

THE COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
PUBLIC MEETING #151

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

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May 6, 2015 10:30 a.m. - 11:49 a.m.  
BOSTON CONVENTION AND EXHIBITION CENTER  
415 Summer Street, Room 104B  
Boston, Massachusetts

1 P R O C E E D I N G S :  
2

3 COMMISSIONER MCHUGH: Good morning,  
4 everybody. I'd like to call to order the 151st  
5 public meeting of the Massachusetts Gaming  
6 Commission. We are here at the Boston  
7 Convention and Exhibition Center for today's  
8 agenda. Chairman Crosby is not with us today.  
9 He's on a well-deserved vacation. So, the four  
10 of us will proceed in his absence.

11 We usually begin with the minutes,  
12 which frequently is the highlight of the  
13 meeting but for today, we are going to skip  
14 those and we'll save those until all five of us  
15 are present at the next meeting and proceed  
16 directly to the main order of business, which  
17 is the report from the Investigations and  
18 Enforcement Bureau with respect to Mass Gaming  
19 and Entertainment.

20 Before we actually get to the  
21 content of that I'd like to set the stage a  
22 little bit to recall and inform how we got  
23 here. Mass Gaming and Entertainment is an  
24 entity that is pursuing a Category 1 or a

1 casino gaming license. This hearing is being  
2 convened in accordance with 205 CMR 115.04  
3 paragraph three. That's available for all to  
4 see, but governs hearings like this.

5 The entire Commission will  
6 collectively preside over this hearing and over  
7 whatever decision it will follow when it  
8 concludes. I'd like to explain the process  
9 though that led us to this point as well as the  
10 process that we'll follow here today.

11 On July 11, 2013, almost two years  
12 ago, the Commission held a similar hearing  
13 regarding Mass Gaming and Entertainment, which  
14 was then applying for a Category 2 or slots  
15 parlor license. An inquiry into suitability  
16 is, as the name suggests, an inquiry into the  
17 fitness of the applicant to hold a gaming  
18 license. And that inquiry is required by the  
19 gaming statute, which also contains criteria  
20 the Commission considers in making its  
21 determination.

22 At the conclusion of the hearing two  
23 years ago, the Commission unanimously concluded  
24 that Mass Gaming and Entertainment was

1 qualified and had shown that by clear and  
2 convincing evidence that its suitability.

3 In September 2013, however, Mass  
4 Gaming and Entertainment withdrew its  
5 application for a Category 2 license for  
6 reasons wholly unrelated to any suitability  
7 issues.

8 During the same year and with the  
9 same results, the Commission conducted a  
10 suitability investigation regarding Raynham  
11 Park, LLC which was also seeking a Category 2  
12 license but was ultimately unsuccessful. And  
13 during the course of that investigation, the  
14 Commission considered the suitability of George  
15 and Laetitia Carney who then were principles in  
16 Raynham Park LLC and now are principles of an  
17 entity called Sweeney Investments,  
18 Incorporated.

19 So with that background, Mass Gaming  
20 and Entertainment now reconstituted as a joint  
21 venture between an entity known as Mass Gaming  
22 Holding, LLC and Sweeney Investments -- We'll  
23 hear more about that as the report is presented  
24 -- now that entity, Mass Gaming and

1 Entertainment, has applied for a Category 1 or  
2 casino license. And as before, the Commission  
3 must make an inquiry into Mass Gaming and  
4 Entertainment's suitability to hold a license.

5 This time though the suitability  
6 inquiry builds on the inquiry conducted two  
7 years ago and in essence amounts to an update  
8 of that earlier inquiry. To carry out that  
9 update, the Commission's Investigations and  
10 Enforcement Bureau has conducted an  
11 investigation into Mass Gaming and  
12 Entertainment and the individuals called  
13 qualifiers -- You'll hear that term as we  
14 proceed. -- who have the power to exercise  
15 significant influence over the management or  
16 operation of Mass Gaming and Entertainment's  
17 ongoing business.

18 The Bureau has generated an  
19 investigative report of its findings, and has  
20 submitted it to the Commission for the  
21 Commission's ultimate decision. And that's a  
22 part of the packet that is before the  
23 Commissioners today.

24 The hearing will proceed as follows:

1 At the outset, the IEB, Investigations and  
2 Enforcement Bureau, Deputy Director Loretta  
3 Lillios will provide an overview of the  
4 investigative report relative to the  
5 suitability of Mass Gaming and Entertainment's  
6 Phase 1 application. Any Commissioner may ask  
7 a question of Director Lillios at any point  
8 during her presentation.

9           Director Lillios may be joined by  
10 others who participated in the investigation  
11 that led to the report or she may not. She  
12 will also be available to answer any questions  
13 or offer for clarification.

14           The Commission will then discuss the  
15 matter and take a vote after Mass Gaming and  
16 Entertainment is given any opportunity it would  
17 like to use in order to respond to any part of  
18 the content of the report.

19           As was the case in 2013, the burden  
20 is on Mass Gaming and Entertainment to  
21 demonstrate by clear and convincing evidence  
22 both its affirmative qualification for  
23 licensure and the absence of any  
24 disqualification for licensure.

1 Deputy Director Lillios is of course  
2 joined here today by Director Wells. Without  
3 further ado, I will turn the matter over to  
4 you, Director Lillios.

5 MS. LILLIOS: Thank you very much  
6 and good morning Commissioners. Thank you for  
7 this opportunity to address you to update the  
8 suitability of the applicant Mass Gaming and  
9 Entertainment.

10 As an initial matter, I want to  
11 recognize the members of the IEB team that  
12 worked on the suitability update. On the State  
13 Police side, Lieutenant Kevin Condon and  
14 Trooper Dean Cerullo lent their efforts and  
15 expertise, and on the financial investigation  
16 side by Paul McGrath and Monica Chang worked  
17 extremely diligently and thoughtfully as well  
18 as Vanessa Barone who assisted in a particular  
19 area.

20 In addition, Drew Chamberlain from  
21 HLT Advisory, Inc. was very helpful. And he is  
22 present this morning. And of course, I want to  
23 recognize Director Wells for her leadership.

24 I also want to thank the applicant

1 who has been cooperative and engaged over the  
2 past three months in this suitability update  
3 process. The applicant has representatives  
4 present today. Attorney John Donnelly is here  
5 representing Mass Gaming and Entertainment.  
6 Attorney Paul Seeman, who is an advisor to the  
7 Rush Group is also here. Attorney Michael  
8 Morizio is present representing Mr. George  
9 Carney. And Mr. George Carney and Mrs.  
10 Laetitia Carney are here as well.

11 As Commissioner McHugh stated, the  
12 Commission previously issued a positive  
13 determination of suitability for the applicant  
14 in July 2013 in connection with its then  
15 proposal for a slots license. The applicant  
16 ended up withdrawing that application, but the  
17 Commission allowed it and other applicants that  
18 were not awarded a Category 2 or Region A or B  
19 license to apply for a Region C license without  
20 filing a new RFA-1 application so long as they  
21 provided information as requested by the IEB,  
22 which this applicant has done.

23 Almost two years have passed since  
24 that prior determination and the applicant has



1 now proposed a resort casino in the community  
2 of Brockton. As suitability is an ongoing  
3 concept, the IEB has updated its investigation  
4 to assist the Commission in determining whether  
5 the applicant is suitable at this time.

6 In the present application, there  
7 are nine entity qualifiers and 14 individual  
8 qualifiers. Four of the entity qualifiers and  
9 13 of the individual qualifiers were previously  
10 deemed suitable in 2013. The previously  
11 qualified entities including the trusts as well  
12 as the individuals were all subject to the full  
13 background check back in 2013. And I refer you  
14 to the minutes of the suitability hearing from  
15 July 11, 2013 when these investigative steps  
16 were described in full.

17 As part of the updated  
18 investigation, the IEB required qualifiers who  
19 went through the process in 2013 to submit  
20 detailed updates to their 2013 applications  
21 including updated financial information and net  
22 worth information, updated tax information and  
23 update licensing data.

24 The IEB reviewed these submissions,

1 conducted additional criminal and database  
2 checks and verifications, had numerous  
3 telephone conferences with representatives of  
4 the applicant and visited the site of the  
5 project.

6 With respect to the five new entity  
7 qualifiers and one new individual qualifier,  
8 the IEB required the submission of business  
9 entity disclosure forms from the entities and  
10 multijurisdictional personal history forms and  
11 Massachusetts supplement forms from the new  
12 individuals, as well as additional supplemental  
13 materials and communications as determined by  
14 the investigators to be needed.

