22 at the point where we're going to present our  
23 diversity and affirmative action marketing  
24 program. It is a condition of our license.

1 We've had a -- I say we, but really it's been  
2 our team, who I'll introduce in a moment have  
3 had a series of very good conversations and  
4 discussions with Director Griffin. We think  
5 it's resulted in a very good program.

6 And potentially we'd ask for you to  
7 vote on it at the conclusion if that's  
8 appropriate. In advance of that, let me  
9 introduce our team. To my far left, I'm sorry  
10 -- Who is at my far left?

11 MS. HARRIS: That would be me, Gerri  
12 Harris.

13 MR. MATHIS: Sorry, to my far left,  
14 Gerri Harris, Executive Director of Diversity  
15 and Contracts. To her right is Mary Kate  
16 Murren who is our new Director of Workforce  
17 Development and Planning. And then to my left  
18 is Jed Nosal who is our outside attorney who  
19 you've worked with in the past. They will  
20 carry the lion's share of the presentation.  
21 Sorry about that, Gerri.

22 And we'll conclude with an update  
23 about where we're at with our first hires,  
24 which is particularly exciting for me as

1 president of the project. With that Gerri, if  
2 you'd kick it off.

3 MS. HARRIS: Thank you. Good  
4 afternoon. This is my first time before you.  
5 It's a pleasure to be here and to meet each of  
6 you and to present this information with my  
7 team on behalf of our company.

8 So, what we're going to talk about  
9 is -- We have a short deck that will give you  
10 some of our background as our president said.  
11 And then we will entertain any questions, of  
12 course, that you have about it.

13 So, with that said, next slide,  
14 please. Many of you know some of the history  
15 of MGM Resorts in this gaming and hospitality  
16 market. And I want to speak specifically about  
17 our diversity and inclusion commitments.

18 So, it is really a true commitment  
19 from the top of our organization all of the way  
20 through our board of directors. And it  
21 permeates throughout our company in regards to  
22 our company culture, all of our business  
23 operations and our business systems.

24 In 2000, MGM was the first gaming

1 and hospitality company in this industry to  
2 voluntarily adopt a diversity and inclusion  
3 business imperative. So, this again speaks to  
4 our commitment in this space.

5 To give an example of how we are a  
6 pioneer in the gaming industry, we have  
7 countless awards that have been put upon us  
8 across the years since the inception of our  
9 program. And I'm just going to touch on a few.  
10 In 2012, we received the 25 noteworthy  
11 companies for diversity from Diversity, Inc.  
12 magazine, 40 best companies for diversity from  
13 Black Enterprise and top 50 employer's list for  
14 Equal Opportunity magazine.

15 Over the years we've received  
16 similar awards from those magazines or those  
17 agencies including 2013 we ranked number one in  
18 Diversity Inc. for top regional companies.  
19 Women Business Enterprise Council, we were  
20 awarded one of the America's top corporations  
21 for women businesses and top 50 companies for  
22 diversity and inclusion from Uptown  
23 Professional magazine.

24 Again, countless awards. I just

1 pulled those out as an example of some that  
2 relate specifically to what our objectives here  
3 are in regards to our M, WBE participation and  
4 employment.

5 Next slide, please. Now what I'd  
6 like to do is talk about again how our program,  
7 our corporate program has afforded us some of  
8 these awards and acknowledgements. Since 2000,  
9 we have had a program that has recognized  
10 minority business enterprises, women business  
11 enterprises and as the program continued to  
12 evolve DBEs were added to that as well as  
13 veterans and persons with disabilities and now  
14 LGBT as well. So, all of those classifications  
15 are recognized under our corporate program and  
16 are counted in all of our span across the  
17 company.

18 Next slide, please. So as a result  
19 of us capturing data against all of these  
20 classifications, since the inception of the  
21 program, we have had more than 1000 certified  
22 diverse owned businesses and suppliers and  
23 contractors engaged. We've also spent more  
24 than \$3 billion in company expenditures in



1 these various classifications.

2 And this is captured through various  
3 methodologies both automated and manual through  
4 our developments as we're doing now here,  
5 through our capital improvements which I'm also  
6 involved in for all of our existing properties,  
7 and then from the operation side of all of our  
8 properties.

9 COMMISSIONER MCHUGH: Over what  
10 period of time is that?

11 MS. HARRIS: Since 2000.

12 COMMISSIONER MCHUGH: Since 2000.

13 MS. HARRIS: Yes. And I think that  
14 this data actually cut off a year ago. So, it  
15 is still not the most recent data that we could  
16 offer you.

17 COMMISSIONER MCHUGH: Right. Thank  
18 you.

19 MS. HARRIS: Next slide. So, in  
20 doing this, what has this actually resulted in?  
21 And I'm just going to share two case studies  
22 with you. The MGM Grand Detroit project, which  
23 was completed between 2005 and 2007, similar in  
24 value in that it was an investment of \$803

1 million for the company.

2 We had 76 MBEs awarded \$172 million  
3 in contracts, and 11 WBEs awarded over \$24  
4 million in contracts. Again, that was at the  
5 MGM Grand Detroit. And then the City Center  
6 contract, the City Center project that was  
7 completed in Las Vegas that opened in 2009, was  
8 the largest construction project by a private  
9 industry in the US history as far as we know.

10 And that project was over \$8.5  
11 billion. We had over 200 M, W, DBE enterprises  
12 engaged on that project. And over \$700 million  
13 awarded to those M, W, DBEs.

14 COMMISSIONER STEBBINS: Gerri, are  
15 you aware of on the Detroit project because of  
16 collaboration with the city Detroit whether  
17 some of these were requirements placed upon you  
18 because of the introduction of gaming in  
19 Detroit?

20 MS. HARRIS: They were, yes. And I  
21 was not involved on the project at that time on  
22 behalf of the company, but I can say yes that  
23 was a requirement.

24 COMMISSIONER ZUNIGA: Maybe you have

1 this data to us later, but I'd be interested in  
2 your workforce particularly during construction  
3 on a city like Detroit and how those figures  
4 panned out.

5 MS. HARRIS: I can go back and see  
6 if that data was collected. And if we have  
7 that, we'll be happy to share that.

8 Next slide, please. So, that talked  
9 about two examples of our accomplishments and  
10 what we've done in terms of monitoring  
11 diversity and inclusion on two of our  
12 developments.

13 So, now I'm going to touch on some  
14 of the tools of success that was involved in  
15 all of those projects that I just named. What  
16 we do is we ask for the contractors and  
17 designers to consider joint ventures,  
18 partnerships and mentoring programs, because we  
19 know that in some cases smaller businesses do  
20 not have the capacity to take on some of the  
21 contracts that are of the size that are going  
22 to be required for us to meet all of the needs  
23 to build these development.

24 The company has always had dedicated

1 personnel from the corporate level on down to  
2 the project level. Dedicated staff such as  
3 diversity compliance managers and officers.  
4 And within the past few years, I have been  
5 asked to step up as well to make sure that we  
6 have oversight in this area for all of our  
7 regional developments.

8           The program requires that the  
9 companies involved have a commitment starting  
10 at the bid phase in terms of us understanding  
11 what their thought and plan is in terms of  
12 meeting the objectives or the goals that we  
13 have on the project. We validate all of the  
14 diverse certifications of the vendors that they  
15 are considering and require them to keep and  
16 monitor validation of those certs. over the  
17 course of the project. The diversity program  
18 is a contractual obligation.

19           Mike mentioned that I'm over  
20 diversity and contracts. So, for the company  
21 I'm also head of the contracts department  
22 responsible for all of our cap. ex. contracts.  
23 And this is one component of our contractual  
24 obligations to all of our companies.

1           We have this as well throughout all  
2 of our operations which I'm not involved in,  
3 but I know that it's part of the purchase order  
4 and global procurement process as well.

5           MR. MATHIS: Gerri, if I can, let me  
6 redeem myself from earlier and talk about the  
7 fantastic services that Gerri does perform for  
8 us.

9           We've been tracking these statistics  
10 since 2000, as Gerri mentioned. It was in 2000  
11 that the board of directors formed a corporate  
12 level committee, a corporate social  
13 responsibility committee. Jim Murren is chair  
14 of that committee, and former Secretary Alexis  
15 Herman who was Secretary of Labor under Bill  
16 Clinton is the co-chair of that committee.

17           And it's for that reason that we've  
18 been able to collect that data and become  
19 focused on it. And we were the first in the  
20 industry. And I think some of this you've seen  
21 in our RFA-2 documents in terms of our  
22 commitment to this area.

23           But I think what it speaks to is  
24 Gerri's got a dedicated position that is

1 focused on diversity in the context of the  
2 contracts we let out. So, this is not a  
3 position that we hired to comply with the needs  
4 of this program.

5 This is an existing program. And in  
6 fact, she was nice enough to travel late at  
7 night from Maryland where she's also monitoring  
8 and implementing this program. So, with this  
9 program we bring a great deal of institutional  
10 expertise, because we've been doing it for 15  
11 years now.

12 MS. HARRIS: Thank you, Mike. And  
13 before I came up here, I was trying to think  
14 about how long I've been doing this. And  
15 actually it shocked me that the first time in  
16 my brain I said it was almost 30 years. Oh, my  
17 God. I didn't even realize I was that old.

18 CHAIRMAN CROSBY: It gets worse  
19 Gerri.

20 MS. HARRIS: So, the institutional  
21 knowledge is exactly what it is that we bring.  
22 And I am very pleased to be able to be a part  
23 of this team and this company to bring what I  
24 have to the table.

1           So, if I continue here, our model  
2 for the corporate program currently track  
3 participation at Tier I, direct engagements  
4 with MGM, any direct contract with us. Tier II  
5 that would be subcontractors and then Tier III  
6 would come down to the vendor or supplier  
7 level.

8           In our corporate program, we also  
9 have a hierarchy that we work through if in  
10 fact the vendor has multiple certifications.  
11 They have both MBE, WBE and veteran owned  
12 business. In our corporate program, this is  
13 the hierarchy through which we would then say  
14 we would take my MBE classification first.

15           If in fact we wanted to consider my  
16 other classifications then we'd go to WBE and  
17 then ultimately to VBE certification. And  
18 we're going to talk a little bit more about  
19 that as we get through the program. Because I  
20 know this is of concern here.

21           Then the program has pretty heavy  
22 enforcement in terms of the tracking and the  
23 monitoring. Again, reporting begins at the bid  
24 phase and is validated at the contract

1 engagement with documentation that we put in  
2 the contract so that we know whose who, no  
3 opportunity for bait and switch. And then we  
4 have monthly reporting with the billing  
5 process, but then weekly reporting at other  
6 levels to support that monthly reporting.

7 Then we have our continuous review  
8 process. Mike mentioned that this obligation  
9 within our corporation is reported all of the  
10 way up to our board committee. I have had to  
11 sit before that board and have my feet held to  
12 the fire.

13 And we also have our own internal  
14 auditing processes that are regularly applied  
15 to all of our projects to make sure that we  
16 stay on track.

17 Another tool of success is in fact  
18 the leveraging, and I didn't put this bullet on  
19 here, but how we leverage our community  
20 partners to make sure that we can achieve all  
21 of these objectives.

22 Now, that's just a little bit about  
23 what do at the corporate level. But I know  
24 we're here to talk about Springfield and MGM



1 Springfield plan. So, let's talk about that  
2 now.

3 MR. NOSAL: Jill wanted to jump in  
4 and talk a little bit about the process.

5 MS. GRIFFIN: Before we dig into the  
6 plan, maybe I should outline the process that  
7 we went through in terms of receiving public  
8 comment and that sort of thing. Later, I'm  
9 willing to outline the strengths and areas of  
10 concerns that I have regarding the plan.

11 So, you all are aware that these  
12 plans fulfill some licensing requirements or  
13 licensing conditions. And what MGM has  
14 submitted to us today fulfill not only the two  
15 requirements during design and construction but  
16 also they've included some operational  
17 diversity planning.

18 However, that operational  
19 information is much earlier than is required.  
20 There's one other plan that is not yet  
21 submitted that isn't due until the spring of  
22 2015. That's a plan to be submitted and work  
23 done in conjunction with the Department of  
24 Labor and Workforce Development and the career

1 centers. So, they are working on that. And  
2 we've made some outreach to the new Under  
3 Secretary of Labor to get that initial meeting  
4 going.

5 So, included in your materials today  
6 is a red-lined version of the diversity and  
7 affirmative marketing plan. And that red-lined  
8 version illustrates the changes that MGM has  
9 made to the original submission of the plan to  
10 the Commission as a result of comments made by  
11 Commission staff and also comments from the  
12 public that we have solicited.

13 So, we received feedback from the  
14 Mass. Gaming Commission Vendor Advisory Team,  
15 the community colleges, the Department of Labor  
16 and Workforce Development and the Policy Group  
17 on Tradeswomen's Issues. So, you have all  
18 eight written comments from those groups are in  
19 your packet as well.

20 Additionally, there is a separate  
21 chart entitled Blue Tarp Redevelopment response  
22 to diversity program comments. So, MGM looked  
23 at each comment and provided responses and also  
24 indicated if there were any changes to the plan

1 as a result of those comments.

2 So, I think I have some comments  
3 regarding the plan. I'm going to actually wait  
4 until you present and go over. So, I'm going  
5 to turn it back over to you.

6 MS. HARRIS: Okay. Thank you,  
7 Director Griffin. This process MGM is  
8 sincerely appreciative of because it gave us  
9 additional insight. And anytime we are  
10 challenged to give an account of what it is  
11 that we say we stand on, we appreciate the  
12 opportunity.

