

1 THE COMMONWEALTH OF MASSACHUSETTS
2 MASSACHUSETTS GAMING COMMISSION

3
4 PUBLIC MEETING #81

5
6 CHAIRMAN

7 Stephen P. Crosby

8
9 COMMISSIONERS

10 Gayle Cameron

11 James F. McHugh

12 Bruce W. Stebbins

13 Enrique Zuniga

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16
17 October 17, 2013, 9:30 a.m.

18 HYNES CONVENTION CENTER

19 Room 202

20 900 Boylston Street

21 Boston, Massachusetts

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

CHAIRMAN CROSBY: I am pleased to call to order the Mass. Gaming Commission number 81. It's listed on our agenda as 80, but it's actually 81 since we had one yesterday afternoon. Today is October 17, 2013, 9:30 at the Hynes Convention Center. First item on our agenda as always is the approval of the minutes, Commissioner McHugh.

COMMISSIONER MCHUGH: The minutes are in the book Mr. Chairman, they are minutes of our October 3 meeting and then the minutes of the October 7 meeting which simply summarize the fact that we had the presentations from the three Category 1 applicants -- I mean the Category 2 applicants. So, I'd move that the minutes be approved as contained in the meeting materials.

COMMISSIONER CAMERON: Second.

CHAIRMAN CROSBY: Anybody have comments, corrections? All in favor, aye.

COMMISSIONER MCHUGH: Aye.

COMMISSIONER CAMERON: Aye.

1 COMMISSIONER STEBBINS: Aye.

2 COMMISSIONER ZUNIGA: Aye.

3 CHAIRMAN CROSBY: Opposed? They
4 ayes have it unanimously. We are going to go to
5 our item number three, the Ombudsman report, to
6 start. But just so everybody knows, we do have
7 a number of out-of-town visitors today to talk
8 about the issues of doing casino gambling
9 business overseas.

10 We have set 10:30. Commissioner
11 Stebbins is going to be a little late. He has a
12 speaking engagement in Western Mass. So, we are
13 going to take a few minutes break right before
14 10:30, and then right about 10:30 we will start
15 the discussion, which is listed in your agenda
16 as 5a, the Investigations and Enforcement
17 Bureau, discussion of gaming in foreign
18 jurisdictions. So, wherever we are at about
19 10:45, we'll stop, take a quick break and then
20 start up at 10:30.

21 So, Ombudsman report, Ombudsman
22 Ziemba.

23 MR. ZIEMBA: Thank you, Mr.
24 Chairman, members of the Commission. Today we

1 are joined by representatives of the three
2 Category 2 applicants who will provide the
3 Commission with an update regarding their
4 conversations with nearby communities. Shortly,
5 I will give you a brief overview of the
6 information the Commission has asked them to
7 provide.

8 However, first I'd like to provide
9 my own brief update. We have received letters of
10 assent to the designation of surrounding
11 community status from all six communities that
12 had been identified as surrounding communities
13 in the Category 2 applications.

14 CHAIRMAN CROSBY: Six did you say?

15 MR. ZIEMBA: Six. There were four
16 surrounding the Plainville facility and two in
17 the Raynham facility. Pursuant to our
18 regulations, the 30-day deadline for the
19 conclusion of negotiations between applicants
20 and designated surrounding communities starts
21 when the Commission issues its written
22 determination that such communities are
23 surrounding communities following the receipt of
24 such letters of assent.

1 So, communities send in their
2 letters of assent to the Commission. The
3 Commission issues that written determination and
4 that starts the clock for the 30 days of
5 negotiation. And at the conclusion of that 30
6 days then the parties enter into the arbitration
7 process specified in our regulations.

8 Given the update presentations
9 today, the opportunity for communities to
10 provide testimony to the Commission next week
11 and the extension of our petition deadline to
12 October 31 for other communities wishing to
13 petition to become surrounding communities, the
14 written determinations have not been placed on
15 the agenda for this meeting but will for a
16 future Commission meeting.

17 The effect of issuing such
18 determinations at a future meeting will allow
19 more time for negotiations before mandatory
20 arbitrations are triggered.

21 On a related matter --

22 CHAIRMAN CROSBY: John, excuse me.
23 I and all of the Commissioners are getting a lot
24 of communications still from individuals from

1 surrounding communities saying please give
2 extensions. There's not enough time.

3 Would you just sort of walk through
4 the process? I know you just did it, but do it
5 again and the various options of time, the
6 various windows of time that are available for
7 surrounding communities to negotiate with host
8 communities starting now.

9 COMMISSIONER ZUNIGA: With
10 applicants.

11 CHAIRMAN CROSBY: Right with
12 applicants, sorry.

13 MR. ZIEMBA: Different buckets. The
14 way that you become a surrounding community is
15 one of three ways. You can be a surrounding
16 community by reaching an agreement with an
17 applicant by the time of the application.

18 The second way that you can become a
19 surrounding community is that the applicant
20 names that community as a surrounding community
21 in their application. Then the community
22 assents to that designation. And as I just went
23 over, once that assent is made, then there is
24 the written determination of the Commission and

1 then that kicks off that 30-day deadline.

2 The final way that a community can
3 become a surrounding community is upon petition
4 to the Commission. In our regulations, we have
5 a 10-day deadline for petitions to the
6 Commission. We have extended that deadline for
7 Category 2 applicants and communities to October
8 31.

9 So, on October 31, all communities
10 can submit applications to become surrounding
11 communities. And that goes before the
12 Commission. After that date, there is a 10-day
13 window period by which applicants can respond to
14 those petitions for a surrounding community
15 status. And after that 10 days, then the
16 Commission can determine at a public meeting
17 whether or not a community is a surrounding
18 community. There is no deadline for the
19 Commission to act on that petition. It can act
20 after it has evaluated all of the facts.

21 So, at least after the 31st then you
22 would have a 10-day window period for the
23 response. Then after that date then there's
24 another period of time by which the Commission

1 can act. If the Commission then determines that
2 a community is a surrounding community, it then
3 begins that 30-day clock for negotiations.

4 CHAIRMAN CROSBY: So, for the more
5 acrimonious or difficult to negotiate
6 relationships, a surrounding community has until
7 October 31 to let us know that they believe they
8 are a surrounding community. The applicant then
9 has until the 10th or so of November to respond
10 to that. We then have an open flexible period
11 of time to make the determination about whether
12 we believe they are a surrounding community or
13 not, which can be as long as we want, correct?

14 MR. ZIEMBA: That's right.

15 CHAIRMAN CROSBY: And we will be
16 sensitive in that timeframe to make sure that
17 the surrounding communities or the aspiring
18 surrounding communities have had time to get
19 their act together and to show us data and so
20 forth as we're trying to make the decision
21 whether they're a surrounding community or not.

22 So, for all who are concerned,
23 there's a tremendous amount of flexibility in
24 that window as well as the extension for the

1 application to say you're one. Then once we do
2 determine after that there's 30 days during
3 which the applicant and the surrounding
4 community can negotiate. If that's not
5 successful, we will then mandate another 30-day
6 period, which is binding arbitration, right?

7 MR. ZIEMBA: That's right.

8 CHAIRMAN CROSBY: As a practical
9 matter, there is a minimum of almost 90 days
10 from today plus the flexibility of that interim
11 window where we can add to that 90 days.

12 MR. ZIEMBA: That's right.

13 COMMISSIONER ZUNIGA: And all of
14 this applies to communities that have not been
15 designated or assent to that designation.

16 MR. ZIEMBA: That's right.

17 COMMISSIONER ZUNIGA: This is for
18 all others.

19 MR. ZIEMBA: And the Commission's
20 flexibility on those that have issued their
21 assent is when we issue our written
22 determination that they are a surrounding
23 community.

24 CHAIRMAN CROSBY: Just the whole

1 point of this is to make sure that the
2 surrounding community aspirants understand that
3 we hear the issue. We all got hung up not
4 realizing that most applicants were not going to
5 want to start negotiating surrounding community
6 agreements until after they had negotiated their
7 host community agreements, and in many cases
8 also had their referenda. We hadn't really
9 anticipated that dynamic in our original
10 schedule. But I think we've shown practically
11 limitless flexibility to try to accommodate that
12 and give communities time.

13 So, where a surrounding community or
14 an aspiring surrounding community is committed
15 to a good-faith negotiation, not an attempt to
16 crater the host community and crater the whole
17 deal, but where they're committed to a good-
18 faith negotiation, I think we've demonstrated a
19 tremendous amount of flexibility to give them
20 the time to do that. And that commitment to
21 give surrounding communities time will not
22 waiver as we go forward on this process.

23 COMMISSIONER MCHUGH: Could I just
24 add one thing? That's a very succinct

1 explanation of this process and I don't want to
2 confuse it. But there's a slight disconnect
3 between the description we just gave and our
4 schedule that's been up for a considerable
5 period of time. That slight disconnect is that
6 the schedule calls for us to decide surrounding
7 community status 10 days after we get the
8 petition.

9 What we're saying I think is that
10 we're going to try to do it if we can in the 10-
11 day period. That's been from the outset because
12 the rest of the schedule and the ultimate
13 license award depends on that. But that if
14 there are sound reasons to delay that 10-day
15 decision-making period, we're prepared to do it.
16 If we look at it that way that removes that
17 disconnect.

18 CHAIRMAN CROSBY: That's a really
19 good clarification. All of our dates on our
20 master schedule, which we're going to talk about
21 at considerable length, many of the dates are
22 aspirational dates. This is what we're trying
23 to do. But what the whole point of this
24 conversation is to establish the principle that

1 having surrounding communities have an
2 opportunity to have fair, good-faith
3 negotiations is a very, very important
4 principle. And if the schedule has to slip to
5 accommodate that we will let the schedule slip.

6 A final point of Judge McHugh's
7 comment is this could delay the whole license
8 award. We've targeted now January 10 is the
9 date that we are hoping to be able to announce
10 the Category 2, the slots parlor decision. It
11 could be that because of delays, legitimate
12 delays in surrounding communities that will get
13 extended. And if it does, it does.

14 We've said many times we're not
15 going to be a slave to the schedule. We want to
16 be as quick as we can. We know there's a lot of
17 interest in getting this resolved, but fairness
18 and equity and transparency and participation is
19 a higher priority even than our schedule. Thank
20 you. That's helpful. Okay.

21 MR. ZIEMBA: Thank you. So, Mr.
22 Chairman, on a very related matter at the
23 October 3 Commission meeting, the Commission
24 decided that it would ask Category 1 applicants

1 to appear before the Commission to give a
2 similar update to the one category applicants
3 are going to provide today.

4 COMMISSIONER ZUNIGA: Category 2.

5 MR. ZIEMBA: On October 3, we
6 decided that we were going to ask Category 1
7 applicants to provide the same type of update
8 that Category 2 applicants are providing today.

9 COMMISSIONER ZUNIGA: Precisely,
10 thank you.

11 MR. ZIEMBA: And in the meantime,
12 we've received, as you've noted Mr. Chairman,
13 numerous requests for extensions to our December
14 31 application date, including a number of
15 communities that recently attended a forum held
16 by the Pioneer Valley Planning Commission on
17 regional planning agency technical assistance.

18 Given these requests and the
19 pressing Category 1 deadlines, I recommend that
20 we host the Category 1 briefing as soon as
21 practical such as the October 31 planned
22 Commission meeting. So, perhaps the Commission
23 could discuss this date after we hear the
24 Category 2 presentations or now, if the

1 Commission so chooses.

2 CHAIRMAN CROSBY: Presumptively,
3 Director Day can coordinate with you on this,
4 but I think on the face of it that sounds
5 totally reasonable.

6 MR. ZIEMBA: So, as for the
7 presentations, each of the Category 2 applicants
8 was provided with a copy of the October 3
9 transcript which read -- I'll just read briefly
10 because it goes to what they're going to
11 present. So, pursuant to the transcript: We
12 recommend that each of the Category 2 applicants
13 appear at the Commission's next meeting to brief
14 the Commission about the status of their plans
15 with surrounding communities and communities
16 that have expressed interest in becoming a
17 surrounding community.

18 Each of these applicants would
19 explain how they plan to work with communities
20 so that they can understand impacts or the lack
21 of impacts and what needs to be done to enable
22 communities that believe they are surrounding
23 communities to reach surrounding community
24 agreements, if that is appropriate.

1 Each of the applicants can discuss
2 community needs or request for technical
3 assistance or other resources that would be
4 necessary to conclude agreements.

5 In the alternative, applicants could
6 explain how the agreements that they are
7 proposing provide a method for addressing such
8 needs as more details on the project become
9 finalized either through the MEPA process or if
10 there are other processes that will occur in the
11 future.

12 So, given that background, I will
13 ask in the order of appearance that we did
14 pursuant to our lots for our last presentations
15 on October 7, we will ask Mr. Weinberg, Cordish
16 president and managing partner who represents
17 PPE Casino Resorts to appear first. Mr.
18 Schippers, Penn National's senior vice president
19 of public affairs will represent Penn National
20 along with the team. Tom Bonner, vice president
21 and general counsel of Greenwood Racing and Tom
22 Carney of Raynham Park will represent Raynham
23 Park. Mr. Weinberg, thank you very much for
24 joining us.

1 MR. WEINBERG: A pleasure and good
2 morning. Happy to be the guinea pig again on
3 this issue. I will give you a summary of where
4 we are with our neighboring communities and then
5 happy to answer any questions that you might
6 have.

7 First of all, let me begin by saying
8 that we sited our facility in Leominster right
9 off of 190 at 117 specifically so that it would
10 not have any impacts on any of our neighboring
11 communities. So, we have direct highway access.
12 190 has significant capacity. Those of our
13 projected customers that will come out of
14 secondary tertiary arteries is a very small part
15 of our customers that we expect.

16 Those that will come from any
17 secondary or tertiary arteries are dispersed
18 among many, many roads. So, any traffic that we
19 would be putting on any local roads is so
20 minimal that it's not even detectable.

21 In fact, we believe our impacts are
22 going to be completely positive on the
23 community, both in terms of job creation, and we
24 are working with our host community as well as

1 our neighboring communities to make sure that
2 the jobs for our facilities come from our local
3 area. As well as that we have a positive impact
4 on the businesses in our area by giving priority
5 to those businesses with the ongoing purchasing
6 that we will for our facility.

7 In addition, as we presented last
8 week, we have a joint venture with the
9 University of Massachusetts that should generate
10 thousands of high-tech manufacturing jobs in the
11 medical device industry. So, we've done
12 everything possible to make sure that we're
13 going to have a very, very positive impact on
14 not only our host community, but the entire
15 north-central region.

16 With that said, we have been
17 contacted by eight neighboring communities, six
18 that have a physical boundary with Leominster,
19 two that are next towns over. We have taken an
20 approach of trying to treat everybody the same
21 and fairly. And try to really create a win/win
22 situation where all of our neighboring
23 communities can benefit from the positive
24 impacts of our facility.

1 We would expect that seven of the
2 eight communities by October 31 or certainly
3 very close to that we would have agreements in
4 place with. We have final drafts of agreements
5 with most of the communities. Two of the
6 communities just contacted us in the last week
7 or so. And they will benefit from the work
8 that's already been done with the other
9 communities.

10 CHAIRMAN CROSBY: So, when you
11 started out by saying we found a site that
12 wouldn't have -- and you used the word any --
13 wouldn't have any impacts on other communities,
14 I thought you were going to end up saying that
15 you didn't think you had any surrounding
16 communities. But now I gather that
17 notwithstanding not having any impacts, you
18 think there probably will be seven surrounding
19 counties?

20 MR. WEINBERG: Or eight.

21 CHAIRMAN CROSBY: Or eight.

22 MR. WEINBERG: Again, while we don't
23 believe that we're going to have impacts on our
24 neighboring communities, we would rather work

1 cooperatively with our neighbors than to get
2 into any type of antagonistic situation.

3 So, our approach has been to
4 develop, for want of a better word, a master
5 agreement that all of the communities can
6 benefit from and that we can also address any
7 concerns.

8 I'll just give you one example.
9 There's a concern that has been expressed by a
10 couple communities that their fire and police
11 are going to have to respond to incidents at our
12 facility. We have a police substation that we
13 are building as part our facility. And we don't
14 expect to tax any of our neighboring public
15 safety communities.

16 So, a way that we addressed it was
17 to say if any of these communities need to
18 respond to any incidents at the casino, we'll
19 pay the cost of that response. We're trying to
20 address -- Some of it in dealing with this
21 issue, and I'm not going to surprise anybody
22 with this, there's a lot of misperceptions about
23 potential impacts. We know from our prior
24 experience that we don't expect them to come

1 about.

2 So, we're trying to address these
3 types of concerns by saying okay, if they
4 happen, we will pay for it so that you don't
5 have to worry about it. So, we're taking what
6 we think is a very cooperative approach with our
7 communities. We want this to be a project that
8 our neighbors in the north-central area will
9 benefit, feel good about and not have
10 apprehensions about before or after we open.

11 COMMISSIONER CAMERON: The eighth
12 community that you mentioned that you're not
13 close, is that because they are new to
14 expressing an interest in speaking with you or
15 because there is some disagreement there?

16 MR. WEINBERG: We have one community
17 that has not bought into the fact that everybody
18 should be treated equally. And it is not the
19 community that is immediately adjacent to our
20 facility.

21 CHAIRMAN CROSBY: Anybody else?
22 Thank you, great. I hope you're right.

23 MR. ZIEMBA: Mr. Schippers.

24 MR. SCHIPPERS: Good morning, Mr.

1 Chairman, members of the Commission, staff.
2 Thank you for having us back. Wanted to provide
3 you a quick update on where we stand with our
4 surrounding communities. And I have some new
5 faces to introduce to you from the Penn team.

6 On my right Alex Stolyar, who is our
7 vice president of corporate development. And to
8 his right is Jeff Morris who is the director of
9 public affairs. Both of these gentlemen have
10 been very involved in discussions, direct
11 discussions with our surrounding communities and
12 can provide a little bit more detail, not only
13 in terms of how those discussions are going but
14 also the discussions with businesses in those
15 surrounding communities in which we have entered
16 into memorandum of understanding for cross
17 marketing and promotions and other type of
18 collaborative efforts.

19 First, just to remind the
20 Commission, we had officially on October 2
21 designated these four communities here, which
22 are all adjacent to Plainville as our
23 surrounding communities. They are North
24 Attleboro, Wrentham, Mansfield and Foxboro. The

1 official designation was preceded by several in-
2 person meetings with city community officials in
3 which we provided details of our proposal,
4 introduced ourselves and our company and our
5 background and talked about what we had
6 envisioned for the proposed Plainridge casino
7 project.

8 Following that, we also provided
9 studies that we had commissioned, studies that
10 the town of Plainville had commissioned. And
11 importantly, we had provided a template of a
12 surrounding community agreement that covered
13 some of these following elements. The first is
14 a commitment from us to make -- our commitment
15 already had been and will be to hire 90 percent
16 of our workforce from the local area. That
17 includes hiring from the surrounding
18 communities.

19 So, our commitment is to set up job
20 fairs and make sure that we reach out to
21 resources, the workforce development training
22 resources, etc. in our surrounding communities,
23 and to have vendor fairs. Because another key
24 aspect of our proposal is to buy local, hire

1 local and buy local.

2 Cross marketing, as I mentioned,
3 which Jeff will talk about a little bit to
4 support the local charities and worthwhile civic
5 organizations. We recognize our employees will
6 be living in these communities. And we want to
7 make sure that we give back not just to
8 Plainville but our surrounding communities.

9 Host and attend public meetings, we
10 want to make sure that we continue to keep an
11 open dialogue with these communities both
12 leading up to the development of our proposed
13 facility but also as we get underway with the
14 operations. So, continue to keep an open line
15 of communication.

16 And then the other most important
17 element is we, as I mentioned, have provided
18 projections. And they are just that. They are
19 projections from economists. And the
20 communities may want to hire their own
21 economists. But what we have said is here are
22 the projections, but let's look at the real
23 world net impact of our facility one year after
24 opening.

1 And let's commission jointly a study
2 that looks at, takes the positives and whatever
3 negatives there might be and looks at the net
4 impact. And we will commit to pay, to mitigate
5 the direct net impacts of our facility on those
6 surrounding communities. Those have been
7 principles that have been well received.

8 Now we'll drill down with Alex and
9 Jeff on each specific community a little bit
10 further, Alex.

11 MR. STOLYAR: Thank you, Eric. What
12 you guys see in front of you is the traffic
13 impact study that we had done. It shows the
14 trip distribution and where we see our customers
15 coming from. Obviously, overall the majority
16 given our location right off the interstate is
17 going to be coming off of I-495, which will
18 clearly have very little impact on surrounding
19 communities.

20 The ones that will be the most
21 impacted is just south of us. You've got 12
22 percent coming up through North Attleboro. And
23 up north of us, you've got probably three to
24 four percent coming through Wrentham.

1 As Eric was saying, these are
2 projections. This is what our traffic engineers
3 believe based on their knowledge of the industry
4 and our facility where the traffic is going to
5 be coming from.

6 Unfortunately, the only thing we
7 know about these numbers is that they are wrong.
8 That's the only point that we can really say at
9 this time because it's gaming projections, it's
10 like revenue projections. It could be higher,
11 it could be lower. We just don't know. It's
12 just projections.

13 So, as we met with the communities,
14 they really, as Eric said, responded well to
15 looking at actual impacts after we open because
16 everybody is concerned that well, what if we're
17 way off? Obviously, we'd be concerned if we are
18 way off the other way as well. So, that kind of
19 led to this approach, which again was very well
20 received.

21 Now in dealing with each of the four
22 communities, they had some very universal
23 concerns, concerns that were general among all
24 of them. Then they had some very specific

1 concerns that we're dealing with each one more
2 specifically.

3 So, for example, with North
4 Attleboro, we've been working closely the town
5 administrator there, Mark Fisher. I think the
6 category of their biggest concern is the traffic
7 mitigation. The Route 152 corridor and the
8 Route 106 that you saw on the previous slide had
9 that go through there that local traffic may
10 take to access our facility. That's something,
11 like I said, we're going to study and make sure
12 that we can mitigate those impacts.

13 They wanted to make sure that as we
14 mentioned looking at charitable support for
15 local organizations, they designated one
16 specifically, Lenore's Pantry that does a lot of
17 good work in the community. So, we put that in
18 our agreement. We are close to having an
19 agreement with them. And we're targeting their
20 board of selectmen meeting on October 22 to get
21 that executed.

22 MR. MORRIS: And as Eric mentioned
23 about working with businesses and organizations
24 on cross marketing, we have already signed a

1 cross marketing MOU with the Holiday Inn Express
2 in North Attleboro. We have reached out to the
3 Emerald Square Mall, Fresh Catch Seafood and Box
4 Seats Bar and Grill.

5 MR. STOLYAR: On the other side of
6 the map there's Wrentham to our north. Working
7 very closely with William Ketchum, Bill Ketchum,
8 the town administrator there. He said sort of
9 their biggest concern was the public safety
10 aspect, police, fire, EMT, because in many cases
11 their units back up the Plainville units. So,
12 they wanted to make sure that our facility did
13 not create an undue burden on them.

14 We said obviously we don't believe
15 that. Our economists don't believe that it
16 will. Again, that's something we're going to
17 look at. We're going to establish a baseline
18 before we open. And then we're going to look at
19 the impacts that our facility has a year after
20 opening. And again, any mitigation efforts that
21 need to be -- that come as a result of that we
22 are going to 100 percent fund.

23 Unfortunately, their next board of
24 selectmen meeting is not scheduled until

1 November 5. They do the first and third
2 Tuesdays of the month. And the way the Tuesdays
3 layout in October it's a little while away.
4 But they are able to schedule one for October
5 29. And they were receptive to that if we can
6 get the agreement inked before or close to that.
7 Right now, I'm happy to say, it's looking like
8 we should be able to get there.

9 MR. MORRIS: And again, on the cross
10 marketing and community outreach, we have a
11 signed agreement with Wrentham Village Premium
12 Outlets, Cafe Assisi. And we've also met with
13 Luciano's and Eagle Brook Salon. We'll continue
14 to reach out to additional businesses and
15 organizations in all of these communities.

16 MR. STOLYAR: We've had discussions
17 with Mansfield. Mansfield, it was a general
18 consensus that we're going to have very minimal
19 impact on them just given their location. The
20 way the roads lay out, there's not going to be
21 traffic going through there.

22 But nevertheless, we did want to
23 designate them as a surrounding community. And
24 they appreciated that. So, they had a seat at

1 the table. Realistically, they said their
2 biggest concern was with the Comcast Center.
3 That our form of entertainment did not compete
4 with the Comcast Center, which is an integral
5 part of their community. Jeff can tell you more
6 about that, but we don't think that'll be a
7 problem.

8 MR. MORRIS: Yes. We met with the
9 Comcast Center a few times now. And they are
10 very excited to be partnering with us for a
11 cross marketing partnership. There's a letter
12 of support in your packet.

13 MR. STOLYAR: The final community is
14 Foxboro. Foxboro, we had a good meeting with
15 them as well. They are concerned about problem
16 gaming and the social impacts of gaming in
17 general. So, that's something we are looking to
18 work with them on.

19 We've made them familiar or tried to
20 make them familiar with the problem gaming fund
21 that state is setting up and all of the money
22 that is going to be going into that. And as
23 with the other communities if our impact results
24 in negative consequences beyond what can be

1 mitigated through that fund, then we are
2 committing to it.

3 CHAIRMAN CROSBY: What did she say
4 about the fund the state is setting up? What
5 was the relevance of that?

6 MR. STOLYAR: The town of Foxboro is
7 concerned about problem gaming and how that'll
8 be addressed.

9 MR. SCHIPPERS: We just wanted them
10 to understand what resources are already
11 available.

12 CHAIRMAN CROSBY: That was the
13 Public Health Trust fund not the Community
14 Mitigation fund you were referring to.

15 MR. STOLYAR: Correct, correct.
16 Sorry, I forgot the exact terminology, yes the
17 Public Health Trust fund. Again, what we told
18 Foxboro is what we've told the other communities
19 is if it's determined that the funds coming from
20 that do not sufficiently address the problem-
21 gaming issues that arise as a result of our
22 facility, then we will cover the additional
23 expenses and mitigate that.

24 Foxboro, we are expected -- they've

1 got our draft agreement as the others. We're
2 expecting their draft comments per the town
3 clerk by October 18, which I guess is tomorrow.
4 So, we hope to get that and progress discussions
5 with them.

6 MR. MORRIS: And as in the other
7 communities, we have agreements signed with
8 Foxboro businesses, the Renaissance, Boston
9 Patriot Place Hotel, the Residence Inn Marriott.
10 We have met with Gillette Stadium and have
11 reached out to Green Valley. We're also going
12 to reach out to a number of the other businesses
13 in Patriot Place.

14 MR. SCHIPPERS: That concludes our
15 remarks and happy to take any questions.

16 COMMISSIONER MCHUGH: Are there any
17 communities, other than those four that have
18 asked you to be considered surrounding
19 communities?

20 MR. SCHIPPERS: Not officially. We
21 did have an inquiry from one community that was
22 just inquiring about how they could become or
23 would we consider them as a surrounding
24 community. And had an opportunity to meet with

1 that town, share with them our traffic
2 projections. And the fact that they are not
3 adjacent, told them all of the elements of our
4 proposal and the fact that we're still committed
5 to working with their businesses, but we would
6 not consider them to be a surrounding community.

7 They seemed to understand that,
8 appreciate the outreach, the direct contact. We
9 have heard nothing further after that. That was
10 the town of Franklin.

11 MR. STOLYAR Franklin, correct, and
12 we've actually signed a number of partnerships
13 with their businesses to help drive business to
14 the town, which was one of their primary
15 concerns. So, that was a positive response from
16 them.

17 CHAIRMAN CROSBY: Mr. Schippers, you
18 mentioned that at a year out you're going to
19 have a study, jointly commission a study. And
20 if there are net negative consequences, that you
21 would be committed to compensating for those.
22 How are you going to calculate net negative
23 consequences?

24 MR. SCHIPPERS: Well, we want to

1 make sure that obviously the positive impact
2 that we're going to have on these communities is
3 taken into account.

4 So, we want to hire an economist
5 that is going to look at what this has meant in
6 terms of increase in revenue for local
7 businesses. What this has meant for increase in
8 funding for important programs. How everyone
9 has benefited on the upside. And then what are
10 the potential negatives on the downside in terms
11 of are there additional officers, public safety
12 officers that may need to be hired to help with
13 things like traffic flow? Are there, as Alex
14 pointed out, additional needs from a funding
15 resource standpoint for unforeseen issues that
16 may come up that we didn't foresee in our early
17 projections?

18 So, we want to weigh the good and
19 the potential bad. We don't think there are
20 going to be significant negative impacts in
21 these communities, but we want to take a look.
22 And what the net impact is is what we would
23 consider funding and setting up.

24 We can't say today arbitrarily what

1 amount that might be that would be set aside for
2 that because we really have to sort of join
3 hands with those committees and work together to
4 get to the bottom of it.

5 MR. STOLYAR: On that note,
6 Commissioner, it's important to point out that
7 in all of our agreements with them, we are
8 agreeing with the towns that the consultants,
9 whether it's the economists or the traffic
10 consultants that we select would be jointly
11 selected by both of us. So, it will be a
12 neutral objective party that's doing the
13 analysis.

14 MR. SCHIPPERS: The goal is not to
15 get into a war of dueling economists or dueling
16 studies to make sure that there is buy-in going
17 into to it to take a real clean hard look at the
18 impact.

19 CHAIRMAN CROSBY: That's
20 interesting. This is between you and the
21 surrounding communities at this point. But it's
22 just as a matter of academic interest, how do
23 you net out the positive of 18 new jobs versus
24 the negative of needing a new cop car. I'll be

1 interested in how you come up with that one, but
2 thank you.

3 COMMISSIONER ZUNIGA: I'm curious,
4 Mr. Schippers. What if one year proves to be an
5 insufficient timeline for this calculation?

6 MR. SCHIPPERS: Well, we have
7 committed that we're going to keep an open
8 dialogue with these communities. We consider
9 them our partners in this process. That'll be
10 the point at which we commission and look at
11 setting aside dollars. But of course, we'll
12 keep an open line of communication should
13 unforeseen issues arise down the road.

14 Maybe there's a road that's closed
15 in one community that opens up increase traffic
16 in another community that we couldn't have
17 foreseen three years down the road. We want to
18 make sure that there's a relationship there. We
19 can come back and try to help on that front.

20 So, again, the point is this is not
21 just a commitment to be a good neighbor for a
22 year. This is a commitment to be a good
23 neighbor in perpetuity as we get ourselves
24 established in these communities.

1 COMMISSIONER ZUNIGA: Thank you.

2 CHAIRMAN CROSBY: Anybody else?

3 Thank you very much.

4 MR. SCHIPPERS: Thank you.

5 MR. ZIEMBA: Mr. Carney, Mr. Bonner.

6 MR. BONNER: Good morning, Mr.

7 Chairman. Good morning, Commissioners.

8 CHAIRMAN CROSBY: Identify

9 yourselves.

10 MR. BONNER: My name is Tom Bonner.

11 I am chief counsel for Greenwood Gaming. But I
12 am here as a member of the board of directors as
13 a business person today. I am not legally
14 representing the entity. With me is Mr. Tom
15 Carney. He is a principal of the Carney Family
16 Group, which is half of the applicant, Raynham
17 Park, LLC.

18 As you requested, Mr. Chairman and
19 Commissioners, we are here to provide the update
20 on our efforts with the surrounding communities.
21 We have had contact with 10 nearby communities
22 in the recent months. We have formally
23 designated two communities as surrounding
24 communities. We have met with nine of those 10

1 communities. And one community had expressed
2 interest in talking but was not yet ready to
3 meet. So, we've met with everyone who was
4 interested in having a meeting.

5 The municipalities that we have
6 formally designated as surrounding communities
7 are the town of Easton and the city of Taunton.
8 We are well advanced in negotiations with one of
9 those two. And I'm not trying to be evasive,
10 but I know you appreciate the sensitivity of
11 these negotiations.

12 But we've drafted an agreement with
13 one of those two municipalities. And they have
14 it and are reviewing it and we expect that that
15 will be excused in the very near future. With
16 the other designated surrounding community, we
17 are well along in negotiations, but not to the
18 point of submitting an agreement for their
19 consideration at this time. And also both of
20 those communities that we designated as
21 surrounding communities have accepted that
22 designation as well.

23 With respect to the other eight
24 communities, we have had meetings or

1 discussions, telephone discussions with them
2 from early to mid-September until most recently
3 as this week. We are in various stages of
4 discussions with those communities. We really
5 have not come to any specific understandings
6 with any of those eight nearby communities that
7 have not been formally designated.

8 It is probable that we may designate
9 one or two of those communities as a surrounding
10 community, but we're not quite there yet. As I
11 had mentioned when we appeared before you on
12 October 7, we're able to dedicate greater
13 resources to this effort now that we've got the
14 application behind us. And Mr. Carney who is up
15 here has been involved in most of these meetings
16 that have taken place.

17 Also, with respect to these
18 meetings, we have been fortunate to have
19 representatives of the Southeast Regional
20 Planning and Economic Development District with
21 us at those meetings, and the Old Colony
22 Planning Council as well have been attending
23 those meetings. And we think that has been
24 helpful to moving the negotiations forward.

1 Tom, I don't know if you have anything you'd
2 like to fill in on that.

3 MR. CARNEY: No. I have been at
4 pretty much all of the meetings. And overall
5 it's just excitement for the project with all of
6 the jobs that were lost in the area when we
7 stopped running live in 2010. Of the eight or
8 10, I haven't seen any that are negative about
9 the project whatsoever.

10 COMMISSIONER CAMERON: So, you're
11 hopeful you'll have all of those agreements
12 locked down at some point?

13 MR. BONNER: We will. It's
14 difficult to project the timeline, especially
15 given the schedule that the Chairman had talked
16 about early with possible extensions. Yes,
17 those agreements that have been designated as
18 surrounding communities and if we add any to
19 that list, we're confident that we will have an
20 agreement with those communities within the time
21 set forth.

22 COMMISSIONER CAMERON: Are there
23 others in this group of eight to 10 that
24 consider themselves but you don't necessarily

1 consider them surrounding communities?

2 MR. BONNER: I think that is fair to
3 say. I think there's some that believe that
4 they have been impacted in a manner described in
5 the regulations. We may not agree with those
6 designations.