15 All of the qualifiers were subject  
16 to criminal checks, media checks, credit  
17 checks, litigation checks and political  
18 donation checks as well. All of this was done  
19 to assist the Commission in evaluating whether  
20 the applicant has satisfied its affirmative  
21 obligation to demonstrate its qualifications as  
22 of today, as well as the qualifications of each  
23 of the entities and individuals identified by  
24 the IEB as qualifiers by clear and convincing

1 evidence according to the Phase 1 suitability  
2 criteria in Chapter 23K sections 12 and 16 and  
3 205 CMR 115 and 117.

4           You have a 70-page report before you  
5 outlining the IEB's findings. The redacted  
6 version has been made available to you today to  
7 consider as part of this meeting and is part of  
8 the record of this meeting and is available to  
9 the public. The redactions were made because  
10 the IEB considers a great deal of personal and  
11 confidential information that is appropriate or  
12 indeed is not legal for public disclosure.

13           There has been a minor comment from  
14 the applicant brought to the IEB's attention in  
15 the report reasonably so and staff will address  
16 that in the near future.

17           I am aware that you have read the  
18 report. So, I will give a summary overview and  
19 some of the key points.

20           The applicant before you is Mass  
21 Gaming and Entertainment, LLC. It was  
22 established in 2011 for the purpose of pursuing  
23 a gaming license in Massachusetts. And it has  
24 no business history of significance and has no

1 regulatory history. The applicant continues to  
2 be managed by Neil Bluhm as Chairman, Gregory  
3 Carlin as CEO and Andrew Bluhm as Secretary and  
4 Treasurer. The applicant is in compliance with  
5 all of its tax obligations in the Commonwealth.

6 An updated criminal history search  
7 was conducted for the applicant and in fact for  
8 all of the qualifying entities. And in all  
9 cases neither the entity nor its ownership nor  
10 any of the officers have a criminal record that  
11 would negatively impact suitability or subject  
12 them to disqualification. And the same holds  
13 true for the individuals.

14 The applicant's ownership structure  
15 has changed since 2013. In 2013, the applicant  
16 was directly owned by a group of five trusts,  
17 all related or closely associated with members  
18 of the Bluhm family from Chicago and also  
19 ownership interest by one qualifying  
20 individual.

21 Today the applicant is owned by Mass  
22 Gaming Holdings, LLC. The investigators  
23 discovered no new information in the updated  
24 investigation that negatively impacts on Mass

1 Gaming and Entertainment's Phase 1 suitability  
2 for licensure.

3 Mass Gaming Holdings, the parent  
4 company of the applicant is a newly formed  
5 entity with no business history and no  
6 regulatory history. Mass Gaming Holdings is  
7 owned by four qualifying trusts, specifically  
8 the Carlin Dynasty Trust and three Bluhm family  
9 trusts.

10 These three Bluhm trusts were  
11 created in 2013 after the prior suitability  
12 finding when the previous trusts split into two  
13 new separate trusts, each splitting into an  
14 exempt and nonexempt trust.

15 These new trusts were created to  
16 protect Bluhm family assets and to make assets  
17 available for the Bluhm family's business  
18 endeavors. And these three new Bluhm family  
19 trusts are the new entity trust qualifiers.

20 I note that when the trust severed,  
21 the trust documents did not change. The  
22 trustees remained the same, and the  
23 beneficiaries remained the same. Therefore,  
24 although the severance of the trusts resulted

1 in three new trust entity qualifiers, the  
2 severance did not result in any new individual  
3 qualifiers.

4 The three new trusts are the 2013  
5 AGB Family Dynasty Trust Exempt #2 where the A  
6 is for Andrew Bluhm. He is the son of Neil  
7 Bluhm and the grantor and trustee of that  
8 trust. The 2013 LNB Family Trust Exempt #2, L  
9 for Leslie, Neil Bluhm's daughter who is also  
10 the grantor and trustee of that trust. And the  
11 2013 Meredith A. Bluhm-Wolf Family GST Trust #2  
12 where Meredith is Neil Bluhm's daughter and the  
13 grantor and trustee of that particular trust.

14 The investigators looked into the  
15 trusts, where the money came from and found no  
16 issues of concern with those trusts. The  
17 assets of the trusts consist of bank accounts  
18 and investments in closely held or Bluhm-  
19 related entities. The investments are not in  
20 publicly traded entities. But based on a  
21 review of financial documents that took into  
22 account the 2013 review, the evaluation  
23 assigned to the trust investments is not  
24 unreasonable.

1 All three of the Bluhm family  
2 qualifying trusts are currently undergoing a  
3 suitability investigation by the Pennsylvania  
4 Gaming Control Board for the two casinos that  
5 Bluhm and Rush have in Pennsylvania, and by the  
6 New York State Gaming Commission for the  
7 recently licensed Bluhm facility in  
8 Schenectady.

9 Andrew Bluhm, Leslie Bluhm and  
10 Meredith Bluhm-Wolf, the grantors and trustees  
11 of those trusts have each been found suitable  
12 in Massachusetts, Pennsylvania, Louisiana,  
13 Illinois and Ontario. And Andrew Bluhm has  
14 also been found suitable in Mississippi. The  
15 investigation did not reveal any derogatory  
16 information that would reflect negatively on  
17 any of those three trusts Phase 1 suitability.

18 The Carlin Dynasty Trust also has an  
19 ownership in Mass Gaming Holdings, the parent  
20 of the applicant. The Carlin Dynasty Trust was  
21 formed by Gregory Carlin and his wife. And  
22 that trust was previously found suitable in  
23 2013 by the Commission.

24 Since 2013, the Carlin Dynasty Trust

1 has been found suitable by the Illinois Gaming  
2 Board. And the trustee, Gregory Carlin, has  
3 been found suitable in Mississippi,  
4 Pennsylvania and Illinois. The investigators  
5 discovered no new information that negatively  
6 impacts on the Carlin Dynasty Trust.

7 None of the trusts will be involved  
8 in any operational or managerial activities  
9 relating to the gaming operation but will be  
10 confined to an investor ownership role.

11 As in 2013 on the operational side,  
12 it is intended that Rush Street Gaming, LLC  
13 which in turn is owned by Rush Street Gaming  
14 Partners, LLC will provide the operational and  
15 owner site functions of the casino should a  
16 license be granted.

17 Rush Street Gaming's ownership  
18 structure has not changed since it was found  
19 suitable in 2013. As in its 2013 application,  
20 it remains a wholly-owned subsidiary of Rush  
21 Street Gaming Partners. Rush Street Gaming is  
22 managed by Neil Bluhm as Chairman, Gregory  
23 Carlin as CEO, Andrew Bluhm as Secretary and  
24 Treasurer, and David Patent as President and



1 Chief Operating Officer.

2 At the time of Rush Street Gaming's  
3 2013 application, it had been found suitable  
4 for licensure by the Mississippi Gaming  
5 Commission, the Illinois Gaming Board and the  
6 Pennsylvania Gaming Control Board.

7 At the time of the initial  
8 application, the Rush Street Gaming Partners  
9 ownership group was comprised of three Bluhm  
10 family trusts and one natural person qualifier.  
11 Since the 2013 suitability finding, the  
12 ownership structure of Rush Street Gaming  
13 Partners has changed.

14 Now Neil Bluhm and Gregory Carlin  
15 each have ownership interest in Rush Street  
16 Gaming Partners in excess of five percent each.  
17 The officers of Rush Street Gaming Partners are  
18 Neil Bluhm as Chair, Gregory Carlin as CEO and  
19 Andrew Bluhm as Treasurer and Secretary.

20 In 2013, Rush Street Gaming Partners  
21 had been found suitable by the Illinois Gaming  
22 Board and the Pennsylvania Gaming Control  
23 Board. Currently, both Rush Street Gaming and  
24 Rush Street Gaming Partners are undergoing a

1     suitability investigation in New York relative  
2     to the Rivers Casino and Resort at Mohawk  
3     Harbor. And they both have pending  
4     applications with the New Jersey Casino Control  
5     Commission and the Alcohol and Gaming Control  
6     Commission in Ontario.

7             The investigation has compared Rush  
8     Street Gaming and Rush Street Gaming Partners'  
9     2013 and 2015 business entity disclosure forms  
10    and noted no additional material changes. The  
11    investigators discovered no new derogatory  
12    information that affects either of those  
13    entities.

14            Before moving onto the individual  
15    qualifiers, while we are talking about the Rush  
16    Street Group, I would like to bring to your  
17    attention some of the regulatory violations  
18    that the IEB reviewed. As part of the  
19    investigation to update suitability, the IEB  
20    reviewed recent gaming regulatory violations  
21    that resulted in fines for the three US casinos  
22    where the regulated entities operate in  
23    Pennsylvania and in Illinois. There were some  
24    incidents that caused the IEB concern.

