

THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION
PUBLIC MEETING #124 (pgs. 2-5; 9-154)
PUBLIC MEETING #123 (pgs. 5-9)

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

June 12, 2014 10:30 a.m.

HYNES CONVENTION CENTER

900 Boylston Street, Room 200

Boston, Massachusetts

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

COMMISSIONER MCHUGH: Good morning, everybody. I am going to call to order the public meeting number 124. Chairman Crosby is on his way, but the first item on our agenda concerns Region A. So, I will be acting as Chair for that portion of the meeting.

And having called the meeting to order, I'm going to recess immediately because there are some ongoing developments with respect to the first item on the agenda. And I'm going to give it a few more minutes to work themselves out. And then we'll come back and proceed with that agenda item.

But I did want to say something as to why we are simply sitting here and it's 10:30 and nothing is happening. So, we'll be in recess for a few more minutes, I think five to 10 minutes, and then resume and deal with the first item on the agenda.

(A recess was taken)

1 COMMISSIONER MCHUGH: Good morning,
2 again. We are prepared to proceed with meeting
3 number 124. The first item on the agenda is
4 the approval of the minutes. I'm going to save
5 that until all five of us are together and go
6 to the third item on the agenda, which is the
7 Region A fundamental inconsistency petition,
8 Ombudsman Ziemba.

9 MR. ZIEMBA: Thank you,
10 Commissioner. I'm very pleased to report that
11 both Wynn and Somerville have been actively
12 working over the last 48 hours. And that the
13 city of Somerville has withdrawn its petition,
14 its fundamental inconsistency petition pending
15 execution of their final surrounding community
16 agreement that the parties have worked on.

17 COMMISSIONER MCHUGH: That's truly
18 excellent news, not only substantively but for
19 the spirit of cooperation that it manifests.
20 So, I think congratulations are in order for
21 both the city and for the Wynn interest as well
22 in getting that done. So, that being the case
23 and that will be executed, the anticipation is
24 promptly, right.

1 MR. ZIEMBA: Very promptly, yes.

2 COMMISSIONER MCHUGH: That is really
3 the only item of Region A business that we had
4 this morning. And Chairman Crosby is en route.
5 He was not planning to be here for that first
6 piece of business because as I mentioned a
7 minute ago, it involves Region A. But he'll be
8 here shortly and we'll resume with the rest of
9 the agenda beginning with item two. But we'll
10 now be in recess until 11:00 given this
11 delightful but unexpected development.

12

13 (A recess was taken)

14

15 CHAIRMAN CROSBY: We are reconvening
16 public meeting number 124. We are actually
17 going to go straight to Blue Tarp, right?

18 COMMISSIONER MCHUGH: We haven't
19 done the minutes.

20 CHAIRMAN CROSBY: Okay. So, we'll
21 start out with the approval of the minutes,
22 Commissioner McHugh.

23 COMMISSIONER MCHUGH: Thank you, Mr.
24 Chairman. The minutes are in the packet, the

1 meeting materials packet. I would move their
2 approval by the Commission with the usual
3 reservation of the ability to correct
4 typographical and mechanical errors.

5 CHAIRMAN CROSBY: Second?

6 COMMISSIONER STEBBINS: Second.

7 CHAIRMAN CROSBY: Does anybody have
8 discussion, corrections? All in favor, aye.

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. We've managed the FIPs
15 issue. Now I think we are going to temporarily
16 adjourn meeting number 124.

17

18 (Meeting Number 124 suspended)

19

20 CHAIRMAN CROSBY: And reconvene
21 meeting number 123 where the principal topic
22 was MGM, and go to item four on our agenda to
23 the Region B evaluation deliberations. And
24 where are we, General Counsel Blue?

1 MS. BLUE: Thank you Commissioners.
2 Last night we made revisions to the agreement
3 to award a license. We have shared those
4 revisions with the applicant, MGM.

5 They have had a few minor comments
6 this morning, which we've included in the
7 document that is before you. So, I believe the
8 draft that you currently have is the final
9 version of that document. I believe everyone
10 has agreed to the changes that are in that
11 document.

12 CHAIRMAN CROSBY: I am not sure
13 which one I saw?

14 MS. BLUE: What you was a final
15 version this morning, yes.

16 CHAIRMAN CROSBY: Okay. Do you have
17 any comments on the draft?

18 MR. NOSAL: Good morning, Jed Nosal.
19 We took a look at the draft last evening.
20 We've spoken with General Counsel Blue this
21 morning. We offered a few, I would suggest,
22 sort of fairly minor changes for consistency
23 and some wordsmithing. And I believe that we
24 are satisfied with the document.

1 CHAIRMAN CROSBY: Okay.

2 MR. MATHIS: We are. Thank you very
3 much to staff for all of their work on this.

4 CHAIRMAN CROSBY: Comments from the
5 Commissioners? Everybody has had a chance to
6 read it.

7 COMMISSIONER MCHUGH: I certainly am
8 delighted that we are here where we are. This
9 is a good agreement. This enables us to tie it
10 up in a bow, put it on the front and center and
11 say -- assuming one of those two conditions is
12 met, everybody is ready to go. And we know
13 exactly what the shape of the go is. So, it's
14 great.

15 CHAIRMAN CROSBY: And get our bills
16 paid in the meantime which is appreciated.

17 MR. MATHIS: Well, we'll keep the
18 lights on.

19 CHAIRMAN CROSBY: I agree. I
20 thought you did a really nice job of cleaning
21 it up. It's always good that we took an extra
22 day. It's a good document. It absolutely says
23 what I was hoping we would say. Any other
24 comments?

1 Okay. Then I think we don't have
2 anything else to do in this meeting. We are
3 planning on convening this meeting number 123
4 tomorrow morning at 10:00 --

5 MS. BLUE: Yes, I believe so.

6 CHAIRMAN CROSBY: -- at the
7 MassMutual Center in Springfield where the
8 Commission will formally consider this document
9 and vote on whether or not to agree to sign it.
10 And if we do, there will then be some
11 festivities thereafter.

12 COMMISSIONER MCHUGH: A formal
13 signing ceremony.

14 CHAIRMAN CROSBY: A formal signing
15 ceremony of the agreement to award.

16 COMMISSIONER MCHUGH: Of the
17 agreement but it's that far from the end.

18 CHAIRMAN CROSBY: Yes. And I want
19 to reiterate what I said multiple times
20 yesterday. It's an exciting step for us. It's
21 been a long, long haul for a lot of people, us
22 included. We've had our ups and downs. But
23 the Legislature had something in mind. The
24 Legislature had something and the Governor had

1 something in mind when they designed this
2 legislation. And I think this proposal
3 captures it as well as it can possibly be
4 captured. So, well done to you and to
5 Springfield and Mayor Sarno.

6 MR. MATHIS: Thank you. Thank you
7 very much. We'll see you tomorrow.

8 CHAIRMAN CROSBY: All right.

9 COMMISSIONER MCHUGH: We'll see you
10 tomorrow.

11 CHAIRMAN CROSBY: All right. So, we
12 will temporarily adjourn meeting 123.

13

14 (Meeting Number 123 suspended)

15

16 CHAIRMAN CROSBY: And move back to
17 convening meeting 124. We will pick up with
18 item number five, Administration, Executive
19 Director Day.

20 MS. BLUE: Commissioner Crosby, I
21 believe we have that on the agenda for 1:00
22 today.

23 CHAIRMAN CROSBY: We did.

24 MS. BLUE: Yes, I don't know that we

1 can move that forward.

2 CHAIRMAN CROSBY: Are the things
3 that we can do between --

4 MS. BLUE: We can check our agenda,
5 but I believe we put that on for 1:00.

6 CHAIRMAN CROSBY: It is on at 1:00.
7 I'm sorry. Administration is on for 2:00. We
8 had anticipated -- we thought there was going
9 to be a FIPs and we thought there was going to
10 be possibility of issues on MGM. So, we had
11 anticipated that we would break after Region B
12 discussion at 1:00 and then have this topic at
13 2:00.

14 So, I guess the question is how many
15 other topics here that we can bring up even
16 though they're going to be out of order from
17 the published times?

18 MS. BLUE: I think the question is
19 whether there are people who are anticipating
20 coming at that time, and I don't know that.

21 COMMISSIONER ZUNIGA: Maybe to that
22 end -- I am glancing here. -- There are a
23 couple of internal discussion on item seven
24 relative to the legal division, designations,

1 etc. that we could easily take out of order.

2 MS. BLUE: I wasn't planning to

3 present them, but I am happy to do that.

4 Loretta Lillios was going to come to present

5 those but I can address those.

6 COMMISSIONER ZUNIGA: Then strike

7 everything I just said.

8 MS. BLUE: She is at a different

9 meeting this morning.

10 CHAIRMAN CROSBY: What time is it

11 now? Is it like 11:15?

12 COMMISSIONER ZUNIGA: It's 11:00,

13 okay.

14 COMMISSIONER MCHUGH: Do we have a

15 musical interlude?

16 CHAIRMAN CROSBY: Does anybody want

17 to tap dance?

18 COMMISSIONER STEBBINS: We are so

19 efficient.

20 CHAIRMAN CROSBY: Right.

21 MR. DAY: Is it possible to move

22 forward with topics under administration and

23 then when we get to 1:00 later on the agenda

24 re-identify and ask if there's anybody else

1 that didn't get a chance to talk about that
2 topic?

3 CHAIRMAN CROSBY: We can certainly
4 go ahead with the general update. The budget
5 discussion I think would be perfectly
6 reasonable to go ahead with and we could offer
7 people an opportunity to speak to that if
8 somebody had something to say.

9 The master licensing Region C, I
10 think we probably shouldn't undertake because
11 it's only fair to let people do that when we
12 thought we were going to. And Penn National
13 Gaming response, I don't think we should do
14 either until we do it at the published time.

15 We could do A and B I think. Then
16 we could do the legal issues. It's okay if
17 Loretta can't do it. We might as well use the
18 time that we got. That will get us a little
19 ways into this. What about David item number
20 six, could we go ahead with those?

21 COMMISSIONER MCHUGH: I think
22 anything that we are going to take a vote on,
23 we need to do it at the published time.

24 MR. DAY: And Loretta's involved in

1 that.

2 CHAIRMAN CROSBY: It doesn't say
3 vote in there, but if there's a vote.

4 COMMISSIONER MCHUGH: I'm sorry.
5 I'm looking at a different agenda.

6 CHAIRMAN CROSBY: This is emergency
7 regulations amendments vendor secondary, maybe
8 there was a vote. I don't know. It doesn't
9 say vote.

10 MR. DAY: I think that was left off.

11 CHAIRMAN CROSBY: It is a vote.

12 MS. BLUE: We do need a vote, yes.

13 CHAIRMAN CROSBY: All right. Let's
14 go ahead and do what we can. And we will give
15 anybody an opportunity at the appointed times
16 to comment if we've somehow missed somebody.
17 So, Executive Director Day, why don't you start
18 with the update.

19 MR. DAY: Let me ask.

20 CHAIRMAN CROSBY: Let me back up.
21 The published agenda does not have announced
22 times on it. Therefore, we don't have any
23 obligation to wait. I think we can think about
24 if it's moving a little bit more quickly than

1 we anticipated, if there are critical ones, we
2 can think about that. But we are certainly
3 under no obligation to adhere to any artificial
4 time schedule.

5 So, let's strike that entire prior
6 conversation. And we will pick up item number
7 five, administration with Executive Director
8 Day and proceed through those issues. If
9 anybody has any concerns about by anybody not
10 here, we can raise them. But otherwise let's
11 get going.

12 COMMISSIONER MCHUGH: Right.

13 CHAIRMAN CROSBY: Great, all right.
14 Thank you, Janice. Sir.

15 MR. DAY: Good morning, Mr.
16 Chairman, members of the Commission. With
17 that, I would like to pause here with my -- and
18 I have a little brief general update. From
19 that perspective, I think it's interesting to
20 note that while the Commission is taking action
21 on Region B, our Licensing Division and IEB
22 have received and are processing 16 non-gaming
23 registrants, 26 subcontractors, three gaming
24 vendor primaries, four gaming secondaries, 17

1 gaming vendor qualifiers.

2 In addition, we could be looking at
3 up until about 20 more qualifiers as the team
4 goes through and analyzes those applications.
5 And total licensing fee collected to date is
6 about \$68,000. So, that program is moving on
7 behind the scenes while the Commission is
8 continuing to move forward with the casino
9 licenses.

10 COMMISSIONER MCHUGH: So, just for
11 the benefit of those who are watching, that is
12 licensing of major vendors to gaming
13 establishments. What kinds of things are they,
14 Director Day?

15 MR. DAY: Thank you, Commissioner
16 McHugh. The gaming vendors primary are major
17 gambling equipment machine manufacturers. And
18 there's three of those. Then the gaming
19 vendors secondary are like construction
20 companies, non-gaming suppliers but over
21 \$250,000 I believe in contracts with the actual
22 casino licensee, with Penn. Then the non-
23 gaming registrants, of course, are those that
24 are providing services but they're below that.

