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THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION
PUBLIC MEETING #141

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

December 18, 2014 10:30 a.m. - 4:15 p.m.

BOSTON CONVENTION AND EXHIBITION CENTER

415 Summer Street, Room 102B

Boston, Massachusetts

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

CHAIRMAN CROSBY: Welcome everybody.
I'm calling to order the 141st meeting of the
Massachusetts Gaming Commission once again at
the Convention Center at 10:30 on December 18.
Our first item on the agenda is the approval of
minutes, Commissioner McHugh.

COMMISSIONER MCHUGH: Mr. Chairman,
the minutes of the December 4 meeting are in
the Commissioner's packet. I move that they be
approved with the usual reservation of the
power to correct typographical and mechanical
errors.

CHAIRMAN CROSBY: Second?

COMMISSIONER STEBBINS: Second.

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

COMMISSION MCHUGH: Aye.

COMMISSION CAMERON: Aye.

COMMISSION ZUNIGA: Aye.

COMMISSION STEBBINS: Aye.

CHAIRMAN CROSBY: Opposed? The ayes
have it unanimously. Item number three,

1 Administration, Executive Director Day.

2 MR. DAY: Thank you, Chairman Crosby
3 the actual administrative update here is a
4 little announcement. We want to make sure that
5 the public is aware of our address is changing.
6 So, effective Monday, December 22 the
7 Massachusetts Gaming Commission will be located
8 at 101 Federal Street, 23rd floor, Boston,
9 Massachusetts. Wanted to make just a little
10 note here that we'll have a period from about
11 4:00 PM on Friday the 19th that we'll be
12 disconnected from the telephone service, but if
13 people have issues or questions or they want to
14 contact the Commission, they should do so at
15 617-979-8400 beginning during regular business
16 hours Monday, December 22 or at
17 mgccommentsstate.ma.us. That's a long way for
18 me to say we're moving. We're really not going
19 to be in much shape to answer your call until
20 Monday morning.

21 CHAIRMAN CROSBY: Is it the same ZIP
22 Code?

23 MR. DAY: The ZIP Code is 02110.
24 That will be a major milestone. From here,

1 we're set up here this morning to talk about
2 the central management system, the RFR, often
3 called the central management system, CMS. Our
4 acronyms kind of get carried away here
5 sometimes. We're not always sure which one of
6 those we're on.

7 Today, I'm going to take a minute
8 just to step back because we've had a team
9 that's been first assigned to explore how a
10 central management or automated system would
11 monitor the projected 10,000 slot machines for
12 Massachusetts for tax and regulatory purposes.

13 Our team initially proposed several
14 concepts. And some of the licensees in the
15 process weighed in on the topic. As a result
16 of those initial discussions, the Commission
17 authorized the process of issuing a request for
18 responses intended to produce really a leading
19 proposer that would appear before the
20 Commission to provide more detail around cost,
21 business case and the regulatory benefits. And
22 even more importantly, be in a position to
23 answer questions based on their actual
24 experience.

1 And I use the phrase leading
2 proposer, because it was clear in the
3 Commission's RFR that the Commission has not
4 made a decision to award a contract in this
5 case. Our procurement team has since
6 identified GTECH as the leading proposal.
7 GTECH with Derek Lennon and the team to present
8 to the Commission today. With that, Derek
9 would you introduce the team and GTECH
10 representatives and present the Commission.

11 MR. LENNON: Thank you, Director
12 Day. Good morning, Commissioners. Today I'm
13 joined by Matt Cedor from GTECH and Jackie
14 Mancini from GTECH. Over the course of the
15 time period of January 2014 through September
16 2014 our team of John Glennon, our CIO, Kathy
17 Barch, our Deputy Director of Licensing, Bruce
18 Band, our Deputy Director of the Investigations
19 and Enforcement Bureau responsible for gaming
20 agents, Vanessa Orso, Financial Investigator
21 within the IEB and Agnes and I visited five
22 different gaming jurisdictions.

23 And I'd have to say that for a large
24 portion of it, it was just me, Kathy and John.

1 And our travels were well documented throughout
2 the course of meetings in the past year and
3 what we've found. And we're lucky to have
4 Bruce and Vanessa join us to look at this from
5 a financial investigation standpoint as well as
6 from Bruce's standpoint what he's done manually
7 for 30 years, and how this could assist his
8 team going forward.

9 The jurisdictions we visited were
10 Ohio. We visited both the lottery and their
11 Casino Control Commission. We visited Maine.
12 We visited Rhode Island, and we visited
13 Delaware. We saw three different systems
14 operating there. We saw one from Intralot, one
15 from GTECH and one from Scientific Games.

16 CHAIRMAN CROSBY: In Delaware?

17 MR. LENNON: No. At all of the
18 different jurisdictions. We reported to you
19 our findings on July 24 at a public meeting, at
20 which point, as Rick explained, we were
21 authorized by you to go out and do an RFR, come
22 back with a vendor to help explain the return
23 on investment, explain the difference between a
24 non-central management environment and a

1 central management environment.

2 At which point, we started our RFR
3 process. It took us a while to draft it. It
4 was a rather lengthy RFR. We put the vendors
5 who had responded to a very tight timeframe.
6 Luckily, we have two people on our team, Joanne
7 Shea and Agnes Beaulieu to help us draft that.

8 And on October 24, the RFR was
9 posted and we gave the respondents until
10 November 17, which is a very tight timeline.
11 We had five different vendors respond. Two of
12 them withdrew their responses due to the
13 timeframes and not being able to prepare a
14 response the way they would like to. And we
15 had two finalists come back for a presentation
16 to us and a best and final offer on December 3.

17 On December 5 the RFR met and we
18 selected GTECH as the best respondent to come
19 in front of you. Now, part of -- The main
20 piece of the RFR was cost proposal.

21 CHAIRMAN CROSBY: Excuse me, Derek.
22 The monitors up here, I assume the feed is
23 okay? Can you get the monitor?

24 CHAIRMAN CROSBY: Go ahead, Derek.

1 MR. LENNON: So, as you can see on
2 the bottom of this slide, the main piece that
3 drove our procurement was cost because that's
4 what came back from the Commission. How can
5 you make this affordable? How can we justify
6 the cost of the system? As well as return on
7 investment, so even if the system is high, what
8 are we be getting back for the Massachusetts
9 economy from this.

10 So, I'm going to turn it over now to
11 GTECH to do quick overview of their corporate
12 structure, of their system, of what they put in
13 their proposal, and some of the return on
14 investment what you get from the central
15 management system that we couldn't explain.
16 And then we'll take it over later to go through
17 the return on investment and the analysis we
18 did from the response from GTECH.

19 MR. CEDOR: Mr. Chairman, members of
20 the Commission, my name is Matt Cedor. I'm
21 regional vice president of US operations for
22 GTECH Corporation.

23 Let me start by saying first on
24 behalf of the entire company, we appreciate the

1 opportunity to come here today and present to
2 you. We also appreciate the opportunity to
3 potentially supply this system to the state of
4 Massachusetts.

5 The process so far has been in my
6 opinion a very well-run process. Dealing with
7 the staff has been great, a very professional
8 organization. We appreciate the ability to go
9 through the process for you today.

10 If I can start with just a little
11 bit on GTECH, GTECH is the world-leading
12 commercial operator and provider of
13 technologies to the gaming industry. The
14 gaming industry is rather a broad term. It
15 certainly covers the casino industry that we
16 are familiar with. We also provide
17 technologies to the lottery industry, including
18 the Massachusetts lottery. And we provide
19 technology to the online gaming industry
20 through regulated markets, mostly
21 internationally, there are some markets in the
22 United States that have started up in the past
23 couple years specifically Illinois and Georgia.

24 We provide these services with a

1 commitment to the highest level of integrity,
2 security and responsibility.

3 A little bit about GTECH itself. In
4 our last full fiscal year, our fiscal years are
5 based on calendar years, in our last full
6 fiscal year we had just over €3 billion in
7 revenue, about 8600 employees worldwide. And
8 we offer products and services in over 100
9 countries throughout the world.

10 And please if you have any questions
11 during any part of the presentation, don't
12 hesitate to ask. This map is a representation
13 of the jurisdictions in North America that
14 require electronic gaming devices be connected
15 to a regulator's central management system.
16 So, this map includes those jurisdictions such
17 as Pennsylvania, Kansas, Rhode Island, Maryland
18 that have casinos connected to a regulator's
19 system.

20 They also include jurisdictions such
21 as the state of Oregon that includes what we
22 call distributed gaming environment, which
23 means they have electronic gaming devices in
24 bars or taverns, age-controlled locations that

1 have the same type of games on them that you
2 would find in a casino. They're just
3 distributed usually throughout the state.

4 Oregon, as an example, has about
5 2000 to 2500 locations throughout the state
6 where they have up to six machines at each
7 location. So, this map is a representation of
8 every jurisdiction that has a requirement for
9 gaming devices be connected to a regulator's
10 system.

11 The next map provides you a picture
12 of those jurisdictions where GTECH provides
13 that system today. You can see it's a good
14 portion of Canada, Oregon, Louisiana and
15 jurisdictions similar to what Massachusetts is
16 contemplating putting into practice such as
17 Kansas, Pennsylvania, Maryland and Rhode
18 Island.

19 COMMISSIONER MCHUGH: What does the
20 color coding representing, those labels? I
21 didn't understand those labels fully.

22 MR. CEDOR: Starting from the
23 bottom, the yellow is any jurisdiction that
24 requires a central management system. In this

1 case, they have other vendor systems are
2 supplied in those jurisdictions, so non-GTECH.

3 COMMISSIONER MCHUGH: Okay. The
4 yellow is other vendors, okay.

5 MR. CEDOR: The orange or red,
6 depending on the representation on your screen,
7 is a jurisdiction that is similar to what
8 Massachusetts is considering. So, it's an
9 operator-run casino with a regulator's system
10 that each electronic gaming device in the
11 casinos are tied to independently.

12 COMMISSIONER MCHUGH: Okay.

13 CHAIRMAN CROSBY: GTECH provides
14 those too.

15 MR. CEDOR: GTECH provides the
16 orange system, yes, the orange colored states.
17 And the green are also GTECH provided. Some of
18 those jurisdictions are strictly the
19 distributed type environment as I explained in
20 Oregon.

21 Some of them like most of the
22 Canadian jurisdictions are a mix where they
23 have both casino and distributed environments
24 tied into the same system. And one in

1 particular, Rhode Island, is a similar model to
2 what Massachusetts is considering, but the
3 responsibility of the system in Rhode Island is
4 far greater than it is -- than it would be in
5 Massachusetts and that it is in places like
6 Maryland and Pennsylvania.

7 What I mean by that is the system in
8 Rhode Island is responsible for all cash
9 management in the state. It's responsible for
10 all of the vouchers that are produced from the
11 gaming devices and validation of those
12 vouchers.

13 In other jurisdictions, what
14 Massachusetts is considering and Pennsylvania,
15 Kansas and Maryland as examples, the
16 regulator's system monitors financial and
17 security transactions on the machines, but the
18 casinos themselves still handle the cash
19 management, the sweeping of all of the
20 machines, the counting of the physical cash and
21 the payment to the players in the form of
22 generating vouchers from the machines and then
23 validating those vouchers. So, Rhode Island is
24 just a little bit different.

1 COMMISSIONER MCHUGH: Is that what
2 full gaming system means? A system that will
3 do all of those things?

4 MR. CEDOR: Yes. And in those
5 jurisdictions that are shaded green, the system
6 provides those full services.

7 COMMISSIONER MCHUGH: Right, thank
8 you.

9 COMMISSIONER ZUNIGA: I just want to
10 understand the terminology. You were referring
11 to -- I forget the term. But what is the
12 distinction between casinos and lotteries? I'm
13 thinking specifically on Ohio where the video
14 lottery terminals have a system but the casinos
15 do not; is that correct?

16 MR. CEDOR: That is correct in the
17 case of Ohio. And the system itself serves
18 both markets. It's really dependent on the
19 jurisdiction and how they set up the regulation
20 of those particular machines.

21 For example, in Rhode Island it's
22 the Rhode Island Lottery that oversees the
23 casino operations in the state. In
24 Pennsylvania, it's a combination of the

1 Department of Revenue and the Gaming
2 Commission. In Maryland, it's the Maryland
3 Lottery, and when they introduced casinos they
4 made the lottery the Lottery and Gaming
5 Commission.

6 So, it really depends. The system
7 itself is the same. It really depends on who
8 the regulatory agency is in a particular state.
9 I'm not sure specifically why Ohio chose to
10 split out the VLT operations from their casino
11 operation but that's the path they chose.

12 COMMISSIONER ZUNIGA: I know that.
13 But you are not making a distinction between a
14 video lottery terminal and a slot machine from
15 a CMS perspective, there is no difference.

16 MR. CEDOR: There is no difference
17 from a system perspective. And in actuality,
18 from a player perspective, there is no
19 difference. A video lottery terminal is the
20 same electronic gaming device in a casino as it
21 would be in a distributed market. The only
22 difference between the different types of
23 machines would be if you have a mechanical
24 machine versus a machine with a monitor on it.

1 But from a system and player perspective there
2 is no difference between devices.

3 COMMISSIONER CAMERON: Can I ask a
4 question about -- How long have you been doing
5 this?

6 MR. CEDOR: We installed our first
7 system in Rhode Island back in 1992. And we
8 have been continually developing on that system
9 and installing it in other jurisdictions. This
10 map is a representation of North America. We
11 have systems installed in other parts of the
12 world as well. But we've been actively
13 developing and supporting these systems since
14 1992.

15 The next slide is just a
16 representative slide of the major slot machine
17 manufacturers that exist in the industry today.
18 We work with all of them. There are a number
19 of smaller manufacturers that we also work
20 with.

21 And the takeaway from this slide is
22 any slot machine or electronic gaming device
23 manufacturer is able to connect to our central
24 system as long as they can implement the

1 industry-standard protocols that exist today,
2 namely the SAS protocol or the G2S protocol.
3 So, there is no restriction on what vendor or
4 which vendor is able to connect to our system.
5 It's anyone that implements the protocol. And
6 we don't own the protocol. It's a public
7 protocol that's available to anybody.

8 Focusing on the economic benefit and
9 return investment of this system potentially to
10 Massachusetts, this was part of the RFR that
11 was obviously very important to Massachusetts.
12 It was very important to us. And we wanted to
13 take the opportunity to call out that there are
14 some benefits that are difficult to capture,
15 difficult to quantify from a financial
16 standpoint.

17 And I think that any gaming
18 jurisdiction depends on the fact that the
19 reputation and integrity of the regulatory body
20 really provides the backbone for the gaming in
21 that particular jurisdiction.

22 And we feel that the system such as
23 the Intelligen central monitoring system
24 provides the capability to strengthen that

1 security and integrity of the gaming program in
2 the state Massachusetts through a few things
3 like regulating the machines, reporting on the
4 financials, detecting any potentially illegal
5 activity that occurs on the machine as it's
6 happening.

7 An example of that would be money-
8 laundering, which we'll get into on the next
9 slide. The ability to automatically invoice
10 casinos at a daily rate or really any time
11 interval that Massachusetts feels is
12 advantageous.

13 In addition to any illegal activity
14 which might be going on the machine, any
15 tampering of the devices, any potential
16 tampering of the devices, they would be
17 immediately shut down and not playable. And
18 reported out as such to gaming agents to
19 investigate what is going on.

20 And the ability to license machines,
21 manufacturers, operators and manage those
22 licenses through the system. Set expiration
23 dates on those licenses, immediately revoke
24 those licenses for whatever reason if you so

1 choose, all capabilities at your fingertips
2 with the ability to research any situation or
3 make an immediate decision to take action and
4 have that action happen immediately.

5 COMMISSIONER CAMERON: Can I ask a
6 question about this? If you can speak to one
7 of your jurisdictions or all of them, how often
8 do any of these things happen? Have you had to
9 -- Has a jurisdiction, has it been tampered
10 with and there's an automatic shutdown? Does
11 that occur and if so how frequently?

12 MR. CEDOR: I can't respond to the
13 frequency of it happening. I can give you some
14 specific examples of how often they often
15 happen.

16 MR. LENNON: Just to clarify on
17 that. Matt's not trying to be obstinate. He
18 couldn't give that to us either because that's
19 proprietary information from other
20 jurisdictions. So, they weren't necessarily
21 willing to share that with us.

22 So, what we took were some estimates
23 from what Bruce has seen in his 30 years of
24 doing it manually, which we'll go through on

1 the slides, I think slide 14 or 15. But I'll
2 let Matt talk to the generality of it.

3 MR. CEDOR: Thank you, Derek. Just
4 to elaborate on that a bit, our system is
5 provided to regulators. And we provide the
6 service of the system to the regulators. We
7 don't have access to the information that's
8 generated by the system. That information
9 belongs to the regulators.

10 And things like security events and
11 how often they happen, our system monitors and
12 records those but all of that information
13 belongs to regulators. So, we don't see a
14 report, as an example, of somebody tampered
15 with a machine five times last week. We don't
16 have any reason to see that report. What we
17 need to know is our system is detecting that
18 activity and reporting it out appropriately.

19 As Derek said, I am not avoiding the
20 specific answer to your question. The
21 regulators don't share that specific data with
22 us. I can give you examples of what has
23 happened through conversations with other
24 regulators but not specific numbers of how

1 often those things happen.

2 COMMISSIONER CAMERON: So, you could
3 give me conversations, is that what you're
4 saying as to the kind of things that have
5 happened?

6 MR. CEDOR: Specifically, I've had
7 discussions with regulators typically security
8 individuals or members of the security team who
9 are just looking for clarification about
10 certain aspects of the system, such as this is
11 what happened today. This is how it was
12 reported out to us. This is how it was
13 investigated. It looks like everything worked
14 right.

15 Do you have an opinion? Should you
16 guys be doing something differently, that type
17 of stuff. So, part of our process of working
18 with our customers, we meet with them all of
19 the time to talk about the things they are
20 experiencing with our system. And if they feel
21 there should be any improvements or if they
22 feel that everything is meeting their needs.
23 So, the conversations happen in that context.

24 CHAIRMAN CROSBY: Derek, wouldn't

1 the people tell you if you asked them?

2 Wouldn't the agency tell another agency?

3 MR. LENNON: Not necessarily.

4 There've been some other things that we've
5 asked for and they have been held back.

6 CHAIRMAN CROSBY: You tried to ask
7 agencies?

8 MR. LENNON: We tried to ask. And
9 we asked GTECH to ask for us too. And it
10 didn't come back. There was one jurisdiction
11 that gave us some, but it wasn't one of GTECH's
12 vendors. So, we can't really reveal that
13 information here based on the response that we
14 got they were not selected.

15 So, if you want to talk about that
16 after you choose to do the procurement or not
17 do the procurement, we can give you that
18 information but it's not public right now
19 because we haven't selected a vendor. It's not
20 public record, so we really can't disclose
21 that. It'd be pretty unfair to bring the
22 information forward on a bid that wasn't
23 chosen.

24 So, we do have one area where a

1 jurisdiction agreed to share that but most of
2 the jurisdictions did not want to share. I'm
3 sorry to be almost obstinate on that, but it's
4 just the rules.

5 COMMISSIONER ZUNIGA: It's fair to
6 say that it's as if you provide the alarm
7 system but you don't know how many fires occur.
8 You cannot tell us, the regulators do.

9 MR. CEDOR: Exactly.

10 MR. LENNON: What you see in some of
11 the articles that Bruce sends around and what
12 this system does is detect those. So, it
13 detects when your theoretical hold isn't
14 playing out accurately. It detects when you
15 have too many jackpots hit versus what the
16 theoretical play would be. So, you can go and
17 investigate was this right, was this wrong.
18 You can bring the machine down. You can
19 actually set it up to bring it down on those
20 occurrences.

21 COMMISSIONER CAMERON: I believe the
22 capability is there. It would just be nice to
23 know how often it occurs, because if it doesn't
24 occur very often --

1 MR. LENNON: You can see from the
2 articles that Bruce is sending around regularly
3 how often it occurs. He's sending out articles
4 almost two or three a week.

5 COMMISSIONER CAMERON: That doesn't
6 give you -- That gives you one instance
7 somewhere in the world. It does not give you
8 an idea of how often this occurs.

9 MR. LENNON: We have it based on
10 Bruce's experiences in the past on another
11 slide. So, you'll get a lot of these moves.
12 You'll get a lot of these revocations. Once
13 again, we came back and reported to you before
14 that there were in one jurisdiction I think
15 1600 revocations in a year.

16 Some of them were as severe as you
17 need to pull that software off the floor
18 immediately. And other ones were you have a
19 30-day time limit. Knowing where those pieces
20 of software are on the floor. Knowing it in
21 real-time, making sure that you actually stick
22 with the independent gaming lab's advice to
23 pull it off in 30 days versus letting it sit on
24 the floor.

1 This does it automatically because
2 it's checking each device that's tied into the
3 system and making sure that it comes down
4 within that time limit. That's what Matt was
5 talking about, being able to set license
6 expiration dates, being able to set software
7 expiration dates.

8 So, that's one instance where there
9 were 1800 in one year. We have those type of
10 statistics from another jurisdiction, we just
11 can't include them in here. So, I guess we
12 could talk to you offline about that. We just
13 can't present it in public. It's not public
14 information.

15 MR. DAY: You could provide some
16 anonymous examples or just experience examples,
17 right?

18 MR. CEDOR: Yes, that is true.

19 MR. DAY: We just wouldn't know the
20 frequency but -- I think that at least limited
21 amount of that information would be helpful.

22 MR. CEDOR: Sure. Let me start with
23 software security on the gaming devices. Our
24 system monitors all access to the gaming

1 devices. If somebody opens the main door,
2 there are many reasons to open the main door
3 whether it's just a routine swapping of cashbox
4 or checking a printer or whatever. But anytime
5 that door is open, our system will log the fact
6 that the door was open.

7 Same thing with the logic door,
8 which is where the specific game software and
9 operating system of the device is housed. And
10 our system will do a software check before the
11 machine comes up and playable. The machine is
12 unplayable when those doors are open. Before
13 the machine is playable for a patron, our
14 machine will check to make sure that that
15 software on the machine is exactly what is
16 expected to be on that machine and that nothing
17 has been changed while the door was opened.

18 And if it's not able to -- if the
19 software is different for some reason, the
20 machine will stay disabled. It won't be able
21 to be played. And a notification will be sent
22 to the regulator, whatever the appropriate
23 staff is at the regulator to investigate that
24 anomaly situation.

1 These checks can also be set up to
2 occur on specific time intervals. Most
3 jurisdictions where we operate have decided to
4 do it at least once per day. Knowing that at
5 least once a day the software on the machine is
6 going to be checked and validated, and the
7 machine will allow to remain playable. And if
8 any event happens in between the course of the
9 day and the next check the following day, such
10 as a door open or power off or anything like
11 that that check will happen again before the
12 machine is playable again to ensure that
13 nothing has been tampered with.

14 I would say that from a software
15 tapering standpoint, I can't recall any
16 conversations where a regulator has found that
17 somebody had attempted to change the software
18 on a machine for two reasons. One is the
19 system will immediately detect it and there
20 won't be any advantage gained because the
21 machine will not be playable.

22 And the second is I think there are
23 advancements in the technology of the machines
24 themselves, which help forge people from trying

1 to do those things.

2 Situations such as money laundering,
3 I think that they happen fairly commonly. I
4 can tell you a specific instance of a
5 jurisdiction where -- And perhaps we can just
6 jump to the next slide so we can run through
7 the process of money-laundering detection. --
8 specific instances where an individual or a
9 group of individuals went up to a machine and
10 put money in the machine. And their activity
11 on the machine was run through some proprietary
12 algorithms that detected that they are not
13 actually playing the machine. They're putting
14 money in and they're cashing out.

15 And then they are either taking
16 those cash-out slips and recycling them through
17 machines a few more times or just going right
18 away and validating that cash-out voucher. and
19 taking the cash from the machine.

20 When that play is happening in real-
21 time or that activity is happening in real-time
22 on the system, the system is looking at all of
23 the activity. It doesn't know who the player
24 is necessarily, our system doesn't. But it

1 looks at the behavior of the player at the
2 device and raises a warning if the activity
3 falls into certain categories or seems to be
4 suspicious and that alarm is in real-time.

5 The security staff is notified
6 immediately. And typically what happens is the
7 regulator's gaming agent or security team would
8 work with the casino who is in control, the
9 camera security system at the facility to look
10 at exactly what is going on or what went on
11 over the previous few minutes to identify the
12 individual, watch their activity and then
13 handle the situation appropriately from that
14 standpoint.

15 CHAIRMAN CROSBY: Do an operator's
16 play management system their own, whatever you
17 call this system, cost management system, does
18 that have a similar capacity?

19 MR. CEDOR: I don't know. I can't
20 answer that question. I don't have experience
21 with the casino management systems themselves.

22 COMMISSIONER MCHUGH: One of the
23 things that comes around in these articles that
24 Bruce sends around is the seemingly

1 increasingly ubiquitous devices that you can
2 use to alter the payout on slot machines. I
3 think the last one you sent around showed us
4 where we could get some on the web if we
5 wanted. Will this software pick that up?

6 MR. CEDOR: Yes, it will. Again,
7 part of the software that's defined on the
8 machine, the record for that software that we
9 keep on our system includes the expected payout
10 of that machine.

11 So, if that machine is behaving
12 erratically, obviously keeping in mind that
13 things like jackpots do exist. So, for a short
14 period of time a payout of a machine could seem
15 extremely high if a jackpot has been hit. But
16 if the behavior of a machine seems to be
17 erratic, then that is another mechanism that we
18 have in place where that will be reported out
19 to a gaming agent or appropriate staff for the
20 regulator to investigate and report on. So,
21 yes.

22 COMMISSIONER MCHUGH: The trigger
23 for the report is an outside of the profile
24 payout and not the fact that there is some

1 external intervention that these little gismos
2 will do?

3 MR. CEDOR: That is correct.

4 MR. BAND: I can answer your
5 question on the casino system, they would not
6 notify you of that money-laundering event.

7 CHAIRMAN CROSBY: They don't have
8 the same capacity?

9 COMMISSIONER CAMERON: They don't
10 have the ability or they wouldn't notify you?

11 MR. BAND: It's not set up to do
12 that. And it's not set up to notify you as
13 well.

14 MR. LENNON: I think that's more on
15 their player management system. You have to
16 remember that we're getting the benefit of
17 where GTECH is an operator. So, they are an
18 operator's house system in Rhode Island and
19 parts of Canada as well as they are an
20 oversight system. So, they have both
21 functionality built into their software.