1           In particular, there was an incident  
2     at the SugarHouse Casino involving 12 slot  
3     machines registering below the 85 percent  
4     minimum payout percentage for a period of six  
5     months. There was an incident at the Rivers  
6     Casino in Pittsburgh involving count room  
7     paperwork being improperly returned.

8           There was another incident at the  
9     Rivers Casino in Pittsburgh involving a poker  
10    dealer ignoring the red light with cards dealt  
11    twice while short two cards. And there were  
12    incidents of mishandling of shufflers by  
13    dealers.

14          There were five incidents at the  
15    Rivers Casino in Pittsburgh involving slot  
16    technicians setting games incorrectly without  
17    approval from the regulator. And there also  
18    were fines for self-exclusion and underage  
19    incidents. In the matters that I brought to  
20    your attention, there were all fairly  
21    significant fines imposed.

22          Moving on from the violations to the  
23    individual qualifiers, Neil Bluhm, Andrew  
24    Bluhm, Leslie Bluhm, Meredith Bluhm-Wolf and

1 Gregory Carlin all have ownership interest in,  
2 as we discussed, in the applicant's parent  
3 company, Mass Gaming Holdings.

4 Neil Bluhm, Andrew Bluhm and Gregory  
5 Carlin also have control over the Rush Street  
6 oversight entities. Leslie Bluhm and Meredith  
7 Bluhm-Wolf are passive investors with no  
8 managerial or oversight control.

9 These five individuals all were  
10 subject to a full background investigation in  
11 2013. Since that time, they have applied for  
12 licensure in several jurisdictions as detailed  
13 in the report. All foreign jurisdictions were  
14 contacted and reported no derogatory  
15 information relating to any of those  
16 individual's licensure or their ongoing  
17 suitability.

18 An income analysis and a net worth  
19 analysis were performed for each of these  
20 individuals, and there was no derogatory  
21 information uncovered with respect to their  
22 financial integrity, financial responsibility  
23 or financial stability.

24 The investigation also updated the

1     suitability of six additional individual  
2     qualifiers with oversight control only. Those  
3     individuals are David Patent, the President and  
4     Chief Operating Officer of Rush Street Gaming,  
5     Timothy Drehkoff, the CFO of Rush Street  
6     Gaming, Zeletta Wyatt, the Vice President of  
7     Strategic Planning for Rush Street Gaming,  
8     Suzanne Trout, the Chief Marketing Officer for  
9     Rush Street Gaming, Joseph Scibetta, the Vice  
10    President of Operations for Rush Street Gaming  
11    and James Jabczynski, Director of Slot  
12    Performance and Analytics for Rush Street  
13    Gaming.

14             All of these individuals went  
15    through the full background invest. in 2013.  
16    And since that time, they have applied for  
17    licensure in several jurisdictions as set out  
18    in the report. Again, all of the foreign  
19    jurisdictions were contacted and no information  
20    -- negative information relating to ongoing  
21    suitability was reported.

22             Their finances were reviewed for  
23    financial stability, responsibility and  
24    integrity with no derogatory information and no

1 negative findings. And no new information in  
2 the updated investigation that negatively  
3 impacts their Phase 1 suitability.

4 Joshua (SIC) Risley was determined  
5 to be a new qualifier for the applicant. In  
6 May 2013, he was hired by Rush Street Gaming as  
7 their Vice President of Analytics. You have  
8 the IEB's full investigative report  
9 incorporated into the update report starting on  
10 page 51 relating to Mr. Risley.

11 Immediately prior to his position at  
12 Rush Street Gaming, Mr. Risley was an FBI agent  
13 in Detroit for four years, a position that he  
14 voluntarily left because as he reported he saw  
15 the Rush Street Gaming position as a good  
16 opportunity.

17 He has been working in the gaming  
18 industry since 2001. And he has held positions  
19 as the Director of Gaming Revenue, the Director  
20 of Slot Performance, the Consolidated  
21 Operations Analyst -- and the Consolidated  
22 Operations Analyst for several Caesars  
23 property. And he also has been an Income  
24 Control Clerk for Caesars Entertainment in

1 Missouri.

2 Prior to that he has held several  
3 positions for financial institutions including  
4 as a portfolio analyst and a stock analyst.

5 Mr. Risley submitted all of the  
6 required forms and supplemental documents to  
7 the IEB. And investigators conducted  
8 background checks where we looked at employment  
9 history, criminal record, education, political  
10 contributions, references, media coverage,  
11 directorships and shareholder interests, civil  
12 litigation, bankruptcies and property  
13 ownerships.

14 Investigators also conducted a  
15 financial responsibility evaluation with  
16 positive results.

17 Mr. Risley attended St. Louis  
18 University where he was awarded a BA in  
19 economics. And he disclosed that he has been  
20 licensed in Illinois with an active license,  
21 Pennsylvania active license, New Jersey expired  
22 license and Missouri expired license. And he  
23 has a pending license in New York. Again, all  
24 jurisdictions were contacted and no derogatory  
information reported. Overall, there were no

1 significant investigative issues uncovered  
2 related to Mr. Risley.

3 Mr. George Carney has been deemed a  
4 qualifier because he has an interest in Sweeney  
5 Investments, LLC which in turn would have an  
6 ownership interest in the applicant should the  
7 Commission issue a Category 1 license to the  
8 applicant.

9 Mr. Carney is already licensed by  
10 the Commission under Chapter 128A to conduct  
11 simulcasting at his Raynham facility. He was  
12 previously deemed suitable in 23 (SIC) in  
13 connection with the Raynham Park application  
14 for a slots license.

15 The investigation has confirmed some  
16 changes since the time of the Commission's  
17 suitability finding in 2013. Specifically that  
18 Mr. Carney has resigned from his positions as  
19 General Manager, President, Treasurer,  
20 Secretary and Director of the Brockton  
21 Agricultural Society. The Brockton  
22 Agricultural Society owns the site which the  
23 applicant proposes to build on.

24 Ms. Laetitia Carney has an ownership



1 interest in Sweeney Investments, LLC as well,  
2 which as explained would have an ownership  
3 interest in the applicant should a license  
4 issue.

5 Mrs. Carney has no management role  
6 in Sweeney Investments. And neither Mrs.  
7 Carney nor Mr. George Carney is expected to  
8 have any management role in the applicant.  
9 Mrs. Carney was found suitable in 2013 as well.

10 Mrs. Carney disclosed one  
11 investigatory proceeding regarding a liquor  
12 license suspension in the town of Raynham  
13 resulting in a one-day suspension of liquor  
14 license at the Raynham Derby Club for serving a  
15 minor.

16 Financial analyses of Mr. and Mrs.  
17 Carney were performed. In the Raynham Park  
18 suitability report, it was noted that George  
19 Carney reports a substantial amount of assets,  
20 but most of the overall asset value was in the  
21 form of non-liquid investments such as real  
22 estate, loans receivable and interest in  
23 closely held businesses or trusts.

24 Offsetting the assets are actual

1 liabilities and a very high level of contingent  
2 liabilities representing debts of certain  
3 Carney business ventures that Mr. Carney has  
4 personally guaranteed as to payment.

5 The updated financial investigation  
6 reveals that the structure of the most recent  
7 net worth statement for George Carney remains  
8 unchanged in that he has low levels of liquid  
9 assets, and the majority of his assets are in  
10 the form of related party receivables and  
11 investments in closely held business ventures.

12 His liabilities are primarily in the  
13 form of related party payables. And he  
14 maintains significant contingent liabilities in  
15 some business ventures. That said, when  
16 combined with the net worth of Laetitia Carney,  
17 the Carneys have liquid assets and real estate  
18 holdings that exceed the total amount of debt  
19 owing. While there may be some requirement to  
20 sell certain assets, if liquid assets were  
21 insufficient, their financial position is  
22 considered stable.

23 Under an agreement with the  
24 applicant, Mr. Carney has no obligation to

1 contribute any equity to the applicant beyond  
2 the after-tax proceeds from the sale of the  
3 project site, details of which I'll address in  
4 a moment. The investigation discovered no new  
5 information in the updated investigation that  
6 negatively impacts Mr. and Mrs. Carney's Phase  
7 1 suitability.

8 Turning to the project site, the  
9 applicant has designated the host community of  
10 Brockton as its proposed site. And a vote is  
11 scheduled there for May 12. The facility is to  
12 be built on Lot 7, a 45.573 acre parcel  
13 comprising most of the current Brockton  
14 Fairgrounds. Lot 7 is owned by the Brockton  
15 Agricultural Society.