1 COMMISSIONER MCHUGH: So, this is
2 licensing the suppliers and builders and others
3 who are necessary to construct and outfit these
4 casinos once they are open. Is that the
5 process that is going on now?

6 MR. DAY: Commissioner McHugh, once
7 they are approved to go forward, these people
8 are getting ready to be there or are already
9 involved with the Penn operation.

10 COMMISSIONER MCHUGH: Right.

11 CHAIRMAN CROSBY: Director Driscoll,
12 you may have already done that, but I think
13 that update is good stuff with the kind of
14 details that Commissioner McHugh just got. Not
15 just the names of the categories but some of
16 the examples if you haven't already done that.
17 That's great.

18 COMMISSIONER ZUNIGA: And it's fair
19 to say that the vast majority of those vendors
20 are vendors that are providing services to our
21 licensee currently --

22 MR. DAY: That's correct.

23 COMMISSIONER ZUNIGA: -- Penn
24 National.

1 MR. DAY: Right. Of course, they're
2 also anticipating some of in particular in the
3 other markets as they open up.

4 COMMISSIONER MCHUGH: Right.

5 MR. DAY: And I know when I talked
6 to Licensing Director Acosta he was commenting
7 that he is continuing to get busier all the
8 time. So, I think that process is moving
9 forward.

10 CHAIRMAN CROSBY: It's about time.

11 COMMISSIONER STEBBINS: We were
12 worried he was going to get bored.

13 CHAIRMAN CROSBY: We don't want him
14 to go back to Ohio or New Jersey.

15 MR. DAY: Okay. With that, let me
16 move to the second topic under administration.

17 CHAIRMAN CROSBY: Just on general
18 update, where are we in the hiring status? Who
19 are in the pipeline at this point? What
20 positions are in the pipeline?

21 MR. DAY: We are still looking at
22 financial investigators at this point and we
23 have candidates.

24 CHAIRMAN CROSBY: For the senior

1 position?

2 MR. DAY: These, we are considering
3 the senior position but we are focusing on
4 trying to get some financial investigators
5 online, and we'll work with them in a training
6 capacity as we move forward. We're going to
7 have this -- Continuing to attract qualified
8 people in some of these areas will be a
9 challenge as we move forward.

10 CHAIRMAN CROSBY: I think we had
11 asked Trupti to give us an assessment of our
12 own, the makeup, the diversity of our own
13 workforce so we can kind of keep an eye on that
14 as we're moving along. I don't think we've see
15 that but I think -- Didn't we ask for that?

16 COMMISSIONER ZUNIGA: We have that.
17 I've seen it not very recently but at least a
18 couple months ago, maybe a little bit more. I
19 always assumed that we would keep that being
20 updated with any new hire. So, I am sure we
21 could produce that -- she could produce that in
22 very short order.

23 MR. DAY: Because we added an
24 application form specifically for the

1 Commission. We may have data at this point too
2 which will give us an idea of our pool. So, I
3 can definitely check with our HR Manager and
4 see if we can develop a report.

5 CHAIRMAN CROSBY: Yes, I would like
6 to see that. It's important that we practice
7 what we preach. Any other questions on general
8 update?

9 MR. DAY: Okay. With that move I'll
10 forward with the budget, the follow-up
11 discussion. What we had essentially heard from
12 the Commission is there were at least three
13 general areas at that time that we were going
14 to focus our comments on at this meeting.

15 One of them was regarding the high-
16 performance project that we've been talking
17 about. Also, we had a specific request from
18 Commissioner McHugh to take a look at our
19 projected staffing versus consultant in the
20 budget. So, we've done that as well. And then
21 the third item, and if it's okay, we'll save
22 that until last because I think we have the
23 most information around that topic, which is a
24 potential central management system for

1 regulation in Massachusetts.

2 What I'd like to do, if it I might,
3 it's under 5b. I'd like to introduce the topic
4 a little bit today -- Excuse me, let me
5 backtrack a little bit.

6 Before I get to the topic of high-
7 performance organization, the Commission did
8 ask for additional information regarding
9 staffing and contracting. And I'd like to
10 touch on that real quick before we move
11 forward.

12 In response, we reviewed our
13 staffing and contract estimates primarily in
14 IEB and in legal. We have modified our budget
15 request or plan to modify our budget request to
16 bring on two additional financial
17 investigators, assuming of course we can
18 recruit them, and an additional staff attorney
19 in 2015 with a corresponding reduction of about
20 \$380,000 in contracted consulting services.

21 Of course, our ability, as I
22 mentioned before is linked to our ability to
23 recruit and hire people as we move forward.
24 So, we're going to include that unless we hear

1 differently in our budget proposal as we move
2 forward.

3 The second topic I wanted to talk
4 about a little bit this morning was our high-
5 performance agency or often called performance
6 management. To my left is Ed Burke. And I
7 asked Ed to join us today.

8 Ed is the coordinator for our
9 project and has more than 30 years' experience
10 as a management consultant with extensive
11 expertise in strategic planning and technology
12 performance management, change management and
13 process development and redesign. Ed's team
14 also completed the strategies and performance
15 reports for all of the other statewide shared
16 services agencies in Massachusetts.

17 We're in the process with our
18 personnel process and employee accountability
19 system review. That's the title we've assigned
20 it. In this stage, our consultants with Ed at
21 the point and our human resources team have
22 developed a comparative analysis of about 170
23 policies, and are reviewing that list with the
24 staff team assigned to this project.

1 The product should provide a
2 recommended backbone for the Commission's
3 policy manual. So, that segment of the
4 process, kind of a first step is well underway.
5 At our last meeting with our high-performance
6 staff, coordinating group was very productive.
7 We've got quite a -- not quite a ways, but we
8 have a significant distance to go through in
9 our review of each one of those policy titles
10 and determine at least our recommendation of
11 whether or not we would ask that they be
12 included in the manual for the Commission.

13 On the way to creating the systems
14 that we need to in our high-performance agency,
15 we are planning on steps that we've titled as
16 Workstream #2, Goals and Supporting Goals, and
17 Workstream #3, Expand the Strategic Action Plan
18 in 2015. I'm referring to those titles because
19 those corresponding scopes of work are in your
20 packets under the item I just referred to.

21 We anticipate the final phase of
22 Workstream #4 to bring the Commission in line
23 with the performance management tools in 2016.

24 I don't know if you were able to

1 find those, but it's behind tab 5b and it's
2 approximately in your manuals or in your
3 packets about seven. And if you're looking
4 electronically, it might be with an eighth
5 page, which I will comment on because it didn't
6 get hard copied in everybody's packet.

7 So, the scopes, we talked about the
8 scopes. On the page eight, I want to briefly
9 address the project chart because we've had
10 some discussion on timing. If you do happen to
11 have it in your packets, it's page eight.

12 CHAIRMAN CROSBY: Page eight of the
13 performance -

14 MR. DAY: Of the scope document.
15 And the hard copies, I think we didn't make it
16 in the hard copies in time to get it printed.
17 Electronic copies, I think we got it in there.
18 So, I'm going to speak to it just briefly.

19 What we did is laid out the steps or
20 phases that we anticipate for this high-
21 performance project. We are currently in Phase
22 1 essentially which is that project that we
23 talked about for personnel and policies and
24 accountability systems development. We

1 anticipate Phase 2, which is the project for
2 goals, to develop goals and supporting goals.
3 We are estimating that that will probably begin
4 sometime in August through November, October or
5 November.

6 Then the third phase we're
7 anticipating which is entitled Expand the
8 Strategic Plan through somewhere probably late
9 October, early November through June of next
10 year. Then we anticipate because it will be a
11 new budget season, we'll have to come again to
12 the Commission and include it in the budget,
13 but we anticipate moving forward with
14 Workstream 4, which is really the
15 implementation of the performance management
16 tools and measurements necessary to move
17 forward with high-performance team management.

18 So, those scopes are in your packet.
19 One thing I want to point out that we tried to
20 emphasize in each one of the scopes is that
21 this isn't just about a few reports from any of
22 our consultants. It's about a package of
23 deliverables and each one of them were designed
24 around a training concept and ownership

1 concept. So, as the consultants move on, when
2 we're through with the project, we have been
3 able to train and get our staff familiar with
4 how to continue to implement those in the years
5 ahead.

6 CHAIRMAN CROSBY: Will there be
7 particular leaders? Are there designated
8 individuals that are already here? Are there
9 titles of people who will be sort of the team
10 leaders going forward?

11 MR. DAY: Right now, we have our
12 high-performance team, which is the team that
13 is going to begin and is beginning to move
14 forward as leaders of this particular project.
15 And as we move forward, we will be identifying
16 who else needs to be directly involved, who
17 else is interested.

18 CHAIRMAN CROSBY: All right. Okay.

19 COMMISSIONER ZUNIGA: I should
20 mention, Commissioner Cameron and I are part of
21 that team, as is Director Day, of course, Derek
22 Lennon.

23 MR. DAY: Catherine Blue.

24 COMMISSIONER ZUNIGA: Catherine

1 Blue, Trupti Banda, I had a senior moment there
2 for a minute. I'm sorry.

3 CHAIRMAN CROSBY: Who are the
4 consultants that are on the team?

5 MR. DAY: I'll move that over to Mr.
6 Burke, if I might. Thank you for the question.

7 MR. BURKE: Thank you, Mr. Chairman.
8 I am leading the team and leading the day-to-
9 day activities as we go forward. We are
10 working with Michael and Carroll who have done
11 a number of other projects and aspects around
12 the Mass. Gaming Commission.

13 We have an HR professional name Joan
14 Kuhn who has more than 40 years of experience
15 in human resource development, policy
16 development and is currently a consultant. She
17 is bringing deep subject matter expertise to
18 the project as we go forward.

19 We have a technology strategist
20 named Gerardo Escalera, who I believe you have
21 met. He's met many of you. He is currently
22 working with myself. He is working with
23 Director Glennon among others as we look at
24 technology aspects to support the HR process

1 going forward.

2 We have another consultant named
3 Mike Harmon who has worked with me for over 25
4 years who is developing many of the detailed
5 deliverables and procedures. Russ Meekins, who
6 is my partner is also on the project and
7 working on it going forward.

8 We're basically tag teaming with
9 members of the Gaming Commission as we go
10 forward. So, pretty much any of the work that
11 we are doing, we're involving, as Rick was
12 pointing out, high-performance team members and
13 other members of the organization so that they
14 are part and parcel in the deliverables that we
15 are pulling together.

16 As of this point, we're on or ahead
17 of schedule on all of the major deliverables.
18 As indicated, the first and initial one out of
19 the box is to get the policy manual up-to-date.
20 We've completed the analysis to other
21 organizations both gaming and Massachusetts,
22 and that's moving forward very quickly and is
23 currently under review.

24 CHAIRMAN CROSBY: Is there a

1 dashboard function that's being developed in
2 this process somewhere?

3 MR. BURKE: There will be in the
4 later phases.

5 CHAIRMAN CROSBY: Which phase is
6 that?

7 MR. BURKE: Phase 4, actually is
8 where the dashboard is finally developed,
9 although we tend to get as we go through Phases
10 2 and 3, we will be working on the goals and
11 the measures that will be used to keep track of
12 the organization going forward. So, there will
13 be some level of dashboard available. The
14 final cascading dashboards, if you will, which
15 will go all of the way down through the
16 organization are completed as part of the
17 fourth phase.

18 CHAIRMAN CROSBY: Great. Any
19 commentary from the Commissioners?

20 COMMISSIONER CAMERON: No, I enjoy
21 working on this. I think it will be invaluable
22 to the organization. I'm pleased with the
23 progress, interesting conversations. What
24 should be a policy? What is more of a

1 directive? Where do we need written
2 instructions? So, it's healthy discussions and
3 certainly the level of expertise that we need
4 to assist us with this.

5 CHAIRMAN CROSBY: Great.

6 MR. DAY: That will bring us to
7 Derek Lennon. Derek I know will have comments
8 on the budget, some general stuff. And then he
9 will introduce John Glennon and we will go
10 forward with the information relative to the
11 central management system. Derek.

12 MR. LENNON: If we could just move
13 to the spreadsheet that's included in the
14 packet. I did a quick summary of some of the
15 changes that were requested as well as my
16 mistake from the first memo where I had
17 calculated full revenues for Region A based on
18 the lower, the slots fees.

19 So, as Director Day spoke to
20 earlier, we are moving about \$380,000 out of
21 contracted costs. That would be one attorney
22 in the legal division and two financial
23 investigators in the IEB, proposing to hire
24 full-time positions. If we don't meet those

1 hiring dates, it's not a big deal. We can
2 still shift those costs back down into the
3 contracted portion. And the Commission won't
4 go without coverage.