7 But we have taken an approach
8 similar to the approach that the Penn National
9 representative had mentioned that with some of
10 these towns, it might make sense to take a wait-
11 and-see approach and agree in a binding document
12 that we'll see what actually happens in the
13 coming year, two years, three years. And then
14 address those impacts by agreement down the
15 road. I think that's a good approach.

16 CHAIRMAN CROSBY: Anybody else?
17 Okay. Thank you.

18 COMMISSIONER MCHUGH: If we get to
19 October 31 and we get say six of the eight that
20 are still out there who you haven't reached
21 agreements with, you understand that that starts
22 a pretty intense period of Commission
23 involvement. And may well have an impact on the
24 overall speed with which this process can move

1 forward.

2 MR. BONNER: We're well aware of
3 that, Commissioner. And it is our intention to
4 get these agreements done within that time
5 period because we appreciate the significance
6 that it has on the schedule and on the overall
7 process.

8 MR. CARNEY: And Commissioner, some
9 of those surrounding areas, we've gone and met
10 with them. And they basically have just said
11 that they wanted us to come down and talk about
12 the project. But they understand that they're
13 not going to be impacted. But when the place
14 opens, if there was an impact two, three, four
15 years down the line, they want to be able to
16 have a conversation then.

17 But there's probably three or four
18 communities that that's what they had to say.
19 So, I do think we will come to agreements and be
20 able to push this forward.

21 MR. BONNER: Yes. I don't want to
22 create the impression that we're not committed
23 to the process and appreciate the significance
24 of it. I don't also want to oversell our hand

1 and where we are with respect to these
2 negotiations. We believe that those towns that
3 legitimately will be impacted and will meet the
4 definition of a surrounding community, we will
5 designate and we will come to an agreement.

6 COMMISSIONER MCHUGH: Right, right.
7 Okay.

8 CHAIRMAN CROSBY: Thank you. That
9 was helpful. I think the idea that a couple of
10 you have at least talked about the idea of
11 binding reopeners, binding later looks is a
12 really important but also fair thing. And I am
13 pleased that you all, so many of you are
14 thinking about that. That is a really good way,
15 a really fair way particularly if the arbiter of
16 the downstream consequences as a neutral party.

17 That really puts a lot of protection in
18 for the surrounding communities. And I commend
19 that initiative from all of you.

20 COMMISSIONER MCHUGH: Okay.

21 CHAIRMAN CROSBY: Thank you.

22 MR. ZIEMBA: Mr. Chairman, it looks
23 like we're doing okay with our schedule. I was
24 hopefully going to ask Mr. Grossman just to

1 provide us just by way of a little update on the
2 technicality of how communities and applicants
3 can submit their forms at the 31st if they
4 indeed reach agreement, if that's okay.

5 CHAIRMAN CROSBY: Sure.

6 MR. ZIEMBA: What Todd and I have
7 talked about is that there is a process by which
8 surrounding communities can submit their
9 petition to be a surrounding community at the
10 end of the 31st, October 31. And at that time,
11 applicants, if they agree with that surrounding
12 community status applicants could assent to that
13 designation. That is the way that it could
14 reach the Commission within our regulations and
15 we can proceed. And at the same time, they
16 could submit an agreement at the end of that
17 period of time.

18 So, community X submits their
19 petition for surrounding community status.
20 Basically, in the same form the applicant could
21 say we agree to that designation, we agree to
22 that petition. Then at the same time, they
23 could submit their application -- excuse me,
24 their agreement.

1 MR. GROSSMAN: That's right. And I
2 think what John is just getting at that is by
3 extending the deadline as the Commission did, it
4 takes it slightly outside one of the three
5 methods that the regulations had anticipated.

6 So, what's going on now is slightly
7 different than the second course in the regs.,
8 which was that the applicant would designate the
9 community as a surrounding community. The
10 community would then have 10 days to accept that
11 designation.

12 Here the situation is slightly
13 different and it still works perfectly fine.
14 And that is that the designation can be made and
15 assented to all in one document, essentially.
16 And I think that's what we're getting at.

17 One of the other key points, I
18 think, just to make, to highlight is that only
19 the Commission can make a designation of a
20 surrounding community. So, what we've asked the
21 applicants to do, what the Commission has asked
22 the applicants to do in the regulations is to
23 identify those communities that it believes
24 should be designated as a surrounding community.

1 And then allows for the community to accept the
2 designation.

3 But ultimately, there's nothing
4 that's happened that will negatively impact the
5 ability of the communities and the applicants to
6 work together to get this done within the
7 timeframes.

8 MR. ZIEMBA: So, what Mr. Grossman
9 and I have talked about is that we'll prepare a
10 simple form which will be a sample form for
11 communities and applicants that agree to a
12 surrounding community status they can submit to
13 the Commission satisfying our regulations,
14 because it is rather a technical form.

15 COMMISSIONER MCHUGH: But that only
16 applies to communities and applicants who have
17 agreed on surrounding community status but have
18 not executed a surrounding community agreement.

19 We just heard a lot of discussion
20 about the anticipation on all three applicants'
21 part of having agreements signed by the 31st.
22 All they have to do is have that agreement
23 signed; they are a surrounding community, and
24 that's the end of it, right?

1 And this procedure you're talking
2 about how applies if there is an agreement that
3 there is a surrounding community, but there is
4 no signed surrounding community agreement by the
5 31st.

6 MR. GROSSMAN: I think that's right.

7 COMMISSIONER MCHUGH: Okay. I just
8 don't want to complicate this for those
9 communities and applicants who are on the verge
10 of signing these agreements. There's no lengthy
11 process or no forms to file. If you have a
12 surrounding community agreement and it's done
13 under the statute and the regs, they are a
14 surrounding community and that's it.

15 MR. ZIEMBA: Commissioner, we'll go
16 back. That doesn't exactly correlate to some of
17 the discussions that Todd and I have had on
18 whether or not that is technically possible
19 under our regulations. So, we'll convene and
20 we'll get back to you on the same meeting.

21 COMMISSIONER MCHUGH: While we are
22 working on that, it goes without saying that the
23 people who are working as all three of them are
24 on these surrounding community agreements are to

1 be commended and ought to continue in the
2 expectation that if there is a surrounding
3 agreement done by October 31, everything is
4 going to become much simpler. That's fair to
5 say today, right?

6 MR. ZIEMBA: Absolutely.

7 CHAIRMAN CROSBY: That would be very
8 fair.

9 MR. ZIEMBA: So, the technicalities
10 of that, we'll make sure that's addressed.

11 CHAIRMAN CROSBY: If anybody in the
12 surrounding communities didn't quite follow
13 that, nuances of that conversation, I'm with you
14 on that. But hopefully you'll clarify that at
15 some point.

16 MR. MCHUHG: I was really trying to
17 take the nuances out of it and I guess the
18 bottom line is get the surrounding community
19 agreement signed.

20 COMMISSIONER ZUNIGA: That's right.

21 MR. ZIEMBA: And we'll find a way to
22 accept them under our regulations.

23 COMMISSIONER ZUNIGA: In other
24 words, if there is a surrounding community

1 agreement executed that means that the applicant
2 has designated them by virtue of their signature
3 and the community has assented to their
4 designation by virtue of that signature as well.
5 It may go without saying, but I know that
6 there's a process that describes it, but an
7 executed agreement should comply with all of the
8 proceeding.

9 CHAIRMAN CROSBY: I think
10 Commissioner McHugh said it bets. If you can
11 execute a surrounding community agreement, we'll
12 find out a way to accept it.

13 MR. ZIEMBA: That's right. The
14 final thing on my agenda, Mr. Chairman --

15 CHAIRMAN CROSBY: John, excuse me.
16 I'm going to interrupt you here. Just very
17 quickly, you're just going to highlight these,
18 right?

19 MR. ZIEMBA: Yes.

20 CHAIRMAN CROSBY: Go ahead.

21 MR. ZIEMBA: So, final item on the
22 agenda is that we have public input meeting
23 scheduled for next week for the three Category 2
24 applicants on Monday, October 21, Tuesday,

1 October 22, and Wednesday, October 23. And I
2 think the Commission wanted to talk about how
3 we're going to go about convening those meetings
4 and allowing public testimony.

5 In general, what we have said is
6 that we are hoping that these meetings are
7 relative to the actual applicants and the actual
8 applications and the actual host communities.
9 There's language -- We put a blog up just
10 recently and mailed that to almost 1000 people,
11 750 to 1000 people outlining the procedures
12 under which people can sign up and testify.

13 I've received a question just in the
14 last day or so of how limited are we in the
15 scope of having outside groups that may want to
16 testify but they actually don't reside in those
17 communities. I think it's our intention that as
18 long as there is a direct connection to that
19 facility and they're commenting on that facility
20 that that is what we would allow for testimony.
21 We're not trying to limit that.

22 CHAIRMAN CROSBY: Yes. Let me just
23 try to highlight this. This a very important
24 part of this process. The Legislature mandated

1 that for each application there would be a
2 public meeting in the host community. That
3 meeting is to come.

4 But we decided that it was important
5 to have another meeting beyond the legislatively
6 mandated meeting where we would give an
7 opportunity to anybody who wants to speak to us
8 who is either from the host community or from a
9 surrounding community or a reasonably possible
10 surrounding communities, since all of the
11 surrounding community won't be determined yet to
12 talk to us about the proposal that's on the
13 table.

14 So, we're holding these three
15 meetings, Monday, Tuesday, Wednesday of next
16 week in one of the surrounding communities near
17 each of the three sites. The meeting starts at
18 four. And the meeting will stop when there is
19 nobody left to speak. We will ask people to be
20 brief for obvious reasons, particularly
21 depending on if there's a lot of speakers.

22 Every individual who wants to speak
23 to us who lives in either a host community or a
24 potentially surrounding community will have an

1 opportunity to speak. Representatives of
2 organizations from any of the host communities
3 or potential surrounding community that wants to
4 speak will have an opportunity to speak.

5 Because they represent an organization, they'll
6 have a little bit more time than individuals.

7 We will have many Commissioners
8 there, at least three or four of the
9 Commissioners will be there to hear it. These
10 will not be streamed live because we decided
11 these are really only particularly relevant to
12 the people in that neighborhood. There is no
13 need to stream these across the state like we do
14 all the rest of our meetings. But there will be
15 a transcript taken and we will take very
16 seriously everything that is said.

17 So, this is a really critical
18 opportunity. Everybody who has any opinion, one
19 way or the other about this, you're invited to
20 make it heard and for it to be as substantive as
21 possible. That's it, right? Please get the
22 word out.

23 I just want to say one other thing
24 that sort of semi relates to this. We have

1 received over the course of the last -- when
2 this whole process some concerns expressed about
3 advertising by applicants that's run in their
4 local communities and the host communities
5 relative to the referendum about the accuracy of
6 that advertising. We all know that advertising
7 and political debates is a gray. What's
8 accurate is sometimes in the eye of the
9 beholder. But we do want to exhort applicants
10 to be careful and to represent the facts of
11 their host community agreement and what's going
12 to happen as accurately as possible, albeit in
13 support of your notion, which is obvious.

14 We have routinely said that the
15 transactions at the local level are in the hands
16 of the locals. That's the legislative intent.
17 We've tried to implement that to a large extent.
18 So long as no actions at the local level either
19 run the risk of impugning the integrity of the
20 overall process (A), or (B) impede the
21 operational process.

22 So, we will be keeping an eye on
23 things like this. And we would take a position
24 if somebody were out of line, if we deemed

1 people to be out of line, arguments advertising
2 to be out of line in terms of the accuracy of
3 their representations in the advertising. That
4 applies to the debates -- to the referenda that
5 are going on now and coming in the future.

6 It's now 25 past. We're going to
7 adjourn briefly for 10 or 15 minutes.
8 Commissioner Stebbins will rejoin us and we will
9 go then to the discussion of doing business in
10 foreign jurisdictions.

11
12 (A recess was taken)

13 CHAIRMAN CROSBY: I am reconvening
14 Mass. Gaming Commission public meeting number
15 81. We are going to jump straight to item
16 number 5a on our agenda, which is the discussion
17 of gaming in foreign jurisdictions. And we are
18 going to start with our Director of
19 Investigations and Enforcement.

20 Actually, maybe I'll just say a
21 couple of words about this first to sort of
22 introduce this meeting. You may be repeating a
23 little bit of that. One of the issues that the
24 Commission is having to deal with in our

1 background checks is the incidents of certain of
2 our applicants doing business in foreign
3 jurisdictions.

4 Many times foreign jurisdictions
5 could be New Jersey. That's an easy
6 relationship. But there are other foreign
7 jurisdictions which are further afield where the
8 system of laws and culture are different from
9 the system of laws and culture in which we
10 operate in this country. This is not an issue
11 just for casino companies. This is an issue for
12 Coca-Cola and Apple and everybody, the United
13 States companies that do business overseas.

14 So, as we're doing background checks
15 on our potential companies to do business here,
16 on our applicants, we need to figure out to what
17 extent we assess the way they do business, the
18 way these applicants do business in foreign
19 jurisdictions and how do we count, how do we
20 assess, how do we judge, how do we rate those
21 business practices in foreign jurisdictions in
22 the context of our rules, our laws and our
23 culture?

24 This is a complicated area. It's

1 complicated for multinational companies all
2 around the world. We have spent a fair amount
3 of time trying to sort of understand and think
4 through a bunch of these issues in order that we
5 can both treat our applicants fairly, but also
6 do our jobs of making sure that we have
7 applicants of the highest integrity only in the
8 process.

9 A couple of the companies who do
10 business overseas said that they wanted to
11 present to us their views on these issues, not
12 about their particular applications. That's not
13 what we're here to talk about. But their views
14 on this sort of philosophy and the practical
15 realities of doing business overseas and how
16 those cultures and laws bear on our cultures and
17 laws.

18 So, we said out of respect to those
19 companies, we would invite them in to speak with
20 them. And MGM and Wynn Resorts are here today
21 to do that. I hope I haven't stolen your
22 thunder.

23 MS. WELLS: No, that's all right.
24 I'll be quick now. Good morning, Mr. Chairman

1 and members of the Commission. I'd just like to
2 thank the State Police and their work in
3 preparing for this today and all their work with
4 respect to investigations that we have going
5 forward along with our consulting investigators.

6 As you indicated, the discussion on
7 the agenda today is at the request of the
8 applicants. And Commissioners, as you are
9 aware, you're not allowed to have these closed-
10 door meetings discussing policy matters. So,
11 the applicant was notified that any discussion
12 would have to be in a public forum.

13 I would like to reiterate that the
14 discussion today is not a suitability discussion
15 and it's not applicant specific, and won't be
16 presenting any information about the applicants
17 themselves. Any issues regarding particular
18 applicants will be addressed individually as
19 part of the suitability process.

20 I do have some State Police -- I did
21 have some remarks prepared for the Commission
22 today about specifically about Macau, although
23 one of the applicants expressed concern and
24 wanted this to be purely a policy discussion.

1 So, out of an abundance of caution, I'll refrain
2 from comments noting that any potential issues
3 of concern to the IBE that'll be addressed at
4 another time. And this isn't necessarily the
5 forum for that. But we can address those issues
6 later.

7 We do have John McManus here from
8 MGM we've worked with through the process of the
9 suitability investigation. He's here with
10 representatives from his company. I believe
11 he's going to start off the discussion. He has
12 some individuals who are coming in to give some
13 outside perspective on the issue today.

14 MR. MCMANUS: Thank you, Director
15 Wells. Good morning, Mr. Chairman, members of
16 the Commission. We thank you very much for the
17 opportunity to be here today and to present to
18 you.

19 We look forward to hopefully having
20 a lively discussion and dialogue on this topic.
21 As Director Wells indicated, this is intended to
22 be a policy discussion. And we would like to do
23 our part to help the Commission in its
24 consideration of these important matters.

1 We recognize that being a
2 participant in this industry is a privilege.
3 And with that privilege comes the responsibility
4 of assisting jurisdictions in formulating their
5 policies and their approach to regulation.

6 We are now a global industry where
7 several decades ago you just had in our country
8 Nevada. And then New Jersey joined in the late
9 70s. Today it is literally all four corners of
10 the world. And large companies like MGM Resorts
11 need to be very thoughtful about how they
12 approach and enter into new markets, what the
13 approach to regulation of our industry will be
14 in those markets. And when we have a new
15 jurisdiction like Massachusetts or an expanding
16 jurisdiction like Massachusetts, we want to do
17 what we can to assist the policymakers of the
18 Commonwealth in this case with their thoughtful
19 approach to this.

20 And I would also like to commend the
21 Commission and staff for the thoughtful approach
22 that the Commonwealth has taken generally on
23 gaming. We've been obviously observing and
24 participating for a couple of years now. We are

1 happy to take whatever time we need on this
2 issue today and encourage you to interrupt us
3 and ask questions as we go along.

4 With all of that being said, I'd
5 like to just briefly tell you who is going to be
6 speaking to you today. And we'll let them do
7 some of their own introductions on credentials.
8 To my immediate right is Patrick Madamba of the
9 Fox Rothschild law firm. They've been
10 representing us with respect to our application
11 in Massachusetts. To his right is Mark
12 Lipparelli, former chairman of the Nevada Gaming
13 Control Board. And to his right is Peter Cohen,
14 former executive commissioner and chief
15 executive officer of the Victorian Commission
16 for Gambling Regulation.

17 Pat will give you a brief overview
18 of some of the frameworks in other jurisdictions
19 and how they look at jurisdictions globally in
20 terms of deciding what is appropriate for their
21 applicants and licensees. And then really, the
22 heart of our presentation will hopefully be a
23 dialogue between the Commission and Mr.
24 Lipparelli and Mr. Cohen who have sat in the

1 same chairs that you are sitting in today and
2 have considered these issues in real life. With
3 that again thank you, for your time and for the
4 invitation. And I'll pass it over to Mr.
5 Madamba.

6 MR. MADAMBA: Good morning, Chairman
7 Crosby, members of the Commission. My name is
8 Pat Madamba for the record. I am an attorney
9 with the law firm Fox Rothschild.

10 CHAIRMAN CROSBY: Excuse me one
11 second. Can everybody hear okay in back? Pull
12 your mic.

13 MR. MADAMBA: Certainly, sorry. I'm
14 a member of the New Jersey bar. I've been a
15 member of the New Jersey bar for 25 years. And
16 for most of that time I practiced in the area of
17 gaming law. Even before I graduated from law
18 school I was the regulatory affairs manager at
19 the Claridge Hotel Casino in Atlantic City.

20 Obviously, the topic today is what
21 are the appropriate standards for assessing
22 companies that do business in foreign
23 jurisdictions. For definitional purposes,
24 foreign jurisdictions is jurisdictions other

1 than Massachusetts. Thus, it's both the states
2 within the United States as well as foreign
3 countries.

4 All major U.S. jurisdictions assess
5 to one extent or another, but ultimately on a
6 limited basis the foreign gaming activities of
7 its licensees. Some jurisdictions in the
8 enabling legislation, their statutory scheme,
9 have specific foreign gaming provisions within
10 the statute and specific standards. Nevada is
11 an example of that, and Mississippi is another
12 example.

13 Other enabling legislation simply
14 has general good character, honesty and
15 integrity or associational standpoint standards.
16 It's on a more general basis. But regardless of
17 whether the statutory scheme is specific or
18 general, by and large, gaming regulators get to
19 the same place in terms of what they look at
20 with respect to their licensees' or applicants'
21 foreign gaming activities. It's limited in
22 scope. And what they universally look for are
23 essentially three things.

24 The first thing they look at is what

1 the applicants' or licensees' regulatory history
2 in the foreign jurisdiction. And they do that
3 because it's frankly predictive of what their
4 behavior is going to be in your jurisdiction.
5 Typically, the analysis stops there.

6 If for one reason or another they go
7 to look further, they look at two other things.
8 The first thing the gaming regulator looks at is
9 to determine to what extent does the applicant's
10 foreign gaming activities possibly have a direct
11 impact on the integrity of gaming operations in
12 the jurisdiction that's looking at them. So,
13 there's need to be a tie between the activity
14 and the integrity of gaming operations in your
15 jurisdiction.

16 Lastly, they look at whether or not
17 what an applicant or licensee is doing in a
18 foreign jurisdiction that may bring discredit or
19 disrepute to the other gaming jurisdiction, for
20 instance, Massachusetts gaming jurisdiction.
21 So, there are essentially, regardless of how you
22 work it in the statute, they are frankly the
23 three things that regulators really look at.

24 Fundamentally, each of them have a

1 nexus back to the regulator's jurisdiction.
2 Regulators are generally concerned and review
3 those activities that have an actual impact on
4 their jurisdiction either from an operational
5 integrity perspective or integrity of the gaming
6 regulator.

7 It wasn't always that way. Nevada,
8 for example, many years ago, actually decades
9 ago use to actually pass judgment on the
10 propriety of other regulatory jurisdictions in
11 their scheme of regulation. Nevada has specific
12 statutory scheme that looks at foreign gaming
13 activities in their foreign gaming act. And
14 they have specific standards.

15 Prior to 1977, the way that Nevada
16 treated foreign gaming or regulated foreign
17 gaming is they simply banned it. It was an easy
18 way to deal with it. Any licensee that wanted
19 to do business in Nevada couldn't do business
20 elsewhere.

21 Obviously, that probably had some
22 constitutional infirmities by simply banning
23 activities outside of the state. So in 1977,
24 Nevada amended its statutes and its foreign

1 gaming statutes to allow licensees to engage in
2 foreign gaming activities under two conditions.

3 One, they had to get prior approval
4 for their foreign gaming activities. And the
5 Nevada Gaming Commission had to actually make a
6 finding -- and this is from the prior statute --
7 a comprehensive, effective governmental
8 regulatory system in the foreign jurisdiction.
9 What that meant is Nevada actually did on-site
10 investigations of other governments.

11 Nevada, in doing that, they actually
12 passed on New Jersey and found that New Jersey
13 was suitable. And they also found for example
14 Queensland, Australia was suitable. Nevada,
15 however, quickly learned that that is simply
16 impractical. And it doesn't lead to good
17 relationships with other regulators. In 1987,
18 they abandoned that practice.

19 In 1993, they added specific
20 standards in their act to look at foreign gaming
21 activities. What they did was at first they
22 instituted periodic reporting requirements for
23 foreign gaming activities. They set up a
24 revolving fund. The licensee had to fund that

1 fund in order for Nevada to look at foreign
2 gaming activities. And they set up specific
3 standards.

4 Those standards -- And I'm
5 paraphrasing the statute, but the words, the
6 words that were written in the statute. One,
7 they look at whether or not their licensee or
8 applicant violates the foreign jurisdiction's
9 laws or regulations.

10 Two, they review whether or not
11 their licensee is engaging in activity that is
12 unsuitable for a licensee because it imposes an
13 unreasonable threat to the control of gaming in
14 Nevada. Again, it goes back to their
15 jurisdiction, impacting their jurisdiction.

16 And three, they look at whether the
17 foreign gaming activity reflects or tends to
18 reflect discredit or disrepute upon Nevada or
19 gaming in Nevada.

20 So, you're right back to where I
21 started, which is regardless of whether you have
22 a foreign gaming statute with these specific
23 standards or you look at it from good character,
24 honesty and integrity, you end up at the same

1 place.

2 Massachusetts statute is not
3 significantly different than those jurisdictions
4 that have the good character, honesty and
5 integrity and associational provisions. You
6 have the same provisions or very similar
7 provisions in New Jersey's act, in Michigan's
8 act, in Illinois' act and what have you.

9 So, there's no statutory impediment
10 to Massachusetts aligning itself with what major
11 jurisdictions do, which they ask those three
12 questions. And they review those activities on
13 a limited basis to see what the answer to those
14 questions are. Thank you.

15 CHAIRMAN CROSBY: Did you end up
16 sort of synopsisizing that those standards that
17 Nevada now uses are sort of the common standards
18 across the jurisdictions?

19 MR. MADAMBA: Universally, whether
20 you frame it as a good character, honesty and
21 integrity issue or you are looking at a specific
22 standard out of the Nevada act, you really come
23 back to looking at regulatory compliance in that
24 jurisdiction, whether or not your applicant is

1 doing something in that jurisdiction that will
2 directly affect the integrity of an operation in
3 your jurisdiction.

4 For example, there is a person in
5 jurisdiction A, the foreign jurisdiction that
6 may control or influence the gaming operation in
7 your jurisdiction. So, there is a direct nexus
8 or three reputational harm of the regulator.
9 There really are regardless of whether you frame
10 it, you really come to the same point.

11 COMMISSIONER MCHUGH: Reputational
12 harm to the regulator, in your example Nevada?

13 MR. MADAMBA: Yes.

14 COMMISSIONER MCHUGH: And how has
15 that spun out? Can you give an example of
16 things that might adversely affect the
17 reputation of the regulator? Have there been
18 any situations in which that criterion has been
19 applied concretely?

20 MR. MADAMBA: There has been very
21 limited instances in when the criteria has been
22 used. And in no case has a jurisdiction, to my
23 knowledge, no major U.S. jurisdiction has found
24 that a gaming company operating internationally

1 was found to be doing something that was so
2 egregious that it would cause reputational harm
3 to the regulator back in the U.S. or from one
4 state to another.

5 COMMISSIONER MCHUGH: There had been
6 discussion and this doesn't apply directly to
7 gaming. So, it's a safe way to try and use an
8 example. There's been a great deal of
9 discussion, particularly given some of the
10 tragedies in India about the kind of working
11 conditions that are perfectly legal in India but
12 that adversely affect the health, safety and
13 ultimate lives of workers in India.

14 Is that the kind of thing that would
15 fall into criterion three? I.e., could a
16 regulator consistent with regulatory norms that
17 are in effect elsewhere take a look at activity
18 in which an applicant for a license was engaging
19 in India and say those kinds of working
20 conditions are so far below accepted norms that
21 it would adversely affect our reputation as
22 regulators if we permitted that company to do
23 that work here -- to do not that work, to be a
24 licensee here?

1 MR. MCGAMIN: I don't believe so,
2 because you are superimposing your views, your
3 laws on a foreign jurisdiction. And I think
4 that you need to respect the laws of that
5 particular jurisdiction or you'll never end up
6 in a working relationship with that
7 jurisdiction.

8 In addition to which gaming has so
9 proliferated that it would be very difficult as
10 Nevada found to investigate -- essentially
11 investigate the propriety of other
12 jurisdictions.

13 In addition, you put the operator in
14 a very difficult position of having to choose
15 between possibly being in a competitive
16 disadvantage to satisfy a jurisdiction -- to
17 satisfy another jurisdiction as opposed to the
18 host country.

19 COMMISSIONER MCHUGH: Is that so
20 even if the Commission -- the domestic regulator
21 were to conclude that the foreign jurisdiction
22 activity while permissible falls so far below
23 acceptable standards of behavior that it's not
24 simply a question of questioning the other --

1 the laws of another jurisdiction or
2 superimposing legal concepts but it's
3 superimposing basic say concepts of human
4 decency?

5 I know it's a hypothetical but I'm
6 testing the outer limits of what you're saying.

7 MR. MCMANUS: Let me take a shot at
8 that. I think -- Let me give you an example,
9 and I'll use a gaming example. Say there's a
10 jurisdiction where there is no established
11 gaming law but there is no prohibition of
12 gaming. And an operator from Massachusetts
13 chose to go there and build a casino and open it
14 up and paid whatever fees they need to for
15 getting their permits and building but there's
16 no regulation.

17 And they decided that because there
18 is no regulation it would be to the house's
19 advantage to take some of the face cards out of
20 the deck when they're dealing 21. They didn't
21 obviously advertise that. People assume there's
22 52 cards in the deck, but rather there's 49.
23 You get enhanced odds for the house.

24 Have they broken a law of that

1 jurisdiction? No. But when you couple the lack
2 of regulation with what I'll call the unethical
3 business practice of the licensee in this case,
4 I would think that would be an example where you
5 say the gaming activity, although it's not
6 violating the law of this jurisdiction, has
7 clearly created a situation that would bring the
8 reputation of this company into question. And
9 in turn as a regulator, our reputation into
10 question if we don't do something about it. I
11 think that would be a good example.

12 I suspect that Mr. Lipparelli and
13 Mr. Cohen may have some real-life examples that
14 we haven't thought about. And I'm sure they
15 would be anxious to share those with you. But
16 that's one example that comes to mind.

17 MR. LIPPARELLI: Commissioner
18 McHugh, Mark Lipparelli for the record. To
19 answer your question, I think there been some
20 historical applications. In a practical sense,
21 Russia at one point had a form of legalized
22 gaming. And Nevada companies participated in
23 that market.

24 Subsequently, they made a decision

1 to outlaw gaming in that jurisdiction. Should
2 any of our Nevada licensees have continued to
3 market product in that jurisdiction after that
4 announcement, certainly the foreign gaming
5 statute would have applied to those companies.

6 Another one that springs to mind
7 more recently is the onset of Internet gaming in
8 various jurisdictions. Many of the Nevada
9 licensees by their own decision and probably at
10 their own economic peril decided not to enter
11 that marketplace in foreign jurisdictions
12 primarily due to the lack of regulation.

13 In certain of those jurisdictions,
14 there was, I wouldn't call it encouragement but
15 there was certainly a lack of enforcement of the
16 violation of state laws within the United States
17 where players from other jurisdictions could
18 access a U.S. customer. And to the extent that
19 any of our licensees became interested in
20 serving in those jurisdictions, they were
21 essentially at a disadvantage because they would
22 have the ability to go to that jurisdiction,
23 become licensed under that rubric but still be
24 obligated to follow the laws of the United

1 States.

2 So, if the state of Utah, which is
3 frequently used as an example does not allow the
4 exposing of a gambling game in any form,
5 Internet or otherwise, to the extent that that
6 company took Utah customers, they do so at great
7 peril.

8 A couple of other items come to mind
9 as well that jurisdictions, and I think Mr.
10 McManus was referring to it, that don't have a
11 compendium of laws and regulations does put the
12 licensee at peril. They have the obligation to
13 continue to act in a way that doesn't bring
14 discredit to the state.

15 And certainly, as Mr. McManus
16 pointed out, if anyone operated their casinos in
17 a way that would bring a level of doubt to the
18 integrity of how they conduct their operations,
19 I'm certain that we would've been concerned
20 about it and in certain cases guided our
21 licensees that that was probably not a
22 jurisdiction that we would ultimately support.

23 Unfortunately, that is not often
24 seen in the light of day because those

1 discussions come to us in a proactive manner
2 from the licensees where they will come to us as
3 a prospective business idea and say look, here's
4 what we're up against. We're trying to enter
5 this marketplace, but we don't have confidence
6 that we have all of the rules.

7 So, we would offer up and in certain
8 cases licensees did this, we will conduct our
9 operations under a compliance plan and in
10 conformance with U.S. law and Nevada law in the
11 foreign jurisdiction. Does that make you feel
12 better even though there's not local rules that
13 require that? And in certain cases that's
14 ultimately to what we agreed to.

15 So, to your question, I think there
16 are practical examples of how the foreign gaming
17 statutes have worked effectively.

18 COMMISSIONER MCHUGH: Thank you.

19 COMMISSIONER ZUNIGA: I actually
20 have a question of Mr. Madamba. In your
21 remarks, you mentioned that the standards for
22 assessing those jurisdictions are often applied
23 on a limited basis. I think you mentioned that
24 a couple of times. Could you help me understand

1 that concept a little bit more? Could you
2 expound on that?

3 MR. MADAMBA: Sure. There's a fine
4 line essentially between attempting to regulate
5 in a jurisdiction and superimpose of your
6 standards and reviewing on a much higher level
7 what a company is doing the activities that
8 they're engaging in and attempting to tie that
9 back to whether it's going to have an integrity
10 impact on your gaming operations or
11 reputational.

12 So, it's in the nuts and bolts of
13 it, if you will in terms of how far you go in
14 the investigation. What is it that you're
15 looking for? Are you redoing that which the
16 regulator in that jurisdiction has already done?
17 So, that's really where it gets into the
18 application. Or you have a high-level rule --
19 It's how you apply it and where you get to when
20 you apply it.

21 So, when I say limited, it's limited
22 in the sense of regulators typically do not redo
23 the work of regulators in the foreign
24 jurisdiction.

1 CHAIRMAN CROSBY: Regulators
2 typically do not redo the work of regulators in
3 a foreign jurisdiction.

4 MR. MADAMBA: You respect their
5 conclusions, the results of their investigations
6 and what have you typically.

7 CHAIRMAN CROSBY: I thought I heard
8 a difference. And I'm sorry. I didn't get your
9 name. I apologize.

10 MR. MADAMBA: I'm sorry, Pat
11 Madamba.

12 CHAIRMAN CROSBY: Say the last name
13 again.

14 MR. MADAMBA: Madamba.

15 CHAIRMAN CROSBY: Got it. Thank
16 you. Sorry. I thought I heard a distance
17 between your response to Commissioner McHugh's
18 question, he talked about the hypothetical of
19 Indian labor laws and Far Eastern labor laws.
20 Would that be the kind of thing that would be so
21 repugnant or such a threat to the reputation of
22 a company here that they should consider barring
23 activities in that jurisdiction.

24 And you said no. You said that you

1 thought that that would be superimposing our
2 laws over their laws. Mr. McManus then took a
3 different hypothetical and talked about the case
4 where there were no laws and suggested that --
5 Well, I guess there's a difference, because in
6 one case there were no laws. In one case there
7 were superseding laws.

8 But I thought Commissioner McHugh
9 gave you a softball that that was such an
10 extreme case that you would say for sure that
11 would be an example that would fall under the
12 reputational third category.

13 The hard one here is the
14 reputational third category. It's hard for us
15 because we live in the state that we live in.
16 So, that's the one we want to explore. I felt
17 and I'm curious what the two of you think
18 whether there was a distance, there was a
19 difference between how you would apply the
20 reputational standard and how Mr. McManus would
21 apply the reputational standard.

22 MR. MCMANUS: Let me take the Indian
23 example. And I guess from a softball
24 standpoint, I guess I would see a country's

1 labor law, and I am not personally familiar with
2 all of the labor laws in India, there's probably
3 an example where perhaps a licensee would
4 consider operating at a different standard than
5 what the law requires there if it's consistent
6 with their corporate culture, but not
7 necessarily barring its operation there.