16 The Brockton Agricultural Society  
17 has an interesting history. It was formed in  
18 1874 to promote and encourage agricultural  
19 activity for the benefit of the community. Mr.  
20 George Carney, a qualifier in this application  
21 due to his ownership in Sweeney Investments, is  
22 the majority shareholder in the Society.  
23 Laetitia Carney, also a qualifier, owns some  
24 shares.

1           Mr. Carney has in the past been a  
2     general manager, director and officer of the  
3     Society at various points. But as of around  
4     November 14, 2014 he is no longer holds any of  
5     those positions or offices for the Society.

6           In addition to holding the Brockton  
7     Fair, the Society has some business ventures.  
8     The Society has licensed the occasional use of  
9     the fairgrounds to vendors who conduct things  
10    like flea markets, farmers markets, rodeos and  
11    similar special events.

12          The Society also has entered into  
13    two more significant leases or licensing  
14    agreements. In 2009 and again in 2013, the  
15    Society entered into a lease with the city of  
16    Brockton whereby the city leases a salt shed  
17    from the Society. And the city has the right  
18    to use the surrounding area 24/7 to store road  
19    salt and for incidental operations. And the  
20    city has rights of renewal through October 31,  
21    2016 on that lease.

22          In 2001, the Society also entered  
23    into a ground lease for the placement of a cell  
24    tower on Lot 7. The Society files taxes as a C

1 corporation and pays property taxes at the  
2 commercial industrial rate. The investigators  
3 examined the Society's tax returns for the  
4 years 2008 through 2012 and they appear to be  
5 in order.

6 On January 14, 2015 the Society  
7 through its President and Treasurer executed a  
8 letter agreement with Mass Gaming and  
9 Entertainment. In the agreement, Mass Gaming  
10 and Entertainment has agreed to purchase Lot 7  
11 subject to the award of the Category 1 license  
12 to the applicant.

13 The directors of the Society have  
14 already approved this transaction. Under the  
15 letter agreement, the Society will first obtain  
16 the two-thirds affirmative vote of the  
17 shareholders to approve the sale of Lot 7.

18 A secondary mechanism for the land  
19 to be contributed to the joint venture has not  
20 been fully developed but will be brought before  
21 the IEB and the Commission for the necessary  
22 review and approvals in advance should it  
23 materialize.

24 COMMISSIONER ZUNIGA: Director, can

1     you expound on that a little bit more please or  
2     repeat that?

3                 MS. LILLIOS: That there is a  
4     secondary mechanism for the land to be  
5     contributed to the joint venture that has not  
6     been fully developed but will be brought before  
7     the IEB and the Commission for the necessary  
8     review and approvals in advance should it  
9     materialize.

10                So, the IEB did not fully  
11     investigate or vet that possibility because it  
12     had not materialized. But it has been made  
13     clear that if that route is to be followed  
14     before that process commences, the applicant  
15     would need to come back to the IEB. And the  
16     IEB would bring that to the Commission as  
17     necessary.

18                COMMISSIONER ZUNIGA: But it's not  
19     anticipated that that alternative would be  
20     materially different at this point from what  
21     you just described in terms of ownership and  
22     requirement for contributions and roles.

23                MS. LILLIOS: For contributions and  
24     roles that is true. Nor is it anticipated that

1 any votes of the shareholders would not be  
2 required.

3 COMMISSIONER MCHUGH: So, basically  
4 that's a different way of giving MGE control  
5 over the site that they need?

6 MS. LILLIOS: That's my  
7 understanding, correct.

8 COMMISSIONER MCHUGH: Apart from an  
9 outright sale.

10 MS. LILLIOS: It's my understanding  
11 that an outright sale would nonetheless  
12 materialize but it just might happen  
13 differently at the Society end.

14 COMMISSIONER MCHUGH: Okay.

15 MS. LILLIOS: Over the years, Mr.  
16 Carney has made loans to the Society. In 2001,  
17 the Society executed a promissory note payable  
18 to him, which counsel for Mr. Carney stated was  
19 to enable the Society to make capital  
20 improvements and repairs to the racetrack  
21 facility at the Brockton Fairgrounds.

22 This note to Mr. Carney has been  
23 executed -- excuse me has been secured by a  
24 mortgage on the Society's real property.

1           The investigators requested certain  
2 of the Society's records. Many documents were  
3 provided but Attorney Morizio reported that for  
4 some of the IEB's requests it would be a major  
5 task to attempt to recover all documents  
6 requested.

7           Investigators looked into Mr.  
8 Carney's purchase of a parcel of property from  
9 the Society in the late 1970s at 500 Belmont  
10 Street. The investigators learned that in 1984  
11 the Commonwealth's tax board issued a decision  
12 that validated the purchase price Mr. Carney  
13 paid to the Society for that parcel.

14           The tax board actually valued the  
15 land at an amount that was slightly less than  
16 the price he paid. Ultimately, the  
17 investigation uncovered no facts regarding the  
18 land transaction which necessarily negatively  
19 impact suitability.

20           Nonetheless, in furtherance of 23K's  
21 mandate to ensure public confidence in the  
22 integrity of the gaming licensing process, the  
23 IEB recommends that the Commission consider  
24 adding four conditions to a determination of



1 the applicant's suitability.

2 The recommended conditions of Phase  
3 1 suitability are moving forward and until  
4 directed otherwise by the Commission, one, all  
5 of the transactions involving the Society and  
6 Mr. Carney, Mrs. Carney, any of the Carney  
7 affiliated entities and/or any qualifier  
8 including but not limited to the disposition of  
9 Lot 7 are required to be documented in detail,  
10 and the Society is required to provide such  
11 documentation to the IEB promptly upon its  
12 preparation.

13 The second recommended condition is  
14 that the Society's books are required to be  
15 maintained according to generally accepted  
16 accounting principles. And it is reported that  
17 that is the case presently.

18 Condition number three is that the  
19 Society is required to promptly update the  
20 contact information for its shareholders, and  
21 to use the updated contact list to notify the  
22 shareholders of all meetings including the  
23 notice to shareholders in advance of the vote  
24 for the sale of Lot 7.

1           And the fourth recommended condition  
2   is that the Society is required to continue to  
3   maintain all of the required filings to the  
4   Secretary of the Commonwealth, which again it  
5   appears -- the investigators have reviewed  
6   those filings and it appears that those are  
7   currently being made.

8           COMMISSIONER CAMERON: Director, you  
9   mentioned that certain documents were requested  
10   but would take a lot of effort to produce. But  
11   those documents were not documents that are  
12   required by law; is that accurate?

13           MS. LILLIOS: That is true for some  
14   of the requests. For instance, minutes were  
15   requested. And minutes of one directors'  
16   meeting were provided. But minutes are not  
17   required to be taken as the Society is not a  
18   governmental body subject to records retention  
19   laws or minute taking requirements of, for  
20   instance, the open meeting law.

21           My comment with respect that it  
22   would be a major task to produce such records  
23   went more to the IEB's request for lease and  
24   licensing documents. And Mr. Morizio can maybe

1 shed a little more light on this, but it is my  
2 understanding that there are many small leases,  
3 arrangements for small vendors to come on-site,  
4 and that there may be documentation that exists  
5 for those.

6 I think a football tournament was  
7 given as a recent example where the  
8 documentation may exist but was not easily  
9 accessible. I had requested over a 20-year  
10 period. So, some documentation was required  
11 for the more significant leases and licenses  
12 but that was the response for the other  
13 matters. And that also affected the IEB's  
14 recommended conditions.

15 COMMISSIONER MCHUGH: Those are  
16 historical leases and historical operating  
17 arrangements not, at least as far as you  
18 understand it, lease arrangements or other  
19 operating agreements that are currently in  
20 effect.

21 MS. LILLIOS: The cell tower lease  
22 and the salt shed lease are current.

23 COMMISSIONER MCHUGH: Apart from  
24 those two, these other documents are historical

1 documents.

2 MS. LILLIOS: Correct.

3 COMMISSIONER MCHUGH: Okay.

4 COMMISSIONER ZUNIGA: Can I ask a  
5 question on the conditions or will we have --  
6 on one of them?

7 MS. LILLIOS: Sure.

8 COMMISSIONER ZUNIGA: Condition  
9 number one, you mentioned that all of the  
10 transactions of the Society going forward be  
11 documented in detail and provided or made  
12 available if requested, if upon request from  
13 the IEB.

14 Prior to or soon after the  
15 transaction takes place?

16 MS. LILLIOS: The recommendation is  
17 that moving forward from today and until  
18 otherwise directed by the Commission that  
19 documentation is to be kept for the  
20 transactions involving the Carneys and/or the  
21 land and affirmatively to be provided to the  
22 IEB.