13 So, as Director Griffin said, the  
14 item in your packet that outlines our response  
15 to each and every question that we received  
16 thus far, we went through it several times,  
17 and you will see that we made adjustments. And  
18 we'll consider any other concerns you may have  
19 as we continue to go.

20 So, if we can go back to the  
21 additional few slides that we have here before  
22 we jump into any question you have on the plan.  
23 This slide talks about the MGM Springfield plan  
24 itself. And I'd like to say that at the outset

1 here that based on our conversations as late as  
2 yesterday, we have made adjustments.

3           And we are committing to applying  
4 the vendor goals that we show here and the  
5 percentages to both dollars spent on design and  
6 on construction. And we are committing to in  
7 fact tracking and including design expenditures  
8 in a supplemental report that will give you all  
9 of the information regarding what has happened  
10 from the design side in the independent support  
11 -- independent documents so that we can address  
12 your concerns.

13           With that said, the diversity goals  
14 that we have set forth in our plan are as  
15 follows: the certified business entities MBEs  
16 five percent, WBE 10 percent and veteran-owned  
17 businesses two to four percent. And then at  
18 the workforce level for covered employees,  
19 which is also defined in the plan through  
20 various minority statuses would be women at  
21 6.9, minorities at 15.3 and veterans at eight  
22 percent.

23           The plan for construction also  
24 encourages and will address apprenticeship

1 programs. And similarly, as to what we do at  
2 the corporate level, we will have a very strong  
3 solicitation that is supported by community  
4 partners. And we have various tactics that we  
5 use to ensure that we do very strong outreach  
6 and solicitation.

7 Then the tracking and reporting and  
8 monitoring will be very similar to what we do  
9 at the corporate level. And of course, in this  
10 instance, we will also work very closely with  
11 Pinck to understand any other reporting or  
12 monitoring concerns that will need to be  
13 addressed.

14 COMMISSIONER STEBBINS: Gerri, a  
15 quick question. You guys haven't selected a  
16 construction manager or a GC yet. How do you  
17 engage them into this part of the plan?

18 MS. HARRIS: We inform them of the  
19 obligation and expectation from the onset of  
20 the conversations with them, and then again, as  
21 a contractual obligation when we do engage  
22 them.

23 COMMISSIONER STEBBINS: Just a quick  
24 question on apprenticeships, obviously

1 apprenticeships in construction I'm assuming  
2 you're referring to --

3 MS. HARRIS: Union apprenticeships.

4 COMMISSIONER STEBBINS: Union  
5 apprenticeships.

6 MS. HARRIS: Yes.

7 COMMISSIONER STEBBINS: Do you make  
8 -- Is your experience been to make somewhat of  
9 an adjustment based on what the available  
10 construction labor workforce is? Or how do you  
11 come up with kind of setting a target for the  
12 percentage of apprenticeships on the project?

13 MS. HARRIS: We have not set a  
14 specific target or number here my understanding  
15 thus far. However, we do seek to maximize or  
16 to have as many apprenticeships as we can and  
17 to encourage workers and residents to seek  
18 apprenticeship programs because we know that  
19 that will then give them a higher quality of  
20 life as they continue to go through the process  
21 and seek other job opportunities.

22 COMMISSIONER STEBBINS: It goes  
23 without saying, Mike and his team, your team  
24 have been on the ground in Springfield and

1 Western Mass. for a while. There's obviously  
2 not as large a construction workforce for a  
3 project like this as there would be say based  
4 in Eastern Massachusetts.

5 So, I just want to make sure you are  
6 sensitive to that reflection. And the  
7 opportunity as you just pointed out to increase  
8 the number of apprenticeships, you have a  
9 chance to fold more people in the construction  
10 trades in that part of the state.

11 MR. MATHIS: Commissioner, I'll tell  
12 you, we are committed to developing a robust  
13 apprenticeship program, because there's two  
14 elements in Springfield. There is the issue of  
15 making sure that they're local. We can always  
16 pull from Eastern Mass. That's where all of  
17 the activity is. But that would be the lazy  
18 way to do it, frankly.

19 COMMISSIONER STEBBINS: That would  
20 not go over well.

21 MR. MATHIS: That would not go over  
22 well. So, we're focused on making sure that we  
23 are able to develop local talent. And we've  
24 been in discussions with the local trade unions

1 about that generally. And now that we're  
2 getting closer to identifying a construction  
3 manager, GC, I think that's the key  
4 relationship. They will set the requirements.  
5 And then the unions are the pipeline.

6 And then secondly, particularly in  
7 the diverse communities, getting those folks  
8 into the right trades and some are easier than  
9 others. Some of the higher-skill trades are  
10 going to take a little bit more lead-time on an  
11 apprenticeship program. And we're aware of  
12 that. So, we'll continue to update you on  
13 those efforts. But we're very focused on  
14 making sure that happens.

15 COMMISSIONER STEBBINS: Okay.  
16 Great.

17 MS. HARRIS: For the most part that  
18 concludes the comments that I wanted to make in  
19 regards to the design and construction aspect  
20 of our program, other than to say that we are  
21 committed to keeping our commitments to  
22 Springfield and the surrounding communities.

23 With that I wouldd like to turn it  
24 over to Mary Kate to talk about the operation



1 aspect of the program.

2 MS. MURREN: Thank you, Gerri. Good  
3 afternoon. It's my pleasure to give you the  
4 plan highlights from an operations standpoint.

5 As Director Griffin mentioned, we  
6 will be having a formalized plan for you in the  
7 springtime really, but wanted to really kind of  
8 give you a status update from the last time we  
9 were here in October where we laid our  
10 partnership with SkillSmart, laid out our  
11 hiring, mass hiring timeline and just wanted to  
12 give you some concrete strategies moving  
13 forward.

14 The covered labor force, as you  
15 recall, the goals are women at 50 percent,  
16 minorities at 50 percent and veterans at four  
17 percent. It's important to note here that as  
18 part of the HCA, it was only two percent from  
19 veterans. And after numerous conversations  
20 with the veteran organizations in Springfield  
21 and the surrounding area, we upped that number  
22 to four percent based on their feedback.

23 We see their participation as  
24 crucial in a healthy and vibrant workforce in

1 Springfield and Western Mass. and we appreciate  
2 their feedback during that process. And then  
3 of course Springfield residents is at 35  
4 percent.

5           As we talked about strategy  
6 development and alignment, we are really not  
7 talking about a straight hiring process here or  
8 model. What we're talking about is a workforce  
9 development model and that is a different case.

10           And it's really a testament to MGM  
11 Springfield and MGM Resorts International's  
12 commitment to revitalizing Springfield and the  
13 Western Mass. area. We are going to have to be  
14 integrating our community partners, our  
15 colleges, our four-year and community partners  
16 to ensure that the education, training programs  
17 are there to really build that capacity from a  
18 local perspective.

19           As our goal states, we have 35  
20 percent from the local area. We have to make  
21 sure that our training and education programs  
22 are in place and are built to capacity. And we  
23 are working diligently with our partners in the  
24 last few weeks. And we will continue to work

1 until we have to present that plan to the  
2 Commission.

3 From a community outreach and  
4 partnership development, we have memos of  
5 understanding and letters of intent that were  
6 formed. Commissioner Stebbins, as you've said,  
7 we've been on the ground for years. We are  
8 very engaged in transitioning from MOUs and  
9 LOIs into hard agreements.

10 We are starting the process to do  
11 audits of our community partners and our  
12 education sessions just to make sure they can  
13 meet some of the core competencies we'd like to  
14 kind of enculture MGM Springfield culture  
15 within those to ensure that we have a good  
16 foundation, and also to ensure that the  
17 population in Springfield is ready for jobs  
18 that they are not MGM Springfield.

19 And finally from an internship and  
20 training programs, we continue to work with two  
21 of our great partners, Holyoke Community  
22 College and Springfield Technical College. And  
23 they're aid and support of building capacity.  
24 It's really important that we build those

1 internships and also the training programs from  
2 a job readiness program to create a successful  
3 pathway to keep our knowledge within  
4 Springfield and also in Western Mass.

5           There's a wonderful knowledgebase  
6 that really goes from Hartford, Connecticut all  
7 of the way up to Northampton. We want to keep  
8 that knowledge and education base in our area,  
9 obviously, with our program with MGM  
10 Springfield and just increase that across  
11 Springfield and Western Mass. in general.  
12 Thank you.

13           COMMISSIONER MCHUGH: Can I ask you  
14 a question about that first bullet, diversity  
15 goals?

16           MS. MURREN: Yes, Sir.

17           COMMISSIONER MCHUGH: It's women 50  
18 percent, minority 50 percent and veterans four  
19 percent that's 104 percent.

20           MR. MURREN: That's true. We do see  
21 that there is a cross-section of demographics.  
22 A person might be within one category and also  
23 representative of another. So, we are going to  
24 be tracking that for the Commission but also,

1 as Mike said, through our CSR program  
2 internally those are things that we do track  
3 from a corporate perspective.

4 MR. MATHIS: If I can, I want to  
5 talk about this potential double count type  
6 issue, which is you saw on an earlier slide we  
7 talked about the priority of certifications  
8 that we look at. That goes to the total  
9 contract amount. Because when it comes to the  
10 total contract amount, I think we wanted to  
11 insure that there is no double counting. And I  
12 need to come up with a better phrase than that,  
13 but that's what we're using for this phenomena.

14 So, there we do a weighting system  
15 and that way we ensure that we get to a total  
16 M, W, DBE, VBE number.

17 In this particular instance, because  
18 of separate commitments we've made in separate  
19 categories, I think the double counting is  
20 inevitable. There's going to be a third of our  
21 employees are going to be Springfield  
22 residents. And they naturally are going to  
23 fall into other demographics that we are going  
24 to be taking credit for and reporting.

1           So, for that reason there is a  
2 potential goal over 100 percent but certainly  
3 the intent is there to make sure that we  
4 achieve the maximum amount of participation in  
5 each of those categories.

6           COMMISSIONER MCHUGH: But there's no  
7 room for non-minority, non-women.

8           COMMISSIONER ZUNIGA: There is.

9           MR. MATHIS: No, there is.

10          COMMISSIONER ZUNIGA: Any one of  
11 those 50 women could be minorities at the same  
12 time.

13          MR. MATHIS: Or could be Caucasian.

14          COMMISSIONER ZUNIGA: Or could be  
15 Caucasian.

16          COMMISSIONER MCHUGH: Oh, I see.

17          MS. HARRIS: With that I think we'll  
18 not let Jed, you can talk on the next slide,  
19 please.

20          MR. NOSAL: Thanks. I'm going to  
21 speak quickly on I guess how this plan all  
22 comes together and give a little bit more  
23 detail about our rationale in presenting in this  
24 form that we did to the Commission.

1           And really talk about it in how it  
2 meets our obligations to not only our license  
3 conditions, the statute, the regulations but  
4 also the host community agreement. That's a  
5 little different than certainly the plans  
6 you've looked at before. We have a foundation.  
7 In many respects, the plan itself that we are  
8 presenting certainly these goals are all  
9 established through our host community  
10 agreement for the most part.

11           It's really structurally the plan  
12 really tracks the HCA models and is intended to  
13 cover our commitments to women, minorities and  
14 veterans in the design and construction phases  
15 as Mary Kate has pointed out, the operations  
16 phase.

17           We think that it makes a lot of  
18 sense to keep these things linked and brought  
19 forward in a comprehensive plan as we did  
20 really because of two core pieces and I would  
21 suggest are the most important things that is  
22 in the document that is before you. That is  
23 the establishment of the goals and then how  
24 we're going to manage those goals.

1           To me the compliance plan that is  
2 the essential two elements. Not the only two,  
3 we provide a lot of other detail on how we're  
4 going to meet those goals. Some of the program  
5 certainly not all, we certainly are reserving  
6 our ability to pivot and move onto other types  
7 of programs that may be appropriate for us to  
8 use there.

9           But really, both for design and  
10 construction and operations the goals and the  
11 way we're going to manage those goals is going  
12 to be consistent throughout.

13           In addition, the affirmative  
14 marketing obligations are targeted to the same  
15 groups for both design and construction and  
16 operation. And we feel that it makes a lot of  
17 sense from the efficiency perspective to  
18 approach it consistently and have some  
19 continuity in connection with these  
20 obligations.

21           It's also important I think for all  
22 of these obligations to be brought together  
23 forward as a total commitment to diversity and  
24 not segregated based on necessarily the phases.



1           And I think as you're going to hear  
2 a little bit from Mr. Mathis, operations hiring  
3 is going to be an ongoing process. And that's  
4 something that we want the certainty of  
5 understanding sort of our goals and have the  
6 Commission understand what we're trying to  
7 achieve in connection with those goals.

8           And finally, just from a management  
9 compliance perspective we do like the idea of  
10 having a single plan. We think that makes it  
11 more efficient certainly for us to have a  
12 master document that we are all working off of.

13           So, we can go to the next slide.

14 This chart is just for the Commission's --

15           CHAIRMAN CROSBY: Jed, just on one  
16 thing. I was going to bring this up at a later  
17 place but you talked about the HCA in effect  
18 being a constraint on your standards.

19           And at several points, I think,  
20 certainly I remember for example one point  
21 where the document refers to best practices.  
22 And one of the comments said we'd like to see  
23 maximum efforts. And you said, well, we can't  
24 do that because the HCA says best practices.