8 I guess in my mind a more egregious
9 example would be making the decision to go into
10 a jurisdiction where racial or ethnic
11 discrimination were somehow sanctioned by the
12 law. That to me would be a much easier decision
13 that to go to country X you'd have to
14 discriminate against a particular group. You
15 couldn't hire them in management or in some
16 capacity. I would think that might be an
17 extreme example where a gaming jurisdiction
18 would say it's really not appropriate for our
19 licensees and our applicants to operate there.

20 When you get into what is the
21 minimum standard in another country for
22 something like work hours or how they treat
23 workers that is a tougher call. As a company
24 that has a commitment to social responsibility,

1 ethical treatment and good treatment of our
2 employees and partnerships with our employees,
3 that might be a decision that we make. I guess
4 it's different people are going to have
5 different sensitivities on where they set the
6 bar and what type of standard they adopt.

7 So, I don't know if I've answered
8 your question, but I think I've tried to give
9 you some guidance on what I think it might be an
10 appropriate perspective. It's find to come back
11 and have perhaps superimposed additional
12 requirements of your licensee and the standard
13 you might think that they ought to operate in.

14 I would suggest that in ordinary
15 circumstances for first and maybe second tier
16 countries with gaming regulatory regimes to make
17 a determination that that country is just
18 totally unacceptable would be a fairly serious
19 determination that I would think would be rare.

20 Going back to Mr. Lipparelli's
21 example, our company had an example similar to
22 what he discussed with the possibility of doing
23 business in a developing jurisdiction. And we
24 had an understanding with Nevada regulators what

1 would need to be achieved for us to have
2 comfort. And we elected not to move forward
3 ultimately because although progress was being
4 made, it wasn't made at a sufficient pace for
5 us.

6 But those are judgment calls. And
7 an ethical company can operate ethically
8 anywhere. It does come down to having comfort
9 that you can do so and you can be competitive
10 and be effective in a jurisdiction. But at the
11 end of the day, the culture comes from the top
12 of the company. It comes from the board. It
13 comes from the CEO and other senior executives.
14 And they set the tone for what you do wherever
15 it is you are.

16 COMMISSIONER MCHUGH: Ultimately,
17 then, if I understand you correctly, understand
18 you both, maybe all three of you correctly, it
19 boils down to not an examination of the
20 regulatory regime, but an examination of the
21 specific activity and its nature and -- the
22 nature of the specific activity?

23 MR. MCMANUS: Yes. Look, I think
24 it's a fine line on whether you start to

1 regulate the other jurisdiction or you have
2 general expectations about ethical conduct of
3 your licensees globally. And I think licensees
4 expect to operate ethically globally.

5 But one comment I'd like to make and
6 I think Pat was trying to touch on it is the
7 need for communication with other jurisdictions.
8 And you can get into a situation as a regulator
9 where even if you don't agree with the policy
10 decisions of another jurisdiction, where if you
11 create hostility and you lose whatever working
12 relationship you make, then you won't have
13 effective cooperation and the ability to share
14 information with your colleague in another
15 jurisdiction. And I think Mark and Peter are
16 much better to address this topic. I think
17 that's an important component.

18 MR. LIPPARELLI: Mr. Chairman, Mark
19 Lipparelli again for the record. You really
20 have today in my view four examples that will
21 hit you as you move forward. You'll have U.S.
22 states where generally speaking most of the
23 regulators have very cooperative relationships.
24 Some goes so far as to have formal memorandums

1 of understanding.

2 But I think in my experience our
3 regulatory body had very open relationships with
4 almost every U.S. regulator. We felt
5 comfortable that while there might be
6 differences, the framework of almost every U.S.
7 regulatory body somehow has a tentacle back to
8 the Nevada and the New Jersey structure. So,
9 while many people will complain about the lack
10 of homogeneity between the regulations they
11 often operate pretty comfortably in those
12 jurisdictions.

13 The second tier of foreign gaming as
14 we're calling it that will face you is Native
15 American casinos throughout the United States
16 and other aboriginal markets where they are
17 sovereigns. Many of them have sophisticated
18 regulatory models that will make you
19 comfortable. You'll get a sense that those
20 jurisdictions regulate much like North American
21 regulators. And you'll get a level of comfort
22 that the operators that are there, the
23 manufacturers that are there operate in those
24 jurisdictions just like they do in U.S. states.

1 The third category of markets that
2 you'll face and the one that presents the most
3 question for any jurisdiction is how gaming has
4 evolved outside of the United States.

5 And generally speaking, that's been
6 fairly benign outside of the United States until
7 Macau and Singapore where large-scale commercial
8 gaming, other than Australia and you'll hear
9 from Peter about this, emerged on the scene and
10 created for many the first series of questions
11 of how do we apply this foreign gaming statute
12 now that full-blown integrated resorts are
13 popping up in jurisdictions where domestic
14 regulators have had no relationship with foreign
15 police forces or new regulatory bodies that came
16 to be.

17 And the forth emerging example that
18 you're going to face is what I call the Internet
19 jurisdictions, people who are primarily engaged
20 in Internet jurisdictions where there is no
21 brick-and-mortar business, and there's a whole
22 new group of potential competitors and
23 operators.

24 So, you have really in your window

1 four different areas that if you embark on the
2 idea of how do we manage those different
3 categories, those will come at you with all
4 different kinds of comfort levels.

5 You'll have some that I've
6 experienced. I've traveled to virtually every
7 corner of the world that take the view that
8 regulation is questionable and we don't want
9 technical standards. And we want to have a
10 trust level with our licensees, which to a
11 person who grew up in the technology business is
12 completely foreign to me.

13 How do you have no pre-licensing?
14 How do you have no pre-technical standards?

15 But yet when you talk to that foreign
16 jurisdiction, their view is we analyze the
17 technology after it goes live because that's
18 what gives us comfort. I didn't feel like
19 Nevada was in a position to tell our licensees
20 that that was a jurisdiction that they couldn't
21 go to because they had a different standard.

22 We had to get comfortable that what
23 they did do in those jurisdictions was done
24 pursuant to those regulations. So, I'm covering

1 some of my prepared remarks, but I'm happy to
2 have this as a dialogue. I think it is a much
3 better way to give you insight into our
4 experiences.

5 MR. COHEN: Peter Cohen here from
6 The Agenda Group in Melbourne, Australia. I
7 just wanted to touch on this area of foreign
8 rules and the difficulties every regulator has
9 in dealing with the foreign rules of other
10 jurisdictions. And I'll just give you a very
11 simple example.

12 If an American casino operator was
13 operating in Australia, they would be taking
14 bets and allowing gambling from a whole group of
15 people for whom it would be illegal for them to
16 gamble in America, and that's under 21-year-
17 olds. Under 21 is perfectly legal in Australia
18 to purchase and consume liquor and to gamble at
19 casinos or in any other form. Of course, U.S.
20 college students love coming to Australia for
21 their holidays.

22 That group would be illegal for them
23 to be betting here in I think every jurisdiction
24 is it under 21?

1 MR. LIPPARELLI: Yes.

2 MR. COHEN: But it's perfectly legal
3 for them to do so in Australia. So, if you are
4 go to impose a U.S. view of the law and say it
5 is illegal for those people to bet here, why are
6 they allowed to bet in Australia, it is going to
7 be a very complicated story for you.

8 It's much easier to accept that if
9 that casino operator is accepting under 21-year-
10 olds that's fine. If they accept 16 and 17-
11 year-olds and action is taken against them
12 that's an issue of concern. But you shouldn't
13 be concerned for under 21-year-olds gambling
14 because it is perfectly legal for them to do so
15 in Australia.

16 CHAIRMAN CROSBY: I didn't realize
17 there were other prepared remarks. The
18 interchange is good, but I think we ought to go
19 ahead unless somebody else has anything really
20 hot. Okay, great. Whoever is next.

21 MR. LIPPARELLI: Thank you, Mr.
22 Chairman. I'll be very brief. I wanted to give
23 you a sense of my background. I come at this
24 from both sides of the coin.

1 I started my career with the Nevada
2 Gaming Control Board while I was in graduate
3 school studying public policy as it applies to
4 regulation and gaming. So, I spent my first
5 five years of my career as an investigator, as
6 an analyst, and then went into the technology
7 side of the business for approximately 16 years.

8 So, I lived the challenges of the
9 varied regulations from literally hundreds of
10 jurisdictions. I filed applications and have
11 been licensed in virtually all of those
12 jurisdictions. And at the conclusion of that 16
13 years, I was appointed to the Gaming Control
14 Board in Nevada in 2009.

15 My experiences on the board cover
16 the gambit of what you all are questioning today
17 in this discussion. We hosted regulators
18 literally from around the globe on a regular
19 basis and had dialogue with them. And my first
20 impressions in having those events in Las Vegas
21 and welcoming those kinds of regulatory bodies
22 was that we were there as a resource for them.

23 But quickly I learned having
24 attended two or three of those meetings, we were

1 taking in as much as we were giving back to the
2 other jurisdictions. Recognizing that as these
3 new jurisdictions were coming online, they had
4 their own set of standards, their own ideas
5 about how regulation should take place.

6 So, I think Nevada has benefited and
7 it has led to some of our own changes in our
8 jurisdiction and questioned some of the policies
9 and procedures that we had adopted.

10 I think I covered in my other answer
11 to one of your questions the four different
12 areas that you'll encounter. But I did have
13 kind of a concluding set of points that when you
14 think about how do you frame this policy.

15 First, I don't think that a decision
16 not to take a very specific and aggressive
17 policy with respect foreign gaming limits your
18 ability to hold your licensees accountable. In
19 fact, that's a hallmark of the Nevada process.
20 Where to a large extent we allow our licensees
21 the freedom to pursue their business in other
22 jurisdictions, knowing full well that the power
23 still exists within the board and the commission
24 to hold all of those decisions in a rearview

1 mirror, be able to look back and say you made
2 that decision. You have to live with the
3 consequence of that decision.

4 So, if you pursue a market in a very
5 aggressive way and it turns out to present real
6 questions for harm for the state, the state can
7 still hold that licensee accountable because
8 it's in some ways impossible to expect as we sit
9 here today what the next foreign jurisdiction
10 might be that legalizes and what form it
11 legalizes. So, to write a very specific policy
12 with respect to foreign gaming can some ways
13 limit your ability.

14 Second, it was always my experience
15 with all of our licensees that they were more
16 than forthcoming about adjusting their plans in
17 the foreign jurisdictions that they told us
18 about.

19 So, if we identified a risk, and to
20 take Commissioner McHugh's hypothetical, if that
21 became a big enough issue there was never a time
22 that I ever believed that a licensee would dig
23 their heels in and say well, those are the rules
24 in the foreign jurisdiction. We're going to

1 exploit those workers and we don't care what the
2 state of Nevada thinks. There was always a
3 dialogue. And there was always through the
4 compliance plans and through the good dialogue
5 with licensees that they said we recognize that
6 as an area of concern for you. And we'll try to
7 create a plan that ameliorates that overarching
8 concern.

9 And third, and I think Peter will
10 cover this more from his perspective and I think
11 he does this very well, we never took the
12 position that we expected the other
13 jurisdictions to adopt in wholesale the views
14 that we had about regulations and statutes. And
15 it's very difficult when you go down that path
16 to say that a licensee operating in a foreign
17 jurisdiction that doesn't have substantial rules
18 is somehow unsuitable or somehow not operating
19 at a level that would satisfy the state of
20 Nevada. We recognize that those differences are
21 there. And I think those things all kind of
22 roll together.

23 So, I was going to close with the
24 general statement that I think you'd be best

1 served to have a proud policy about integrity,
2 business operations in foreign jurisdictions as
3 opposed to one that's more specific.

4 CHAIRMAN CROSBY: Say that sentence
5 again

6 MR. LIPPARELLI: I would advocate
7 that as you look at your policy with respect
8 foreign gaming that you establish a broad policy
9 rather than one that's more specific that gives
10 you the broadest flexibility to analyze one
11 jurisdiction from another.

12 CHAIRMAN CROSBY: Okay.

13 COMMISSIONER MCHUGH: That would get
14 down to focusing on activity rather than the
15 overall regulatory regime, right? That's what
16 you're advocating?

17 MR. LIPPARELLI: I think it will
18 always come down to that.

19 COMMISSIONER MCHUGH: Right, right.
20 So, you could operate in a jurisdiction that had
21 no rules as long as you did so ethically. And
22 you advocate that that would be acceptable to
23 the domestic regulator?

24 MR. LIPPARELLI: And we do have

1 licenses that do operate in jurisdictions where
2 you would consider there to be in most domestic
3 regulators' minds a void of rules and
4 regulations.

5 MR. COHEN: Thank you, Chairman and
6 Commissioners for allowing me to speak to you.
7 So, I'm Peter Cohen, director of regulatory
8 affairs for The Agenda Group which is a small
9 consulting practice in Melbourne, Australia.
10 I've been there since February 2010. More
11 relevantly from 1996 to 2010, I was with the
12 Victorian Gambling Regulator and overseer and
13 executive commissioner there from 2002 to 2010.

14 To give you some idea of the
15 Victorian gambling market, we have one casino
16 with 2500 slot machines and 500 tables. We have
17 27,500 slot machines in other venues with an
18 average of about 58. So, there's about 500
19 venues throughout the state of Victoria.

20 We also as regulators are
21 responsible for regulating a pari-mutuel
22 operator that also offered betting on horses and
23 sports betting and fixed odds betting, two
24 lottery operators, charitable gaming and Keno.

1 I don't think I've left anything out.

2 I was a member of the steering
3 committee for the International Association of
4 Gaming Regulators for six years and I was
5 chairman of that group in 2009 and 2010.
6 Australia has a federal system like the USA.
7 And gambling regulations is the responsibility
8 of the states. So, there are a multitude of
9 state regulators.

10 Australia is highly regarded
11 internationally for its gaming regulatory
12 practices. And within Australia, Victoria, my
13 state, is considered to be the preeminent
14 regulator for a number of reasons, but one of
15 those is because Australia's two biggest
16 gambling companies, Crown, which operates the
17 casino, and Tabcorp, which operates the pari-
18 mutuel betting operator are both located in
19 Melbourne.

20 Victoria participates with all other
21 Australasian gaming regulators in the
22 Australasian Gaming and Commissioners NCO
23 forums. That's an annual meeting of all
24 Commissioners from around Australia and New

1 Zealand as well as Papua New Guinea and since
2 about 2005 Singapore and Macau. So, we get to
3 meet with those regulators regularly. And
4 regulators only get to understand other
5 regulators and regulatory schemes by working
6 closely with them.

7 For example, Singapore planned
8 extensively before they even made a decision to
9 have a casino. They visited us in Victoria many
10 times. I've had ministers, secretaries of
11 departments, representatives from a variety
12 agencies came and spoke to us about how to
13 establish casinos if they were going to do so.

14 And once they had made that
15 decision, they then continued to meet with us.
16 And in fact, the Singapore regulatory scheme is
17 based on Victoria's. If you look at their
18 legislation, you'll see it actually refers to
19 Victorian legislation as the model which they
20 adopt it.

21 Victoria also worked closely with
22 the Macau regulator, which started with the
23 sharing of information when we both looked at
24 Crown Limited's entry into Macau. So, Crown

1 went into a joint venture with the Hong Kong-
2 based Melco, which is run by Lawrence Ho which
3 is the son of Stanley Ho.

4 The Macau regulator needed to be
5 satisfied with the suitability of Crown to enter
6 their market. And we needed to be satisfied
7 with Crown's business association with Melco,
8 because that's the requirement in our
9 legislation. And through that process, we
10 developed a very strong working relationship
11 with the Macau regulator.

12 The Macau regulator has also
13 received a lot of assistance from Australian
14 regulators and foreign regulators including, as
15 I said, the Australasian Commissioners NCO's
16 forums.

17 David Green who is formerly the
18 chairman of the Staff Australian Independent
19 Gambling Authority has been working in Macau for
20 about 10 years advising the Macau government and
21 the Macau regulator. And David and I often
22 exchange information which he passes on as well.
23 And I have personal interaction with Manuel
24 Neves who is the director of the Macau DICJ,

1 which is their gambling commission.

2 Not only does Macau receive
3 assistance from the Australian regulators but
4 the director of the Macau DICJ has told me that
5 he also values the involvement by Crown in
6 Macau. As he sees it as beneficial that Macau
7 has diversity in its operators, which improves
8 the standard of casino operations in Macau.

9 I've always been satisfied with the
10 standard of gaming regulation being pursued by
11 Macau and always been happy with their
12 cooperation. Subsequent to the investigations,
13 which occurred in 2005/2006 period. That was
14 the suitability investigations. We've
15 constantly exchanged information and ideas.

16 As executive commissioner of the
17 VCGR, I was very selective about who I would
18 exchange information with. And would only do so
19 with regulators I trusted. That included Macau
20 and Nevada and Singapore.

21 One of the tests that you'll face is
22 people asking you who do you trust. My advice
23 to you is not to answer the question, because
24 it's all very good to say who you trust but you

1 don't want to be in the position of saying who
2 you don't trust.

3 Victoria expects Crown to comply
4 with the Macau regulatory requirements whether
5 they're the same as Victoria's or not. This is
6 because Macau has its own regulatory model based
7 a mixed Portuguese Chinese limited competition
8 model. Whereas we have a monopoly licensee. We
9 have a different set of circumstances and rules.

10 I've always felt the provision of
11 explicit support from regulators like ours and
12 Nevada's is helpful to allow Macau to continue
13 to develop into becoming a premium gaming
14 regulator. And I've always thought it would be
15 presumptuous for me to assume that Victoria
16 standards in all matters would necessarily be
17 better than Macau's.

18 The final thing I wanted to say was
19 that I made it clear in 2006 when Crown was
20 approved to enter Macau that I had confidence
21 with Macau regulatory scheme and the Macau
22 regulator. In contrast, the Victorian gaming
23 regulator, which is now called the Victorian
24 Commission for Gaming and Liquor Regulation or

1 VCGLR has this year seen the need to
2 specifically state that it is concerned with
3 Crown's expansion into the Philippines and Sri
4 Lanka.

5 And what they said specifically and
6 I'll quote this is "The VCGLR remains cautious
7 about Crown Limited's expansion into countries
8 with public sector government's challenges and
9 will be monitoring current and future
10 investments closely including Melco Crown's
11 investment in the Philippines and any possible
12 Crown group involvement in Sri Lanka."

13 In that very same report, the VCGLR
14 makes numerous references to Crown's presence in
15 Macau, but none in any way refers to any
16 concerns with that regulatory environment.

17 Thank you for the opportunity. I'm
18 happy to answer any questions.

19 COMMISSIONER CAMERON: I just have a
20 comment, not necessarily a question. And I want
21 to thank all of you for your comments and
22 helping to enlighten us. I would agree that
23 when it comes to investigations, cooperation is
24 critical. And we have MOUs in place. We are

1 working with other regulators. That is very,
2 very important for us. I've personally been to
3 Macau. I've been to Singapore. We are
4 educating ourselves.

5 But I disagree actually with the
6 fact that we should take a limited approach and
7 just trust other regulators. I think it's
8 really important that we verify our own
9 information, as it is with any investigation. I
10 think we owe that to those who have entrusted us
11 with this responsibility.

12 So, I think that that's one area
13 where I would disagree with some of the comments
14 about -- And I don't think at all you hinder
15 relationships when you choose to ask additional
16 questions or not just take the verification done
17 by someone else. I think you can still have
18 very productive relationships while at the same
19 time choosing to verify that information
20 independently.

21 MR. COHEN: I actually totally agree
22 with that. I think you do have to verify the
23 information and you have to form your own
24 conclusion. You cannot rely specifically on

1 someone else's conclusion. But you can have
2 trust in their opinion or the decisions that
3 others make. And you might not trust some other
4 regulators' decisions, but you should still make
5 your decisions, absolutely.

6 MR. LIPPARELLI: And I would echo
7 that as well. I completely agree with that
8 point of view. In Nevada, for example, the
9 reporting requirements and the individual
10 follow-up that the Nevada regulators do goes
11 exactly to your point.

12 There is a constant flow of
13 information. And by no means was I representing
14 that the home jurisdiction shouldn't do their
15 own follow-up. I think that's a critical piece
16 of the policy.

17 COMMISSIONER STEBBINS: Mr. Cohen, I
18 just want to clarify something I think you said
19 at the end where you issued somewhat of a
20 warning in terms of Crown moving into these new
21 jurisdictions, essentially saying we're going to
22 watch what you do there. Can you share with me
23 at what level those new jurisdictions had their
24 regulations in place?

1 MR. COHEN: Just to clarify, that
2 was a comment made by the Victorian Commission
3 for Gaming and Liquor Regulation after I left.

4 COMMISSIONER STEBBINS: We won't
5 blame you.

6 MR. COHEN: The concern, I believe,
7 relates to the worry that the regulators in the
8 Philippines and Sri Lanka may not be as
9 competent and the governments there may not be
10 as competent as we've seen in Singapore and
11 Macau where we have confidence in their the
12 capabilities.

13 I haven't done the investigation
14 that the VCGLR did. So, I'm not certain what
15 specific concerns they are. But I think it's
16 reasonable, knowing what we know about those
17 jurisdictions that there are greater levels of
18 concern in the corporate government's
19 expectations of those jurisdictions.

20 COMMISSIONER STEBBINS: Thank you.

21 CHAIRMAN CROSBY: The sine qua non
22 of background checks at least as I understand
23 them is really to make sure that the people that
24 are applicants first and that are major

1 influences and the people our applicants are
2 doing business with are people of integrity
3 which is compatible with our operations in this
4 state.

5 Both as to the reality of who they
6 are and the way they conduct themselves, and to
7 some significant extent the appearances of that
8 integrity as well. Basically, we're looking for
9 criminals or close to it. And trying to make
10 sure that no such people are involved in our
11 operations.

12 In jurisdictions and, as you know
13 and everybody here knows, we go very deep to
14 test out those relationships when we're doing
15 background checks here. But in other
16 jurisdictions they don't. We don't really know
17 for sure who you're doing business with because
18 the regulators don't demand a similar level of
19 investigation.

20 How do you propose that regulators
21 satisfy themselves about who our applicants are
22 doing business with in those jurisdictions where
23 the standards and the investigations aren't the
24 same as ours?

1 MR. COHEN: I think it's always a
2 difficult dilemma to know because you will never
3 really know what the level of investigation has
4 been in any other jurisdiction other than your
5 own. So, it becomes more complicated.

6 But my view as a regulator was that
7 perhaps we get a little too worried about that
8 and we should be worrying a little bit more
9 about how the operation in the casino is
10 actually running.

11 So, if you sort of take a step back
12 and say what is the purpose of gaming
13 regulation? In my view it is about the
14 integrity of gambling for the community of
15 people who are gambling and the suitability of
16 that gaming operation in the jurisdiction in
17 which it operates.

18 I was always a little less concerned
19 about what went on outside the casino to what
20 goes on inside the casino. That was the
21 priority for me.

22 And if I can give you an example of
23 that. In Victoria, we used to preapprove junket
24 operators. In 2003, we changed that scheme so

1 that the regulator was no longer involved in the
2 preapproval of junket operators. And instead
3 required the casino operator to do its own due
4 diligence. And we just audit that they were
5 doing their own due diligence.

6 Because I was of the view that the
7 relationship between the casino operator and the
8 junket operator and the junket operator and the
9 players is all happening outside the casino.
10 And it's probably not a great use of resources
11 to worry about that aspect of it. I was worried
12 what might happen inside the casino. So, we
13 chose to do it that way.

14 So, it is going to be different to
15 the way someone else might choose to do it. So,
16 everybody does things differently. As I've
17 often said, we don't know what the perfect model
18 of gaming regulation is, because if we did we'd
19 all be doing it. And we're all doing it
20 differently.

21 CHAIRMAN CROSBY: Could I just ask a
22 follow-up to that? You apparently aren't
23 concerned that what happens outside the casino
24 might inherently affect what's inside. In other

1 words, if you don't care who the junket operator
2 is or what they're doing because they are
3 outside the casino, you apparently believe that
4 there is some kind of iron wall that separates
5 the influence of that relationship from what
6 will inherently go on inside the casino.

7 MR. COHEN: The casino operator has
8 a number of reasons to comply not just because
9 the rules say it needs to comply. The casino
10 operator wants to be able to operate in
11 multijurisdictions. Crown's operating in Macau,
12 Victoria, Western Australia, the UK and has some
13 interests in Pennsylvania and a few other places
14 as well.

15 When you have a multijurisdictional
16 license or a variable license, you are going to
17 comply because you don't want to put it at risk.
18 It's in their interest. Their interest is
19 greater than the regulator's interest in making
20 sure that they do things properly, because if
21 they don't, they'll have problems.

22 It's not going to just be problems
23 with the regulator. They then are going to have
24 a problem getting into a new jurisdiction. If I

1 have a problem in one jurisdiction, they're
2 going to find they miss out on the first mover
3 advantage of being clean. They're going to find
4 it difficult to get finance. So, there are lots
5 of other reasons of why they're going to comply
6 other than just because the regulators say it's
7 in the rules, you have to do it.

8 I thought it was just an unuseful
9 choice of resources. But there's another reason
10 also with junkets and that's because the
11 information you can get about junket operators
12 is limited. I can recall being asked to approve
13 a guy called Ronnie. That was the only name I
14 was given, because the inspector of police in
15 this Asian jurisdiction, not country, this is a
16 regional inspector of police said he was okay.

17 I have no idea who the inspector of
18 police was. I didn't know who Ronnie was. So,
19 it would've been very difficult for me to
20 approve Ronnie. Then it's very difficult to
21 actually refuse because of the procedural
22 fairness processes that you get into. It's
23 always easy to approve people. It's really hard
24 to refuse them from a process point of view.

1 So, we're in the area where I
2 thought was just getting into the area of
3 nonsense of what we were doing in the way we
4 were trying to regulate junkets.

5 Crown, as the casino operator, their
6 interest is greater than mine as a regulator to
7 make sure that they have fairness with their
8 junket operators. They don't want the problems
9 that are associated with bad junket behavior.
10 So, I think we were getting into an area that
11 was unnecessarily regulatory.

12 But it's not to say that they're not
13 still regulated or they're still a
14 responsibility for the casino operator to do its
15 due diligence. As a regulator, we would check
16 that they were doing it. That they had done
17 their investigations that they had reasons to be
18 satisfied that that junket operator was a
19 reasonable person to do business with. I've
20 always been happy with the idea of giving the
21 casino operators the responsibility for doing
22 things.

23 COMMISSIONER MCHUGH: But every
24 regulatory body maintained inside the walls,

1 outside the walls distinction, then the casino
2 operator would not have any incentive to do a
3 real due diligence, would it?

4 MR. COHEN: I think they do have the
5 incentive for a number of reasons not
6 necessarily associated with the requirements of
7 the gaming regulator. They don't want to be
8 involved with people that are going to give them
9 grief.

10 They also have this responsibility
11 to have a reputation that will enable them to
12 bid for a license in Massachusetts if the
13 opportunity arises. The world of casino
14 operations is growing. And these companies are
15 very interested in the opportunities that might
16 arise all around the world.

17 And they will be held up if they are
18 shown to be -- held up as in slowed down is what
19 I meant, if they have not shown to be performing
20 in an ethical manner. So, there are other
21 forms.

22 Just the other thing I guess to add
23 is that we're not the only regulators that
24 casinos have to comply with. There is a whole

1 lot of other regulatory requirements. As is
2 Australian -- What is yours, the SEC? So, the
3 SEC and FinCEN and there's a whole lot of other
4 people that are regulating them as well. So, it
5 doesn't all fall on your shoulders.

6 COMMISSIONER MCHUGH: Right, right.

7 MR. LIPPARELIII: Chairman Crosby to
8 your question, Nevada approaches the notion of
9 how to control in really two respects. One, I
10 think the state made the decision that trying to
11 regulate the world there weren't possibly enough
12 resources that could exist in our organization
13 to go out and vet every place that a Nevada
14 licensee might be. It's a real practical
15 challenge.

16 So, the way we tackle that is we
17 impose beyond the statutes, the regulations we
18 require compliance plans. And it does, as Peter
19 pointed out, require the licensee to prepare due
20 diligence reports. It requires the licensee to
21 provide reporting to the state.

22 And really what that does is
23 identifies areas of risk. And during my tenure
24 in foreign markets we opened three significant

1 investigations, investigations partly due to
2 contacts with foreign jurisdictions and
3 information that came to light as a result of
4 compliance reporting.

5 To the extent that that would've
6 been ground up work from a police perspective,
7 it would have been very difficult to have the
8 kinds of resources to say we have to
9 continuously vet every transaction that all of
10 our licensees are engaged in and all of the
11 jurisdictions where they're engaged.

12 Our manufacturers for example
13 participate in literally hundreds of markets.
14 And when I say hundreds, I mean hundreds.
15 There's no practical way for our staff in Nevada
16 to be able to vet every transaction that one of
17 our licensees engages in. It's just not
18 practical.

19 CHAIRMAN CROSBY: Anybody else?

20 COMMISSIONER ZUNIGA: Would you say
21 that Macau with its explosive growth of recent
22 years, the amount of money that is gambled
23 constitutes an area of risk in your opinion
24 impact by itself?

1 MR. LIPPARELLI: I wouldn't say
2 Macau by itself relates any greater risk than
3 any other jurisdiction that's new and comes out
4 of the ground. From the Nevada perspective,
5 naturally in a biased way, we would hope that
6 all -- And I'm sure that New Jersey regulators
7 feel this way and I'm sure Peter feels this way.
8 We'd all love for all of our fellow
9 jurisdictions to establish these broad set of
10 standards and apply them the same way we do.

11 But remember Nevada didn't have
12 exactly a great starting point either. We
13 matured into a regulatory model in the 50s that
14 was a response to concerns over problems in the
15 jurisdiction. And I think Macau, not unlike any
16 other jurisdiction will go through that
17 maturation cycle.

18 I have personal relationships with
19 Internet jurisdictions that were very confident
20 in their position. And one very noteworthy
21 jurisdiction had a case where they found out
22 after the fact they had no bank roll
23 requirements that I specifically told them they
24 should have. And it resulted in a number of

1 people losing money. And subsequent to that
2 they adopted a bank roll requirement.

3 So, I take the view that every
4 jurisdiction learns through the challenges they
5 face. And I don't think in my experiences that
6 Macau is any different.

7 MR. COHEN: One of the things that
8 I've been looking at recently is the mutual
9 evaluation that's done by the Asia/Pacific group
10 into anti-money laundering by FATF group. I
11 can't remember what FATF stands for now. All of
12 Macau, Australia and the U.S. have in the last
13 eight years had a mutual evaluation.

14 So, mutual means that the group
15 itself looks at each jurisdiction. So, the
16 methodology is basically the same for each one.
17 There are 49 recommendations. It's call 40
18 recommendations plus nine special
19 recommendations, which every jurisdiction is
20 assessed against.

21 When Macau's was done in 2006, I
22 think it was, of the 49 areas they were found to
23 be noncompliant with one. Australia's was done
24 the next year. They were found to be

1 noncompliant with 10. And the U.S. was done, I
2 think, in 2006 and it was found to be
3 noncompliant with four.

4 So, from that data you could suggest
5 that perhaps Macau might be in the better
6 position than most people tend to believe.

7 MR. LIPPARELLI: Commissioner
8 Zuniga, I would add that even Mr. McManus came
9 to my office on a couple of occasions and
10 addressed concerns that we had specific to Macau
11 through the compliance plans where we asked MGM
12 and other licensees in that jurisdiction to
13 enhance their compliance programs as a result of
14 very specific concerns that we have.

15 And I think that is a very good tool
16 to use for any regulator. That one-to-one
17 discussion with licensees is, I think, critical
18 to your future.

19 COMMISSIONER MCHUGH; Any other
20 questions? This has been, Mr. McManus and
21 colleagues, this has been very helpful. Do you
22 have closing remarks?

23 MR. MCMANUS: I really just wanted
24 to thank the Commission for this opportunity.

1 And we remain available to answer follow-up
2 questions through staff and to provide the
3 expertise of Mr. Lipparelli and Mr. Cohen.
4 Please feel free to use them as a resource and
5 to share ideas.

6 I guess one closing comment I would
7 have, I think the Commonwealth has done an
8 excellent job with this is the outreach and the
9 commitment to sharing information and learning
10 and to give feedback. To Mr. Lipparelli's
11 example, when you hear a regulator say we think
12 you ought to do this or this, it's a pretty easy
13 thing for a licensee to react to. And that's
14 the iterative process you want to have with the
15 regulator.

16 From jurisdiction to jurisdiction,
17 when I get disappointed with the jurisdiction
18 it's when they are sort of closed in a cocoon
19 and they're just focused on what their own, I'm
20 going to refer to states here, what their own
21 state's laws or regulations may be. And when we
22 have events such as IAGR and IAGA associations
23 that permit regulators, participants in the
24 industry to get together in a forum and to talk

1 about issues, to talk about concerns, to help
2 further policies, that type of participation is
3 critical for the evolution of any jurisdiction.

4 And I hope you put money in the
5 budget for the MGC staff to go to those things.
6 Because frequently I hear from our friends at
7 regulatory agencies I'd love to go to that. I
8 don't have the opportunity. And if you don't
9 have that interaction and you don't share your
10 concerns with your colleagues elsewhere, the
11 industry as a whole isn't going to evolve the
12 way it should.

13 So, that would be a request that I
14 would make. And at the end of the day, we pay
15 for it as licensees.

16 COMMISSIONER MCHUGH: So, we can
17 have a robust travel budget.

18 MR. MCMANUS: Thank you again. We
19 really appreciate your indulgence.

20 COMMISSIONER MCHUGH: Thank you very
21 much.

22 COMMISSIONER CAMERON: Thank you.

23 MS. WELLS: We also have
24 representatives from Wynn Resorts here.

1 COMMISSIONER MCHUGH: We are going
2 to take a stand in place, a little stretch break
3 until the Chairman returns. He'll be back in
4 just a second. And we will set up for the next
5 presenters. Thank you.

6
7 (A recess was taken)

8
9 CHAIRMAN CROSBY: I am reconvening
10 the 81st meeting of the Massachusetts Gaming
11 Commission. I did mean earlier on to recognize
12 an honored guest, the mayor of Everett is here,
13 Mayor DeMaria. Thank you for coming. Nice to
14 have you here again. Now Director Wells if you
15 would introduce our next guest.

16 MS. WELLS: We have representatives
17 from Wynn Resorts. My understanding is Steve
18 Wynn is going to be speaking to the Commission.