23 COMMISSIONER ZUNIGA: After the  
24 transaction has taken place?

1 MS. LILLIOS: Upon preparation of  
2 the documentation on an ongoing basis would be  
3 the recommended condition.

4 COMMISSIONER ZUNIGA: But  
5 documenting a transaction prior to actually  
6 entering into a transaction is different from  
7 just providing the documentation after the  
8 transaction has been entered into.

9 I'm specifically asking about the  
10 timing element of this. You want to know in  
11 advance or do you want to know soon after?

12 COMMISSIONER MCHUGH: If for example  
13 there's a lease.

14 COMMISSIONER ZUNIGA: Yes. If  
15 there's a lease to be executed or has been  
16 executed, do you want to know prior to or soon  
17 thereafter?

18 MS. LILLIOS: Well, I think this is  
19 connected to the bylaws of the Society. So,  
20 for instance if the bylaws of the Society say  
21 that the directors can act on a certain matter  
22 at a meeting, then I would envision that the  
23 IEB would receive advance notice of the  
24 directors meeting.

1           So, in that way the IEB would have  
2           advanced notice of a meeting but would have  
3           after-the-fact notice documenting what actually  
4           happened at the meeting. Does that address  
5           your question?

6           COMMISSIONER ZUNIGA: I want to make  
7           sure that we are not in a position where we are  
8           approving a transaction either because it has  
9           been provided in advance and nothing has been  
10          said, let's say, implicitly or otherwise.

11          MS. LILLIOS: I understand.

12          COMMISSIONER ZUNIGA: If that's the  
13          intent, I want to understand just what  
14          transactions you might be thinking about.

15          MS. LILLIOS: I think of particular  
16          concern is that we are notified in advance of  
17          notifications of shareholder meetings where  
18          transactions involving the Lot or involving the  
19          Carneys are anticipated.

20          Moving onto the description of  
21          anticipated deal itself. Mass Gaming and  
22          Entertainment and Sweeney Investments executed  
23          a joint-venture letter agreement on January 23,  
24          2015, which anticipates that an LLC will be

1     formed for a joint venture entity that will  
2     only interest in the applicant.

3             The terms of the joint venture  
4     agreement assume that the project costs would  
5     amount to \$605 million of which \$450 million or  
6     75 percent would represent debt financing. And  
7     the remaining \$150 million or 25 percent would  
8     be provided by the Bluhm Group and Sweeney  
9     Investments or the Carneys. The terms of this  
10    agreement are described more fully starting on  
11    page 34 of the report.

12            The Carneys are required under the  
13    agreement to contribute all of their after-tax  
14    proceeds from the sale the site in return for  
15    common equity in the joint venture entity.  
16    Other terms of the agreement allow but do not  
17    require the Carneys to contribute an additional  
18    capped amount.

19            The intended organizational  
20    structure appears on page 36 of the report.  
21    The net worth of each of the owners with  
22    greater than five percent as well as the net  
23    worth of the individuals who are the grantors  
24    and trustees for the identified trust were

1 examined. This net worth is far in excess of  
2 the range of the equity capital identified.

3 We do note that the majority of  
4 these assets are in the form of real estate or  
5 private business interests and thus are non-  
6 liquid. In order to address the issue of  
7 timely access to equity capital, the applicant  
8 has provided a letter from Bank of America that  
9 the LAM Partners have access to an amount in  
10 undrawn funds available to them in an existing  
11 credit facility that demonstrates to the  
12 satisfaction of the investigators that they  
13 have access to the required capital for the  
14 project. The LAM Partners is an acronym that  
15 stands for Leslie, Andrew and Meredith Bluhm.

16 COMMISSIONER ZUNIGA: Can I ask a  
17 question on that?

18 MS. LILLIOS: Yes.

19 COMMISSIONER ZUNIGA: It's not  
20 envisioned that the sale, the amount of that  
21 contribution that equity contribution, which is  
22 in the form of the land would change between  
23 now and the closing of that if they're awarded  
24 a license, is there?



1 MS. LILLIOS: The financial aspect  
2 of this proposal is based on current market  
3 conditions. And I believe that that will be  
4 looked at again at the Phase 2 stage.

5 COMMISSIONER ZUNIGA: Okay.

6 MS. LILLIOS: In conclusion, taking  
7 into consideration the entirety of the IEB's  
8 investigation, the IEB concludes that the  
9 applicant and each qualifier have established  
10 their Phase 1 qualifications for licensure by  
11 clear and convincing evidence, including the  
12 statutory criteria of integrity, good  
13 character, honesty, reputation, financial  
14 stability and financial responsibility.

15 The IEB recommends that the  
16 Commission fined the applicant Mass Gaming and  
17 Entertainment suitable for licensure subject to  
18 the conditions discussed.

19 I know that Mr. Donnelly is here and  
20 his team. And he has some remarks, but of  
21 course I'm happy to try to answer any questions  
22 that the Commission may have.

23 COMMISSIONER MCHUGH: Can I just ask  
24 a question? First of all, any questions?

1           COMMISSIONER STEBBINS: I just had  
2 one quick question and it's more of a process.  
3 Any ongoing or gaming violations that occur in  
4 other jurisdictions after the date of the  
5 suitability report are automatically required  
6 to be filed with the IEB?

7           MS. LILLIOS: We do have a  
8 requirement. I'm not sure if it's a strict  
9 regulatory requirement but we do view  
10 notification of all violations as part of the  
11 ongoing suitability for all of the applicants  
12 and licensees.

13          COMMISSIONER STEBBINS: Thank you.

14          COMMISSIONER MCHUGH: Are there  
15 other questions before we turn to Mr. Donnelly,  
16 which we will in a second? I had one question  
17 and this is just at the moment picking up on  
18 the last piece of the financial structure.

19               As I understand it from reading the  
20 report and listening to you that the essence of  
21 the position is that all of the financing  
22 pieces are not in place, which is not unusual  
23 at this stage. But when the IEB looks at the  
24 equity that's pledged and the equity -- and the

1 net worth of the pledgers, and looks at the  
2 credit facility that's available to be drawn  
3 on, and looks at the difference between the  
4 equity and the credit facility and the amount  
5 required to fund the project, the IEB has a  
6 high degree of confidence in the financial  
7 suitability of the applicant to execute this  
8 project. Is that a fair summary?

9 MS. LILLIOS: Yes, it is.

10 COMMISSIONER MCHUGH: Okay. Mr.  
11 Donnelly, would you like to make any comments  
12 at this point?

13 MR. DONNELLY: I would. I will be  
14 brief. I wanted to do a couple of things.  
15 One, happy to be back. Was here on July almost  
16 two years ago.

17 My client's proud of being the first  
18 entity and group of people found suitable in  
19 Massachusetts. We've touted that some other  
20 places. So, we hope that we continue that  
21 process. We are gratified by the report that  
22 has come out. And we are very excited about  
23 the Brockton project. And happy as could be  
24 with our partnership with Mr. Carney.

1           So, I am representing Mass Gaming  
2     and Entertainment, but I also represent the  
3     Bluhm interests in a number of states. So, I  
4     wanted to put that on the record.

5           Number two, staff has been terrific.  
6     I've said that before. I say it in other  
7     jurisdictions. Everyone was jammed up with a  
8     lot of work. And everybody on that side has  
9     been terrific to deal with. They put very  
10    heavy demands on us, but not reasonable. Fair,  
11    flexible, so you all should be proud of that  
12    staff. And I say that to other people. It's a  
13    great staff you have.

14           Why are we here today? We're here  
15    for an update from what happened two years ago.  
16    And the test is, as you all know, but for the  
17    public out there, the test is real simple.  
18    It's a good character and outstanding  
19    integrity. That's what an applicant has to  
20    prove in all of these jurisdictions.

21           And the group that controls MG&E,  
22    which is essentially Bluhm-related entities and  
23    persons and trusts that are created for the  
24    benefit of Neil Bluhm's kids and grandchildren

1 have been found suitable first in Mass. in July  
2 a couple of years ago. They've been found  
3 suitable in Pennsylvania, Ontario, Mississippi,  
4 currently pending in New York. The related  
5 Bluhm entities regulated by the Securities and  
6 Exchange Commission as well. So, we've been  
7 through this routine many, many times.

8 And I think the general public  
9 doesn't know what a gaming commission such as  
10 yourself do. And it's worth a couple of  
11 minutes just to say that it is extremely -- I  
12 say this and it sounds like a negative word,  
13 but positive for what goes on. -- it's an  
14 extremely intrusive process. A process that is  
15 unprecedented in any other industry.