5 But what we tried to do is take a
6 look at the areas that will be long-term,
7 Commission-based responsibilities and shift
8 costs that are reasonable out of contract and
9 move them onto full-time. I'm sure there's
10 some additional ones, but we're just looking at
11 the hiring patterns that we have now in the
12 areas that we absolutely can implement. And we
13 came up with this to begin with.

14 On the revenue side, as I said first
15 time around in the last presentation I made to
16 you on the budget, we cannot charge a full-year
17 slot fee to Region A. We will have to prorate
18 that. Right now, I think I anticipated
19 decision date, I won't say award date, decision
20 date is September 12. So, this prorates those
21 fees 291 days out of the year.

22 Because what we were talking about
23 was going with a daily slot fee that way it
24 doesn't impact when an operator decides to put

1 a new slot on the floor or not put one on, just
2 charge it the daily rate. So, it brings our
3 revenues down by about \$377,000, which would
4 increase our assessments from the \$20.4 million
5 figure I'd given you before to \$20.7 million.

6 COMMISSIONER ZUNIGA: Were you going
7 to continue?

8 MR. LENNON: No, I am done.

9 COMMISSIONER ZUNIGA: I had a
10 question. So, in the sheet that's here in the
11 packet, there is a credit to the consultant's
12 line item and a debit, if you will, or an
13 increase. There's a debit to consultants and a
14 credit to employee compensation that --

15 MR. LENNON: -- that net out to
16 zero.

17 COMMISSIONER ZUNIGA: -- that net
18 out to zero. At least in theory, isn't there a
19 little bit of savings if we hire people or are
20 you just moving that for budget purposes and
21 then figure out --

22 MR. LENNON: I'm just moving that
23 for budget purposes. And then at the quarterly
24 updates, I'll be able to tell you whether we

1 actually saved more or less because I don't
2 know when we'll be able to hire these people.

3 I have a full-year cost in, but as
4 Director Day said, we are having a hard time
5 finding candidates to fill the financial
6 investigator roles just because of our salary
7 levels compared to what the private sector has
8 to offer. And the fact that if we're pulling
9 from another jurisdiction, there are a lot of
10 moving costs. And to provide a salary high
11 enough to entice them to come away has been
12 difficult at this point.

13 CHAIRMAN CROSBY: Just as an aside
14 that's something we ought to talk about if it
15 gets in the way of hiring people we need to
16 hire.

17 MR. LENNON: So, we have increased
18 those. We started off with a much lower rate,
19 closer to the gaming agents. We bumped that up
20 and now with these last two we even bumped
21 those up higher than what we had bumped up
22 originally for the gaming agents. So, we're
23 hoping this will help us to entice people.

24 We won't know until we actually make

1 the offers. But we've had -- I don't want to
2 speak out of turn, but I know we've had at
3 least one offer turned down, maybe two for the
4 financial investigator positions. Those are
5 the staff positions never mind the director
6 position we've had multiple turned away.

7 COMMISSIONER STEBBINS: What's the
8 skill set involved with a financial
9 investigator?

10 MR. LENNON: You have to have a very
11 strong accounting background. You have to have
12 some level of forensic accounting. You have to
13 know taxes. So, it's a very rounded, well-
14 rounded financial person, which we think that
15 if we bring in some of the junior level
16 positions that are in the private sector and we
17 send them out with our consultants while we are
18 doing these gaming primary and gaming secondary
19 vendor reviews, they will get the knowledge
20 there.

21 But it's significant training costs,
22 so that's why you don't see as much of a drop
23 on the consultant fee. We're still going to
24 have to send them out to get trained on the job

1 while we're doing it. So, they'll be sitting
2 with our consultants that get a much higher
3 rate.

4 COMMISSIONER ZUNIGA: I always
5 thought analysts for the big four accounting
6 firms or even others are a prime target for us
7 without necessarily -- and many have although,
8 it's a specialty, the forensic accounting
9 piece.

10 MR. LENNON: But it's knowing
11 corporate structure too. Corporate structure
12 is a difficult part too. So, when do you need
13 to investigate, when don't you? How do you
14 track back? Whose asset is it? Where is the
15 debt? So, that's one of the areas that we're
16 having --

17 COMMISSIONER MCHUGH: The difficulty
18 is there, but that's a startup cost. And after
19 the training period it flattens out. And the
20 return on that investment will be significant.

21 MR. LENNON: Significant.

22 COMMISSIONER MCHUGH: And a decrease
23 in the consultant fees as a result.

24 MR. LENNON: Yes, because then our

1 investigation fees, our licensing fees will
2 actually hopefully make some money versus --

3 COMMISSIONER ZUNIGA: -- losing
4 money.

5 MR. LENNON: -- losing money and
6 having to go back and continue billing vendor
7 primaries as well as key gaming employees.

8 COMMISISONER MCHUGH: Right.

9 CHAIRMAN CROSBY: You know all of
10 this. Obviously, with the turnover in the
11 administration. like the budget people at ANF,
12 I know you know all of these people. But you
13 think there'd be a fair number of people that
14 would be thinking about their future in state
15 government, which is not necessarily a perfect
16 bit. Like analysts at ANF I think would be a
17 pretty good candidate pool.

18 MR. LENNON: They would. They
19 usually have the capacity to learn. The other
20 areas, I mean, you don't want to always poach
21 from other state agencies, but we've got a
22 Division of Tax in the Commonwealth --

23 COMMISSIONER MCHUGH: Why not?

24 COMMISSIONER STEBBINS: We poached

1 you.

2 MR. LENNON: -- Division of
3 Insurance. Yes, you did. So, those are other
4 areas where they are used to looking at these
5 types of datasets.

6 CHAIRMAN CROSBY: Okay. This is
7 really important. You just have to modulate
8 how you raise the salaries to get the people we
9 need. And we can't compromise too much. We
10 don't want to lose too many people, too many
11 good people.

12 COMMISSIONER ZUNIGA: Well, this is
13 where Workstream #1 and #2 relative to our
14 high-performance also comes in, because that's
15 part of the organizational structure and some
16 of the evaluation piece dovetails into what
17 levels we are compensating and other things.

18 MR. DAY: Compensation analysis is
19 also a part of it. And I'm sure that the
20 Commissioners know that the recruitment process
21 is a little chilled by the potential for the
22 vote coming up in the fall. And that's been a
23 factor as well. So, we've been trying to
24 adjust where we could along those lines.

1 What we've talked about is not
2 focusing on somebody necessarily with gaming
3 experience, looking at somebody we can bring on
4 more at the junior level. They have a solid
5 background and then move forward with a
6 training plan for them. From that perspective,
7 identify even our senior level person that we
8 would have in the financial unit and move
9 forward in that capacity. With that process,
10 is the level of compensation we might pay, but
11 it is difficult to remove that little tad of
12 uncertainty especially if you are already in a
13 full-time job.

14 COMMISSIONER MCHUGH: Right.

15 CHAIRMAN CROSBY: Yes. All right.
16 Thank you.

17 MR. LENNON: The budget document is
18 currently posted on our website. We're
19 expecting comments back by the 19th. And we'll
20 have that ready for the next Commission meeting
21 to hopefully either make a decision to
22 implement some of those changes or approve a
23 preliminary budget and move forward.

24 COMMISSIONER MCHUGH: So, the

1 version that you just discussed is on the
2 website -- this version.

3 MR. LENNON: This version is not.
4 So, I'll update this, put this up there. I
5 just wanted to give it to you guys first before
6 I put it on the website. What was in the last
7 meeting is on the website right now.

8 CHAIRMAN CROSBY: And the link with
9 Penn?

10 MR. LENNON: Yes, I've already
11 reached out to Penn. We've had a few
12 conversations both by phone and in-person.
13 We'll talk a little bit to that in the CMS
14 discussion that's going to follow this. And we
15 have additional follow-up meetings scheduled
16 with them I think on the 19th.

17 CHAIRMAN CROSBY: Okay. Good.

18 COMMISSIONER STEBBINS: Am I correct
19 in looking at this latest version that you have
20 on the revenue side some kind of placeholder
21 numbers which may or may not move? And what
22 does that do in terms of assessing our
23 licensee?

24 MR. LENNON: So, those are very low

1 ones. We couldn't get very good estimates from
2 licensing on. So, I just put what the fees
3 are. Even if we get -- This is one of the
4 conversations I had I think internally. Even
5 if we get a couple of thousand of those, it's
6 not going to change it substantially. So, that
7 will come during the midyear update. That will
8 come during the quarterly updates and we'll
9 revise down the assessment based on that.

10 COMMISSIONER STEBBINS: Okay.

11 MR. LENNON: One other update I
12 wanted to give you on the travel policy and the
13 finance policies. The travel policy we had
14 awarded a contract to Accenture to review our
15 interim policy. They have compared it to three
16 other jurisdictions, the federal policy as well
17 as the state policy.

18 And they have given us a draft
19 report with some findings. The main thing that
20 they have pointed out is we're consistent with
21 most other policies. The only areas where we
22 vary and they make some recommendations are
23 along the lines of we don't have anything that
24 states whether we're going to pay for an extra

1 bag or a bag of we're traveling.

2 So, they're minor clarifications.

3 They said these clarifications help employees.

4 And they've seen them in some other travel

5 policies. So, I've distributed that to the

6 group that originally helped draft the travel

7 policy. And we hope to have that back to you

8 within the month and hopefully Accenture will

9 be able to come here to provide their findings

10 and walk through what they did.

11 But I'm very happy with the analysis

12 they did. They took a short policy and

13 compared it about 50 or 60 different points of

14 it with other jurisdictions.

15 COMMISSIONER MCHUGH: Great.

16 CHAIRMAN CROSBY: Terrific.

17 MR. LENNON: Then on the finance

18 policy review, the accounting firm that we

19 pulled in has completed their initial review.

20 They're writing up some draft reports. What

21 they took a look at is what do we have in place

22 in writing, which was low on our finance policy

23 just because we've been starting up, and our HR

24 policies. They're taking a look at what the

1 State Comptroller policies are, figuring out
2 where we need to put stuff in writing that we
3 don't have in writing.

4 Then they also took a lot at a
5 former internal control plan and policy plan
6 that I wrote at one of my previous agencies.
7 It was about 40 or 50 pages long. See how many
8 of those policies they can implement here that
9 just pick up and move over to save us some
10 costs of them having to draft them. And we're
11 hoping to get that back in the next couple of
12 weeks, their recommendations, which I'll be
13 able to share with the Commissioners and senior
14 staff.

15 CHAIRMAN CROSBY: Great.

16 COMMISSIONER ZUNIGA: Can I just
17 mention something, because this is I would
18 argue mission-critical for our own operations.
19 In my view, we really had to be of a certain
20 size and maturity to get to the point that we
21 are. And I really look forward to the final
22 product, which is shortly forthcoming. But
23 it's going to be very helpful for our back of
24 the office or the 10th floor in this case, just

1 overall financial and accounting operations.
2 So, I am really pleased with getting to this
3 point very shortly.

4 CHAIRMAN CROSBY: Okay. What's
5 next?

6 MR. LENNON: The central monitoring
7 system update will be next.

8 MR. DAY: It looks like that was
9 right behind your tab 5b, the PowerPoint
10 slides.

11 MR. LENNON: John Glennon, our CIO
12 is accompany me. He will be able to help with
13 a lot of the technical pieces that I can't
14 speak to. And he helped to pull this together.

15 Just as an overview, in January 2014
16 a three-member team was assembled in MGC, John,
17 myself and Kathy Barch from licensing to take a
18 look at one of the pieces of our statute that
19 says we can implement if we see the need a
20 central accounting system is what it was called
21 in the statute.

22 We took a look at what the central
23 accounting system in other jurisdictions was.
24 And it's actually a central management system

1 is what it turned into. And it doesn't only
2 provide accounting data, but it provides
3 regulatory data of the slots machines, the
4 software that's running in them, the cabinets,
5 a lot of what used to be done, and I only can
6 speak to this because of the site visits we've
7 been on, but what used to be done by hand and
8 by taping is now done through monitoring
9 software and datasets coming out of the slots
10 machines.

11 We went out to three locations. We
12 visited the Ohio Lottery, the Delaware Lottery
13 and Gaming Control Board and the Rhode Island
14 Lottery and Gaming Control Board. They are all
15 combined. Ohio is the only one that has a
16 separate one. And looked at the three vendors
17 that are operating in this area, GTECH,
18 Scientific Games and Intralot.

19 We also received a letter from Penn
20 National on May 22 asking us not to use a
21 central monitoring system. That letter is in
22 your packet. We've since had a conference call
23 with Penn. We are going to go out and see
24 their Columbus Ohio facility, which is run by

1 the Ohio Casino Control Commission, not the
2 lottery.

3 Penn provides backend access into
4 their proprietary system, into their accounting
5 and regulatory system to the Casino Control
6 Commission there. So, we're going to take a
7 look at that and see if that gives us same data
8 the central monitoring system does.

9 And what we'll try to do is work up
10 a cost comparison because we realize that this
11 is an additional cost. We've never said that
12 this is less costly than getting manual reports
13 auditing 10 percent. So, what we try and do is
14 take a look at what it would cost to staff
15 additional auditors, additional IT staff.