19 CHAIRMAN CROSBY: Mr. Wynn.

20 MR. WYNN: Good afternoon. Nice to
21 be here. Hello. This is General Counsel for
22 Wynn Resorts, Kim Sinatra. I would like her to
23 introduce our group, and she will begin.

24 MS. SINATRA: Thank you very much

1 for seeing us this morning. To my right is Jay
2 Schall who is General Counsel of Wynn Macau
3 Limited, our public company in Hong Kong. And
4 to his right is Jim Stern. Jim Stern is our
5 senior vice president of corporate security at
6 the parent company level.

7 Jim has been with The Wynn for
8 approximately six years. Where he came from a
9 very long career with the FBI culminating in
10 serving as the head of the organized task force
11 in Asia located in Tokyo. With that I am going
12 to let Mr. Wynn start off.

13 MR. WYNN: You can start.

14 MS. SINATRA: Okay. So, I'll start.
15 We listened with interest to our colleagues at
16 MGM this morning. One of the things that we
17 wanted to talk about with the Commission, and
18 thank you for the invitation, was a little bit
19 about the real-life in Macau.

20 The issues that you face are
21 complicated but you're going to have lots of
22 jurisdictions that you face. We have up on the
23 slide for you the 23 domestic jurisdictions and
24 the six international jurisdictions that your

1 applicants are licensed in. So, this is not a
2 theoretical discussion this morning, but a real
3 discussion that will affect how you move
4 forward.

5 The names that turn blue indicate
6 the jurisdictions in which both MGM and
7 ourselves are licensed. We have the pleasure of
8 being able to operate in Macau. So, you can see
9 that the U.S. jurisdictions of Illinois,
10 Maryland, Michigan, Mississippi and Nevada have
11 all faced this question

12 Let's talk a little bit about Macau.
13 First, there it is over 8000 miles away from us,
14 a special administrative region in China. It
15 was returned to China's control after hundreds
16 of years as a Portuguese colony in 1999.

17 I think a little understanding of
18 history is very, very important to the question
19 before you. Because 1999 and the reassertion of
20 Chinese control over Macau was the starting
21 point of many, many changes that occurred in
22 that jurisdiction.

23 In 1999, a new chief executive was
24 installed in Macau, Edmund Ho, a Western

1 educated Macanese person from a very
2 distinguished Macanese family. Having been
3 educated in Canada and working for a Canadian
4 accounting firm before he returned to Macau was
5 elected by the electors of Macau with the
6 approval of Beijing.

7 Beijing like in many other areas of
8 policy had very distinct goals for Macau. The
9 idea for Macau was to leverage its single asset,
10 which was the legalized gaming that it enjoyed
11 and the only legalized gaming within China, to
12 turn it from what it was, which was subject to a
13 monopoly for over 40 years occupied by Stanley
14 Ho, to a world-class tourist destination.

15 So, in order to do that the
16 government under the aegis of Mr. Ho took very
17 decisive action. So, the first thing they did
18 was rounded up some of the worst Triad offenders
19 and put them in jail. They then broke the
20 monopoly. And they specifically sought out both
21 the expertise of Western operators and the
22 regulatory authority that came along with
23 Western operators.

24 They knew that in order to achieve

1 their goals, which were to be very much like Las
2 Vegas, which was attracting tourists providing
3 varied experiences for those tourists that they
4 needed the expertise of someone like Mr. Wynn
5 whose over 40-year history in our business is
6 characterized by being able to transform
7 markets. So, they knew they wanted Mr. Wynn's
8 expertise.

9 The other thing they knew they
10 wanted was to develop the convention business.
11 And so, they selected a joint venture of Sands
12 and Galaxy for the second subconcession. The
13 incumbent operator, Stanley Ho, received the
14 third subconcession because otherwise operations
15 would have been interrupted, which was the
16 entire employment base in Macau while we, as
17 Western operators, got up to speed.

18 So, while we came and we prepared to
19 invest lots of money and to do the work that we
20 knew how to do from around the world, the
21 regulatory structure started to change. Credit
22 was legalized in Macau. Currency transaction
23 reporting was enacted and required. And a lot
24 of that was done in consultation with us as

1 potential licensees, because we had a very clear
2 view of how we could and would operate in Macau.

3 And Mr. Wynn is relatively specific
4 and insistent upon having a regulatory structure
5 in which he feels comfortable. So, you can see
6 along my timeline we've gone from '99 through
7 the new concessions.

8 The first Western casino opened in
9 Macau in 2004 that was the Sands Macau. We came
10 along two years later in 2006. And you can see
11 the progression of properties and investment
12 that has taken Macau from a \$2 billion gross
13 gaming revenue market in 2002 to \$38 billion in
14 2012 and anticipated \$45 billion worth of gaming
15 revenue in 2013. It is the largest gaming
16 market in the world, six times larger than the
17 Las Vegas strip.

18 It continues to be the fastest
19 growing market and it's driven by lots of
20 things, the overall Chinese economy, visitation
21 from mainland China and the development of
22 infrastructure both by private companies like
23 ourselves and by the government in the area of
24 transportation.

1 So, lots of people like to look at
2 graphics. Here you can see that big ascension
3 in gaming revenue. The little green marks at
4 the bottom of the page show what's been going on
5 in Nevada where we've gone from 4.8 in 2000 to
6 6.2 in 2012.

7 Just like the gaming revenue, what's
8 caused that big increase in gaming revenue, it's
9 capital investment. You can see over \$19
10 billion has been invested in Macau to date with
11 an additional \$23 billion worth of development
12 on the books and currently underway.

13 So, I know what you wanted to talk
14 about was regulatory and compliance. So, we
15 decided -- And I know that this is a generally
16 pretty studied up group. So, forgive me if I
17 start at a little bit of a basic level, but we
18 wanted to make sure that we all started from the
19 same understanding.

20 So, the key participants in the
21 gaming market in Macau are concessionaires and
22 subconcessionaires. As I outlined for you
23 earlier, there were three original concessions
24 given. Each concessionaire was able to create

1 and allocate a subconcession with the approval
2 of the government, which resulted in MGM who you
3 saw just a few moments ago and a joint venture
4 of Melco and Crown to begin operations in Macau.

5 Who brings customers to Macau?

6 That's a combination of internal marketing. At
7 Wynn, we have about 215 people internally. At
8 Wynn Macau we also have six international
9 marketing offices that recruit customers and
10 bring them to our property.

11 The other word that you hear a lot
12 about is junket operators. Those are vast
13 marketing operations that are responsible for
14 working throughout China. They recruit
15 customers. They bring them to Macau. They
16 issue credit to them.

17 There are also subjunkets and other
18 people that work with junket operators in order
19 to bring the magnitude of customers and
20 commercial activity to Macau.

21 How is all of that regulated? Well,
22 it's regulated both externally and internally.
23 So, externally you've heard a lot about the
24 DICJ. There is the Portuguese spelling agency's

1 name. That's the overall agency having
2 regulatory authority on Macau.

3 Anti-money laundering is comprised
4 of high-value transaction reporting and
5 suspicious transaction reporting, very similar
6 to what gets done under FinCEN's aegis in the
7 United States. And there is a financial office
8 in Macau responsible for compliance with those
9 requirements.

10 As a public company in Macau we are
11 subject to Hong Kong exchange reporting as well
12 U.S. SEC reporting. We also, being Nevada
13 licensees report quarterly to Nevada with
14 respect to our operations in Macau. And we have
15 a very, very vast internal regulatory structure.

16 Again, I guess we like timelines.
17 So, we can see on the regulatory timeline you
18 see that there were some changes made in the
19 late 1990s directed toward anti-money-laundering
20 in Macau.

21 Once '99 comes along and the
22 concessions are issued, you see in April of 2006
23 the anti-money-laundering and counter-terrorist
24 financing legislation is passed. In August 2006

1 the financial intelligence office is
2 established.

3 In November of 2006 there is
4 additional regulation requiring customer and
5 junket due diligence and reporting on suspicious
6 money-laundering. You see that is all
7 coincident with when Macau opening into this
8 newly robust regulatory system in November --
9 September 2006.

10 On this slide we have a bit of a
11 more in-depth description of those external
12 regulators. So, the DICJ is the principal
13 regulatory authority. It audits, it
14 investigates and it monitors our daily
15 operations. Like New Jersey, the regulator has
16 an on-site office in our casino in Macau. They
17 also process the licensing for junket operators
18 and subjunket operators.

19 The financial intelligence office,
20 again, enforces the anti-money laundering and
21 counter-terrorist legislation and oversees the
22 monitoring of politically exposed persons.

23 Macau is worried about government
24 officials from China gambling in Macau. That is

1 expressly prohibited. So, there is a process
2 and backgrounding that involves lots of
3 technology to identify those people and make
4 sure that they are not gambling in our casinos.

5 In addition to the regulators, there
6 are two police bodies who are very active with
7 us. The judiciary police who are investigators.
8 And they assist the DICJ in backgrounding. They
9 also maintain 24/7 presence in our casinos. And
10 the public security police, again they assist us
11 with full-time security and maintain a constant
12 presence in our facility.

13 Our internal structure, we move to
14 corporate investigations. This is overseen by
15 Jim, who I identified earlier. Our head of
16 corporate security located in Macau is Danny
17 Lawley. He's a retired Hong Kong police force
18 superintendent, was a division commander.

19 Danny is the third corporate
20 security boss we've had in Macau. Each of them
21 has had over 20 years experience with the Hong
22 Kong police, generally with lots of experience
23 in identifying and dealing with organized crime.

24 We have 14 full investigative staff

1 that are assigned to conduct a background check.
2 We background our employees. We background our
3 junkets. We background our vendors.

4 Legal, I introduced you to Jay
5 Schall who is my senior lawyer there. He is
6 assisted by a staff of approximately four
7 Portuguese lawyers.

8 We have compliance committees. So,
9 Nevada requires us to have a compliance
10 committee at the Wynn Las Vegas level. We have
11 a similar property level compliance committee at
12 Wynn Macau. We have a corporate compliance
13 committee that is chaired by former Governor
14 Robert Miller, who was the longest sitting
15 governor of the state of Nevada for 10 years.
16 He served as head of the National Governors
17 Association and the National District Attorneys
18 Association during his tenure in those bodies.

19 We then have two specialized
20 committees in Macau. The first is the junket
21 committee. And that junket committee vets and
22 approves the backgrounding and compliance
23 efforts of our junket operators.

24 And we have a PEP committee to deal

1 with the politically exposed persons and their
2 reporting and compliance efforts required in
3 that area.

4 We have a vast array of policies
5 that we have at the corporate level and are
6 applicable to all of our subsidiaries including
7 Wynn Macau that include anti-money laundering,
8 code of conduct that's applicable to senior
9 officers and directors, policies regarding
10 politically exposed persons, policies needed in
11 order to deal with U.S. requirements of OFAC,
12 the Foreign Corrupt Practices Act, and a
13 specific policy about junkets and how we manage
14 them.

15 In that little blue box, you can see
16 there is a list of some of the tools that we use
17 in order to do our backgrounding. We have a
18 software program called World-Check that is
19 pretty widely used in the industry and in the
20 banking industry.

21 We do criminal record checks,
22 litigation, bankruptcy, conflict of interest,
23 property holdings, any patron histories. DICJ
24 has a list of banned persons. We have that on

1 our system and we have photos of the people who
2 have been banned. So, we're as vigilant as we
3 can be to make sure that all of those banned
4 persons for whatever reason they were banned by
5 the DICJ do not see action in our casino.

6 This slide shows a little bit about
7 who junkets are and sort of what they do.
8 Again, we talked about that they organize player
9 trips and extend credit. There are over 200
10 licensed junket operators in Macau. Currently,
11 at Wynn Macau we have 13 junket operators. Some
12 are publicly traded companies with thousands of
13 employees. Some are headed by individuals.
14 There is a lot of crossover by there are junkets
15 who operate in multiple casinos. The way that
16 they are compensated is that they receive a
17 portion of the win.

18 What happens in a junket operator
19 from a regulatory standpoint? The first stop
20 for a junket operator at least one who wants to
21 participate with Wynn is a formal license
22 application by the DICJ. The DICJ license
23 application is robust. It requires the
24 disclosure of any shareholders with more than

1 five percent interest.

2 A criminal background check is
3 conducted by the government investigators.
4 Those licenses are subject to annual renewal.
5 There's full re-licensure with re-backgrounding
6 every three years for individuals and six years
7 for corporate entities under the DICJ.

8 In addition to that at Wynn, we
9 conduct background checks using our own
10 investigators on junket operators and the five
11 percent shareholders. We update our junket
12 investigation semiannually and copies of those
13 reports are given to our internal compliance
14 committee, to the DICJ and to our Nevada
15 regulators.

16 Each junket has a relationship with
17 us is based on a contract. That contract
18 includes a 48-hour termination notice if there's
19 anything that happens with those junket
20 operations that don't make us happy. The
21 contracts contain extensive Foreign Corrupt
22 Practices Act and other compliances with law
23 representations and warranties.

24 The next point I just wanted to

1 review was high-value transaction reporting and
2 suspicious activity reporting. It's very
3 similar to what happens in the United States.

4 What's important to understand about
5 this is transaction reporting is applicable both
6 to the concessionaires and to the junkets.
7 There's extensive training that we do with our
8 own cage staff and with junket staff. And we as
9 a concessionaire are responsible for the
10 compliance with those rules and regulations by
11 our junkets.

12 CHAIRMAN CROSBY: Excuse me, you
13 said it's similar to the standards that we have
14 in the states. The standard I think is \$10,000.

15 MS. SINATRA: Yes. The monetary
16 threshold is different. The information that's
17 captured is the same. The reasons for filling
18 out the forms on the suspicious side are
19 generally the same, but yes, the threshold is a
20 bit larger. I'm finished.

21 MR. WYNN: We didn't intend this,
22 nor do we today to be part of our own
23 suitability presentation. But instead sort of a
24 conversation with you about what's really going

1 on. So, we've had a lot of lawyers today. Now
2 you've got a principal. So, I'm going to tell
3 you what really goes on.

4 You saw the chart where they went
5 with Stanley Ho in 1999 from \$2 billion dollars
6 a year to \$45 billion. I think that you need to
7 stop for a moment and understand exactly what
8 the implications of that extraordinary number
9 is. At any given hour in Macau, millions of
10 dollars of credit and gaming take place by the
11 minute, millions. We have days of casino win of
12 \$30- to \$40 million in 1000-room hotel alone.

13 This is being managed by a giant
14 entrepreneurial pyramid of junket and subjunket
15 operators operating across the vastness of the
16 People's Republic of China. All of these people
17 are hustling salesmen working on a commission.
18 They are having the time of their life in a
19 business that is growing like a wild weed. Look
20 at the rate of growth from \$2 billion or \$45- or
21 \$50 billion this year.

22 The number one casino in the history
23 of Nevada's gaming regulations is Wynn Encore at
24 probably \$800 million this year. Last year it

1 was 780, the previous record was 724. That was
2 us. Our company has had the largest recorded
3 win in the history of Nevada for the last four
4 or five years. And we keep breaking our own
5 records.

6 I mention that only to point out
7 that that number is just a little less than \$800
8 million a year and that's in an almost 5000-
9 room, \$5.3 billion facility. In 1000 rooms for
10 \$1.5 billion in Macau, this year Wynn Encore in
11 Macau will do \$4.7 billion, \$4.7 billion with
12 500 tables. And in the whole town \$45 billion,
13 38 of it is junket operators. This vast network
14 of commissioned salesman that have no time for
15 criminal activity, they're making a living
16 sharing in the profits of the casino by hustling
17 business for Macau.

18 And as a consequence, the city has
19 experienced in 10 years the most astronomical
20 unbelievable growth in the history of
21 civilization on this planet, just like the
22 country itself with 350 million people have come
23 out of poverty in less than four years since
24 Deng Xiaoping in 1979.

1 The government of Macau and its
2 regulatory authority is trying its best and
3 changing constantly every single year to keep up
4 with this massive proliferation of salesmen that
5 are scurrying around China producing this
6 incredible growth. And really \$2 billion to \$45
7 billion is beyond incredible. Such a thing in
8 10 years, there is no precedence for this.

9 People have talked about violence
10 and junkets and collection of markers. In
11 Boston, Massachusetts this afternoon there are
12 shylocks giving money to people in the street
13 who have no visible means of paying it back. In
14 Washington, DC and in Chicago, Illinois there
15 are shylocks threatening people if they don't
16 pay back money at usurious rates.

17 In our hotel in Macau, we don't
18 allow shylocks. We deal to high-end people by
19 the thousands every day in order to maintain a
20 \$4.7 billion win.

21 There are no people with no means
22 that are borrowing money from anybody. Junket
23 operators are serving businessmen, the emerging
24 wealth of China. And I must point out there's

1 an awful lot said about Chinese people like to
2 gamble, ethnically sort of predisposed to
3 gamble. I will share with you 47 years of
4 experience and tell you that for example, my
5 family -- My parents were first-born Americans.
6 Their families came over from the old country in
7 Europe in the late 1890s.

8 Those people were impoverished and
9 had no money. Their children were born before
10 World War I, my parents in 1916, Frank Sinatra
11 and Dean Martin in 1915. None of them ever
12 graduated high school. None of them ever had a
13 nickel. They finished, they came of age in the
14 Great Depression of the 30s. And by the time
15 they were 29 or 30 years old, they bumped into
16 the post-World War II boom of the United States
17 of America, arguably one of the greatest periods
18 of economic expansions, except for modern China.
19 And for the first time in life, first-generation
20 Americans made money.

21 And they had this tremendous pent up
22 demand for the good life. For my mother and
23 father after World War II was a Cadillac, a mink
24 stole and maybe a diamond ring, a trip to the

1 Copacabana in New York or even to Las Vegas.

2 There is tremendous consumer demand
3 for new wealth. Everybody that makes money with
4 their own hands for the first time has an
5 entirely different attitude towards money.
6 They're willing to spend it, because they made
7 it themselves and they can go make more.
8 Second-generation slow down. They're interested
9 in lots of different things, even paintings.

10 So, what have we got in China?
11 There is no old money in China. It's all 40
12 years old or less. And they tell me that
13 there's a millionaire created in modern China
14 every minute and a half, I believe it.

15 All of these people are exporting,
16 manufacturing products, building buildings,
17 trying to keep up with the massive rapid
18 industrialization of the country that is being
19 fueled by the government. Open factories, ship
20 abroad. They all have accounts in Hong Kong.
21 They are doing enormous business. These are
22 business people. And they're buying second
23 homes and they're living the good life and they
24 go to Macau and they gamble.

1 That's who our customers are.
2 They're not gangsters or bums. They're
3 businessmen who can borrow money and pay it back
4 on a regular basis. Most of them have accounts
5 and because they're international business
6 people, most of them have accounts in Hong Kong.
7 But just like Americans, nobody carries cash.
8 So, they go to Macau and they play with a junket
9 operator and then pays them back when they get
10 back home.

11 You should know that every day in my
12 casinos in Macau the state security police,
13 which Kim did not mention that's the equivalent
14 of the CIA/FBI in China, in mainland China, not
15 in Macau or Hong Kong. The state security
16 police of the People's Republic of China is a
17 mainland law-enforcement agency. They operate
18 with enormous authority. And they are
19 omnipresent in Macau. And they watch everybody
20 and they question us about certain customers.

21 Assiduously, relentlessly, they are
22 looking for public officials who are gambling
23 with the people's money. It is a death penalty.
24 And the victim, the family pays for the bullet.

1 Time between conviction and execution is 60 days
2 in mainland China for a public official that
3 embezzles public money. State security police
4 of China are in Macau constantly, in addition to
5 all of the other levels of law enforcement that
6 Kim mentioned. They're there. They know
7 everything that's going on.

8 We are very frequently victimized --
9 When I say victimized, I mean we are
10 disadvantaged in terms of publicity, between the
11 Internet and irresponsible newspaper reporting.
12 Everything today is anecdotal. People repeat
13 rumor, unsubstantiated intelligence. People
14 make generalizations with the confidence of a
15 farmer without a mortgage with their feet
16 planted firmly in thin air about organized
17 crime, about gangsters. But when you press them
18 and you say is there any criminal activity going
19 on in my company, they shut up, because if they
20 said it, they couldn't prove it because it's not
21 true. And I would sue them from here to next
22 week.

23 I am concerned about one thing in
24 the management of my affairs. After all is said

1 and done about the regulatory authorities and
2 the imposition of our own internal controls --
3 Incidentally, we were the only company ever to
4 voluntarily to turn things over about our
5 investigative reports to Nevada, even before we
6 -- the month before we opened in '06, because I
7 know there'd be days of Monday morning
8 quarterbacking.

9 But most importantly I'm interested
10 in one thing, Commissioners, is there anything
11 unlawful going on in my building. I don't
12 investigate my customers and I'm not going to
13 because it's an impossible ridiculous task. If
14 we are in compliance with the rules and
15 regulations of a legitimate regulatory authority
16 like Macau, and it is legitimate, if we are in
17 compliance, are we subject to being disciplined
18 or having our license revoked after we invest
19 over \$1 billion in Boston, in Massachusetts. If
20 so, no sane person would ever risk such an
21 exposure, especially when the regulations are
22 discretionary.

23 I came here today and I have asked
24 for, begged for your attention to try and

1 clarify what's going on in Macau because it's
2 important to understand what's really going on.

3 There are all kinds of people
4 running around the casino. These junket
5 operators create syndicates. Some of them have
6 \$100 million on the street, \$200 million out.
7 That money is rotating or they wouldn't exist.
8 They are collecting the money painlessly,
9 regularly on huge scale.

10 No one gives money to people who
11 won't pay it back except maybe a street shylock,
12 and we don't allow them in our building. We
13 have a whole network of ejection for anybody
14 that tries to walk on the floor of our casino
15 and try and cut into a customer.

16 A shylock is a kind of a person that
17 would look at somebody losing money at a table
18 and sidle up to them and say, hey, you want some
19 help. We've trained our employees the minute we
20 spot anybody like that they are grabbed by the
21 scruff of their neck and thrown on the street.
22 And that fraternity of lowlifes that may have
23 existed there before 1999 or who may even exist
24 in somebody else's casino, they don't go in our

1 place because we don't tolerate it.

2 What I'm curious about is if I'm in
3 compliance, if I'm obeying all of the
4 regulations and someone in Massachusetts says
5 you should have investigated that third
6 subjunct operator. And if you don't, we're
7 going to take away your license in Boston.
8 Couldn't live with that. Couldn't be expected
9 to do that nor could any sane company do that.

10 The layer of things that we do, the
11 improper conduct that we've nailed and reported
12 to authorities has resulted in people going to
13 jail, we could fill another hour of testimony
14 about that. But it's self-serving.

15 And I don't want to talk about Wynn
16 in particular. I want to talk about the
17 principle that's involved. Macau is a
18 legitimate place. And if people that work for
19 the state of Massachusetts want to use anecdotal
20 information, I want to challenge them if I get
21 the chance. And I will if it involves my
22 company.

23 But there are people saying things,
24 printing things that are grossly irresponsible.

1 The question is I am concerned about any
2 criminal activity, illegal activity going on on
3 the premises of my businesses in Las Vegas or
4 Macau. They cannot be tolerated.

5 And we are accountable to everybody,
6 Massachusetts, if we are ever here or
7 Pennsylvania if we're there or Las Vegas or
8 Macau. Illegal criminal activity is not okay
9 and we are subject to total responsibility for
10 such things if we don't take appropriate action
11 to avoid it.

12 But there's a big difference between
13 criminal activity in my building and the opinion
14 of some investigator that maybe we should have
15 been be responsible for the third subjunct
16 operator from East Okefenokee. If the state of
17 Macau is satisfied then I'm satisfied. The
18 question is are you satisfied?

19 If Macau says that we are in full
20 compliance, if Macau is satisfied with the
21 status quo as it relates to my company and our
22 compliance, is Massachusetts satisfied? That's
23 the question that I want to know. And I'll be
24 glad to answer any questions about my

1 understanding of the business of Macau from any
2 of you and so will my colleagues. I think I've
3 made my point.

4 CHAIRMAN CROSBY: Thank you, Mr.
5 Wynn. Questions?

6 COMMISSIONER MCHUGH: I hear you Mr.
7 Wynn, and I hear your passion. But surely you'd
8 agree that the Commission in the exercise of its
9 responsibilities has the obligation to verify
10 for itself the things that you just described
11 you're doing.

12 MR. WYNN: Sure do.

13 COMMISSIONER MCHUGH: And if I
14 understand you, your position is that as long as
15 there is no criminal behavior going on that
16 whatever else goes on -- no criminal behavior
17 under the laws of Macau --

18 MR. WYNN: Unlawful.

19 COMMISSIONER MCHUGH: -- that this
20 Commission ought to be satisfied with that.

21 MR. WYNN: Criminal and unlawful
22 mean also violation of local regulation.

23 COMMISSIONER MCHUGH: Yes, Sir. I'm
24 talking about as long as you're in compliance --

1 Your position, if I understand it correctly, is
2 as long as you are complying with the laws of
3 Macau that this Commission ought to accept your
4 compliance with those laws at face value and
5 inquire no further as to the nature of the
6 activity in which you're engaged in Macau.

7 MR. WYNN: I think there's a
8 difference between you inquiring about the
9 nature of the activity and us being subject to
10 disciplinary action, which would include
11 revocation of our license or endangerment of our
12 investment. I think Judge McHugh asked a
13 hypothetical -- Was it you, Judge, that asked a
14 hypothetical question about India?

15 COMMISSIONER MCHUGH: I did.

16 MR. WYNN: Okay. Let's deal that
17 that for a minute, because I squirmed when you
18 asked that question. Suppose that there was a
19 terrible substandard labor, I believe it was,
20 employment situation in India, would
21 Massachusetts have the right to take
22 disciplinary action against a licensee that was
23 engaged in Massachusetts -- in India. Did I get
24 that correct, Sir?

1 COMMISSIONER MCHUGH: That's the
2 essence of it. Yes, Sir.

3 MR. WYNN: The trouble with the
4 hypothetical is it's extraordinary. And I think
5 that when we deal with legal speculation using a
6 hypothetical of such an extreme that we get away
7 from the point because that would never happen.

8 What would happen, however, is that
9 you would say that every given moment, every
10 subjunct operator, whether we knew it was a
11 subjunct operator or not had to be licensed
12 even if we didn't know that it was a subjunct
13 operator. That's the kind of hypothetical that
14 concerns me, not something as outrageous and as
15 extreme an example as you gave because that
16 would never occur.

17 COMMISSIONER MCHUGH: I was simply
18 trying to test the parameters of the legitimate
19 area of inquiry. This is a new area for us.

20 MR. WYNN: Your parameter was so
21 wide, Sir, that that's why I'm making the point
22 now.

23 COMMISSIONER MCHUGH: I understand
24 that. And you don't agree with hypothetical.

1 And you think that it was not relevant to our
2 discussion apparently.

3 MR. WYNN: Excuse me, Judge. Your
4 hypothetical because it was broad therefore
5 meant that you could apply the broadest
6 conceivable standard to us.

7 COMMISSIONER MCHUGH: I wasn't
8 making any suggestion about what I could do with
9 any particular company, Mr. Wynn. I was having a
10 discussion at a theoretical basis to try and
11 test the parameters of this Commission's
12 responsibility and obligation to the people of
13 Massachusetts.

14 MR. WYNN: And that's exactly what
15 we're interested in is the parameters. How wide
16 is that discretion?

17 COMMISSIONER MCHUGH: And I take it,
18 coming back to what our dialogue started off as
19 that your position is so long as you are in
20 compliance with the laws of Macau that the
21 Commission has no responsibility or business
22 inquiring further into the nature of your
23 activities in Macau?

24 MR. WYNN: Let me put it back to

1 you, Sir. If we are obeying all of the rules
2 and regulations of Macau and employing all of
3 the standard and ethical standards for which we
4 are known for over 45 years -- I am the longest
5 lasting continuous licensee in the history of
6 the state at this point 46 or 47 years. I ask
7 you, Sir, where is it that we believe we have
8 safe harbor as we inject billions of dollars
9 into to someplace like Massachusetts?

10 COMMISSIONER MCHUGH: Mr. Wynn, I'm
11 simply trying to educate myself as to this area.

12 MR. WYNN: So am I.

13 COMMISSIONER MCHUGH: I understand
14 we're educating ourselves from perhaps different
15 perspectives. That's why I asked you the
16 question. It is certainly a legitimate position
17 to take that so long as one is in compliance
18 with the laws of the country in which they are
19 operating and not violating a federal law
20 regulating business in a foreign jurisdiction
21 that the licensing authority ought to be
22 satisfied with that and inquire no further.
23 That's a legitimate position to take.

24 It may or may not be one with which

1 I ultimately agree. But I was trying to find
2 out whether that was your position.

3 MR. WYNN: My position was that with
4 one very important caveat. Any unlawful
5 activity in America, illegal activity in
6 America, what you and I would agree is unlawful,
7 would also be unlawful to me, and therefore
8 would be my responsibility, regardless of
9 jurisdiction. The problem is not going to be
10 anything like that Judge. That's not where my
11 nightmare scenario exists.

12 My nightmare scenario exists when
13 irresponsible investigators start to apply
14 standards that they invent that run afoul of
15 common sense and our ability to comply abroad.

16 CHAIRMAN CROSBY: Well, I can assure
17 you you can sleep well because that will not
18 happen. I can promise you that.

19 COMMISSIONER MCHUGH: This
20 Commission, not the investigators ultimately
21 makes the decision.

22 MR. WYNN: Without mentioning names,
23 I'll give you an example. An investigator who
24 gets paid by the hour and can decide how many

1 hours he should charge, called up one of my
2 outside directors, the chairman of Occidental
3 Petroleum, and insisted that he supply him
4 immediately with proof of his ownership of his
5 car. Please. What was he looking for, the
6 Mafia?

7 You don't know what to expect when
8 you are on our end of a new jurisdiction. We
9 don't know what to expect. But the money here
10 in Massachusetts is big. We're talking about
11 \$1.3 billion to make a statement. And you're
12 right, I'm passionate. Passion produce
13 excellence.

14 CHAIRMAN CROSBY: I think the point
15 is that you were suggesting to Judge McHugh not
16 to sort of distort the argument with a
17 hypothetical that you thought was so extreme.
18 By the same token, let's have that be a two-way
19 street. There is not going to be irrational --
20 There have been other conversations where you've
21 expressed some concerns about excessive
22 activities. And I think that you will probably
23 agree that we are thoughtful about that.

24 But be that as it may, let me ask

1 you a question. The gentleman from Nevada, Mr.
2 Lipparelli, talked about the three levels of
3 standard. There's crimes and I sort of forget
4 what the middle one was. And the third case was
5 for regulators that they will look askance at
6 activities in foreign jurisdictions which
7 threaten the reputation of gambling in their
8 jurisdiction.

9 MR. WYNN: Yes.

10 CHAIRMAN CROSBY: A very complicated
11 measure.

12 MR. WYNN: Subjective.

13 CHAIRMAN CROSBY: Right. How do you
14 recommend to us that we think about that? First
15 of all, do you think that is an appropriate
16 standard first? And secondly, if you do, how do
17 we use that? Put yourself in our shoes. You're
18 looking at folks in other jurisdictions looking
19 out for the reputation of your regulatory body.
20 How do you implement that?

21 MR. WYNN: I think Mark Lipparelli
22 used the phrase, did he say the reputation --

23 MS. SINATRA: Disrepute is the word
24 that he used.

1 MR. WYNN: It would bring disrepute
2 upon Massachusetts, for example, in this case.

3 CHAIRMAN CROSBY: Discredit or
4 disrepute.

5 MR. WYNN: Yes, on Massachusetts.
6 I'm only interested in Macau. I'm not going to
7 get general. I don't give a damn about the rest
8 of the world. I'm interested in Macau and my
9 investment in Massachusetts. That's why I'm
10 here today. It's really nice to have the
11 opportunity to do this. So, I want to stick to
12 the important part.

13 What in Macau could threaten or
14 bring disrepute on Massachusetts? A piece of
15 unsubstantiated raw intelligence about a junket
16 operator reputed to be, for example, a member of
17 a Triad. That immediately presupposes the Triad
18 is synonymous with Mafia, which is completely
19 false.

20 Experienced law-enforcement people
21 will tell you that Triad is not a synonym for
22 organized crime, although some Triads engage in
23 organized crime but it's not the same as Cosa
24 Nostra or Mafia. I learned that from Larry

1 Mefford who is here today, the former assistant
2 director of the FBI who worked for me before he
3 worked for MGM.

4 So, what is it that could bring
5 disrepute upon Massachusetts based upon our
6 operations in Macau, which we're very proud of.
7 I am trying to find out at what level of
8 sensitivity that murky, subjective, very murky
9 phrase bring disrepute on Massachusetts. I
10 don't know how sensitive Massachusetts
11 reputation is. I was interested in the
12 hypothetical that the Judge made about India.
13 There are many Massachusetts companies in
14 business in India or manufacturing in India,
15 I'll be there's a whole bunch of them.

16 Incidentally, what are we talking
17 about here? How do I cut lose \$1.3 billion and
18 go to town with all of my passion and everything
19 else and all my friends in Everett and change
20 that city and create all of these jobs and
21 create all of this revenue -- And we do a better
22 job than the other guys I say in a self-serving
23 way. -- How do I know what I'm getting into?
24 What is the level of sensitivity to a murky

1 phrase like bring disrepute?

2 If I don't allow illegal activity on
3 my premises, if I comply with the regulatory
4 structure of Macau, what else am I expected to
5 do by you folks? Please clear that up for me.
6 And if I can possibly do it, I will. But if
7 it's something that I don't understand, I think
8 I'm going to be at a quandary.

9 COMMISSIONER CAMERON: Mr. Wynn, I'm
10 speaking from over here, Sir. I am just
11 struggling with the black-and-white arguments
12 when you say there's no criminal activity.
13 There's never been a casino anywhere in the
14 world that has no criminal activity. That's a
15 false statement.

16 Also, when you give us this
17 presentation on Macau, and you lay out the
18 levels of scrutiny and your own scrutiny, Sir,
19 that's important to know. But you say
20 everything is unsubstantiated intelligence. And
21 you really have some disdain for investigations
22 or law enforcement. That's my opinion.

23 When we read congressional reports
24 from experts who tell us about the criminal

1 activity and we could say that it's not the
2 Italian Mafia. I would absolutely agree with
3 you. But we are talking an organized criminal
4 element. And it's our responsibility here to
5 understand that and to do our best to keep
6 casino gaming safe and secure here.