1 I think using HCA as an excuse not  
2 to set a higher standard is a little lame. You  
3 can't go lower than that but just like we did  
4 on veterans you went up from two to four on  
5 veterans and didn't --

6 MR. NOSAL: Absolutely, Chairman.  
7 And I think --

8 CHAIRMAN CROSBY: It's disingenuous  
9 to put in here saying we can't do that because  
10 of the HCA.

11 MR. NOSAL: No. I want to be clear  
12 what we're coming to you today is establishing  
13 essentially what the floor of those obligations  
14 are. So, it's not a lame excuse. It's not a  
15 constraint.

16 CHAIRMAN CROSBY: Well, it says it  
17 can't be unilaterally changed.

18 MR. NOSAL: I think what we're  
19 trying to do is make it consistent certainly  
20 with the host community agreement. And I think  
21 where some of those discussions came around is  
22 in the use of certain terms. And we are  
23 actually proposing sort of a consistency in the  
24 way we approach this. Best efforts for the

1 HCA, best efforts here.

2 Certainly, our intent and I think as  
3 Mr. Mathis has said, is to do a great job. And  
4 I think you've seen some of that in Penn's  
5 performance. And we would like to meet those  
6 standards.

7 But certainly for establishing what  
8 the goals are, we have to have a number, a  
9 starting point for the purposes of these. Some  
10 of those are set for us by statute, certainly  
11 on the labor side in connection with the  
12 reference to Administrative Bulletin 14.

13 But then the other goals we've set  
14 through the HCA, which I also want to stress  
15 that was a document that was done with the  
16 folks that are responsible for the interests of  
17 the city of Springfield. So, I think that does  
18 have import and I think those numbers are  
19 certainly meaningful as well.

20 So, it's a sort of starting point.  
21 It's what we're absolutely required to meet,  
22 but I think I'm fine in saying it's just that.  
23 And we hope to certainly excel in this area as  
24 I think the company's performance has shown

1 over time.

2 MS. HARRIS: Absolutely.

3 MR. MATHIS: That's absolutely  
4 right. I'm very mindful not to set goals that  
5 we can't meet. And I saw in earlier  
6 presentations that despite significant efforts  
7 that potentially given where we are  
8 geographically and given some of the labor gap  
9 in that market, it's going to take a lot of  
10 work.

11 So, I prefer to set the goals that  
12 we got the city of Springfield comfortable with  
13 who I think is most vested in our program. And  
14 to exceed those. We are certainly open to any  
15 discussions about any other parameters or  
16 standards that you would like to apply. For us  
17 best efforts is an extremely high standard.  
18 And we stand behind it.

19 CHAIRMAN CROSBY: That response, I  
20 don't have a problem with. But there is  
21 language in here that suggests we can't do this  
22 because of the HCA. And I don't think that's  
23 really quite right.

24 I get what you want to say. You're

1 saying this is a floor. This is a minimum. We  
2 are committed to this. I get all that.  
3 Anyway, I made my point.

4 MR. NOSAL: Chairman, I think it's  
5 more of a consistency aspect, certainly, as  
6 opposed to looking at the as a crutch or an  
7 excuse. That's where we started. That's what  
8 we came up with in connection with our partners  
9 with the city of Springfield. And that's what  
10 we're going to move off of.

11 MS. HARRIS: And if I may, Chairman,  
12 I'd just like to understand. Are you referring  
13 to language in the program itself or in some of  
14 the material we provided in addressing  
15 responses?

16 CHAIRMAN CROSBY: We'll get to them.  
17 I've got some of them tabbed here. We've spent  
18 enough time on this one.

19 MS. HARRIS: Thank you.

20 MR. NOSAL: With that, the last  
21 piece is we plan to wrap in that program,  
22 unique program for marketing to the unemployed  
23 in our partnership with the Office of Labor and  
24 Workforce Development. We've kept a sort of

1 space here for us to just add that in. And we  
2 fully understand that we'll come back before  
3 you for your review and approval.

4 CHAIRMAN CROSBY: Okay.

5 MR. HARRIS: Thank you. With that  
6 the next slide, and we'd like to have Mike  
7 close up.

8 MR. MATHIS: This speaks to the  
9 organizational chart that we've implemented in  
10 the program as the oversight on the program. I  
11 think the takeaway here is that myself included  
12 we intend to manage this at a very senior  
13 level.

14 It's an important program for us  
15 both within MGM Resorts, because we answer that  
16 very important board committee which includes  
17 our Chairman, but also with respect to giving  
18 you an assurance that we are managing this at a  
19 very high level.

20 And I think you'll note to the  
21 right, we're proposing two external advisors  
22 that would be part of the board, analogous to  
23 an independent auditor or independent director  
24 in a board context to help us manage this

1 process, and make sure that we are implementing  
2 best practices and best efforts. So, that's in  
3 the program and I thought it was worth  
4 highlighting in terms of our commitment on this  
5 issue.

6 COMMISSIONER STEBBINS: Is there a  
7 reason you're outside the box?

8 MS. HARRIS: I just think it's  
9 showing the reporting structure, but trust me,  
10 I'm in the box.

11 MR. MATHIS: Yes. Commissioner  
12 Stebbins, Gerri's direct supervisor is Hunter  
13 Clayton who is in the box. So, this is going  
14 to be a team effort. This does not reflect all  
15 of the resources we're going to bring to bear  
16 on the program. It's just the committee  
17 itself.

18 COMMISSIONER STEBBINS: In all  
19 deference to Gerri, it stands out. You think  
20 outside the box, but we don't want you  
21 figuratively outside the box.

22 MR. MATHIS: That's right.

23 MS. HARRIS: I'll bring that up to  
24 Mr. Clayton when I see him.

1                   COMMISSIONER STEBBINS: Don't get me  
2 in trouble.

3                   MR. NOSAL: I do want to make a  
4 distinction there as well. Gerri is part of  
5 our compliance team, so fully integrated and  
6 plays an incredibly important part including in  
7 areas of early intervention certainly over the  
8 aspects of plan she is required to manage from  
9 a contractual perspective.

10                  MS. HARRIS: Mike, I think you had  
11 the next one.

12                  MR. MATHIS: Yes. Next slide,  
13 please. I asked the team to put this together.  
14 It's very early. This is our report card, so  
15 to speak, on the operational side. Thanks to  
16 the efforts of Director Wells and her licensing  
17 team, we've brought on our first five employees  
18 of MGM Springfield effective January 12.

19                  That was a huge milestone for the  
20 project and for me personally with myself  
21 included as six employees. This is the type of  
22 report card that I'm going to be asking for  
23 internally across all different areas  
24 construction, operations, applicant pool. And



1 this is the type of information we would look  
2 to share with you real-time.

3           So, just in terms of a snapshot. Of  
4 our six employees, and I think Commissioner  
5 McHugh this will highlight the way we handle  
6 this multiple classification issue. We've got  
7 six employees. Four of them or two-thirds are  
8 female as noted on the gender pie chart. Of  
9 our six employees half of them are diverse.  
10 Also, of our six employees four of them are  
11 from within Western Massachusetts from a  
12 residency requirement. Two of them are  
13 Springfield residents.

14           So, we are at one-third of our 35  
15 percent compliance requirement on Springfield  
16 residents. Obviously, there's not a big enough  
17 field to show that we're going to ultimately  
18 get there. But this is the type of monitoring  
19 that we're going to do real-time.

20           So, for example, one of the things  
21 that stuck out to me is we need to be focused  
22 on bringing Hispanic team members on in the  
23 next wave, for example. One of the things that  
24 stood out to me was we need to be thinking

1 about veterans for the next wave.

2           So, we will continue to provide this  
3 information to you. Frankly, if we're falling  
4 short, I think this is a collective effort.  
5 And I know Commissioner Stebbins and Director  
6 Griffin will provide as many resources, but  
7 we'll tell you when we're falling short and  
8 look for assistance and guidance. We don't  
9 think we can do this on our own.

10           But transparency I think is  
11 important. And we're off to a really good  
12 start. We will be doing an announcement to  
13 detail those hires next week but they are folks  
14 that you saw when you were in our local office.  
15 They are young men and women that have been  
16 part of this team for two or three years. And  
17 they're reflective of the community and they'll  
18 continue to be reflective of the community.

19           So, I think with that that is the  
20 conclusion of our program, the summary of our  
21 program. There's a very extensive document  
22 with the highlights that Jill referenced. And  
23 for another reason that we've got a full  
24 complement of our team here, I'd ask if it's

1 appropriate to get a vote to approve it or at a  
2 minimum to make sure that we've answered enough  
3 of your questions that perhaps we're in a  
4 position to get it approved at the next  
5 hearing.

6 MS. GRIFFIN: If I could summarize  
7 some highlights and maybe areas of  
8 clarification. During design and construction,  
9 MGM has committed to oversight and monitoring  
10 of the workforce and vendor diversity from the  
11 highest levels of the organization including  
12 President Mathis.

13 They have established a diversity  
14 compliance team. They have established an MGM  
15 Springfield diversity committee to monitor  
16 overall compliance, monitor effectiveness of  
17 training and outreach and make recommendations  
18 to the diversity compliance team.

19 They're on the ground monitoring  
20 appears strong as well. They have assigned  
21 Gerri, the Executive Director for Diversity and  
22 Contracts for the day-to-day compliance. She  
23 will bring on two independent external  
24 diversity advisors.

1 I remember my first week on the job,  
2 one of our community advocates Lou Finfer said  
3 are the casinos going to be hiring external  
4 monitors? So, I was glad to see this in the  
5 program.

6 One of the area of concern that I  
7 had with the revision, and I think Gerri  
8 mentioned a clarification, but I would like to  
9 really highlight it, the plan looks as if there  
10 is a combined design and construction goal or  
11 goals during construction. And I think what  
12 you clarified was those goals are for each  
13 phase, design separate and then construction.

14 MS. HARRIS: That is correct.

15 MS. GRIFFIN: I do want to clarify  
16 that if plan is voted on and approved that that  
17 be clarified.

18 COMMISSIONER MCHUGH: So, the bottom  
19 line there is we would get separate  
20 measurements for design and separate  
21 measurements for construction, each of which  
22 would conform to the goals.

23 MS. GRIFFIN: Correct. MGM has  
24 committed to reporting on the design separate

1 from the construction and has separate not  
2 combined goals. So, I was concerned that they  
3 were combining the two. That's all.

4 MR. MATHIS: Just to be clear, we  
5 were combining them but you asked us to  
6 separate them. And we're happy to do that.

7 CHAIRMAN CROSBY: I wasn't going to  
8 say something but thank you.

9 MS. GRIFFIN: We've had some really  
10 good conversations over the last couple of  
11 weeks.

12 MR. MATHIS: She doesn't look it,  
13 but she's very scary.

14 MS. HARRIS: Correct.

15 MS. GRIFFIN: Their supplier  
16 diversity goals for construction total 17  
17 percent combined. When compared to the state  
18 goals, which have a combined MBE and WBE goal,  
19 combined goal of 10.4 percent, I really have to  
20 applaud them. I think reasonable,  
21 aspirational, so I think that's great.

22 They adopted the workforce diversity  
23 goals for construction, the state goals. But  
24 they also included an eight percent goal for

1 veterans, which is higher. So that was  
2 interesting.

3 I know Commissioner Stebbins you  
4 took note of the advertising and promoting the  
5 business opportunities and outreach sessions  
6 and vendor fairs that they've committed to.  
7 And also committed to providing training for  
8 the business entities regarding best practices  
9 in business.

10 And additionally, one of the  
11 concerns about not having as many certified  
12 minority, women and veteran companies, they  
13 tackled this by providing assistance or  
14 committing to provide assistance in helping  
15 these businesses get certified. So, that was  
16 good.

17 Then the operations phase, I think I  
18 look forward to your future work with the  
19 Department of Labor and Workforce Development  
20 and the career centers for additional  
21 information. But, I appreciate the front-line  
22 training, the job readiness training and ESOL  
23 commitments to your employees, and also the  
24 information about apprenticeships.

1           So, actually, I think this is a  
2 strong plan. I look forward to more  
3 information in the operational phase in the  
4 months to come.

5           COMMISSIONER STEBBINS: I just want  
6 to say and compliment Jill, the last week and  
7 half, any time I've called her, she says I'm on  
8 the line with MGM and I can't talk to you right  
9 now.

10           So, I appreciate all of her efforts.  
11 I appreciate the efforts of MGM and taking into  
12 consideration a lot of the comments and  
13 feedback Jill has gotten from our stakeholders  
14 kind of across the board.

15           I have a couple of questions if I  
16 can dive into a little bit of detail within the  
17 plan, if that's all right.

18           First of all, compliment you on the  
19 kind of compliance and oversight structure that  
20 you've had in place. It sounds like it's  
21 consistent through all of MGM's projects as you  
22 pursue new developments. Appreciate the fact  
23 that somebody at your level Mike is involved in  
24 the compliance piece to it.

1           There was some language in there  
2 about -- Gerri, it sounded almost like you are  
3 only involved during the construction phase.  
4 And if that's the case, who does the  
5 responsibility shift to for compliance after  
6 the construction phase is over? Or maybe I'm  
7 reading this incorrectly.

8           MS. HARRIS: My focus is  
9 construction phase. However, the program which  
10 is why we wanted -- felt it was a strong  
11 presentation to have it combined, the model and  
12 all of the tracking aspects will be in place.  
13 And it will continue on through the operations  
14 phase.