22 COMMISSIONER ZUNIGA: So, how does
23 the system -- I'm just picking up on the
24 question the Chairman is asking. How does a

1 central management system interface with a
2 slots management system of an operator's
3 system?

4 MR. CEDOR: Again, it depends on
5 whatever the jurisdictional rules are. In some
6 jurisdictions where we provide a system they
7 are kept specifically independent. In some
8 jurisdictions, they utilize an offline method
9 of balancing between the two systems. And in
10 some jurisdictions there is the ability for the
11 two systems to pass information back and forth
12 to each other.

13 But in terms of if you as a
14 regulator want to do something to the gaming
15 floor, whether it's shut a machine or a group
16 of machines, that would not go through the slot
17 management system. You would have a direct
18 connection to each gaming device. And you
19 would have the ability to shut off that gaming
20 device, as an example, for whatever reason you
21 needed to shut it off. You wouldn't be reliant
22 on the casino management system to allow you to
23 do that.

24 COMMISSIONER MCHUGH: In order for

1 the system to work, does the machine have to
2 have certain kinds of receptors in it? I'm not
3 sure exactly what the right word is. But for
4 example some kind of a device that shows you
5 when the door is opened and disconnected to the
6 system, it has to have that, right?

7 MR. CEDOR: The machines do have
8 sensors that trigger an event when the door
9 opens. It's not something unique to this
10 system or any of our competitor's systems.
11 That communication method is the SAS protocol
12 or the G2S protocol.

13 The SAS protocol is the same
14 protocol used by the majority of the casino
15 management systems. So it's not an additional
16 layer of responsibility or requirements on the
17 slot manufacturers or on the operators to have
18 the slot manufacturers to do something. It
19 utilizes the same work that's been done for
20 that facility based on the implementation of
21 the protocol.

22 COMMISSIONER MCHUGH: That's true
23 for all of the inputs to this system, it just
24 takes advantage of things that are there

1 anyway?

2 MR. CEDOR: Correct.

3 COMMISSIONER ZUNIGA: John, could
4 you remind us of the protocol? We already have
5 in regs. the G2S protocol. There was a
6 phasing, if I remember correctly.

7 MR. GLENNON: So, the legacy
8 protocol is the slot accounting system, SAS
9 protocol. We're allowing Penn to put machines
10 in Plainridge that have that protocol. And
11 we'll grandfather those. They can leave them
12 in.

13 But when the commercials open, we
14 are requiring that the machines that are put in
15 there have the G2S protocol. It's a richer set
16 of data. It's a standard, which has been under
17 adoption since the Gaming Standards Association
18 started in 2006. So, I think it's going to be
19 more adopted. And think that that's -- Does
20 that answer your question?

21 COMMISSIONER ZUNIGA: Yes. But for
22 the purpose of this discussion, it's a nonissue
23 because the system can manage both.

24 MR. GLENNON: The only difference is

1 that the cost using the G2S system, because of
2 advances in technology, won't require an
3 intermediate device called the system
4 management interface board, which is basically
5 a piece of hardware that costs about three
6 hundred bucks that has to go into each machine
7 in order to distribute the data to the two
8 systems.

9 You're basically bifurcating the
10 data coming out of the back of the slot
11 machine. We're going to take it. The house
12 system takes it as well.

13 So, in the old machines there's an
14 additional piece of hardware. It's an
15 additional cost. We built it into the bottom
16 line. In the G2S, it's one stream of data and
17 we both take a feed.

18 COMMISSIONER MCHUGH: Do we pay for
19 that piece of hardware or does the operator?

20 MR. GLENNON: It's part of the cost
21 of the installation of the infrastructure
22 that's been put into the proposal from GTECH.

23 MR. LENNON: In the contract we
24 would pay for it, but at the end of the day

1 it's all distributed back to the operators. We
2 could either have them pay for it directly or
3 have it through the contract. We figured we'd
4 rather own the contract and not have debates on
5 what's needed, what's not needed. So, we built
6 it into our contract price.

7 COMMISSIONER MCHUGH: Right.

8 COMMISSIONER ZUNIGA: For the case
9 of Penn, they would have to make a decision, go
10 with an older protocol and eventually pay the
11 additional hardware or --

12 MR. GLENNON: So, they've already
13 given us an inventory of 300 SAS base machines
14 that they're going to put in there. So, we'll
15 put the snibs in. I also had a conversation
16 with the team building yesterday. I went to
17 the construction meeting. They're wiring in
18 anticipation -- not in anticipation but for the
19 contingency that the Commission decides to use
20 a central management system. So, I think all
21 of the pieces are in place to be able do this
22 if we decide to do it.

23 COMMISSIONER ZUNIGA: I remember
24 that directive.

1 COMMISSIONER MCHUGH: You didn't
2 realize that there was all this on that slide,
3 did you?

4 MR. CEDOR: I'm happy to stay for as
5 long as you'd like me to.

6 Some other benefits of the system
7 and some of these we've touched on already, the
8 ability to directly manage and control the
9 gaming devices from your system without the
10 need to go through a secondary system. If you
11 find an issue with a specific machine, whether
12 it's the game on that machine or if there's an
13 issue with a specific manufacturer in the
14 entire jurisdiction, you can immediately take
15 action. Again, it can result in immediate
16 action across the entire jurisdiction.

17 You are actively monitoring all of
18 these gaming devices in real-time. You have
19 system wide reporting whether it's by
20 jurisdiction, by venue, by manufacturer. As I
21 mentioned before, daily invoicing of the
22 facilities, you can do that at any time
23 interval you're interested in. And then the
24 ability to record and act on in real-time any

1 security events that occur at a gaming device.
2 And the ability to provide audit reports so
3 that you can go back and audit that what the
4 facility has is the same as what you have on
5 your system as well.

6 I think at the bottom of the slide
7 there, we've already discussed most of those
8 benefits. And the next slide touches on
9 licensing, which again, I won't go into much
10 more. We've already discussed the ability to
11 provide and manage licenses for whether it's a
12 venue or manufacturer or game of the machine
13 itself or a user on the system.

14 Actually, we haven't touched on
15 users. If you have a user on the system that
16 has access to reporting or the ability to
17 monitor activity on the gaming devices, those
18 users are typically licensed. And if for some
19 reason that user is no longer part of the
20 regulatory agency that license can be revoked
21 which would immediately shutdown user access.
22 And if they were to gain access to the system,
23 they wouldn't be able to do anything. They
24 wouldn't have access to any of the data any

1 longer on that system.

2 This is just a very high-level
3 overview of what the implementation of the
4 system would look like. In this case, there
5 would be a primary data center located in
6 Boston. We have two systems located in that
7 data center, a primary and a backup.

8 We provide a duplex environment in
9 the event that something happens to the primary
10 system, it immediately will failover to the
11 backup system with no required intervention,
12 and no discernible change of service to the
13 venue or the player. Again, this is the same
14 type of system that we have operating in
15 multiple jurisdictions throughout North America
16 and the world.

17 We would use communication between
18 the primary data center and the venues or
19 through an IP network typically through
20 dedicated lines. We have site controllers. In
21 this case you can see it's called the MTSC.
22 I'll apologize now for acronyms. We use them
23 quite a bit ourselves.

24 MTSC stands for multi-terminal site

1 controller. You normally have a number of
2 MTSCs in any venue which have direct
3 connections to each individual gaming device on
4 a venue floor. Then you can see that we also
5 detect a secondary link from each gaming device
6 to whoever the provider of the venue system
7 would be.

8 In addition to the primary data
9 center in Boston, we also anticipate a backup
10 data center in Springfield, which would have a
11 third system which acts as a secondary backup
12 so that in the event that the entire primary
13 data center disappeared, the backup data center
14 could take over without interruption in service
15 to the venues or to the players.

16 Again, the same type of environment
17 that we've provided to other jurisdictions are
18 operational today. And it provides an extra
19 layer of redundancy in case there is any
20 catastrophic event at the primary data center.
21 There is no loss of service.

22 I mentioned before that we've been
23 providing -- We provided our first system in
24 this environment in 1992. And for over 22

1 years now, because the development of that
2 system began prior to 1992, we've been actively
3 developing and providing these systems to
4 jurisdictions throughout the world.

5 We've invested millions of dollars
6 over that timeframe. GTECH's R&D budget last
7 year alone was \$107 million for all of its
8 product lines. But we've invested millions of
9 dollars over the years and have had hundreds of
10 engineers working thousands of hours to develop
11 the system. And we feel we really have a best
12 of breed system that we're able to provide to
13 regulators who are interested in implementing
14 it.

15 COMMISSIONER ZUNIGA: In this
16 diagram what is DGM and ABI?

17 MR. CEDOR: Those are optional add-
18 on systems that some regulators choose to take
19 advantage of. DGM stands for dynamic game
20 management. And it would provide you with the
21 ability to download new games to the gaming
22 devices from the system.

23 Today, if you had to swap out a
24 game, you would install the box of the gaming

1 device on the floor. And that box has a
2 lifespan. Let's say it's three years. It's
3 probably more than that, but let's say it's
4 three years. The game on that device has a
5 significantly shorter lifespan.

6 So, typically you would get a new
7 game for that device after six months or so.
8 You'd keep the physical device and you'd put
9 new gaming software on it. You'd have to walk
10 up to the device and open the door and load the
11 new software on it.

12 That particular server there
13 provides the ability to download new software
14 to the machine from the system. So, you don't
15 have to visit every machine that you wanted to
16 change software on.

17 COMMISSIONER CAMERON: That's the
18 operator's responsibility, right? Is that
19 something you use more in Canada where you are
20 the operator?

21 MR. CEDOR: Yes. In a situation
22 like Massachusetts that's not something that
23 you would probably be interested in. And other
24 jurisdictions similar to Massachusetts such as

1 Pennsylvania and Maryland they don't use it
2 today.

3 So, it really depends on what the
4 responsibilities of the regulator are, and if
5 it extends out to the management of the
6 software on the machines.

7 Additionally, the ABI reporting,
8 advanced business intelligence, provides an
9 extra suite of reports that are usually focused
10 on performance type information for those
11 operators who are interested in looking at the
12 performance of specific vendors or machines or
13 games to allow them to make better purchasing
14 decisions about enhancing their gaming floor.

15 So again, not necessarily something
16 that you would be interested in in this
17 regulatory environment with the scope of what
18 you're considering the system to do.

19 COMMISSIONER MCHUGH: There are a
20 series of reports that are part of this
21 presentation. Are the reports built into the
22 system or can they be configured by us? In
23 other words, if we got into this for a year and
24 we said we'd really like to get a report on X,

1 can we create that report?

2 MR. CEDOR: Yes. We have a baseline
3 set of reports. And the reports that you have
4 in front of you are some examples from that
5 baseline set of reports that come with the
6 system.

7 But yes, we have the ability to if
8 there was a new report that you wanted to see
9 or some other type of functionality that you
10 wanted reported out in a different way, you
11 would have the ability to add reports.

12 MR. LENNON: Part of our RFR we
13 requested access to the backend data. So, if
14 we wanted to develop ad hoc reports or queries
15 we could do that. I know, Enrique, that was
16 important to you. So, that was part of the
17 discussion during the RFR. It was checked off
18 as a yes that's available on our system.

19 MR. GLENNON: I think in addition,
20 Derek, we are also asking for a three-way match
21 in a report for our jurisdiction.

22 MR. LENNON: Correct. So, that
23 would be another. We saw one jurisdiction
24 where they are taking the reads from the

1 operators' system. So, the operators have to
2 send in their meter reads. And they line it up
3 next to the meter reads from an independent CMS
4 system to see where there may be changes, where
5 there may be a glitch in the program, where
6 there may be an adjustment that you wouldn't
7 catch upfront.

8 And what we're also going to do is
9 Bruce's input is when there is an actual cash
10 drop, review and sweep of the machines tie that
11 out to what the meter reads were. So, we want
12 to do a three-way match to see what's the money
13 saying, what's the ticket-in, ticket-out
14 saying, what are the meters saying and where
15 are the discrepancies, whereas the environment
16 may be not perfect.

17 COMMISSIONER MCHUGH: Thanks.

18 MR. CEDOR: Thank you.

19 MR. LENNON: I will take over a
20 little bit now based on the information that
21 was presented to us on return on investment. I
22 know that a lot of this is at the high level.
23 So, I'll try to walk through some of the
24 rationale and the mathematics behind how we

1 arrived at these numbers.

2 We've done different developments of
3 this slide. Thanks to Vanessa, we put this
4 kind of in an area that's digestible and it
5 doesn't go on for about 50 pages.

6 On the return on investment side,
7 the first piece that we are looking at is just
8 a very high level. Where is the biggest place
9 you can lose revenues? The biggest place where
10 we can lose revenues is if we have to shut down
11 machines for a good amount of time. Where are
12 the instances where that will happen? The
13 biggest place is where you are doing machine
14 moves or when you actually have to go out and
15 audit the software that is sitting on the
16 machine.

17 Now based on Bruce's experience,
18 some of the experience we've seen in other
19 environments, you'd have to shut those machines
20 down you shut down a whole section for anywhere
21 from a half-day to a full day. So, if you're
22 looking at some of the analysis we've done,
23 some of the information we've gotten back from
24 our consultants, you get about three to \$350

1 per machine. I won't say every machine will do
2 that, but we averaged them out \$300 to \$350 per
3 machine per day.

4 So, if we go in the middle and we
5 take a look at 325, we're estimating in a non-
6 central management environment, a manual
7 environment, we look at 10,000 machines. We
8 would audit about 3000. If you figure about
9 one-third of those machines would be moved or
10 changed throughout the course of the year,
11 there's another 3333. There's 6000 machines
12 that you lose anywhere from half a day to a day
13 of revenue.

14 Now we said, well, that's a high
15 number. You are looking at probably close to
16 \$1.6 million a year. Let's back that down and
17 say that 70 percent of those machines wouldn't
18 be operating throughout the course of the year.
19 We took a 30 percent to 33 percent variance.
20 We got down to a reasonable number.

21 You're losing \$360,000 of gaming
22 revenue per year on a 10,000 machine
23 environment just by having those machines shut
24 down for half a day while you wait for our

1 staff to come out with the team. Where if the
2 facility does it, they can do it much quicker
3 and have the machines up and running the second
4 they do them or the second they change the
5 software. It pings against the CMS machine,
6 the CMS vendor that says is it up and running
7 the right way. Is it live and back in playable
8 condition?

9 COMMISSIONER ZUNIGA: That was very
10 fast by the way.

11 MR. LENNON: Yes, that's why we have
12 a transcript.

13 COMMISSIONER ZUNIGA: But that
14 assumes that there's a lot of machines, more
15 than 10,000.

16 MR. LENNON: No, that's assuming
17 there's 10,000.

18 COMMISSIONER ZUNIGA: Assume that
19 there's 1250 or 3000 because this is casino
20 based. You have to run the operations per
21 licensee. The downtime can be spread. You
22 have to do an audit how often would you say?

23 MR. LENNON: You do about one-third
24 of the CPU units throughout the course of the

1 year.

2 COMMISSIONER ZUNIGA: One-third of
3 the CPU units once.

4 MR. LENNON: So, you've got 10,000
5 machines.

6 COMMISSIONER ZUNIGA: No, 3000
7 machines.

8 MR. LENNON: But we're looking at
9 steady-state. We can revise this --

10 COMMISSIONER ZUNIGA: This is
11 operator based. This is not 10,000.

12 MR. LENNON: You've got three
13 operators at 3000 machines a piece and then the
14 slots parlor at 1250.

15 COMMISSIONER ZUNIGA: Right, but
16 don't spread 10,000 over a year, spread 3000
17 times three over a year.

18 MR. LENNON: So, now you're saying
19 don't audit one-third of the floor. You're
20 saying audit closer to 10 percent of the floor?

21 CHAIRMAN CROSBY: Let him finish. I
22 don't know where you're going either. Go ahead
23 and finish.

24 COMMISSIONER ZUNIGA: When you

1 spread 10,000 over a year, it's as if you have
2 one casino with 10,000 machines. I'm saying we
3 have three casinos with 3000 each.

4 CHAIRMAN CROSBY: So, what's the
5 impact of that?

6 MR. LENNON: You're still going to
7 audit one-third.

8 COMMISSIONER ZUNIGA: The
9 calculation you're getting at -- You're going
10 to spread the downtime over a less -- There's
11 less reason to spread the downtime.

12 MR. LENNON: You're still looking at
13 auditing one-third of the floor. So, you're
14 auditing 1000 in one facility, 1000 in another
15 and 400 or so, 333 in the other venue, whatever
16 you want to add it up to. So, you're still
17 doing 3333 machines that will be down for half
18 a day to a full day.

19 COMMISSIONER MCHUGH: Total machine
20 days.

21 MR. LENNON: Yes, total machine
22 days.

23 COMMISSIONER ZUNIGA: Then you can
24 use nights.

1 MR. LENNON: Absolutely. That's why
2 we've deflated that factor to say we're not
3 going to -- this number would have been much
4 higher the first time we went through it at
5 about 1.6 million.

6 And we've deflated it way down to
7 say that the operators are going to do their
8 best to make sure that they time those to not
9 impact revenue. But we figure there's still
10 some impact to revenue. So, we've gone with to
11 cut it from a day down to half a day which is
12 the least amount of time you can do, which
13 believe me our team wanted to go higher to get
14 the numbers higher.

15 But we wanted to give you the bare
16 minimum of impact here. And that's why we said
17 let's not go with 100 percent of these machines
18 are going to be getting \$325, let's go with 30
19 percent of them would be getting that. That's
20 saying 70 percent would be getting nothing.

21 CHAIRMAN CROSBY: In other words, 70
22 percent of the audits cost nothing, so 30
23 percent would cost something.

24 MR. LENNON: So, we've tried to

1 deflate. We've tried to make this a realistic
2 number based on everyone's best intentions.

3 CHAIRMAN CROSBY: This is 360 GGR.

4 MR. LENNON: Gross gaming revenue.

5 CHAIRMAN CROSBY: So tax revenue
6 would be 80,000.

7 MR. LENNON: Yes, one-quarter of
8 that. But this revenue is coming back to the
9 facilities. So, it's both revenue to us and
10 revenue that's coming back to the operators.

11 MR. GLENNON: Just I want to clarify
12 this. It's not just the audit, it's also when
13 the operator decides that they want to move
14 their floor around and reconfigure, there's a
15 manual process which Bruce can talk to that is
16 enhanced by the ability to check the machine in
17 the new location much quicker than would have
18 to be done in the manual process.

19 CHAIRMAN CROSBY: When they move a
20 machine, we have to go back out.

21 MR. GLENNON: Yes, in a manual
22 system we check it manually, yes.

23 COMMISSIONER ZUNIGA: Don't they do
24 those things -- I guess that was part of my

1 point. Don't they do those operations when
2 there's very few people?

3 MR. BAND: They try to, but it
4 doesn't always work out that way. For one,
5 it's the availability of the regulators at
6 least in other jurisdictions might only be day-
7 shift regulators to go and check those
8 machines. So, they're not losing revenue
9 during the course of that time.

10 MR. LENNON: On the other side, and
11 we'll get into this on the next slide, and I'll
12 let Bruce take over an explanation of each one
13 of these instances. And believe me, this is
14 not all inclusive. We've just taken some of
15 the bigger, bigger instances to make a
16 demonstration.

17 But in the manual audit environment,
18 you have to worry about your employee
19 availability, which Bruce was just talking
20 about; the experience of your employees whether
21 they know how to use the house system or not,
22 whether they can analyze the data coming out of
23 the house system, as well as the availability
24 of the information.

1 Do you have all the prompts that we
2 talked about earlier? Do you know each time an
3 event is happening? In an ideal world, yes,
4 you're getting that. But there are always
5 times when things fall down a little bit. So,
6 you don't necessarily have that all of the time
7 without the independent system.

8 COMMISSIONER MCHUGH: So, there's a
9 staffing component to buying this system, a
10 GTECH staff component?

11 MR. LENNON: There's a GTECH
12 staffing component to this.

13 COMMISSIONER MCHUGH: So, is there
14 an annual operating cost in addition to the
15 capital cost?

16 MR. LENNON: The way we generated
17 the procurement, we wanted that all inclusive
18 in the monthly bill to us. So, their cost came
19 in with a refresh in five years to make sure we
20 have the updated equipment and make sure we
21 have updated technology, the latest system
22 that's running at 26.1, \$26.3 million and that
23 was very low compared to the others. The
24 monthly is about \$225,000, which includes the

1 capital.

2 MR. GLENNON: And the cost of the
3 staff, the FTEs.

4 CHAIRMAN CROSBY: The answer to the
5 question was yes.

6 MR. LENNON: Yes.

7 COMMISSIONER MCHUGH: But I looked
8 at the number and I thought that was simply the
9 capital cost.

10 MR. LENNON: No. The 22.5 is the
11 staffing too.

12 COMMISSIONER MCHUGH: Over a 10-year
13 period?

14 MR. LENNON: Over a 10-year period.

15 COMMISSIONER MCHUGH: Okay.

16 MR. LENNON: Like I said, we got a
17 very competitive price here compared to the
18 other ones that came in.

19 COMMISSIONER MCHUGH: I was just
20 trying to figure out what that competitive
21 price included.

22 MR. LENNON: There is no hidden --

23 COMMISSIONER MCHUGH: I'm sure there
24 isn't. I just didn't understand, I do now. I

1 understand what it includes now.

2 MR. GLENNON: I just wanted to add
3 in terms of the FTEs, they've also built in the
4 option for the Commission to take over the
5 operational responsibility of the application
6 at some point. I think if we end up engaging
7 with GTECH, they provided that capability at
8 some point in the contract based on our ability
9 to support it to staff up with our own FTEs and
10 operate it.

11 That's something to consider and
12 something that's built in. It may make the
13 cost in out years less.

14 MR. LENNON: So, this next slide
15 takes a look at each type of thing that could
16 happen on the gaming floor. The time you'd
17 have to spend doing it in a manual environment
18 and the amount of time the gaming agent would
19 have to spend on it with the CMS system.

20 And I'll let Bruce walk through the
21 categories on the left. And the instances, the
22 number of times we do it is based on his 30
23 years of experience and what he would do in a
24 manual environment, how he would recommend

1 setting up his shop to do it.

2 And then we can go through the
3 numbers, the variance and how we arrived at
4 what the savings just in these operations. And
5 I don't want you to think that this is all of
6 the savings that you get from a central
7 management system. This is just some of the
8 high-level ones to point out exactly what you
9 get.

10 MR. BAND: Just to go over kind of
11 what each of these category functions are.
12 With jackpots, we would verify that the chip is
13 correct, check to make sure that the seal is
14 still intact. And make sure that there hasn't
15 been any other tampering, evidence of tampering
16 on the machine.

17 We'd also look at the history from a
18 computer printout as to what's happening in the
19 machine, the meter log to see what kind of
20 repair work prior to paying jackpots.

21 With new installations, it's
22 verifying the slot machine chip in the computer
23 is the correct one, an approved chip. And you
24 do that by using a laptop and matching that up.

1 Checking machine's serial numbers to make sure
2 that they are recorded correctly. Then we
3 would seal the verified chip in the machine.

4 For moves and changes to the games,
5 it's just kind the same thing verifying that
6 the new locations are right. Also, verifying
7 that the chips and sealing any chips for
8 program upgrades in the machine.

9 We'd also want to do an audit at the
10 physical locations to make sure that they
11 actually have the number of machines on the
12 floor that they're telling us and that we're
13 taxing them on. That kind of involves going
14 through matching serial numbers and so on to a
15 printout.

16 Revocations, this is pretty common
17 practice. And you've seen from some of the
18 reports that I've sent you, they find glitches
19 in these slot programs that over time kind of
20 compound themselves as they add more software
21 to it. So, what they would do is if it's
22 something as serious as some of the ones that
23 we've seen in the articles, we would turn that
24 off right away and they would upgrade it with

1 the new chip. We would verify that again,
2 reseal just like you did when we started.

3 With the audit of the CPU units,
4 mainly we're trying to do a third of the floor
5 a year. It's labor-intensive to do this. And
6 it's just more or less verifying the chips and
7 the numbers to make sure that yes, that is
8 still the correct chip in that machine. A
9 third of the floor is being very hopeful that
10 we can reach that magnitude. It's a tough
11 thing to do.

12 Meter reads versus actual counts,
13 it's pretty much where you take the meter
14 readings and the count sheet to see what you're
15 counting in the count room basically matches
16 up with what the machine meters say you should
17 have, looking for variances, following up, kind
18 of investigating with the slot department and
19 accounting as to why there is such a variance.

20 Formal complaints of the hold that's
21 really more formal complaints on slots
22 altogether. It kind of means looking at the
23 history, seeing what has happened through the
24 play cycle. If it does involve a hold, it's

1 kind of looking to see what currently the
2 machine is set at and what it's currently
3 holding.

4 For the financial investigator on
5 site, that would be in the manual setup we
6 would have to have somebody come out and
7 actually do specific audits on the flow of the
8 paperwork and jackpots and so on to make sure
9 that everything has been done correctly.

10 With inter-facility balances on
11 wide-area progresses, that's more or less
12 matching up to make sure that the machines are
13 progressing correctly. The money is being
14 accounted for from all properties involved in
15 that wide area progressive. And that usually
16 it's like a five percent of the machine would
17 go into the jackpot to make sure those kind of
18 things are set up correctly.

19 MR. LENNON: I apologize for the two
20 typos on this page.

21 COMMISSIONER ZUNIGA: Can I ask a
22 question about jackpots? So, you calculated
23 here that there would be downtime anytime there
24 is a jackpot, right? And that costs money

1 because otherwise the person would be playing
2 more?

3 MR. BAND: Yes. It wouldn't
4 necessarily be every time that you do it but
5 there would be occasions that that would
6 happen.

7 COMMISSIONER ZUNIGA: Doesn't a
8 jackpot result sometimes in that person playing
9 more?

10 MR. BAND: Yes, it does that down
11 the road. But if it's a jackpot over a certain
12 dollar amount, there's paperwork that has to be
13 filled out so it's not automatically paid out.

14 COMMISSIONER ZUNIGA: Right, right.
15 If I brought \$100 with me to spend and I hit a
16 jackpot whatever, I may be putting it back
17 again.

18 MR. BAND: In theory that's what
19 they're hoping, yes.

20 COMMISSIONER ZUNIGA: If you only
21 are counting the amount of downtime of the
22 jackpots, that doesn't --

23 MR. LENNON: That revenue is going
24 to come in one way or another. What we're

1 talking about is the machine is up and running
2 this much quicker.