7 In Atlantic City, I'm very familiar
8 with a great number of public officials as well
9 as organized crime individuals who were
10 convicted. This is not unsubstantiated
11 intelligence. So, I just struggle with the idea
12 that it doesn't happen at all in Macau.
13 Anywhere there is this kind of money, there is
14 great temptation for the criminal element.

15 And that's what we're exploring.
16 That's what we're investigating. We don't deal
17 in unsubstantiated intelligence. But your
18 presentation makes it sound like nothing like
19 that exists in Macau or anywhere else in which
20 you operate, Sir.

21 MR. WYNN: With respect, Ma'am, I
22 was talking about our place. I wasn't talking
23 about everybody else. I was just talking about
24 us. I said that are we to be subject to rules

1 based upon unsubstantiated raw intelligence or
2 are we subject to rules based upon facts?

3 I did not generalize it. I was
4 talking about our own operation, Ma'am. I hope
5 I clarified that for you. Are you saying that
6 you're aware of criminal activity in my place?

7 COMMISSIONER CAMERON: The
8 presentation was Macau in general that we looked
9 at earlier. That whole presentation that we saw
10 earlier was just not your business, Mr. Wynn.
11 It was the evolution of Macau. There was no
12 mention at all of any criminal activity. That I
13 found to be --

14 MR. WYNN: Let me make it clear. I
15 am not here today to say that criminal activity
16 didn't take place in a casino in Macau or a
17 casino in Connecticut or a casino in Nevada or a
18 casino in Pennsylvania or at Neiman Marcus or
19 criminal activity at Saks Fifth Avenue.

20 What I am here to say is that we, I
21 am concerned about making sure that we don't
22 tolerate criminal activity on our premises. And
23 that I am willing to be held responsible for
24 that standard of behavior. I hope I am being

1 very specific now.

2 I am referring to the standard of
3 conduct that we employ on our own premises and
4 the diligence that we employ to avoid criminal
5 activity on our own premises.

6 And my position less there be any
7 misunderstanding, and I'm sorry if I have given
8 you the wrong impression, is that if I am in
9 full compliance with the rules and regulations
10 of the jurisdiction, in this case Macau, and if
11 my own procedures indicate extreme diligence to
12 avoid any criminal activity on our premises or
13 unlawful activity on our premises, am I subject
14 to yet another standard that I do not understand
15 from Massachusetts?

16 I do not vouch or make any
17 statements, nor have I meant to about anybody
18 else. And that I'd like to clarify my remark if
19 they've been ambiguous.

20 CHAIRMAN CROSBY: Let me just ask
21 you one thing I think you're aware of this, but
22 just to be sure. We have had no briefing on the
23 background investigation of your company. The
24 Commissioners know nothing about the background

1 investigation of your company.

2 We're not looking for anything about
3 your operation specifically. As you said, there
4 will be a time for a suitability hearing. If we
5 think there are specific issues which come up,
6 we will raise them with you at that time. But
7 we have nothing, we have no briefing on that
8 whatsoever so far.

9 MR. WYNN: And I understood that,
10 Mr. Chairman. I'm trying to understand
11 specifically this area of bringing disrepute on
12 Massachusetts.

13 CHAIRMAN CROSBY: I gotcha. Let me
14 ask you a hypothetical. You've got a casino
15 operator in a foreign jurisdiction who does
16 business in one of his VIP rooms with a known in
17 the past money-lauderer, not so far as anybody
18 knows at the moment a money-lauderer, and
19 certainly so far as anybody knows a money-
20 lauderer in that casino operator's facility,
21 but a known money-lauderer.

22 MR. WYNN: Convicted, proven?

23 CHAIRMAN CROSBY: Yes, established
24 in fact.

1 MR. WYNN: That would be a
2 significant factor to us.

3 CHAIRMAN CROSBY: So, your
4 recommendation to that casino operator would be
5 that doing business in your facility with people
6 who are known to have done criminal acts in the
7 past, and that's critical here, known to have
8 done criminal acts in the past, would not be
9 allowed in their walls.

10 MR. WYNN: A proven criminal,
11 convicted factually of criminal activity, would
12 I hope in our own network of filtration be
13 excluded. I know of several situations where
14 exactly that has taken place. And incidentally,
15 where the individual has gone on to work
16 somewhere else.

17 That's the kind of thing that our
18 own filtration and hopefully the vetting by the
19 regulatory authorities in Macau would have also
20 excluded such a person from participation in the
21 business.

22 CHAIRMAN CROSBY: How would you
23 recommend to a casino operator in a foreign
24 jurisdiction that they should handle people who

1 are widely discussed in the press, not
2 minimally, not some third-level junket operator,
3 not one random bid of unsubstantiated, but
4 broadly perceived in the press to be a bad
5 character of some sort or another but not
6 convicted, how would you recommended to that
7 casino operator that they handle a relationship
8 with that person?

9 MR. WYNN: Jim Stern? This is a
10 very good question, not convicted but broadly
11 publicized as a disreputable character, how
12 would we handle such a person?

13 MR. STERN: I want to go back to
14 another point also with regard to some of these
15 so-called experts in Asian organized crime,
16 etc., that you touched on Commissioner. There
17 are a lot of people out there who are kind of
18 self-appointed experts in Asian organized crime
19 or Asian racketeering. They put out very
20 damning reports and intelligence that are
21 salacious. They are not based on fact, a lot of
22 conjecture.

23 We have a team at Wynn, myself and
24 others who worked in the business of

1 investigating organized crime for years. In my
2 case, I did three tours at FBI headquarters
3 where I was the chief of the Asian crime unit.
4 In fact, I spent all three of my tours at
5 headquarters in that particular unit. So, I
6 have an expertise.

7 CHAIRMAN CROSBY: Excuse me, would
8 you turn the mic. to your mouth?

9 MR. STERN: Excuse me. Is that
10 better?

11 CHAIRMAN CROSBY: Yes.

12 MR. STERN: So, I have an expertise
13 in that discipline going back twenty something
14 years. To answer the question, we have a very
15 thorough process of vetting not only our
16 junkets, our licensees but the other individuals
17 that come up on our radar through a very
18 thorough process.

19 And somebody who has never been
20 convicted of a crime, somebody who has perhaps
21 their name has popped up either in the U.S. or
22 Asia or some of these reports, we vet that
23 thoroughly through not only the local law
24 enforcement but the Hong Kong authorities, the

1 Macanese authorities, my contacts in the FBI,
2 etc. to get a grasp on exactly what this person
3 is about, not just the public source reporting,
4 the gossip, the conjecture, etc.

5 And then we make a decision at that
6 point. It happens periodically, but we do a
7 very thorough job. We don't base it on
8 anecdotal information. We don't base it on
9 speculation. We base it on fact. That's the
10 way we do things at the Wynn.

11 MR. WYNN: The federal report that
12 Madam Commissioner referred to was done so with
13 extreme confidence in the validity of that
14 report. And yet the footnotes for that very
15 report bear upon a newspaper reporter named Kate
16 O'Keefe, a for-sale professional investigator
17 and a former policeman. To say that it was a
18 specific, in-depth, factual exploration would be
19 an exaggeration, but nevertheless it was a
20 federally printed report. There's a lot of that
21 sort of thing going on. But we don't deal that
22 way. We really get into these people.

23 So, if someone had been widely
24 reported as being an illegal or criminal

1 activity individual, that would be a huge
2 blinking light to us. And we would delve into
3 that report and find out has this person ever
4 been charged with a crime? What are the sources
5 of the report? If this is really a criminal
6 type person, they're not going to do business
7 with us. Mr. Chairman, that's my answer.

8 But we would certainly not just say
9 well, they've never been convicted. We would
10 take that publicity as a huge warning light and
11 a tipoff to go much further.

12 CHAIRMAN CROSBY: I raise that
13 hypothetical because I asked you how would you
14 recommend that we utilize this reputational
15 standard issue. You put it back to me and said
16 I'm not sure. It's pretty complicated. I'm not
17 sure how you would do that. And I raised a
18 specific hypothetical.

19 That is precisely the kind of
20 hypothetical that is problematic to us. And
21 that's what we're talking about here. If we're
22 talking about anything, we're talking about that
23 kind of a problem. Where nobody knows if
24 there's fire, but there's smoke. And that smoke

1 in our environment has the significant risk of
2 causing disrepute or discredit of us and
3 gambling in our agency.

4 It's not an easy question. I grant
5 you that. And a lot of the people here in this
6 room have been subject of those kinds of issues.
7 And we know how unfair it often can be. But I
8 think it's a genuine issue for us to wrestle
9 with.

10 And we will continue to probe into
11 those kinds of broad-brush apparently legitimate
12 issues, which might be perceived as seriously
13 damaging to the credibility or repute of
14 gambling or our agency in this Commonwealth.

15 You don't have to respond. But if
16 you don't, I'll be shell-shocked. Does anybody
17 else --

18 COMMISSIONER ZUNIGA: I have a
19 question. Ms. Sinatra mentioned the recent
20 history of the regulatory framework in Macau.
21 I'm curious as to what you think needs to
22 continue to happen, what evolution is in the
23 near future, Mr. Wynn or Ms. Sinatra?

24 MR. WYNN: I have to give an example

1 using my own experience, and again understanding
2 this is not a hearing about Wynn Resorts.

3 We had a guy through his girlfriend
4 trying to invest in the junket room. We found
5 out about it. We discontinued operation with
6 the junket operator and told him he had to
7 reverse the transaction that the woman couldn't
8 come near the hotel and her boyfriend was
9 radioactive. He wasn't under arrest. He wasn't
10 being charged with anything.

11 It was the kind of thing that
12 Chairman Crosby mentioned, a widely reputed
13 outlaw. And not suitable to have any
14 relationship with our company. I went to the
15 state and said we've ejected this person and
16 let's pay more attention. This was a long time
17 ago.

18 Macau has matured and done such a
19 good job in trying to get their arms around this
20 geometrically, exponentially expanding economy
21 in Macau. China's growth is a matter of wide
22 discussion. But the growth of Macau is
23 generations beyond that. And the regulatory
24 authority in Macau has done a magnificent job,

1 steadfast, earnestly, sincerely to get stronger
2 controls on a system that's growing so fast it
3 is dizzying.

4 We play a role in that. We play a
5 role in this exciting journey. We're grateful
6 and humble to be part of it. It allows us to
7 come to Boston and do extraordinary things in
8 Everett that without which we could not. Our
9 very presence here is a result of the fact that
10 we've been able to participate there.

11 And we cannot stress strongly enough
12 that everybody is dealing with. But again, I
13 call attention to the Commission to this
14 unprecedented expansion that has led a group of
15 thousands of people acting as commissioned
16 salesmen to go out and grow this economy at a
17 rate that produces \$45- to \$50 billion this
18 year.

19 There is no room in this activity
20 really. Our markers, our credit is being paid.
21 The money is being lost. Think of this for a
22 moment in the big picture, Commissioners. \$47
23 billion is being won at the casinos, on which
24 the tax is being paid. The jobs are being

1 created, the construction jobs. The money is
2 being paid, it is being lost and paid. It isn't
3 being stolen. It isn't being converted. It's
4 being lost and paid.

5 There is an enormous difference
6 between a laundry and the garbage disposal. The
7 money is being lost and paid, Commissioners.
8 The use of money-laundering is a term that has
9 flown around this room today.

10 When I was younger and started in
11 this business 47 years ago, money-laundering was
12 a specific crime. It's where people took
13 unlawfully or illegally gained funds on which no
14 income tax or declaration had been made and
15 cleaned it up and got it into the banking
16 system. That took dirty money, so to speak, and
17 made it clean, hence the use of the metaphor
18 laundry.

19 How does a casino get to be a money-
20 laundering place where in Asia the junkets buy
21 chips that cannot be redeemed. They have to be
22 gambled. The chips themselves are not a
23 currency in the sense that you can just buy one
24 and cash it out. You must bet it over and over

1 and over again. As a method of conversion, it
2 is completely irrational, completely
3 unintelligible.

4 The casinos of Macau are not money-
5 laundering in any standard use of the term. Yet
6 we have in law enforcement today the term of
7 money-laundering being used to describe
8 transactions as pristine as the transfer of
9 legally earned, declared money from one legal
10 account to another legal account. I don't argue
11 with the fact that such transactions are subject
12 to control and declaration. But they don't
13 involve dirty money, they just involve the
14 technique of transactions.

15 So, the use of the term money-
16 laundering has been broadly, broadly changed.
17 And I don't see our casinos as being such
18 things. Our reserve for doubtful accounts has
19 never been exceeded. This money that we're
20 talking about that these people are gambling
21 that these junket operators are supplying is
22 being lost and taxes paid on it. And we are
23 putting it into our financial statements as
24 earnings and reinvesting it to build more

1 buildings, more rooms, both in China and in the
2 United States.

3 Please try and keep your focus on
4 the size and the rapidity of this expansion and
5 the regulatory challenges it has created. As
6 far as that goes, because we're part of keeping
7 up with this, our role as a participant in this
8 story and now because of the legislation in
9 Nevada and happy fate, we are here in
10 Massachusetts presenting our credentials and
11 wondering how will this young regulatory agency,
12 young regulatory agency -- You are new and
13 inexperienced, and this is a tricky as these
14 questions are revealing, this is tricky stuff.
15 How do we all get comfortable with one another
16 so that we can make intelligent discussions on
17 both sides?

18 I'm here for guidance. I'm here to
19 be helpful, and most of all to give you a
20 picture of what's really going on. And I'm a
21 better source than the newspaper reporter at the
22 Wall Street Journal. I am a better source than
23 an absentee footnote. Question me about Macau,
24 question us. We're really doing the work. We

1 really know what's going on. There is no
2 anecdotal stuff at this table.

3 CHAIRMAN CROSBY: This all came
4 about, as you know because you and MGM
5 expressed that interest.

6 MR. WYNN: We're scared to death,
7 Chairman. We're scared to death that -- not
8 that you won't pick us, that you will and there
9 goes a billion three or a billion five. Less
10 someone jumps up later and says did you know
11 that that subjunct operator from Fujian is a
12 bad guy and he got licensed anyway and you
13 didn't catch it and now you're in big trouble in
14 Massachusetts. Oh, my God.

15 COMMISSIONER MCHUGH: That's why
16 we're doing the suitability examination, Mr.
17 Wynn, as you very well know, to try and flesh
18 these things out before we make the decision so
19 that we can walk forward and have a useful,
20 profitable, professional relationship in
21 Massachusetts for the good of the Commonwealth.

22 MR. WYNN: What about the future?

23 COMMISSIONER MCHUGH: And so that's
24 why we are going through the suitability process

1 to. Today is not one of those. But that's why
2 we're doing this.

3 One has to presume on both sides a
4 continuation of whatever business practices were
5 found to be suitable on your side and a
6 continuation of a reasonable regulatory regime
7 on our side. It's not going to work without
8 that. So, I don't think that anybody on this
9 Commission is committed to anything other than a
10 reasonable regulatory regime.

11 Now does that mean it's going to be
12 entirely free of ambiguities? It can't be by
13 the nature of the thing. Because we are in the
14 last analysis looking at the facts. But we are
15 committed as a Commission to that kind of
16 working professional relationship. And if the
17 award of a license here scares you to death
18 because of the absence of that you can rest
19 easily and sleep well because we will do that.

20 CHAIRMAN CROSBY: I agree.

21 MR. WYNN: You just said the most
22 critical thing. You said if we find you
23 suitable after reviewing your business practices
24 that establishes your standard. And clearly

1 indicates our understanding of your standards
2 and your suitability. If that's true, then
3 you've answered my question because you will
4 have made your decision forthwith at the
5 beginning. And you will have examined what we
6 do. And you'll have examined Macau and you'll
7 understand that market. Hopefully today has
8 been a little helpful.

9 CHAIRMAN CROSBY: Anybody else,
10 Commissioners? It certainly has. Thank you all
11 from Wynn Resorts and thank you from MGM. We
12 appreciate it, and we're going to take a lunch
13 break of 45 minutes. We will reconvene at
14 quarter to two.

15
16 (A recess was taken)

17
18 CHAIRMAN CROSBY: We will reconvene.
19 And I will ask Commissioner Stebbins to
20 introduce the topic and our guests.

21 COMMISSIONER STEBBINS: Thank you,
22 Mr. Chairman. I am pleased to be joined by Mary
23 Kay Wydra the executive director of the Greater
24 Springfield Convention and Visitors Bureau as

1 well as Peter Rosskothan, an established
2 business leader in the Pioneer Valley, operates
3 a number of establishments that to a degree are
4 impacted by visitors coming in and out of the
5 Valley. They are here today after meetingt with
6 Commissioner Zuniga and I to update us on their
7 activities relative to partnerships with the
8 Class 1 licensees in Western Massachusetts.
9 With that I will turn it over to Peter and Mary
10 Kay.

11 MS. WYDRA: Thank you, very much for
12 having us. I am Mary Kay Wydra. I am the
13 president of the Greater Springfield Convention
14 and Visitors Bureau. And I am joined by Peter
15 Rosskothan, the former chair of the board of the
16 directors for the bureau and the current chair
17 of our gaming committee focused on this very
18 important initiative. I am going to try and
19 work my PowerPoint here and talk at the same
20 time.

21 We wanted to do four things today.
22 We wanted to give you an overview of our
23 organization. We also want to talk to you a
24 little bit about our region and what we offer

1 for tourism, familiarize you with what our
2 assets are and how a casino will play a role in
3 that list of offerings. We want to talk to you
4 about the gaming process that we've been
5 engaged, show you a timeline of how long we've
6 been following this. Then we have a request of
7 you, the Gaming Commission.

8 I would like to start by defining
9 the GSCVB and our mission statement does that.
10 As you can see, we are an affiliate of the
11 Economic Development Council. Tourism is big
12 business in our region. It's an economic
13 driver. We employ people. We generate jobs and
14 taxes.

15 Our job is very simple. It's
16 promote the three counties of Massachusetts
17 Pioneer Valley as a year-round destination for
18 conventions, meetings, group tour, sports and
19 leisure travel. And I'll touch on each of those
20 segments in my presentation.

21 Quick overview. We are one of 16
22 regional tourist councils, RTCs. We use a lot
23 of acronyms in our business. We work very
24 closely with the office of travel and tourism,

1 Betsy Wall, in the Mass. Office, MOT. We are
2 the boots on the ground, if you will. Betsy is
3 tasked with promoting the Commonwealth as a
4 whole. We have unique regions within that
5 Commonwealth. We are a true DMO, a destination
6 marketing organization. We are not a Chamber of
7 Commerce. The only target for us, our audience
8 are visitors to our region.

9 We love it if they come and they
10 stay. And many of them do. We have a number of
11 colleges. They make the area their home. But
12 really, we are focused on people who are
13 traveling 50 miles or more, spending time in our
14 hotels and taking part in the activities that we
15 offer.

16 A very small staff. Since we have
17 met before, we have actually been in a hiring
18 mode. We've got three new employees since
19 January. So, we have seven full-time employees
20 and one part-time. We represent 250 members,
21 many of them small businesses. We have a lot of
22 big brands. And again, I'll talk a little bit
23 about that when I show you our map.

24 We also represent a lot of

1 independent operators, small restaurants, small
2 B&B's. We have both traditional and
3 nontraditional members. The types of businesses
4 that you would expect to support tourism
5 attractions, hotels and restaurants but then the
6 purveyors, the suppliers to the industry, the
7 linen suppliers, the food suppliers, the
8 beverage distributors and so forth.

9 Our budget this year is a little
10 over \$1 million. I showed you probably the four
11 biggest sources of our funding and how we make
12 up that \$1.1 million.

13 The Rally for the Valley community
14 leadership, these are businesses that have made
15 a very strong investment in tourism promotion.
16 They stepped up when the economy turned and our
17 budget turned and they made a greater investment
18 in the Greater Springfield Convention and
19 Visitors Bureau, not only to promote their own
20 business, but to promote the destination. Very
21 proud of the group that's on this list.

22 And you'll recognize some of them
23 and you'll see some of those purveyors as well.
24 You'll see a credit union. And you might wonder

1 why is a credit union involved with a tourism
2 agency? Those are his customers. If you talk
3 to the gentleman who runs the credit union, the
4 more people we employ, the more deposits he has
5 in his credit union. So, we are very far-
6 reaching in terms of who we represent.

7 This slide is important. I wanted to
8 give you an idea. I know you know, you are
9 familiar with the three counties and where we
10 are. Our logo kind of calls that out. In doing
11 our brand studies, Pioneer Valley doesn't
12 resonate very far. We needed to show people
13 where in Massachusetts we are. And we needed to
14 tell them it's Massachusetts.

15 The map on the left is a great map
16 because it gives you the idea the type of
17 attractions that we represent. If you're in
18 Hampden County you've got big commercial
19 attractions like Six Flags New England and the
20 Basketball Hall of Fame. The further north you
21 go, you go into the more eclectic, collegiate
22 towns, Amherst, Northampton. Then further to
23 the north up in Franklin County, it becomes a
24 more serene bucolic area with a lot of

1 recreational opportunities, zip lining and
2 white-water rafting and so forth.

3 CHAIRMAN CROSBY: Is the far corner
4 of the state next to New York, that's a
5 different --

6 MS. WYDRA: That is Berkshire
7 County.

8 CHAIRMAN CRSOBY: Okay.

9 MS. WYDRA: And we do cover that
10 area for our sports initiative but for the other
11 three segments we focus on the three counties.
12 These are the segments that we try to reach the
13 types of visitors. Leisure visitors, obviously
14 people on vacation. We tend to promote
15 families. We look at women as decision-makers,
16 bringing their children into our areas. Again,
17 if you look at the types of attractions that we
18 have they cater to children.

19 Group tour that's the bus business,
20 very lucrative business. Not all of our members
21 can handle bus business. But those who do make
22 a very strong approach in getting the groups to
23 come, the buses to come. Yankee Candle does a
24 lot of buses, Bright Nights at Forest Park, a

1 big attraction draws a lot of buses.

2 There's a word missing on there but
3 it's meetings and conventions. That's where I
4 can't say enough about our strong partnership
5 with the MCCA. They own and operate or they and
6 Global Spectrum operate our MassMutual Center.
7 We work with them on a initiative called Team
8 Springfield.

9 Springfield definitely leads the
10 charge when it comes to conventions and
11 meetings. The infrastructure is there to
12 support meetings. We have a Marriott and a
13 Sheraton, first-class hotels, full-service with
14 restaurants and meeting rooms. And then of
15 course the MassMutual Center.

16 The newest initiative that we've
17 undertaken and our target has become sports. We
18 want to capitalize on our history of sports.
19 Both basketball and volleyball were created in
20 the Pioneer Valley, invented. And we have the
21 14 colleges that I mentioned with a lot of
22 playing fields.

23 We are making an effort to bring
24 collegiate events, youth events, sports of all

1 types into our region.

2 Regardless of the market segment
3 that we are trying to reach, we talk about the
4 three A's. I make it as simple as I can for
5 people. WE are very easily accessible. 91 and
6 90 cross in our region. It's easy to get to.
7 We are very affordable. We can usually beat
8 other regions on rate whether it's a venue or a
9 hotel.

10 We also have that abundance of
11 attractions. So, whether you're playing in a
12 sporting event or at a meeting and you're there
13 for a particular purpose, you're going to have
14 downtime. What else is there to do in the area?
15 So, that's our selling platform.

16 These are our feeder markets where
17 we draw our visitors. In-state travel is very
18 big. And Betsy Wall would reinforce that. We
19 have a lot of people from the Boston area who
20 come out to our region. We also reach into
21 Connecticut and right on the cusp of New York.

22 We anticipate adding a casino will
23 introduce new feeder markets to us. We're
24 hoping we'll reach into New York. We're hoping

1 we'll get the Albany market, the Vermont/New
2 Hampshire as well as Canada.

3 These are just some of the marketing
4 tools that we use. We produce a guidebook.
5 Obviously, social media is big. The Zombie Fest
6 that is actually a billboard that's in the
7 Connecticut area right now. We do a coupon
8 book. We promote the region in a number of
9 ways. And we've given you a package of
10 materials for you to take a look at the work
11 that we do.

12 COMMISSIONER MCHUGH: What is the
13 Zombie Fest?

14 MS. WYDSA: The Zombie Fest,
15 actually we are bundling our assets in the month
16 of October. Six Flags has an event they call
17 Fright Fest. They extend their season and
18 they're open on weekends. They decorate the
19 park for like haunted happenings. And they have
20 zombies.

21 So, we met with the big four
22 attractions, and they are the big four based on
23 research not my own personal preference. But
24 the leading attractions in our region are the

1 Yankee Candle Company, the Basketball Hall of
2 Fame, the Springfield Museums and Six Flags New
3 England.

4 In talking to them, we wanted to
5 leverage our marketing dollars. We wanted to
6 ban together and say how can we -- And this
7 really is the job of a convention bureau.
8 Everybody's marketing their own product. Our
9 job is to tell the consumer that that product is
10 next to that product. And while you're here
11 going to this, you could also go to this.

12 So, Zombie Fest came about when we
13 said let's get together and market around a
14 common theme. We didn't want to just create one
15 out of thin air. We capitalized on the fact
16 that Six Flags already has a zombie event going
17 on. So, we created programming around it.

18 Peter runs a restaurant. He's going
19 to dining in the dark tomorrow night. We have
20 some cemetery crawls and pub crawls and so
21 forth. So, we have a landing page and we're
22 promoting this assets.

23 CHAIRMAN CROSBY: We'd really like
24 to think about joining you in that the cemetery

1 crawl. I think that would be hard to miss.

2 MS. WYDRA: Our sports commission, I
3 talked a little bit about that. It's a new
4 division within our bureau. We have hired a
5 dedicated salesperson to go out and find sports
6 business that we can host in our region. We
7 have 12 commissioners who are focused on this
8 and we launched the initiative in April. We are
9 hopeful that this is going to bear some fruit
10 for us.

11 Hospitality services are very
12 important in our region. We don't want to take
13 for granted the fact that we've spent money,
14 we've spent time, we've spent effort getting
15 people to come. We want them to come back. And
16 we want them to have a great experience in our
17 region. And we believe in positive word-of-
18 mouth.

19 We have a staff person who is
20 dedicated to making sure that when people are in
21 our region they're taken care of. So, if it's
22 for conventions, there's hospitality services
23 that are provided. If it's a tour group, we're
24 providing goody bags and information and trying

1 to make their stay as easy as possible.

2 We have a volunteer ambassador core
3 that really extends our staff. We have 30
4 people who come together on a regular basis,
5 volunteer and help us out in promoting the
6 region and working events.

7 Then we have a program called the
8 Howdy Awards. Very proud of our program. It's
9 basically our version of the Oscars. We award
10 eight very hard-working individuals each spring.
11 We have categories food, beverage, attractions,
12 transportation.

13 We take nominations from the general
14 public and visitors about the services they
15 received. So, they write an application and
16 tell us what great service they've gotten. We
17 put a group together. We judge them and we
18 recognize them. Like I said, we want to make
19 sure that people have a good experience when
20 they are there in our region.

21 So, some numbers for you in terms of
22 tourism spending. In the Pioneer Valley, and
23 again, we know we're made up of Hampden,
24 Hampshire, Franklin County. We look at it as an

1 aggregate. We look at the whole. And you can
2 tell by the numbers too kind of the description
3 I gave you earlier where the bulk of activity
4 happens in the Hampden County region.

5 And the further north you go, it
6 kind of peters out. Every region needs the
7 other. Visitors don't know counties. They know
8 an area of the Commonwealth. And it's such a
9 compact region, again the research shows that
10 they do move around.

11 So, we employ over 4000 people in
12 our industry. And we would argue on some of the
13 coding that they give to tourism job
14 classification. We think it's a little higher.
15 About \$661 million is spent in the area in
16 direct spending. The 4000 people earn over \$136
17 million in payroll. And there's about \$49,000
18 paid in state and local taxes.

19 MR. ROSSKOTHEN: Almost like Macau.

20 MS. WYDRA: We are very proud of
21 this slide. This is something that Western
22 Mass. Electric has produced in their economic
23 report. But in terms of private employment mix
24 and where we are in the rankings, for years the

1 Pioneer Valley was known for manufacturing. And
2 tourism actually surpasses manufacturing now in
3 our region.

4 And then lodging data, just to
5 compare our totals with Massachusetts. Boston
6 definitely drives occupancy. They drive rate
7 and Rev/PAR. We are hopeful that with a casino
8 that our numbers will grow.

9 MR. CHAIRMAN: What is Rev/PAR?

10 MS. WYDRA: A combination of your
11 rate and your room availability.

12 MR. ROSSKOTHEN: Revenue per
13 available room.

14 MS. WYDRA: We are not Boston. We
15 are not Cape Cod. And we are not the
16 Berkshires. And I think as Peter is going talk
17 to you a little bit about, our position on
18 gaming and why we've been so involved, we do see
19 gaming as something exciting for our region and
20 something that can -- the rising tide lift all
21 boats.

22 So, at this point I'm going to turn
23 it over to Peter who is going to talk to you a
24 little bit about the process our organization

1 has been involved in.

2 MR. ROSSKOTHEN: First and foremost,
3 I also want to say on our behalf thank you for
4 having us here. It's a real pleasure. It's an
5 honor.

6 I have a passion for our area really
7 for two reasons. I own a 300+ employee business
8 and the better our region does, obviously, I
9 would hope the better my business does. That's
10 a pretty selfish but honest piece.

11 But we live in an area in Western
12 Mass. that is truly amazing. I wasn't born
13 there. I am imported to that area. We almost
14 never have a traffic jam. We have amazing
15 nature. It's a pleasure to live there. So, I'm
16 one of those people together with a lot of folks
17 that we work very hard -- And this is part of my
18 passion with the Bureau. -- to promote the area,
19 to bring more people into the area, to figure
20 out ways to make sure they stay a little longer.

21 I together with quite a few folks
22 believe that this casino is one of those things
23 that could help us. We're obviously in favor of
24 it, if that's not very clear.

1 We as a bureau have been promoting a
2 casino one way or another back to 1994. So, if
3 you follow a little bit the arrows that you see
4 in this slide, we started the process. Then we
5 restarted the process in 2002. 2007 we took a
6 membership poll just to understand if our
7 members still wanted a casino in our area in
8 order to represent them. The answer was yes.

9 We formed a gaming committee back in
10 2010, which I am the chair of today. We work
11 very hard at being neutral. I just want to make
12 sure that's also very clear. None of us have a
13 relation with any of the developers. We are
14 just kind of as neutral as we can be and
15 passionate about trying to make sure it's done
16 right. 2010, we support the bill that
17 eventually was enacted as law.

18 I was also very proud of our
19 involvement in 2011 when the House had
20 introduced .5 percent for tourism. And we were
21 able to move that to one percent. That's
22 something that we're quite excited about and
23 hope that some of the money gets funded into
24 tourism in Massachusetts.

1 Obviously, the law got enacted and
2 now we are aggressively trying to support this
3 law and its developers. And trying also to
4 figure out a way to engage with the developers
5 in how does the whole region get promoted, not
6 specifically the town or the city that they're
7 in, but we're really looking at this from the
8 whole region's perspective.

9 I say the other passion that I have
10 on this promotion piece for the gambling in our
11 area if it happens is we truly represent the
12 smaller businesses. I know a developer is going
13 to make a deal with a Yankee Candle and figure
14 out some sort of connection or they're going to
15 do it with Six Flags. They're not going to do
16 it with every restaurant in Northampton or
17 they're not going to do it with a lot of other
18 players that all of us should kind of rise with
19 the tide.

20 The passion for us as the small
21 business is to be pretty straightforward with
22 you. And I think the passion is to try to
23 something regional, probably the two main
24 reasons we are here.

1 We believe that a casino will add
2 new visitors to the area. It will give a chance
3 to an existing visitor to stay longer and to
4 bring other visitors back into the area.

5 Today we have two companies left in
6 our area that you can choose to pick one of them
7 or none of them. The fact is that we are
8 dealing and we're in conversations with both of
9 these companies, MGM and Mohegan Sun.

10 There's a little piece on this slide
11 that says MOU or endorsement. Those are the
12 conversations we're having with the two
13 developers right now. And I would hope,
14 sincerely hope that we can enter into a
15 memorandum of understanding with both of those
16 developers. Much rather see that than an
17 endorsement. And a memorandum of understanding,
18 we're going to outline some of the things that
19 we're looking for.

20 The key things that we are looking
21 for is a points program to help some of the
22 small businesses. So, in the conversations
23 we're having with both of these developers, we
24 are trying to see if that's possible. And if

1 it's possible, how.

2 We want to be part and work with
3 each other on an internal integrated align in
4 social media cross promotion campaign. There
5 are so many opportunities to use visitors to the
6 Valley or visitors to the casino and find ways
7 to cross promote it. So, we want to set up some
8 sort of structure for that.

9 We do want to encourage and are
10 strongly advocating in favor of finding ways
11 these casino developers help moving people
12 around the Valley. So, regardless of where a
13 casino is, can we set up some sort of low-
14 cost/no-cost transportation system that
15 integrates different attractions, different
16 areas with the casino guests.

17 We want them to be part of our
18 regional marketing funds. I want to use this
19 opportunity stay we have really adopted the
20 angle -- We're not asking for money. Don't make
21 us wealthy. Don't give us money to hire an
22 assistant for from Mary Kay.

23 We want to work together. We want
24 to create a marketing budget together to

1 promotes the region as a whole, not the casino
2 individually, not the region individually but
3 the region and the casino together. So, we're
4 asking them to participate in our regional
5 marketing funds.

6 The sports commission, kind of
7 irrelevant to gaming but pretty important to us.
8 There are so many assets in Western Mass. where
9 fields and things are happening. There's
10 already a lot of this activity are happening,
11 where sports activity are happening. Sports
12 commission support is something we're hoping a
13 casino developer gets involved with.

14 Then we're also asking them to be a
15 very active member of the Convention and
16 Visitors Bureau. Active for us means we want
17 them to be a stakeholder at the table. We want
18 them to be a part of our board process,
19 executive committee process, be part of the
20 decisions. How do we promote the entire region?
21 And we want them to sit at the table. And we
22 want one of the key people to sit at the table.

23 We are really looking for a
24 partnership, and I can't stress that word

1 enough. I feel bad when I look at the casino
2 developers and I can see them being asked for
3 this sponsorship or that sponsorship, pay for
4 this fireworks, do this. Our approach is a
5 little bit different. Our approach is really
6 how do we market together to truly extend the
7 stay or get a new stay. Because if people are
8 staying longer or have more reasons to come,
9 then I think the whole region will benefit.