16 People go through bank accounts.  
17 They go through net worth statements. They go  
18 through trust documents. They go through birth  
19 certificates, educational records. So, that  
20 there is really no privacy that's available to  
21 the applicants that the general public enjoys  
22 and would expect.

23 By the time that we come before a  
24 body such as this and hear a report like this,

1 there has been a full, comprehensive, in-depth  
2 examination as to everything that goes on in  
3 these persons and entities lives. Including  
4 not only the good character side of it, but the  
5 reputation side too, which is the kind of stuff  
6 -- The book years ago about everything I  
7 learned in kindergarten are the rules, it's  
8 what other people think.

9 And the Bluhm entities and Bluhm and  
10 the people associated with them and their  
11 reputation as business people beyond the good  
12 character that there's no criminal records, no  
13 civil records, there's no wrongdoing, but their  
14 reputation is very high too.

15 It's not an entity that engages in  
16 shoddy business practices. It's not an entity  
17 that you hear on the street, oh those no-good  
18 SOBs. They've been successful but they're no  
19 good. You don't hear that about this entity.

20 And I'm happy to work them and it  
21 makes my job easy. We laugh on and like say  
22 how else could people like me make a buck.  
23 Thank God for the casinos. This is a good  
24 entity to operate with. It's an entity I think

1 the people that are associated with, you're  
2 going to be proud to have in Massachusetts if  
3 we are selected in the RFA-2 process.

4 We feel the same way about Mr.  
5 Carney, same thing. We didn't know Mr. Carney.  
6 Like anybody else in this room, you ask what  
7 about George Carney? And we get the same  
8 report back. Good guy, successful guy not a  
9 crisp dealer, a guy who you can trust. So,  
10 we're happy with that reputation as well.

11 I won't go on much further. We are  
12 very happy with the report. I think the report  
13 speaks for itself. That we have my entity and  
14 the Massachusetts and the Bluhm group and the  
15 trusts that are all created all do possess the  
16 criteria under the statute. And I think have  
17 been demonstrated by clear and convincing  
18 evidence.

19 The financing is there. Neil Bluhm,  
20 his group have a reputation for that too. As  
21 I'm sure this board knows, but maybe the public  
22 doesn't know, in the financial crisis -- The  
23 reason that Neil Bluhm has two casinos in  
24 Pennsylvania is that during the financial

1 crisis, the Pittsburgh casino, which was under  
2 development by another man, a well-known casino  
3 exec. by the name of Don Barden who has since  
4 passed away got in financial difficulty, as did  
5 everybody else in the country.

6 And Neil Bluhm was able to come in  
7 and save that project from bankruptcy because  
8 of the strength of his financial background.  
9 So, I don't think there need to be any concern  
10 on that side of the ledger. And there is  
11 certainly no concern on the integrity side of  
12 the ledger.

13 So, with that I'll be quiet and will  
14 be ready for questions. And we appreciate you  
15 inviting us here.

16 I was remiss in not introducing who  
17 is with me here. To my immediate right is Paul  
18 Seeman who is an attorney with LAM. As your  
19 Director pointed out, LAM is an acronym for  
20 Neil Bluhm's children Leslie, Andrew and  
21 Meredith. And Paul works for LAM and sometimes  
22 advises Rush.

23 Also Mike Morizio here who is a  
24 long-term attorney for George Carney and for



1 the Sweeney group that they have put together.  
2 He's been working very closely with the  
3 director resolving and putting together the  
4 paperwork for an entity that's been in  
5 existence for close to 100 years. We'd laugh  
6 that we'd have to go out and dig up some  
7 records out of the graveyard and so on.

8 So, we're again happy to have Mike  
9 here. Happy to have Paul here and we're  
10 prepared to answer any questions the  
11 Commissioners may have. Thank you.

12 COMMISSIONER MCHUGH: All right.  
13 Thank you very much, Mr. Donnelly. Questions  
14 for Mr. Donnelly or for either of his  
15 colleagues who are here today?

16 COMMISSIONER CAMERON: Mr. Donnelly,  
17 I had a few questions about some of these  
18 violations and fines that have occurred since.  
19 I won't go back because we dealt with the ones  
20 prior to 2013. But a couple present themselves  
21 and we've now been through this a number of  
22 times and are very familiar with seeing routine  
23 violations. For example, underage minors  
24 inadvertently are admitted.

1           But some of these others I had some  
2       questions about. The first one would be the  
3       8/6/14 violation with the 12 slot machines  
4       below the required 85 percent minimum. Do you  
5       have more information about that? That's a  
6       long period of time and a pretty hefty fine as  
7       well with that.

8           MR. DONNELLY: Yes, I do. Thank  
9       you, Commissioner. What happened there is  
10      there existed at that time period the ability  
11      or maybe disability of a slot machine to have  
12      different pay tables on it by virtue of how you  
13      put some calibrator or push some buttons when  
14      the machine was open. That no longer exists.  
15      It should not have existed. It wasn't our  
16      doing. But it was possible for a slot  
17      technician to put the wrong percentages in  
18      there.

19           That happened with 12 machines out  
20      of I think there's 31 or 32 altogether. A slot  
21      technician, when they open the door there's  
22      what they call it an EEPROM, it's just an  
23      electronic computer chip. In those particular  
24      slots there was the ability put the wrong, what

1     they call, pay table in. The wrong pay table  
2     was put in. And it was a minor reduction. It  
3     was like 84 plus percentage instead of 85  
4     percent. No one knew that that had happened.

5             The state of Pennsylvania  
6     periodically audits the machines. And they  
7     came in in a random audit and found that we did  
8     not know that. For almost virtually all of the  
9     violations you see, we self-report. There's a  
10    strong culture of self-reporting when we find  
11    out something went wrong. Didn't know that had  
12    happened.

13            When we found out it happened, we  
14    owned up to it. Acknowledged it, paid a fine.  
15    And speaking to some staff beforehand, stuff  
16    happens. And you can't with 4000 employees  
17    that the Bluhm organization has, you can't be  
18    perfect.

19            What you can do is have a culture  
20    that is against that. You can have control,  
21    internal controls. And you can have  
22    investigations and discipline when appropriate.  
23    We did all of those things.

24            After the fact, they put in a

1 procedure that now in the future, there has to  
2 be a double-check when that slot technician --  
3 Well, first of all, that I say can't -- That  
4 can't happen. That particular violation can't  
5 happen anymore because machines do not get on  
6 the floor that have the ability for someone to  
7 make that mistake. But I will say that I have  
8 seen in my history people take the EEPROM out,  
9 the little chip, go into the back room and fail  
10 to check it. Not in the Bluhm casinos, but  
11 I've seen it in New Jersey.

12 So secondly, we have systems in  
13 place that a supervisor has to double-check  
14 that machine before it goes live. That's in an  
15 internal control that is in effect now. So, it  
16 should not happen again. As I understand it,  
17 it was only on a single coin bet. So, it  
18 wasn't a large problem.

19 And Paul reminds me the second  
20 control we're doing is quarterly audits now.  
21 That we check the machines ourselves to make  
22 sure that they are properly calibrated.

23 You can never say never but that  
24 particular problem will not occur again and we

1     now have two safeguards in to protect it from  
2     happening that we didn't have before.

3                 COMMISSIONER CAMERON:   So, the  
4     procedure was changed to make sure that that  
5     should not happen again.

6                 MR. DONNELLY:   Precisely, double-  
7     breasted two controls.

8                 COMMISSIONER CAMERON:   Some of the  
9     other violations I had a question about.   You  
10    had a poker dealer ignoring the shuffler red  
11    lights on two occasions.   And some other issues  
12    here that I think really, really hit on  
13    training issues.   Underage lots of times,  
14    right, that's security that needs to do a  
15    better job and pay attention to those issues.  
16    Certainly, this incident with the dealer.

17                You mentioned a lot of steps that  
18    you take in order to ensure things won't happen  
19    but training was not one of them that you  
20    mentioned.   I'm just wondering if some of these  
21    incidents do lead you to believe that courtroom  
22    paperwork for example that was improperly  
23    returned -- count room rather, which is  
24    serious, right?   That's a \$50,000 fine.

1 MR. DONNELLY: That was serious.

2 COMMISSIONER CAMERON: Yes, yes. Is  
3 that someone just not doing their job? Or  
4 they're not trained? You mentioned that you do  
5 do investigations. What was the outcome there?

6 MR. DONNELLY: You got a couple of  
7 them. Let me talk about what we call blowing  
8 the red light. And what occurred was when you  
9 use a shuffle machine, a shuffle machine will  
10 put on a red light on the table, which  
11 indicates that either there's been a mis-  
12 shuffle or there's a card count. It actually  
13 counts the cards and missed one.