15           The specific person, and I have a  
16 counterpart within the organization, and I  
17 don't know if that person will be -- I'm sure  
18 she will be involved in this as well, but there  
19 may be another project specific person too. I  
20 can't speak to that fully right now, unless  
21 Mike can.

22           MR. MATHIS: It's an interesting  
23 question because I think you've seen some of  
24 our corporate stats. We are 64 percent diverse



1 across 62,000 employees. We have a third of  
2 our management are diverse employees.

3 So, it's something that is so  
4 institutionalized that I don't think -- once we  
5 open, we have such great rates of retention  
6 that it's not something we feel like we need to  
7 actively manage. But that said, we understand  
8 our obligations in the context of the host  
9 community agreement, for example, is continuing  
10 as a separate operations requirement.

11 So, I think what we'll do is we'll  
12 come back for the April submission and  
13 articulate that for you.

14 COMMISSIONER STEBBINS: Okay. And  
15 one of the issues you raised in this is talking  
16 about the certification process of some of  
17 these businesses. And I know that you're  
18 dealing in a region which has a very low  
19 percentage of registered minority- and women-  
20 owned businesses. It's a challenge.

21 I think we've had -- I've had some  
22 internal conversations with our legal team in  
23 the licensing process. How can somebody begin  
24 to get their license to do business with you

1 and at the same time begin pursuing on a  
2 separate track their certification. So,  
3 they're not waiting to have one before they go  
4 off to do the other. But still again at some  
5 point when the certification is complete, we  
6 allow you to count those as your MBE and WBE  
7 participation.

8 One of the other commitments that  
9 has been made in terms of workforces is that if  
10 I did my math right, another 55 percent of your  
11 employees are going to come from the greater  
12 region. So, 35 percent within Springfield. I  
13 think it's another 55 percent from the greater  
14 region.

15 MR. MATHIS: That's right.

16 COMMISSIONER STEBBINS: And 10  
17 percent --

18 MR. MATHIS: The Mike Mathis of the  
19 world.

20 COMMISSIONER STEBBINS: That's  
21 right. We're going to flip that residency  
22 portion eventually.

23 MR. NOSAL: I'll just point out this  
24 is how specific, detailed the HCA is to the

1 credit of the Springfield team, because the  
2 issue is if I move to Springfield, do I then  
3 check that box. And the answer is no. As of  
4 the date of hire, the person had to have been a  
5 resident for at least six months.

6 That's how well thought out and how  
7 restrictive those obligations are, for example.  
8 But you're right, another 55 percent from  
9 Western Mass.

10 COMMISSIONER STEBBINS: Again, I've  
11 shared this with Jill, I applaud what you've  
12 done. As I was talking to Jill earlier, it's  
13 interesting. We want this to be kind of an  
14 open plan. We want it to be flexible as you  
15 move ahead, be flexible as you begin to work  
16 the new community partners, take on different  
17 strategies. We want this to be more of a  
18 living document.

19 On the flipside and maybe I'll  
20 attribute this to Jed, it's also more of a  
21 legal document and understand that purpose as  
22 well. Where I come down right now, I am very  
23 comfortable with giving go-ahead on the design  
24 and construction piece of this. But I would

1 suggest or make us think about holding off on  
2 approval of the operational piece until some of  
3 the workforce training, planning and strategies  
4 that Mary Kate is working on kind of come to  
5 fruition.

6           There's nothing in here that raises  
7 an eyebrow, but I think it'd be appropriate to  
8 think about that workforce development plan and  
9 this diversity piece of it for the operational  
10 plan kind of coming together. And it sounds  
11 like your plan is to do that in the next few  
12 months anyway. But I would certainly endorse  
13 the first few pieces of it for design and  
14 construction.

15           MR. NOSAL: Commissioner, I'll react  
16 to that first.

17           COMMISSIONER STEBBINS: I knew you  
18 would.

19           MR. NOSAL: Just talk about sort of  
20 what the document is intended to do and what  
21 it's not.

22           And it's not intended to be a  
23 laundry list of absolutely every program, every  
24 effort, every person that's going to be

1 involved in these efforts. What it's really  
2 designed to do is to set forth sort of the  
3 expectations and give you a confidence level  
4 that those goals are going to be managed in a  
5 certain way.

6 I think I take sort of your comment  
7 about wanting to have the flexibility. And I  
8 think about some of the comments that were made  
9 sort of throughout the process back with Jill  
10 and getting through a lot of stakeholders. I  
11 think the plan is not going to be designed at  
12 the again that laundry list.

13 I think we want to have the  
14 flexibility to say this is working really well  
15 or maybe something is working really well at  
16 another property. Or maybe we're coming up  
17 really short here and we have to add additional  
18 resources or programs in order to meet those.

19 I think what we're ultimately asking  
20 for on the operations side is really an  
21 endorsement of what the goals and the  
22 management structure and not absolutely every  
23 program that we're going to do in order to  
24 implement it.

1           When I think about sort of the  
2           discretion and the managerial discretion that  
3           we want to have to be able to switch those  
4           things out, I think we're never going to get a  
5           document that's going to certainly satisfies  
6           some of the folks that have been critical that  
7           we don't have that level of detail there. But  
8           we don't for a reason and that is that we want  
9           to have every tool available for us. And we  
10          want to be able to switch those tools out as we  
11          move through this process.

12                 MS. GRIFFIN: Could I suggest  
13           actually, Commissioner Stebbins, one  
14           alternative may be to approve the entire plan  
15           with the condition that we re-discuss the  
16           operations portion when they come back for the  
17           plan for the unemployed in the spring. That  
18           may be an option.

19                 COMMISSIONER STEBBINS: We also I  
20           believe have a license condition which talks  
21           about we have the opportunity to sit down with  
22           our licensee and their GC or construction  
23           manager at the time they're selected to kind of  
24           walk through some of these diversity goals as

1 well.

2 MR. NOSAL: Commissioner that is  
3 correct. I can't recall off the top of my  
4 head. I think it's one of the last few  
5 conditions on the license. Again, I think this  
6 plan is dynamic to certainly if something comes  
7 out of those particular discussions then that  
8 obligation can be wrapped in, understanding  
9 sort of that we're just looking for really some  
10 certainty around the goals and certainty around  
11 our overall oversight and management of the  
12 plan.

13 COMMISSIONER STEBBINS: Which again,  
14 I think are extremely strong. I think my  
15 initial reaction, and I appreciate you pointing  
16 that out, my initial reaction was I was hoping  
17 to see more meat on the bones of this plan.  
18 Not to say there isn't a lot and please don't  
19 think this anyway questions at least my  
20 impressions of MGM's strong record on  
21 diversity.

22 As long as we're kind of comfortable  
23 and we know where ultimately we need to be,  
24 there are other pieces to this plan and

1 proposal that need to happen, I might be  
2 willing to entertain Jill's recommendation.

3 Another quick question and Jill just  
4 fill me in only because you're doing a lot of  
5 work on the access and opportunity group  
6 where's the linkage with MGM and their  
7 oversight audit role in staff and that sort of  
8 stuff?

9 MS. GRIFFIN: In the document MGM  
10 commits to participating in the Access and  
11 Opportunity Committee. And they've assigned a  
12 representative. Is it Seth --

13 MR. MATHIS: Seth Stratton.

14 MS. GRIFFIN: -- Stratton to be the  
15 representative for the Access and Opportunity  
16 Committee.

17 MR. NOSAL: Commissioner, I do want  
18 to point out one of the changes we made through  
19 our discussions as well as to add a specific  
20 commitment to participate with all of the  
21 advisory groups. Again, I think the strength  
22 of our plan is that we're committing to the  
23 ones that exist today and if the Commission in  
24 a year has a new one, we plug it in.



1 COMMISSIONER STEBBINS: Okay.

2 Thanks.

3 COMMISSIONER CAMERON: I'd be  
4 comfortable approving because of their track  
5 record, frankly, and how many years they've  
6 been paying attention to these issues. Also I  
7 am impressed with the commitment to  
8 apprenticeships, training for those who do not  
9 have the skills presently and thirdly the  
10 assistance with certifications. Those are  
11 impressive pieces of this plan, I think.

12 CHAIRMAN CROSBY: Other questions?  
13 I have got just a few a quick ones. Jill or  
14 Commissioner Stebbins have you looked through  
15 the exclusions issue? I know this is kind of  
16 an industry-standard. And it could be a way to  
17 sort of defeat the purpose here. Have you guys  
18 looked at that in any systematic way?

19 COMMISSIONER STEBBINS: That was an  
20 attachment, right?

21 CHAIRMAN CROSBY: It's a clause in  
22 Article 7. It says we're going to adopt the  
23 HCA exclusions. And then in Appendix D the  
24 exclusions are listed, which for the most part

1 I think are sort of logical although there are  
2 some travel agency commissions, insurance and  
3 claims, even entertainment I think is  
4 interesting. I just wondered whether you guys  
5 had looked through that and felt comfortable  
6 with it?

7 MS. GRIFFIN: We have looked through  
8 it. The AGA exclusions, the Commission voted  
9 on when they voted on the Penn National.

10 CHAIRMAN CROSBY: Good point.

11 MS. GRIFFIN: And MGM actually has  
12 instituted a process. And could you describe  
13 that process?

14 MR. NOSAL: Sure, yes. There  
15 certainly is a clause in our plan too where we  
16 may come to you and propose an additional  
17 exclusion that's not unilateral that would  
18 require us to provide notice and provide  
19 opportunity essentially for the Commission to  
20 approve.

21 It's just an additional thing here.  
22 But we really -- Sort of hopping on Jill's  
23 point, I think we felt comfortable putting this  
24 forward because it's what's being applied to

1 the other licensee.

2 CHAIRMAN CROSBY: Yes.

3 COMMISSIONER STEBBINS: Just to  
4 answer your question. I guess one of the  
5 sections in that list that I kind of looked  
6 more deeply at, and Jill and I haven't sat down  
7 and looked at this list, but it was more of the  
8 spend categories that are currently excluded  
9 but now needed to be included. And I think  
10 there's a lot of opportunity in those  
11 categories where we could have a conversation.  
12 But those are the external travel agencies,  
13 seminars and training in some of those  
14 categories.

15 MS. GRIFFIN: Locally, we may have  
16 businesses in some of the categories and we  
17 could have that conversation.

18 CHAIRMAN CROSBY: I mean, since  
19 we've adopted it once and as a cursory look, it  
20 seems reasonable. Something we might just  
21 think about, particularly Commissioner Stebbins  
22 with your expertise and focus. Once we get up  
23 and running, we might talk with the AGA and  
24 others just to see is that list still current?

1 Does it still make sense? Sometimes these  
2 things kind of get locked in stone and never  
3 get rethought.

4 MS. GRIFFIN: That's a great idea.

5 CHAIRMAN CROSBY: Jed, just for the  
6 record, 6.8 and 7.1 are places where you use  
7 the HCA as a reason to justify something which  
8 I think really doesn't make sense, but let's  
9 not revisit that. But you can take a look at  
10 6.8 and 7.1.

11 MS. HARRIS: Okay, thank you.

12 CHAIRMAN CROSBY: Anything else?  
13 Commissioner Stebbins, do you want to offer a  
14 vote?

15 COMMISSIONER STEBBINS: Sure, Mr.  
16 Chair, I would recommend that the Commission  
17 give approval to the affirmative marketing  
18 program for design and construction and  
19 operations as presented by MGM subject to --  
20 Jill, you had phrased it.

21 MS. GRIFFIN: I was going to add,  
22 did you want to ask them to further clarify the  
23 design and construction goals in the document.

24 COMMISSIONER STEBBINS: Yes, further

1 refinement of design and construction  
2 diversity --

3 MS. GRIFFIN: -- and reporting.

4 COMMISSIONER STEBBINS: -- and  
5 reporting. And again, for this to be followed  
6 up by a training and education strategy for the  
7 region.

8 MS. GRIFFIN: A plan for the  
9 unemployed in the spring of 2015.

10 COMMISSIONER STEBBINS: A plan for  
11 the unemployed in the next four or five months.

12 CHAIRMAN CROSBY: It's more than  
13 just the training. It's more -- I think their  
14 whole idea was in April or whenever, they were  
15 going to come back with a more fleshed out plan  
16 which would include the training but a bunch of  
17 other stuff too. So that's my impression.

18 MS. GRIFFIN: Right.

19 CHAIRMAN CROSBY: So, sort of  
20 subject to an amendment in April or whatever.

21 COMMISSIONER STEBBINS: Correct.

22 COMMISSIONER MCHUGH: Does that boil  
23 down to approval in principle with  
24 clarifications and amendments to come? Is that

1 what the thrust of this motion is?

2 COMMISSIONER STEBBINS: That's the  
3 thrust of my motion.

4 COMMISSIONER MCHUGH: It's important  
5 for everybody to understand just what we're  
6 doing.

7 MR. NOSAL: Just to be clear, there  
8 is a specific license condition regarding  
9 marketing program for the unemployed, which  
10 we're suggesting will be added to this and come  
11 to you for approval.

12 I think as we move forward,  
13 certainly, and start putting as you put  
14 Commissioner Stebbins, meat on the bones when  
15 it comes to our programs that to me is an  
16 ongoing process that we're going to have with  
17 Jill. And we're happy to come back in and make  
18 presentations on those efforts whenever the  
19 Commission desires.

20 COMMISSIONER STEBBINS: I personally  
21 think it would be helpful. I also know that  
22 that condition required participation from the  
23 Executive Office of Labor Workforce and  
24 Development who is going through a transition

1 right now and may need some time to stop  
2 drinking from the fire hose before they look at  
3 your plan and think about it.