10 This partnership is probably a
11 little bit of the angle where we are having most
12 of the challenges. And I'm going to cover those
13 in a couple of seconds. In return, what do we
14 offer to the developer? We believe again that
15 we represent small business. So, we want to be
16 that link to the small hospitality businesses in
17 the Pioneer Valley.

18 Nobody is much better than Mary Kay
19 and her team. And I sit on the board. And I
20 don't have to say this, but we are very lucky to
21 have this team. And the regional marketing
22 knowledge and the understanding, the challenges
23 and the great things that happen in the market
24 is something we bring to the table.

1 We can give them access to the key
2 Pioneer Valley tourism leaders. We have
3 resources which is very important to note. We
4 as members, all of us give and contribute money
5 to the bureau. The state contributes money to
6 the bureau. So, we're just leveraging. If the
7 casino also gives us some resources, those funds
8 are all put together in the same pot and we'll
9 leverage and make us a little more effective.

10 The last thing that I think we offer
11 is that we will definitely help the casino
12 developer be perceived, but more importantly
13 truly become a team player in the region and a
14 leader in the attraction category for the
15 region.

16 On the challenges side of things
17 that we are having, I think if you talked to us
18 a month ago or two, we would have felt and would
19 have sounded extremely discouraged when we had
20 the meeting with Mr. Zuniga and Mr. Stebbins.
21 That's sort of kind of what was happening at
22 that point. We felt there was a lot of fluff,
23 amazing presentations great things going on.

24 I am proud and happy to report that

1 we've had some very meaningful conversations in
2 hopes that we can get to some sort of agreement
3 that can be part of the package that they
4 present to you in December, the end of December.

5 I think one of the key challenges is
6 again, that we are marketing partner. That they
7 clearly understand that we are marketing
8 partner. We want the casino to be a regional
9 plan not just a city or town player. I think
10 that's a key angle that we want to do, work on
11 that.

12 The conversation of memorandum of
13 understanding and endorsement is a challenge.
14 Very difficult for us to sit there and pick.
15 Ideally, I would ask you all - Hopefully, we
16 have an understanding with the two developers if
17 they're both qualified at the end and you just
18 make the choice.

19 I'd much rather be in that position
20 than sitting in a board meeting in a few weeks
21 and being forced to endorse one over the other
22 one. Because I think both projects have merits
23 and both projects, if we can develop an
24 agreement with them, I think it's a good thing

1 for us.

2 We have not gotten very specific
3 regional marketing plans from them. We are
4 still challenged today with that. Specifically,
5 one developer had a sum of money disclosed in
6 their agreement with the city that involved our
7 name in that. And we were not at all aware of
8 those dollars. They were never discussed by our
9 organization. We still today don't clearly know
10 how that money is being spent and why our name
11 is attached to it if we're not involved in how
12 the money is being spent.

13 Again, the small business thing,
14 you're going to hear us say that quite a few
15 times. We're working strongly and hard and I
16 think we're making a lot of progress in
17 identifying the cross promotional opportunities
18 between what we can do and what a casino can do
19 in our area. So, some of the key things that we
20 are discussing.

21 I'd love to turn this into a little
22 bit of a questions or thoughts or if there's
23 anything we can add to this. But I guess in a
24 pretty straightforward way what this slide says

1 is what we are asking you to please consider.
2 That there is some sort of documented agreement
3 between a developer and us. And I would
4 encourage any other convention and visitors
5 bureau to do the same thing with their casinos
6 in their own areas. That it is mutually
7 beneficial. That's a key word on that slide.

8 Those are some of my key remarks.
9 I'd love to elaborate. Mary Kay, I don't know
10 if I missed something that needed to be said.

11 COMMISSIONER ZUNIGA: I have a
12 couple of questions and thank you for this
13 presentation. I think it's very helpful. It's
14 good to hear that you are having more meaningful
15 conversations since we last met. Actually, the
16 field has narrowed down to two. Maybe that's in
17 and of itself a little bit more the genesis of
18 those fruitful conversations.

19 But I am curious the slide that you
20 point out as to what the principles that you are
21 seeking in terms of that partnership, the points
22 program to develop small business, the social
23 media, the cross promotions. Are you getting to
24 some good details or is this really still at the

1 principle level where you need to kind of bring
2 it down? I am just curious as to some of the
3 details.

4 MR. ROSSKOTHEN: Both of us can
5 attempt to answer that. I want to be first and
6 foremost fair. I think the developers as we've
7 chatted with them, we're not expecting to get
8 into this kind of detail at this stage. From
9 our perspective, we've been really working this
10 hard for a long time. We're feeling that right
11 now the detail is more important than ever. If
12 this is part of your application, if this is
13 part of the process, we're looking for detail.

14 So, I would say literally over the
15 last week that's how recent this is, we have
16 gotten into some detail. We've gotten some
17 black-and-white answers to some things that are
18 not possible and some things that are possible.
19 And I think the challenge today in those
20 conversations is, to be pretty blunt, are we
21 getting enough for it to be worth it. And I'm
22 speaking as a neutral business person here.

23 But signing an agreement just for
24 the sake of signing an agreement for us is

1 probably not something I'll recommend to our
2 board. And I'm just hoping that it's a quality
3 agreement, an unselfish agreement and a two-
4 sided agreement. And I think we are still
5 working hard at that.

6 MS. WYDRA: I would echo what Peter
7 said. I do thing that they are surprised at the
8 level of detail that we're seeking. But again,
9 we're using the due diligence we did in talking
10 to communities who welcomed casino operators,
11 all of whom said to us make sure you reach an
12 agreement upfront that is detailed so that you
13 don't go down the road the doors open and then
14 you're out on your own. And I would also echo
15 what Peter said. The level of engagement over
16 the past week has been quite good.

17 MR. ROSSKOTHEN: I also think there
18 was a feeling that the agreement that they made
19 with the host community would cover most of what
20 we wanted. To be honest with you, that's not
21 the case. I think the host community in both
22 cases and specifically in Springfield is
23 extremely well taken care of. And I'm very
24 happy about that, because I think Springfield,

1 if they get a casino, can use this kind of
2 agreement with the developer.

3 My concern and our concern is more
4 how is the region impacted. And again, how do
5 we get all of the hospitality businesses to
6 benefit from this. And how is the casino truly
7 part of the community and not unto itself.

8 COMMISSIONER ZUNIGA: One thing that
9 we actually talked about this morning, you may
10 not have been here, some of the dynamics that
11 now we look back and can appreciate with a
12 little bit more clarity is that by necessity
13 these developers were first focused on the host
14 community because of course they had to.
15 Without their input, there's no siting, without
16 the referendum there is project.

17 And now only after that beginning to
18 look at the surrounding communities. There is a
19 mitigation conversation on surrounding
20 communities that developers will undertake
21 either collectively or one by one.

22 And at least from this morning's
23 presentation of what's going on in the Category
24 2, some of the concerns from some of the

1 surrounding communities directly apply to
2 concerns like you. What happens to the small
3 business, as part of other concerns as well.

4 So, I would point to that example as
5 what could happen very quickly as soon as these
6 two players in your region really begin in
7 earnest the surrounding community mitigation
8 conversations.

9 MR. ROSSKOTHEN: I agree,
10 Commissioner. I think the only thing, I'm not
11 worried, but I want to point out here is that
12 the conversations I see happening in our market
13 are individual small businesses driven, how to
14 work with the casinos. That's a big part of
15 what I'm hearing about.

16 And our piece specifically is
17 focused on tourism. I believe the casino is an
18 amazing economic driver that could help our
19 area. And the long term part, the real long-
20 term gain for us in addition to the employment
21 and the construction jobs and all of that is all
22 the extra tourism dollars and guests that we can
23 get in our market.

24 So, I think some of these

1 conversations I hear, and I hear because I don't
2 have a fact on that is conversations about maybe
3 meeting with the neighboring town on some sort
4 of financial arrangement. But that does not
5 necessarily create promoting tourism or more
6 importantly how do we work together on tourism
7 which is kind of what we are bringing to the
8 table.

9 CHAIRMAN CROSBY: Let's get right to
10 the heart of the matter. What your request was,
11 you requested that we require as part of an
12 application an agreement, whatever those
13 modifying words were, mutually beneficial
14 agreement with the Greater Springfield
15 Convention and Visitors Bureau and an applicant.
16 I don't know that we can do that.

17 But there's already a tremendous
18 amount of incentive to promote and collaborate
19 with the regional tourism industry, both in the
20 legislation and in our regs. and in our
21 application form.

22 And Commissioner Stebbins, as you
23 know, is in charge of evaluating the economic
24 development side of this -- of the proposals, of

1 the applications. And tourism falls into that
2 umbrella. As well as in our overview place, the
3 overview evaluation criteria, we're looking for
4 extraordinary measures.

5 I think, and let me ask you, I think
6 we've promoted it pretty aggressively as a
7 criteria so they know, all of the bidders know
8 that they need to address this issue and that it
9 will redound substantially to their credit to
10 develop these relationships.

11 And if somebody did execute the kind
12 of agreement that you're talking about, I think
13 it's safe to say from things we've already said
14 and done that that would also redound very much
15 to somebody's credit in the evaluation criteria.

16 But I don't know that we can go
17 further than that. And that's the request from
18 you that's on the table. And when I say I don't
19 know, I mean I don't know, not that we can't.
20 Commissioner Stebbins, this is your area. What
21 do you think about this?

22 COMMISSIONER STEBBINS: I think as
23 you look at the application, I know you've had
24 the opportunity to look at the application, you

1 delve into the regional tourism section under
2 economic development. Question 3-24, local
3 agreements, provide local agreements designed to
4 expand gaming establishments. 3-25 cross
5 marketing, provide plans to demonstrate how you
6 will cross market with other attractions. 3-26
7 collaboration with tourism and other industries,
8 provide plans.

9 So, it's obviously we're requesting
10 of the applicants to provide us something more
11 than mailing in an answer. Hopefully, they've
12 given it a lot of thought. Obviously, we didn't
13 come up with one application form for Western
14 Mass. and one application form for Boston.

15 I think what you're driving towards
16 has been responded to by the Commission just in
17 terms of -- And you've been a big impetus for
18 how those questions were laid out looking for
19 those detailed plans.

20 And I think the follow-up question
21 at some point that the Commission will have
22 these agreements that are entered into that are
23 part of an applicant's package, how does this
24 Commission make sure that an applicant sticks to

1 those promises. Because what's the point having
2 this signed agreement, a piece of paper if once
3 a license is awarded everybody walks off in
4 different directions.

5 I don't think that's anywhere close
6 to what our intentions or our goals by requiring
7 those questions specifically in the application
8 form.

9 So, I think we laid out the
10 questions to get to in your case the effort that
11 you wanted to see put forth by applicants. And
12 we obviously thought it was a worthwhile
13 exercise to hopefully be duplicated in the other
14 regions.

15 MR. ROSSKOTHEN: I think we've
16 always been on the same page on that to be
17 straightforward. I think a month ago and still
18 a little bit today, I've got to repeat that
19 point, we were concerned. These conversations
20 were not happening. The application is due to
21 you in December, the end of December based on
22 what I understand. We weren't seeing them, not
23 on the tourism side.

24 COMMISSIONER STEBBINS: I would

1 suggest to you and we've experienced this in the
2 past when we've had this type of discussion at
3 one of our public meetings, the reaction from
4 the applicants to focus on some of the topics
5 that happen to come up during our meeting.

6 So, hopefully your presence here
7 today will maybe spur on that interaction with
8 the applicants out in Western Mass. And
9 hopefully, come December when the application
10 deadline comes that you guys will feel pretty
11 comfortable with the level of interactions and
12 success you've had with the two applicants in
13 Western Mass.

14 MS. WYDRA: And we thank you for the
15 opportunity to be here today to elevate tourism
16 in terms of it being a priority in the
17 application process. We thank you for listening
18 to us. I don't know if you have any more
19 questions.

20 COMMISSIONER STEBBINS: Kudos to you
21 because I think you've been a lot more proactive
22 than maybe some of your other sister agencies
23 across the state.

24 MR. ROSSKOTHEN: We really work hard

1 in Western Mass. to make it better. And I
2 honestly believe that this is an opportunity to
3 make it better, just going to make sure it's
4 done right. Any other questions we can answer?

5 COMMISSIONER MCHUGH: Have you
6 raised with the two applicants the specific
7 questions that Commissioner Stebbins, the
8 specific criteria that Commissioner Stebbins
9 mentioned?

10 MR. ROSSKOTHEN: We have in
11 conversations, yes. And at this stage the
12 conversations have gone back and forth. Again,
13 we've had some very good progress. We're not
14 where we, at least I think where we should be
15 today, but we're a lot better than we were a few
16 weeks ago.

17 COMMISSIONER MCHUGH: The Commission
18 has made it clear, as we said, that this is an
19 important part of it. We'll continue to make it
20 clear even though an agreement with you we can't
21 make it a requirement.

22 MR. ROSSKOTHEN: Again, our key
23 angle with them is marketing partnerships.
24 We're not holding out our hand. We don't want

1 an extra staff person. I've got to make that so
2 clear. It's a passion about promoting the
3 market and doing more together.

4 COMMISSIONER MCHUGH: Right, a joint
5 venture.

6 COMMISSIONER ZUNIGA: On that note,
7 and I think in my opinion your approach is very
8 objective and very good. You bring power in
9 terms of the numbers of your membership, your
10 regional approach, your pragmatic approach on
11 the principles that I was just talking about,
12 which any smart developer will be remiss if they
13 didn't recognize that. So, I think I echo the
14 kudos and congratulate you in terms of being as
15 specific as you are and as proactive as you've
16 been.

17 MS. WYDRA: We bring efficiencies I
18 think too. A developer can go directly to Six
19 Flags and strike a deal and write about it in
20 their application. So, you're going to see
21 documentation of a partnership. They can go
22 directly to a Yankee Candle, the bigger players.

23 I can't stress enough how we feel
24 very strongly that we are kind of the voice of

1 that smaller business they might not think about
2 and they might not have an idea that oh, I
3 should be telling my customers about that
4 special restaurant or that special place. So,
5 that's really what we're attempting.

6 COMMISSIONER ZUNIGA: Both Yankee
7 Candle and Six Flags are also in your
8 membership.

9 MS. WYDRA: Exactly.

10 MR. ROSSKOTHEN: They're key
11 members.

12 MS. WYDRA: They're partners, yes.

13 CHAIRMAN CROSBY: I think we've said
14 many times in many context that this is the
15 point of maximum leverage for conversations with
16 these folks, as the out of state people have
17 advised you as well. It sounds like you are
18 playing hardball in your negotiations and you're
19 trying to insist on real serious stuff not just
20 warm and fuzzy. And I commend that you keep
21 doing that.

22 Given how clear these are as
23 explicit criteria, I wouldn't be surprised that
24 the progress that you've seen will continue.

1 Hopefully as others have said, the fact that
2 you're here today, they all watch these things.
3 Everybody knows who we talk to and what we talk
4 about.

5 This matters a lot to us because it
6 matters a lot to the Legislature because it
7 matters a lot to the Commonwealth. And we will
8 be watching how these negotiations and
9 conversations proceed.

10 MS. WYDRA: Thank you for that.

11 MR. ROSSKOTHEN: Thank you, Mr.
12 Chair. Thank you to all of you again to see us
13 here today. We really appreciate it.

14 COMMISSIONER MCHUGH: Thank you.

15 COMMISSIONER CAMERON: Thank you.

16 CHAIRMAN CROSBY: I think we are
17 back to topic number four administration. And
18 we are going to turn to Executive Director Rick
19 Day to pick up.

20 MR. DAY: Thank you, Mr. Chairman,
21 members of the Commission, good afternoon. This
22 is actually a very exciting as part of my
23 general update today. It's an exciting moment
24 for me because we have completed the selections

1 for the directors, the management branch.

2 So, I'd like to introduce, if I
3 might to my right, immediate right is Derek
4 Lennon. Derek comes with us with about 13 years
5 of experience with the Commonwealth in budget
6 and finance beginning with the House Ways and
7 Means Committee as its budget analyst, and
8 through position as Chief Financial Officer with
9 Housing and Economic Development. Derek will be
10 joining us Monday as our Chief Financial and
11 Accounting Officer.

12 Right next to him, I think you may
13 have already met John Glennon. John was
14 actually helping us out yesterday. John is, if
15 I count correctly, somewhere in the area of 30
16 years of private and public experience with
17 information technology, most recently with eight
18 years with the Commonwealth including about two
19 years as the Deputy Chief Information Officer.

20 So, I wanted to welcome both of the
21 gentlemen next to me to the Commission. They
22 will both start Monday. The interesting thing
23 about that is they'll start their orientation
24 with our new human resource manager. So,

1 success all of the way around. I don't know if
2 the Commission has any questions to ask or vice-
3 versa?

4 CHAIRMAN CROSBY: Questions?

5 COMMISSIONER STEBBINS: I had
6 several calls from old colleagues of mine at the
7 Executive Office of Economic Affairs talking
8 about how sorry they were to lose Derek to the
9 Commission but I said too bad. So, that's great
10 to have you on board.

11 COMMISSIONER MCHUGH: I've gotten to
12 know both Derek and John during the vetting
13 process. And I think we are really very
14 fortunate to have both of them. The timing
15 couldn't be better. And so I'm delighted that
16 you are here.

17 MR. GLENNON: Delighted to be here,
18 appreciate the opportunity.

19 MR. LENNON: Thank you for the
20 opportunity.

21 CHAIRMAN CROSBY: I would just add
22 my two cents, same thing. We are growing
23 relatively, not quite up to Macau's standards,
24 but at an explosive rate. Both the CFAO and the

1 CIO roles are ones that we've been longing for,
2 functions are ones that we have been longing for
3 a long time. And we need you to hit the ground
4 running for sure.

5 But we also need big picture
6 thinking. We really need -- You're in strategic
7 positions as well as tactical operational
8 positions. We really need big picture,
9 strategic thinking about how we can get
10 ourselves set up properly to do our jobs. So, I
11 also welcome you and look forward to getting to
12 know you. And look forward to many long nights.

13 MR. GLENNON: Thank you, Mr.
14 Chairman.

15 MR. DAY: Thank you very much,
16 gentlemen. And you are free to leave whenever
17 you want to or you can stay around and watch if
18 you wish. And we'll see you Monday.

19 CHAIRMAN CROSBY: You could stick
20 around and watch our master schedule
21 conversation.

22 MR. DAY: They could.

23 CHAIRMAN CROSBY: And get read right
24 in.

1 COMMISSIONER MCHUGH: And begin the
2 long nights.

3 MR. DAY: Mr. Chairman, I'll just
4 ask you before I start that part of the
5 presentation as it could be fairly lengthy
6 depending on how much questions I get from the
7 Commission. It might be prudent to take Racing
8 and have a couple of votes there and then
9 release Jennifer.

10 CHAIRMAN CROSBY: Okay, good.

11 DR. DURENBERGER: Thank you,
12 Director Day.

13 CHAIRMAN CROSBY: Before you start,
14 I just want to thank you for yesterday. That
15 was I think really well done, really
16 fascinating. I learned a lot. Really well
17 done. I think the comment from Spadea about his
18 appreciation that we ask for their opinion. I
19 think that that was for real. They weren't just
20 blowing smoke. And I think those folks
21 appreciated the fact the roles were reversed.
22 And they understood how much we were interested
23 in what they had to say. So, I just thank you
24 for that. I think that went great and it was

1 really time well spent.

2 DR. DURENBERGER: I want to thank
3 you all for your attendance. And just remind
4 you that the Racing Division as part of the
5 Massachusetts Gaming Commission takes the
6 mission statement very seriously and part of
7 that is transparency and part of that is
8 participation.

9 CHAIRMAN CROSBY: And just following
10 up on the conversations that those two issues
11 that we had about is there anything we can do.
12 I think we need to meet with those folks soon to
13 make that happen.

14 DR. DURENBERGER: One has already
15 been arranged. The other is in the works.

16 CHAIRMAN CROSBY: Great, terrific.

17 DR. DURENBERGER: So, we'll start
18 with an administrative update. And carrying on
19 with that yesterday, of course, we had the first
20 of what we hope would be many annual horseracing
21 forums here in this very room. We had chief
22 executive officers from the Jockey Club, the
23 United States Trotting Association and the chair
24 of the Racing Medication and Testing Consortium

1 here to provide an overview of racing at the
2 national level in the morning's informational
3 session.

4 Then we had a panel of local
5 stakeholders in the afternoon, as you know,
6 discussing the implications of the Expanded
7 Gaming Act on horseracing in Massachusetts. The
8 sessions were extremely well attended by our
9 industry's busy occupational licensees, members
10 of the public and the entire Commission.

11 And one of the things that I'm
12 really proud of was that this forum marked the
13 first time that the members of those
14 organizations have had public dialogue since the
15 late September announcement by the USTA that it
16 was withdrawing support of the new set of rules
17 regarding controlled therapeutic medications,
18 along with its membership from the RMTC.

19 And the dialogue between the leaders
20 of these three organizations, I think, can be
21 characterized as thoughtful, articulate and
22 constructive. And the amount of respect that
23 they showed for each other and their
24 philosophical differences, I think, to a

1 complicated issue was really something to
2 behold.

3 And I'm really proud to say that it
4 happened here. It happened in Massachusetts. I
5 think it's fantastic. We'll talk a little bit
6 more about the specifics of that when we get to
7 item 7c, which are those recommended rule
8 changes.

9 I want to report that there is some
10 legislation affecting racing that's up for
11 consideration right now. Senate bill 1879 an
12 act relative to simulcasting horseraces in the
13 Commonwealth was heard by committee yesterday.
14 This is an act similar in form and function to
15 those past in the previous two years to amend
16 the number of live racing days and race numbers
17 required to be able to conduct simulcasting from
18 100 and 900 respectively to 80 and 720. I
19 believe the bill is expected to pass. So, the
20 Racing Division anticipates that we would bring
21 it before the Commission for regulatory approval
22 at a pretty upcoming meeting.

23 Suffolk Downs was recently re-
24 accredited by --

1 COMMISSIONER MCHUGH: I just have a
2 question about that. Where does that bill come
3 from?

4 DR. DURENBERGER: That bill was
5 introduced in September, I believe, from the
6 senator from East Boston, Senator Petruccelli.

7 CHAIRMAN CROSBY: We've talked about
8 this before.

9 COMMISSIONER MCHUGH: Did we?

10 CHAIRMAN CROSBY: Maybe you were
11 away.

12 COMMISISONER MCHUGH: Maybe I was
13 asleep.

14 COMMISSIONER ZUNIGA: Can I ask a
15 question? How many days the simulcasting goes
16 from in the proposed bill?

17 DR. DURENBERGER: The simulcasting
18 statute requires that live racing licensees
19 conduct 100 days of racing and no fewer than 900
20 live races.

21 COMMISSIONER ZUNIGA: Nine hundred
22 live races.

23 DR. DURENBERGER: Yes. So, what has
24 happened the last two years and what has been

1 introduced again this year is to reduce that
2 requirement from 100 days to 80 days and from
3 900 raises to 720 races. And that's a
4 requirement to conduct simulcasting.

5 The statute for live racing itself
6 for licenses do not require any certain number
7 of days. But in order to conduct simulcasting
8 that's the live racing schedule you need to
9 comply with -- with which you need to comply.

10 COMMISSIONER ZUNIGA: And would
11 apply to 2014?

12 DR. DURENBERGER: For this year,
13 actually that's for this year.

14 CHAIRMAN CROSBY: '13.

15 COMMISSIONER ZUNIGA: '13.

16 DR. DURENBERGER: For 2013. The
17 language is fairly similar to what it's been in
18 the last two years where it will sunset on
19 December 31. So, it will amend it for this
20 season and then it's repealed on January 1.

21 COMMISSIONER ZUNIGA: Thank you.

22 DR. DURENBERGER: Have I thoroughly
23 confused the matter?

24 CHAIRMAN CROSBY: No, that's fine.

1 DR. DURENBERGER: Suffolk Downs was
2 recently re-accredited, I think as you heard
3 yesterday, by the National Thoroughbred Racing
4 Association Safety and Integrity Alliance. This
5 is a voluntary accreditation program whereby
6 member racetracks pledge support to a uniform
7 code of standards covering six key areas, injury
8 reporting and prevention, safer racing
9 environment, safety research, wagering security,
10 aftercare and transition of retired racehorses
11 and uniform medication testing and penalties.

12 The process involves a lengthy
13 application followed by a two-day onsite visit
14 by a team of independent evaluators who kick the
15 tires and check under the hood, if you will.
16 Accreditation is good for a two-year period.
17 And each year the code of standards is enhanced
18 resulting in incremental change. The bar gets a
19 little bit higher every year.

20 It's particularly important to us
21 because about 40 percent of that code is within
22 the regulatory agency's control. A lot of them
23 having to do with Commission's veterinarian
24 policies and enhanced medication regulations.

1 We are pleased to note that several
2 of the Commission's policies and medication
3 regulations received best practices
4 commendations. And Suffolk's approaches to
5 substance abuse and addiction treatment and its
6 ongoing commitment to aftercare and retirement
7 programs remain benchmarks in the industry. So,
8 high marks from the Safety and Integrity
9 Alliance.

10 That's all I' have for the
11 administrative update if you have any
12 housekeeping questions for me?

13 COMMISSIONER CAMERON: Remind me of
14 the percentage of tracks that are accredited to
15 date.

16 DR. DURENBERGER: I can't tell you
17 the percentage, but I believe there the number
18 of tracks is 24.

19 CHAIRMAN CROSBY: If the bill goes
20 through, when will the meets stop?

21 DR. DURENBERGER: The 80-day
22 schedule for Suffolk Downs would have the last
23 day of live racing on Saturday, November 2. And
24 Plainridge, the indications that we've had is

1 that they would keep the scheduled 100 days of
2 racing, but that they need relief on the number
3 of live races conducted. They would finish
4 racing on the Saturday after Thanksgiving. And
5 I can't remember what date that is, but November
6 20 something.

7 CHAIRMAN CROSBY: Okay. Thanks.

8 DR. DURENBERGER: So, that would
9 bring us to item 7b, which is the 2012 annual
10 report. This has come back to you. We sent a
11 draft version with a lot of formatting errors
12 and other typos at the meeting two weeks ago.
13 Those have been cleaned up. And I'm happy to
14 take any questions on any of the content or
15 anything else that you would like to discuss.

16 COMMISSIONER MCHUGH: I had just a
17 couple of minor questions. Did I understand you
18 when you presented the draft to say that this
19 was the form that has been used since Columbus
20 and that you are planning to have a new form
21 next year?

22 DR. DURENBERGER: We absolutely
23 are. We have assembled a library of the annual
24 reports from other jurisdictions. The statute

1 is actually silent as to the content other than
2 some of the accounting numbers. So, we think we
3 receive a number of public records requests for
4 these, particularly from students in
5 agribusiness and equine industry programs.

6 So, we think that we can present the
7 needed information, the accounting information
8 but also some informational and educational
9 information that will help the industry. And do
10 it in a way that has a little more pizzazz and
11 flair and appeal to the eye.

12 COMMISSIONER MCHUGH: That would be
13 great. Because there is a wealth of financial
14 information in here. But I found it very
15 difficult to extract and correlate. It's hard
16 to figure out for me at least how one set of
17 numbers relates to the other.

18 So, the form is the one we've used
19 in the past but anything we can do to clean that
20 up and make it more intelligible would be great,
21 because there's a wealth of data here.

22 DR. DURENBERGER: Absolutely. And
23 the way in which some of those numbers are
24 presented, I think we can find some more useful

1 ways of presenting the same information.

2 COMMISSIONER MCHUGH: Right. The
3 only other question I had is on page 29 we are
4 presenting 2011 -- an analysis of purses paid in
5 2011 compared to statutory requirements. Why is
6 that?

7 DR. DURENBERGER: Right. So, at
8 the end of the calendar year, at the end of 2013
9 for this year, there is a statutory purse audit
10 that is required. And that actually goes back
11 and looks at the previous calendar year to make
12 sure that the amounts that were paid out met the
13 statutory requirements. So, at the end of 2012
14 which was the year that this report covers, they
15 were doing the audit for 2011.

16 COMMISSIONER MCHUGH: Okay. So,
17 this is to fulfill a statutory requirement.

18 DR. DURENBERGER: Exactly.

19 COMMISSIONER MCHUGH: That's the
20 kind of thing --

21 DR. DURENBERGER: Exactly, right to
22 your point.

23 COMMISSIONER MCHUGH: Okay.

24 COMMISSIONER ZUNIGA: I work with

1 the same points. I would just add that we will
2 continue is my guess to have the difficulty in
3 terms of operating on a fiscal year basis, which
4 ends June 30, and reporting on an annual
5 calendar year basis which overlays some of those
6 difficulties.

7 But I don't know if that's really
8 going to go away. I doubt that it will. We can
9 make it more user-friendly and I look forward to
10 that.

11 DR. DURENBERGER: We can. And
12 different jurisdictions have different
13 approaches to that because we are not the only
14 place that has seasonal racing that covers --
15 that takes place in two different fiscal years.
16 So, we can look at what the other jurisdictions,
17 how they approach that.

18 CHAIRMAN CROSBY: I don't know much
19 time and money we want to put into this but it's
20 worth thinking about from the graphics
21 standpoint. There are people that are
22 professional at figuring out how to present
23 numbers in a way that common folks can
24 understand. And we certainly will be moving

1 that way in our own report.

2 DR. DURENBERGER: Absolutely.

3 CHAIRMAN CROSBY: The other thing is
4 and you mentioned this in here. Obviously,
5 you're well aware of it, but just to remind
6 everybody that this report is submitted by us to
7 the Legislature but it is for a year where the
8 facility, the agency was still run by the
9 Department of Public Licensure. We didn't run
10 the agency during this year. We took it over at
11 the end of this year. So, next year's report
12 will be our first year of actual running this
13 division.

14 DR. DURENBERGER: Right. This was
15 the 77th annual report. And next year we will
16 have the first.

17 CHAIRMAN CROSBY: Interesting, yes.
18 Good point. So, do we need a motion?

19 DR. DURENBERGER: We do need a
20 motion.

21 COMMISSIONER MCHUGH: Seventy-
22 seventh year.

23 COMMISSIONER ZUNIGA: So, you were
24 near on the Columbus point.

1 CHAIRMAN CROSBY: You remember when
2 it opened, right?

3 COMMISSIONER MCHUGH: I do.

4 DR. DURENBERGER: To Commissioner
5 McHugh's point, which he didn't realize he
6 wandered into this, we are in possession of
7 course of copies of all of the previous annual
8 years' reports. I am, once the Keeneland Meet
9 in Kentucky finishes, they are running in
10 October, they have the largest library in the
11 country of racing related stuff, not just books,
12 not just journals, not just publications. And I
13 think that they would be very interested in
14 working with us through some kind of a program
15 to digitize this and have not only for our own
16 records but to have it available there as well,
17 because there is some tremendous history in
18 racing in Massachusetts.

19 COMMISSIONER MCHUGH: There has
20 been. That would be great. That would be
21 great.

22 COMMISSIONER CAMERON: I wonder what
23 happened to the helicopter?

24 DR. DURENBERGER: I don't know if

1 there's pictures.

2 COMMISSIONER CAMERON: They had a
3 helicopter and traveled by helicopter.

4 CHAIRMAN CROSBY: Oh, really?

5 COMMISSIONER CAMERON: They did.

6 COMMISSIONER MCHUGH: Where is that?

7 COMMISSIONER CAMERON: It was a
8 State Racing Commission helicopter and they
9 would pick up the commissioners and take them to
10 the tracks.

11 CHAIRMAN CROSBY: What are we
12 chopped liver?

13 COMMISSIONER MCHUGH: I think we
14 are.

15 COMMISSIONER STEBBINS: Jennifer is
16 getting her pilot's license as we talk.

17 COMMISSIONER CAMERON: The executive
18 assistant out of Plainridge has all of the
19 history. She's been working with the Commission
20 for 50 some odd years.

21 CHAIRMAN CROSBY: Great. Does
22 somebody want to move?

23 COMMISSIONER MCHUGH: Sure. I'll
24 move that we accept, that the Commission accept

1 and approve the annual report of the Racing
2 Operations in the Commonwealth in the form
3 contained in the meeting materials.

4 CHAIRMAN CROSBY: Second?

5 COMMISSIONER STEBBINS: Second.

6 CHAIRMAN CROSBY: Any further
7 discussion? All in favor say aye, aye.

8 COMMISSIONER MCHUGH: Aye.

9 COMMISSIONER CAMERON: Aye.

10 COMMISSIONER ZUNIGA: Aye.

11 COMMISSIONER STEBBINS: Aye.

12 CHAIRMAN CROSBY: Opposed? The ayes
13 have it unanimously. Who do you submit this to?

14 DR. DURENBERGER: That's outlined
15 in the statute. It goes up to the Legislature.

16 DR. DURENBERGER: That's on
17 tomorrow's to do list. Then that would bring us
18 to item 7c, which was some proposed changes to
19 205 CMR 3.29 and 4.52 medications and prohibited
20 substances. In your packet is the latest memo
21 that I have composed, which summarizes the story
22 thus far.

23 The red-lined, I left the red-line
24 in in the final form just so we could remind

1 ourselves of what the changes are. Then I've
2 also copied all of the materials that were
3 presented at last week's public hearing on
4 October 9, as well as I think we had two or
5 three public comments were received during that
6 time.

7 So, I can review the story thus far
8 through the memo, if you would like. I think we
9 had three Commissioners in attendance at the
10 public hearing. If you have any comments about
11 anything that was said there, I would just draw
12 your attention to the fact that we did at the
13 public meeting bring forth a proposed additional
14 change, which involved eliminating a threshold
15 for an anabolic steroid called Stanozolol. And
16 we did that based on an action that the RMTC,
17 the Racing Medication and Testing Consortium,
18 had voted on about week before our public
19 hearing.

20 But it turns out there is going to
21 be additional changes to the anabolic steroid
22 rule in general. So, I think at the moment this
23 rule is functional. It serves our purposes just
24 fine. And I think what we will do is we will

1 wait until such time as that rule is amended in
2 its entirety rather than doing it piecemeal.