3 So, what you're saying is in a non-
4 central management environment they're going to
5 put that money back in the machine. In a
6 central management environment, they're going
7 to put that money back in the machine. We're
8 not disagreeing with you on that. It doesn't
9 impact gross gaming revenue.

10 What we're taking a look at is it
11 takes half an hour to verify that and have a
12 gaming agent and have that machine down and not
13 being played when you do that in a manual
14 environment.

15 And it takes 10 minutes to do that
16 when you have the reports that you can hit
17 really quickly off the central management
18 system. You go out there. You're not waiting
19 for the operator to provide those reports. And
20 you don't have to take the time to understand
21 them, review them. You're comfortable with the
22 data. You can say yes, this is accurate. We
23 should pay this out. That's the difference.

24 COMMISSIONER MCHUGH: Could you

1 explain what the last -- what the annual
2 savings, 10 year hourly savings, 10 year
3 contract savings and the gross gaming revenues
4 at the bottom are?

5 MR. LENNON: The difference between
6 the 10 year savings that's just staff time.
7 So, we took the cost of --

8 COMMISSIONER MCHUGH: Are we talking
9 about the 10 year hourly savings now?

10 MR. LENNON: Yes. So, the 10 year
11 hourly savings, so we'll take the hours
12 manually versus the hours of CMS. You take the
13 difference there. Then you multiply that by
14 the number of instances that this would happen.
15 And then you multiply by the hourly rate of --

16 COMMISSIONER MCHUGH: I'm sorry.
17 I'm having trouble following you now. Let me
18 rephrase the question. That number 74,755.53
19 at the bottom of the 10 year hourly savings is
20 the number of hours that are going to be saved
21 over a 10-year period?

22 MR. LENNON: Correct.

23 COMMISSIONER MCHUGH: Then you
24 multiply that by the hourly rate to get the 10

1 year contract savings?

2 MR. LENNON: Correct. Oops, sorry
3 about that times the 42.67.

4 COMMISSIONER MCHUGH: Then where
5 does the 101,000 at the bottom come from?
6 Where does that come from?

7 MR. LENNON: So, the 101,000 was
8 when we took the daily gaming win of 325 per
9 machine divided by 24 hours to get an hourly
10 rate then multiply it times those hours over
11 the course of the year.

12 CHAIRMAN CROSBY: I thought it was
13 360,000? What was the 360 that we saw earlier?

14 MR. LENNON: The 360 is overall if
15 you're down for a day. This is just taking
16 those bare minimum hours that it's down. So,
17 we're saying at the very least, you're going to
18 get 101,000. That's the very bare minimum
19 you're going to get from having the system up
20 longer. And it kind of puts in perspective
21 what we're saying of the 360,000 that it's not
22 that high if you're assuming it's down for half
23 a day. So, we keep trying -- And I know this
24 is confusing, but we're trying to give you the

1 places that we're poking holes in our own
2 argument.

3 COMMISSIONER MCHUGH: So, the
4 101,000 is keyed off of the 74,000 plus hours?

5 MR. LENNON: Correct.

6 COMMISSIONER MCHUGH: Okay, thank
7 you.

8 MR. LENNON: The 7400 so that would
9 turn into a million over the course of 10
10 years.

11 COMMISSIONER MCHUGH: I see, yes.
12 The 7400 annual savings, okay, hourly savings.
13 Got it.

14 COMMISSIONER CAMERON: Does that
15 relate to less personnel?

16 MR. LENNON: That's the area where
17 we'll be looking to the IEB and the Commission
18 to talk about do we want less personnel? Or do
19 we want more work into the internal controls?
20 Do we want to do more work on the gaming table
21 side of the operations? Do we want to spend
22 more time doing research versus just manual
23 processes?

24 And I think there's a balance there.

1 I'm not going to speak for the IEB. I think
2 Bruce and Karen would be better to have that
3 discussion with you but there's definitely an
4 opportunity to take a combination of the two or
5 to cut down on staff. They are absolutely --

6 COMMISSIONER CAMERON: Because it
7 doesn't really relate to a savings if you don't
8 have fewer personnel.

9 MR. LENNON: Correct. You're right
10 about that. Once again, this isn't the whole
11 world of what happens. The next slide kind of
12 shows you the big difference and we'll walk
13 through that. This is showing you just on
14 these activities, the number of hours you can
15 save by having basically a computer check this
16 work for you.

17 COMMISSIONER ZUNIGA: I understand.
18 So, in places like New Jersey or when there's a
19 jackpot, and I'm still on line one here on the
20 jackpots, and the seal isn't broken because
21 it's all manual --

22 MR. BAND: It would be inspected.
23 In our regulations as well if it's a jackpot
24 over 75,000, a gaming agent would inspect that

1 machine to make sure the seal is intact. There
2 might be reasons or something that you actually
3 want to break that seal and check the machine.

4 COMMISSIONER ZUNIGA: But if the
5 seal is intact, why does it take half an hour?

6 MR. BAND: It's just the process to
7 get everybody there that's involved and getting
8 the chip out.

9 COMMISSIONER ZUNIGA: But you're not
10 taking it out or do you?

11 MR. BAND: No. But you've got to
12 take the board out to check the chip and it
13 does take time to do that. It's not
14 instantaneous that you just go over -- you have
15 to have the slot department with you, the
16 security. It's a process.

17 COMMISSIONER ZUNIGA: Isn't the seal
18 visible from the outside?

19 MR. BAND: No.

20 COMMISSIONER ZUNIGA: Thank you.

21 MR. LENNON: On this next slide, a
22 lot of this information is the same as you saw
23 on the July 24 presentation as far as the
24 number of staff that would be needed in a

1 manual environment versus the central
2 management environment.

3 The one area that we have a change
4 is in the gaming agents. And Bruce has had an
5 opportunity to take a look at what we've
6 presented the first time and give us a critique
7 as to what he thinks the gaming agent staffing
8 should be. And I think he has a pretty good
9 explanation as to why it would increase and the
10 details behind it.

11 Just as a quick reminder on the
12 finance side as far as auditors go, we'd
13 recommend two auditors per shift on the morning
14 shift five days a week per facility to help
15 pick out the areas where you see discrepancies
16 in meter reads versus cash counts and take over
17 to the IEB for instances to investigate.

18 Without that we have one auditor in
19 the central office reviewing the reports, the
20 exception reports as we work with GTECH to
21 develop a protocol that would say here are the
22 ones you want to look at. We'd only be
23 managing by exception versus looking at every
24 single one.

1 COMMISSIONER ZUNIGA: So, if you've
2 assumed four facilities it's two per facility,
3 right?

4 MR. LENNON: Correct. And that was
5 the same assumption we went on the first time.
6 We tried to keep our information somewhat
7 constant. Obviously, if we only have three
8 that drops down by two positions as well as the
9 EGD's that we're monitoring throughout this
10 time. You don't have 10,000 estimated you'd be
11 closer to the 7000 estimation.

12 MR. BAND: For our staffing with the
13 central monitoring system, we would try and add
14 two 24-hour seven day week coverage. To do
15 this in a non-central monitoring system and to
16 meet the needs of our customers to be able to
17 try to keep these machines, we have six teams.
18 I would want to add one extra person each one
19 of those teams. They would pretty much be
20 designated to do seals and things like that to
21 help the slot department keep the department
22 operating.

23 COMMISSIONER MCHUGH: Six teams,
24 help me with that now, you've got two agents

1 all of the time at a facility; is that right?

2 MR. BAND: Yes.

3 COMMISSIONER MCHUGH: And we have
4 four facilities. So, we would have eight
5 agents on duty at all times.

6 MR. BAND: Yes.

7 COMMISSIONER MCHUGH: And how do you
8 get from the eight to 64?

9 MR. BAND: It's the number of teams
10 that operate on a 24-hour basis seven days a
11 week, which would be three shifts. So, we
12 would add an extra person to each of those
13 shifts because of course they don't work seven
14 days a week.

15 COMMISSIONER MCHUGH: Okay, got it.

16 COMMISSIONER ZUNIGA: In a prior
17 slide, you had assumed that sometimes you have
18 to do the audits, you have to wait for the
19 eight-hour shift to do the audit?

20 MR. BAND: Yes.

21 COMMISSIONER ZUNIGA: But in here
22 you're assuming that there's somebody always
23 on.

24 MR. BAND: I'm trying to accommodate

1 the industry to keep this operating. It was
2 our sister agency that actually did that audit.
3 And I don't think just having people available
4 at one part of the day is really meeting the
5 casino's needs to try and keep things
6 operating.

7 COMMISSIONER ZUNIGA: Right. But
8 wasn't there a prior sort of savings assuming
9 -- Didn't a prior saving calculation assume
10 that you would have to wait for the auditor to
11 be --

12 MR. BAND: The total hang-up is the
13 length of time it would be down. I mean,
14 there's a lot of factors whenever you do the
15 machines. Union electricians are often
16 involved. The property might not want to pay
17 the overtime to bring them in prior to whatever
18 their normal starting time is. There are a lot
19 of factors that play into that not just our
20 availability to do it.

21 COMMISSIONER ZUNIGA: Fair enough.

22 COMMISSIONER MCHUGH: Now we have a
23 2.70 and change payroll savings. That's where
24 we come out if we follow this chart, right?

1 MR. LENNON: Correct. Once again
2 that 2.78 increase came from the majority of --

3 COMMISSIONER MCHUGH: I understand
4 that. But this system if I understand your
5 220,000 a month figure costs 2.6 million
6 annually?

7 MR. LENNON: Correct.

8 COMMISSIONER MCHUGH: So, the net
9 savings.

10 MR. LENNON: Just on staff.

11 COMMISSIONER MCHUGH: Is one
12 point --

13 MR. LENNON: -- would be about
14 hundred thousand if you're looking at it over
15 the course of the 10 years, yes, when we're
16 fully staffed up.

17 COMMISSIONER ZUNIGA: Actually, not
18 over the course of the year. If you're looking
19 at year five or year seven when you have 10,000
20 machines or four operations.

21 MR. LENNON: We will be hoping to
22 have three based on the construction schedules.

23 COMMISSIONER ZUNIGA: Yes, however
24 between year one and three you have only 1250

1 machines.

2 COMMISSIONER MCHUGH: I'm ramping
3 up, right? You don't have this kind of a
4 savings --

5 COMMISSIONER ZUNIGA: -- from year
6 one.

7 COMMISSIONER MCHUGH: -- from year
8 one to year three. But afterward in a steady-
9 state you have this much payroll savings but
10 the cost is 2.6. And so you've got \$100,000
11 savings then you have a loss for the first
12 three years.

13 COMMISSIONER ZUNIGA: Right. And I
14 know there's calculations available. It's not
15 represented here, but I'd like to understand
16 over the course of the contract, 10 years it
17 appears to be what we asked for in the RFR,
18 just how that ROI really comes to fruition.

19 MR. LENNON: That will be our next
20 slide. Even if you want to take a full savings
21 off of the 2.7 million for the first two years
22 and drop it by 5.4, I think you'll see if we go
23 to the next slide.

24 So, what this takes a look at is

1 where we start off. The cost, this is over 10
2 years. We assume steady-state over 10 years.
3 Theoretically, there are some deficiencies in
4 here. We start off with the total cost of
5 \$26.3 million for the contract. And that
6 includes a \$3 million refresh at year five
7 where they refresh all of the equipment and
8 refresh the software that we're working on.

9 The next piece is a reinvestment.
10 So, part of our question to the vendors was how
11 much of this are you going to put back into the
12 Massachusetts economy either for sub-vendors or
13 through hiring in Massachusetts?

14 And GTECH has committed to recycle
15 60 percent of the contract back into the
16 Massachusetts economy. That's about \$15.8
17 million.

18 The next piece was a tax benefit
19 that Massachusetts will get. That's comprised
20 of payroll taxes from having Massachusetts
21 resident working for GTECH and paying taxes as
22 well as corporate taxes and doing business in
23 Mass. I think there were some supplier taxes
24 in there as well.

1 MR. CEDOR: Yes, sales use tax.

2 MR. LENNON: Sales use tax. That's
3 about a million dollars over the course of the
4 life of the contract.

5 Cost savings is the next piece,
6 which we just went through the \$2.7 million per
7 year which brings up \$27.7 million over the 10-
8 year period. And then the revenue enhancements
9 are the 360,000 that we put down on the slide
10 per year for having the machines up for the
11 time period, which turns into \$3.6 million over
12 the course of the 10-year contract.

13 So, not only have we shown our
14 return on investment and I can poke holes, but
15 what the Massachusetts economy is benefiting,
16 it turns into a \$21.8 million benefit to
17 Massachusetts by using this.

18 In the event you want to pull the
19 2.7 off for the first two years that's \$5.4
20 million. You're still looking at \$16.4 million
21 benefit to the Massachusetts economy by going
22 this route. If you want to take some of the
23 360 off, you're talking about another million
24 dollars. You're still talking about a \$14

1 million benefit to the Massachusetts economy on
2 this system.

3 COMMISSIONER ZUNIGA: I'm not sure I
4 agree with the reinvestment either because we
5 compare this with let's say having gaming
6 agents on the floor, all of their salaries
7 would be reinvested back into the economy one
8 would assume because they live close to or in
9 Massachusetts.

10 MR. LENNON: We're just looking at
11 the return on investment of this system. We
12 didn't compare the two.

13 COMMISSIONER ZUNIGA: That's the
14 calculation that I would like to understand
15 better is the return on investment with this
16 system and without it comparing those two
17 calculations.

18 MR. LENNON: But you get a cost on
19 that side too of an additional \$2.7 million per
20 year.

21 COMMISSIONER ZUNIGA: That's right.

22 MR. LENNON: Then you're only taking
23 the tax on the five percent, the payroll taxes.
24 We're not committing to the vendors. We're not

1 doing the vendor barter that GTECH is offering
2 to do.

3 COMMISSIONER ZUNIGA: How much in
4 this figure do the reinvestment differ?

5 MR. LENNON: The reinvestment?

6 COMMISSIONER ZUNIGA: Yes.

7 MR. LENNON: It's \$15.8 million.
8 It's 60 percent of the \$26.3 million contract.

9 CHAIRMAN CROSBY: I don't have
10 anything, but just for the sake of discussion
11 you're saying that the 2.7 million that if we
12 don't have a CMS would go into payroll is
13 dramatically less valuable to the economy of
14 Massachusetts than the 60 percent of the CMS
15 payment?

16 MR. LENNON: No, I'm just saying
17 that it's a cost that would be on top of the
18 system. It's an additional cost.

19 COMMISSIONER ZUNIGA: No, it's in
20 lieu of.

21 MR. LENNON: Correct.

22 CHAIRMAN CROSBY: It's in lieu of.
23 So, this isn't a net figure. This isn't 21
24 million to the good over what would happen if

1 we were --

2 MR. LENNON: I said that. It's not
3 a comparison.

4 COMMISSIONER ZUNIGA: What I would
5 like to see -- And this is a subject for
6 another day or off-line. -- is a calculation,
7 an ROI calculation of the two scenarios. One
8 that has fixed costs upfront and they start
9 with the central monitoring system. And one
10 that has no central monitoring system that has
11 a ramp up of direct costs, the hires that you
12 have in this slide 15.

13 CHAIRMAN CROSBY: It's a wash.
14 Basically, this is going to cost the same as a
15 gaming system. That's what it looks to me.
16 Bottom line when all is said and done, this is
17 going to cost pretty much the same as the
18 manual system. So, why would you do it? If
19 it's all the same, it amounts to the same, over
20 the course of 10 years it's going to be about
21 the same. So, why would you do it? That's
22 what it sort of boils down to. We're going to
23 be talking -- If you do an ROI an net it off,
24 you're talking a million, two million, three

1 million, you're talking rounding errors. And
2 it's got cost the same. So, why would you do
3 it?

4 COMMISSIONER ZUNIGA: Here's another
5 question I have which I have asked before. Why
6 would you do it right now with 1200 machines?
7 Why wouldn't we do it two years from now with
8 10,000 machines or 8,000 machines? A lot of
9 the benefit that exists in the picture is the
10 more machines you have.

11 But it appears to me especially
12 based on the next slide that there's this
13 assumption that we are going to have the system
14 as soon as three months from now.

15 MR. GLENNON: So, from my
16 perspective I would argue that implementing
17 technology is difficult as we have found out
18 with the licensing management system. And I
19 think that getting started is going to benefit
20 us in terms of experience and getting the
21 glitches is out of the way if we do this with
22 Penn, both in terms of experience of our own
23 staff and also standing up the operation, which
24 is going to be dependent upon this application.

1 Again, we're looking at how are we
2 going to operationalize? So, I think doing it
3 early and having that time is going to make us
4 better when it comes time to put these system
5 on line with the commercials.

6 In addition to that, I would say
7 that retrofitting and putting these systems
8 while it's possible to put these systems in on
9 an operating game floor, I think there is a
10 risk of some kind of problems that the operator
11 may have. And we don't want to be the cause of
12 those problems.

13 So, I think one of the reasons for
14 doing it now is to get out in front of it and
15 also to use it as we decide how we are going to
16 regulate.

17 MR. LENNON: And if I could talk to
18 that a little bit because it is a little bit
19 intrusive and we've gone over this and Matt can
20 talk to the two different scenarios of how you
21 do it while a gaming floor is operational.

22 As a high-level, one is actually
23 shutting down sections of the gaming floor to
24 test it, bring it online and make sure

1 everything is interoperable. And the other
2 piece is kind of doing the soft jump and
3 working with it without knowing if everything
4 is working perfectly at the beginning. So,
5 Matt can kind of talk a little bit more about
6 that.

7 MR. CEDOR: Did you have a question?

8 COMMISSIONER ZUNIGA: That was it.
9 What would it take in terms of retrofitting?
10 Help me understand how that is intrusive or
11 doable. How many other jurisdictions have done
12 it with existing machines from your experience?

13 MR. CEDOR: In my experience, the
14 jurisdictions that have these systems in place
15 have introduced them upon the start of their
16 gaming program, because it does become
17 intrusive and in cases such as New Jersey and
18 Nevada cost prohibitive to put these system to
19 later.

20 In the case of Penn National, if
21 they are going in today and putting the wiring
22 in their floor for this system, that takes a
23 portion of it out.

24 Typically, the process that we would

1 go through when we put a system in, the system
2 would be in place. The facility would be going
3 through their process of getting ready for
4 opening, installing slot machines and all of
5 that.

6 And the regulator takes that period
7 of time before the facility is open to do coin
8 tests and control testing where you can make
9 sure that what's happening at the gaming device
10 is reported appropriately both to the regulator
11 system and to the casino management system.
12 And then it gives you the opportunity to
13 compare.

14 You don't really have the ability to
15 do that in an existing facility unless shut
16 down portions of the floor and segregate those
17 machines in order to do that type of testing.
18 It's definitely possible to do that but you're
19 impacting the operation of the facility at that
20 point, obviously.

21 And then again, if you're
22 introducing this system after the fact, you
23 would have some impact on each gaming machine
24 through the process of the system initially

1 making sure that the software on the terminal
2 is what we have defined on the machine.

3 Typically, when you're installing
4 the machine on the floor, the system has a
5 record of what that machine is. When they
6 communicate for the first time, the machine
7 goes through a configuration that can take a
8 few minutes to do.

9 It doesn't sound like a big impact,
10 but when you have to bring down sections of the
11 floor in order for that configuration process
12 to happen because you never do it to one
13 machine while the machines on either side of it
14 are playable. You section off portions of the
15 floor to get all of those machines done at the
16 same time before they are operational again.

17 So, that's really the two impacts,
18 the two areas where it could impact the
19 operation of a facility the most if you were to
20 introduce the system later.

21 COMMISSIONER MCHUGH: It just makes
22 sense, doesn't it, to have the system, the
23 entire system tested as a unit before you turn
24 the key on the door if you can possibly do it

1 and if the cost isn't prohibited.

2 CHAIRMAN CROSBY: If you're talking
3 five or 10 years, it would be well worth
4 thinking about. But ramping up a manual system
5 and then ramping it down again while you're
6 ramping up your electronic system for the gain
7 of whatever it is, a couple of million dollars,
8 I don't know if that would be worth it. That'd
9 be pretty inefficient, I think.

10 COMMISSIONER MCHUGH: One of the
11 things that we've from the operators and one of
12 the things, if I recall correctly, has been a
13 recurrent chord in the music is that there are
14 frequently discrepancies between the operator's
15 tally and this system's, a CMS's tally. And
16 they often are attributable to a reporting time
17 being out of sync and therefore not a real
18 discrepancy, but require a great deal of time
19 on both the operator's side and the
20 Commission's side to reconcile the differences.
21 I think I have that criticism right.

22 CHAIRMAN CROSBY: That was well
23 done.

24 COMMISSIONER MCHUGH: What do you

1 have to say about that?

2 MR. LENNON: That's true. And I'll
3 let GTECH answer this. But it's based on the
4 jurisdiction. So, if we say we're not going to
5 look at variance of X amount because we know
6 that our machine may ping the EGG at this time,
7 and the operator's system may ping it at
8 another time that's off by a few minutes. We
9 know they're going to wash out the next day.
10 We don't need to investigate those.

11 We don't need to send those over as
12 an error, because we're the ones the will be
13 comparing it after the fact. We're the ones
14 that will be getting their reads, our reads,
15 and comparing them and saying go look into
16 these ones to our team.

17 So, we can minimize that by setting
18 our standards at a higher threshold for when
19 you investigate that. So, we can set it at
20 \$500 per machine. We can set it at \$100 per
21 machine.

22 You can most of them are -- I've
23 actually seen these reports. They're five
24 dollars off or six dollars off. Some are

1 pennies off because it wasn't played when the
2 operator pinged in. It wasn't able to respond
3 or we just didn't have a good connection to it.

4 MR. GLENNON: And most of those
5 variances correct themselves within 24 hours
6 because of the differences, the difference
7 washes.

8 COMMISSIONER MCHUGH: If you're
9 doing taxes on a daily basis, how do you --
10 five, six dollars off per machine but then you
11 have 3000 machines then you begin to talk about
12 not huge amounts of money but real money. How
13 do you factor that into the taxing?

14 MR. LENNON: So, then the next day
15 that would wash out. So, you'd see the up
16 versus the down. If you went high the first
17 day, you'd see your tax report being different
18 from the operator's, lower the next day.

19 MR. GLENNON: And Massachusetts
20 would make the CMS the system of record.
21 Therefore any variances would have to be
22 explained back from the house system. I think
23 that was our conversation.

24 COMMISSIONER MCHUGH: I'm slow on

1 the uptake here. Suppose we just
2 hypothetically we pinged at 1:00 AM and the
3 operator pinged at 2:00 AM, why wouldn't it
4 continuously be out of sync either up or down?

5 MR. LENNON: The only reason that
6 they wouldn't -- The reason that they -- I
7 don't know how to explain this. The way it
8 takes the snapshot is you've got the meter read
9 at that point. You've got the meter read at
10 the point the next day. So, if we took it at
11 an earlier point, our starting base is earlier,
12 then you're still reconciling to the next
13 point. They read at a later point, the
14 starting base the next day won't be the same
15 point. So, while we were higher the first day,
16 we'd be lower the second day. And those numbers
17 will wash out. Is that correct, Matt, the way
18 I'm explaining it?

19 MR. CEDOR: That's correct in
20 certain circumstances. I think the situation
21 that you're asking about is a little bit
22 different.

23 And the situation itself can be
24 solved by jurisdictional rules. What happens,

1 the situation that you're explaining, in a
2 given jurisdiction, there is a definition of a
3 business day. And it's usually never midnight
4 to midnight, because in an environment where a
5 casino is running 24 hours, the end of the day
6 is typically in the earlier hours in the
7 morning because the casino is still somewhat
8 populated at midnight. So, maybe the business
9 day is at 2:00 AM or 3:00 AM or 4:00 AM when
10 it's not as populated.

11 In our experience, a regulator sets
12 their business day at whatever appropriate time
13 they believe the business day should be set at
14 and allows the operators to manage their casino
15 management systems however they will.

16 Those business days in casino
17 operator systems are not always the same 24-
18 hour period. So, it's not necessarily a
19 discrepancy in actual dollars, it's a reporting
20 discrepancy. And if those business days are
21 off, if the Massachusetts business day ends at
22 1:00 AM, then they will tax a facility from
23 1:00 AM to 1:00 AM. If the facility's business
24 day ends at 2:00 AM, then their reporting tax

1 will be 2:00 AM to 2:00 AM.

2 So, in actuality they'll never sync
3 up because of that one hour discrepancy each
4 day. Certainly, reports can be generated
5 looking at the activity for any given set of
6 hours, but it really depends on the definition
7 of a business day and if that's enforced the
8 same in the regulator's system and in all of
9 the operators' systems.

10 But the facilities are not getting
11 taxed anymore or any less. They're just
12 getting taxed at a different cycle than the
13 reports that they generate, the reports that
14 they're looking at from their systems.

15 COMMISSIONER MCHUGH: So, even if it
16 doesn't wash out, under that scenario it's
17 unlikely that it would wash out, it won't
18 aggregate.

19 MR. CEDOR: Correct.

20 COMMISSIONER MCHUGH: You will
21 always be getting a constant tax on a slightly
22 different day.

23 MR. CEDOR: A different timeframe,
24 yes.

1 CHAIRMAN CROSBY: Why wouldn't you
2 just mandate that everybody pings at the same
3 time?

4 MR. LENNON: The way we've looked at
5 it, every other regulator has made it that you
6 have to report on our time period. So, your
7 meter reading has to be taken at the same time
8 we're taking them. I'm sorry I didn't
9 understand that question.

10 CHAIRMAN CROSBY: You may be off by
11 seconds but it's easy to solve that problem.

12 COMMISSIONER MCHUGH: Right.

13 CHAIRMAN CROSBY: You converted the
14 CMS cost to monthly. Do we pay monthly pay?

15 MR. LENNON: We'd be paying them
16 monthly.

17 CHAIRMAN CROSBY: We'd be paying it
18 monthly?

19 MR. LENNON: Yes.

20 CHAIRMAN CROSBY: So, there's no
21 exaggerated cash hit, cash flow hit to the
22 operators the way this deal is structured.

23 MR. LENNON: There will only be one.
24 It'll be the refresher in the five-year period.

1 It'll be a \$3 million refresh.

2 COMMISSIONER ZUNIGA: It's the same
3 monthly cost regardless of the number of
4 machines or is there a variable cost?

5 MR. LENNON: There's a small uptake
6 when each facility comes up. GTECH's prices
7 are very low. I think it's \$44 per additional
8 hundred or something. It's very low compared
9 to anything else we saw out there if there are
10 an additional number of machines that come on.
11 So, it's a minimal uptake. The majority is the
12 \$225,000 per month for the central system and
13 our network operations center.