16 And then come up with some hardware
17 and software in our own system to pull in all
18 of this data, even if it's just daily
19 snapshots. And pull all of the data into one
20 single dataset that we can create bills. We
21 can create a regulatory environment. We can do
22 asset management off of.

23 So, we think we had a productive
24 meeting with Penn on that conversation. We do

1 want to take a look at what we get out of these
2 systems compared to the other way. But also
3 noting the fact that we want to stay up to date
4 with technology. We don't want to fall behind.
5 So, if this is a trend going forward, we want
6 to make sure that we're not becoming an outlier
7 of the non-technology side.

8 COMMISSIONER MCHUGH: If what is a
9 trend going forward?

10 MR. LENNON: It's strange. We've
11 seen in some jurisdictions, Maine that they
12 have a central monitoring system. Then you
13 have places like Ohio that just came out, no
14 central monitoring system. Michigan didn't put
15 in a central monitoring system. Pennsylvania
16 has one.

17 So, it's in between. And we just
18 want to figure out what the benefit is that you
19 get from a central monitoring system, and look
20 at that long-term. So, if it is going to that
21 you move towards technology-based solutions, we
22 don't want to be in a position where we're
23 going to have to lay people off, create large
24 infrastructure investments for the licensees of

1 having to go back in and run additional wires
2 for the feeds that come off of these machines.

3 COMMISSIONER ZUNIGA: Perhaps the
4 best example is Nevada when it comes to not
5 implementing something like that. With their
6 long history and high number of operators,
7 trying to do something at this point in terms
8 of centralized monitoring system would be, I
9 don't know, tremendous or very difficult
10 logistically.

11 First of all, there's an
12 infrastructure question. Then there is a huge
13 variability within all the licensees there in
14 terms of technology and resistivity and a long
15 history of standard operating procedure.

16 MR. LENNON: Not to mention the
17 different types of venues. They have slots
18 machines in airports. It's not just on
19 typical --

20 COMMISSIONER ZUNIGA: No, no. If
21 they ever went in this direction, there would
22 have to be all of this implementation plan,
23 phasing plans.

24 CHAIRMAN CROSBY: What is the

1 relevance of that to us?

2 COMMISSIONER ZUNIGA: I guess it's
3 comparing as to why some jurisdictions have
4 them or not. We're talking about the trend.
5 And the relevance being that it depends on the
6 size. It depends on the existing
7 infrastructure, which for us nothing is yet
8 existing. It is starting.

9 So, as we move into technology -- as
10 we entertain the all lean on purely technology,
11 it's important to compare ourselves with
12 jurisdictions that make sense to compare
13 ourselves to, not just one or two because of
14 the implications --

15 MR. GLENNON: So, I hope you're
16 saying that we shouldn't be comparing ourselves
17 to Nevada because we are so different. We're
18 going to have three or four facilities as
19 opposed to all of the diverse locations in
20 Nevada, not to mention 150 machines, which many
21 of them are old technology which because of the
22 investment to upgrade to the new standard is
23 significant, there won't be an appetite for
24 doing that. So, I think we are definitely a

1 different model of a jurisdiction than Nevada.

2 I don't think it's a fair comparison.

3 COMMISSIONER ZUNIGA: I'm not
4 comparing -- well, I'm contrasting in the
5 context as well of the comment that Derek made
6 which is what would it take to go back and
7 retrofit if we decided to do something like
8 this in the future, near or later. If we
9 postpone the decision say, there's an
10 infrastructure cost. It could be marginal,
11 significant, etc.

12 MR. GLENNON: Agreed.

13 COMMISSIONER ZUNIGA: But somebody
14 like Nevada at this point would be really
15 unrealistic.

16 COMMISSIONER CAMERON: I had a
17 question about -- I guess I was surprised to
18 see the number of FTEs that this system
19 requires, two to three per shift. I would like
20 to know more about that because it seems like
21 when you implement technology like this, you're
22 cutting down many times on the number of full-
23 time employees where I don't see that here.

24 MR. LENNON: So, what we would be

1 managing is a large IT system. And the two to
2 three people in the network operations center
3 would one, be handling asset moves. So, they'd
4 been moving any time one of the operators wants
5 to move a game around, they'd be managing that.
6 Taking care of the software that's going to
7 move from each cabinet on the gaming floor.
8 They'd be working to make sure that the
9 software is interoperable with our central
10 management system. So, it's going to read
11 meters correct.

12 COMMISSIONER CAMERON: That's per
13 shift. It would seem like a move could happen
14 during business hours and that person would
15 work a day shift.

16 MR. LENNON: Yes. And that can
17 happen. And I think when we put two to three,
18 it kind of accommodates for vacation and
19 downtime, weekend shifts.

20 COMMISSIONER MCHUGH: I heard as you
21 began this discussion that you were going to go
22 look at Ohio --

23 MR. LENNON: Yes.

24 COMMISSIONER MCHUGH: -- and going

1 to get some more data. And I certainly welcome
2 that. I think the cost-benefit approach and
3 the recognition that today's cutting-edge
4 technology isn't going to be necessarily the
5 technology that's cutting edge in five years is
6 something we have to keep in mind. So, I
7 really look forward to both the comparative
8 costs of dealing with things and a hard look at
9 what happens if a decision one way or the other
10 is made now.

11 By that I mean in terms of the
12 technology, it seems to me that the retrofit
13 argument is surely a valid and sound one. On
14 the other hand, installing a large expensive
15 network today is in a very -- can have a very
16 similar effect. Freezing us into something, an
17 environment that potentially will change in the
18 relatively near-term.

19 I don't know how you quantify the
20 risks, but it seems to me we need to take that
21 into account in our overall analysis. So, I
22 look forward to your data-gathering exercise.

23 COMMISSIONER STEBBINS: Did you say
24 Michigan had a system or did not?

1 MR. LENNON: They do not. They have
2 similar to what Ohio has granted, backend
3 access into the licensees' systems. And
4 they're all in one area. They're in Detroit.
5 So, when I talk to their Gaming Control Board,
6 they said they thought about this. And they
7 made the decision to go with just the backend
8 access. And they don't have to travel around
9 as much. So, it's easier to just be in one
10 location.

11 COMMISSIONER STEBBINS: You can hit
12 everybody in one day.

13 MR. LENNON: Yes.

14 MR. DAY: Mr. Chairman, it might be
15 helpful if John went ahead with his
16 presentation because I know there's a lot of
17 facts that may answer some other questions.

18 CHAIRMAN CROSBY: Let me just ask
19 one question. What is our deadline for making
20 this decision if we are going to implement it
21 with Penn?

22 COMMISSIONER ZUNIGA: Can I answer
23 that?

24 MR. LENNON: Absolutely.

1 COMMISSIONER ZUNIGA: Part of the
2 question is whether we need to implement it
3 with Penn or later.

4 CHAIRMAN CROSBY: I said if.

5 COMMISSIONER ZUNIGA: If, right.

6 MR. GLENNON: Our current timeline
7 is to have a document that the vendors can
8 respond to late in the summer and to make a
9 decision if we're allowed to go forward, to
10 make a recommendation to the Commission
11 sometime in September.

12 The vendors that we've talked to
13 said they can implement the data collection
14 model in six months. We can make the
15 adjustments to the infrastructure build pretty
16 easily at this point where they are in the
17 process.

18 CHAIRMAN CROSBY: So, if we are
19 going to do this to implement this with Penn,
20 the plan would be to have a decision made in
21 September? Is that what you're saying?

22 MR. DAY: I think the concept is
23 we're going to have an RFR out in September
24 with a decision following in that process. So,

1 we would want to know if we're moving forward
2 sometime in --

3 CHAIRMAN CROSBY: When does Penn
4 need to know what we are going to be doing?

5 MR. LENNON: I think my initial
6 conversations, and I don't want to be held to
7 this. So, I think Lance is behind me. I could
8 always ask him. I think they said around
9 October, November they'd like to know.

10 PENN NATIONAL REP.: November is
11 correct.

12 CHAIRMAN CROSBY: That's an
13 important date. You're right. We don't
14 necessarily have to implement it with Penn.
15 But we want to make that a conscious decision
16 not an inadvertent decision. So, that November
17 deadline is a very, very important one that we
18 really fully understand and back down from so
19 we don't miss it -- we don't lose the
20 opportunity to make that deadline if we decide
21 we want to.

22 MR. LENNON: Correct.

23 MR. DAY: Mr. Chairman, I'm not sure
24 -- and Commissioners, the Penn letter, if

1 anybody in their hard copy was looking for it
2 is behind actually the position tab of 5d. So,
3 if the Commissioners were looking for it that's
4 where it is.

5 COMMISSIONER ZUNIGA: Can I ask a
6 question on the slide you were just in? I know
7 John will get into the technical aspects later
8 but the last bullet says, assumes that there
9 would be two to three FTEs per shift. This
10 dovetails into what Commissioner Cameron was
11 asking. But the last sentence says there would
12 be six plus six, so a total of 12 with a non-
13 CMS operation. Is that per property?

14 MR. LENNON: No. So, that would be
15 -- John and I just pulled these off the top of
16 our heads in looking at other staffing
17 patterns. We wouldn't have the benefit of a
18 second system auditing it. So, we'd actually
19 have to have people that know the proprietary
20 systems and be able to go out and do regular
21 audits of them.

22 So, I would need additional
23 accounting and revenue audit team. John would
24 need a team of IT people that know the systems

1 inside and out, know the cabinets inside and
2 out. We wouldn't have a system monitoring that
3 for us. And then we haven't even talked about
4 if there's a need for additional gaming agents
5 or if that can be covered under both of our
6 areas or give up some of the finance revenue
7 auditors and have more people in the financial
8 investigations unit. And then you're looking
9 at 10 percent audit versus 100 percent daily.

10 COMMISSIONER ZUNIGA: As
11 Commissioner McHugh said, I look forward to the
12 additional data now that you will visit
13 jurisdictions that don't manage a CMS but
14 manage otherwise. There will be additional
15 data to look at.

16 MR. GLENNON: I'm going to make an
17 attempt to not be technical and to get you to
18 the concept of what we're talking about
19 regulating with data digital regulation.

20 If you think of each slot machine as
21 a computer of sorts that can be either give
22 information out or be communicated to and from,
23 from another computer. That's essentially what
24 we're talking about. The old technology, the

1 slot accounting systems that have existed and
2 do exist now give out a set of data. It's
3 pretty rudimentary, but it has all of the items
4 that operators need to understand about the
5 transactions of the machine. It's not
6 interactive. There's a new standard which
7 we've talked about.

8 CHAIRMAN CROSBY: And how does that
9 communicate with --

10 MR. GLENNON: So, there is logic in
11 the board. There are micro switches.

12 CHAIRMAN CROSBY: But it's an
13 electronic connection?

14 MR. GLENNON: It's an electronic
15 connection, yes. The slot accounting system is
16 an electronic connection that can send
17 transactional activity that occurs on the
18 platform outward.

19 The Gaming Standards Association has
20 come up with a set of standards, which is a new
21 protocol set which has evolved. We talked
22 about this I think once before. Since about
23 2006 they've been working on a standard which
24 is now finding its way into machines in the

1 industry. G2S stands for game to system and
2 S2S is system to system. This is an enhanced
3 and more robust ability of the electronic
4 gaming devices to communicate with a managed
5 system.

6 Now each operator, even without a
7 central management system on the part of the
8 regulator, the operator has a house system that
9 they use to collect the information and to
10 manage the slot machines. So, that's the model
11 in some jurisdictions where that's the system
12 of record and that's the system that's audited.

13 If you have four operators in your
14 jurisdiction, your staff if they're auditing,
15 as Derek mentioned, would need to know the
16 nuances of each of those four systems. There's
17 a number of premier ones. I think Penn uses
18 Aristocrat and one other. So, they would have
19 a house system. Their proposal was that we
20 audit that.

21 A central management system takes
22 the same data as the house system and stores it
23 and makes it available to the Commission to use
24 for financial forensic investigation, any type

1 of due diligence on transactions that happen at
2 the slot machine. That's the difference. We
3 would have a set of data in our central
4 repository. The operator would have a set of
5 data. That's the difference in the model.

6 The diagram you see here is just
7 trying to depict in a visual that concept of
8 kind of dual data collection or redundant data
9 collection. This would be for the single
10 model. If you go to the next slide, Artem.

11 COMMISSIONER MCHUGH: Before you
12 leave that one, could I ask a question?

13 MR. GLENNON: Absolutely.

14 COMMISSIONER MCHUGH: Is there any
15 model in which the operator systems communicate
16 with a storage system that we have so that you
17 piggyback, electronically piggyback on what the
18 operator's collecting?

19 MR. GLENNON: So, Derek and I had a
20 conversation about the concept that we would
21 look to develop something that would take a
22 data feed from the operator system and to be
23 able to take sets of data from each of the
24 people that we license, create some kind of a

1 repository on our own.