3 So, what is before you is the
4 original redlined version that was presented to
5 you at the beginning of the process.

6 COMMISSIONER MCHUGH: That was the
7 only question I had. We are allowing some
8 Stanazolol even though this other group has said
9 we shouldn't allow any?

10 DR. DURENBERGER: So, that was the
11 Racing Medication and Testing Consortium. The
12 next stop for the elimination of the threshold
13 in the model rules process will be in December
14 at the RCI meeting, the Racing Commissioners
15 International meeting. So, our change actually
16 was a little bit preliminary.

17 I was kind of doing it under an
18 efficiency standpoint. Also, the fact that we
19 were not the only jurisdiction to have that rule
20 in place. Since there are anticipated to be
21 other amendments coming forth in December, I
22 think it makes sense for us just to sit and wait
23 for the Racing Commissioners International's
24 model rules committee determination.

1 COMMISSIONER MCHUGH: All right.

2 And will everybody that's adopted these uniform
3 rules have this what is in 8b.1 the way we have
4 it? Is that what the model rules are?

5 DR. DURENBERGER: Yes. The 8b.1 on
6 Stanazolol, that threshold is the current model
7 rule, yes. The change for us is that that as we
8 had adopted the rule last year, we were looking
9 at anabolic steroids in urine and not in blood.
10 So, that's what the redline is here is that
11 we're adding that threshold in blood.

12 COMMISSISONER MCHUGH: Okay.

13 COMMISSIONER CAMERON: Director,
14 will this require some kind of a training
15 program once we adopt this so that the
16 veterinarians as well as the stewards and judges
17 understand, especially with points for
18 violations, suspensions. Will that require some
19 kind of a training?

20 DR. DURENBERGER: Yes. So, the key
21 changes here, there are some minor changes, but
22 the key changes are to, as you're pointing out
23 the penalty structure in addition to that
24 controlled therapeutic medication schedule.

1 We've already adopted the thresholds
2 in the controlled therapeutic schedule for 20 of
3 the 24 substances. We've also been keeping
4 records from the laboratory of the additional
5 four substances and the levels in which we are
6 seeing them. So, we know exactly what we need
7 to do to educate our stakeholders on those other
8 four levels for next year. And there is some
9 education we have to do. And that's fine.

10 On the penalty structure, the
11 stewards and judges, yes, there will be some
12 training. In fact, I believe there is a
13 conference call scheduled with Racing Officials
14 Accreditation program next week to discuss the
15 training program for that.

16 In other words, accredited stewards,
17 accredited judges will have a formal training
18 available to them. And then we will be
19 developing some in-house policy and some
20 documentation and reviewing that before the meet
21 starts next year.

22 COMMISISONER CAMERON: Excellent.

23 Thank you.

24 DR. DURENBERGER: Occupational

1 licenses, we'll put something together for them
2 as well. One of the best practices that we were
3 cited for by the NTRA was our educational
4 manuals that we provide to occupational
5 licensees. So, that will be an important
6 component of that for next year.

7 CHAIRMAN CAMERON: Excellent.

8 COMMISSIONER STEBBINS: From your
9 memo, it looks like only three states in the
10 Northeast are on target to hit the January
11 target date in 2014 just by where they are in
12 terms of proposing their regulatory changes.

13 Do you have any updates or any
14 status on it looks like Delaware, New Jersey,
15 New York, Pennsylvania and West Virginia are
16 that they are close behind or whether we're
17 kind of still out in front with those two other
18 states?

19 DR. DURENBERGER: West Virginia has
20 to do it through statute. Their thresholds are
21 actually in statute. And that process has
22 started. The other four states, their
23 rulemaking process may be a 30- or 45-day
24 process. I'm not sure. So, they may have not

1 started it because they haven't needed to start
2 it yet.

3 But I have not heard of any of the
4 other Northeast or Mid-Atlantic states that
5 don't think they're going to be in compliance by
6 January 1. And New York actually has most of
7 these in place already including the
8 corticosteroid and clenbuterol. But I have not
9 heard anything about anyone saying we're not
10 going to be there.

11 COMMISSIONER STEBBINS: Okay.

12 COMMISSIONER MCHUGH: Good.

13 CHAIRMAN CROSBY: Anything else? We
14 need a motion, right?

15 DR. DURENBERGER: We need a motion.

16 CHAIRMAN CROSBY: Do you want to try
17 it again, Commissioner?

18 COMMISSIONER MCHUGH: Sure.

19 DR. DURENBERGER: Actually if I may
20 before you start. So, the step with these now
21 is these go to the Legislature. These get filed
22 with the Joint Committee on Economic Development
23 as part of our statutory requirement that is
24 unique to racing. So, that would be the motion

1 is to forward them.

2 COMMISSIONER MCHUGH: And if they
3 don't take any action then they are promulgated,
4 right?

5 DR. DURENBERGER: Yes. So, I guess
6 we do have to approve them, yes.

7 COMMISSIONER MCHUGH: Right. I
8 would move that we approve and adopt the changes
9 to 205 CMR 3.29 and 4.52 in the form contained
10 in the meeting materials and authorize the
11 Director of Racing to forward them to the
12 Legislature for appropriate action or inaction
13 by the Legislature.

14 COMMISSIONER CAMERON: Second.

15 CHAIRMAN CROSBY: Any further
16 discussion? All in favor say aye. Aye.

17 COMMISSIONER MCHUGH: Aye.

18 COMMISSIONER CAMERON: Aye.

19 COMMISSIONER ZUNIGA: Aye.

20 COMMISSIONER STEBBINS: Aye.

21 CHAIRMAN CROSBY: Opposed? The ayes
22 have it unanimously.

23 DR. DURENBERGER: Thank you,
24 Commissioners. That's all for racing today.

1 Thank you again for your attendance yesterday.

2 CHAIRMAN CROSBY: Thank you.

3 COMMISSIONER ZUNIGA: Thank you for
4 all of your hard work.

5 CHAIRMAN CROSBY: And have a good
6 long weekend.

7 Okay we are back to Executive
8 Director Day I think on item 4b, the post-
9 licensing critical path discussion/ master
10 schedule.

11 MR. DAY: Yes. And Mr. Grossman is
12 going to join me. If I might, we will begin the
13 discussion with the licensing schedule, the
14 master schedule just to identify updates, which
15 the Commission has recently put in place. I
16 think you have these in your package as well.

17 The primary change at this point is
18 the Commission moved from December 17 the award
19 decision for slot license to accommodate the
20 evaluation process and particularly the host
21 community requirements, and moved that from
22 December 17 to January 10. That's been
23 reflected on the schedule.

24 In addition, we already spoke about

1 the other change a little bit earlier today,
2 which was to extend the period for communities
3 to petition the Commission to be a surrounding
4 community until the end of October, this month.
5 That then in turn has extended that possible if
6 there's a disputed process, an arbitration
7 process would extend that out to approximately
8 mid-February.

9 At this point, we have not or I'm
10 not recommending any changes to Category 1. But
11 I'm sure the Commissioners are aware there are
12 several considerations to keep in mind as we
13 move forward. Of course, one is the suitability
14 process. At this point, we are still projecting
15 reasonableness, that we have 11/30 as being able
16 to complete that process. There's no reason to
17 anticipate for sure that it won't be able to
18 completed by then. But there are some
19 complexities as I'm sure all of you are aware
20 of.

21 Also, the 12/31 application date for
22 Category 1. There are a number of
23 considerations, some which apply to the slots
24 parlor of course as the Commission will be

1 keeping in mind as we move forward. Those of
2 course put pressure on the surrounding
3 communities.

4 We extended the evaluation process
5 for slots for 30 days. Some considerations as
6 to how that would look then as we move forward
7 to the resort license consideration.

8 Of course, the surrounding
9 community's ability to petition, we extended
10 that for slots as well. What would that look
11 like then as we move forward for the resort
12 licenses. We are not recommending or have made
13 no changes to that portion of the schedule.

14 If there are no questions there,
15 I'll move on with -- And Commissioners I do have
16 several notes, so to speak on each one of these
17 chart pages. So, at any point if you wish to
18 interrupt me or let me know that I'm going on
19 too long, I can condense it up at any point that
20 you want me to.

21 COMMISSIONER ZUNIGA: Just a quick
22 question, the Region C background investigation,
23 just back on the schedule quickly, have we
24 started that process?

1 MR. DAY: Commission Zuniga, to tell
2 you the truth, I do not know for sure. We've
3 had the two applicants. And we're going to
4 accept their applications, and I don't know
5 whether or not that process has begun. So, I
6 will check on that.

7 COMMISSIONER ZUNIGA: And I know
8 there's been plenty on the plate of the IEB, but
9 it'd be a good thing to come back and check
10 about it.

11 MR. DAY: I will check and advise.

12 COMMISSIONER STEBBINS: I'm just
13 wondering since you raised that topic whether
14 what we're allowing for time on the calendar is
15 one going to be sufficient just considering our
16 experience doing the suitability investigations
17 on the other Class 1 applications.

18 MR. DAY: From just glancing at it
19 and based on last I knew, we only had two
20 applicants. So, to me it should be sufficient.

21 COMMISSIONER STEBBINS: Okay.

22 COMMISSIONER ZUNIGA: Thank you.

23 MR. DAY: That gets me to the
24 section that starts with summary of master

1 schedule again on the top. This is to begin
2 with, to use the Chairman's phrase this is
3 really the critical path at a glance, which is
4 right here. In particular, if you're looking at
5 your copy, you will notice that you have the
6 different construction schedules projected out.
7 But with that, you'll see a line that goes
8 across that I think can be classified as orange.

9 Below that there's a blue line that
10 is licensing divisional operational and below
11 that is administration. The key to those is
12 here is the construction timetables for the
13 casino construction process and our organization
14 development.

15 We are designing a process to make
16 sure we are fully operational when the casinos
17 come online. And of course, before that we have
18 to have administrative processes and the
19 licensing processes on to support those
20 activities as we get forward. So, that's the
21 condensed version of the entire agency
22 development processes in this top section.

23 With that let me step down. This is
24 right now our timeline we're using for

1 projections of really the time that the casinos
2 may come online, the construction. The shortest
3 one, of course, is in the corner. And I'll talk
4 to you a little bit about that.

5 One question as we move forward that
6 I think is very relevant to how we might move
7 forward and what our timelines will be to
8 develop the organization. We are still right
9 now in the process, about a 26-month process for
10 the construction of the casinos, the resort
11 casinos themselves.

12 So, we're using these timelines as
13 you'll see as you flow through the charts, those
14 two timelines will be extended through the rest
15 of the organizational material that we'll take a
16 look at.

17 As we move forward, I'm hoping to
18 engage the Commission in a short discussion.
19 What that would be is to basically look at the
20 question of whether the Commission would
21 entertain a temporary facility that may have in
22 effect to reduce the time to open. And of
23 course would make a significant difference --
24 could make a significant difference on the

1 planning.

2 And it would also be most helpful to
3 know the Commission's thoughts on this
4 particular issue. The reason being is as we
5 look at the timetable and the concept that we're
6 trying to develop the organization in, it's
7 really simply put it's we want to be ready when
8 the casinos are ready, want to make sure the
9 organization is prepared to support its
10 functions when the casinos are prepared to move
11 forward with theirs.

12 CHAIRMAN CROSBY: I know where
13 you're going, but I just want to be explicit
14 about this. On this chart, in my view at the
15 moment the single most critical date is approval
16 to open the slots parlor on January 15, 2015.
17 The question that we need to talk about and
18 you're getting there by way of the temporary
19 facility is is that in fact the date of which
20 everything else should drive or is it earlier
21 than that?

22 Essentially, and I'm oversimplifying
23 slightly, but essentially everything else drives
24 off that date. That's the one that we need to

1 focus on and I know that's where you're going
2 with the temporary facility question.

3 MR. DAY: Correct. This right now
4 basically it's at least been in discussion that
5 the possible opening of a facility may take
6 place right here, which is about six months from
7 award date.

8 With that and in interest of that
9 discussion, Todd is here to help me out and
10 actually talk about the requirements for
11 approving and opening the facility, which I
12 think might be helpful as well.

13 MR. GROSSMAN: It's important to
14 note here that the law does address this issue.
15 It addresses it in slightly different respects
16 for Category 1 and Category 2 facilities. It
17 talks about this in both sections 10 and 11 of
18 Chapter 23K and in section 25.

19 And section 25 talks about the
20 issuance by the Commission of an operations
21 certificate. And the underlying theme of all of
22 these statutes as within most other areas of the
23 regulation of gaming here in Massachusetts is
24 that there is a great deal of discretion that is

1 afforded the Commission to make decisions as to,
2 in this case, when a gaming facility can open.

3 But there are certain requirements
4 that must be in place by statute before the
5 Commission can authorize the opening of an
6 establishment. So, as it pertains to the
7 conversation today, relative to a Category 2
8 operation, we look to section 11 of the General
9 Laws.

10 And it's important to understand
11 that there are slight differences between the
12 prerequisites for opening of a Category 2
13 facility versus a Category 1 facility, in that
14 the Category 1 facility requirements are
15 slightly more stringent.

16 So, with a Category 2 facility the
17 only prerequisite in section 11 is that any
18 infrastructure improvements necessary to
19 increase visitor capacity and account for
20 traffic mitigation shall be completed before the
21 Category 2 licensee shall be authorized to
22 operate the slot machines. So, that's the first
23 prerequisite that the law sets in place.

24 CHAIRMAN CROSBY: Traffic

1 mitigation.

2 MR. GROSSMAN: The traffic
3 mitigation. And there's a similar requirement
4 when it comes to Category 1's. It's worded
5 slightly differently, but in essence it's the
6 same requirement. The traffic mitigation has to
7 be in place prior to any facility opening.

8 COMMISSIONER ZUNIGA: Temporary or
9 otherwise, you draw that conclusion because it's
10 silent, the statute is silent.

11 MR. GROSSMAN: I think there is some
12 talk somewhere, although I'm not certain where
13 about phasing. These statutes don't use the
14 term temporary or anything like that. They just
15 talk about allowing a facility to operate.

16 So, when it comes to Category 2,
17 that's the first Category 2 specific
18 prerequisite. Then we would turn to section 25
19 again of 23K where it talks about the
20 issuance --

21 COMMISSIONER MCHUGH: What section?

22 MR. GROSSMAN: 23K section 25.
23 First paragraph (A), it says no gaming licensee
24 shall conduct gaming without an operations

1 certificate issued by the Commission. Then it
2 goes on to identify seven prerequisites that go
3 into the issuance of an operations certificate.

4 And I think it's important to note,
5 of course, that as we go through the regulations
6 drafting process, of course, if there are any
7 other requirements, we can layer those in as
8 well. But these are the seven that are required
9 by statute. And I'll go through those just
10 really quickly, and we can certainly stop and
11 focus on any that may be of particular interest.

12 It talks about the implementation of
13 all management controls required by the
14 Commission including controls on accounting,
15 wagering and auditing, so, the internal control
16 policies.

17 Number two, the implementation of
18 all security precautions required by the
19 Commission, again getting back to the internal
20 control procedures. Up-to-date listing of all
21 gaming employees, and part four which goes along
22 with that, licensing or registration of all of
23 gaming employees. So, that system has to be in
24 place and the establishment has to have gone

1 through that whole licensing process.

2 Number five, the provision of office
3 space at the establishment for use by the
4 Commission. Sixty hours of operation of the
5 gaming establishment have to be provided.
6 Though I would note that this same section of
7 the General Laws provides that a gaming licensee
8 may operate a gaming establishment from 6:00 AM
9 to 5:59 AM though they do have to register their
10 hours with the Commission. So, there's no
11 requirement that that they stay open all day but
12 they can.

13 Anyway, prior to being issued an
14 operations certificate, they have to file their
15 hours of operation with the Commission. And
16 finally that its personnel and procedures are
17 efficient and they're prepared to entertain the
18 public. So, that's kind of a catchall
19 requirement.

20 Section 25 also talks about, and
21 these relate back to some of the prerequisites
22 that I just mentioned, but in paragraph (D) of
23 section 25 it requires a few other things. It
24 says that each applicant for a gaming license

1 shall submit to the Commission three things.
2 And these three things have to be submitted at
3 least 30 days before operations are scheduled to
4 commence.

5 The first is they have to provide a
6 description of the minimum system of internal
7 controls. Those will be governed by our
8 regulations. They govern things, of course,
9 such as the administration and accounting and
10 wagering, simulcast wagering operations.

11 Secondly, they have to provide a
12 certification by the applicant's chief legal
13 officer that the procedures conform with chapter
14 23K and they conform with the regulations.

15 And third, they have to provide a
16 certification from the applicant's chief
17 financial officer that the procedures provide
18 adequate and effective controls. So, those are
19 the three things that are layered on top of
20 having the procedures in place.

21 So, they have to have those and they
22 can't open until all of the traffic mitigation
23 issues have been completed to the Commission's
24 satisfaction.

1 When you look at that in the view of
2 whether a temporary facility would be
3 permissible, I think the answer is that it is
4 permissible. They just have to have a certain
5 infrastructure, if you will, in place and meets
6 certain guideposts as approved by the Commission
7 before they do so.

8 COMMISSIONER CAMERON: Thank you.

9 COMMISSIONER MCHUGH: But we still
10 have the discretionary call to make as to
11 whether, notwithstanding statutory authority, we
12 want to do it.

13 MR. GROSSMAN: I think that's right.
14 And that goes along with this catchall here that
15 the personnel and procedures are efficiently
16 prepared to entertain the public. We obviously
17 have to have regulations in place that govern
18 licensing and internal control procedures and
19 things like that. So, there is a lot of
20 discretion built into this process for sure.

21 CHAIRMAN CROSBY: The question
22 remains from you to us, I guess, is will we
23 consider a temporary opening, obviously
24 presuming that these conditions can be met?

1 MR. DAY: That would be the
2 question, yes.

3 CHAIRMAN CROSBY: Right. What do
4 you think?

5 COMMISSIONER ZUNIGA: I think we
6 should consider it. I think it would be really
7 important though that from a building and site
8 perspective that the temporary facility is up to
9 the standards that we would require so that it
10 doesn't look like something we wouldn't be proud
11 to have open. It would be the first impression
12 of casino gaming. So, I think that would be
13 important. But I don't see a reason that we
14 should rule it out just arbitrarily.

15 COMMISSIONER MCHUGH: I don't
16 either, but I thought and maybe I was awake for
17 this one, we talked about getting some data from
18 other jurisdictions that had done this. Because
19 the one thing that concerns me is how do you
20 enforce the temporary part of the temporary
21 casino?

22 You could say you can open this, you
23 can run this for six months but then are you
24 going to shut it down if they don't do it -- if

1 they don't have a permanent facility up and
2 running after six months? Maybe you do and it's
3 just their bad. And that has implications as
4 well in terms of anticipated revenues and people
5 counting revenues and we just need another month
6 and we'll get going.

7 COMMISSIONER CAMERON: What other
8 jurisdictions have done has imposed significant
9 fines for not meeting deadlines, significant
10 fines so that there is all of the incentive to
11 meet those deadlines for opening.

12 MR. DAY: In that process, as we
13 move on here, we'll talk a little bit about the
14 construction or project monitoring phase a
15 little bit and hopefully a little bit about the
16 Commission's thoughts on that.

17 But it would seem that that would be
18 an appropriate spot as to be able to have some
19 control over that with inspections of records
20 and progress and timelines that the contractors
21 of the project is committed to, bring that
22 information to the Commission. And it could
23 take in theory, I think, if it was a conditional
24 -- a requirement that was conditional with the

1 license, it could take up to removal of license,
2 revocation or suspension if they didn't actually
3 move forward. There would be impacts.

4 COMMISSIONER ZUNIGA: One thing that
5 gets back to the Commission in a way certainly a
6 couple of these principles that are outlined in
7 the statute just in terms of sequence and
8 duration. If I was planning the critical path,
9 it would occur to me that the licensing and
10 registration requirement as well as the
11 regulations that will govern certain other
12 things that are mentioned specifically in this
13 statute have to be certainly in place and would
14 drive some of the activities.

15 I would agree that we need to be
16 open. And how could we dismiss the idea only on
17 its face value. But it does come back to us to
18 some degree as to whether certain milestones can
19 be achieved in certain durations.

20 MR. DAY: A part of the discussion
21 from my perspective is that it's a little bit --
22 temporary doesn't necessarily mean -- specify
23 how temporary, how long a project would take.
24 Would it take 10 months or six months? It

1 depends on what actually happened during the
2 construction.

3 From my perspective, one of the
4 hardest things is trying to time the development
5 of the organization, whether it be regulations,
6 hiring to accommodate that kind unknown that
7 quick. We have the slots parlor already faster
8 which is going to require us to bring up a
9 portion of the organization without too much of
10 the organization. So, we've got people with
11 essentially nothing to do until the casinos
12 open. So, we've already got a bifurcated
13 process.

14 This would actually introduce sort
15 of a third spot, which I'm guessing probably to
16 solve this way would we have to plan for the
17 shortest reasonable timeframe for that facility
18 to open.

19 CHAIRMAN CROSBY: Right.

20 MR. DAY: Which would go along with
21 the regulations and the hiring and those kinds
22 of things that we would plan to have ready in
23 that six months whether or not it actually
24 happened on not.

1 CHAIRMAN CROSBY: I think you said
2 that exactly right. And that's exactly why we
3 are having this conversation. And what I'm
4 hearing so far is that there is a consensus, at
5 least on this side of the table, that we should
6 not preclude a temporary facility and that we
7 should.

8 COMMISSIONER MCHUGH: The left wing
9 is there too.

10 COMMISSIONER ZUNIGA: There's
11 consensus on this side too.

12 CHAIRMAN CROSBY: There's consensus
13 on the right wing as well, on the far right
14 wing, do you agree too?

15 COMMISSIONER STEBBINS: Now I know
16 why I sit over here.

17 CHAIRMAN CROSBY: So, there are
18 clearly going to be any number of conditions,
19 some of which have already been mentioned and
20 any number of considerations. But what you're
21 hearing, I think, is yes we would consider a
22 temporary facility. We know we have, I can
23 remember off the top of my head, one of the
24 bidders has already proposed that and talked

1 about opening six months. If that is for real
2 and we would consider it, then we would be
3 talking as soon as July 10 not January 15.

4 So, I think the next question is if
5 we're going to consider it, what does that do?
6 What is the earliest reasonable date, because
7 that is the date, repeating what I said, to
8 which we have to trigger everything else, tie
9 everything else.

10 MR. DAY: And I think it's
11 incumbent, and I'll do a little bit more of that
12 try to use that date not from the evaluation
13 process but use the proposal a little bit to see
14 what the reasonable date attached to that might
15 be.

16 From my perspective what we'll have
17 to do is consolidate in planning stage at this
18 point toward that date. I don't know how else
19 we'd actually be able to do it. We really can't
20 wait for the evaluation process to go through
21 because we'll be losing two months.

22 CHAIRMAN CROSBY: Absolutely.
23 That's why we're having the conversation today.

24 MR. DAY: That would be my intention

1 is to spend a little bit more time looking at
2 the realistic nature of what that date might be.
3 Then adjust the schedules in order to make sure
4 we can accommodate.

5 COMMISSIONER ZUNIGA: It is
6 conceivable that the arbitration process for the
7 surrounding community would happened to at least
8 say one of our applicants. And if that's the
9 case, I wonder if by de facto we will have to
10 more our decision, our licensing decision until
11 those negotiations are concluded.

12 COMMISSIONER CAMERON: We'll know
13 that on the 31st?

14 COMMISSIONER ZUNIGA: Not
15 necessarily.

16 COMMISSIONER CAMERON: We'll know if
17 we have any --

18 CHAIRMAN CROSBY: We'll know if we
19 have any opened debates.

20 COMMISSIONER CAMERON: Correct.

21 COMMISSIONER ZUNIGA: Correct.

22 CHAIRMAN CROSBY: But we won't know
23 how long they're going to take.

24 COMMISSIONER MCHUGH: Thirty days.

1 CHAIRMAN CROSBY: Anyway. So, I do
2 think realistically, I think chances are pretty
3 good that as a practical matter when all is said
4 and done January 2015 isn't that far off. The
5 real world that the operators are going to be
6 involved in, all of these exigencies that come
7 up --

8 COMMISSIONER ZUNIGA: Permitting.

9 CHAIRMAN CROSBY: -- significant
10 possibility of delays from surrounding
11 communities, permitting, etc. However, I don't
12 think that's what we can hang our hat on. And I
13 think we can study this to death. And it's just
14 going to be, forgive the expression, a
15 crapshoot.

16 Intuitively in my mind eight months
17 from the 10th of January could happen. That
18 would happen. Anything much before that is
19 probably pushing it. Maybe I'm wrong, but from
20 my standpoint I'd say let's make it eight
21 months. And we ought to be ready to go by eight
22 months. And just get going. And don't study it
23 anymore. Just put a stake in the ground.
24 That's what we're going for.

1 COMMISSIONER CAMERON: Eight months
2 from now?

3 CHAIRMAN CROSBY: No, eight months
4 from decision date, which would be eight months
5 from January 10. But that's just me speaking,
6 but it's me speaking from a lot of years of
7 getting things going in my life.

8 So, whatever date you pick, I would
9 say this is not a matter of science at all.
10 This is art at best. And let's just pick one
11 and get ready for that date. We'll have to
12 agree with you. It sounds like you're thinking
13 maybe something different from that.

14 COMMISSIONER CAMERON: I think we
15 should be ready if we approve an operator and
16 whatever their timeframe is, I think we should
17 be ready then. I don't think we should be the
18 ones holding up a project.

19 CHAIRMAN CROSBY: No, no, no. We
20 are totally agreeing on that.

21 COMMISSIONER CAMERON: I'm not sure
22 saying eight months is our guess and if an
23 operator says six how we necessarily align those
24 two. That was my only thought is that I think

1 it's important that we are prepared as I know we
2 can be.

3 CHAIRMAN CROSBY: So, it sounds like
4 somewhere between six to eight is what the
5 Commissioners would feel comfortable with. And
6 I agree with Commissioner Cameron. The
7 principle of we've got to be ready when they're
8 ready is one that we all agree to, no question
9 about that.

10 So, you are just in the unpleasant
11 situation of having to come up with something
12 and make it happen. So, make your informed
13 judgment in the next few days or the next week
14 and let us know. And if we agree, then you're
15 off to the races.

16 MR. DAY: We should have that by
17 next meeting.

18 CHAIRMAN CROSBY: But anyway you cut
19 it, whatever date it is, it's going to put
20 pressure on the deadlines that are in the master
21 schedule now obviously. So, I think we're
22 better focusing our energies on starting to
23 squeeze those timeframes rather than worrying
24 too much about is it going to be six, seven,

1 eight or nine.

2 MR. DAY: Right. With that I'll
3 just take you really quick through some of the
4 steps we've got, because it does give then a
5 little better perspective of all those different
6 things that will be impacted for one if we have
7 to move a lot quicker.

8 I'm not going to go into the problem
9 gambling section -- not problem gambling,
10 research agenda is the next I want to just touch
11 on briefly and not very extensively other than
12 the baseline survey is on schedule. And I think
13 the Commission probably knows we are looking
14 forward to the recommendation on the cohort
15 study.

16 From this aspect, it looks like the
17 baseline study is due to be out of the field
18 March 5. So, it should not have any
19 interference with the slot parlor actually
20 opening six months early as far as I can tell.
21 Chairman Crosby, I don't know if you'd have a
22 different --

23 CHAIRMAN CROSBY: No, I would agree.
24 The researchers would prefer in an absolutely

1 perfect world that the license not have been
2 awarded yet. We can't do that on the slots.
3 But we'll make anything else.

4 MR. DAY: The next section down we
5 haven't talked too much about, but I do want to
6 touch base with the Commission briefly here this
7 afternoon. Because one thing as we looked at
8 those requirements for certificate of operation,
9 a lot of those basically are the kind of concept
10 that goes into a final pre-operational
11 inspection would go into that. By pre-
12 operational inspection by the agency in order to
13 report to the Commission whether or not the
14 operation was ready to open and completed the
15 requirements of the statute and what other
16 regulations we put the place.

17 What we've got here is we just
18 started a real rough draft at the concept of
19 construction or project management of the casino
20 and/or the slots parlor. One of the first steps
21 at this point, the Commission doesn't --
22 internal to the Commission doesn't really have
23 the skills to monitor that construction and that
24 progress as we move forward.

1 This isn't for building codes and
2 those kind of things, but it would be for
3 deliverables during the process, gauging of how
4 much is invested and how far they got down. How
5 they're doing towards their timetable to open,
6 all of which is critical to their plans of the
7 development of the surrounding community
8 agreements. Have they met the terms of their
9 commitments.

10 What we would need to do if we
11 anticipated -- and I have heard a lot of
12 discussion that we thought we should do some
13 monitoring of their progress would be to proceed
14 with a procurement for that kind of expertise.
15 And we're projecting that we really need to get
16 started on that fairly soon, probably early next
17 month, in order to have that ready to go when
18 the construction started.

19 I think one of the interesting
20 things we can't gauge is the wintertime how much
21 progress can really be made. As soon as they're
22 ready, we do want have the ability to move
23 forward with that monitoring process if it's
24 something the Commission wanted to undertake.

1 Along with that we'd also probably
2 have to devise a set of regulations that would
3 support that process and ultimately the final
4 inspection and approval.

5 COMMISSIONER MCHUGH: The building
6 and site design contract for the slots has in it
7 a provision for construction supervision. And
8 the second procurement -- That's for the slots
9 parlor. The second procurement for the Category
10 1 facility is closed now. I think that
11 procurement had in it a provision for if
12 requested providing construction supervision
13 services.

14 So, it might be worthwhile to think
15 about that rather than a separate procurement.
16 I say that not only because it's there and would
17 speed things up, but also because it might be
18 worthwhile and more efficient to have somebody
19 who participated in the evaluation process than
20 jump over to the supervision process. I just
21 throw that out as a consideration.

22 MR. DAY: That's a possibility. And
23 what I understand we could use some of those
24 we've already recruited. That is of course a

1 possibility. We could also tap the project
2 manager if we felt the current project
3 coordinator's firm I think because that was in
4 that procurement as well. So, that would be a
5 more expedient part.

6 In my mind, I was kind of thinking
7 it might be cleanest to go for a focus. And
8 those groups could put back in if they wanted
9 for a specific task of monitoring the
10 construction instead of it may be harder to make
11 choices of those we already have online. But
12 I'm comfortable with either way. The bottom
13 line is the discussion is that something that we
14 should move forward and try to come up with a
15 clear recommendation plan for to move forward.

16 COMMISSIONER MCHUGH: It seems to me
17 that's going to be essential. We've got to keep
18 track of this. And we've also got to keep track
19 of the conditions. And the conditions are going
20 to be complex and require somebody who knows
21 what they're talking about, even if we simply
22 incorporate what they said they're going to do
23 in the application in our license. There's a
24 lot of complexity in there. And we're going to

1 need somebody who knows what they're talking
2 about, look at and see whether they've got the
3 diesel generator -- I guess not diesel
4 generator.

5 COMMISSIONER ZUNIGA: I think the
6 oversight function is critical. I think there's
7 a number of things on the deliverables. But
8 also I believe there's a real role for design
9 review as these projects progress that it's
10 important that we have that expertise on the
11 ground periodically reporting back to us.

12 I would argue in favor of conducting
13 another procurement. I think the cost to us is
14 small. I think we have the flexibility to
15 extend contracts, which is always there. But I
16 think if we phrased it a little bit different
17 from the procurements that we did for our
18 evaluators with an emphasis on a term of the
19 industry, which is owner project manager. There
20 are many firms that do an owner's project
21 manager role, which I would term is really what
22 we are talking about. Not necessarily
23 construction monitoring, but a larger project
24 monitoring, we may get pretty good responses.

1 We could always decide not to act on
2 them and extend current contracts if we need
3 to. But I think we would be well served by just
4 having a procurement with that specificity.

5 CHAIRMAN CROSBY: I leave it to you.
6 It's up to you. The one thing I do think is we
7 need to be a really thoughtful about what the
8 role is here. Do we want to be checking whether
9 they've got the right diesel engine and the
10 right joists? Or at the very high end is all we
11 care about is are they on-time? They are
12 somewhere on that continuum.

13 And you could spend an infinite
14 amount of money double-checking everything.
15 So, trying to narrow the scope to a really
16 meaningful strategic oversight role is to me
17 very important. I don't exactly know what that
18 is. I wouldn't know how to draft that, but I'm
19 sure plenty of people do. You know more about
20 this than I do. But being clear about what we
21 want the oversight to be and not just wasting a
22 lot of money is important.

23 COMMISSIONER ZUNIGA: I think
24 drafting an RFQ or RFP to that effect would

1 really help us, because we'll see something in
2 writing. We'll share our thoughts and it's an
3 exercise -- It's like drafting a job description
4 before hiring somebody, what do we want them to
5 do. And maybe we've done that to be fair maybe
6 there's enough expertise there.

7 COMMISSIONER MCHUGH: I think you're
8 right. I think you're right, because unlike
9 some of our other things, we can bring that one
10 back and talk about it among this group to
11 really help us get our heads around what we want
12 this person to do and what our expectations are
13 so that we don't duplicate things. There will
14 be an owner's project manager. That would be a
15 good idea.

16 MR. DAY: There may be a role here
17 too for regulation, I think, that would actually
18 help describe what the Commission -- intentions
19 or the direction of the Commission through that
20 entire process.

21 We do have, it comes to mind, two
22 for sure and maybe three possibilities of
23 consultants who we currently working with. So,
24 it comes back to that what would be the fairest

1 way even to come to a decision between those
2 various groups.

3 COMMISSIONER MCHUGH: Right.

4 COMMISSIONER ZUNIGA: We would get
5 better quotes as well in terms of what the job
6 is perceived to be by conducting a procurement.

7 MR. DAY: I will work with my
8 compatriot over here on the regulation side in
9 particular to see if there is something that
10 should be proposed. Am I hearing at this point
11 to probably move forward with the procurement?

12 CHAIRMAN CROSBY: Yes, it would have
13 to be a pretty quick one.

14 MR. DAY: I've got a short bar in my
15 little graph. Real quickly, the next section I
16 have is at the top left-hand corner, if you're
17 looking at the same one I am, it has the
18 evaluation process in there. Everybody is
19 pretty familiar with that at this point, so I'm
20 not going to go into detail.