14 CHAIRMAN CROSBY: We must be paying
15 a carrying cost by making this a monthly
16 payment rather than paying it upfront. What
17 would be the difference if we did pay it
18 upfront?

19 MR. LENNON: I haven't even looked
20 at that.

21 MR. CEDOR: I couldn't tell you. We
22 didn't actually do that calculation because we
23 submitted the costing as was requested in the
24 RFR. We didn't look at it differently.

1 CHAIRMAN CROSBY: Okay. It seems to
2 me if we were to go down this road, once we
3 make our decision we would then turn to the
4 people who are actually paying the freight and
5 saying how would you rather do this. Maybe
6 from their standpoint they'd rather spend less
7 money and pay it upfront and not pay a carrying
8 cost over 10 years.

9 COMMISSIONER ZUNIGA: I would argue
10 the contrary but we should ask them for that
11 same reason. I would rather pay later. When
12 given the choice, I would rather pay later.

13 CHAIRMAN CROSBY: But I understand
14 it's worth asking them.

15 COMMISSIONER ZUNIGA: Is that the
16 end of the presentation?

17 MR. LENNON: We have one last slide
18 that shows the implementation time.

19 COMMISSIONER MCHUGH: Can I just go,
20 just before we leave money, when we looked at
21 this last time, we had an FY'15 budget item of
22 1.7 million.

23 MR. LENNON: Correct.

24 COMMISSIONER MCHUGH: So, if we went

1 down this path, we would --

2 MR. LENNON: -- be under that
3 number. We'd be closer to 1.25 or 1.3, because
4 it's only six months.

5 COMMISSIONER MCHUGH: Got it, okay,
6 got it. So implementation of this is within
7 our budget.

8 MR. LENNON: Within our budget.

9 MR. LENNON: Okay, got it. Thanks.

10 MR. LENNON: The last piece, and
11 I'll let John handle this slide, is the
12 implementation timeframe. One of the things we
13 want to point to is that we would anticipate a
14 contract signing based on, before coming to
15 this meeting assumption that we would get a
16 decision today, of January 9.

17 Anything beyond that kind of pushes
18 hard on GTECH and our staff to commit the time.
19 And one thing I have committed to GTECH is if
20 we went down this option, we would have a team
21 that would be available to them as much time as
22 they need to make sure this was not delayed.

23 And I know that that is a difficult
24 thing but we don't want to be the reason that

1 something bad happens in one of our operator's
2 facilities. We want to make sure that we give
3 whatever support we need, whatever decision-
4 making we need to our contractor to make sure
5 that they can implement the system as needed.

6 But we would start off with a rather
7 simple just giving us the technical aspects of
8 what's running on the floor and getting us our
9 meter readings. And then work to figure out
10 what we need exactly on the other level of
11 reporting that we figure out as we work out on
12 the gaming floor.

13 COMMISSIONER MCHUGH: Do we have the
14 team, the resources to create that team or
15 would we have to hire?

16 MR. LENNON: No, we have the
17 resources right now. So, it would be a
18 combination of on the financial side it would
19 be me and Maria because Maria's doing a lot of
20 the revenue. We're hiring for a revenue
21 accountant right now could do a lot of the work
22 that Maria's been doing on a day-to-day basis.

23 On the financial team John has hired
24 Suresh. And John would be dedicating some of

1 his time to it as well. Vanessa as well
2 whereas to the IEB financial investigation's
3 side, she's made a very strong commitment.
4 Bruce is currently hiring a supervisor of
5 gaming agents or looking for one. And Bruce is
6 obviously making a very time dedicated resource
7 to this.

8 So, it'd be almost the same
9 procurement team that would be working on this.

10 MR. GLENNON: I would involve both
11 Dan McDonald, the manager of infrastructure and
12 Suresh in this effort.

13 COMMISSIONER MCHUGH: Okay.

14 MR. LENNON: John, do you want to
15 walk through the timeline?

16 MR. GLENNON: It's a tight timeline.
17 I'm going to defer to Matt for any of the
18 details, but what we talked about what it would
19 take to get this done, the original proposal
20 had them starting up concurrent with the
21 facility start. And we asked them to take
22 another look to see if they could move some
23 things back so that we could be ready to start
24 earlier than the opening date.

1 That gives us some flexibility and
2 builds in a little bit of a time. But there's
3 a lot of effort both from standing up the
4 infrastructure in the facilities. I was very
5 -- I have to tell you, I was very surprised at
6 all of the work that's been done since the last
7 time I was in Plainridge. It's really amazing.

8 So, that infrastructure of getting
9 the hardware in place, starting up the software
10 and connecting all of the machines. A lot of
11 work that has to be done in a very short period
12 of time. But I'm confident that GTECH can
13 handle that with the team they brought to the
14 table and based on what they've done in other
15 jurisdictions before.

16 COMMISSIONER MCHUGH: What is this
17 iterative software development piece for 1/5
18 through 3/20? What software are we developing?
19 I thought we were --

20 MR. CEDOR: We would take our
21 baseline system, and we would love to take a
22 system off the shelf and install it in a
23 jurisdiction without any software changes.
24 That would be the ideal world for us.

1 But the fact of the matter is that
2 there are some specific nuances to each
3 jurisdiction. And that's iterative of software
4 development is making any changes to our
5 baseline system that would be necessary for the
6 initial operation state in Massachusetts.

7 That includes things as simple as
8 changing our report headers to Massachusetts
9 Gaming Commission, as an example. So, it
10 includes simple things like that. It includes
11 any more substantial changes that as we sit
12 down with the team that Derek and John are
13 talking about, we determine collectively that
14 need to be done in order for the system to
15 operate the way you'd expect it to operate on
16 the day we go live.

17 COMMISSIONER MCHUGH: So, does that
18 also have to do with the machines that the
19 operator is using? Do software changes have to
20 be made to accommodate the machines?

21 MR. CEDOR: No. Again, the machines
22 as long as they use one of the industry
23 standard protocols, the SAS protocol, the G2S
24 protocol there is no additional integration

1 that would need to happen.

2 COMMISSIONER MCHUGH: So, the extent
3 then of the iterative software development lies
4 within our control? We can decide that all you
5 have to do is change the headers.

6 MR. CEDOR: Yes. If all we have to
7 do is change the headers on reports --

8 COMMISSIONER MCHUGH: Theoretically,
9 you'd be ready to go tomorrow?

10 MR. CEDOR: I don't know about
11 tomorrow. There's still a whole testing
12 process that we --

13 COMMISSIONER ZUNIGA: January 10
14 according to the chart.

15 COMMISSIONER MCHUGH: I'm being
16 facetious but I understand. That piece is
17 within our control depending on how much want
18 to customize this.

19 CHAIRMAN CROSBY: Apropos of
20 Enrique's point and given how easy things like
21 this can go wrong, it might be desirable not to
22 put in all of the tweaks we want in the system
23 when we start it in Plainridge and let the
24 installation be as easy as possible. And worry

1 about the tweaks when we install it at the
2 macro level with the big boys.

3 MR. LENNON: That was the
4 recommendation of GTECH. And we are going to
5 follow their advice. We are going to minimally
6 adjust. But there are things that we have to
7 accommodate for daily billing, those type of
8 things. There's some that you can do monthly,
9 daily, annually. So, those are the types of
10 things that we have to sit down and figure what
11 we have to do by statute.

12 CHAIRMAN CROSBY: A premium on
13 simplicity.

14 COMMISSIONER MCHUGH: Absolutely.

15 MR. CEDOR: So, in addition to that
16 software development, we also go through a
17 quality assurance cycle on any changes that we
18 do make. And that's an iterative process that
19 goes along with the software development
20 timeline.

21 Once all of the development is
22 complete, then we'll do a complete system test
23 where we regression test everything from end to
24 end. At the same time that's going on, we'll

1 be installing infrastructure and system
2 hardware and stuff like that in the data
3 centers.

4 We then go through a CAT, customer
5 acceptance testing, process which is you
6 testing the system. It's now testing the
7 system to make sure it meets the needs that
8 they have and the expectations that we've
9 documented.

10 And then at that point in time, the
11 system is ready for connectivity to a venue.
12 And the equipment that resides in the venue
13 would be installed when the venue is ready. It
14 would be installed in this case typically in
15 the month of May or the beginning of June
16 according to this timeline.

17 The benefit here is we've worked
18 with Penn National in the past in Maryland,
19 Pennsylvania and Kansas. So, we've gone
20 through this process with them a few times now.
21 And I think we understand -- As a result we
22 understand them and what their expectations
23 are. They understand our system and what our
24 expectations are from an equipment and housing

1 that equipment standpoint and don't anticipate
2 anyreal issues there.

3 CHAIRMAN CROSBY: Anybody else?
4 Have you concluded?

5 MR. LENNON: Yes. I just wanted to
6 take the time to thank the team again. I want
7 to thank Bruce, John, Vanessa, Kathy Barch,
8 Agnes. And I really want to thank GTECH for
9 coming forward and helping us explain this. I
10 think John may have something he might like to
11 conclude. And I think GTECH would like to
12 conclude. And then we'll turn it over for
13 questions.

14 MR. GLENNON: I'm going to throw out
15 my remarks, because I think we've really done a
16 good job of covering the work that was done
17 over the last year. I want to thank Derek for
18 his leadership. I want to thank the other
19 members of the team for the good humor that
20 we've had. Agnes, you especially. I want to
21 thank GTECH and the other four vendors who
22 presented, because I think -- or responded
23 because it gave us a broad range of things to
24 take a look at.

1 From the position of CIO, you pay me
2 to be your technology professional. We as a
3 group collectively, both the Commission and the
4 directors have a unique opportunity, a
5 greenfield opportunity to start up a government
6 agency, and to make decisions based on
7 efficiencies, productivity, workflow.

8 And to create something that really
9 is efficient and secure and productive. And I
10 hope that you consider the use of technology
11 like this as foundational to the operations of
12 the Commission going forward. Because I think
13 the technology and the benefits that it will
14 provide to make staff work smarter and in
15 different ways than the legacy environments
16 will help us lead.

17 And I think Massachusetts takes a
18 lot of pride in being innovative. We've been
19 innovative with our approach to responsible
20 gaming. I hope you are open-minded to being
21 innovative in our approach to digital
22 regulation for the gaming industry here in
23 Massachusetts. Thank you.

24 MR. CEDOR: And I'd just like the

1 close by again saying thank you for allowing us
2 the opportunity to present today. On behalf of
3 the company, we are excited about expanding our
4 relationship with Massachusetts.

5 We've been partnered with the
6 Massachusetts lottery for over 20 years. And
7 we do business with a lot of other entities in
8 Massachusetts, large and small businesses. And
9 we have a number of employees living in the
10 state Massachusetts as well being located just
11 down the road in Providence, Rhode Island.

12 Massachusetts is extremely important
13 to us for all of those reasons and when we had
14 the opportunity through the RFR process to
15 participate, we jumped at the chance. And we
16 are excited about this potential opportunity
17 moving forward. So, thank you, very much.

18 COMMISSIONER MCHUGH: Thank you.

19 COMMISSIONER ZUNIGA: Thank you.

20 MR. LENNON: Just one last thing I'd
21 like to say. Thank you to the Commission for
22 pushing us so hard on this. It's about our
23 eighth presentation on this. You really made
24 us take a look at what this would do for

1 Massachusetts. What it would mean if we went
2 in another direction.

3 So, while it has been a lot of work,
4 I want to thank you. It's been educational.
5 It's been a good process and I think that we
6 know what's available out there and what the
7 new trend is. So, thank you.

8 MR. GLENNON: Yes, thank very much.

9 MR. DAY: That helps me with --
10 Derek gave me a quick segue, which is we are
11 somewhat aware of another possible concept. We
12 want to take a couple of weeks to take a look
13 at that and come back to the Commission on your
14 first meeting in January as well.

15 I would just like to throw in my
16 words of, I guess sort of wisdom, but to me
17 this system does provide the deterrence and the
18 integrity and I think one of the most important
19 things is the transparency that I think is so
20 central to our mission to help us as we move
21 forward. So, we look forward to coming back on
22 the eighth for your decision.

23 COMMISSIONER MCHUGH: Let me just
24 ask something about that and I look forward to

1 hearing from you again on the eighth. What
2 does that do to our timeline? We've only got a
3 five-day cushion at the end, right? But of
4 course if we don't make any extensive software
5 changes -- So, it's still within our control.

6 MR. GLENNON: Yes, it is. I think
7 by pushing GTECH to come back and say they
8 could do it and essentially go live by May 30,
9 we have a built-in buffer.

10 COMMISSIONER MCHUGH: Oh, I'm sorry,
11 May 30. I misread that. I didn't see that.
12 Okay. May 30 is the target go-live date.

13 MR. LENNON: Yes, and it's tight.

14 COMMISSIONER MCHUGH: I understand
15 that.

16 MR. LENNON: But it just means that
17 we'll have to put more time into it and we do
18 less changes to the system.

19 COMMISSIONER MCHUGH: Got it.
20 Thanks.

21 MR. GLENNON: Thank you, very much.

22 CHAIRMAN CROSBY: It is 12:30 or
23 12:20. I think we'll want to stop and take a
24 lunch break. I guess we are on our own. We

1 are going to adjourn for an hour. We will come
2 back at 1:30 and pick up with the Ombudsman
3 report.

4

5 (A recess was taken)

6

7

8 CHAIRMAN CROSBY: We are reconvening
9 at about 1:33 or four or five. Item number
10 eight on our agenda is other business reserved
11 for matters the Chair did not reasonably
12 anticipate at the time of posting.

13 We got a belated request from the
14 thoroughbred horsemen to come before the
15 Commission to ask for our consideration of some
16 issues. I've decided that as we've said
17 repeatedly within the rules, within the law,
18 within the statute if we can be helpful to the
19 horsemen at Suffolk Downs to try to keep
20 thoroughbred racing going, we want to do that.

21 So, I felt in that spirit, it was
22 appropriate to waive the time constraint and
23 invite in the horsemen in to make their
24 proposal. We have not had a chance yet to do

1 all of the related research and so forth. So,
2 we won't be making any decisions, but we felt
3 they deserve the right to make their pitch as
4 they're trying to figure out how to salvage
5 horseracing.

6 So, I'm just going to move the
7 schedule around a little bit and invite the
8 representatives from the New England Horsemen
9 Benevolent and Protective Association to come
10 on up.

11 For those of you who thought you
12 were going to be next on the agenda, thank you
13 for being patient. They said they would be
14 quick.

15 MR. FRISOLI: Thank you, Mr.
16 Chairman. Again, we express our appreciation
17 for the opportunity to be here. I'm Attorney
18 Frank Frisoli. I'm General Counsel to the
19 NEHBPA. With me is Bruce Patten, Executive
20 Director of NEHBPA and Anthony Spadea, the
21 President of the NEHBPA. I will be brief.

22 There are two matters that we sent
23 letters to the Commission about. As the
24 Commission may be aware, the NEHBPA has been

1 endeavoring to continue horseracing in
2 Massachusetts notwithstanding the decision of
3 Suffolk Downs to shut its doors and not conduct
4 thoroughbred racing further.

5 So, in that vein we had been
6 negotiating with Suffolk Downs trying to lease
7 the facility in 2015 and conduct a 65-day meet.
8 I just want to note that if the industry does
9 not proceed, we've all heard projections as to
10 the loss of jobs. We've heard estimates from
11 something like 1400 at Suffolk Downs alone and
12 maybe more than a couple of thousand in the
13 industry. And we're trying to avert that day.

14 We have explored every possibility
15 of proceeding in different directions. And
16 we've already viewed the Brockton Fair. Our
17 horsemen have gone down there to look at it.
18 We've explored the possibility. As you know
19 Mr. Carney has submitted a conditional
20 application for 2015 to conduct two 15-day
21 meets.

22 That facility has very small tight
23 turns. It's a safety issue, which I will come
24 back to in a minute. There appears to be a

1 considerable state of disrepair. It's been a
2 while since it's been used. It would require a
3 cash infusion. It was unclear from discussions
4 with the owners of the facility whether they're
5 prepared to make the necessary funding.

6 Even if they did, I think that the
7 Commission, Ms. Jennifer Durenberger has
8 already expressed concerns about the safety
9 issue of that track, the tight turns. We've
10 had some tragic incidents even at Suffolk
11 Downs. I know Mr. Paez ended up crippled when
12 he went down on a turn because they were
13 crowded. Those kind of things are far more
14 likely to happen in a very small facility.

15 In any event, the two matters that
16 we put before you is that as you're aware, we
17 applied for a license for 2015 for one day with
18 the intent of if we could get a lease with
19 Suffolk Downs expanding that it 65 days. For a
20 number of reasons, we deemed it necessary to
21 form a new entity to be the license holder in
22 that case.

23 So, we have formed a for-profit
24 corporation that is owned and controlled by the

1 NEHBPA with a minority interest being held by
2 the Mass. Thoroughbred Breeders Association
3 because they're our board. We're working
4 together to save racing in Massachusetts. So,
5 we are looking to transfer the license, the
6 one-day license that was approved to this new
7 organization. And we supply that. I know you
8 need to do the background checks.

9 We're before you today to ask you to
10 take these matters under advisement, get the
11 appropriate legal opinions, do the background
12 checks and then move on them. But we wanted to
13 put this on the table and move forward on that.

14 The second issue is the issue of
15 simulcasting in Massachusetts. Under
16 applicable state law at the present time,
17 Suffolk Downs did not apply for a license in
18 2015. And as we read the statute, their
19 authority to simulcast has ended absent some
20 legislative relief.

21 When we were negotiating with
22 Suffolk Downs to lease the facilities, we had
23 made considerable progress. We were optimistic
24 that we were going to reach some agreement that

1 would be subject to the review and approval of
2 this Commission. And abruptly those
3 discussions ended when Suffolk Downs announced
4 that they were sponsoring legislation or filing
5 legislation, which would allow them to
6 simulcast in 2015 and '16 without conducting
7 any thoroughbred racing.

8 We advised them we were opposed to
9 that for a number of reasons. What we're
10 looking for from this Commission is that under
11 Chapter 311 the Acts of 2014 the racing
12 licensee which would be us with this one-day
13 license at the moment would have the authority
14 to simulcast if they race 65 days.

15 And this Commission has the right to
16 reduce the number of days in the interest of
17 the health and safety of horses, riders and
18 drivers. What I would suggest is that there is
19 a real safety issue if we can't race at Suffolk
20 Downs and racing at some other facility.
21 Brockton appears to be the only viable
22 alternative at the present. What we are
23 looking for is approval to reduce the number of
24 live days required to race next year to one or

1 zero so that we basically race not and Suffolk
2 receive the simulcasting then have the right to
3 simulcast.

4 And the reason this is important is
5 twofold. First as the Commission may have
6 heard, we have already engaged counsel and
7 we're looking at a long-term solution to racing
8 in Massachusetts. I believe of the 25 major
9 cities in the US, the only one that doesn't
10 have racing is Atlanta. And they're talking
11 about building a track there. So, Boston for a
12 very large city would be lacking an amenity,
13 would be lacking an industry that is present
14 everywhere else.

15 Second, the situation here is such
16 that we believe the dynamics of this is is that
17 were we could secure the approval and have the
18 right to simulcast next year, we would propose
19 to engage Suffolk Downs to be our agent to
20 conduct that again with your approval.

21 And we'd be able to resolve this
22 whole issue of continuing simulcasting in
23 Massachusetts in Boston at a location that is
24 populated. It is profitable. And the profits

1 would then go partially back into horse racing.

2 It would go into funding purses down
3 the road. It would go into funding perhaps a
4 new entity to buy, develop and own the racing
5 facility. That's what we're looking at now.

6 So, it just seems to us that the
7 chance of this industry surviving is predicated
8 on us being successful in our efforts. And
9 that the equities of the situation are that
10 whatever revenue that is generated from the
11 horseracing industry at least partially go to
12 the benefit of continuing racing in
13 Massachusetts.

14 So, that's what we're asking for.
15 As I said, our negotiations -- We were
16 optimistic we were going to make a deal until
17 Suffolk decided that they should be able to
18 simulcast without paying any premiums. Their
19 proposal -- The first draft of legislation was
20 they simulcast. They keep all the money,
21 nothing goes to purses. I would suggest that
22 if we were to get the approval we are seeking
23 that the revenue would be equitably divided.

24 We've been negotiating with them

1 every year for purses. We would always reach
2 an agreement except for one year. And we would
3 expect that if we were in a position where some
4 of the revenue needed to stay here we would be
5 able to reach an agreement with Suffolk.

6 I think Suffolk is looking for what
7 they're going to do with the facility in the
8 interim as they finalize the development plans.
9 The long-term objective on our end is to have
10 someplace to go in a couple years, being able
11 to fund and build a place and in the short-term
12 continue at Suffolk Downs. Thank you.

13 CHAIRMAN CROSBY: Anybody questions?

14 COMMISSIONER ZUNIGA: You mentioned
15 -- please remain seated. There's a better
16 visual, by the way, for everybody.

17 You mentioned Chapter 311 of the
18 Acts of 2014, is that enacted legislation or is
19 that draft proposed legislation?

20 MR. FRISOLI: It was approved
21 September 9, 2014.

22 COMMISSIONER ZUNIGA: Please expound
23 again on that point you made on that
24 legislation.

1 MR. FRISOLI: Yes. What the Act
2 does as I read it is it gives Suffolk Downs,
3 being the racing licensee, the ability to
4 simulcast provided they race a minimum of 65
5 days. That's what the law requirement used to
6 be 100. It got reduced to 65. And it gives
7 the Mass. Gaming Commission the authority to
8 reduce the number of live races or live racing
9 days in the interest of the health and safety
10 of horses, riders and drivers.

11 And what we were suggesting is that
12 first of all, the health and safety issue has
13 always been a paramount issue to our horsemen.
14 Protecting the jockeys, the riders, these
15 people they are earning a living and they put
16 their lives at risk. We feel we have an
17 obligation to do everything we can to make the
18 track safe for them.

19 We see a major problem doing that at
20 a small track such as the Brockton Fair. The
21 turns are very tight. The track is not very
22 wide. The horses get on top of each other.
23 They clip heels. Somebody goes down and gets
24 hurt. So, we're very concerned about that.

1 And I've heard Ms. Durenberger
2 address that as well. She is likewise
3 concerned. She has expressed concerns from the
4 standpoint of her position.

5 So, what I am indicating is that
6 given that we can't reach an agreement with
7 Suffolk Downs at this time to conduct live
8 racing, that we're asking you to exercise your
9 authority and say that we have a license. We
10 intended to race 65 days. We're precluded from
11 circumstances outside of our control. And we
12 can't reach an agreement with Suffolk as of yet
13 to race there. And we don't have a viable
14 alternative.

15 Racing at Brockton could be
16 dangerous. We have a problem. Maybe running
17 the short meets lessens the exposure. Running
18 a long-term meet there, certainly from our
19 perspective is an accident waiting to happen.

20 So, we'd ask you under your
21 authority here, and I'm sure this going to be
22 reviewed by your counsel, to reduce the number
23 of racing days to either one or zero.

24 I would also tell you it's our

1 expectation that Suffolk is going to come back
2 to the bargaining table and we may be able to
3 run a live meet this year. The thing that
4 seemed to be the impediment in stopping us was
5 Suffolk perceiving that they might have this
6 authority to simulcast without us.

7 The unfortunate thing about
8 thoroughbred racing is when you race live, the
9 revenue does increase. But the added cost of
10 generating that revenue exceeds the additional
11 revenue.

12 So, in the ideal world what you see
13 at tracks is they want to reduce the number of
14 racing days live and they want to simulcast.
15 But the other side of the coin is that if you
16 don't race live enough, you don't have a horse
17 population; you don't have a fan interest and
18 the sport dies.

19 COMMISSIONER ZUNIGA: When was that
20 legislation passed again?

21 MR. FRISOLI: September 9, 2014. I
22 do have a copy.

23 CHAIRMAN CROSBY: We've got it. I
24 know you've been in discussion with our General

1 Counsel. And we will look to her and her team
2 to help us think this through. But we
3 appreciate the urgency and we will get on it
4 and get to back to you when we can.

5 MR. FRISOLI: The one thing I wanted
6 to add too is that you have these ADWs, these
7 places such as XpressBet, TVG, and Twin Spires
8 where people start online account. And they
9 deposit money and they're able to wager
10 anyplace in the country.

11 And all of these entities end up
12 entering into a contract with a racing licensee
13 within the state, whereby a portion of that
14 revenue is paid to that racing licensee.

15 So, in the past Suffolk Downs has
16 had these contracts with them. The revenue
17 from them has been shared. And in our contract
18 from Suffolk, it's been shared by us. We are
19 now in the position, being the only racing
20 licensee, where those entities can contract
21 with us. And this would be a source of revenue
22 independent of any funding that comes through
23 the Gaming Commission, any funding that comes
24 from wagering there. That revenue would be

1 devoted by us towards developing a new facility
2 in Massachusetts to conduct thoroughbred
3 racing.

4 So, to be able to do that, we need
5 to have a racing license and we need to have a
6 simulcasting license.

7 COMMISSIONER ZUNIGA: But wouldn't
8 Suffolk Downs want to negotiate that?

9 MR. FRISOLI: Well, Suffolk Downs
10 from what I have seen doesn't have a racing
11 license. And it's too late for them to apply.
12 So, under the applicable law, they're not
13 eligible to enter into these contracts I can
14 see from my standpoint.

15 COMMISSIONER ZUNIGA: I know.
16 Eventually, you would want to engage in some
17 kind of agreement with them.

18 MR. FRISOLI: Certainly. That is
19 money on the table. If we were able to race,
20 that is money we are happy to invest in racing
21 now as opposed to in the future.

22 MR. SPADEA: With all due respect,
23 there's one of the things I want to make you
24 aware of that I think is extremely important.

1 The Mass. breeders, those are the people, the
2 farmers that have been here. And there farms
3 are here. They're stationary. They can't pick
4 up and move those farms and go any other place.

5 The problem that I have in being the
6 president of all horsemen is that not all
7 horsemen breed Mass. breds. Many horsemen have
8 horses they can race other places. But those
9 that have Mass. breds anomaly not for quality
10 they'd be able to race other places.

11 So, the big dilemma and the big
12 picture is that we have people that have Mass.
13 breds that have farms. This is their lives.
14 They've been here 40, 50, 60 years. These
15 horses if they don't race, many of them, in the
16 next two or three years some of them that are
17 three-year-old and four-year-old, running
18 nowhere puts them completely out of business.
19 And I mean that. They are out of business.
20 They are closing or selling and developing
21 their property.