4 CHAIRMAN CROSBY: Second?

5 COMMISSIONER CAMERON: Second.

6 CHAIRMAN CROSBY: Second what?

7 COMMISSIONER CAMERON: Commissioner  
8 McHugh's shortened motion.

9 CHAIRMAN CROSBY: Right. Any  
10 further discussion? All in favor, aye.

11 COMMISSIONER MCHUGH: Aye.

12 COMMISSIONER CAMERON: Aye.

13 COMMISSIONER ZUNIGA: Aye.

14 COMMISSIONER STEBBINS: Aye.

15 CHAIRMAN CROSBY: Opposed? The ayes  
16 have it unanimously. Let's take a very quick  
17 break and we'll come back for item seven in  
18 just a second.

19  
20 (A recess was taken)

21  
22 CHAIRMAN CROSBY: We are ready to  
23 reconvene. We are at agenda item number seven  
24 legal division, Catherine Blue, General

1 Counsel.

2 MS. BLUE: In your packet today, the  
3 first of a series of polices that talk about  
4 how the Commission will deal with its records.  
5 We think it's important that we sort of  
6 describe and then clarify the policies that we  
7 have regarding the many records that the  
8 Commission has.

9 So, the first place to start and the  
10 most appropriate place to start would be to  
11 define what those records are. That's the  
12 first policy in your packet. It's called  
13 records of the Commission. The purpose of the  
14 policy is to define what the records are. The  
15 records of the Commissioner are all of the  
16 documents that are created by or filed by or  
17 received by or filed with the Commission. The  
18 second purpose this policy too is to support  
19 what is --

20 CHAIRMAN CROSBY: Catherine, excuse  
21 me. We have no picture on the monitor here.  
22 Is it up? It's on the Web?

23 AV TECH: Yes.

24 MS. BLUE: The second purpose of the



1 policy too is to support our statute. Because  
2 our statute does specifically talk about the  
3 Secretary of the Commission being responsible  
4 for the records of the Commission. So, this is  
5 to provide some guidance to that portion of our  
6 statute and also to define it. So, what  
7 you'll see in the first policy is we define our  
8 records. We talk about where they're stored,  
9 which is at the Commission's offices. We talk  
10 about when they'll be archived and when how  
11 they will be archived.

12 And we do mention for the first  
13 time, our record retention policy which will be  
14 coming to you in the next Commission meeting.  
15 So, that's in furtherance of this policy.

16 And then the second policy that you  
17 have behind it is a redaction policy. We've  
18 often talked about redacting public records.  
19 This policy basically quantifies how we will  
20 treat redactions when we get requests for our  
21 records, which are public records, and gives a  
22 little bit more specificity to how we handle  
23 that.

24 So, we're asking the Commission to

1 take a look at these policies, let us talk  
2 about any questions or concerns you may have.  
3 And then we're asking for a vote on them. And  
4 we'll move to the next policies at the next  
5 Commission meeting.

6 CHAIRMAN CROSBY: Questions or  
7 thoughts?

8 COMMISSIONER MCHUGH: Insofar as the  
9 records of the Commission are concerned,  
10 insofar as both policies are concerned, I'm  
11 satisfied with it. But I do think that in the  
12 records of the Commission policy, there is a  
13 discussion of storage, where they are stored,  
14 how they are labeled, the scanning process, the  
15 training process. And I really think that is a  
16 very much of a work in progress. I think it's  
17 very much of a work in progress. So, let me  
18 put a period there.

19 And I think that if we approve this  
20 policy today, that we ought to make and I would  
21 request that any motion to approve it include a  
22 commitment to revisit this issue in whatever is  
23 a reasonable period of time to have training  
24 conducted, have the specific places where we

1 are going to store electronic -- paper records  
2 laid out, to get everybody up to speed on this  
3 as quickly as possible.

4 Because if we don't do that then we  
5 have a policy without implementation. And  
6 there probably can't be anything worse. So, I  
7 think it's a good policy, but I really think we  
8 need to get it implemented.

9 We started with the implementation  
10 process or put a structure for an  
11 implementation process in place during the move  
12 when we all categorized records and the like.  
13 But we haven't done it rigorously since we did  
14 move. I don't think most of us really are  
15 thinking about central filing of paper records.  
16 And I think we need to do that.

17 And then we need to have those  
18 thoughts combined with where are we going to be  
19 down the line when we get to the document  
20 management system. So, we need to get the CIO  
21 in there, not right now, and maybe we have some  
22 protocols where the scanned records can be  
23 filed on one of the drives that's accessible to  
24 everybody using -- There's a lot of ways to go.

1                   But I do think we need to take and  
2 make a commitment to take the next step  
3 promptly after we approve this policy. And  
4 revisit it at a Commission meeting to ensure  
5 that we are and keep revisiting until we get it  
6 done.

7                   CHAIRMAN CROSBY: Would you make  
8 that part of the motion?

9                   COMMISSIONER MCHUGH: I would, yes.

10                  CHAIRMAN CROSBY: Other comments on  
11 either policy?

12                  COMMISSIONER ZUNIGA: I agree with  
13 everything that Commissioner McHugh states. I  
14 would add the very minute point that our other  
15 policies we also at a date and we've approved  
16 them, which is always helpful to me. And maybe  
17 we can have a little bit of that track or  
18 history in a couple of these important  
19 policies, especially on the heels of what  
20 Commissioner McHugh is talking about.

21                  MS. BLUE: We will add that. This  
22 is designed to take the same format as our  
23 other policies and will be included with those  
24 policies. So, we will add a signature line and

1 a date as well.

2 COMMISSIONER ZUNIGA: Great.

3 CHAIRMAN CROSBY: Anybody else?

4 Commissioner McHugh do you want to try a  
5 motion?

6 COMMISSIONER MCHUGH: Let's do them  
7 separately. I move that the Commission adopt a  
8 Commission policy, the policy defining records  
9 of the Commission, and that the Commission  
10 revisit the policy to determine the extent to  
11 which it's been implemented and the degree to  
12 which it's been implemented and the remaining  
13 implementation details in a meeting two months  
14 from today, approximately two months from  
15 today.

16 COMMISSIONER CAMERON: Second.

17 COMMISSIONER MCHUGH: Before I make  
18 that final, is that a reasonable thing to  
19 propose?

20 MR. DAY: It is.

21 COMMISSIONER MCHUGH: So,  
22 approximately two months from today.

23 CHAIRMAN CROSBY: Second?

24 COMMISSIONER CAMERON: Second.

1 CHAIRMAN CROSBY: Any further  
2 discussion? All in favor, aye.

3 COMMISSIONER MCHUGH: Aye.

4 COMMISSIONER CAMERON: Aye.

5 COMMISSIONER ZUNIGA: Aye.

6 COMMISSIONER STEBBINS: Aye.

7 CHAIRMAN CROSBY: Opposed? The ayes  
8 have it unanimously.

9 MS. BLUE: So, the next item under  
10 legal is the small business impact.

11 CHAIRMAN CROSBY: Sorry, we just did  
12 one of the policies.

13 MS. BLUE: Oh, we just did one. I'm  
14 sorry.

15 COMMISSIONER MCHUGH: Is there  
16 anything further to say about that General  
17 Counsel Blue, the redaction policy?

18 MS. BLUE: No. The redaction policy  
19 tracks what we do now and tracks the statute as  
20 well.

21 COMMISSIONER MCHUGH: Okay. Then I  
22 move that the policy statement entitled  
23 redaction of public records of the committee  
24 (SIC) as it appears in the Commission packet be

1 adopted.

2 COMMISSIONER CAMERON: Second.

3 CHAIRMAN CROSBY: Any further  
4 discussion? All in favor, aye.

5 COMMISSIONER MCHUGH: Aye.

6 COMMISSIONER CAMERON: Aye.

7 COMMISSIONER ZUNIGA: Aye.

8 COMMISSIONER STEBBINS: Aye.

9 CHAIRMAN CROSBY: Opposed? The ayes  
10 have it unanimously.

11 MS. BLUE: So, the next document in  
12 your package is a small business impact  
13 statement. It is for our regulation 205 CMR  
14 129. This is the transfer of interests. This  
15 regulation has come before the Commission in  
16 informal mode. We are now using this to start  
17 the formal process.

18 We have filed the regulation with  
19 the Local Government Advisory committee. This  
20 is the initial small business impact statement  
21 filing. Once we've filed this with the regs.  
22 we'll start the formal process. We anticipate  
23 scheduling this for a hearing sometime in early  
24 March, end of February, early March. That

1 regulation has no impact on small businesses.  
2 It is predominantly for the transfer of our  
3 gaming licenses.

4 COMMISSIONER STEBBINS: I move that  
5 the Commission approve the small business  
6 impact statement with respect to 205 CMR 129  
7 transfer of interests.

8 CHAIRMAN CROSBY: Second?

9 COMMISSIONER CAMERON: Second.

10 CHAIRMAN CROSBY: Any further  
11 discussion? All in favor, aye.

12 COMMISSIONER MCHUGH: Aye.

13 COMMISSIONER CAMERON: Aye.

14 COMMISSIONER ZUNIGA: Aye.

15 COMMISSIONER STEBBINS: Aye.

16 CHAIRMAN CROSBY: Opposed? The ayes  
17 have it unanimously. Thank you.

18 COMMISSIONER ZUNIGA: Did you get  
19 any comments on these regulations as part of  
20 the informal process?

21 MS. BLUE: We did not. So, I expect  
22 comments through the formal process.

23 CHAIRMAN CROSBY: And now item  
24 number eight research and responsible gambling.



1 MR. VANDER LINDEN: Good afternoon,  
2 Commissioners. Last but not least, right? I  
3 am bringing before you today the first draft of  
4 regulations for play management.

5 In December, the Commission approved  
6 on a test basis specifically for our Category 2  
7 licensee play management system. At the last  
8 meeting on January 8, the specific requirements  
9 of that play management system were approved.

10 So, from that point then we move to taking that  
11 to the next step which is drafting that into  
12 regulation. Taking those specific requirements  
13 and drafting it into regulation, which is what  
14 you have before you today.

15 And you'll notice that the  
16 regulation actually falls in two sections. It  
17 falls in 205 CMR 143 for gaming devices and  
18 electronic gaming equipment. And it also falls  
19 into 205 CMR 138, which deals with  
20 complimentary services or items and promotional  
21 gaming credits.

22 It's split into those two areas  
23 because some of the features within the play  
24 management system are technical in nature and

1 some are not, and it deals more with the  
2 complimentary or player services. So, the most  
3 logical way to do it was to make sure that it's  
4 reflected in both but the two regulations speak  
5 to each other. Perhaps Counsel Grossman has a  
6 better term for that but those are my words and  
7 how I'm able to wrap my head around it.

8 I believe that the draft regulations  
9 that you have before you reflect the important  
10 elements of the features that were discussed  
11 and brought before the Commission on January 8.  
12 And I am welcome to any feedback or discussion  
13 about them.

14 COMMISSIONER ZUNIGA: I do have a  
15 couple of questions or feedback. We did talk a  
16 couple of times about the test basis of these  
17 regulations, but the current draft does not in  
18 my read of this speak to that.

19 Was that a concerted effort or is  
20 there somewhere somehow that we can write that  
21 this is on a test basis?

22 MR. VANDER LINDEN: That's a very  
23 good question. How do you accurately within  
24 the context of a regulation indicate that it's

1 on a test basis that there is a potential  
2 sunset period on this. Counsel?

3 COMMISSIONER MCHUGH: Can I build on  
4 that question because I had a question aimed at  
5 that as well. I have a couple of substantive  
6 questions but they are minor overall.

7 I think this is a good first draft  
8 of an attempt to capture some principles that  
9 we talked about last time. But insofar as the  
10 test is concerned, it seems to me that as we  
11 get down to a granular level, we ought to have  
12 in mind what we are testing for and what the  
13 testing protocol is going to look like so that  
14 we have a set of regulations that match the  
15 testing and the testing protocol.

16 So, it seems to me that this is a  
17 good discussion item today to see if we've  
18 accurately captured in some form the principles  
19 that we talked about the last time. But that  
20 we ought not finalize the regulations until we  
21 know why we have various elements.

22 For example, we have a repetitive  
23 invitation to sign up for this protocol. Maybe  
24 that's a good idea, maybe that's not a good

1 idea. We didn't really spell that out the  
2 last. But is that something that we are going  
3 to test for? Are we going to test for example  
4 to see how many people don't sign up the first  
5 time but do sign up deeper into it and why do  
6 those people sign up later rather than earlier?

7 If we are not, are we putting  
8 something in there that may interfere with the  
9 accuracy of other testing we're doing,  
10 measurements we're doing. In other words, if  
11 we have a repetitive thing and people jump on  
12 at the third invitation to do so, what does  
13 that tell us about something we want to know?

14 I don't know the answer to any of  
15 those questions. I don't even know if they're  
16 relevant questions, but that's just designed to  
17 illustrate my concern.

18 MR. VANDER LINDEN: And I agree with  
19 that. That we would in the evaluation protocol  
20 want to build in that we would be able to test  
21 for specific features that would be outlined  
22 within the regulation.

23 I've thought of this as kind of this  
24 is the starting point. You have to build it.

1 You have to create it in some way. So, this is  
2 our starting point. From there, the evaluation  
3 determines what pieces, if any, are effective  
4 and what perhaps needs to be revised as we move  
5 forward.