21 Before I started in the other part
22 of this section, I did want to re-refer you to -
23 - There is an organization chart. This is
24 primarily designed to be in your packet. I

1 don't know if you saw it. What it is is to
2 briefly give me an opportunity to talk with the
3 Commissioners not about the detail in the chart
4 for the level below really the director level
5 but just to hit on real quick the division level
6 or the major unit levels in the Commission that
7 I see at this point and make sure that you don't
8 want me to go in a different direction.

9 CHAIRMAN CROSBY: Is this a tab?

10 COMMISSIONER CAMERON: It's the last
11 one before C, the last part of B.

12 CHAIRMAN CROSBY: Thank you,
13 Colonel.

14 MR. DAY: What I'd like to refer you
15 to is just these major pieces of the
16 organization to make sure that you are
17 comfortable with them.

18 What I've described here and
19 primarily I just want to hit those large units,
20 I guess. There is some method to this madness.
21 It really fits all on this one page. That has
22 something to do with it as well. It will not be
23 the overall design of an organizational chart as
24 we move forward.

1 Obviously, off the Commission the
2 executive assistants. I would just like to
3 mention briefly I talked this generally with
4 Janice Reilly. It would be the plan under this,
5 you do see executive assistants two, but we
6 actually plan to move the Commissioner's
7 reception position as well to Janice's
8 supervision, chief of staff. It makes a lot of
9 sense to make sure that that direct supervision
10 is there.

11 If you continued down with me on the
12 left, these will probably be divisions we're
13 talking about. So, I've got mostly just kind of
14 the name of the director in the place. General
15 Counsel of course would be the deputy counsel,
16 the legal services side and of course the
17 hearing examiner would also be within the
18 General Counsel's office.

19 To the right are what's been termed
20 and oftentimes the external affairs, the
21 Ombudsman, the director of communication,
22 research and problem gambling, workforce
23 supplier and development. Then below that we've
24 got the director of horseracing, the Horseracing

1 Division on the far left. Then we've got the
2 IEB.

3 The IEB director, under the IEB
4 director there is a little error in the far
5 left. It says assistant director. That'd
6 actually be captain in MSP who would be
7 responsible for field enforcement here and
8 background investigation. Likely another
9 assistant director would be responsible for
10 financial investigations. That unit would be
11 sort of a general-purpose unit that would be
12 responsible for specific audits at the casinos
13 themselves as time wore on. But also would be
14 responsible for financial investigations
15 necessary to support the licensing operation.

16 In addition, the next major unit
17 with the IEB director would be probably the
18 assistant director but it would be the gaming
19 agent section as well.

20 COMMISSIONER CAMERON: That's an
21 additional assistant director that was not on
22 previous TO's; is that correct?

23 MR. DAY: Right. We termed them
24 something else, I think. But I think we had

1 supervisors there before. But it seems like to
2 me that it may make sense with the captain, the
3 two assistant directors of the other major units
4 would probably give us a better competitive
5 advantage as we start trying to recruit for some
6 experience for these areas.

7 We've got the licensing unit would
8 be the next one. And we've got the major
9 portions of the licensing unit set. We have
10 some more specialists that have to come in,
11 licensing specialists as we move forward.

12 The next point is the CIO. Of
13 course, that will ultimately probably be
14 technical division or something to that extent.
15 Under that will be the computer support section,
16 programmers if we need them, help, those kinds
17 of things, the standard things that we know of
18 with our computer operation and then also a
19 technical gaming section.

20 I'll pause one right there, because
21 that is also one of the policy areas that we'll
22 be looking at as we move forward. What would be
23 the best? Should the Commission have standards
24 for electronic gaming equipment. If the

1 Commission has standards, should it have an
2 approval process. If it has an approval
3 process, there's a wide range of possibilities.
4 Everything from a contract monitor that's just
5 dedicated toward monitoring of a private
6 organization that does the testing and approval
7 all of the way to a full lab, which is also a
8 possibility of a concept.

9 I haven't been too shy about saying
10 I'm actually in between. To me it's really
11 critical as we look forward to the actual
12 gaming, we're probably talking about 90 plus
13 percentage of the revenue that comes from gaming
14 will come from machines and equipment. I don't
15 think anybody is prepared to argue that
16 electronic gaming will probably continue to have
17 at least as much role and may have more role.
18 And as Internet gaming comes forward, it will be
19 more and more complex.

20 To me, we really in the interest of
21 the Commission's ability to actually regulate,
22 be able to talk intelligently with both the
23 manufacturers onsite. Be able to regulate the
24 equipment onsite as well, it makes sense to have

1 a significant form of expertise, at least from
2 my perspective, it would be in the Commission's
3 and the state's interest in the long term to
4 have really combination.

5 Leverage that knowledge with the
6 private agency to certify that the equipment
7 meets the Commission's standards. But have a
8 technical group that is fully capable of
9 understanding and probably moving forward with
10 some approval relative to specific requirements
11 that Massachusetts makes.

12 When we move forward, I'm looking --
13 I'm thinking a combination but this is one of
14 the things too I'll be asking our new CIO to
15 start working on immediately to prepare a
16 presentation for the Commission.

17 CHAIRMAN CROSBY: There's not a lot
18 of time to set up that kind of a system. So,
19 you would say we're going to have that topic
20 before us when?

21 MR. DAY: Exact date we're going to
22 have it, and I've got to talk to him first, but
23 I'd like to get that up later this fall or early
24 December if I can.

1 CHAIRMAN CROSBY: It would seem to
2 me like end of November. Sometime within a
3 month or so that decision needs to get made.

4 MR. DAY: One thing about the slot
5 parlor from the aspect of the 1250 slots at the
6 slot parlor, I think it's also very possible to
7 handle that through a private testing and come
8 up with not having to have the entire structure
9 if we were to approve it in place by then. So,
10 I'm looking more at as we get into the full
11 casino operation with probably 8 - 10,000
12 machines we would have -- actually at that
13 point, we'd be prepared to move forward, plus
14 we'd be in a new location.

15 I just wanted to make a quick pitch
16 about what I was up to in that area as we were
17 going forward, because I know there's been a lot
18 of discussion around it on the other side.

19 COMMISSIONER ZUNIGA: Can I mention
20 just one thing. I think in my mind I equate it
21 to having an internal audit function and
22 operating with outside auditors. An
23 organization should not wholesale delegate an
24 audit function to an outside party. But there

1 are efficiencies to using experts that can do
2 this sort of thing well and efficiently.

3 So, I take your point about the
4 combination but I really also look forward to
5 just what that may mean on a more granular level
6 in terms of cost and FTEs and things like that.

7 MR. DAY: I look forward to talking
8 about it with the Commission in more detail,
9 because I think it is an extremely important
10 decision amongst many for the Commission

11 Then the other major unit, of course
12 would be the business unit that I've listed here
13 as the CFAO, human resources, budget, revenue
14 and accounts payable under that section.

15 CHAIRMAN CROSBY: Where does the
16 real-time financial monitoring of the facilities
17 come in to our office?

18 MR. DAY: Under the CFAO.

19 CHAIRMAN CROSBY: Under the CFAO.

20 MR. DAY: Yes. That's revenue. So,
21 the concept basically here is that we will have
22 field regulatory staff, probably about 10 per
23 casino. Slots parlor will be slightly less than
24 that. There will be MSP staff at the casinos as

1 well.

2 The headquarters staff, the
3 financial investigations unit in particular will
4 have the ability then to audit specific sections
5 of the casino, which allows us the flexibility
6 to sort of check the checkers to make sure there
7 is a neutral review of that. And the actual
8 revenue monitoring will be with the CFAO and the
9 business unit, which will actually give that
10 separation.

11 CHAIRMAN CROSBY: Okay.

12 MR. DAY: Like I said, obviously,
13 the horseracing in particular, there's 25
14 people. This chart is not intended to describe
15 it at that level.

16 This is how far and kind of the
17 direction I'm going at this point. I wanted to
18 check in as you move forward let me know at any
19 time whether you have a difference of opinion or
20 want me to go in a different direction, I will
21 do that.

22 CHAIRMAN CROSBY: On the face, it
23 looks straightforward, it looks fine to me for a
24 presumptive starting point, sure.

1 MR. DAY: Thank you. That brings me
2 back to the little chart which has grown
3 steadily larger. One thing that we will have to
4 do if you look at the top that's the planned
5 opening of the slot parlor. That date will have
6 to be moved back to the left if for instance we
7 are going use July 14 or somewhere in that area.

8 So, we can kind of see how that is
9 going to impact some of these tasks. I'm just
10 going to go quickly through them here. If the
11 Commissioners want to stop and discuss any of
12 them, just let me know. Otherwise, I'll refer
13 them. I know we're getting late in the day.

14 Right at the top, this is IEB. We
15 have the first agreement we're trying to
16 negotiate is a memorandum of agreement with MSP.
17 This is for law-enforcement staff essentially.
18 With that you see the line coming out to the
19 right, which essentially describing the Academy
20 training process, an in-service training process
21 and the gambling regulatory training process.

22 So, what really happens here is we
23 train new State Policemen that are essentially
24 then backfilled as more experienced positions

1 come to the Commission.

2 As you can see, that's a process we
3 don't control. So, if we open the slots casino
4 earlier, we will have to find a way to
5 accommodate that. And one possibility would be
6 able to utilize some of our staff that's at
7 headquarters in some capacity. So, there are
8 some ways that we can come up with something
9 temporary, I think.

10 It would be a little bit more
11 complex obviously, union agreements and those
12 kind of things that have to be considered. So,
13 that isn't quite as easy.

14 You'll see as we move forward, we
15 also in the process we were planning. We were
16 thinking we wanted to get the MSP agreement
17 finished and done first. We wanted to proceed
18 ahead then with the agreement with the Attorney
19 General's office, the liquor commission.

20 As you see in the middle, we've got
21 essentially three different agreements at local
22 law enforcement. It talks about the Commission
23 facilitating that process.

24 I'm going to move down a little bit.

1 In the center, we talk about draft policy for
2 our enforcement and regulatory units, draft
3 example of the regulatory process may be the
4 concept of options for enforcement, which may
5 run everything from written letter of warning
6 all of the way through an actual administrative
7 action suspension and those kinds of things.

8 What we'll be talking about here in
9 the middle is actually training. It has
10 regulatory in there, but it's actually gambling
11 training for probably both MSP and our gaming
12 agents, particularly in the case now we're going
13 to have to get people out far quicker than we
14 anticipated.

15 Then you see in the middle of the
16 chart, you've got the financial assistant
17 director starting. We are in the process
18 already with our new human resource officer
19 designing position descriptions for both of
20 those positions, the gaming financial
21 investigation assistant director and the gaming
22 agent assistant director.

23 CHAIRMAN CROSBY: The financial
24 investigations supervisor was scheduled for --

1 on the one I'm looking at at least was 10/17
2 which we're not going to make obviously.

3 MR. DAY: That's our start that hire
4 line there. The position description
5 development, recruitment and those kind of
6 things, we are looking at about 1/15.

7 CHAIRMAN CROSBY: So, the first
8 deputy to Director Wells would start January 15?

9 MR. DAY: I would certainly hope,
10 yes.

11 CHAIRMAN CROSBY: Up above the
12 background investigation unit is meant to be
13 ready by 12/3?

14 MR. DAY: Right, and most of that
15 unit is already in place.

16 CHAIRMAN CROSBY: So, we'll be using
17 our own State Police for that?

18 MR. DAY: Yes.

19 CHAIRMAN CROSBY: Presumably
20 somewhere around 1/11, the 11th of January we're
21 going to start getting flooded with applications
22 for background checks for contractors and all
23 kinds of vendors and people. Are we going to
24 have the capacity to hit that -- I would think

1 that comes in in tens and dozens right up front.

2 MR. DAY: What we're projecting out
3 here is actually licensing. We'll get to that
4 on one of these flip sides. We do, to answer
5 the question, we anticipate. That's why I'm
6 gaining in my intensity of making sure we get
7 those draft regulations before the Commission at
8 the end of the month.

9 The plan is actually have them
10 effective in -- regulations effective in early
11 January. To have the database online at least
12 to the ability of gaming vendors and registrants
13 in that same time period. With a delay in award
14 or anticipating that may end up coming about the
15 first week of February or something, we were
16 previously planning for in January. It'll be
17 right after that date.

18 The complexity again will be that
19 early date. If we start to look at July, what
20 we'll have to be doing as well -- Down at the
21 bottom, I've got this kind of concept of
22 regulation packages that I think we need to move
23 forward. But what we'll need to do is actually
24 the package for slot machine standards and

1 approval process, we will need to move that up
2 significantly in order to make sure we are
3 prepared when the slot parlor needs to order its
4 equipment. So, that is going to be a little
5 additional challenge.

6 The other part of will be as well on
7 the licensing side. We'll need to begin
8 licensing fairly immediately, the manufacturers
9 and vendors of equipment, all kinds of gaming
10 equipment so they're prepared as well. So,
11 that's going to be a little twist and I can't
12 say that I necessarily have in here but it will
13 have to be incorporated.

14 COMMISSIONER ZUNIGA: And you
15 alluded to this, but some of the policy
16 decisions that we have also depends on what
17 level of background investigation is done on key
18 licenses, key employees, other employees and
19 then registrants --

20 MR. DAY: Right.

21 COMMISSIONER ZUNIGA: -- who will
22 constitute the bulk of some of those
23 individuals.

24 MR. DAY: What I would like to touch

1 base with the Commission, it's kind of
2 demonstrated a little bit at the bottom of the
3 IEB chart. And what it is is a series of
4 regulations. What I am proposing is that we
5 move forward under the concept -- right at the
6 last line you should see something that says
7 surveillance, internal control, slot machine
8 approval, casino surveillance internal control
9 and last time table games.

10 So, what I'd like to be able to move
11 forward with is really to the Commission a
12 package rule concept that is designed really
13 around the operation of the casinos and what
14 regulations the Commission has to have online in
15 order to follow through.

16 An example of that is we've got to
17 have the licensing regulations up. So, that's a
18 package. We've got to have them ready to go.
19 So, we started with some policy decisions as
20 well relative to that package. I'd like to be
21 able to move forward on a basic concept along
22 the same lines, not to mean to be so rigid that
23 we wouldn't incorporate other factors or if it
24 demonstrated itself perhaps take an entire unit.

1 But I want to make sure when we have
2 this shortage of time, as it were, trying to
3 isolate it as to the topic that we for sure need
4 to be done by a given date. So, it's just a
5 little bit different twist but it just goes to
6 that concept of trying to be ready when the
7 casinos are.

8 CHAIRMAN CROSBY: Who is drafting
9 the surveillance, the cash controls cage
10 management, casino audits? Who is drafting all
11 of that stuff?

12 MR. DAY: Right now, this gentleman
13 next to me is doing licensing by the most part
14 in conjunction with David Acosta and his team.
15 And I actually when we look at briefly if we
16 have time to look at the assignments, but the
17 concept would be the same is to assign a subject
18 matter expert, which would be the person that's
19 really going to be in charge of enforcing those
20 particular regulations as my responsible party
21 as needing to collect the information and move
22 forward.

23 Then in turn, Catherine will assign
24 a person from her office that will actually work

1 with that individual from the legal side to make
2 sure we move forward with those regulations.

3 COMMISSIONER MCHUGH: We don't have
4 a subject matter expert for those functions yet,
5 right?

6 MR. DAY: Well, this is going to be
7 a little problem, because the subject matter
8 expert at this point is tied up doing
9 suitability investigations. So, we don't have
10 the two assistant directors. And so between
11 Karen and I we are going to have to fulfill that
12 role as best we can.

13 CHAIRMAN CROSBY: What about our
14 existing consultants? They did the heavy
15 drafting in the early phase when there was no
16 staff here. It had to be they because none of
17 us knew half of the stuff we were talking about
18 anyway. Are you planning on using them to do a
19 lot of the --

20 MR. DAY: The answer to that
21 question is yes. The concept is, and Todd can
22 slap me or something if I'm going in the wrong
23 -- The basic concept is to use the consultants
24 to gather essentially examples from specific

1 jurisdictions to then formulate those.

2 From there, we'll have more direct
3 involvement in the redrafting and the selection
4 of which we will move forward to the Commission.

5 COMMISSIONER ZUNIGA: Some of these
6 also depends on the approach that we take to
7 certain of this specific topics. There's
8 examples in other jurisdictions where internal
9 controls, for example, can be very prescriptive.
10 Or on the other end of the spectrum can be
11 principles where minimum standards that the
12 operators have made their internal control plan
13 and the Commission may approve or modify.

14 So, depending on the approach, I
15 would argue that the duration and the resources
16 of that effort could vary to some degree.

17 MR. DAY: Yes. As a matter of fact,
18 I think that's a key issue for the Commission as
19 we move forward is that the concept on the one
20 hand the Commission can take an approach with
21 internal controls that we specifically describe
22 the detail, cashier's cage, how many people have
23 to be employed, how they process copies of
24 documents, how many copies of documents, those

1 kinds of things.

2 Or the Commission could basically
3 say something similar to you have to have a
4 cashier's cage. And you have to describe the
5 minimum procedures you'll have. The Commission
6 will approve them. And then in effect we
7 enforce their internal controls if we approve
8 them.

9 COMMISSIONER MCHUGH: But in either
10 case, aren't we going to need somebody who knows
11 what they're doing? You know how this stuff is
12 supposed to work, but there's a lot here that's
13 pretty sophisticated stuff. And just for an
14 enforcement basis, aren't we going to need
15 somebody who is familiar with this, familiar
16 with how cages work, can pick up the nuances,
17 things like that to oversee an enforcement
18 operation?

19 MR. DAY: Yes. Let me qualify that.
20 I think we can as we are drafting them up,
21 between our consultants and staff we have, I
22 think we can move forward regulations that are
23 pretty effective. As we start in the process,
24 as we get down the road, it will be easier if we

1 are able to recruit regulatory staff for those
2 two positions at least that are familiar with
3 them.

4 COMMISSIONER CAMERON: The deputy
5 directors.

6 MR. DAY: The two deputy directors
7 that will be helpful. If that's not the case,
8 we will just have to train up.

9 CHAIRMAN CROSBY: Which deputy
10 directors?

11 MR. DAY: The two assistant
12 directors for the IEB, financial and
13 particularly the gaming agents.

14 CHAIRMAN CROSBY: And those searches
15 are starting basically now?

16 MR. DAY: The financial one is
17 starting now. The gaming agent will follow
18 right behind.

19 CHAIRMAN CROSBY: I share Judge
20 McHugh's concern about that. It seems to me we
21 ought to start both searches at the same time.
22 Maybe this is something that you who knows
23 something about this and Director Acosta knows
24 more have reason not to share the anxiety that

1 we have.

2 COMMISSIONER CAMERON: I know our
3 State Police has already attended many training
4 sessions. They've been out there working with
5 other agencies to see how they do it in other
6 places. So, they're already starting their
7 training and they have been for several months
8 now.

9 So, I actually have faith that
10 between experience and training, we'll be able
11 to do this job well.

12 MR. DAY: We do have the advantage
13 of being able to tap all of the existing
14 regulations for other states who are already in
15 business. That's going to be extremely helpful.

16 Then one of the challenges I see is
17 we want, and I think I got that message on it,
18 to be a Massachusetts system that is we want it
19 to be modern and effective and not overly cost
20 burden on the licensees as well. We want it to
21 be a progressive system that relies heavily on
22 automation.

23 So, I think as we are collecting
24 that information, that's going to be one of the

1 things we want to look at. We don't want to
2 just enact some other regulations. We want to
3 make sure they fit the operation we envision
4 today.

5 I think even some of the earlier
6 discussion, I think, a lot of the regulations
7 around the country look like Nevada and New
8 Jersey. That doesn't necessarily mean at this
9 point especially that the Nevada and New Jersey
10 models are what should be here in Massachusetts.
11 But there will be a lot of information from that
12 will be helpful.

13 COMMISSIONER MCHUGH: I'm less
14 concerned -- I don't want to prolong this. I'm
15 less concerned about drafting the regulations
16 than I am about actually enforcing it. There's
17 a lot of stuff that's going on out there and
18 knowing what to look for and how to watch and
19 whether the regulations are actually being
20 followed. Anyway that's my concern.

21 MR. DAY: I think one thing that is
22 clear from my experience as well is whatever
23 licensees the Commission selects, they will form
24 a key part in helping the agency prepare to move

1 forward with regulations as well. That doesn't
2 mean that we'll be doing what the licensees say,
3 but just like any other business regulation
4 outfit, they're very experienced in games and
5 regulation. We will train the staff but this
6 isn't some kind of -- It is an ability to rely
7 on that kind of expertise to help move our staff
8 forward.

9 COMMISSIONER MCHUGH: I understand.

10 CHAIRMAN CROSBY: I agree with that
11 sort of in general, but we have to have two or
12 three people that really know this stuff.

13 MR. DAY: We're going to go after
14 them, but Mr. Chairman, we will prepare for not
15 being able to lure. As well if we're not
16 successful in luring people away, I think we can
17 train up for it.

18 COMMISSIONER ZUNIGA: Can I just say
19 something. I know what you mean, Mr. Chairman,
20 but some of this stuff is not rocket science.
21 It's a lot about procedures. It's a lot about
22 compliance. We have some expertise. We will
23 continue to acquire that. We'll rely on our
24 consultants. But I think that there's a lot

1 that's out there that's also commonsense and we
2 will continue to work towards that.

3 MR. DAY: I feel comfortable. I am
4 going to work awful hard to get some experienced
5 regulators in here, but on the other hand, I'm
6 confident that we can move forward and be ready.

7 CHAIRMAN CROSBY: Let's do start on
8 both of them then.

9 MR. DAY: I wrote that down. We
10 will start. We are basically started, it's just
11 when we were going to advertise.

12 MR. DAY: That's IEB. Should I
13 continue?

14 CHAIRMAN CROSBY: Yes, I'm afraid
15 so.

16 MR. DAY: I'm only fulfilling my
17 obligation.

18 COMMISSIONER ZUNIGA: Do we have
19 much to go? I may need to ask for a break.

20 CHAIRMAN CROSBY: I'd like to finish
21 this conversation. This is one that I think is
22 very important. And I'm as beat as anybody.
23 But let's do take try to make is five minutes
24 and come right back and then race through the

1 rest of this.

2

3

(A recess was taken)

4

5

CHAIRMAN CROSBY: We will reconvene
6 and drive to the finish.

7

MR. DAY: I will begin to move
8 faster here. So, once again interrupt me if I --
9 Licensing, we've already had some discussions on
10 at this point. I've acknowledged this anyway,
11 but I just want to make sure, our licensing
12 division did complete its first official task
13 with the administrative processing of Category
14 2.

15 So, obviously we plan to debrief how
16 that went. What it does is it helps us now to
17 continue to put our licensing unit more into
18 that role that they will be assuming as we move
19 forward.

20

CHAIRMAN CROSBY: Excuse me, Rick.
21 Side issue, not exactly critical path but one of
22 the things we sort of made reference to time
23 after time after time is the issue of CORI, drug
24 and credit checking in our process for various

1 levels of employees. We've never sat down and
2 had a policy discussion about what standards are
3 we going to use. How are we going to try to
4 keep that from blocking our ability to have
5 hired some of the people who we want to have
6 hired.

7 So, that needs to get on something.
8 It's something I've talked about with Jill.
9 Everybody is aware of it, but we've got to
10 really focus on it to try and figure out what if
11 anything we can do about that.

12 MR. DAY: We with MSP coming in on
13 our backgrounds in-house, we resolved a lot of
14 peripheral issues.

15 CHAIRMAN CROSBY: I didn't mean the
16 processing of it. I didn't mean the time sake.
17 I meant the substance of are we going to kick
18 people out? What level of CORI problem, credit
19 problem, drug problem are we going to kick
20 people out. Are we going to have cure times,
21 etc.? I meant the policy of it not the
22 processing.

23 MR. DAY: From staff or from
24 applicants?

1 CHAIRMAN CROSBY: What standards are
2 we going to hold the applicants to and the
3 people they hire?

4 MR. DAY: Okay.

5 COMMISSIONER ZUNIGA: Licensees.

6 CHAIRMAN CROSBY: Licensees, right.

7 COMMISSIONER ZUNIGA: And
8 registrants.

9 CHAIRMAN CROSBY: Right, all of the
10 way down to registrants.

11 COMMISSIONER ZUNIGA: That's one of
12 the policy questions.

13 CHAIRMAN CROSBY: Is it already one?

14 COMMISSIONER STEBBINS: Yes, it's on
15 the list.

16 CHAIRMAN CROSBY: Enrique is saying
17 it's on the list. Okay, good.

18 MR. DAY: Let me just quick rundown
19 the rest of this so you kind of know what we're
20 up to. Part of what we're doing is preparing
21 for the Category 1 applications to be received
22 on the 31st. We've got a process to develop
23 regulations.

24 This list here is about mid-

1 December, but what we are trying to do is get
2 the effective date of those regulations in
3 early-January somewhere before the 10th. We're
4 going to have to do a little bit of staff
5 addition.

6 You see it then in the next part,
7 developing applications as we speak. At this
8 point, we have graphs in process. We have get
9 to coordinate procuring the fingerprinting
10 equipment, have that in place and determine how
11 between MSP and licensing that system will work.

12 Background check system, which is
13 something that of course we've already got
14 somewhat in process. At the bottom is really
15 one of the most significant things. This is the
16 database. Obtaining the database, and I know
17 there were demonstrations yesterday at the
18 Commission. I was fortunate to have our CIO
19 there. So, I think we've got a productive
20 solution, but that still looks like we're going
21 to move forward.

22 CHAIRMAN CROSBY: This is the
23 document management system?

24 COMMISSIONER ZUNIGA: No, licensing.

1 COMMISSIONER CAMERON: Licensing.

2 MR. DAY: We verified the selection
3 of the document management or the selected
4 document management system is supported. The
5 CIO endorsed that as well. But also that this
6 is the licensing system. That position is going
7 to be very busy because we've got a number of
8 things on the plate for him.

9 COMMISSIONER MCHUGH: On the
10 application for gaming vendors, aren't we likely
11 to get -- that begins 2/14. Aren't we likely to
12 get them if we award the license the next day?
13 That's the construction crews. It's a month
14 difference but --

15 MR. DAY: It's possible we didn't
16 anticipate it, but I think we'll be ready in
17 mid-January to accept them anyway. We'll just
18 change that on the form.

19 COMMISSIONER ZUNIGA: It's going to
20 be a short holiday season.

21 CHAIRMAN CROSBY: For Rick.

22 MR. DAY: Anything else on
23 licensing? Let me go through administration
24 here real quickly. I believe in plugs. And as

1 you know, we've remodeled the upstairs. We're
2 in process. We have a team on our new office
3 location to be able to visit those and narrow
4 that selection down to probably at least a
5 priority ranking, if not the top three for
6 Commissioners to consider for selection of new
7 office location.

8 While I'm at it, I'm going to pause
9 boldly as far as the office renovation. I need
10 to thank profusely Janice Reilly and Bill Curtis
11 and Marianne Dooley. There's other folks that
12 had the computers and everything running. But
13 there were a lot of people involved, but they
14 definitely played the key role.

15 CHAIRMAN CROSBY: Great, thank you.

16 MR. DAY: So, I'm going to jump over
17 here real quick. I've already had an
18 opportunity to discuss this list with our human
19 resources manager in many cases. But I'm going
20 to run down the things we need for our
21 infrastructure that are in process. I'll be
22 meeting with her to verify exactly the schedule
23 to move forward.

24 What we've got here at the top

1 first, we want to finish up work on policies.
2 We want to get our hiring process in place. We
3 do have employee background. Personnel data
4 record system we want up and running. We'll
5 have employee IDs, job classes we need to
6 develop and have in place.

7 In addition, we're going to move
8 forward with the goals and objectives and
9 accountability system, which will start.
10 Actually, an earlier start in that probably
11 around December of this year. Eventually of
12 course, we want to blend that accountability
13 system into the other two which talks about
14 performance management as we get through. The
15 performance management focus will begin in the
16 spring, but we want to get an evaluation system
17 in earlier.

18 Down at the bottom, and we just
19 talked about this a little bit with the chief
20 information officer. I'll be meeting with him
21 over that in more detail. But just a quick view
22 point is we've got a number of key systems.
23 We've got the document management system, the
24 licensing system, the tax, financial, the audit

1 and accounting system that will have to be in,
2 plus building the technical unit and the
3 electronic gaming technical unit.

4 CHAIRMAN CROSBY: Up above that is
5 install surveillance remote capacity?

6 MR. DAY: Evaluate the surveillance
7 remote capacity changes, so it's to look at
8 whether or not -- whether we're going to do
9 that.

10 CHAIRMAN CROSBY: Okay.

11 MR. DAY: We had a little bit of
12 discussion just briefly at a Commission meeting,
13 but surveillance is digital just like everything
14 else at this point. So, I want to make sure as
15 we move forward that there's not a role for
16 actually having have that surveillance remotely,
17 whether it's headquarters or at onsite
18 locations. I want to see where it will actually
19 serve our staff the best.

20 Then the chief financial officer,
21 that's and definitely as Derek gets on board,
22 we're going to be able to draw on his knowledge
23 in a lot of cases as well for things that we
24 need to develop. That's where the financial

1 requirements will eventually come from and the
2 automated system for monitoring machines.

3 In the process, horseracing is on
4 the reverse side. We've just taken a couple of
5 shots at this. Basically, you can see some of
6 the steps, the rules that we passed today, the
7 report. But we also have a transition of the
8 licensing system from horseracing, we're
9 anticipating next -- basically 2014 in the fall.
10 We thought about doing that sooner but there's
11 nothing requiring us to have that done at any
12 particular time. So, we're just going to move
13 it beyond the pressure time with gaming so we
14 don't have conflicts going on.

15 Then we've got a second set of rules
16 that will be coming forward. Jennifer and I
17 have to meet to identify some more information
18 long-term to add to this chart that we have now.
19 And I'm going to be meeting both with Mark
20 regarding problem gambling and with Jill
21 regarding diversity -- workforce, supplier and
22 diversity schedules..

23 CHAIRMAN CROSBY: To add those two
24 components to the chart?

1 MR. DAY: Yes

2 CHAIRMAN CROSBY: Good, you just
3 stole my thunder.

4 MR. DAY: That's where I'm at.

5 COMMISSIONER CAMERON: Great work.

6 CHAIRMAN CROSBY: It's great stuff.
7 And the key thing obviously is to figure out
8 what's going to replace January 15 and then
9 rejigger this to accommodate whatever that date
10 is and the sooner, the better.

11 MR. DAY: I am anticipating that may
12 result in some budget changes as well. Enrique
13 and I have been talking about the need probably
14 the first meeting in November to come forward
15 with a quarterly budget report.

16 CHAIRMAN CROSBY: He's been very
17 clear that we have plenty of money. So, don't
18 worry about it.

19 COMMISSIONER MCHUGH: That's what I
20 heard.

21 COMMISSIONER ZUNIGA: I'd like to
22 correct the record in the opposite direction.

23 MR. DAY: You also have a list of
24 potential policy items that are in the

1 Commission packet as well. That's really just
2 an initial shot at assignments. Consolidated
3 some new information, some old information.
4 I've got to go back through that and make sure
5 that we've got all of the old information. And
6 discuss with staff who should be moving forward
7 on which topic. So, I've got some coordination
8 to do, but I wanted to give you an idea of what
9 those topics were.

10 CHAIRMAN CROSBY: Great.

11 COMMISSIONER CAMERON: Great.

12 COMMISSIONER MCHUGH: Thank you.

13 COMMISSIONER CAMERON: Thank you.

14 COMMISSIONER ZUNIGA: Thank you.

15 COMMISSIONER MCHUGH: Time for a motion?

16 CHAIRMAN CROSBY: I think we're
17 getting close. Yes, I think we're all done. Do
18 you have a motion?

19 COMMISSIONER MCHUGH: I move that we
20 adjourn.

21 CHAIRMAN CROSBY: All in favor, aye.

22 COMMISSIONER CAMERON: Aye.

23 COMMISSIONER STEBBINS: Aye.

24 COMMISSIONER ZUNIGA: Aye.

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COMMISSIONER MCHUGH: Aye.

(Meeting adjourned at 4:27 p.m.)

1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission October 17,
3 2013 Notice of Meeting and Agenda
- 4 2. Massachusetts Gaming Commission October 3,
5 2013 Meeting Minutes
- 6 3. Massachusetts Gaming Commission October 7,
7 2013 Meeting Minutes
- 8 4. Resume of Derek Lennon
- 9 5. Resume of John Glennon
- 10 6. Massachusetts Gaming Commission 10-11-2013
11 Licensing Schedule Update
- 12 7. Massachusetts Gaming Commission 10-11-2013
13 Summary Master Schedule Update
- 14 8. Massachusetts Gaming Commission 10-15-2013
15 Draft Organizational Chart
- 16 9. Massachusetts Gaming Commission
17 Outstanding Policy Questions Relative to
18 Phase 2 - Parts 2 and 3
- 19 10. Greater Springfield Convention and
20 Visitors Bureau Pioneer Valley Presentation
- 21 11. Timeline for Slots License
- 22 12. Seventy-Seventh Annual Report of the
23 Massachusetts State Racing Commission for
24 Year Ending December 31, 2012

1 13. October 17, 2013 Massachusetts Gaming
2 Commission Memorandum with attachments
3 Regarding Proposed Changes to 205 CMR 3.29
4 and 4.52

5
6 GUEST SPEAKERS:

7 Tom Bonner, Raynham Park

8 Tom Carney, Raynham Park

9 Peter Cohen, The Agenda Group

10 Mark Lipparelli, Gioco Ventures, LLC

11 John McManus, MGM Resorts

12 Jeff Morris, Penn National Gaming

13 Peter Rosskothan, Greater Springfield Convention
14 and Visitors Bureau

15 Eric Schippers, Penn National Gaming

16 Kim Sinatra, Wynn Resorts

17 Alex Stolyar, Penn National Gaming

18 Joseph Weinberg, Cordish Companies

19 Mary Kay Wydra, Greater Springfield Convention
20 and Visitors Bureau

21 Steve Wynn, Wynn Resorts

22

23

24

1 MASSACHUSETTS GAMING COMMISSION STAFF:
2 Richard Day, Executive Director
3 Dr. Jennifer Durenberger, Director of Racing
4 Todd Grossman, Deputy General Counsel
5 Karen Wells, Director Investigations and
6 Enforcement Bureau
7 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 22nd day of October, 2013.



LAURIE J. JORDAN
Notary Public

My Commission expires:
May 11, 2018