2 That's not the model that we were
3 looking at where we have an operator that does
4 it. But it's certainly one of the scenarios
5 that we will present to you in our final
6 analysis is what would the cost be if we did
7 this kind of middle-of-the-road. We'll collect
8 the data from the operator's system and we'd
9 use that.

10 COMMISSIONER MCHUGH: Just to follow
11 through to make sure I understand. If that
12 were feasible and economical that would obviate
13 the need to put sensors or to take a feed from
14 the sensor in each machine. You take the
15 aggregate from the operator's data collection.

16 MR. GLENNON: We would be dependent
17 upon the operator to provide us data that we
18 ask for. Hopefully, the way they have their
19 system configured, it collects that data. In
20 most cases I would say that that would be the
21 case.

22 COMMISSIONER CAMERON: Mr. Glennon,
23 I would be interested in knowing how often
24 there are anomalies. How often is the

1 information incorrect or there's a problem? Do
2 you know what I'm saying? I think that would
3 be important piece to really evaluate how
4 important this is.

5 I don't know that information. I
6 did read Penn's letter, which said everyone
7 feels like they're regulating very well no
8 matter which system they're using kind of a
9 thing. So, I would just be interested in --
10 You're using this upgraded system, how does it
11 -- to what extent does it really give us
12 information that there's an issue? There is an
13 issue which we may not have been able to
14 identify just through audits. I just don't
15 know that.

16 CHAIRMAN CROSBY: Part of the
17 problem -- It's a good question. It's a really
18 good question. I've had the same thought.
19 There is the problem that it's hard to know
20 because you have the system in place, people
21 play by the rules and you don't have any
22 problems. You don't know how much having the
23 system in place prevents problems.

24 COMMISSIONER CAMERON: When you say

1 play by the rules, is there any evidence that
2 because this system isn't in place companies
3 are actually trying to do something differently
4 than report accurate data?

5 MR. LENNON: So, I don't think it
6 comes down to a sense of trying to mislead.
7 I'm going to be honest with you, on the site
8 visits that we've gone, I haven't seen the
9 sense of trying to mislead. But it's timing of
10 moves. It's whether upgrades to certain
11 software are implemented. So, if our gaming
12 lab comes back and says there's a problem with
13 this piece of software working with this
14 component in a cabinet, this central monitoring
15 system will pick up on it.

16 It will either let you disable the
17 game, which I know people have problems with
18 but if it's not going to give the right payouts
19 we probably don't want that working on the
20 floor nor does the operator.

21 Or it will give you a time period to
22 say okay, at the next opportunity to work with
23 the licensee, shut it down and you know that
24 this is a problem piece of equipment.

1 On the accounting side, because
2 these are -- and we have specific instances.
3 One of the pieces of Penn's letter that is
4 accurate is depending on when the snapshot is
5 taken, if you're comparing two systems, if a
6 casino takes their snapshot at 4:00 AM or 4:05
7 AM when we take ours at 4:00 AM, every machine
8 that someone is playing on is going to have a
9 different meter reading.

10 There's an easy way to accommodate
11 for that. You can say that anything under \$100
12 we're not going to look at, because they'll
13 balance out the next day when that machine
14 isn't being played at that time and the meters
15 will tie out.

16 But where you do get into problems
17 because these are meters running off of the
18 software running off of complicated
19 mathematical equations, sometimes there are
20 clears. Sometimes the meters aren't reset.
21 When they turn, you'll get different readings.
22 And if you don't have a separate system to
23 compare to -- And it can happen on our side too
24 where we'll say we didn't accommodate for the

1 meter spinning all of the way around once you
2 hit the full number of nines. And you take a
3 misaccurate reading from one day to the next.
4 Or the operator could be doing the same thing.
5 You get a large variance in what the payout for
6 that machine, what the daily tax rate for that
7 one machine could be. I think when we went to
8 Ohio, we saw one that the Intralot system had
9 pulled that was, I think it swayed by about
10 \$20,000 for one machine in one day, the tax.

11 COMMISSIONER CAMERON: My question
12 really was how often does that occur?

13 MR. LENNON: We could you get you
14 more statistics on that, but it's often enough
15 that they got the comparison to figure out when
16 that was happening versus when it's just a
17 difference in when the operator took their
18 snapshot versus when they take theirs.

19 COMMISSIONER ZUNIGA: I think the
20 redundancy element which you are articulating
21 is one that becomes a judgment call. How
22 satisfied are you, are we really of variances?
23 How often do they occur, obviously? And if you
24 have an entirely redundant system, you could

1 always check against the other.

2 MR. LENNON: And there are in
3 between models that we've seen. And that's
4 what John and I are going to take a look at.
5 Can we get a daily feed from each operator?
6 What would it cost to build a system in-house
7 that takes that feed and then compares that day
8 to what the next day is, and see if everything
9 is approved. And are there other options out
10 there of asset management rather than going
11 through these systems.

12 So, we're going to take a look at
13 that because we don't want to put unnecessary
14 costs in. And I think our conversation with
15 Penn was very constructive to say take a look
16 at other options, see what other people are
17 doing.

18 MR. GLENNON: I think the other
19 thing to think about is it's not just the
20 transactional data, the finance transactions
21 that we are concerned about, the way we are
22 going to regulate the electronic gaming devices
23 is by having an independent, certified
24 independent test laboratory certify a platform

1 to operate in our jurisdiction.

2 And from that certified platform,
3 there'll be a signature of that particular
4 device. And that signature will have to be the
5 same for every instance of that machine that
6 the operators and the manufacturers bring into
7 our jurisdiction.

8 What the central monitoring or
9 management system allows us to do is to see in
10 real-time or as these machines come online is
11 the signature, does the signature of the
12 machine that's being brought online on the
13 floor in that facility match the one that's
14 authorized to operate in our jurisdiction. And
15 we have the ability if the signature does not
16 match to disable that machine from the central
17 location.

18 So, the reason that we're staffing
19 7/24 is our people would have eyes onto the
20 ongoing operations of these electronic gaming
21 devices as the operations are taking place.
22 So, it's real-time monitoring of what's going
23 on on the floor and management of the asset.

24 COMMISSIONER CAMERON: But it's like

1 anything else, are those resources -- does this
2 happen daily, monthly, maybe once a year?
3 That's the critical piece for me to decide how
4 to use resources wisely.

5 MR. GLENNON: I think you are right.
6 But there are a lot of manual processes that
7 are in places in jurisdictions around, as Derek
8 mentioned, asset management that I think a
9 system would be able to provide more
10 efficiencies. But I think we'll have to
11 present that and make that case.

12 COMMISSIONER MCHUGH: We're all
13 saying the same thing in different flavors, I
14 think. Cost-benefit is what we really need to
15 drill down into and figure out what makes the
16 most sense.

17 CHAIRMAN CROSBY: On that first
18 chart, the next slide I think, are those two,
19 the operator's systems and the property data
20 collection are those two systems identical?

21 MR. GLENNON: No. So, the operator
22 system would be whatever the operator chose
23 to --

24 CHAIRMAN CROSBY: I don't mean

1 identical. I mean functionally identical. Do
2 they do or does the operator collect data that
3 we would not be collecting?

4 MR. GLENNON: Yes. The operator has
5 systems attached to their system such as player
6 management systems, which we do not have an
7 interest in.

8 However, in both cases we're looking
9 at responsible gaming framework. And one of
10 the things that Mark is looking at is pre-
11 commitment management that would be done in the
12 backend in the player management system and
13 would be part of the house system. But it's
14 collecting the same data, different systems.

15 CHAIRMAN CROSBY: But we do have a
16 mandate in the law to get the player
17 management, anonymized player management data
18 for other use.

19 MR. GLENNON: We do. That's
20 actually by the operator in periodic data feeds
21 to the research entity Mark is working with,
22 yes. We are not going to take possession of
23 that data.

24 So, if you take this model, I think

1 the next slide, I want to show how it scales
2 up. Independent of whatever the operator
3 chooses to run as their house system, we would
4 be collecting all of the data and be able have
5 to access to all of the data from all of the
6 properties that we manage, both forensically
7 and real-time.

8 And that's the construction of the
9 network, the connections to four facilities,
10 there is a cost to that. The wiring because of
11 the way technology has changed and because of
12 the standards, as of 2017 our regulations
13 require machines use the GSA standard.

14 COMMISSIONER ZUNIGA: G2S.

15 MR. GLENNON: I'm sorry. No, the
16 GSA, the Gaming Standards Association standard,
17 the GSA standard, which is G2S, correct. And
18 the wiring, you won't need what is a black box.
19 Right now in order to get a bifurcated feed of
20 data to two systems there's a system management
21 interface for it, which needs to be kind of put
22 in, to get non-technical. So, the cost of the
23 infrastructure won't be that incrementally
24 significant.

1 COMMISSIONER ZUNIGA: To put an
2 additional wire while construction is going on,
3 in other words?

4 MR. GLENNON: Yes. I don't think
5 that the cost of the wiring to a cage that
6 would hold our hardware is going to be
7 significant in terms of cost.

8 COMMISSIONER ZUNIGA: But that's
9 something that Penn needs to know by October,
10 essentially?

11 COMMISSIONER CAMERON: November.

12 COMMISSIONER MCHUGH: Right.

13 MR. GLENNON: Correct. I think you
14 get the idea. We want to collect the data. We
15 want to have access to all of the sets of data
16 coming off of the platforms.

17 I'm not going to go into all of the
18 features and functions. The next several
19 slides talk about all of the bells and whistles
20 that would be available to us if we were to go
21 with a central management system model. I have
22 to qualify and say that these features and
23 functions were gleaned from the vendors that we
24 talked about. So, some vendors may offer them,

1 some may not. We would ask, I think, for most
2 or many of them in the request for proposal if
3 we're allowed to continue pursue this course of
4 action.

5 MR. LENNON: I don't have anything
6 else to add. I think mainly what this says is
7 it gives us an electronic format what has been
8 collected in a hard copy and audit as a test
9 percentage in other jurisdictions format.

10 And I think that we have to come
11 back to you with a cost comparison and tell you
12 the benefits and the detracts from each
13 scenario. So, what do you get under this, what
14 don't you get? What do you get under this
15 scenario, what don't you get?

16 MR. GLENNON: I think we'd also like
17 to be able to continue to pursue the
18 development of a requirements document and
19 continue our conversations with the vendors and
20 possibly even get into a procurement cycle at
21 some point.

22 MR. LENNON: So, we're going to
23 continue drafting a scope. We have other
24 documents, but we will not bring that to you

1 until the decision is made to either move
2 forward with this or not. That way we are not
3 a couple of months behind. Some of the RFRs
4 we've seen are rather thick in the technical
5 language, so we want to make sure that --

6 COMMISSIONER MCHUGH: Are you going
7 to be looking at two options or three? Two
8 options would be the audit method with no
9 central repository at all. The other option
10 would be the central management system that
11 we're talking about here but then there's the
12 intermediary.

13 MR. GLENNON: Data, we'll call it a
14 data feed.

15 MR. LENNON: Data collection.

16 MR. GLENNON: Data collection, yes.

17 COMMISSIONER MCHUGH: So, you'll
18 pursue cost benefits of --

19 MR. LENNON: -- all three options.

20 COMMISSIONER MCHUGH: -- all three
21 options. Great.

22 COMMISSIONER ZUNIGA: I just want to
23 say that it's clear that you've all learned a
24 lot on the technical aspect, the functional

1 aspect. I know we are pushing to get a little
2 bit more in terms of comparison, but there's
3 been quite a bit of research already
4 undertaken. Some of the site visit you've
5 taken it looks like they were very productive.
6 A couple of more is really going to tie
7 everything together hopefully.

8 MR. GLENNON: I would also add that
9 Derek has added Bruce Band to the team. So,
10 IEB is represented. And I think having him
11 understand the data that would be of value to
12 the Investigations and Enforcement Bureau is an
13 important component as well. So, we welcome
14 him to the team.

15 COMMISSIONER MCHUGH: Right, right.
16 Great.

17 CHAIRMAN CROSBY: I was going to
18 make the same observation. I am really
19 impressed that you guys -- you talk like you
20 actually understand this stuff and know what
21 it's doing.

22 MR. LENNON: We've got good crib
23 notes.

24 MR. GLENNON: That's what you pay me

1 for, I hope.

2 CHAIRMAN CROSBY: That's great.

3 Thank you.

4 MR. GLENNON: Thank you very much.

5 CHAIRMAN CROSBY: We are back to
6 Director Day.

7 MR. DAY: That was the final item
8 for the budget information that we needed to
9 bring back to the Commission. And we'll
10 follow-up as we've been discussing. The next
11 item (c) is the master licensing schedule.