22 The problem I have is Brockton Fair,
23 whether it be safe or not, gives them the
24 ability to run some of those Mass. breds and

1 earn money so that they can exist and live.
2 Because the Mass. breeders program financially
3 could fund and support that.

4 Then there's the dilemma of the
5 safety issue. But you just think of this with
6 62 Mass. bred farms, many of the horses that
7 are sitting on those farms don't have the
8 ability to go any other place mares, stallions.
9 The revenue that they would generate by being
10 able to run from revenue from the Mass.
11 breeders, which is a separate entity and a
12 separate pool, and no way to earn money or
13 anything with it.

14 CHAIRMAN CROSBY: We are very much
15 familiar with these issues, as you know. And
16 we've bumped a bunch of people to put you on.
17 So, I want to move on. Thanks for coming in
18 and we'll take this under advisement.

19 MR. FRISOLI: I just want to thank
20 Catherine Blue for taking time to speak to me
21 the other day about this.

22 CHAIRMAN CROSBY: It's a pleasure.
23 Thank you. That's what she's there for.
24 Ombudsman Ziemba.

1 MR. ZIEMBA: Thank you, Mr.
2 Chairman. First up is just a report on the
3 Gaming Policy Advisory Committee meeting. The
4 other day we met on Tuesday. It was the third
5 meeting of the GPAC is what we call it. The
6 meeting primarily focused on a couple of -- a
7 few different areas the Commission's research
8 agenda, Director Vander Linden will give you a
9 little bit more of an update on that during his
10 presentation. Then we also focused on the GPAC
11 subcommittees and the community mitigation
12 fund.

13 In regard to the subcommittees and
14 the mitigation fund, we discussed the role of
15 the GPAC, the community mitigation subcommittee
16 of the GPAC and the local community mitigation
17 advisory committees. Generally, all of those
18 entities are advisory committees that provide
19 advice to the Commission on a range of gaming
20 issues. Among them is the use of the community
21 mitigation fund dollars.

22 We also discussed that given the
23 timing of the recent Category 1 licenses due to
24 the referendum, there is a likelihood that the

1 potential impacts from such facilities will not
2 yet be fully realized by the statutory
3 obligation date of February 1 for the community
4 mitigation fund.

5 So, as yet as we described at our
6 last meeting, we're in a situation where by
7 February 1, we will not have as many
8 substantial impacts as perhaps we'll have in
9 future years. So, as a result we discussed in
10 our last meeting that we would potentially
11 entertain creating a reserve fund, which would
12 essentially take away the February 1 deadline
13 for the communities that we described and make
14 it more of a rolling basis award.

15 At the committee meeting, we
16 discussed this reserve with the GPAC members.
17 During the last couple of weeks, I've also sent
18 copies of our plan to all of the regional
19 planning agencies that would be involved with
20 gaming facilities in the region.

21 We didn't receive any
22 recommendations for our amendment from the GPAC
23 members. In addition, I didn't receive any
24 further refinements from the regional planning

1 agencies regarding the draft guidelines that
2 are before you today.

3 In general, I think that there is an
4 understanding of the peculiarities of where we
5 are given the timing of the licenses and the
6 timing of the referendum for the 2015 program,
7 which is an inaugural program, will undergo
8 substantial revision in the future. And we
9 hope that the substantial revision will involve
10 a lot of discussion at the committees of the
11 subcommittee and at the local community
12 mitigation advisory committees.

13 Especially as we get towards
14 operation of each of these facilities, we'll
15 take a look at the range of impacts that are
16 possible with these facilities and what
17 priorities we should entertain in future years.

18 So, in many ways this first year's
19 program even though at one point we thought
20 that it might be problematic that we have a
21 February 1 deadline, in many ways it's really
22 creating an opportunity the way that we've
23 constructed the draft guidelines.

24 It will basically allow all of these

1 committees and local communities to have almost
2 a full year of review before we get into the
3 true impacts in the 2016 program.

4 And as we discussed before, there is
5 a limited amount of funding available for the
6 first few years before we have new additional
7 revenues coming in from the tax revenues on the
8 gaming revenues, which will obviously take
9 place after they're operational. So, that
10 \$17.5 million has to last basically through
11 2017.

12 So, within that lens, we have the
13 community mitigation guidelines that are before
14 you and the application, which based on the
15 input or lack of recommendations to date seem
16 at least to me as a very sound alternative for
17 the upcoming year with the caveat that they'll
18 undergo substantial revision potentially as we
19 get into operational issues or even as we
20 examine the construction related issues going
21 into the next year.

22 So, one thing you'll note from these
23 draft guidelines is that we have incorporated
24 Commissioner Stebbins' recommendation in regard

1 to the planning grants for the reserve fund
2 that we have some in-kind provision of services
3 or other community funds that would go along
4 with any planning funds the Commission puts
5 forward to a community.

6 And I think that we would definitely
7 be flexible with communities on what they could
8 commit. Again, many of the communities are
9 smaller communities without fully staffed
10 planning offices. So, to the extent that they
11 could provide some services on planning, I
12 think that that would go a long way to make
13 sure that they are committed as we heard from
14 Chair Dennis DiZoglio at the last meeting.

15 So, in addition to that revision,
16 there are two questions that remain. One is
17 February 1 is the statutory application
18 deadline. February 1 happens to be Sunday.
19 So, what should we do about that? I don't see
20 anything in the statute -- there is no specific
21 provision allowing us to go to the next
22 business day, but we have that general
23 authority in our regs. for the rest of our
24 program. That might be a possibility.

1 Or we could just have delivery by
2 email on that Sunday. Communities could submit
3 them either on Friday or they could submit them
4 on Sunday to us through email. And that would
5 certainly be acceptable.

6 And then the other outstanding
7 question as I take it from the last meeting is
8 that the amount of the reserve. I put forward
9 an idea that we have \$100,000 for each of the
10 communities identified in our draft guidelines.
11 That would be approximately \$2.4 million. But
12 there are other approaches certainly that could
13 be discussed by the Commission such as a
14 population-based approach or other approaches
15 where we differentiate between communities.

16 One final matter that goes along
17 with the reserve amount, in the draft
18 guidelines we recommended that if a community
19 both applies for a specific request, a specific
20 mitigation request and they also take advantage
21 of the reserve which is just a simple check on
22 a one-pager that they submit to the Commission
23 that I recommended that if there was \$100,000
24 reserve for communities that if a community

1 also asks for a specific impact that they
2 should have to use at the maximum \$50,000 from
3 their reserve for whatever specific impact.

4 But given however we set the reserve
5 amount that might need to change but that's
6 just our little footnote to our reserve
7 discussion.

8 CHAIRMAN CROSBY: Thank you.
9 Comments, questions, thoughts?

10 COMMISSIONER MCHUGH: I thought that
11 there was and maybe we could check, I thought
12 that there was something in Chapter 4 that says
13 that if a deadline falls on a weekend it's the
14 next business day.

15 MS. BLUE: We are going to check
16 that. I do believe there is something in
17 Chapter 4. We'll look it up and see.

18 MR. ZIEMBA: I was looking at that
19 earlier and I didn't find it. For specific
20 holidays if they fall on a Sunday you could go
21 to the next business day, but I didn't see
22 generally for Sundays.

23 COMMISSIONER MCHUGH: I thought it
24 was weekends, but anyway.

1 MR. ZIEMBA: I could have missed it.

2 COMMISSIONER MCHUGH: I mentioned
3 last time and I would like to just bring it up
4 again that it strikes me that this planning
5 grant idea is a good one I think is fair to
6 assume. But I am a little troubled by the idea
7 of having the same amount for everybody.

8 I did some calculations just to
9 satisfy my own interests. And the biggest
10 disparity in terms of population is between
11 Boston and Wilbraham. And they were both under
12 this get the same amount of money even though
13 Boston has over 600,000 people and Wilbraham
14 has 4000.

15 And I recognize that the smaller
16 communities don't have the staff that larger
17 communities do. And therefore, the small
18 problems may be more difficult to solve for a
19 small community than the bigger problem is for
20 a bigger community and they may need more help.

21 But I wonder if it isn't worthwhile
22 thinking about taking that pool that you talked
23 about, which is basically the 25 or 24
24 communities however many communities there are,

1 24 times 100,000 and saying everybody gets
2 50,000 or 25,000 but then they get the balance
3 of the pool based on population. It's not that
4 hard of a calculation to do. And it seems to
5 me that it would be a fairer and more sensitive
6 way of executing this really good idea. So, I
7 put that out.

8 That would mean If we did 50,000,
9 and I used 22 communities as opposed to 24,
10 Cambridge for example would get 131,000 and
11 Wilbraham would get 53,000 if you used the
12 \$50,000 plus approach. You can do any amount
13 you wanted.

14 CHAIRMAN CROSBY: You did that on
15 your own?

16 COMMISSIONER MCHUGH: Yes.

17 CHAIRMAN CROSBY: Wow.

18 COMMISSIONER ZUNIGA: I'm going to
19 argue the counterpoint to that because the
20 purpose of this grant is first of all a reserve
21 and it's for planning purposes. Planning, I
22 don't think is population-based. At least what
23 I am understanding in terms of what I'm
24 envisioning for this grant is to do a study, a

1 baseline or engage consultants and lawyers or
2 whatever the case may be. And that's not going
3 to be necessarily impacted by the amount -- the
4 amount of population may not be a factor into
5 those planning activities.

6 CHAIRMAN CROSBY: Maybe what your
7 saying is the issue of an impact on a community
8 is not necessarily driven by its size. In
9 other words, Wilbraham might have a terrible
10 problem whereas Cambridge has a tiny little
11 problem.

12 COMMISSIONER ZUNIGA: That's another
13 element, yes.

14 CHAIRMAN CROSBY: It doesn't really
15 have anything to do with the size of the
16 community as to the size of the impact.

17 COMMISSIONER ZUNIGA: I think we're
18 confounding two things. What would be the
19 actual mitigation and what is the purpose of
20 this grant, as I understand it, which is for
21 planning purposes.

22 The planning grant, which is only a
23 small portion of the mitigation money here, as
24 I understand the proposal is to figure out just

1 what those impacts might be, which may vary on
2 a number of factors not just population.

3 But if I have to engage a consultant
4 or a set of consultants to come in and
5 determine whether my impact is X or Y, I still
6 have to engage them.

7 The difference which we talked about
8 last time, and you mentioned again, is that
9 some communities large have a lot more
10 resources than some communities small. And
11 that to me is the biggest reason to treat them
12 all the same. That's an equalizer in terms of
13 the universe of communities that we have here.

14 Furthermore, the way you've outlined
15 it here, this is purely a reserve. It would be
16 rolled over into an actual mitigation as you
17 suggest. We could argue as to whether 100,000
18 is sufficient or too big or too little. But
19 it's merely just recognizing that there's some
20 money available that can be tapped into but is
21 not going to be exclusive for that. It could
22 be later used depending on what -- how
23 communities go about engaging consultants or
24 using their own resources for the actual

1 mitigation.

2 So, I think trying to figure out
3 something based on population just does not
4 operate here.

5 COMMISSIONER MCHUGH: There is no
6 direct relationship between population and the
7 problem. I was using population as a proxy for
8 likely complexity of the planning process.

9 COMMISSIONER ZUNIGA: Right, but we
10 could use many other factors.

11 COMMISSIONER MCHUGH: Sure. We
12 could use the phase of the moon.

13 COMMISSIONER ZUNIGA: No. We could
14 use for example their budget deficits.

15 COMMISSIONER MCHUGH: Right. I've
16 made my point.

17 COMMISSIONER ZUNIGA: However the
18 size of their budgets.

19 COMMISSIONER CAMERON: We're not
20 going into this blind. We know there's already
21 been surrounding community agreements. There's
22 been a lot of talk on potential impacts.

23 For example, we know there will be
24 significant impacts to Boston, which is the

1 biggest city. So, I do think there's some
2 merit in looking at population, because that's
3 a known fact. There will be numerous impacts
4 and planning will be more -- It already is
5 proven to be more difficult.

6 COMMISSIONER ZUNIGA: That goes in
7 my view to an argument towards the later part
8 of the community mitigation funds, which is the
9 actual mitigation. We're only talking at this
10 point about the size of the grant being the
11 same for communities for planning purposes.

12 COMMISSIONER CAMERON: I realize
13 that.

14 MR. ZIEMBA: Commissioner, I should
15 mention it's planning purposes or it's a
16 reserve for impacts, as you mentioned.

17 COMMISSIONER ZUNIGA: Which is on a
18 rolling basis and it's only the beginning. You
19 could argue that given the size of
20 construction, not population but the actual
21 dollar amounts that the construction activities
22 are going to bring that by itself has a bigger
23 factor in terms of the construction impacts,
24 which is what we're contemplating at this

1 point.

2 CHAIRMAN CROSBY: I could certainly
3 go either way on this. I kind of prefer the
4 flat number. I think there's an inverse
5 relationship between the size of the community
6 and how badly you need help. So, the fact that
7 it seems a little bit odd is fine with me. I
8 wouldn't go to war on the point. Commissioner
9 Stebbins, do you have an insight one way or the
10 other?

11 COMMISSIONER STEBBINS: I wrestled
12 with this in trying to think of coming up with
13 some range or some percentage. And I think
14 we're somewhat handcuffed by the fact that
15 individual host and surrounding community
16 agreements have already potentially
17 overcompensated some communities based on
18 potential impacts with more money than other
19 communities.

20 What we're really trying to do is
21 incentivize some of these communities to think
22 outside the box, thing ahead a little bit to
23 more planning. If a smaller community, because
24 we've mentioned Wilbraham, and Wilbraham wants

1 to be more aggressive and really being more
2 thoughtful than maybe the city of Boston does,
3 I wouldn't necessarily want to handcuff
4 Wilbraham from being able to pursue a project.

5 We're going to be mindful of whatever
6 they're calculating and budget out. It's not
7 just going to say come and get your \$100,000
8 without some idea of what your budget is for
9 your planning project. I think it's just
10 cleaner, simpler, easier to manage if we just
11 stick with one flat amount.

12 That kind of takes size of
13 community, pre-existing host and surrounding
14 community, facts, figures, agreements out of
15 the equation, so to speak. I think it makes it
16 a lot easier for you to manage.

17 CHAIRMAN CROSBY: It seems like we
18 have three kind of leaning towards the flat
19 number. Probably we'll just leave it that way.

20 MR. ZIEMBA: Counselor Blue has
21 solved the other issue. We found that
22 provision Chapter 4, section 9. Better finder
23 than me.

24 COMMISSIONER MCHUGH: Good job,

1 Counselor.

2 CHAIRMAN CROSBY: I think we all
3 think this is a great idea. And we've resolved
4 the one variable. Are we ready to have a
5 motion? We do need a motion, I think.

6 MR. ZIEMBA: Mr. Chairman, if you
7 could just reserve the authority within me to
8 make any sort of minor scrivener changes. Like
9 I noticed this morning that I have a contact
10 point but I didn't tell them where to send the
11 actual application. They probably know where
12 to send it by the contact point.

13 CHAIRMAN CROSBY: Since our address
14 is going to change maybe that's a little
15 awkward.

16 MR. ZIEMBA: That's right.

17 COMMISSIONER ZUNIGA: I actually had
18 a minor point on that, but this was really
19 typographical. So, I'll go along with that as
20 well with reserve minor points.

21 CHAIRMAN CROSBY: Does somebody want
22 to frame a motion?

23 COMMISSIONER STEBBINS: I would move
24 that the Commission -- I guess we are only

1 addressing the question of the amount because
2 we answered the question about the due date.
3 But I move that the Commission approve the set-
4 aside figure of \$100,000 for each host and
5 surrounding community agreement for their
6 reserve.

7 MR. ZIEMBA: Commissioner, the
8 proposal was limited to the surrounding
9 communities, nearby agreement communities and
10 communities that petitioned to be a surrounding
11 community. The host communities would not
12 be --

13 CHAIRMAN CROSBY: Communities
14 contained in the proposal.

15 COMMISSIONER STEBBINS: Communities
16 contained in the proposal.

17 COMMISSIONER ZUNIGA: Of the gaming
18 licensee not of the gaming applicant.

19 COMMISSIONER STEBBINS: Right, of
20 the gaming licensee in that amount to equal
21 \$100,000 and also charge the Ombudsman to make
22 any small refinements, corrections or edits to
23 the document that's attached.

24 CHAIRMAN CROSBY: Second?

1 COMMISSIONER ZUNIGA: Second.

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

4 CHAIRMAN CROSBY: Aye.

5 COMMISSIONER CAMERON: Aye.

6 COMMISSIONER ZUNIGA: Aye.

7 COMMISSIONER STEBBINS: Aye.

8 CHAIRMAN CROSBY: Opposed?

9 COMMISSIONER MCHUGH: Nay.

10 CHAIRMAN CROSBY: Four to one,
11 Commissioner McHugh dissenting.

12 I will say that everybody should
13 know that the Gaming Policy Advisory Committee
14 meeting that John and I think Mary Thurlow
15 organized was terrific. The logistics were
16 well done. We had a lot to get done. I think
17 the time was interesting. Mark and Steve
18 Keel's presentations were good.

19 Mostly, John you managed the
20 logistics well. You had everybody prepped
21 well. It came across as very professional. It
22 made me optimistic that as we start to roll
23 into a regular schedule, we fill out these
24 committees that we can really make them

1 meaningful. Thank you.

2 MR. ZIEMBA: One thing I wanted to
3 mention is Chair DiZoglio did a great job at
4 the meeting, but unfortunately we heard some
5 recent news that the former Chair Hubbard died,
6 just recently died. And we were saddened to
7 hear that news. He certainly did a great job
8 in getting this committee up started and it's a
9 sad day.

10 CHAIRMAN CROSBY: Yes. Thank you.
11 What's next? Catherine Blue, General Counsel,
12 item number five.

13 MS. BLUE: Good afternoon,
14 Commissioners. The first item in the legal
15 section today is a request for delegation of
16 authority to Commissioner Cameron to handle
17 racing matters.

18 By way of background, there are
19 certain matters that are generally handled by
20 the judges and the stewards at the track. In
21 the off-season, we don't have sitting judges
22 and stewards. So, we would like to delegate
23 authority to Commissioner Cameron to take -- to
24 issue rulings on things such as licenses,

1 particularly in the pari-mutuel clerk area
2 where those folks are on duty year-round
3 because they do the simulcasting.

4 To issue rulings regarding
5 occupational licensees, to grant stays from
6 rulings. And in particular, to grant certain
7 rulings that started during the meet but maybe
8 were completed in the off-season. So for
9 example, sometimes there are medication issues
10 where the testing gets sent out. It's toward
11 the end of the meet. The result comes back in
12 the off-season and we need issue a ruling.

13 Those types of rulings impact what
14 licensees may or may not do in other
15 jurisdictions. So, it's important for us to
16 get those issued, get them on the record and
17 then make sure the other jurisdictions are
18 aware.

19 So, these are just the off-season
20 type matters. They would not supersede any of
21 the judges or stewards during the meet. We
22 have not in the past actually formally
23 delegated this kind of authority. We thought
24 it would be good to have it on the record now

1 with a formal delegation.

2 COMMISSIONER ZUNIGA: I'm personally
3 very comfortable with that notion. But didn't
4 we have already have one that delegated this
5 early on the very same authority to
6 Commissioner Cameron when we didn't have a
7 racing director?

8 MS. HOLMES: We probably did, yes.
9 But this is formal in writing. It will be in
10 our records.

11 COMMISSIONER ZUNIGA: Good

12 CHAIRMAN CROSBY: Other comments?

13 COMMISSIONER MCHUGH: I have no
14 doubt about delegating it to Commissioner
15 Cameron. I'm just not sure the problem we're
16 trying to solve.

17 MS. BLUE: Well, there's a couple of
18 issues as we've looked at it. The first is
19 this medication violation. That's easy.

20 The second is the licensing of the
21 pari-mutuel clerks. So, the licenses run a
22 January to December 31 basis. The pari-mutuel
23 clerks are in the facilities because they are
24 there for simulcasting. What has happened in

1 the past is we've sort of granted them a
2 temporary license. When the judges and
3 stewards come to sit, they go over them again.

4 But in reality those folks have been
5 working for almost a full quarter, calendar
6 quarter before the judges and the stewards
7 actually rule on their license. So, we thought
8 it would be helpful to get them done, subject
9 to the normal background checks that we do and
10 those kinds of issues rather than having this
11 onslaught when the judges and stewards are
12 seated at the beginning of the meet.

13 COMMISSIONER MCHUGH: But do we have
14 an onslaught on December 25th or 24th or 23rd?

15 MS. HOLMES: We start to see them
16 trickling in trickle in. And then they trickle
17 in after the first the year. But what's been
18 happening is they've been sort of deemed
19 granted as the State Police work through the
20 background checks, but never a formal signoff.
21 These we could get done and out of the way.
22 And they're a fairly important position.

23 COMMISSIONER MCHUGH: I'm only
24 asking these questions to ensure that we are

1 not coming up with a solution to the wrong
2 problem, but I'm not going to pursue that
3 further.

4 MS. BLUE: We are going to review
5 the whole licensing matter in more detail.

6 COMMISSIONER MCHUGH: Okay.

7 COMMISSIONER ZUNIGA: And just like
8 any other delegation, any appeals come back to
9 the full Commission, if at all.

10 MS. BLUE: If at all. They would go
11 to the hearing officer first, like they do from
12 the judges and stewards and then back to the
13 full Commission, yes.

14 CHAIRMAN CROSBY: Further
15 discussion? Do you want to do a motion?

16 COMMISSIONER ZUNIGA: Sure. I would
17 be happy to move that this Commission delegate
18 authority to Commissioner Cameron to handle
19 certain racing matters as discussed here.

20 CHAIRMAN CROSBY: Second?

21 COMMISSIONER MCHUGH: Second.

22 CHAIRMAN CROSBY: Any further
23 discussion? All in favor, aye.

24 COMMISSIONER MCHUGH: Aye.

1 COMMISSIONER ZUNIGA: Aye.

2 COMMISSIONER STEBBINS: Aye.

3 CHAIRMAN CROSBY: Opposed?

4 COMMISSIONER CAMERON: I'll abstain
5 seeing this has to do with me.

6 CHAIRMAN CROSBY: Commissioner
7 Cameron abstains, all four others voted in
8 favor.

9 MS. BLUE: Next on the agenda is for
10 the Commission's consideration of the section
11 61 findings for the Plainridge facility.

12 So, by way of background, when the
13 Commission issues a license, a gaming license
14 they are under the MEPA rules, the agency
15 taking action. And when they do that they have
16 to review the impact on the environment of the
17 particular project and make findings pursuant
18 to MEPA and pursuant to our statute and our
19 regs.

20 Those findings are originally
21 drafted and included in the FEIR that the
22 licensee files. So, these findings have been
23 included in the FEIR. They were considered by
24 the MEPA office when they granted their

1 certificates.

2 In this particular situation, there
3 were also section 61 findings filed by the
4 MassDOT. They are an agency that will be
5 taking a lesser action than the Commission
6 because there are permits that they will have
7 to issue too for some of the work.

8 But as part of the whole licensing
9 process, what the Commission needs to know is
10 take the findings -- We've incorporated the
11 MassDOT's findings by reference. -- and vote to
12 authorize the staff to file them with the MEPA
13 office.

14 The MEPA office will then post them
15 for 60 days in the Environmental Monitor. They
16 will look to see if they get additional
17 comments from the public. If they do not get
18 comments, they will come back to the
19 Commission. We'll ask the Commission to vote
20 to actually formally incorporate them into the
21 licensee's license as condition of the license.

22 If there are comments that come in,
23 we will get copies of them. Penn will get
24 copies of them. MEPA will get copies of them.

1 We will review them to determine whether we
2 need to make a change in the section 61
3 findings. And if we do, we'll incorporate it.
4 Or we can review them and determine there is no
5 change required.

6 If we do make some changes, we would
7 send them back to the MEPA office to be
8 republished for completeness. Then after that
9 we would then incorporate them into the
10 license.

11 So, this really is sort of the final
12 piece of the licensing process. The conditions
13 that you see in the section 61 findings will
14 most likely look familiar because there are a
15 lot of things that came from the application
16 and things that you've already considered. And
17 the DOT findings mostly address mitigation,
18 traffic mitigation issues.

19 So, today we're just asking you to
20 authorize staff to file them with the MEPA.

21 CHAIRMAN CROSBY: Comments? Pretty
22 hard to argue with that.

23 COMMISSIONER MCHUGH: But we need to
24 do it promptly --

1 MS. BLUE: Yes.

2 COMMISSIONER MCHUGH: -- so in the
3 unlikely event there is a further comment
4 period, we need to have that done before the
5 operating certificate.

6 MS. HOLMES: Before it opens, yes.
7 So, we want to have a large enough timeframe.
8 And we do by starting this process now.

9 COMMISSIONER MCHUGH: Right.

10 CHAIRMAN CROSBY: Okay. Do I have a
11 motion?

12 COMMISSIONER ZUNIGA: I'd be happy
13 to if I could find exactly -

14 CHAIRMAN CROSBY: Section 61
15 findings.

16 COMMISSIONER ZUNIGA: I would move
17 that this Commission -- Are we approving the
18 section 61 findings?

19 MS. BLUE: You are voting to
20 authorize us to file the findings that's
21 provided with the MEPA office.

22 COMMISSIONER ZUNIGA: Thank you. I
23 would move that this Commission authorize staff
24 to file the section 61 findings with the

1 appropriate -- with MEPA --

2 CHAIRMAN CROSBY: -- for Springfield
3 Gaming and Redevelopment.

4 COMMISSIONER ZUNIGA: -- for
5 Springfield Gaming and Redevelopment with MEPA.

6 CHAIRMAN CROSBY: Second?

7 COMMISSIONER STEBBINS: Second.

8 CHAIRMAN CROSBY: All in favor?

9 COMMISSIONER MCHUGH: Aye.

10 COMMISSIONER CAMERON: Aye.

11 COMMISSIONER ZUNIGA: Aye.

12 COMMISSIONER STEBBINS: Aye.

13 CHAIRMAN CROSBY: Opposed? The ayes
14 have it unanimously.

15 MS. BLUE: We will be following the
16 same process with Category 1's when that time
17 arrives. So, this has been a good dry run for
18 us.

19 Next on the list, we have some small
20 business impact statements. And Danielle
21 Holmes is here to take you through those.
22 These are for regulations that we are now
23 taking through the formal process or for which
24 we have already filed on an emergency basis.