14 The dealers in question on this  
15 failed to pay attention to the red light. They  
16 have been trained. They knew it was a mistake.  
17 They knew they shouldn't do it and they did it  
18 anyway.

19 We had two clumps of incidents. The  
20 first clump of incidents were -- I'm stealing  
21 some of Paul's thunder because he knows in  
22 greater detail if we have to if there's more  
23 detailed questions. But the first was on table  
24 games. And after those events occurred,

1 everyone was retrained. Everyone had to do  
2 what we call a read and sign, read that they  
3 shouldn't blow this red light, which is  
4 intuitive. And sign that in the future there  
5 will be zero tolerance and will be terminated.  
6 And people did do that.

7 But not in the poker room. In the  
8 poker room then we had these two violations,  
9 same thing. There is zero tolerance now. More  
10 read and signs, more training. And the  
11 employees who engaged in those problems were  
12 fired.

13 We did an investigation. There was  
14 a firing in one case a dealer, one supervisor  
15 and I think a second supervisor. And the other  
16 dealer was not fired because the supervisor had  
17 told that dealer to ignore the red light. He  
18 was fired, he or she, I forget.

19 So, again I can't say that someone  
20 won't watch that red light come on and say I'm  
21 going to deal anyway. If they do, they're  
22 going to get fired. And they know it. It  
23 wasn't an oversight or it wasn't a lack of  
24 knowledge. They knew they shouldn't do that.

1           As to the count room issue, yes.  
2   That count room issue, we're all perplexed by  
3   it. By the way, not only were there people in  
4   the count room, there were regulators in the  
5   count room as well. What would happen was  
6   there is no loss of any money or anything like  
7   that. But if someone had written on what is  
8   called a fill slip, a slip that comes down to  
9   the cage and it didn't true out with other  
10   documentation, they would send that form back  
11   to the floor to have the floor correct it and  
12   make it correct.

13           Absolutely, positively, wrong. And  
14   like I said, there were people in there that  
15   observed it. The way that was captured is we  
16   had an external auditor come in the room and  
17   looked at them and said what's going on here?  
18   We self-reported. We cleaned house of the  
19   people who were doing that. And that will not  
20   happen again. I can't imagine that will happen  
21   again.

22           The final thing you ask about  
23   sometimes underage or other people come in.  
24   And I'm happy -- Look we're still not perfect



1 and we never will be happy with that. I will  
2 say a statistic that we're very proud of. When  
3 we were last here, we had a number of problems  
4 at Rivers.

5 As of yesterday, Rivers was at 611  
6 days without an incident, so close to two years  
7 now. And they do it like when I was a kid. I  
8 worked in a steel mill and they'd say how many  
9 days without an accident. They post it up  
10 there. They post it up how many days without  
11 an incident. They are very proud of it.

12 We'll occasionally get an event that  
13 will happen. But we are doing everything we  
14 can. So there is training, more importantly  
15 there is a culture. Training, get the culture  
16 in, have the controls and investigate and  
17 discipline if necessary. We have those in  
18 place. And we're serious about it. And we  
19 will be here as well.

20 COMMISSIONER CAMERON: Thank you,  
21 Mr. Donnelly.

22 MR. DONNELLY: Thank you.

23 COMMISSIONER MCHUGH: All right.  
24 Other questions? I had a couple of questions

1     that I think probably directed best at Mr.  
2     Morizio. This maybe is in RFA-2 land when we  
3     get there -- if and when we get there, but let  
4     me ask it now anyway. That is under the report  
5     -- in the report there's an indication that the  
6     city of Brockton has a lease for a salt shed  
7     that's renewable at its option until October  
8     2016. And there's also the cell tower lease  
9     that's on this land as well.

10                 How does that impact the ability to  
11     develop the land?

12                 MR. MORIZIO: First of all, good  
13     morning, Commissioners. And thank you for  
14     inviting us here today. Our current design  
15     calls for a very significant Green zone or  
16     buffer zone along the back part of the Brockton  
17     Fair. This salt shed lease, which ends 2016  
18     and the cell tower is either in that Green zone  
19     or just on the edge of it. And if it is on the  
20     edge of it, it would be in a parking lot area  
21     anyway. So, it will have no effect on the  
22     ability to construct the casino or to open the  
23     casino.

24                 The cell tower I'd also mention we

1 have the right as the landlord, if we choose  
2 to, to move its location anywhere on the site  
3 at our cost. So, if for some reason we felt it  
4 was necessary to do that, we would have the  
5 ability to move the cell tower as well.

6 COMMISSIONER MCHUGH: All right.  
7 Thank you. My second question has to do with  
8 the third condition that the IEB is  
9 recommending, which is update and maintain a  
10 list of all the shareholders. Is there any  
11 reason why given the history of the  
12 organization and the importance of the upcoming  
13 vote or the vote that will be necessary to  
14 actually consummate the sale that the  
15 shareholders should not be notified by  
16 certified or registered mail of that meeting?

17 MR. MORIZIO: No. I think that's a  
18 good idea. We should document more than one  
19 way that we have contacted all of the  
20 shareholders. We would be pleased to do that.

21 We've always held -- My firm has  
22 been counsel to the Brockton Agricultural  
23 Society for close to 60 years.

24 COMMISSIONER MCHUGH: 6-0?

1 MR. MORIZIO: 6-0.

2 COMMISSIONER MCHUGH: You haven't  
3 been counsel for that long.

4 MR. MORIZIO: I haven't, no. But  
5 our late senior counsel Joe O'Kozal (PHONETIC)  
6 who was and his father before him. So,  
7 throughout that entire period, we have always  
8 had annual shareholder meetings. Our firm has  
9 been there. We've been part of the  
10 notification process. There's always been  
11 notice published in the Brockton Enterprise.  
12 It's been a stable and consistent method of  
13 notification to shareholders.

14 So, adding a direct mailing by  
15 certified mail as well as the notice in the  
16 local newspaper will be followed. And we'll  
17 certainly provide that information to IEB.

18 COMMISSIONER ZUNIGA: Mr. Morizio,  
19 just roughly how many shareholders are  
20 currently?

21 MR. MORIZIO: I would say  
22 approximately 80.

23 COMMISSIONER MCHUGH: All right.  
24 Thank you very much. I had one other question

1 now. And I'm going to ask that question of  
2 Director Lillios. And it goes back to what  
3 Commissioner Zuniga was talking about in the  
4 first of those conditions.

5 What if that condition were changed  
6 to say at the end that the Society was required  
7 to provide documentation to the IEB promptly  
8 after the transaction occurs?

9 The concern that Commissioner Zuniga  
10 raised was implicit approval of a transaction  
11 rather than reviewing it afterwards and being  
12 informed of it. We might then want to take --  
13 the IEB might want to recommend some action be  
14 taken afterwards, but would not be in a  
15 position of having to watch all of these things  
16 and approve or disapprove.

17 MS. LILLIOS: I think that captures  
18 the essence of what the IEB should be doing.  
19 So, I think that's great.

20 COMMISSIONER MCHUGH: Okay. Any  
21 other things that you would like to say,  
22 Director Lillios after hearing Mr. Donnelly and  
23 Mr. Morizio's comments?

24 MS. LILLIOS: No. Just to thank

1     them again for the process and to thank the  
2     Commission as well.

3                 COMMISSIONER MCHUGH: All right.  
4     Well, I think the report, you are to be  
5     congratulated and the staff is to be  
6     congratulated. This is really a very thorough  
7     and readable report. It clearly reflects a  
8     great deal of probing and updating the  
9     information that we had before. It's easy to  
10    follow. It's succinct. It's well done. And  
11    obviously reflects a great deal of cooperation  
12    from the applicant as well to provide this  
13    information.

14                It is an intrusive process as Mr.  
15    Donnelly suggested -- He didn't suggest, he  
16    said. And it is I think unparalleled in any  
17    other industry. But the ability to do this,  
18    the ability to do it in a timely fashion  
19    depends not only on the energy of the  
20    investigators and your team, but also on the  
21    cooperation of the applicant. So, it's a  
22    combined effort that brings us to this point.

23                Any further comments by  
24    Commissioners? Otherwise it seems to me it's

1 time to think about framing a motion with  
2 respect to the task -- the issue that's before  
3 us.

4 That is whether the applicant has  
5 shown by clear and convincing evidence and  
6 whether we're persuaded that it's shown by  
7 clear and convincing evidence that it is  
8 suitable to hold a Category 1 casino license in  
9 Massachusetts. Any other comments?