6 COMMISSIONER MCHUGH: If I could  
7 just follow up on that for one second and then  
8 I'll be quiet. That strikes me a little bit  
9 like starting to lay the bricks before we  
10 figured out what the house is going to look  
11 like. So, I just stop there.

12 COMMISSIONER ZUNIGA: I was going to  
13 make that point, I mean that example but with  
14 another example about the testing. We've had  
15 discussions relative just to the 60, 90 percent  
16 figures.

17 It's something that we did discuss,  
18 we all agreed, but the nature of the evaluation  
19 is going to ask that question. There's  
20 empirical evidence about that 60 and that 90 in  
21 other places. That's what they've done. We  
22 didn't just come up with that number. But part  
23 of the evaluation is going to be focused as to  
24 whether that is in fact as effective as we

1 would like it to be.

2 COMMISSIONER MCHUGH: Effective as  
3 what?

4 COMMISSIONER ZUNIGA: To get people  
5 to sign up. To continue to have them at the  
6 limit that they desire to initially. If the  
7 messages are effective and not say overbearing  
8 or repetitive or too many.

9 As I understand it, I would like the  
10 flexibility in the regulation to set it at  
11 whatever that percent may be most effective to  
12 the outcome that we want to achieve. It  
13 doesn't take away -- It actually reinforces the  
14 same point that you're making.

15 I just highlighted those numbers,  
16 because even though those were the ones that we  
17 discussed, the way I would rather have the  
18 regulation read is as determined by the  
19 Commission, which we already have done. And we  
20 might determine that to be a different thing at  
21 a later time rather than having to re-  
22 promulgate regulations.

23 MR. VANDER LINDEN: If I am clear,  
24 we would likely start off at 60 and 90 percent

1 unless there is some evidence that would tell  
2 us to go a different direction. But we  
3 wouldn't necessarily state it within the  
4 regulation itself. It would be something that  
5 would be less specific but still directed by  
6 the Commission.

7 COMMISSIONER ZUNIGA: Right. It all  
8 percolates up to my original point, which is we  
9 are all writing a regulation on something that  
10 essentially is a test. And how we going to  
11 come back to this with the minimum pain  
12 possible? How do we draft this with enough  
13 flexibility with just what we want to evaluate  
14 and accomplish?

15 COMMISSIONER MCHUGH: My evaluation  
16 question as a full supporter of this is a  
17 little bit broader than that because we haven't  
18 figured out exactly what we're testing for.  
19 This goes back to our discussion. Is this a  
20 budgeting tool? Is it a problem prevention  
21 tool? Is it a combination of both? Is it  
22 something else?

23 And it seems to me that if we go to  
24 the testing, try and work on the testing side

1 of this, we have to ask those questions and  
2 answer them. And then decide which of these  
3 things are useful devices in determining the  
4 efficacy of it given whatever goal we're  
5 ultimately trying to reach.

6           Otherwise, we have a limit as an end  
7 in itself and maybe that's where we wind up.  
8 It's just a good idea to have limits. I'm not  
9 convinced of that necessarily unless the limit  
10 serves another purpose.

11           CHAIRMAN CROSBY: Can I suggest a  
12 way to approach this? One issue is yes, this  
13 is a test. Does that need to be reflected in  
14 the regs.? I'm not sure that it does. We know  
15 it. We'll come back but that's a question. Do  
16 we need somewhere to say this is a test?  
17 That's one.

18           Secondly, clearly the regs. have to  
19 reflect what the program is we are undertaking.  
20 And we don't know yet the particulars for sure.  
21 And there are some questions about defining the  
22 objective of the program. We've talked about  
23 this at length in the working group that we're  
24 going to have a logic model.



1           Within the next 30 days we hope  
2 we'll start developing the particulars. So,  
3 would we best advised -- We can do one of two  
4 things. We can write this very flexibly so  
5 that there's lots of flexibility. So, we say  
6 60, 90, 100 or such other times, incidence,  
7 frequencies as the Commission should say. We  
8 could just write it very flexibly.

9           Or we can just wait until we've got  
10 this defined. We expect three months from now  
11 at our next Gaming Research Advisory Committee  
12 to have a pretty thorough draft of the  
13 particulars of the logic model of the plan,  
14 what is it we expect to get out of this and how  
15 will we evaluate it in place. We could just  
16 wait on these regs.

17           They can't do all of their work,  
18 Bally and Penn can't do all their work until  
19 we've got these details worked out anyway. So,  
20 maybe there's no need really to work on the  
21 regs. until we've got all these details worked  
22 out.

23           So, it's either way. Just write  
24 them real flexibly so we can do whatever we

1 want or let's just wait and do them after the  
2 houses is built rather than before.

3 COMMISSIONER MCHUGH: We've got a  
4 fairly short window after the three-month  
5 period to get these regs. in place, right? So,  
6 it might be worthwhile to at some point, and  
7 work out the timeline, put these or something  
8 like these, we talk about specifics here, but  
9 something like these in play to solicit  
10 comments as part of a placeholder with the  
11 public hearing coming after the protocol is  
12 developed so that we could quickly change them.

13 There will be enough discussion and  
14 people won't be caught by surprise and have  
15 them take effect soon after the three-month  
16 period, rather than begin the process, which is  
17 a 45- or 60-day process.

18 CHAIRMAN CROSBY: I think that's  
19 sort of de facto where you are at this point.  
20 You're sort of putting out a straw man. We  
21 would chew on it. And then when we get to the  
22 end of the formalization process, the end of  
23 the formal hearing process, we would adapt the  
24 straw man back to whatever we've actually

1 worked out in the details.

2 I think what Commissioner McHugh  
3 says is probably the way to go so we don't just  
4 put everything off for 90 days.

5 COMMISSIONER MCHUGH: And we  
6 understand this is a straw man.

7 CHAIRMAN CROSBY: Right. That's  
8 based on our best judgment to date. What about  
9 the issue that Commissioner Zuniga raises? Is  
10 there some need conceptually, legally,  
11 regulatory wise, is there some need to put in  
12 this that is a test? Or is that something  
13 which we know from the outside, and if the  
14 Commission makes the decision to change the  
15 test or end the test or to make it widespread  
16 we then act? Is there any advice on that?

17 MR. GROSSMAN: I don't think you  
18 need to put in here that it's only a test. I  
19 think everyone who is involved knows what's  
20 going on here. So, I think the plan makes  
21 sense and we can modify it as we move ahead.

22 MR. VANDER LINDEN: The piece to me  
23 that seems important, and it comes back to that  
24 flexibility to say if 60 or 90 percent is not

1 right, it's really 20 and 85 that we could do  
2 that because that would be an element of  
3 testing this out. That does strike me as  
4 something that's very important.

5 COMMISSIONER ZUNIGA: Those numbers  
6 that's one instance. That's the one that's  
7 most striking, but there's others. For  
8 example, uniformity is a good principle. It's  
9 intuitive but that could be something that our  
10 evaluators tell us in order to really come up  
11 with the best message, you need to test  
12 different messages, right? So, I'm just  
13 wondering. And by writing that every message  
14 has to be uniform across all machines, we may  
15 be constraining the very evaluation that we're  
16 trying to put forward.

17 So, there are other examples that I  
18 picked up on just like that where the theme of  
19 the test, how do we write them flexible enough  
20 in draft, etc. or after-the-fact? These are  
21 all part of the constraints that we have to  
22 wrestle with.

23 CHAIRMAN CROSBY: Once we do get to  
24 whatever that date is when we've got the

1 details that we're going to launch with, we  
2 will then reflect that as much as we need to in  
3 the final version of the regs. But as the  
4 program goes out, as the evaluation takes place  
5 we'll be seeing what's working and what  
6 doesn't. And maybe we need to change 60, 90,  
7 100 to some other numbers.

8           So, something to think about, Todd,  
9 is there something that we could put on the  
10 regs., which authorizes the Commission without  
11 changing the regs. to change the details of the  
12 program. Or maybe we should leave the details  
13 of the program out. I'm not quite sure how we  
14 should deal with it.

15           The whole nature of the test and the  
16 evaluation is on a real-time basis. We've  
17 talked about in our working group about using  
18 the medical industry's P-I, policy improvement,  
19 what's it called --

20           MR. VANDER LINDEN: QI.

21           CHAIRMAN CROSBY: - QI, quality  
22 improvement, a rolling 90-day cycle of looking  
23 back at the data and saying can we amend the  
24 program as we go along. So, there's going to

1 be a lot of changes in the program. But we  
2 need the flexibility in the regs., so we don't  
3 have to change the regs. every time we do that.

4 COMMISSIONER MCHUGH: We need input  
5 on that principle too. I agree we ought to  
6 look into it. But we need comment on that.  
7 I'm not sure how easy it is to change this  
8 without -- I just think we need input. -- on  
9 how easy it is to change the mechanical  
10 response to our policy changes without having  
11 to run a whole series of stability tests if do  
12 that.

13 If you change it from 60 percent to  
14 40 percent, do you have to run a set of tests  
15 on the machines to make sure the machines  
16 aren't going to get fouled up?

17 CHAIRMAN CROSBY: Would that affect  
18 our regs.?

19 COMMISSIONER MCHUGH: No. It would  
20 affect the procedures for changing it. So, we  
21 could get their comment in. We'd have to get  
22 their comments in, have a period of time for  
23 their comments before we change things and  
24 created a problem unintentionally in so doing.

1 It's a safety check.

2 I just offer that as a thought.  
3 We're getting into a brand-new area. And we  
4 need to think about both the policy end and the  
5 machine operation end as we do.

6 MR. GROSSMAN: That's true I think  
7 of a couple of different components of these  
8 regulations. We do need input on the  
9 technological -- from the technological  
10 perspective as to whether this is workable.  
11 The setting of the session period and how all  
12 that is going to work.

13 We've gotten some initial feedback  
14 from Bally. So, we tried to craft these in a  
15 way that they suggested might work. But to  
16 Commissioner McHugh's point, I think we need  
17 some input from the experts as to how workable  
18 some of these principles are.

19 MR. DAY: Aren't you going to leave  
20 a certain set in place to test it for a certain  
21 period of time, maybe two years or a period of  
22 time?

23 MR. VANDER LINDEN: I think that the  
24 question about once you set something in

1 motion, how long do you need to have it in  
2 place in order to determine how effective it is  
3 goes back to the Chairman's point about a  
4 short-term QI process, a rapid cycle process  
5 that may be able to give you that feedback.

6 But really those are some of the  
7 details that would need to be worked out. And  
8 the length of time that something would need to  
9 be run in order to get enough feedback to make  
10 that decision probably depends a lot on how  
11 many people are using it, what is the specific  
12 feature, what is the type of data that we're  
13 receiving and whether it's very subtle and  
14 you're not getting a lot of noise out of it.  
15 Or whether it's stark and you can make a  
16 relatively quick determination. So, I think to  
17 me it really depends.

18 Commissioner McHugh, I had question  
19 when you said public comment. To me, what I  
20 see is a small working group that would include  
21 ourselves, Penn, Bally, the evaluator as kind  
22 of the working group that would be driving the  
23 way that this looks and how it feels. So, I  
24 don't know if that's what you were speaking of



1 or whether you were speaking of something  
2 broader than that?

3 COMMISSIONER MCHUGH: I was speaking  
4 of the public comment that we typically get  
5 when we put out a set of draft regulations for  
6 comment and that we are required to do when we  
7 put the regulations out.

8 CHAIRMAN CROSBY: What I'm thinking  
9 here is that we would put out a set of regs.  
10 when we're ready to put out a set of regs.,  
11 which will be after the baseline system that  
12 we're going to start with is ready to go.

13 I would hope that we would be able  
14 to put some flexibility in there so that that  
15 working group which will be made up, as you  
16 said, of Bally, Penn, us and the evaluator can  
17 adapt that. If there's big adaption like let's  
18 drop it or let's make it mandatory or let's put  
19 in some other stuff, that would be something  
20 which we would make go through our whole public  
21 process.

22 But I would hope that we could have  
23 that working team do the sort of tweaking of  
24 the system and figure out can we try a new way?

1 Should we drop this kind of message and use a  
2 different message? That we wouldn't have to  
3 bring those back to a public comment period.

4 MR. VANDER LINDEN: Right.

5 COMMISSIONER MCHUGH: It's kind of  
6 hard to evaluate that without knowing what  
7 we're evaluating.

8 CHAIRMAN CROSBY: What the specifics  
9 are. And it's probably like the same thing  
10 we've got with the changes in the building.  
11 We've delegated to our staff the ability to  
12 approve changes that are not material enough to  
13 bring them back to the Commission.

14 This would be somewhat similar. If  
15 there are things that might really need  
16 Commission attention or long-term hearing  
17 attention, then the staff does that if it's  
18 minor. Like moving the Flutie restaurant from  
19 one location to another, they would just do it.

20 COMMISSIONER MCHUGH: Yes, that's  
21 right. But there are significant consumer  
22 protection and other things about this. I get  
23 your point. I'm will to see how that plays  
24 out.

1 I have two substantive questions and  
2 issues if we are done with that general topic.  
3 That is in 143.01(c)(4), I thought when we were  
4 talking about the principles and I may have  
5 misremember that we rejected this.

6 CHAIRMAN CROSBY: This says that  
7 every quarter if you are not participating, you  
8 will get a new solicitation on your first use  
9 of your player card every quarter.

10 MR. VANDER LINDEN: I believe what  
11 was approved was that there would be periodic.  
12 It was more flexibly written into the memo.  
13 That we would have the ability to follow-up,  
14 but it did not specify any timeline.