12 CHAIRMAN CROSBY: How about if we
13 take a quick break, back in five.

14

15 (A recess was taken)

16

17 CHAIRMAN CROSBY: We are reconvening
18 meeting 124. And we are to item 5c, Director
19 Day and Ombudsman.

20 MR. ZIEMBA: Commissioners, today we
21 are providing an update on the Region C
22 schedule. As a reminder, at the beginning of
23 April, the Commission extended the Region C
24 RFA-2 application date from July 23 to

1 September 23 at the earliest.

2 In order to meet the September 23
3 deadline, an applicant will need to receive a
4 majority vote at a referendum prior to that
5 deadline. In addition, there is a 10-day, as
6 Commissioners are aware, there is a 10-day
7 certification period requirement in cities for
8 election results.

9 Prior to the referendum, an
10 applicant, as we all know, must execute a host
11 community agreement 60 to 90 days before the
12 referendum. The dates reflecting these
13 requirements are shown in a chart that's in
14 your packet. It's actually the more simplest
15 version of the next slide.

16 So of note, based on this analysis,
17 a host community agreement would need to be
18 executed no later than this Saturday, June 14
19 to satisfy the 90-day requirement and July 14
20 to satisfy this 60-day requirement. As of this
21 date, we are aware of no such executed host
22 community agreements in Region C.

23 The Commission has stated that it
24 would revisit the September 23 deadline. The

1 Commission has also discussed that further
2 changes may be necessary to the Commission's
3 requirements in order to promote competition in
4 the region. However, there's a question
5 whether the Commission should entertain further
6 changes either to its deadline or to its
7 requirements today. Or whether or not it
8 should have a discussion after the July 14th
9 60-day HCA deadline.

10 Over the last several months,
11 parties have asked for some policy changes and
12 extensions. For example, parties have inquired
13 into the current policy that specifies which
14 entities may apply for a license in Region C.
15 Since the summer of 2013, the policy has been
16 that the applicant pool is limited to those
17 entities that applied by the September 30, 2013
18 RFA-1 application date and all current
19 applicants.

20 As is evidenced by a letter we
21 received yesterday from the Clairvest Group and
22 Claremont Companies there is a request to allow
23 new entities to apply for a license even though
24 those entities did not apply by the September

1 30, 2013 deadline or whether or not that entity
2 is not a current applicant.

3 The current policy was formulated to
4 help to expedite a license in Region C by
5 setting an early RFA-1 deadline, and allowing
6 those applicants that were already proceeding
7 through our background checks to compete.
8 Before the Commission discusses whether or not
9 to discuss further changes now or after the
10 expiration of the 60-day HCA deadline in early
11 July, I will ask Director Wells to provide you
12 a brief understanding of our current Region C
13 background checks.

14 On our current schedule, we
15 anticipate that background checks would be
16 completed by the middle of August with reports
17 completed by the beginning of August in order
18 to make the September 23 deadline.

19 COMMISSIONER ZUNIGA: I'm sorry.
20 Say that part one more time.

21 MR. ZIEMBA: Under our current
22 schedule of September 23, background checks
23 would need to be completed by the middle of
24 August. And the reports from the IEB completed

1 earlier than that a few weeks earlier than that
2 to submit to the Commission by the beginning of
3 August. That's what we anticipate.

4 You can have a little later date,
5 obviously, but as you get closer to the
6 September 23rd deadline, you shrink the period
7 of comfort by which we can ensure that
8 background checks are completed prior to the
9 application date.

10 COMMISSIONER ZUNIGA: Does that
11 assume at all suitability adjudicatory
12 hearings?

13 MR. ZIEMBA: No, not necessarily
14 just a hearing before the Commission either on
15 additional qualifiers.

16 COMMISSIONER ZUNIGA: Because a
17 regular suitability -- I'm sorry, an
18 adjudicatory hearing would be lengthier, but we
19 don't anticipate that given the restriction to
20 current applicants or we don't know.

21 MS. WELLS: I can't tell.

22 COMMISSIONER ZUNIGA: We cannot
23 tell.

24 MS. WELLS: We never know. I can

1 update the Commission that I am sitting here in
2 the same position I've been in for months where
3 the IEB has yet to receive a complete deal from
4 any applicant. So, it's impossible for me to
5 project with precision whether or not I could
6 complete an investigation by the beginning of
7 August or into July.

8 Now we're into mid-June. We have
9 certain parties that have expressed an interest
10 and they keep us updated on their efforts to
11 complete a deal and put something together.
12 And I do believe they're making those efforts
13 in good faith. But unless and until I have the
14 complete package from them, I can't report to
15 the Commission on a projection.

16 Should an applicant put together a
17 deal with people that have already been through
18 the suitability process, yes, we can finish
19 that by August. But I don't know that at this
20 point. And if they bring in partners and I
21 have to investigate corporations and several
22 individuals, and I don't even have the
23 completed forms yet to begin the process that
24 may not be completed by the projected date in

1 the beginning of August.

2 CHAIRMAN CROSBY: So, we have one
3 question before us really, which is do we want
4 to do anything more now on the deadlines? And
5 that could include just extending the present
6 deadline under the present rules or it could be
7 as Clairvest suggested, recommended or wished
8 for which would be to open it up new
9 applications.

10 Does anybody have thoughts about the
11 Clairvest letter, pros and cons just sort of a
12 general on that idea of opening up?

13 COMMISSIONER MCHUGH: I like all of
14 us have been thinking about this. And this
15 state of affairs has been in sort of a lockdown
16 mode since I don't know when. We've extended
17 the deadline. That hasn't yielded a completed
18 package. And I don't see -- I don't have any
19 evidence in front of us to suggest that
20 extending it again would change the dynamics.

21 There are we hear through Ombudsman
22 Ziembra about a number of moving parts, but the
23 moving parts haven't coalesced into any solid
24 framework. They don't appear to be doing that.

1 So, I am beginning to wonder, actually more
2 than beginning to wonder whether our
3 restriction to people who have already cleared
4 the -- people who filed on the initial filing
5 deadline of January 1 of this year and those
6 who had previously been qualified is going to
7 work.

8 So, my thought subject to discussion
9 here would be that we ought to perhaps wait
10 until July 11, whatever the deadline is, see if
11 anything happens. It probably won't. And at
12 that point ought to open it up again, just
13 start over.

14 CHAIRMAN CROSBY: Is there any
15 indication -- have we ever had any indication
16 that there was a new player that if we had been
17 able to open it up again that some deal would
18 have come together?

19 MR. ZIEMBA: From public accounts
20 and the account that we have in the letter
21 today from Claremont and Clairvest, they are
22 not a current applicant. But Claremont and
23 Clairvest have indicated that they would like
24 to apply for the license. And they currently

1 are disallowed from applying for the license
2 because they have not been able to team up with
3 a current applicant.

4 MS. WELLS: But they didn't submit
5 an application by the deadline.

6 CHAIRMAN CROSBY: Right. They
7 didn't submit an application by the deadline,
8 but their problem has been that they can't find
9 an operator who is interested, even though we
10 have a host of prequalified operators who are
11 not presently bidding. Their problem has been
12 they can't get anybody to think the deal makes
13 sense.

14 MR. ZIEMBA: I think we're saying
15 the same thing. They cannot find an operator
16 that is currently an applicant.

17 CHAIRMAN CROSBY: Right.

18 MR. ZIEMBA: And our current rules
19 apply to applicants not to qualifiers. So, you
20 have to be an applicant to proceed not just a
21 qualifier.

22 COMMISSIONER ZUNIGA: I think that's
23 key. When we made the restriction relative to
24 applicants, in other words, LLCs in

1 Massachusetts with all of their parties not
2 qualifiers, I now looking back has had in my
3 opinion the effect of really limiting the
4 possibilities here.

5 COMMISSIONER CAMERON: And we're
6 aware of other applicants previous that may
7 have made sense in one jurisdiction to be a
8 team and may not moving forward and that's
9 problematic, correct? They're not allowed to
10 move forward as a partial applicant?

11 COMMISSIONER ZUNIGA: As a
12 qualifier.

13 MR. ZIEMBA: I think that there was
14 a prior discussion, without getting into any
15 details about any conversations we may or may
16 not have had with folks, there's a prior
17 conversation before the Commission where
18 Director Wells and Counsel Blue discussed the
19 issue of qualifiers. And different qualifiers
20 may want to team with different qualifiers to
21 put together a full application.

22 COMMISSIONER CAMERON: For all of
23 those reasons I think Commissioner McHugh's
24 suggestion makes sense.

1 CHAIRMAN CROSBY: The only other
2 variable I don't think causes a disconnect with
3 what Commissioner McHugh said is that we do
4 have a competitive situation in Region A. And
5 by the mid-September, there will be a decision
6 made by the other four Commissioners on that
7 license. Somebody at least one party won't get
8 it, and might be interested in Region C. And
9 there's no way for us to know until that plays
10 out. But that's a perfectly realistic
11 possibility.

12 So, never mind the issue of opening
13 up to new applicants, a significant enough
14 extension of time to permit a non-winner in
15 Region A to think about Region C is worthwhile,
16 but I think that just compliments what you were
17 saying.

18 I think my instinct too would be we
19 have to put a stake in the ground here
20 somewhere. And maybe let's give enough more
21 months to both accommodate the possible non-
22 winner in Region A and to give new parties a
23 chance. I'm not very optimistic it's going to
24 make much difference. I don't think that's

1 really what the problem here is, but you never
2 know. And we might as well give it a shot.

3 MR. ZIEMBA: I would say that it's
4 not an impossibility, obviously, for a party to
5 put together an application with the current
6 deadline. There still is another month or so
7 for a host community agreement. But it is
8 clear that by the middle of July that that will
9 be an impossibility.

10 But all of the conversations that
11 the Commission has had, there are a number of
12 obviously competing interests of opening up to
13 competition but at the same time not having a
14 period extended so long that Region C falls far
15 behind.

16 So, when and if we have this
17 conversation now or in July, I think we'll just
18 need to be cognizant that we need to try to
19 strike a perfect balance there on finding a
20 period that if indeed we open it up, it doesn't
21 extend too long so Region C falls behind that
22 allows Director Wells and her team to do
23 background investigations. It's a little bit
24 of a tricky mix.

1 CHAIRMAN CROSBY: Not really,
2 because we're not talking about Region C
3 falling behind. We're talking about Region C
4 not having any options at all. We're not
5 talking about delaying a process now. We're
6 making a process possible. So, I don't think
7 Region C falling behind is really the concern
8 at this point. It's Region C falling off the
9 map completely.

10 MR. ZIEMBA: Yes, I agree with you,
11 Chairman, but we certainly have hear numerous
12 parties express interest in Region C,
13 especially after the Commission discussed a lot
14 of different options earlier this year. So,
15 even though we may not have an applicant by the
16 July 14th date, there is a potential of teams
17 putting together an application.

18 CHAIRMAN CROSBY: I agree with that.

19 COMMISSIONER ZUNIGA: I know we
20 already talked about this and I don't think
21 between now and July 12 is the reason to kind
22 of change, but I still believe that the minimum
23 capital investment is bearing into some of
24 these dynamics or at least might be.

1 COMMISSIONER MCHUGH: We changed
2 that though.

3 COMMISSIONER ZUNIGA: Marginally,
4 but we did.

5 CHAIRMAN CROSBY: What else could we
6 have done that we didn't do?

7 COMMISSIONER ZUNIGA: Include the
8 land cost, include financing costs
9 capitalizable under generally accepted
10 accounting principles, we've exclude all of
11 that. We've excluded a lot of operating costs.
12 And that's I would argue probably fair to
13 continue excluding. Licensing fee, I think
14 it's also fair to exclude. But the two big
15 ones are land and financing costs.

16 CHAIRMAN CROSBY: The statute gave
17 us the flexibility on that, right.

18 COMMISSIONER ZUNIGA: Yes, it really
19 did. Having said that though, the real data
20 point that I think with it being so near, we
21 ought to just let play out is July 12, because
22 then we would really know whether we have an
23 applicant or not. Or whether any of these
24 parties under the current mode can put together

1 whatever they could put together.

2 And understanding the landscape at
3 that point, depending on what we have, we may
4 decide that we really need to bring up not just
5 outside qualifiers -- I'm sorry, not just
6 qualifiers extended not from applicants but
7 include qualifiers, include additional
8 qualifiers or additional applicants and/or
9 include modifications to the minimum capital
10 investment.

11 But let's finish up the bidding
12 process or the procurement process that we set
13 out to do. And after July 12 we can then
14 reopen in any number of additional fashions.

15 MR. ZIEMBA: One thing that I'd like
16 to note is that July 14th date, even though say
17 if an applicant gets here by that July 14th
18 date as this past week's experience should
19 demonstrate to everyone, just because an
20 applicant can meet a specific deadline with an
21 application, the Commission does a very, very,
22 exhaustive, thorough review of all of these
23 applications. And there's absolutely no
24 guarantee of even if you're the only applicant

1 that you're going to receive the license. And
2 we need quality applications not just an
3 application that meets a specific deadline.

4 COMMISSIONER MCHUGH: And the July
5 14th date is not an application deadline, it's
6 a host community deadline by the current
7 schedule, right?