1 MS. HOLMES: You have four small
2 business impact statements in the packet. The
3 regulations were already approved by you to
4 start the formal process. The Race Horse
5 Development Fund in 149, the supplemental
6 licensing in 14 and the licensing in 134 have
7 already been filed by emergency.

8 We just need you to vote on the
9 impact statements so we can file them with the
10 Secretary of State.

11 CHAIRMAN CROSBY: Any issues,
12 questions? We just do them at one time?

13 MS. BLUE: We can, yes.

14 CHAIRMAN CROSBY: Do I have a
15 motion?

16 COMMISSIONER STEBBINS: I move that
17 the Commission approve the small business
18 impact statements as provided in the packet for
19 the corresponding regulations.

20 CHAIRMAN CROSBY: Second?

21 COMMISSIONER MCHUGH: Second.

22 CHAIRMAN CROSBY: All in favor, aye.

23 COMMISSIONER MCHUGH: Aye.

24 COMMISSIONER CAMERON: Aye.

1 COMMISSIONER ZUNIGA: Aye.

2 COMMISSIONER STEBBINS: Aye.

3 CHAIRMAN CROSBY: Opposed? The ayes
4 have it unanimously.

5 COMMISSIONER MCHUGH: Thank you,
6 Counsel Holmes.

7 MS. BLUE: Next up, we have Mr.
8 Grossman.

9 MR. GROSSMAN: Good afternoon,
10 Commissioners. I'm here before you to discuss
11 the standing tax withholding issue that you may
12 recall, the Commission discussed in the context
13 previously of legislative adjustments that the
14 Commission recommended, and indeed submitted a
15 memo to legislative leadership on. And
16 specifically it involves the withholding on
17 proceeds of \$600 or greater at a casino.

18 I'm here before you today ultimately
19 to seek your consent and approval to submit
20 what is referred to as a request for a ruling
21 to the Department of Revenue seeking a
22 clarification of a letter that they issued
23 previously discussing the issue.

24 And before I get into it in any

1 detail, I should just point out that this
2 regulatory interpretation that we're seeking it
3 seems would not be a complete fix to the issue.
4 It would resolve a large percentage of the
5 issue, but the point being that legislative
6 assistance is still important when it comes to
7 resolving this issue completely.

8 Ultimately, what happened here is
9 that the Department of Revenue issued a
10 technical information release, a TIR in
11 February 2013. It discussed some tax issues
12 that were brought about by the enactment of the
13 Gaming Act. Specifically, it discussed what
14 effect Chapter 62B section 2 had on federal
15 law. And what it did is it talked about two
16 areas is which Massachusetts law is different
17 from federal law, which you are familiar with.

18 The first one is that it removed the
19 federal exemption from withholding on proceeds
20 derived from slot machine winnings of \$600 or
21 greater. So, in Massachusetts the withholding
22 law would apply to proceeds derived from slot
23 machines.

24 And secondly, it reduced the

1 threshold at which the withholding would kick
2 in from \$5000 in proceeds or greater to \$600 in
3 proceeds or greater. And those were the only
4 two adjustments, if you will, that the
5 Department of Revenue noted in its TIR in
6 February 2013.

7 So, what we would like to do now
8 with your approval is write to DOR, and this is
9 the method that they have suggested is the
10 appropriate vehicle to initiate an
11 interpretation on their part, seeking a
12 clarification that the \$600 withholding
13 threshold only kicks in when the proceeds are
14 based upon a winning of 300 times as large as
15 the amount wagered. The 300 times as large as
16 the amount wagered language comes from the
17 Internal Revenue code. It is a companion to
18 the \$600 threshold.

19 So, under federal law and for
20 withholding to be required, there has to be two
21 things that happen. One, there has to be
22 proceeds of at least \$5000. And secondly, the
23 amount of the proceeds have to be at least 300
24 times as large as the amount wagered. If

1 either one of those are not in existence, there
2 would be no withholding on a particular
3 winning.

4 So, just to put a finer point on it,
5 we're trying to clarify that here in
6 Massachusetts, the Massachusetts General Law
7 did not read out the 300 to 1 provision that we
8 still include that in the analysis we do when
9 we determine whether withholding is required or
10 not.

11 The TIR is unclear on that point.
12 And ultimately, this letter request that we
13 would submit would be seeking clarification
14 really on that one specific point, because DOR
15 did address a number of these other issues in
16 their TIR previously.

17 The effect of it is that if you read
18 the 300 to 1 provision in, it effectively
19 removes, as you may recall from our previous
20 discussion in the legislative context, any
21 proceeds that would be won at a table game in
22 that most table games, at least the more common
23 ones, do not pay out at 300 times the amount
24 wagered. So, this is a nearly complete fix of

1 that issue as it pertains to table games.

2 As it pertains to the slot machines
3 though, it's a less perfect fix. And it's
4 somewhat unclear exactly what percentage of
5 winnings at slot machines are at an amount of
6 \$600 and represent 300 times the amount
7 actually wagered. But it does at least cover a
8 percentage of those types of winnings. So,
9 this does fix part of the problem.

10 CHAIRMAN CROSBY: Do you have a
11 rough idea?

12 MR. GROSSMAN: I've heard different
13 calculations. I don't even think it would be
14 fair of me to guess. I think everyone can
15 agree though it's incomplete.

16 So, there would still be certain
17 winnings where withholdings would still be
18 required at slot machines, which is unlike the
19 federal law where there is a complete exemption
20 from any slot machine winnings. And there's
21 only a reporting requirement under federal law,
22 which you're likely familiar with at \$1200.
23 So, that would remain in place. We're not
24 touching that. Mass. law doesn't touch the

1 federal reporting requirement. It only
2 discusses this withholding requirement.

3 So the point is, if we were to
4 submit this request to the Department of
5 Revenue and it would adopt the position that
6 the Commission has taken. Then we would
7 include the so-called 300 to 1 provision as
8 part of the analysis when we determine which
9 proceeds are subject to withholding.

10 So, ultimately I'd ask that once
11 you're comfortable with the theory that I've
12 been discussing, delegate authority to perhaps
13 the Chair to sign off on the final letter to
14 the Department of Revenue. The letter itself
15 is still in the development stage. We're kind
16 of flushing out some of these issues a little
17 more clearly. But it should be complete
18 certainly within the next week.

19 CHAIRMAN CROSBY: Questions?

20 COMMISSIONER MCHUGH: No. I think
21 that the 300 to 1 focus is the place to focus.
22 And I think it's a very fair reading of what
23 the Legislature has done. And I think this is
24 the right approach to solve probably a very

1 high percentage of the problem.

2 It's the only one that can be done
3 non-legislatively. So, I think we ought to
4 take advantage of it. And I think that's the
5 thrust of it. And I think it's a sound
6 reading. Not the only reading but it's the
7 better reading, I think, of the statute.

8 COMMISSIONER ZUNIGA: I agree
9 completely. I think it's a very cautious way
10 to proceed. And I think it's very timely that
11 we do this. And depending on the response, we
12 see what happens afterwards.

13 CHAIRMAN CROSBY: Todd has been in
14 touch with all of the licensees and is making
15 sure that we are on the same page, but this
16 would be a request that would be coming from
17 the Gaming Commission not from the licensees.

18 I agree. I think this took some
19 good lawyering on your part, but I agree with
20 Commissioner McHugh that it seems to make good
21 sense.

22 COMMISSIONER ZUNIGA: Good and long
23 analysis, very careful analysis.

24 COMMISSIONER CAMERON: And you've

1 had initial conversations but they want a
2 formal letter from us?

3 MR. GROSSMAN: They actually have
4 regulations relative to requesting rulings. It
5 was pointed out that this is really the
6 appropriate vehicle for doing it to get a
7 formal opinion.

8 COMMISSIONER CAMERON: Right, makes
9 sense.

10 COMMISSIONER STEBBINS: Mr. Chair, I
11 would move that we give you the authority to
12 sign the appropriate letter to the Department
13 of Revenue as drafted by the staff.

14 CHAIRMAN CROSBY: Second?

15 COMMISSIONER CAMERON: Second.

16 CHAIRMAN CROSBY: All in favor, 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. Thank you.

23 COMMISSIONER MCHUGH: Thank you.

24 CHAIRMAN CROSBY: Now we have

1 Director Wells, the Investigations and
2 Enforcement Bureau.

3 MS. WELLS: Good afternoon, Mr.
4 Chairman and members of the Commission. The
5 first item on the agenda this morning for the
6 IEB is the qualifier report for Anton
7 Nicodemus.

8 COMMISSIONER ZUNIGA: It's
9 afternoon.

10 MS. WELLS: Oh, it's afternoon.
11 That's right. The day's getting away from me.
12 So, on the agenda are the results of the
13 suitability investigation for Mr. Nicodemus.
14 You've been provided with a complete report.

15 In June 2014, Mr. Nicodemus was
16 promoted at MGM Resorts International to be the
17 Chief Operating Officer of Regional Operations
18 for MGM Resorts International Operations,
19 Incorporated, a direct subsidiary of MGM
20 Resorts International located in Las Vegas,
21 Nevada. As such, Mr. Nicodemus will be
22 responsible for all of MGM's US operations
23 outside of Nevada.

24 As a result, Blue Tarp

1 Redevelopment, LLC's project in Springfield and
2 Mr. Nicodemus's position in connection to the
3 project, he was determined to be an individual
4 qualify of the MGM Springfield license.

5 Mr. Nicodemus submitted all of the
6 required forms and supplemental document
7 requests to the IEB and our investigators
8 conduct a rigorous background check. Areas it
9 covered, which you are familiar with include
10 employment history, political contributions,
11 criminal record, references, education, media
12 coverage, directorships and shareholder
13 interests, civil litigation, bankruptcies,
14 property ownership.

15 Mr. Nicodemus was interviewed in-
16 person by the IEB State Police and financial
17 investigators as part of the standard qualifier
18 investigation protocol. Investigators also
19 conducted a financial responsibility evaluation
20 with positive results.

21 Mr. Nicodemus attended Arizona State
22 University where he was awarded a bachelor of
23 science degree in business management in 1987.
24 As I indicated earlier, he currently works for

1 MGM Resorts International Operations prior to
2 that he was at MGM Resorts International
3 Operations as the President and CEO of Casino
4 Marketing.

5 Before that from 2007 to 2012 he
6 worked at the Monte Carlo Resort and Casino as
7 the President and COO. Prior to that in 2007,
8 he worked at the Bellagio Resort and Casino as
9 Senior Vice president of Hotel Operations.
10 Prior to that he had been at the MGM Grand
11 Hotel from 2005 to 2007 as Senior Vice
12 President of Hotel Operations. And before that
13 in Florida he worked at the Boca Raton Resort
14 and Club as the resort manager.

15 The investigation confirmed that Mr.
16 Nikodemus has the following licensing history
17 and current status: the Nevada Gaming Control
18 Board, he has an active registered gaming
19 employee license. He has a Michigan Gaming
20 Control Board qualifying individual license
21 which is in good standing in Michigan. And he
22 has a qualifying individual license
23 applications that are pending in the
24 Mississippi Gaming Commission and the Maryland

1 Lottery and Gaming Control Agency.

2 The investigation revealed that the
3 licenses were in good standing and all
4 jurisdictions reported no derogatory
5 information related to the Mr. Nikodemus's
6 licensure.

7 There were no significant issues,
8 significant investigative issues uncovered
9 related to Mr. Nicodemus's application for
10 licensure. And overall, he has demonstrated by
11 clear and convincing evidence that he is
12 suitable for licensure in Massachusetts. And
13 therefore, the IEB is recommending that the
14 Commission find him suitable.

15 CHAIRMAN CROSBY: Thank you. Any
16 questions?

17 COMMISSIONER MCHUGH: The report was
18 thorough and comprehensive as it often is --
19 always is, I should say.

20 COMMISSIONER CAMERON: Agreed, clean
21 report.

22 CHAIRMAN CROSBY: Do we have a
23 motion?

24 COMMISSIONER CAMERON: Yes. I move

1 that we approve Mr. Anton Nicodemus for
2 licensure -- for licensing rather as an MGM
3 employee.

4 CHAIRMAN CROSBY: Second?

5 COMMISSIONER STEBBINS: Second.

6 CHAIRMAN CROSBY: All in favor, aye.

7 COMMISSIONER MCHUGH: Aye.

8 COMMISSIONER CAMERON: Aye.

9 COMMISSIONER ZUNIGA: Aye.

10 COMMISSIONER STEBBINS: Aye.

11 CHAIRMAN CROSBY: Opposed? The ayes
12 have it unanimously.

13 MS. WELLS: The second matter on the
14 IEB agenda, Mr. Lennon is here to shed comments
15 on that.

16 MR. LENNON: Good afternoon,
17 Commissioners. What you have in front of you
18 are some proposed regulations, first round.
19 They are very drafts.

20 They are the financial reporting
21 requirement regulations as well as the tax
22 reporting regulations. We wanted to get these
23 in the pipeline to get some feedback from you,
24 some comments.

1 One of the things on the financial
2 reporting regs., we haven't had a chance to
3 thoroughly vet them with IEB. When I say
4 thoroughly, at all. So, we want to work with
5 them and the financial investigators on what
6 they think of this. Align it with their
7 protocol for what they're thinking about on
8 suitability.

9 And on the tax regs., they are
10 mainly looking at slot operations. We have to
11 really add some meat to the bones once we
12 figure out whether we're going with a central
13 monitoring system or non-central monitoring
14 system.

15 So, it's really just laying on the
16 timing of the reports but not giving the true
17 details behind it. But wanted to put them out
18 there and give you an idea of what we're
19 looking at, some of the concepts we're thinking
20 of and some of the reports that we're looking
21 for. Do you have anything to add?

22 MR. GROSSMAN: Not specifically. If
23 there are any specific questions, we can go
24 through the draft language.

1 COMMISSIONER MCHUGH: I just had a
2 couple questions with respect to a couple of
3 provisions of 140. The rest of it is -- I
4 didn't have any questions.

5 140.02(2) which is on the first
6 page, it says the total of all sums actually
7 received. It defines what that includes. And
8 it includes checks received by a gaming
9 licensee whether collected or not.

10 Why is a check that has not been
11 collected part of the amount that the gaming
12 licensee has to pay a tax on? I understand
13 that under our credit regulations, which are in
14 process right now, the check may be deposited
15 as a means of getting an advance from a
16 licensee. And the check is security really for
17 repayment of that loan.

18 So, that if you deposited a \$10,000
19 check say, and give a \$10,000 line of credit
20 but only brought in \$4000 and paid the \$4000, I
21 can understand the tax on the \$4000. But I
22 don't understand why the tax should be placed
23 on the 10.

24 MR. GROSSMAN: I don't have a direct

1 answer to your question other than to say there
2 are a number of interesting nuances in here
3 along those lines that I think we need to take
4 a closer look at. And we'll be interested in
5 hearing some comments from the licensees and
6 others as to what effect it will have on the
7 overall tax calculation.

8 We spent quite some time yesterday
9 talking about some of these issues. So, I do
10 think we need to really pick this apart and get
11 a real clear understanding of why or why not.
12 But I don't know exactly.

13 CHAIRMAN CROSBY: Where did this
14 come from? Did we just write this whole clause
15 or did we adopt it from somebody else?

16 MR. GROSSMAN: This is something we
17 put together with our consultants. I believe
18 it's original material by and large. The
19 concepts are ones that are common to other
20 jurisdictions but as far as --

21 CHAIRMAN CROSBY: I just wonder
22 whether other jurisdictions have this language.
23 On the face of it, it's an interesting
24 question.

1 MR. GROSSMAN: We can certainly look
2 at whether other jurisdictions treat it the
3 same way.

4 COMMISSIONER MCHUGH: Yes. I wish
5 we would take another look at that one before
6 we put it out for comment just to see if we
7 could figure out where it came from. The idea
8 of getting people to comment on it is fine. I
9 suppose if nobody had any objection to paying a
10 tax on money they didn't have we'd be happy to
11 take their money.

12 CHAIRMAN CROSBY: I see some smiling
13 licensees out there.

14 COMMISSIONER ZUNIGA: We spent quite
15 a bit of time also thinking about the related
16 matter that you alluded which is free play, and
17 how that is calculated. That's an area that I
18 think we could also benefit from just
19 understanding a little bit better or I would.
20 And it factors into the calculation of the base
21 of what that tax is going to be on.

22 MR. GROSSMAN: What Commissioner
23 Zuniga is talking about is that we were
24 discussing in the next section down, paragraph

1 three, the total of all sums paid out as
2 winnings. We were discussing the theory behind
3 why or why not we would include winnings paid
4 out as a result of promotional play in that
5 calculation.

6 So, that's another area that we
7 really need to look at how other jurisdictions
8 handle that. Obviously, we're interested, I
9 think we know what the licensees comments on
10 that would be, but would like to hear their
11 comment on that as well. That's not in here
12 right now. That would be something that we
13 would need to include.

14 COMMISSIONER ZUNIGA: This goes back
15 to the original point or the question where we
16 got this. I personally think that when we
17 start defining amount played as opposed to what
18 comes after, which is actual revenue, we start
19 to get into a lot of well, what counts as
20 amount played where free play factors in a
21 different way, etc.

22 I'm going to be doing some follow-up
23 on this in addition to whatever we do, but this
24 is an important area that I think we should

1 make pay close attention.

2 MR. LENNON: But to answer your
3 question, we will look at this. And we have
4 some very prescriptive ones which we didn't
5 have a chance to really incorporate into this
6 package that deals specifically with what
7 you're talking about, Commissioner, when do we
8 include it, when don't we included it. We just
9 didn't have a chance to incorporate that. We
10 will review this. We'll talk to our licensees.

11 COMMISSIONER MCHUGH: Are we talking
12 about these for the first time? Are we set to
13 put these things out for public comment?

14 COMMISSIONER ZUNIGA: This is
15 informal comment process.

16 COMMISSIONER MCHUGH: The informal.

17 COMMISSIONER ZUNIGA: Informal,
18 right.

19 COMMISSIONER MCHUGH: So in two, the
20 last phrase of two I also had a question about.
21 Total of all sums actually received includes
22 and then the last phrase is gaming vouchers and
23 coupons and documents evidencing credit and
24 debit card chip transactions processed

1 regardless of validity.

2 What does that mean?

3 MR. LENNON: That's a good question.

4 CHAIRMAN CROSBY: Oh, okay.

5 COMMISSIONER MCHUGH: Well, maybe we
6 could take a good look at that too. Number
7 five on the top of the next page, total of all
8 sums actually received shall not include the
9 amounts that the gaming licensee can
10 demonstrate were issued to or wagered by
11 patrons of a gaming establishment of any
12 promotional gaming credit.

13 COMMISSIONER ZUNIGA: That's the
14 free play that I was talking about earlier.

15 COMMISSIONER MCHUGH: Issued to or
16 wagered by patrons of a gaming establishment
17 resulting from any promotional gaming credit?

18 CHAIRMAN CROSBY: The sentence
19 doesn't make sense.

20 COMMISSIONER MCHUGH: The sentence
21 doesn't make any sense. I get the point.

22 MR. LENNON: We can reword this.

23 COMMISSIONER MCHUGH: Okay.

24 COMMISSIONER ZUNIGA: I believe, and

1 this is part of my earlier point that there is
2 a much simpler way to phrase all of these
3 sections.

4 MR. LENNON: I think if we just go
5 down very prescriptive and say here's what's
6 counted as the expense side and here's what's
7 counted as the revenue side then we can
8 eliminate a lot of these problems.

9 COMMISSIONER MCHUGH: Right. Good.

10 CHAIRMAN CROSBY: I think a lot of
11 these issues in addition to your asking, some
12 that just don't even make sense, but there's
13 really interesting issues involved here. But
14 maybe this isn't the time to get into all of
15 it. Let's wait until we get some feedback for
16 a more substantive conversation.

17 COMMISSIONER MCHUGH: And then I
18 think what you suggested, Derek, rephrasing so
19 we don't all of these things. And you and Todd
20 can work together on that list of what's in and
21 what's out.

22 MR. LENNON: Exactly.

23 COMMISSIONER STEBBINS: Quick
24 question on 205 CMR 139. First of all, again

1 it's just a small detail, I think you've got
2 some of the sections misnumbered. You go from
3 139, you got a couple of 138's in there.

4 But going back to some of the
5 documentation you require, you're talking about
6 minutes of board meetings. Were you putting a
7 timeframe on them? Obviously, they're required
8 to hold onto all of the minutes of meetings of
9 shareholders, directors and members. But are
10 we looking for a specific timeframe? Or do we
11 really want access to the archives if we need
12 it? This is under 139.01.

13 Everything else you say is current.
14 Bylaws are obviously a current copy but minutes
15 of all meetings of shareholders, directors and
16 members. But I don't know if there's a
17 timeframe.

18 MR. LENNON: I think on 139.08,
19 don't we get into that?

20 MR. GROSSMAN: Yes. We do have the
21 retention schedule in the internal controls
22 section on how long they have to maintain them.

23 COMMISSIONER STEBBINS: How far back
24 do we want to go?

1 MR. LENNON: That's a good question,
2 again. How far back would we want them prior
3 to licensing or how far back would we want them
4 to hold onto them?

5 COMMISSIONER STEBBINS: How long
6 would we want to look back? Some companies
7 have been around for 30 or 40 years. I'm sure
8 40 years ago most of that board is no longer
9 with us. And do we really care about what
10 happened? It's just more of a timeframe.

11 Again, everything else neatly falls
12 into a category of current. But just saying
13 minutes of all board meetings or if we're just
14 looking for access to that information if and
15 when we need it, that's fine.

16 And then again, just a typo. You go
17 from 139.12 to 138.13.

18 MR. LENNON: I don't think we
19 considered how far back. I guess that's
20 something we'd have to work with the IEB on. I
21 know that for current ones they have to file
22 them with us within 45 days. That's under .08.

23 COMMISSIONER MCHUGH: I had a
24 thematic question with respect to section 138

1 -- I mean 139. That was have we -- I think all
2 of our licensees at some level have to file
3 with the SEC, maybe not the operating entity
4 here in Massachusetts. But have we looked at
5 the way this section blends with the SEC
6 requirements so that we're not requiring
7 something in slightly different form that's
8 already being filed with the SEC?

9 MR. LENNON: Commissioner Zuniga can
10 handle that one.

11 COMMISSIONER ZUNIGA: Actually, that
12 was the other half of the afternoon that we
13 spent talking about this. The intention is to
14 precisely that not to duplicate filings that
15 are already happening.

16 There's an element here that we need
17 to consider. And that is that the filings at
18 the corporate level may be only one line when
19 it pertains to say the Massachusetts operating
20 company or the Massachusetts entity. In our
21 opinion, we would like to get detail and access
22 to information as it pertains to Massachusetts
23 that may only be reported at a summary level
24 when it gets filed on the SEC filings. I think

1 that's the gist of it.

2 COMMISSIONER MCHUGH: You covered
3 it. I just want to make sure that we are not
4 requiring the same information that's been
5 filed elsewhere only in a different format.
6 Maybe the Secretary of State gets the
7 information as well. I don't know.

8 COMMISSIONER ZUNIGA: Or worse, if
9 we're in conflict with another regulatory
10 agency.

11 COMMISSIONER MCHUGH: That's under
12 consideration too.

13 MR. LENNON: Would you like to talk
14 about the capital expenditure?

15 COMMISSIONER ZUNIGA: Yes, I think
16 we should. I think this provision covers it
17 though, but it's a little bit -- my question is
18 a little bit nuanced. It's covered under the
19 regulation.

20 But I'll refer my colleagues to
21 138.13. The statute talks about making a 3.5
22 percent expenditure, capital expenditure per
23 year of 3.5 percent of gross gaming revenues --
24 net gaming revenues, I'm sorry.

1 I've always been of the mind that
2 it's important to have that as a reserve on
3 good years to be expended on lean years, much
4 like the way our capital trust for racing
5 works. There's a dedicated stream that builds
6 into a trust that then the licensee comes and
7 requests to be making some capital
8 expenditures.

9 But the final sentence deals with
10 that notion here perhaps in a sort of a subtle
11 way. The proviso of we could approve a multi-
12 year plan so long as it builds a reserve.
13 There's an alternative way to establish this by
14 requiring that this year after year there is a
15 reserve that is funded. Then there's a multi-
16 year or yearly plan that we approve separate
17 from the funding of the reserve.

18 The intention of both funding a
19 reserve works in my opinion here so long as
20 it's tied to a multi-year plan which we will
21 have approval as well.

22 MR. GROSSMAN: So, that concept is
23 included in this draft. It will be out for
24 comment. It's not something that's in the

1 statute. It's an original idea. We'd be
2 interested in feedback.

3 CHAIRMAN CROSBY: Is net gaming
4 revenues a defined term?

5 MR. LENNON: It's in the statute.
6 The net gaming revenues is a defined term.

7 CHAIRMAN CROSBY: What is it?

8 MR. LENNON: It's not the gross
9 gaming revenues. You get to take your expenses
10 off the top.

11 CHAIRMAN CROSBY: So, it's your
12 profits, 3.5 percent of your profits?

13 COMMISSIONER ZUNIGA: No. There's
14 some other costs that get taken out, not a lot
15 of noncash costs for example depreciation would
16 not be included.

17 CHAIRMAN CROSBY: But it's a defined
18 term.

19 COMMISSIONER ZUNIGA: Yes, I think
20 so.

21 CHAIRMAN CROSBY: Okay. Anything
22 else on this one? So, you will be putting
23 these out for our own internal informal comment
24 period?

1 MR. LENNON: Yes, they are very
2 rough drafts.

3 COMMISSIONER ZUNIGA: Needless to
4 say, the three areas that we highlighted are
5 the ones that we really would like our
6 licensees to pay particular attention to.

7 CHAIRMAN CROSBY: Okay. We have a
8 guest from Sportech.

9 MS. WELLS: Also on the agenda this
10 afternoon is a petition by Penn National Gaming
11 to grant the company Sportech a temporary
12 gaming vendor primary license.

13 This is the first such petition to
14 come before the Commission. As a primary, the
15 Commission itself must vote to grant a
16 temporary license per our regulations.

17 The Vice President and General
18 Counsel for Sportech, Frank Chesky is here
19 before you this afternoon. Mr. Chesky is in
20 charge of compliance and regulatory affairs for
21 Sportech.

22 The IEB has done a preliminary
23 investigation for purposes of the request for
24 the temporary license. A full investigation

1 will be completed at a later time. The
2 preliminary investigation process that we have
3 established gives a standard baseline for all
4 of the temporary license requests and is
5 comprehensive enough to give the Commission a
6 level of comfort in issuing the temporary
7 license.