15 And I believe that feedback that we  
16 got from Bally said that it would be really  
17 difficult if you had some type of variable  
18 time. And they were suggesting that we move to  
19 something that would be much more specific.  
20 That's what we tried to capture in here.

21 COMMISSIONER MCHUGH: I guess that's  
22 right. We were talking about how that message  
23 would be delivered. And I guess that's what I  
24 was thinking. Okay. That's fine.

1           CHAIRMAN CROSBY: I looked at that  
2 point too. And I'm thinking of all of the  
3 times that thing pops up on the screen when  
4 you're in your computer, do you want to do such  
5 and such. You say yes or no.

6           But there is a place that says do  
7 you want not to have this question asked  
8 anymore. And in order to keep this not be a  
9 pain in the neck for people who judge  
10 themselves not to need it, we might think about  
11 whether that's possible so that you can opt-out  
12 of your quarterly notices too if you want to.  
13 I'm sort of open-minded on that. But I just  
14 think that's worth thinking about.

15          COMMISSIONER ZUNIGA: That is  
16 actually an existing feature of what we hear  
17 from Bally's, if I remember correctly.

18          CHAIRMAN CROSBY: That seems to me a  
19 guard against becoming an annoyance to people  
20 who don't need it. You said you had two,  
21 Commissioner?

22          COMMISSIONER MCHUGH: Yes. The next  
23 one is number one on the top of the next page.  
24 And that goes to the 60, 90 thing. I know we

1 agreed on the 60, 90 as starters, but I didn't  
2 understand from that that the machine was going  
3 to stop and make you affirmatively say you want  
4 to continue at 60 and 90.

5 I did understand it was going to  
6 stop at 100 and make you say go forward. And I  
7 did understand it was going to stop at 150, 200  
8 and 250 and make you say you want to go  
9 forward. But I didn't understand it was going  
10 to do it there.

11 You know if a person has \$100 limit,  
12 and you stop the person after 60 as opposed to  
13 telling the person they're at 60, I am not sure  
14 I think that's a good idea.

15 CHAIRMAN CROSBY: I didn't pick that  
16 up, but I agree with you. If we did agree to  
17 that, it was not knowingly on my part.

18 MR. VANDER LINDEN: I had it all  
19 queued up on my iPad to bring forward and I ran  
20 into a technology problem. So, I'm not able to  
21 read exactly what was approved at that last  
22 meeting. I apologize but we can certainly  
23 regardless of that can take a look specifically  
24 at that.

1           CHAIRMAN CROSBY: The mere fact that  
2 it comes up stops the player and the player is  
3 going to have to do something to keep going.  
4 So, there is some cooling effect. But to ask  
5 the player, you've gone to 60 percent of your  
6 limit, do you want to keep going seems  
7 unnecessary. I agree with that.

8           MR. VANDER LINDEN: I think it comes  
9 back to previous discussions we had about what  
10 does that message at 60 or 90 or 45, what does  
11 that message look like? What does it  
12 specifically say and what is the action? And  
13 then that corresponds with what is the action  
14 that needs to happen in order to proceed with  
15 your play.

16           COMMISSIONER MCHUGH: I don't think  
17 we ever discussed that at the 60, 90 period. I  
18 simply assumed that you'd get a message saying  
19 your limit is \$1000, you're at 600 or you have  
20 reached 60 percent of your thousand dollar  
21 limit.

22           COMMISSIONER CAMERON: That's what I  
23 assumed to.

24           COMMISSIONER MCHUGH: It was a pure

1 information conveyance.

2 COMMISSIONER STEBBINS: It was an  
3 informational notice.

4 CHAIRMAN CROSBY: I had one  
5 substantive issue too. The player shall not be  
6 allowed to change the established setting on  
7 the gaming device other than at a kiosk or you  
8 can change it at other places. What is the  
9 benefit of that?

10 If you hit your limit and you want  
11 to go on, you can play on. So, we let you play  
12 on, but we don't let you change your limit. It  
13 seems to me if anything, you're in the margins  
14 here, but maybe this whole thing is in the  
15 margins. But if anything, it'd be better to  
16 say well, okay, I want to go up to 150 rather  
17 than just say -- tell you every 50 percent  
18 thereafter that you've hit a new level.

19 MR. VANDER LINDEN: We had a lengthy  
20 discussion as I recall about --

21 CHAIRMAN CROSBY: We, the  
22 Commission?

23 MR. VANDER LINDEN: Yes, during the  
24 Commission meeting in December about where you

1 can enroll in the play management system or  
2 tool and where you can change that.

3 My original recommendation was that  
4 there was a 24-hour cooling or 24-hour period  
5 before any increases in that limit would take  
6 effect. I think what was agreed would be that  
7 there still needs to be a cooling-off. And the  
8 intent of that 24 hours was a cooling-off  
9 period.

10 What we decided, as I recall and as  
11 reflected in that document, there's still a  
12 cooling-off period. But it would require that  
13 you leave the gaming position, you leave the  
14 gaming device and you can still make changes  
15 but those changes would take effect immediately  
16 still in effect that there's a cooling off  
17 period.

18 CHAIRMAN CROSBY: So, the machine  
19 does actually stop you at 100 percent?

20 MR. VANDER LINDEN: No, I'm sorry.  
21 You can continue to gamble past 100 percent,  
22 certainly. If you want to make changes to it,  
23 you can't make it from the gaming machine.

24 CHAIRMAN CROSBY: Except by playing?



1 You can keep playing.

2 MR. VANDER LINDEN: You can keep  
3 playing. And you would receive further notices  
4 at, I believe it's every 50 percent after the  
5 100 percent. So, it's at 150, 200, etc.

6 CHAIRMAN CROSBY: Consistency being  
7 the hob gob of small minds, I may have said  
8 something the opposite at other times. But as  
9 I'm thinking about it now, it seems to me that  
10 it would be slightly better if you did -- if  
11 somebody's in to it and now they don't want to  
12 stop, but they would kind of like to stop.  
13 It's stronger thing to say, okay, I'll go to  
14 150. Then to give them the option of putting  
15 in another limit rather than not putting in a  
16 limit and just giving them a pop-up at every 50  
17 percent overrun. Logically, to me, it seems to  
18 me this runs against what we are trying to do.

19 COMMISSIONER ZUNIGA: We also  
20 discussed the instances in which players simply  
21 take out the card to do away with that.

22 CHAIRMAN CROSBY: They lose their  
23 rewards.

24 COMMISSIONER ZUNIGA: But there's

1 the balance here as to what is --

2 COMMISSIONER MCHUGH: This really  
3 gets back to what we are trying to measure. We  
4 are we trying to do with this thing? Is this a  
5 budgeting device, in which case it's a useful  
6 budgeting tool and we have something consistent  
7 with that. If it's a problem gambling device  
8 then maybe stronger measures are warranted.

9 CHAIRMAN CROSBY: Let me just speak  
10 to this because this comes up frequently now.

11 COMMISSIONER MCHUGH: I say it all  
12 the time.

13 CHAIRMAN CROSBY: We need to start  
14 to coalesce around this. My understanding was  
15 that the notion of saying this is a budgeting  
16 tool was a marketing strategy. It was we don't  
17 want to call this a problem gambling tool  
18 because nobody likes problem gambling tool.

19 But if you call it a budgeting tool,  
20 and then we talked about other things too, the  
21 say me kind of -- different language. We  
22 talked about calling the problem gaming center  
23 the lounge rather -- we weren't talking about  
24 changing what we were doing. We were talking

1 about using language, which was supportive of  
2 use.

3 So, to my mind the budgeting tool  
4 was just a marketing. What we are trying to do  
5 is reach people who may be at risk of getting  
6 on the continuum of not at risk to problem  
7 gambling and to influencing their behavior.  
8 That's what this is about.

9 Some percent of people, and we know  
10 there is some clinical way to pretty well  
11 identify who are people who are at risk, we  
12 won't be using those. But there is group of  
13 people who are at risk gamblers. And we are  
14 trying to put in tools that will slow if not  
15 halt their slide down the progression by  
16 putting in these variety of tools.

17 To me that's what this is about.  
18 This is about slowing or halting people's  
19 movement on the continuum from at risk to  
20 problem gambling. That may not be what we  
21 agree on, but that's what I've been thinking.

22 COMMISSIONER MCHUGH: It's certainly  
23 a worthy goal, but then we ought to just forget  
24 about -- That may be a worthy tool.

1           CHAIRMAN CROSBY: And we call it a  
2 budgeting tool. In order to get people  
3 comfortable with it, we --

4           COMMISSIONER CAMERON: But what  
5 we're saying that's not the case. So, we're  
6 insulting people's intelligence by saying it's  
7 really this but we're going to call it this so  
8 we fool them into using it. That doesn't sound  
9 right.

10          COMMISSIONER MCHUGH: Don't we take  
11 all of that -- If it's a problem gambling tool,  
12 then all of that other program that we've got,  
13 responsible gambling talks about this in a  
14 positive way, right, not as budgeting but as  
15 prevention of problem gambling all of our other  
16 stuff.

17          MR. VANDER LINDEN: It goes back to  
18 the overarching idea within strategy 2 of the  
19 Responsible Gaming Framework which is about  
20 informed player choice to me, which is how do  
21 you give people information, a continuous flow  
22 of information about their specific behavior  
23 that better informs them and allows them to  
24 make decisions about their behavior. And in

1 this case, it has to do with their decisions  
2 whether to keep gambling or stop at that point.

3 I think that earlier Commissioner  
4 McHugh you asked is it a budgeting tool? Is it  
5 a tool that's targeted for -- to impact or  
6 reduce harm for at-risk problem gamblers or is  
7 it both? I feel like it's both.

8 This is a tool that's intended for  
9 anybody who comes through the door to use. And  
10 you can use it as that sort of budgeting tool.  
11 For everybody that would use it, it's that type  
12 of budgeting tool to give them informed player  
13 choice.

14 COMMISSIONER MCHUGH: I know I sound  
15 like a broken record, but it's really hard for  
16 me to get my head around this because it seems  
17 to me that when you settle on the goal, and if  
18 the goal is informed player choice, then that  
19 drives certain outcomes, right?

20 You are not necessarily dealing with  
21 infected people, to use it in a hospital  
22 context, that you've got to cordon off from  
23 further harm. You're dealing with people who  
24 need information in order to make an

1 intelligent decision.

2           And then the question becomes is  
3 raising the limits away from the machine a  
4 necessary tool or step for them to make an  
5 informed choice, right? Or is it not? Or is  
6 it overkill and stepping into a prevention  
7 problem, a prevention device that is over and  
8 beyond simple informed player decision-making.

9           And one can argue that what happens  
10 to people a lot is that they're under the spell  
11 of the machine. And therefore, you've got to  
12 break it in order for them to make an informed  
13 choice. You can make that argument.

14           You can also say that all they need  
15 to do is make a choice. And you've given them  
16 the information with which to make the choice.  
17 And you don't have to do anything more.

18           And it's those kinds of things that  
19 it seems to me that drive the components of  
20 this system, the answers to those kinds of  
21 questions that drive the outcome of this  
22 system. And that again we need to ask and have  
23 some testing wrapped around to see where we are  
24 getting.

1 MR. VANDER LINDEN: I think about  
2 other measures that we have within the  
3 Framework and are being considered by the  
4 Commission now, like the placement of ATM  
5 machines. And what is the rationale to say no,  
6 we don't think it's appropriate to have an ATM  
7 machine next to a slot machine or even on the  
8 gaming floor. That we want that to be a  
9 certain number of feet off of the gaming floor.

10 The rationale is that it creates  
11 albeit a very small but still a cooling off  
12 period that allows people to reflect on their  
13 gambling behavior and decide what they want to  
14 do next. It removes that cloud.

15 And I've thought of this in the same  
16 way that it creates albeit very small and  
17 circumventable but some type of built-in mini  
18 cooling-off period, if somebody wants to avoid  
19 those types of messaging and increase that  
20 limit. Is it effective and is that the right  
21 approach I think is all great evaluation  
22 material that would decide whether or not  
23 that's the appropriate route in order to create  
24 that cooling-off period.

1           COMMISSIONER ZUNIGA: I'm just going  
2 to go back to a point you made earlier. I did  
3 not take from the discussions from before that  
4 we were only calling it a budgeting tool to get  
5 us past a stigma or a marketing notion. That  
6 was never my understanding.

7           Now yes, the devil is in the details  
8 relative to breaks and informed decision-making  
9 and what exactly is that, right? And a lot of  
10 that is guided by just what we are going to be  
11 testing for and evaluating. But just to come  
12 to the point that you made earlier, Mr.  
13 Chairman, it was never my impression that we  
14 were just going to call this a budgeting tool  
15 to get us past the stigma of calling it a  
16 problem gambling prevention tool.

17           MR. VANDER LINDEN: We've adopted  
18 GameSense as our responsible gaming brand. And  
19 if we take the lesson from where GameSense  
20 originated, they've knocked out the terms  
21 problem gambling and responsible gaming out of  
22 their vocabulary because it was laden with all  
23 sorts of value judgments.

24           So, I think language is so very



1 important when we're talking about this and how  
2 patrons will receive the information and  
3 whether it's something that they'll even want  
4 to touch or try to use. And that's really  
5 important to.