8 MR. ZIEMBA: Correct.

9 COMMISSIONER MCHUGH: So, there
10 would have to be not only a completed package
11 but a host community agreement. So, that's a
12 real test. Do we have a really viable
13 application by that date, viable in the sense
14 of having local acceptance? So, I think that
15 would tell us. It may get knocked out as the
16 investigation goes forward but then we start
17 over again.

18 I guess my bottom line is I just
19 don't see what utility we can reasonably expect
20 from simply extending a deadline again rather
21 than holding to this deadline, seeing what
22 happens and then rethinking our premises.

23 COMMISSIONER STEBBINS: Right.

24 COMMISSIONER ZUNIGA: I agree.

1 COMMISSIONER MCHUGH:
2 Notwithstanding, I take your point about the
3 Region A loser perhaps, but they wouldn't be
4 prohibited from doing the same thing if we
5 adopted the different approach.

6 CHAIRMAN CROSBY: Under this
7 timeline, they're prohibited. Under this
8 timeline they're prohibited as a practical
9 matter.

10 COMMISSIONER MCHUGH: That's right.

11 COMMISSIONER ZUNIGA: Exactly how?
12 Exactly how are they prohibited from this
13 timeframe?

14 CHAIRMAN CROSBY: Well, the decision
15 for Region A is expected now in early
16 September.

17 COMMISSIONER ZUNIGA: Nobody is
18 precluded from applying to more than one
19 region. They are precluded from obtaining more
20 than one license.

21 CHAIRMAN CROSBY: Right, but I don't
22 think anybody is going to --

23 COMMISSIONER MCHUGH: As a practical
24 matter --

1 COMMISSIONER ZUNIGA: Nobody does.

2 All right. I'm just exercising theory here.

3 CHAIRMAN CROSBY: Let me play this
4 out too. Yes, there is a possibility there
5 could be a bidder by July 14. How big is
6 debatable, how big a possibility is debatable.
7 There is a possibility. But if we end up with
8 only one -- If we do end up with a proposal on
9 the 14th, the most that could possibly happen
10 is that we'll have one. The likelihood we're
11 going to have more than one by the 14th is just
12 not worth worrying about.

13 If we have one proposal (A), one
14 isn't good for all of the reasons we've been
15 discussing for a long time. Springfield is a
16 whole different story. That was five and ended
17 up down to one. But having only one from the
18 outside is clearly suboptimal.

19 Two, if we don't particularly like
20 it, we don't want to at that point change the
21 rules. If somebody comes in by July 14, we
22 can't change the rules anymore. That would
23 just be dramatically unfair.

24 COMMISSIONER MCHUGH: Why?

1 CHAIRMAN CROSBY: Well, it seems to
2 me if we've said this is the deadline and
3 somebody goes through the trouble to make it
4 happen and meet the deadline -- If we
5 investigated them and decided that they weren't
6 satisfactory and we went through the whole
7 evaluation process, we don't have to make the
8 award to them.

9 But to have one person meet the
10 deadline and then change the deadline that
11 seems really unfair to me. I would much rather
12 change the deadline now when there's nobody in.
13 Nobody's ox is being gored if we change the
14 deadline now.

15 COMMISSIONER MCHUGH: I wouldn't
16 fight that. I just question whether what it
17 would be unfair. We have stressed from the
18 beginning, and I think the evidence shows that
19 competition dramatically increases the yield.
20 And the absence of competition, it seems to me,
21 would be a bona fide basis for changing the
22 deadline. But I take your point.

23 CHAIRMAN CROSBY: In that case, we
24 might as well make the decision now. If we're

1 sort of predisposed -- In the unlikely event
2 that we do have a bidder, we're kind of
3 predisposed to not wanting to go forward with
4 only one, we might as well just do it now and
5 take the pressure off.

6 Let's think backwards. What
7 deadline would we have to set in order to give
8 a Region A loser a chance, (A). And (B) if we
9 adopt Commissioner McHugh's idea of opening it
10 up again for new applicants to give new
11 applicants a chance to get organized. Think
12 that through, what would that be March? Would
13 March do it? What date would that be?

14 MR. ZIEMBA: Well, you just have to
15 work backwards from the 90-day requirement.
16 Let's call it 100-day requirement if you
17 include the certification period. So, a host
18 community agreement would have been in place
19 for 100 days prior to the application deadline.
20 So, if we're making our decision in Region A in
21 September, you add 100 days to that at a
22 minimum, obviously.

23 CHAIRMAN CROSBY: So, using the 100,
24 March would mean the first of January. You

1 would have to have your host community
2 agreement by January 1 more or less.

3 MR. ZIEMBA: Or if the decision is
4 made in September, let's just say you have to
5 have your host community agreement in place by
6 October. So, October plus three months,
7 November, December, January and then another 10
8 days.

9 CHAIRMAN CROSBY: But a month
10 between Region A decision and having a host
11 community agreement isn't enough time. If
12 somebody loses in Region A and wants to
13 rejigger Region C is going to take them three
14 months anyway.

15 So, I think you've got to give at
16 least three months for the host community
17 agreement and then three months after that.
18 So, basically September plus six months would
19 be what, is that March? October, November,
20 December, January, February, March, yes. So,
21 if we picked say March 15, I'm just thinking
22 out loud here, but if we picked March 15 and we
23 opened it up to new applications -- applicants.

24 And maybe we leave open the

1 question. I think the issue of rethinking the
2 capital structure is something we wouldn't have
3 decide at this moment. But we are going to
4 leave that on the table to think about that a
5 little bit. But at this moment, we say July --
6 or sorry, September is gone. We are going to
7 make it six months later, which gives Region A
8 a chance and will invite new applicants.

9 COMMISSIONER MCHUGH: I would not
10 oppose that. I would like to, as we've done
11 with everything else, let it sit out there for
12 two weeks and get comments on it. But I
13 wouldn't oppose it.

14 It certainly is better than
15 extending the deadline, in my view simply
16 extending the deadline. And it recognizes the
17 likelihood that we're not going to have
18 competitive proposals by the deadline.

19 CHAIRMAN CROSBY: And waiting two
20 weeks if fine with me, because we've now
21 signaled the possibility. So, it's clear we're
22 not going to unduly prejudice somebody now if
23 they happen to slink under the 14th.

24 COMMISSIONER MCHUGH: Well not slink

1 in.

2 CHAIRMAN CROSBY: I'm sorry.

3 COMMISSIONER MCHUGH: We welcome
4 with open arms.

5 COMMISSIONER ZUNIGA: I think
6 there's a number of assumptions you've made,
7 Mr. Chairman, that I think we need to be
8 careful about. You're saying one application
9 will be perhaps not sufficient.

10 CHAIRMAN CROSBY: Well, it would be
11 suboptimal.

12 COMMISSIONER ZUNIGA: Suboptimal.
13 Remember that that one competitor is facing a
14 competitive scenario with a tribal operation.
15 So, there's a calculation there relative to
16 proximity and other things. We have, of
17 course, the ability to award or not. That we
18 have always retained, the commercial license,
19 based on a number of other developments at the
20 federal level. Very hard to predict.

21 You are also assuming in your last
22 statement or set of statements that there will
23 be the high likelihood that a Region A loser
24 would want to move into Region C.

1 CHAIRMAN CROSBY: I didn't say that
2 at all. I just said it might happen. I
3 wouldn't say high likelihood. I have no idea
4 whether they would or not.

5 COMMISSIONER ZUNIGA: I guess that's
6 where I was going. We just don't know. Maybe
7 I misunderstood it.

8 But I think there's a real -- I am
9 feeling there's such a close proximity to July
10 12, which is the real date by which we
11 understand the landscape that we ought to let
12 that come to fruition and make a decision much
13 like you were suggesting at that point. And
14 trying to make that decision now so close to
15 that significant milestone is just not my
16 preference.

17 COMMISSIONER MCHUGH: But suppose we
18 do that, which was my initial thinking and
19 still remains a viable option. Suppose we got
20 one application. Would your view be that that
21 was it? We consider that application? Or
22 would it be your view that it would be fair if
23 we took an initial look and thought competition
24 might improve the offer that we could extend

1 the deadline?

2 COMMISSIONER ZUNIGA: We could
3 extend the deadline too, right. That's
4 standard operating procedure on all kinds of
5 procurements. We retain the ability to reject
6 anybody who comes in.

7 COMMISSIONER MCHUGH: Not
8 necessarily reject.

9 COMMISSIONER ZUNIGA: Send back or
10 -- We don't have to accept anybody who comes
11 in. We can take them at any level of review,
12 but we're not required to follow through on any
13 one application. We can suspend at any time
14 given investigations, given detail of Phase 2,
15 completion of the parties.

16 COMMISSIONER MCHUGH: Before we go
17 too far, although I suggested it in a very
18 cavalier way, the more I think about it, I'd
19 like the legal team to take a look at that.
20 And we now sort of brainstormed for a while.
21 If we let the brainstorming hang out there for
22 two weeks, that'd be time for them to do that
23 as well.

24 I'm having slight second thoughts

1 about whether we could, after getting the
2 application by the deadline, whether we could
3 then extend. I don't know one way or another.
4 I just think it's something to consider.

5 COMMISSIONER ZUNIGA: I'm not saying
6 to do that immediately, by the way.

7 COMMISSIONER MCHUGH: I understand.
8 All I'm saying is we need to check and see what
9 our latitude is.

10 COMMISSIONER CAMONER: I think that
11 makes sense too to have the legal team check.
12 And if we get comments -- I'm sure there are
13 things we haven't thought of in this 15-minute
14 discussion.

15 CHAIRMAN CROSBY: I'm totally fine
16 with the two weeks. I'm totally fine with
17 that. I want to restate that I'm really
18 uncomfortable with the idea of letting somebody
19 come in by the 14th and then extending the
20 deadline.

21 If you think of how unfair it is to
22 all of the parties that would be racing to get
23 a deal done, you could imagine the pressure on
24 the parties to make a deal in order to get

1 under that deadline, which if they had more
2 time they would do in a much more businesslike
3 fashion, or you could imagine that set of
4 possibilities. To turn around after they've
5 signed agreements and stuff really feels not
6 right to me at all.

7 COMMISSIONER ZUNIGA: I want to make
8 sure the record reflects I wasn't suggesting
9 that we would extend just because we get one
10 application that we would immediately extend
11 the deadline or change it without looking at
12 that one application.

13 I would assume that we would follow
14 a lot of the review that we do and we would
15 have to be convinced that there is not or there
16 is a viable application. I don't think that
17 day two after receiving just one application is
18 something we ought to assume would happen.

19 COMMISSIONER MCHUGH: But the record
20 will reflect that I did suggest that and now
21 I'm having second thoughts about it.

22 CHAIRMAN CROSBY: Okay. Anything
23 else Commissioner?

24 COMMISSIONER STEBBINS: We're all

1 agreed that the 14th -- We're not extending the
2 current deadline of the 23rd, which backs up to
3 the 14th date.

4 CHAIRMAN CROSBY: At the moment, no.
5 What we're doing is putting on the table the
6 idea of extending the deadline for six months
7 from September, and reopening and opening it up
8 to new applicants and leaving on the table the
9 issue of the minimum capital investment.

10 That proposal is on the table. We
11 are going to do some legal research and we are
12 going to invite comment. And two weeks from
13 today, we will decide whether or not to make
14 that adjustment or some other adjustment.

15 COMMISSIONER STEBBINS: Is it also
16 fair in this comment period, and I can't
17 recollect whether we've asked for this before,
18 are there other extenuating circumstances as to
19 it's not just applicants being frozen out but
20 whether there are other issues at-hand that are
21 scaring people away from this application
22 process?

23 MR. ZIEMBA: So, I highly support
24 the comment period, because there's obviously

1 interests that are not testifying today, have
2 not submitted letters today. There are a
3 number of different communities that have
4 expressed an interest in maintaining the
5 current deadline in the past I'm sure that
6 they'll want to weigh in on this possibility.

7 So, we will encourage all parties,
8 qualifiers, applicants to be on the record as
9 we go into the next meeting.

10 COMMISSIONER STEBBINS: And
11 essentially with any comments reflective of the
12 competitive environment in Region C.

13 MR. ZIEMBA: Correct. We want all
14 of your comments. I know that there's a lot
15 that's being discussed, but we really need
16 people to submit their ideas at this point.

17 COMMISSIONER ZUNIGA: Which would be
18 great and I'm in agreement with. I'll remind
19 ourselves that we already had a healthy dose of
20 public comment when we last extended the
21 current deadline. The current deadline was
22 July, if I'm not mistaken.

23 MR. ZIEMBA: The current deadline
24 was July, exactly, July 23.

1 COMMISSIONER ZUNIGA: The prior
2 deadline, I'm sorry. We extended it to
3 September. And at that time, we got a number
4 of really good thoughtful comments relative to
5 extending it further than the current deadline.
6 There were interests saying it should be
7 October 31. There were other interests saying
8 it should be December 31.