8 In the case of Sportech, we have
9 reviewed the individual and entity quantifiers.
10 And that investigation has not raised any
11 concerns at this time.

12 There is one issue related to the
13 issuance of the temporary license I just wanted
14 to bring to your attention. Ian Penrose, CEO
15 of Sportech has not yet submitted all materials
16 in order for Licensing to determine the
17 application to be complete.

18 Sportech and Mr. Penrose have been
19 cooperative with the IEB and have provided
20 sufficient information to satisfy the standard
21 that he is reasonably likely to be deemed
22 suitable.

23 As such, my recommendation is that
24 should the Commission deem it appropriate to

1 grant a temporary license that the Commission's
2 motion make it clear that the grant of the
3 license is conditioned on Mr. Penrose
4 submitting a complete application as deemed by
5 our Licensing Division. Once complete the
6 temporary license would then issue.

7 As Mr. Chesky is here this
8 afternoon, I've asked that he give you a brief
9 overview of the company and its current license
10 status across the country. Notably Sportech is
11 licensed in many jurisdictions. And Penn
12 National uses them in a large number of their
13 facilities to provide tote services for
14 simulcasting.

15 And it's expected that Sportech
16 would provide these services to Plainridge
17 Racetrack here in Massachusetts. Mr. Chesky
18 will give you an overview of what the company
19 is and what they do and where they're licensed.

20 MR. CHESKY: Thank you,
21 Commissioners. Sportech is no stranger to the
22 betting products and services. We provide
23 services to over 300 customers in 34 different
24 countries.

1 We are currently licensed in 34 US
2 states and Canadian provinces. We provide
3 services to a number of racetracks and off-
4 track betting locations throughout the United
5 States. Among the states in which we are
6 licensed are New Jersey, California and
7 Pennsylvania.

8 As was mentioned, we currently
9 provide tote services to a number of Penn
10 National tracks throughout the United States.
11 And we're hoping to get a successful launch
12 with Plainridge on January 1.

13 CHAIRMAN CROSBY: Questions?

14 COMMISSIONER CAMERON: As the
15 General Counsel, you'll want to make sure that
16 the one individual gets his paperwork in so we
17 can issue this temporary license?

18 MR. CHESKY: Absolutely. Actually,
19 in the course of this meeting, I've been told
20 that Mr. Penrose will be submitting his written
21 application, I believe, on Monday. So,
22 hopefully he'll have that done well in advance.

23 COMMISSIONER CAMERON: Thank you.

24 COMMISSIONER MCHUGH: All right,

1 thank you.

2 CHAIRMAN CROSBY: Commissioner
3 Cameron, do you have motion?

4 COMMISSIONER CAMERON: So, are we
5 going to vote on a temporary license provided
6 the appropriate paperwork is submitted; is that
7 correct?

8 MS. WELLS: So, the temporary
9 license would issue once Director Acosta deems
10 the license complete barring any concerns.

11 CHAIRMAN CROSBY: The license
12 application.

13 MS. WELLS: Correct. If for whatever
14 reason the information that's submitted we take
15 a look at and there's any concerns, then we may
16 be able to bring it to the attention of the
17 Commission. That process should suffice for
18 what we are looking to do today.

19 COMMISSIONER CAMERON: So, I move
20 that we authorize the Licensing Division to
21 issue a temporary license to Sportech once the
22 appropriate paperwork is in place and deemed
23 complete by the Licensing Division.

24 CHAIRMAN CROSBY: Second?

1 COMMISSIONER ZUNIGA: Second.

2 CHAIRMAN CROSBY: Any further
3 discussion?

4 COMMISSIONER MCHUGH: And the
5 appropriate paperwork is the information
6 required from Mr. Penrose; is that right?
7 There's no other stuff?

8 MS. WELLS: Correct, everything else
9 has been deemed completed by Licensing.

10 CHAIRMAN CROSBY: Anything else?
11 All in favor, aye.

12 COMMISSIONER MCHUGH: Aye.

13 COMMISSIONER CAMERON: Aye.

14 COMMISSIONER ZUNIGA: Aye.

15 COMMISSIONER STEBBINS: Aye.

16 CHAIRMAN CROSBY: Opposed? The ayes
17 have it unanimously.

18 MS. WELLS: Thank you.

19 CHAIRMAN CROSBY: Thank you very
20 much, Director Wells. Let's take a few-minute
21 break. I know Mark needs to set up. We'll
22 come back in five or 10 minutes

23

24 (A recess was taken)

1 CHAIRMAN CROSBY: We are reconvening
2 the 141st meeting. We are at item number
3 seven, Research and Responsible Gambling,
4 Director Vander Linden.

5 MR. VANDER LINDEN: Good afternoon.
6 I'm here with Lance George from Penn as well as
7 Marlene Warner from the Mass. Council on
8 Compulsive Gambling. Thank you for joining us.

9 I am thrilled to bring before you a
10 proposal for the Massachusetts Gaming
11 Commission to adopt GameSense. I want to as
12 usual try to bring this back to a discussion
13 about Responsible Gaming Framework and how the
14 use of GameSense fits well with the Responsible
15 Gaming Framework strategies that the Commission
16 has adopted.

17 If you look at strategy two, it
18 talks an about informed decision-making
19 framework. Within that an informed decision-
20 making framework, it identifies three different
21 types of gamblers, casual gamblers, frequent
22 gamblers and intensive gamblers.

23 An informed decision-making
24 framework would say that you should make

1 information available for a variety of
2 practices and methods including displaying
3 materials through the gaming establishment, the
4 utilization of play information management
5 systems and within the responsible gaming
6 information centers.

7 I want to emphasize that it's
8 focusing on a variety practices and methods.
9 But the bottom line of the concept of an
10 informed decision-making framework would say
11 that we need to make sure that patrons and
12 players have the information that they need in
13 order to make an informed decision about how
14 much they're gambling and if they want to
15 continue gambling.

16 So, also captured within strategy
17 two is the responsible gaming information
18 centers. This has been a really interesting
19 issue, the idea of the responsible gaming
20 information centers. It's unique.

21 There really isn't such a thing
22 within the United States. It's a concept
23 that's been employed in other countries. We've
24 had a lot of really fun discussions about what

1 should these responsible gaming information
2 centers look like, what should they feel like?

3 In fact, I was talking about this
4 with Marlene going back to the responsible
5 gaming forum that we had in October 2013. She
6 was actually talking about this. And we were
7 beginning this process of kicking around ideas
8 of what could the space look like? What should
9 it feel like?

10 But really there are key things that
11 we've kind of honed in on in the responsible
12 gaming information centers. One is the
13 location. And we make a strong recommendation
14 that it be located in a central area within the
15 gaming establishment.

16 We say that there needs to be -- So,
17 it needs to be outwardly facing so that it can
18 appeal to the masses. That there is a private
19 area for sensitive conversations and sensitive
20 issues can be discussed in privacy.

21 We say that there needs to be staff
22 that would be available during peak hours. We
23 also say that there needs to be a variety of
24 different materials that would be available at

1 the responsible gaming information center. And
2 this then goes back to we need to make sure
3 that there's a variety of practices and methods
4 that are employed both within the responsible
5 gaming information center but also outside of
6 the responsible gaming information center.

7 I've asked Lance to join us and just
8 talk a little bit about how they have taken
9 this and how they are employing this for Penn.
10 I think it's a fantastic example of a
11 partnership that we have been trying to develop
12 here. So, Lance.

13 MR. GEORGE: Good afternoon,
14 Commissioners. Just a few comments today. As
15 you can see from the slide, I want to talk a
16 little bit about Penn National's commitment to
17 responsible gaming, and as Mark just alluded to
18 the location of the responsible gaming
19 information center, and then just the center
20 too on the integration of that space into the
21 overall facility.

22 To begin and I guess simply stated,
23 we want our facility to be visited by and
24 enjoyed by customers who have discretionary

1 income to spend on casino entertainment. In
2 support of that we are in process of
3 establishing a responsible gaming program.
4 That program will be guided by and based
5 largely on the AGA's code of conduct for
6 responsible gaming.

7 At a minimum, that program will
8 include a self-exclusion option, inclusion of
9 responsible gaming messages on all advertising
10 mailings and throughout the facility including
11 ATMs; a responsible advertising policy, annual
12 responsible gaming training of all employees;
13 sharing of self-exclusions between all Penn
14 facilities. If a patron has elected to self-
15 exclude themselves at one Penn facility, they
16 will be excluded in Plainridge.

17 The establishment of a responsible
18 alcohol service program. The implementation of
19 play management features, and finally the
20 establishment of a responsible center within
21 the casino, which Mark just referenced.

22 I'll touch on the second bullet just
23 a little bit, the location. Mark just
24 mentioned, it's where does this to the center

1 belong. And collectively we wanted a space
2 that was highly visible that was close to the
3 casino floor and that was not isolated.

4 I think you've seen in previous
5 presentations that we've hit the mark on that.
6 Our location in our space is on the pathway
7 from the parking garage elevators to the casino
8 floor. I think the goal there for us was to
9 ensure there was no ambiguity about our
10 position on responsible gaming. Certainly, it
11 is a priority for us.

12 We wanted to over deliver. The
13 space is highly visible, high-traffic area, and
14 certainly a nice piece of real estate to locate
15 this information center.

16 From a building perspective, right
17 now we're in the process of framing that space
18 out. On numerous occasions, I've heard
19 conversations about being thoughtful as it
20 related to how we position and how we brand
21 responsible gaming. I would absolutely agree
22 with that and hope that we carry that
23 consideration forward.

24 I think we need to be thoughtful in

1 how this space is decorated and outfitted.
2 I'll look forward to continue working with Mark
3 to ensure that this space is inviting that it
4 is comfortable and that it fits in with the
5 surroundings and that it integrates well with
6 the surroundings.

7 With that Mark or Marlene?

8 CHAIRMAN CROSBY: Thank you. This
9 is great.

10 MR. VANDER LINDEN: Steve Keel,
11 Director of Problem Gambling Services in the
12 Department of Public Health was originally
13 going join us as well and address the public
14 health perspective of what we are trying to do,
15 both in the use in developing a brand and
16 rolling out a responsible gaming program.

17 I'm just going to touch on it very
18 briefly. Director Keel would say that we need
19 to use a population-based approach. That it
20 isn't just starting in one specific group.
21 That we have a much broader approach. And what
22 this would do is that it would allow you to the
23 apply the brand, apply to the messaging across
24 prevention, across intervention and across

1 treatment and recovery.

2 You would need to look for an
3 approach that would be cost-effective. If you
4 have a goal of rolling out something that would
5 be statewide that would have that sort of that
6 broad-based approach, you do need to take into
7 consideration how much does this cost and how
8 can you do that as effectively as you possibly
9 can.

10 And it needs to be comprehensive.
11 This goes back to this idea of using a variety
12 of practices and methods. Responsible gaming
13 information centers is one specific type of
14 method. And within that method you can use a
15 variety of different practices. You need to be
16 able to roll it out, extend beyond that
17 responsible gaming information center and roll
18 it out also further within the casino, within
19 online media, within other type of branding
20 opportunities in the community through media
21 buys, through messaging, through different
22 types of programs.

23 So, you need to think about this in
24 a much broader perspective than just how does

1 this apply, what will this look like within one
2 specific method.

3 I'm going to talk a little bit about
4 British Columbia Lottery Corp.'s journey with
5 how they conceptualized and how they came along
6 to adopting GameSense as a brand.

7 Similar to the Massachusetts Gaming
8 Commission, the BCLC places a high priority on
9 promoting responsible gaming. Paul Smith,
10 their Director of Corporate Responsibility said
11 responsible gaming is seen as the programming
12 focused on educating consumers about gambling
13 and supporting healthy choices about their
14 gambling.

15 And I think this goes back to the
16 idea of healthy choices. We can talk about it
17 in terms of prevention. We can talk about it
18 in terms of responsible gaming, but we're also
19 talking about making healthy choices. If you
20 choose to gamble let's talk about making
21 healthy choices in this area.

22 This isn't real clear, but they took
23 a very straightforward approach initially for
24 adopting GameSense. This is a couple of photos

1 from before they adopted GameSense, so in or
2 around 2008.

3 You can see on the photo on the left
4 they too have on-site space within the casino
5 venue that's very centrally located. You can
6 see it's in fact on the gaming floor. You can
7 see that it looks very good. It looks very
8 nice.

9 They called it the responsible play
10 information center. They had information about
11 how slot machines work, very informative. They
12 had information that flowed nicely into a
13 discussion about a self-exclusion program,
14 which is the timeout brochure.

15 But the problem, what they realized
16 was that there was a problem in how it was
17 being presented. So, when they went out and
18 asked people, what they said is that that
19 strategy that campaign, they were being seen as
20 the gambling police. It was intended only for
21 people with problems.

22 So, by and large what people were
23 saying this isn't for me. This is for that
24 person over there. Even though they supported

1 the idea that British Columbia was taking the
2 initiative to promote responsible gaming, it
3 was never for them. It was always for somebody
4 else.

5 To be even more direct, it was being
6 impersonal overbearing and authoritative. All
7 of these things this isn't what I think the
8 Gaming Commission or anybody else would want to
9 the have impression.

10 So, they went to a process of
11 changing their strategy. They developed a
12 brand positioning statement. We promote a
13 positive approach to play with our customers
14 and peace of mind with the general public.

15 Two different groups there. They're
16 talking about their customers, people that are
17 coming to their facilities. They're also
18 talking about the general public. They went
19 further to talk about what they were hoping to
20 promote.

21 So, instead of being authoritarian,
22 the gambling police, overbearing what they
23 wanted to create was a brand and a strategy
24 that said we're trustworthy that we're

1 proactive. We're effective and transparent.
2 We truly want to be helpful. And probably most
3 important, and I think this ties back to what
4 Lance was talking about that there needs to be
5 an element of fun there.

6 I think they clearly the gaming
7 establishment that Penn is building, they want
8 there to be an element of fun there. I think
9 that having that blend seamlessly into this
10 space, it makes a lot of sense.

11 I am going to show you just a couple
12 of the video clips or television spots that
13 British Columbia Lottery Corp. developed that
14 try to tie into this new brand.

15 I'm sorry, but before that I'm going
16 to talk about their branding standards. I
17 apologize. I got ahead of myself. Along with
18 that brand, they developed GameSense. And
19 GameSense has very specific standards that
20 would be applied to it. Where it's located;
21 how it's positioned on brochures; what those
22 brochures look like; what is the overall look
23 and feel that their material is attempting to
24 achieve.

1 This a few photos from the GameSense
2 information centers. Whereas before, I showed
3 you photos of what their responsible gaming
4 information centers looked like before they
5 adopted GameSense, this is what they look like
6 afterwards. In fact, BCLC went as far as
7 getting rid of the term responsible gaming and
8 using only the term GameSense to talk about how
9 they promote responsible gambling.

10 If you could look, these are
11 actually three different photos. In the middle
12 photo, the photo on the left is just a carousel
13 with some brochures. The photo in the middle
14 shows the responsible gaming information
15 center. You can see that there's kind of an
16 open feel to it. And then the photo on the
17 right, they too have a staff. The staff, they
18 are called GameSense advisors. So, here's a
19 video clip.

20

21 (Video plays)

22

23 MR. VANDER LINDEN: That's just one
24 example of a television commercial that they

1 developed. And I think that the point is you
2 can talk about responsible gaming. You don't
3 have to take it on directly. You can talk
4 about it in a way that is humorous that people
5 will connect with. And here's another one.

6

7 (Video plays)

8

9 MR. VANDER LINDEN: Another thing
10 that I'd like to point out is that they say if
11 you gamble, use your GameSense. Gambling is
12 always a choice that people can make a decision
13 to gamble or not to gamble. This is the final
14 one.

15

16 (Video plays)

17

18 MR. VANDER LINDEN: Here is further
19 examples of the type of online and social media
20 that was developed by BCLC. These are
21 interactive pieces of that.

22 This is very much in line with a lot
23 of campaigns that I've seen where it talks
24 about the myth fact campaign. What are the

1 myths about gambling, in an attempt to dispel
2 those myths to promote responsible gaming. It
3 also further promotes responsible gaming
4 messages, promoting to take a break.

5 So, nine months after BCLC
6 introduced GameSense, they went back and they
7 evaluated it. It was an Internet-based survey
8 of 1000 individuals talking specifically about
9 awareness of the responsible gaming
10 initiatives. 18 percent compared to 12 percent
11 had access to at least one program.

12 COMMISSIONER MCHUGH: What is that
13 compared to?

14 MR. VANDER LINDEN: Compared to it
15 was nine months after they introduced
16 GameSense. So, there was a six percent jump in
17 that short nine-month period before GameSense
18 had been introduced.

19 77 percent compared to 68 percent
20 were aware of specific responsible gaming
21 initiatives. 25 percent compared to 14 percent
22 believed the responsible gaming programs were
23 intended for them. Speaking of the targeted
24 high-risk group, moderate gamblers were aware,

1 the awareness had doubled from 16 percent to 32
2 percent. And average players' awareness had
3 tripled from nine percent to 27 percent.

4 So, there was a broad recognition of
5 GameSense. You could say, make an argument
6 that people would not be aware of what
7 GameSense was or what it was intended for but
8 that that was clearly not the case.

9 So, I wanted to turn it over to
10 Marlene to talk about, kind of bring back that
11 conversation that we had in October 2013 of the
12 responsible gaming information centers and
13 ideas that she had had.

14 MS. WARNER: Thank you. Thank you
15 everyone for the time this afternoon. I think
16 one of the interesting pieces is that this
17 space is going to be -- we're going to be using
18 it in a way that is unconventional, right, in a
19 way that it's not being used in any other
20 casino jurisdiction at least here in the United
21 States.

22 I was saying to Mark that I was at
23 the Reentry Reform Summit at UMass Boston this
24 morning. And there was a lot of talk about

1 police and community policing and using that
2 space that they have and inviting the public
3 in. And that that's something that no one ever
4 thought of before. And it's really working.

5 The coffee with cops and of all
6 these different ideas. And it just lends
7 itself to similar type of topic and
8 conversation that we're having here, which is
9 no one ever thought before that we would be
10 inviting folks who are gambling into a space to
11 maybe take a break, know a little bit about
12 this topic. So, I think we are really onto
13 something interesting.

14 And I also think that it's something
15 that's working right now with alcohol and drugs
16 and other mental-health disorders. And I think
17 Mark was referring to I think last October I
18 showed you the picture of a barbershop where
19 they were doing work around drugs and alcohol
20 and talking with folks as they were getting a
21 haircut. And they had really good results
22 related to that. Again, I think that's kind of
23 the vein in which we're thinking about.

24 GameSense, I think, is an amazing

1 piece. And I'm so excited that Mark is
2 suggesting that that come to Massachusetts.
3 And I think that we can really begin to build
4 on that here.

5 One of the things I really like
6 about what they've done here is not only all of
7 the pieces that Mark already pointed out, but
8 one of things you may have noticed is that the,
9 and there have been studies around this, and we
10 have incorporated this into some of the work
11 with the Mass. Council is they use a lot of
12 green. Green being the color of money. So,
13 that in itself is powerful.

14 Also, it tends to be the color of
15 hope and spring and renewal. So, that's also a
16 powerful piece. And one that I think should
17 continue on in terms of that incorporation.

18 The other thing that they've done
19 that you may have noticed other than -- well,
20 actually, not even in the videos they have used
21 no gambling paraphernalia. So, the nice thing
22 about this branding piece is that it can really
23 be catered to folks who are on the self-
24 exclusion list while also being targeted to

1 folks who are gambling on a fairly regular
2 basis. And that everyone is getting the same
3 message.

4 And I think that's really key. That
5 everywhere they go, they hear the same thing,
6 that they're seeing the same phone numbers,
7 that they're getting the same messages. And
8 that that universal approach tends to work very
9 well in prevention and goes back to the
10 population-based approach that Mark referred to
11 earlier.

12 In terms of the philosophy of these
13 GameSense centers or responsible gambling
14 information centers, we really have to settle
15 on a name. I think I've called them five
16 different things since they were introduced. I
17 think that the most important things that we
18 meet people where they are at, right.

19 So, someone walks in the door and
20 they want to have a really serious private
21 conversation, they can do that with one of
22 those staff members. They're called GameSense
23 advisors or someone else.

24 When someone wants to come in and

1 just take a break and continue their fun, but
2 not on the gaming floor that they're also able
3 to do that. So, it's going to be nuanced in
4 terms of how that space is set up and some of
5 the programming that takes place there because
6 it really needs to meet a continuum of the
7 needs in terms of the folks interested in
8 walking in.

9 I think it needs to be engaging.
10 Activities need to be happening there. So,
11 it's one thing for it to just be an on-site
12 treatment center, which is I think the way the
13 statute originally called for it, but I think
14 offering things that pull people out and again
15 give them the opportunity to stop, take a
16 break, think about what they've been doing,
17 where they are.

18 And certainly, they may decide to go
19 back and resume their gambling activities, or
20 they may decide to leave for that day. And
21 again, giving them that space and opportunity
22 to make some informed decisions. And I think
23 that's the key piece that is really leading us
24 through all of the things that we're thinking

1 about related to this space.

2 I've been thinking a lot about again
3 some of the work that has been successful for
4 folks with other types of addictions as well as
5 mental-health disorders. Mindfulness, offering
6 calming music and meditation, things that
7 people can do on their own or maybe with a
8 little bit of a guide. Again, that advisor can
9 step in and help with that. But those can be
10 things that could be incorporated into this.

11 Exercise, exercise has been shown to
12 be very, very effective when it comes to
13 resisting urges when it relates to addiction.
14 Can we have folks doing a little yoga when they
15 walk in this center? There's a number of
16 possibilities that are really low cost, fairly
17 effective, easy to incorporate.

18 Even considering maybe having some
19 type of food in there, healthy food. There's a
20 number of options. There's a number of things
21 to think about when it relates to this space.

22 I think the other piece is really
23 key is the training of the staff. So, when you
24 think about these GameSense advisors or again

1 whatever we end up calling them, that they are
2 not only just a trained clinician who knows
3 about gambling that's what we already have in
4 Massachusetts, a number of them, but they
5 really are skilled in some of these other
6 things.

7 And that they can meet people where
8 they are at when they walk in. So, similar to
9 what we do when we answer a helpline call, we
10 really need to actually be listening to that
11 person. Find out what they need. Some people
12 just want to know about the information in
13 their community and that's the end of their
14 phone call.

15 And other people really want to know
16 why me? How did I end up here? Or do I know
17 how to gamble right? I think there's going to
18 be a wide variety of people who are walking in
19 with a wide variety of issues. And I think
20 there's going to be some really detailed
21 training that's going into getting those
22 advisors ready for those initial people walking
23 in.

24 I also think that technology is

1 going to play a really big role in these.
2 Engaging folks from the gaming floor and
3 bringing them and then also sending them back
4 out. And again, that's going to be a lot of
5 connection and synchronization with the
6 licensees in terms of how they train their own
7 staffs and how the staff's trained in here and
8 how the technology and the connections with
9 this brand is going to flow between the various
10 spaces.

11 So, that's just a little bit about
12 what we're thinking. I think there's a lot
13 more that goes into it. I'm so thrilled that
14 Penn is already thinking so strategically about
15 their space and making it comfortable and well-
16 suited to folks being able to walk in and walk
17 out and access these services.

18 MR. VANDER LINDEN: This goes back
19 to the conversation about practices and
20 methods. And I think that there's a variety of
21 different practices and methods that we could
22 and should adopt. That's one piece of it.

23 But what is the platform that we
24 launch that from? And I think that GameSense

1 is a very good possibility of a way that we
2 launch this variety of practices and methods to
3 talk about responsible gaming, to be able to
4 talk about play management. It would be
5 GameSense tools that would be just one example.

6 Regardless of how it plays out, and
7 if this is the brand, I think that engaging,
8 working closely with Penn, MGM, Wynn,
9 Massachusetts Council on Compulsive Gambling,
10 other significant stakeholders to figure out
11 those strategies is also going to be very
12 important.

13 Also very important in this is how
14 it's evaluated. Just as BCLC had initiated an
15 evaluation component, I'll talk that the
16 evaluation of the responsible gaming
17 information centers is woven into my
18 recommendation within the research agenda that
19 I'll talk about next.

20 So, I have a couple of
21 recommendations. The first recommendation is
22 that the Massachusetts Gaming Commission adopt
23 GameSense as a brand to communicate and promote
24 responsible gaming information and resources

1 and programs in Massachusetts.

2 So, I've had discussions with BCLC.
3 In fact, we've come up with a user agreement or
4 a license agreement that is in your packets. I
5 have reviewed that license agreement with
6 Counsel Grossman. There's been some exchange
7 back and forth with BCLC about the details of
8 that agreement. That agreement was posted on
9 CommBuys as a best-value posting. And that
10 expired two days ago with no response. So, we
11 would be free to execute such a license
12 agreement with BCLC if you choose.

13 Another important consideration is
14 cost. And while it's outlined in the license
15 agreement, there is no cost for this. In fact,
16 I think that that is obviously a very good
17 thing. And in fact, there would be the
18 opportunity to work collaboratively with BCLC
19 to continue to advance this brand and develop
20 collaboratively new materials.

21 So, materials that they would
22 develop, we would be able to use here, which
23 are some of the resources you saw there. And
24 likewise, if there were materials that we

1 developed that would align us more closely with
2 Massachusetts, I would recommend that we seek
3 to share that with the other jurisdictions that
4 are using GameSense.

5 CHAIRMAN CROSBY: Who else is using
6 it?

7 MR. VANDER LINDEN: There are three
8 other jurisdictions in Canada that are using it
9 and I meant to bring that.

10 CHAIRMAN CROSBY: Nobody in the
11 States?

12 CHAIRMAN CROSBY: Nobody in the
13 United States is using it. It's used
14 exclusively in Canada at this point.

15 My second recommendation then is to
16 procure services with an experienced marketing
17 company to further develop the GameSense brand
18 and implement a media strategy for
19 Massachusetts.

20 While GameSense I think is a great
21 starting point, I think that there are ways
22 that we would want to further develop that. I
23 think Marlene had some good ideas. Lance has
24 some good ideas. Others, but we would want to

1 make sure that this is tailored specifically
2 for Massachusetts.

3 And we would seek the experience of
4 a marketing company to do that. I think there
5 would also be a ways in which we would want to
6 roll it out. And obviously, a marketing
7 company would allow us the ability or help us
8 with that.

9 CHAIRMAN CROSBY: Elaine, does
10 Jackrabbit have the capacity to do this?

11 MS. DRISCOLL: Yes, I would say they
12 do. I think there are several others that we
13 need to -- The bottom line is that there are a
14 few agencies.