6 COMMISSIONER ZUNIGA: I agree with  
7 that. My point is that was not the reason why  
8 we're doing this exclusively.

9 COMMISSIONER MCHUGH: The informed  
10 player choice though is --

11 CHAIRMAN CROSBY: Informed player  
12 choice to what end, Jim? What is the public  
13 interest that we're trying to accomplish with  
14 informed player choice?

15 COMMISSIONER MCHUGH: I suppose we  
16 are trying to -- I am not sure.

17 COMMISSIONER CAMERON: Healthy  
18 choices, really think about -- get people to  
19 think about their behavior and make healthy  
20 choices.

21 CHAIRMAN CROSBY: But implicit in  
22 that is that we're trying to keep people  
23 healthy not unhealthy. I don't think we have a  
24 public interest in having people adhere to a

1 budget. That's not our job.

2 Our job is to understand that this  
3 an addictive behavior which can cause some  
4 people serious trouble. And our job is to try  
5 to figure out how do we keep people for whom  
6 this might be problematic out of trouble. It's  
7 not to get the other 80 percent of the people  
8 to adhere to a budget. We're not interested in  
9 that.

10 This is about minimizing harm.  
11 That's what GameSense is all about. GameSense  
12 is all about a marketing change in order that  
13 you can reach people who might be at risk of  
14 getting harmed. So, the public interest that  
15 we are trying to serve here is to keep people  
16 from trouble.

17 There's nothing inherent about  
18 budgets that it's our job to protect. You live  
19 by your budget, you live by your budget. If  
20 you don't, you don't. But if you don't live  
21 by your budget because you are so compelled  
22 that you can't stop when you get to the  
23 machine, now you are talking about our problem.

24 If you unpack it, what are we trying

1 to do here? What is our public interest that  
2 we are trying to protect? To me, (A) that is  
3 the public interest, to keep people from  
4 getting hurt by gambling, and that helps guides  
5 our strategies once we can agree on what that  
6 purpose is.

7 MR. VANDER LINDEN: I feel like the  
8 way I've conceptualized this is that we're  
9 offering a range of tools, and it goes back to  
10 the Framework, again, from casual gamblers that  
11 need very little, the message and the types of  
12 tools that they need is different from the  
13 person with the gambling disorder.

14 And I would like to see that we  
15 offer a host of tools and information that  
16 promote responsible gaming and provide some  
17 type of information or safety net that would be  
18 out there for persons with gambling disorders.  
19 We wouldn't be doing that personally as a  
20 Commission.

21 But that's the intention of the work  
22 that we're doing through the Public Health  
23 Trust Fund, and our work with the Department of  
24 Public Health and the Massachusetts Council on

1 Compulsive Gambling. That there is this full  
2 range of services from primary prevention that  
3 really provides very basic information about  
4 risks and responsibilities of gaming.

5           You would put these type of play  
6 management tools someplace kind of early on,  
7 but it would certainly apply all of the way  
8 down the spectrum hopefully. I hope it could  
9 and it really can make a difference down here.  
10 But it's also intended to be a tool over here  
11 for or across-the-board for all people.

12           COMMISSIONER MCHUGH: Yes, I think  
13 that's right. I think that's right. Then if  
14 you coalesce around that notion then a lot of  
15 the steps in this can be measured against the  
16 likelihood that it's going to facilitate,  
17 starting with informed choice, the ultimate  
18 goal of reducing the risk for people who may be  
19 at risk. And then others begin to fall into  
20 place.

21           Maybe you do need for those people  
22 that this is really aimed at or at least we can  
23 find out if you do need for those people who  
24 may be at risk that break to get up and go

1 raise the limit. Okay, sorry to --

2 CHAIRMAN CROSBY: No, not at all.  
3 It's really important. And you're right, as  
4 you usually are that some of these times and  
5 situations you don't clarify what your purpose  
6 is then you can't evaluate it you don't know  
7 what you're doing.

8 And it's clear that we are a little  
9 vague on our purpose and it's got to be  
10 explicit. At the working group, we talked  
11 about having what the researchers call a logic  
12 model. What is it that we're trying to  
13 accomplish? And what are the logical steps in  
14 the program that get us to that end, which is  
15 precisely what you're trying to get us to do.

16 And once we've got that then we can  
17 evaluate it. Okay.

18 COMMISSIONER MCHUGH: We're done.

19 CHAIRMAN CROSBY: I have one last  
20 thing that this came up after the agenda and I  
21 just wanted to quick speak to it.

22 After the agenda was set, it just  
23 came up in the last couple of days. We've all  
24 talked a lot about are there issues in the

1 gaming law which need to be addressed by the  
2 Legislature. The licensees and applicants at  
3 various times have submitted a number of things  
4 that they thought needed legislative attention.

5 We have reviewed all of those some  
6 number of months ago. To make a long story  
7 short, with the exception of the CORI issue,  
8 which the whole industry would like to have  
9 addressed sometime before big hiring starts, we  
10 have reduced, we the Commission reduced the  
11 issues that we felt were really urgent for  
12 legislative attention to, again to slightly  
13 oversimplify, the requirement that the casino  
14 operators stop a slot gambling transaction  
15 every time there is a win of \$600 and that the  
16 gambler pay withholding tax that time. Again,  
17 I'm not saying this perfectly but just to make  
18 the point there. And there are subtleties in  
19 this.

20 And you authorized me last time to  
21 send a letter to the Legislature talking about  
22 our reaction to all these issues and in  
23 particular focusing on the \$600 issue. Now we  
24 get to five and a half months away from

1 launching business at Penn National. And that  
2 issue is becoming time sensitive. That's a  
3 slots parlor only that it really means a lot to  
4 them.

5 I had reached out to the Legislature  
6 at your direction to say that this is an issue  
7 that we want to have directed. They wanted to  
8 have us think hard about whether or not this  
9 was really a competitive problem. We've done  
10 some research with our licensees. And as we  
11 had agreed earlier on, it does seem like if we  
12 have this imposition that you've got to stop  
13 the machine, it's called a lockup, every time  
14 there is \$600 is won and the gambler has to pay  
15 the tax that that will create for a number of  
16 gamblers enough of a displeasure, enough of a  
17 barrier that they will continue to go where  
18 they used to go, which is out-of-state or go  
19 somewhere else which is out-of-state.

20 A few numbers here just for  
21 background information, Penn has estimated and  
22 these are their numbers, I can't obviously  
23 attest to them, but they did some pretty  
24 serious research with the gaming manufacturers

1 that the difference between the \$1200 lockup,  
2 which is the federal standard in most other  
3 jurisdictions, you have to stop the machine and  
4 do something at 1200 rather than 600 will  
5 increase the number of "lockups", the number of  
6 wins by 550 percent from just stopping at the  
7 1200 benchmark. That would be an additional  
8 156,000 lockups per year at the Penn National  
9 facility.

10 With their formula for lost revenue,  
11 simply having the machine come off-line for  
12 156,000 more times would cost \$1.5 million in  
13 terms of lost revenue of which 49 percent would  
14 come to the Commonwealth and the Race Horse  
15 Development Fund which is \$750,000 as a  
16 consequence of these additional lockups.

17 They also say that if five percent  
18 of slots players didn't like this, thought this  
19 was enough of an imposition on their play that  
20 they would rather play in some other state  
21 where they don't have this, that that would  
22 generate a loss to the state of \$6 million in  
23 revenue.

24 So, if these numbers are anywhere



1 near right in the order of magnitude we're  
2 talking about significant numbers. And there  
3 is a broad consensus across the industry that  
4 this is a competitive problem. We have agreed.  
5 And it is clear, absolutely clear that it's  
6 totally out of step with every other  
7 jurisdiction including the Internal Revenue  
8 Service.

9           So, the House and Senate have said  
10 that they will consider this. They want to  
11 make sure that there are not other remedies.  
12 They want to make sure that the numbers are  
13 correct. And they certainly haven't said that  
14 they would fix this, but they will consider it.

15           So, I just wanted to restate this.  
16 I wanted to get the Commission's approval to  
17 redraft the backup argument now that I've got  
18 more information, and reach out to the  
19 Legislature and the appropriate officials in  
20 the Legislature to see if we can get them to  
21 support this change.

22           Before we did this last round, we  
23 did talk to all three of our licensees. And  
24 all three of them agreed that yes, this is the

1 one. This is the only issue which is  
2 absolutely critical and that needs to be  
3 addressed. There is not a laundry list of  
4 issues. It's just this one.

5 So, I just wanted to make sure that  
6 we are all the same page and that it was okay  
7 with you that I follow up on our previous vote  
8 and our previous letter and continue this  
9 conversation.

10 COMMISSIONER MCHUGH: I take it this  
11 is a report you're giving to us about some  
12 research that you've done. The previous  
13 authorization has not been altered. And it  
14 seems to me there is no issue before the  
15 Commission.

16 CHAIRMAN CROSBY: Yes, I wasn't  
17 looking for a vote.

18 COMMISSIONER MCHUGH: I know, but it  
19 just seems to me that there is no issue for  
20 Commission action today. I'm unaware of any --  
21 I'm saying this simply as a matter of fact. I  
22 am unaware of anything that has altered or  
23 hindered or degraded the previous position that  
24 you were authorized to pursue this change

1 vigorously. I'm just unaware of anything  
2 factually.

3 COMMISSIONER ZUNIGA: Yes. We've  
4 had this discussion. We've been vocal about  
5 this. I'll remind you that there was an HLT  
6 analysis along with all of those documents that  
7 can now be corroborated perhaps with this data.

8 The numbers I remember were much  
9 larger, but I suspect that they were taking  
10 into account all operations not just the slots  
11 parlor. But I think we have discussed this  
12 quite a bit, and this is the one topic that we  
13 all agreed on.

14 CHAIRMAN CROSBY: Okay. Great,  
15 thank you. Do I have a motion to adjourn?

16 COMMISSIONER CAMERON: So moved.

17 CHAIRMAN CROSBY: All in favor, aye.

18 COMMISSIONER MCHUGH: Aye.

19 COMMISSIONER CAMERON: Aye.

20 COMMISSIONER ZUNIGA: Aye.

21 COMMISSIONER STEBBINS: Aye.

22 CHAIRMAN CROSBY: Yet, again,

23 unanimous.

24 (Meeting adjourned at 5:17 p.m.)

1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission January  
3 22, 2015 Notice of Meeting and Agenda
- 4 2. 205 CMR 134 Licensing and Registration of  
5 Employees, Vendors, Junket Enterprises and  
6 Representatives and Labor Organizations  
7 and attachments
- 8 3. 205 CMR 138 Uniform Standards of  
9 Accounting Procedures and Internal  
10 Controls and attachments
- 11 4. 205 CMR 149 Race Horse Development Fund
- 12 5. 205 CMR 14 Supplemental Licensure  
13 Procedures
- 14 5. Wynn Resorts Development January 15, 2015  
15 Memorandum Regarding New Renderings for  
16 Proposed Wynn Resort in Everett
- 17 6. Penn National Quarterly Report as of  
18 December 31, 2014
- 19 7. Massachusetts Gaming Commission January  
20 18, 2015 Memorandum Regarding Central  
21 Management System - Technical Discussion  
22 Summary with attachments
- 23 8. MGC January 16, 2015 Schedule Update/Slot  
24 Parlor Activities

1 ATTACHMENTS:

- 2 9. MGM Springfield Diversity & Affirmative  
3 Action Marketing Program
- 4 10. Massachusetts Gaming Commission Records of  
5 the Commission Policy and Redaction of  
6 Public Records of the Commission Policy
- 7 11. Small Business Impact Statement 205 CMR  
8 129
- 9 12. 205 CMR 138 Uniform Standards of  
10 Accounting Procedures and Internal  
11 Controls DRAFT
- 12 13. 205 CMR 143 Gaming Devices and electronic  
13 Gaming Equipment DRAFT

14 GUEST SPEAKERS:

- 15 Attorney General Maura Healey  
16
- 17 Matthew Cedor, GTECH Corporation  
18 Ethan Tower, Gaming Standards Association  
19
- 20 Lance George, Penn National  
21 Jack Raun, Penn National  
22
- 23 Robert DeSalvio, Wynn Resorts  
24 Jacqui Krum, Wynn Resorts

1 GUEST SPEAKERS:

2 Gerri Harris, MGM Springfield

3 Michael Mathis, MGM Springfield

4 Mary Kate Murren, MGM Springfield

5 Jed Nosal, Brown Rudnick

6

7 Jennifer Pinck, Pinck and Company

8

9 MASSACHUSETTS GAMING COMMISSION STAFF:

10 Bruce Band, Deputy Director IEB

11 Catherine Blue, General Counsel

12 Richard Day, Executive Director

13 Jill Griffin, Director Workforce, Supplier &  
14 Diversity Development

15 Todd Grossman, Deputy General Counsel

16 Derek Lennon, CFAO

17 Mark Vander Linden, Dir. Research and Problem  
18 Gambling

19 Karen Wells, Director IEB

20 John Ziemba, Ombudsman

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C E R T I F I C A T E

I, Laurie J. Jordan, an Approved Court Reporter, do hereby certify that the foregoing is a true and accurate transcript from the record of the proceedings.

I, Laurie J. Jordan, further certify that the foregoing is in compliance with the Administrative Office of the Trial Court Directive on Transcript Format.

I, Laurie J. Jordan, further certify I neither am counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken and further that I am not financially nor otherwise interested in the outcome of this action.

Proceedings recorded by Verbatim means, and transcript produced from computer.

WITNESS MY HAND this 25th day of January, 2015.



LAURIE J. JORDAN  
Notary Public

My Commission expires:  
May 11, 2018