10 COMMISSIONER ZUNIGA: No. Just the  
11 same comments to thank both the applicant and  
12 -- the applicant with its number of qualifiers  
13 and the IEB for the work that they've done.  
14 Really good work.

15 COMMISSIONER MCHUGH: Okay. It  
16 seems to me that we need to, as we did before,  
17 to find all of the entities, Rush Street  
18 Gaming, Mass Gaming and Entertainment and  
19 Sweeney Investments, Inc. qualified as  
20 entities. And that we need to find that each  
21 of the individual qualifiers is qualified. And  
22 that we need to approve of the four conditions  
23 under which our vote -- on which our vote  
24 rests. So, let me, if I might, try to frame a

1 motion that encompasses all of those.

2 So, I move that the Commission find  
3 that Mass Gaming and Entertainment, LLC, Rush  
4 Street Gaming, LLC, actually it's more than the  
5 three, Mass Gaming and Entertainment, LLC, Rush  
6 Gaming, LLC, Rush Street Gaming Partners, LLC,  
7 Mass Gaming Holdings, LLC, Sweeney Investments,  
8 LLC, 2013 AGB Family Dynasty Exempt Trust #2,  
9 2013 LNB Family Trust Exempt #2, 2013 Meredith  
10 A. Bluhm-Wolf Family Trust #2, Neil Bluhm,  
11 Andrew Bluhm, Leslie Bluhm, Meredith Bluhm,  
12 Gregory Carlin, David Patent, Timothy Drehkoff,  
13 Joseph Scibetta, Suzanne Trout, Zeletta M.  
14 Wyatt, James J. Jabczynski, John Risley, George  
15 Carney, Laetitia Carney, Carlin Dynasty Trust  
16 have shown by clear and convincing evidence  
17 that they are qualified to hold a Category 1  
18 casino license in Massachusetts.

19 And that that conclusion is  
20 conditioned on four principles. Number one,  
21 all of the transactions involving the Society  
22 and that is the Brockton Fair Society and Mr.  
23 George Carney and Ms. Laetitia Carney, any of  
24 the Carney affiliated entities and any



1     qualifier including but not limited to the  
2     disposition of Lot 7 are required to be  
3     documented in detail, and the Society is  
4     required to provide such documentation to the  
5     IEB promptly after the transaction occurs.

6             Two that the Society's books are  
7     required to be maintained according to the  
8     generally accepted accounting principles.

9             Three that the Society is required  
10    to promptly update the contact information for  
11    its shareholders and to use the updated contact  
12    list to notify the shareholders of all meetings  
13    including the notice to shareholders in advance  
14    of the vote for the sale of Lot 7 to Mass  
15    Gaming and Entertainment, which notice shall be  
16    served and delivered by certified or registered  
17    mail.

18            And fourth that the Society is  
19    required to continue to maintain all of the  
20    required filings with the Secretary of the  
21    Commonwealth.

22            COMMISSIONER CAMERON:   Second.

23            COMMISSIONER MCHUGH:   Discussion?

24    All in favor, aye.

1 COMMISSIONER CAMERON: Aye.

2 COMMISSIONER ZUNIGA: Aye.

3 COMMISSIONER STEBBINS: Aye.

4 COMMISSIONER MCHUGH: The ayes have  
5 it unanimously.

6 MR. DONNELLY: Thank you very much.  
7 We look forward to seeing you for the RFA-2.

8 COMMISSIONER MCHUGH: Thank you.

9 MS. LILLIOS: Commissioners, if I  
10 could make the reminder that since you have  
11 voted for suitability, under 205 CMR 115.05  
12 subsection 6, no notice has to be issued by the  
13 city of Brockton to the citizens with respect  
14 to the upcoming vote.

15 COMMISSIONER MCHUGH: All right.  
16 That is simply an observation and no vote is  
17 required for that.

18 I should add that suitability is of  
19 course a continuing process. It's been  
20 continuing for the past two years. It will  
21 continue into the future. So, comments from  
22 anybody as events materialize are always  
23 welcome and suitability remains an open issue.  
24 Thank you all very much.

1 MS. LILLIOS: Thank you.

2 COMMISSIONER MCHUGH: All right we  
3 have one other item on the agenda. Item four,  
4 we have a report from the legal division.  
5 Let's take that. Do you want to take a break?  
6 This will only take a few minutes.

7 COMMISSIONER ZUNIGA: No, we can do  
8 that.

9 COMMISSIONER MCHUGH: All right, Mr.  
10 Grossman.

11 MS. GROSSMAN: Good morning,  
12 Commissioners. We have before you 250(SIC) CMR  
13 140 which you took a look at at your last  
14 meeting.

15 There were a number of adjustments  
16 that were recommended to the draft. You'll  
17 recall this section of the regulations has gone  
18 through a public hearing. You've previously  
19 approved the amended small business impact  
20 statement. And upon your approval, this  
21 regulation will be ready for enactment.

22 COMMISSIONER MCHUGH: Okay. We did  
23 go through this at our last meeting. There  
24 were some changes. We requested that we take a

1 look at those changes in writing. We basically  
2 approved them in principle. Here they are.  
3 Questions, comments?

4 COMMISSIONER ZUNIGA: No.

5 COMMISSIONER MCHUGH: They track, as  
6 far as I can tell, they track precisely what we  
7 talked about the last time, but it's good to be  
8 able to review them in writing and in the  
9 context and in front of us. Any questions of  
10 Mr. Grossman?

11 COMMISSIONER ZUNIGA: 205 CMR 140 is  
12 included in the packet in its final version as  
13 we discussed last time to then become  
14 promulgated effective today, right -- if we  
15 vote on it?

16 MS. GROSSMAN: It wouldn't be  
17 effective today, but it would be effective two  
18 weeks from tomorrow.

19 COMMISSIONER ZUNIGA: Two weeks from  
20 the filing with the Secretary.

21 MS. GROSSMAN: Right.

22 COMMISSIONER ZUNIGA: We would be  
23 approving both the small business impact  
24 statement and the regulations?

1 MS. GROSSMAN: Yes, sorry.

2 COMMISSIONER MCHUGH: Any other  
3 comments, questions? All right, do I hear a  
4 motion?

5 COMMISSIONER ZUNIGA: Yes. I will  
6 move that the Commission approves the 205 CMR  
7 140 gross gaming revenue tax remittance  
8 reporting regulations as presented here in the  
9 packet, as well as the amended small business  
10 impact statement for the same said regulations  
11 205 CMR 140 as presented here today.

12 COMMISSIONER MCHUGH: All right. Is  
13 there a second for that motion?

14 COMMISSIONER STEBBINS: Second.

15 COMMISSIONER MCHUGH: Discussion?  
16 No discussion being heard. All in favor, aye.

17 COMMISSIONER CAMERON: Aye.

18 COMMISSIONER ZUNIGA: Aye.

19 COMMISSIONER STEBBINS: Aye.

20 COMMISSIONER MCHUGH: The ayes have  
21 it unanimously. Now as I began to say albeit a  
22 little out of order, item number four on the  
23 agenda is being withdrawn. That's not quite  
24 ready for presentation today. We'll return to

1 that at a future meeting. Therefore, unless  
2 there is something else we should do, I would  
3 entertain a motion to adjourn.

4 COMMISSIONER CAMERON: So moved.

5 COMMISSIONER MCHUGH: Second?

6 COMMISSIONER ZUNIGA: Second.

7 COMMISSIONER MCHUGH: All in favor,  
8 aye.

9 COMMISSIONER CAMERON: Aye.

10 COMMISSIONER ZUNIGA: Aye.

11 COMMISSIONER STEBBINS: Aye.

12 COMMISSIONER MCHUGH: The ayes have  
13 it unanimously and we are adjourned.

14  
15 (Hearing adjourned at 11:49 a.m.)  
16  
17  
18  
19  
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21  
22  
23  
24

ATTACHMENTS:

1. Massachusetts Gaming Commission May 6, 2015 Notice of Meeting and Agenda
2. Massachusetts Gaming Commission May 4, 2015 Updated Investigative Report for the Massachusetts Gaming Commission Applicant: Mass Gaming and Entertainment, LLC
3. 205 CMR 140 Gross Gaming Revenue Tax Remittance and Reporting
4. 205 CMR 140 Amended Small Business Impact Statement

GUEST SPEAKERS:

John Donnelly, Esq., Mass Gaming & Entertainment

Michael P. Morizio, Esq., Brockton Agricultural Society

MASSACHUSETTS GAMING COMMISSION STAFF:

Todd Grossman, Deputy General Counsel

Loretta Lillios, Deputy Director IEB

## 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 7th day of May, 2015.



LAURIE J. JORDAN

My Commission expires:

Notary Public

May 11, 2018