15 CHAIRMAN CROSBY: There's plenty
16 that could do it. That's just one we know of.

17 COMMISSIONER STEBBINS: Is there an
18 idea of what a budget from that second
19 recommendation would run?

20 MR. VANDER LINDEN: We have a budget
21 line item right now that is I guess right
22 around \$400,000 for a marketing strategy, but
23 that was to develop the brand in addition to
24 rolling out a marketing strategy. My

1 recommendation would not be that much to roll
2 it out since there would already be a brand
3 that's there.

4 So, in a lot of ways, there's a huge
5 cost savings in this that the work of a brand
6 is already done. It's done and it's proven.
7 We take that. We tweak it. We make
8 modifications to it but then we do the rollout
9 in Massachusetts.

10 COMMISSIONER STEBBINS: Lance, a lot
11 has been made about the logo, the color, the
12 appearances. Is there anything that you're
13 thinking of for how you're designing your
14 facility that would get too close to what this
15 looks like? Or is it something that would make
16 it separate and distinct?

17 MR. GEORGE: I think it's a fine
18 line. You want it to blend. Certainly, in a
19 perfect world it fits in very nicely amongst
20 the other surroundings. But certainly, you
21 want it to have its own characteristics and own
22 charm.

23 So, in speaking with Mark I wanted
24 to be certain about what our obligations were

1 as far as outfitting. My understanding, and I
2 want to make sure we're on the same page, is
3 that something that will certainly fall under
4 Mark.

5 No concerns. While we can tell just
6 how thoughtful all are being in this process,
7 which is greatly appreciated because the last
8 thing I think any of us wants is to have this
9 roll out poorly and to have it stick out like a
10 sore thumb.

11 It's got to be part of the facility,
12 right? It just does. It's got to be inviting.
13 It's got to be comfortable. We've removed the
14 doors so that people can just walk in. So, I
15 think we're headed in the right direction.

16 I do think at this point though the
17 devil is in the details. And we've been
18 thoughtful in giving lip service to the
19 importance of positioning in branding
20 responsible gaming. I think we need to see
21 that through to the finish line.

22 MR. VANDER LINDEN: I think it's
23 amazing, it's great I really have seen the
24 location that's been outlined in your plans.

1 We've talked about it. I think that it's
2 really important that we step up and make sure
3 that we have a space that integrates well.
4 That it isn't that space where nobody wants to
5 go to because it sticks out like a sore thumb.
6 That we need to do this as well as Penn is
7 doing their facility.

8 CHAIRMAN CROSBY: It's a really good
9 point. They're collaborating with us a lot.
10 We've got to make sure we don't undercut the
11 quality of their place with our facility.

12 COMMISSIONER ZUNIGA: This may be
13 part of the details that you were talking about
14 and we may have no answer to this. But who
15 would do the outfitting? Who would be
16 responsible for specifying those specs, if you
17 will, and then executing them? Is there an
18 understanding as to what that may be?

19 MR. VANDER LINDEN: I think that
20 that is something where we would look to the
21 marketing company to help us kind of spec. that
22 out and help develop that look and that feel.

23 COMMISSIONER ZUNIGA: I meant the
24 actual construction and fit-out of the space.

1 We're not hiring a contractor to come to do the
2 painting of that space, are we?

3 MR. VANDER LINDEN: I had envisioned
4 that this could be contracted through the
5 marketing company. And that that would become
6 a project within that specific contract.

7 COMMISSIONER ZUNIGA: Oh. Well lets
8 come back on that because I'm envisioning
9 something entirely different. I think the
10 marketing company could help us come up with a
11 strategy and a theme and a design, but
12 ultimately a general contractor either already
13 on-site or about to finish up would actually
14 execute what it looks like.

15 COMMISSIONER ZUNIGA: Those might be
16 some of the devils in the details.

17 COMMISSIONER ZUNIGA: Right. Those
18 are the details.

19 COMMISSIONER CAMERON: Penn has
20 already said they're willing to collaborate.
21 So, it sounds like you'll work out all of those
22 details without a problem.

23 This looks great. I love the colors
24 blue and green. And the whole concept is

1 really interesting as opposed to-- the visuals
2 were really good. You can see the difference
3 in how the second location was much more open
4 and inviting than the first.

5 COMMISSIONER STEBBINS: I liked the
6 collateral material that you showed us, the
7 advertising keeping it light, keeping it
8 simple. It kind of looked like a blend of TD
9 Bank and GameStop.

10 CHAIRMAN CROSBY: Okay. Anything
11 else? We need a vote I believe on this,
12 Commissioner Stebbins.

13 COMMISSIONER STEBBINS: Sure. Mr.
14 Chairman, I move that the Mass. Gaming
15 Commission subject to our legal department's
16 review enter into the license agreement that's
17 presented with British Columbia Lottery
18 Corporation for the purposes of using their
19 GameSense marketing campaign.

20 CHAIRMAN CROSBY: Second?

21 COMMISSIONER ZUNIGA: Second.

22 CHAIRMAN CROSBY: Any further
23 discussion? All in favor, aye.

24 COMMISSIONER MCHUGH: Aye.

1 COMMISSIONER CAMERON: Aye.

2 COMMISSIONER ZUNIGA: Aye.

3 COMMISSIONER STEBBINS: Aye.

4 CHAIRMAN CROSBY: Opposed? The ayes
5 have it unanimously.

6 COMMISSIONER STEBBINS: Mr.
7 Chairman, I would also move that we direct
8 staff to issue an RFP to procure services to a
9 marketing company to further develop the
10 GameSense brand strategy and implement such a
11 plan for Massachusetts.

12 CHAIRMAN CROSBY: Could I suggest
13 that we just say direct the staff to procure
14 services, they may or may not want to do an
15 RFP. I don't know what kind of procurement
16 mechanism they're going to use.

17 COMMISSIONER ZUNIGA: I think they
18 might but that's a point well taken.

19 CHAIRMAN CROSBY: Second?

20 COMMISSIONER CAMERON: Second.

21 CHAIRMAN CROSBY: Further
22 discussion? All in favor, aye.

23 COMMISSIONER MCHUGH: Aye.

24 COMMISSIONER CAMERON: Aye.

1 COMMISSIONER ZUNIGA: Aye.

2 COMMISSIONER STEBBINS: Aye.

3 CHAIRMAN CROSBY: Opposed? The ayes
4 have it unanimously.

5 COMMISSIONER CAMERON: Good work.

6 COMMISSIONER ZUNIGA: Thank you.

7 COMMISSIONER STEBBINS: Thanks
8 Marlene, thanks Lance.

9 CHAIRMAN CROSBY: Thanks Lance.
10 You're up again.

11 MR. VANDER LINDEN: I am. Here I
12 go. Next, I believe it's the recommendations
13 for play management.

14 On December 4, the Commission voted
15 unanimously to require gaming licensees to
16 offer voluntary limit setting tools as part of
17 a play management system. The specific
18 requirements of that system were discussed at
19 length and direction was given for numerous
20 changes to the recommendations.

21 I bring back before you these
22 revised requirements for the play management
23 system. And I won't read them unless you would
24 like me to but they are listed here.

1 COMMISSIONER ZUNIGA: I had a couple
2 of questions. Let me start with page two on
3 number 11. There's a thematic point that I'm
4 going to make relative to this test or pilot
5 that we talked about. I know Commissioner
6 McHugh mentioned this at least a couple of
7 times we all agreed on it.

8 There's limit setting tools, number
9 11, are coordinated with other tools. And
10 there's all examples, (a) through (f). One of
11 the ideas that we discussed was that we would
12 try to figure out just what would be most
13 effective.

14 I know that's embedded in the idea
15 here, but it's a broad statement that I suppose
16 we have not yet figured out. And the whole
17 point is that we would. We would try to
18 investigate that. We were going to be doing
19 this evaluation that I know is part of the next
20 recommendation, this analysis to try to figure
21 out just what is most effective. So, hold that
22 thought because the same point applies to a
23 couple of the few comments that I have earlier.

24 Where it says that we're requiring

1 gaming licensees to offer the voluntary limit-
2 setting tools, which may be the end point but I
3 understood it based on the prior discussion
4 that at least for this one licensee who has
5 agreed to get a better understanding of what
6 this would cost and what would be most
7 effective, that we were doing this on a test
8 basis, if you will.

9 I know that that's not necessarily
10 what this is saying, but I grabbed onto that
11 thought at the beginning of that paragraph, the
12 second paragraph as well is number two on that
13 page where it says that the play management
14 tools are mandatory for licensees to offer.

15 So, when you take all those three
16 small edits, I guess or small points, I was
17 under the impression that we all agreed to test
18 this with Penn for this period of time, and
19 then eventually come out with regulations or
20 whatever the case may be to make this a
21 requirement or not.

22 CHAIRMAN CROSBY: Are you saying it
23 shouldn't be required on all machines because
24 it's just a test? I don't understand what

1 you're saying.

2 COMMISSIONER ZUNIGA: No, I don't
3 know that it's required for all licensees.

4 CHAIRMAN CROSBY: Oh, I see.

5 MR. VANDER LINDEN: If I may, play
6 management tools are mandatory on all
7 electronic gaming machines. Would that
8 satisfy?

9 CHAIRMAN CROSBY: No. He's saying
10 it says licensees and we're only talking about
11 Penn.

12 COMMISSIONER ZUNIGA: My point is
13 that I was under the impression that this was
14 going to be a test.

15 COMMISSIONER MCHUGH: Right.

16 COMMISSIONER ZUNIGA: We agreed to
17 it. We can require it any time, obviously.
18 But the way this reads is that it is now
19 required. And my impression was different.

20 My impression was we agreed to go
21 with this with Penn, they've agreed. There's a
22 lot of details that we have to sort out. And
23 that ultimately the requirement to have the
24 play management tools or not was put off, at

1 least for now.

2 COMMISSIONER MCHUGH: The
3 requirement to require it of all licensees was
4 put off.

5 COMMISSIONER ZUNIGA: That's right.

6 CHAIRMAN CROSBY: We're not going to
7 have any for two years. You can change it.
8 Just change the language so it only applies to
9 the Category 2 license for the time being.

10 COMMISSIONER ZUNIGA: We can easily
11 revise this memo whenever and make it a
12 requirement.

13 MR. VANDER LINDEN: But it would be
14 my understanding that the play management tools
15 would be applied to all electronic gaming
16 machines within that facility.

17 COMMISSIONER ZUNIGA: Well, remember
18 we just had a discussion as to whether in order
19 to test this effectively and really evaluate
20 the efficacy, we might have to have some
21 machines not offer it to really understand the
22 uptake on those who are offered the tool and
23 those who are not.

24 COMMISSIONER MCHUGH: That goes to

1 the formulation of the test.

2 COMMISSIONER ZUNIGA: Precisely.

3 CHAIRMAN CROSBY: Again, Enrique is
4 right. This says something that we may not be
5 requiring. We don't know whether we're going
6 to want it on all machines. That depends on
7 the evaluation contractor. So, you could tweak
8 that language too.

9 The other thing, as long as we're
10 going to redo this, the thing is we did agree
11 the tools have to be allowed for evaluation of
12 continuous improvement. But this probably
13 should be written to reflect more clearly what
14 Commissioner Zuniga's talk about, which is what
15 we decided on is to use the two-year window of
16 the Category 2 license to find out, if we can,
17 whether these things are effective for the cost
18 involved in using them. We didn't adopt a play
19 management system for all licensees in
20 Massachusetts. So, you probably ought to
21 rewrite this to reflect exactly what we did do.
22 Do you understand what I'm saying?

23 MR. VANDER LINDEN: No. I do
24 understand that this is a trial. This is a

1 test. Penn has agreed to do that. But it's
2 also my understanding that we intend to
3 promulgate regulation to reflect that at this
4 point, but that that regulation would indicate
5 that it is a trial. That there is a set period
6 in which we would try this out, evaluate it and
7 determine whether or not the benefit would
8 warrant it being applied to other operations or
9 licensee's gaming establishments in
10 Massachusetts.

11 CHAIRMAN CROSBY: Right.

12 COMMISSIONER MCHUGH: That test,
13 conceivably, depending on what the test
14 protocol is, may suggest or incorporate
15 provisions where you had some machines that
16 didn't have it. It's conceivable. Maybe not.

17 CHAIRMAN CROSBY: I think even on
18 December 4 the MGC voted unanimously to require
19 gaming licensees to offer voluntary limit-
20 setting tools as part of the play management
21 system. I don't know what the exact words of
22 the vote were but that was clearly not what we
23 did.

24 What we agreed to do is use a play

1 management system, offer a play management
2 system for at least the two-year exclusive
3 window of the Category 2 license and to conduct
4 a rigorous evaluation to find out whether or
5 not indeed it works.

6 That's not what you say here. I
7 take Enrique's point that we should be a little
8 more explicit. If you just gave this to
9 somebody, they would not understand what we're
10 really doing here.

11 MR. VANDER LINDEN: Okay.

12 CHAIRMAN CROSBY: Do you understand
13 what I'm saying?

14 MR. VANDER LINDEN: Yes, I do.

15 CHAIRMAN CROSBY: It would be very
16 easy to rewrite this slightly to accommodate
17 this point. Did we have a vote on this?

18 COMMISSIONER MCHUGH: We did. I'm
19 trying to get the transcript.

20 COMMISSIONER CAMERON: I never heard
21 the part about some machines not offering it
22 because I don't know how that would work
23 frankly.

24 CHAIRMAN CROSBY: What we're saying

1 is it's up to the evaluator. We don't know how
2 they're going to do the test on this thing.
3 But if they came back to us and said put it on
4 half and don't it on half because that's the
5 way we could do it that's what we're going to
6 do.

7 COMMISSIONER ZUNIGA: Because that's
8 the way we could actually measure just how much
9 people are utilizing a system based on
10 awareness. We had a preliminary conversation
11 with a potential evaluator. And that's an idea
12 that they put forward.

13 COMMISSIONER CAMERON: Oh, so I
14 missed that part. You had a separate
15 conversation. Okay.

16 COMMISSIONER ZUNIGA: Yes. Now we
17 haven't agreed to this but that's one approach.
18 We haven't engaged anybody.

19 MR. VANDER LINDEN: So, it seems
20 like you're saying let's leave that piece open
21 based on the recommendations of an evaluation
22 team.

23 CHAIRMAN CROSBY: Just write it in a
24 way that permits both and say may require.

1 COMMISSIONER ZUNIGA: The idea was
2 larger, which is just what the Chairman agreed
3 with. This was all agreed to be a trial basis
4 and we're going to have a robust evaluation
5 process to figure out just what tools we want
6 to continue based on our efforts. Whether we
7 put that in regulations or not I'm less
8 concerned about. I'm concerned about the
9 principles that we agreed to which are not
10 reflected here.

11 CHAIRMAN CROSBY: As far as I'm
12 concerned we can either agree to adopt this now
13 subject to Director Vander Linden editing this
14 accordingly or we could do it at the next
15 meeting.

16 COMMISSIONER ZUNIGA: It's fine by
17 me either way.

18 COMMISSIONER MCHUGH: I had one
19 other thing that I think we need to put in here
20 because we spent a lot of time talking about
21 it, but it's not in here. That's the other one
22 I mentioned to you earlier. And that is we
23 agreed that the entry method would be a
24 proactive opt-in. That's not here.

1 COMMISSIONER ZUNIGA: That's right.

2 COMMISSIONER MCHUGH: I think it
3 needs to be. As we talked about last time,
4 that was a point of some concern to all three
5 licensees. And we spent a lot of time talking
6 about this. It should come right after -- it
7 was former number nine. It should come right
8 after nine before 10 in the new versions in my
9 view.

10 CHAIRMAN CROSBY: So, in other words
11 you're saying play management tools are
12 voluntary for players to use isn't explicit
13 enough?

14 COMMISSIONER MCHUGH: Yes, because
15 voluntary -- We had that long conversation last
16 time. And we settled on your phrase proactive
17 opt-in because we had a you had to make a
18 decision one way or the other. You had to
19 either opt-out, all of those are voluntary.

20 We settled that issue. And I just
21 wanted to make sure we all realized we settled
22 it for the test period. I don't want to get
23 into a situation where we go back and forgot
24 what we did.

1 COMMISSIONER CAMERON: Number 11 the
2 same thing, right? All of those were opt-in.
3 You don't have to do all of those things,
4 you're part of the program. Those are all kind
5 of opt-ins.

6 MR. VANDER LINDEN: Right. Those
7 are coordinated. So, if you think about the
8 GameSense information centers and there's a
9 suite of different tools that would be
10 available, limit-setting tools would be
11 coordinated with that. It wouldn't be required
12 that you have to use --

13 COMMISSIONER CAMERON: Correct. I
14 know I don't want to take the quiz.

15 MR. VANDER LINDEN: Right,
16 absolutely.

17 COMMISSIONER MCHUGH: Just to make
18 my proposal and what I thought we had concrete,
19 is I would recommend adding a new nine after --
20 or a new 10 after the current nine that says
21 the system will operate on a proactive opt-in
22 basis with periodic invitations to patrons who
23 do not exercise the option to opt in or who do
24 not opt-in. Because the phraseology in current

1 10 was the phraseology that we used when the
2 initial thing was drafted to say you had make a
3 choice one way or the other, decline
4 specifically.

5 MR. VANDER LINDEN: The system will
6 operate on a proactive opt-in basis.

7 COMMISSIONER MCHUGH: With periodic
8 invitations to patrons who do not opt-in. You
9 don't have to decline. You just don't do
10 anything. I just want to be clear. We spent
11 so much time on this.

12 COMMISSIONER ZUNIGA: May I make a
13 suggestion? Perhaps a motion that we just
14 revise this off-line. Maybe have either the
15 Chair or I or both of us with the revisions
16 discussed herein of topics we brought up and
17 maybe a review of the prior discussion and go
18 forward?

19 COMMISSIONER MCHUGH: Sure. That's
20 fine. Because the last time we talked about a
21 trial period. And what we did last time was
22 adopted subject to the promulgation of
23 regulations over the normal course of
24 regulation promulgation, we adopted the 15

1 recommendations contained in the document
2 subject to the changes we made the last time.
3 That's what we approved last time.

4 We want to go through again. I
5 would like to take a look at the final thing
6 during this -- I guess we can't do -- Go ahead
7 and do it and then I would like to have it
8 brought back before the Commission.

9 COMMISSIONER ZUNIGA: Or that's
10 another thing, maybe we could table this based
11 on this discussions and bring it back the next
12 meeting.

13 COMMISSIONER MCHUGH: In principle,
14 I think this is fine. We're there. We're just
15 tweaking, but the tweaks are important.

16 CHAIRMAN CROSBY: Okay. So, bring
17 this back for a final adoption and vote at the
18 next meeting.

19 MR. VANDER LINDEN: Great. Okay.
20 Next agenda item is recommendations for the
21 annual research agenda, Section 71.

22 CHAIRMAN CROSBY: I'm sorry, Mark.
23 Given the timing, Commissioner Zuniga and
24 Director Vander Linden, should we or do we need

1 to authorize Mark in collaboration maybe with
2 Rick and Counsel to procure an evaluation
3 contractor? Because we are up against the
4 timelines and they could procure it bring it
5 back to us for our approval, but I think we
6 need to authorize Mark. Maybe we don't even
7 really need to do that. Do we need to
8 authorize Mark to get moving on contracting
9 with an evaluation contractor?

10 COMMISSIONER ZUNIGA: Yes. We don't
11 have to authorize him but that's something
12 obvious that we can start that process.

13 CHAIRMAN CROSBY: Not to have a
14 vote, but let's just have on the record here
15 that we are on our way. We have to get that
16 contractor going.

17 MR. VANDER LINDEN: That fits very
18 well within the recommendations in the research
19 agenda as well.

20 CHAIRMAN CROSBY: Right, good point.

21 MR. VANDER LINDEN: So, section 71
22 of Chapter 23K directs the Commission with the
23 advice of the Gaming Policy Advisory Committee
24 to develop an annual research agenda in order

1 to understand the social and economic effects
2 of expanded gaming in the Commonwealth and
3 obtain scientific information relative to the
4 neuroscience, psychology, sociology,
5 epidemiology and etiology of gambling.

6 To that end, I have gone through an
7 extensive process to introduce the
8 recommendations of this research agenda to a
9 number of different bodies to get advice from.
10 And it's coming back before the Commission at
11 this point.

12 So on October 6, the annual research
13 agenda recommendations described on page two
14 were presented to the Public Health Trust Fund
15 Executive Committee. And it's the Public
16 Health Trust Fund Executive Committee who has
17 authority to authorize expenses out of the
18 Public Health Trust Fund.

19 On October 21, the recommendations
20 were presented to the Gaming Research Advisory
21 Committee. That group endorsed the
22 recommendations but advised minor revisions,
23 which are reflected in the recommendations that
24 I bring before you.

1 On November 20, I brought the
2 recommendations to the Gaming Commission here.
3 And on December 16, two days ago, the research
4 agenda and recommendations were presented to
5 the Gaming Policy Advisory Committee as
6 directed in section 71 of Chapter 23K. They
7 approved the recommendations with one minor
8 revision to it. And that also is reflected in
9 the final recommendations that I present to you
10 today.

11 COMMISSIONER ZUNIGA: What was that
12 minor revision?

13 MR. VANDER LINDEN: That minor
14 revision applied to recommendation number two,
15 which stated -- to add the word benefit to
16 responsible gaming initiative. So, as it
17 states right now establish evaluation measures
18 and processes, collect and analyze data and
19 report findings to determine the effectiveness
20 and benefit, whereas before it just said
21 effectiveness, of responsible gaming issues
22 outlined.

23 COMMISSIONER ZUNIGA: Fair enough.

24 CHAIRMAN CROSBY: As you pointed

1 out, my suggestion is incorporated into your
2 third recommendation to authorize to procure
3 the evaluator.

4 MR. VANDER LINDEN: If I may, that
5 is a very important point. And it is
6 incredibly high priority to make sure that we
7 evaluate the play management systems. And not
8 just the play management systems.

9 I think there are a lot of things
10 that we have moving out here. Play management
11 systems is one. I'll go ahead and call it a
12 GameSense information center is another. These
13 are unique innovative ideas. As good as they
14 may be, I think that asking an evaluator to
15 take a close look at what we're doing so that
16 we can only improve on what we're doing here is
17 so important.

18 COMMISSIONER ZUNIGA: I agree. And
19 I have some specific ideas to make this
20 procurement or this exercise let us build on
21 what we've done in the past. So, I'm come talk
22 to you after this and bring back a specific
23 recommendation on this particular topic.

24 CHAIRMAN CROSBY: So, do you want to

1 make a motion on his recommendation?

2 COMMISSIONER ZUNIGA: Sure. I would
3 move that this Commission approve the
4 recommendations for the 2015 annual research
5 agenda as outlined here in the packet.

6 CHAIRMAN CROSBY: Second?

7 COMMISSIONER MCHUGH: Second.

8 CHAIRMAN CROSBY: And further
9 discussion? All in favor, aye.

10 COMMISSIONER MCHUGH: Aye.

11 COMMISSIONER CAMERON: Aye.

12 COMMISSIONER ZUNIGA: Aye.

13 COMMISSIONER STEBBINS: Aye.

14 CHAIRMAN CROSBY: Opposed? The ayes
15 have it unanimously.

16 MR. VANDER LINDEN: Thank you.

17 CHAIRMAN CROSBY: And I believe
18 Director Day that that is the end of the day;
19 is that right?

20 MR. DAY: That it is Mr. Chairman.

21 COMMISSIONER CAMERON: Move to
22 adjourn.

23 CHAIRMAN CROSBY: Second?

24 COMMISSIONER MCHUGH: Second.

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CHAIRMAN CROSBY: All in favor, aye.

COMMISSIONER MCHUGH: Aye.

COMMISSIONER CAMERON: Aye.

COMMISSIONER ZUNIGA: Aye.

COMMISSIONER STEBBINS: Aye.

CHAIRMAN CROSBY: We are adjourned.

(Meeting adjourned at 4:15 p.m.)

1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission December
3 18, 2014 Notice of Meeting and Agenda
- 4 2. Massachusetts Gaming Commission December
5 4, 2014 Meeting Minutes
- 6 3. Massachusetts Gaming Commission
7 presentation on Central Management/
8 Monitoring System (CMS)
- 9 4. Massachusetts Gaming Commission 2015
10 Community Mitigation Fund Guidelines and
11 Application
- 12 5. Massachusetts Gaming Commission December
13 18, 2014 Memorandum Regarding Delegation
14 of Authority to Commissioner Cameron to
15 handle racing matters
- 16 6. Massachusetts Gaming Commission December
17 18, 2014 Memorandum Regarding Section 61
18 findings - Springfield Gaming and
19 Redevelopment, LLC
- 20 7. Massachusetts Gaming Commission Small
21 Impact Statements for 205 CMR 138.00,
22 205 CMR 149.00, 205 CMR 14.00,
23 205 CMR 134.00

24

- 1 8. Massachusetts Gaming Commission December
2 15, 2014 IEB Qualifier Report of Applicant
3 Blue Tarp/MGM for Qualifier Anton David
4 Nikodemus
- 5 9. 205 CMR 139.01 through 139.12; 205 CMR
6 138.13 through 138.14 DRAFT
- 7 10. 205 CMR 140.01 through 140.05 DRAFT
- 8 11. Proposal for Massachusetts Gaming
9 Commission to adopt GameSense
- 10 12. Massachusetts Gaming Commission December
11 18, 2014 Memorandum Regarding Play
12 Management Recommendation
- 13 13. Massachusetts Gaming Commission December
14 18, 2014 Memorandum Regarding
15 Recommendation for the Annual Gaming
16 Research Agenda

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1 GUEST SPEAKERS:

2 Matthew Cedor, GTECH Corporation

3 Frank Chesky, Sportech

4 Frank Frisoli, Esq., NEHBPA

5 Lance George, Penn National Gaming

6 Anthony Spadea, NEHBPA

7 Marlene Warner, Massachusetts Council on
8 Compulsive Gambling

9

10

11 MASSACHUSETTS GAMING COMMISSION STAFF:

12 Bruce Band, Deputy Director IEB

13 Catherine Blue, General Counsel

14 Richard Day, Executive Director

15 John Glennon, CIO

16 Todd Grossman, Deputy General Counsel

17 Danielle Holmes, Staff Attorney

18 Derek Lennon, CFAO

19 Mark Vander Linden, Dir. Research and Problem
20 Gambling

21 Karen Wells, Director IEB

22 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 December 2014.



LAURIE J. JORDAN
Notary Public

My Commission expires:
May 11, 2018