9 MR. ZIEMBA: Correct.

10 COMMISSIONER ZUNIGA: So, it's great
11 that we would hopefully get an update to that,
12 but I think that also bears, at least in my
13 view, the last I saw this there may be need for
14 a lot more time to put together these
15 proposals.

16 COMMISSIONER STEBBINS: And if I'm
17 not mistaken, the last round of comments that
18 we heard, we did not hear from one potential
19 operator; is that correct?

20 MR. ZIEMBA: That is correct.

21 CHAIRMAN CROSBY: Right. Right.
22 Okay. So, that's on the table. John will help
23 orchestrate feedback. We're looking for help
24 and guidance and advice on this. We're opened

1 to as much feedback as possible, reinforcing
2 Commissioner Stebbins point. All right.

3 I'm open to do whatever everybody
4 wants. We can stop for lunch or we can plow
5 through. I think it'll probably take us a
6 little while.

7 COMMISSIONER CAMERON: What do we
8 have another hour's worth here?

9 CHAIRMAN CROSBY: Can you estimate
10 what we've got?

11 MR. DAY: The longest item or
12 potentially longest would be the discussion of
13 the gaming position issue. We have a
14 presentation and then that letter. That's item
15 (d) under administration.

16 CHAIRMAN CROSBY: I think the mild
17 consensus is let's take a break. So, 45
18 minutes. What time is it now?

19 COMMISSIONER CAMERON: 1:00.

20 CHAIRMAN CROSBY: Try 1:45.

21

22 (A recess was taken)

23

24 CHAIRMAN CROSBY: It is 1:45 and we

1 will reconvene meeting 124. I guess we are
2 going to Director Day.

3 MR. DAY: Mr. Chairman, the next
4 item is actually the Commission received in
5 response to the Commission's request really in
6 concept about the possibility of including a
7 number of gaming positions past one as in for a
8 slot machine for Penn as a possible opportunity
9 for the Commonwealth in particular to gain more
10 tax revenue. We asked Penn in particular, but
11 we asked for comment regarding that proposal.

12 In response, Penn sent in a letter.
13 And that letter is in the packets for
14 discussion today. So, the concept was kind of
15 put that letter back out because the Commission
16 asked and encourage a discussion from the
17 Commission.

18 CHAIRMAN CROSBY: Okay. Who's doing
19 this?

20 MR. DAY: We have a demonstration.
21 Is John back? I will join Artem over there and
22 I can just provide some uncapable assistance
23 and we'll get that rolling.

24 MR. SHTATNOV: Good afternoon,

1 Commissioners. The presentation is determine
2 how we account for slot machines in terms of
3 how many gaming positions each slot machine is.
4 So, if you go to the first slide. The reason
5 this is important is because Category 2
6 licensee is capped at 1250 gaming positions.

7 CHAIRMAN CROSBY: Slot machines.

8 MR. SHTATNOV: I'm sorry, 1250 slot
9 machines. So, if you go to the next slide,
10 you'll see the definition of a slot machine.
11 It is a mechanical, electrical or other device,
12 contrivance or machine. This doesn't really
13 too much in determining whether or not each
14 gaming position is once slot machine or not.

15 But you can also continue on to see
16 what a gaming device is. Next slide, please.
17 So, a gaming device or gaming equipment is an
18 electronic, electrical or mechanical
19 contrivance or machine used in connection with
20 gaming or a game. So, by these two
21 definitions, it seems that a slot machine is a
22 subset of a gaming device. So, every slot
23 machine is a gaming device, but some gaming
24 devices can be something else outside of a slot

1 machine.

2 Continuing onto the next slide.

3 Then there is also the question of what is an
4 electronic table game. There is no definition
5 in Chapter 23K. But in our regulations we
6 state that an electronic table game is a slot
7 machine. This is to clarify that a Category 2
8 licensee can install electronic table games.
9 And also, an electronic table game does seem to
10 fit under the definition of a slot machine.

11 Continuing onto the next slide. So,
12 another question is what is a gaming position.
13 So, the definition in 23K states that a gaming
14 position is a designated seat or standing
15 position where a patron of a gaming
16 establishment can play a game. Now if you look
17 at a traditional slot machine on the left, you
18 can see that it only has a single player
19 position. But for some electronic table games,
20 they can have multiple positions. The device
21 on top shows that it has 10 positions and the
22 one at the bottom has five positions.

23 Continue to the next slide. So, the
24 question now becomes do you treat those kind of

1 table games with multiple positions as a single
2 slot machine or a slot machine for each gaming
3 position. Continue, this is just an example of
4 what would happen if you opt for the first
5 definition or for the second.

6 So, if you install for example 12
7 devices with five gaming positions then you
8 have like 60 gaming positions from that device.
9 Install eight table games with 10 positions,
10 then you have 80 gaming positions there. Then
11 if you install 1110 of the traditional type of
12 a slot machine, you have that same number of
13 gaming positions.

14 So, in total you'll have 1130 gaming
15 devices, but you'll be at the 1250 gaming
16 positions. So, if we do choose the first
17 definition for having each slot machine be a
18 single gaming position, then the Category 2
19 licensee would be capped with this setup. But
20 if we choose the second definition for each
21 device being a single slot machine, then you
22 can see that there is only 1130 slot machines
23 and the Category 2 licensee would still be able
24 to install additional gaming devices. These

1 two are not the only two options.

2 Go onto the next slide. Some
3 jurisdictions have a sliding scale approach
4 where the number of slot machines per
5 electronic table games depends on the number of
6 gaming positions at that table game. So, if
7 the table game has between one and five
8 positions, it will be counted as a single
9 machine. If it has between six and 10, it will
10 be counted as two slot machines. And if it has
11 between 11 and 15 positions, it'll be counted
12 as three slot machines.

13 So, one more alternative would be to
14 put a cap on the number of gaming positions.
15 If we treat each table game as a slot machine
16 that legislative cap of 1250 would still apply.
17 But we can also impose an additional regulatory
18 cap of something higher than that amount in
19 order to prevent a scenario where a Category 2
20 licensee installs a very high number of
21 electronic table games.

22 And one final approach could be to
23 have two different periods. So, before a
24 Category 1 licensee opens its casino, you can

1 have just the general pool of each table game
2 being counted as a single slot machine. And
3 after the Category 1 opens, there can be an
4 additional regulatory cap at 1250 or at some
5 other amount. So, those are the options for
6 your considerations.

7 CHAIRMAN CROSBY: Is there any more
8 guidance in the law? The Penn letter suggests
9 that by not defining gaming positions and slot
10 machines as the same thing, they intended there
11 to be a distinction, which would favor their
12 letter. Is there any other guidance in the
13 legislation or in the history of the
14 legislation on what was going on here? Does
15 anybody know? Did we look into it?

16 MR. DAY: Not that I'm aware of.

17 MR. GLENNON: Not that I'm aware of
18 either.

19 CHAIRMAN CROSBY: And we got no
20 other commentary?

21 COMMISSIONER MCHUGH: No, nobody
22 looked into that. But it seems to me that when
23 you look at section 56 and their discussion of
24 gaming positions that sets the tax rate. And

1 they had to take into account both table games
2 and slot machines. They were taking into
3 account -- that's paragraph two where they talk
4 about section 56, the distinction between
5 gaming positions and not the number of slot
6 machines or tables.

7 It seems to me maybe they're right,
8 but it also could be just as easily they were
9 talking about gaming positions to include
10 tables and slots. And the tax on a gaming
11 position would take into account how many
12 people were at a table game as well as single
13 slots. It just seems to me inconclusive.

14 CHAIRMAN CROSBY: I agree with that
15 that's why I was asking if there was any more.

16 MR. GLENNON: I think what we don't
17 do is we don't join the two terms in the law,
18 therefore what they're saying is it's open to
19 your interpretation whether a gaming position
20 in relation to a slot machine is a one-to-one
21 or a one-to-many and that's really how they're
22 looking for you to compare it.

23 CHAIRMAN CROSBY: And we didn't get
24 any other feedback. Nobody opposed the idea.

1 MR. DAY: Not that I'm aware of.

2 CHAIRMAN CROSBY: This is the only
3 feedback we got, right?

4 MR. DAY: My perspective is that the
5 definition regarding a slot machine actually
6 provides some of a glimpse on that because it
7 doesn't exclude electronic table game. So, in
8 my experience electronic table games are
9 identified and defined separately.

10 As where the slot machine is one
11 gaming position, table games, electronic table
12 games are normally more than one. So, it seems
13 like to me both of those have in the regs., our
14 regs. have as well didn't combine into the same
15 definition which I think then moves forward the
16 concept that there could be multiple gaming
17 positions past the 1250.

18 CHAIRMAN CROSBY: Right. Well, I
19 don't see that anybody gets hurt on this prior
20 to the opening of the other facilities. The
21 only question it seems to me is if you count
22 gaming positions as different, and there end up
23 being more in the electronic table games, so
24 you end up more than 1250 gaming positions,

1 whether that is inconsistent with the level
2 playing field for the casinos when they come
3 online. But prior to them coming online, I
4 can't see any downside.

5 COMMISSIONER CAMERON: It's
6 interesting that we didn't get any comments
7 though.

8 CHAIRMAN CROSBY: I know.

9 COMMISISONER CAMERON: I don't know
10 that I think it's fair to allow this and then
11 take it away. I think people get accustomed to
12 playing certain games. I think it could put
13 Penn at a competitive disadvantage if we were
14 to say it you can have it only up until and
15 then take it away. That doesn't seem equitable
16 to me.

17 CHAIRMAN CROSBY: Well, they'd
18 probably rather have that than not have it all.

19 COMMISSIONER CAMERON: But there
20 could be an in between where we really do just
21 limit the number that we allow them to have.

22 COMMISSIONER MCHUGH: First of all,
23 they said that they only expect to have 10 to
24 15. And the New Mexico approach struck me as

1 interesting one in which they say that multi-
2 station games shall not comprise more than
3 three percent of the total possible allowed
4 gaming machines on the gaming floor.

5 Penn's at 10 persons per electronic
6 table game would amount to two percent of the
7 gaming positions. So, some kind of an approach
8 like that would accommodate their desires and I
9 don't think would eat into the casino
10 expectations at all.

11 COMMISSIONER CAMERON: I would
12 agree.

13 COMMISSIONER ZUNIGA: I would agree
14 with that. And remember, Chairman, our
15 legislation and this it was very clear creates
16 very different economics between the applicants
17 when it comes to what is some would say similar
18 games. I could argue it's different. Having
19 an electronic table game and an actual table
20 game may have some similarities, I would argue
21 on the side there is real differences, and that
22 is 25 percent versus 49 percent.

23 At 25 percent, the casinos have the
24 advantage of getting a lot more in terms of

1 recovering the investment amount. Granted they
2 have a larger investment amount requirement.
3 But at 51 percent, the slots parlors is really
4 limited. Whereas we are on the other side. We
5 have the incentive from a finance perspective
6 to have some of these definitions as I argued
7 in the past for this.

8 CHAIRMAN CROSBY: Yes. So, they
9 said they would only anticipate -- what did you
10 say, 10 to 12?

11 MR. GLENNON: 10 to 15 machines.

12 CHAIRMAN CROSBY: 10 to 15, and did
13 they imply the number of positions that they
14 would anticipate?

15 MR. GLENNON: So, 10 would be 100
16 positions.

17 COMMISSIONER CAMERON: If it's a 10-
18 seat.

19 MR. GLENNON: Depending on how many
20 seats, yes. So, 10 six-seat games would be 60.

21 CHAIRMAN CROSBY: But I'm asking did
22 they imply, or did they speak to the issue
23 presumptively how many seats their electronic
24 table games would have?

1 COMMISSIONER CAMERON: They did not,
2 right?

3 MR. GLENNON: Lance is here. He's
4 shaking his head they didn't indicate what the
5 size of the table game would be.

6 COMMISSIONER ZUNIGA: I think what's
7 relevant to -- in my opinion relevant to this
8 in terms of there's a strategy question. The
9 operator will likely try to figure out and then
10 react to the market as to how many tables, how
11 many 10-seat tables or how many five-seat
12 tables they'd be able to replace for any one
13 slot machine that fits their business strategy,
14 the marketplace and frankly their floor. There
15 is only a limit to what they can do.

16 And allowing some leeway much like
17 New Mexico does to say there's a maximum,
18 there's a cap. Whether it's a percentage basis
19 or in total or some ratio relative to gaming
20 positions per table game -- per slot machines.
21 Either way, I think the operator will likely
22 try to figure out and move within that leeway.

23 COMMISSIONER MCHUGH: But for our
24 purposes, if hypothetically we simply said of

1 the 1250 two percent could be multiple position
2 games, that would be 25. And if we hypothesize
3 that the maximum likely at those 25 would be 10
4 people that's 250 gaming positions. That would
5 exceed what they're looking for and increase
6 the yield. And it seems to me 250 more gaming
7 positions wouldn't cut into any reasonable
8 expectation that any Category 1 casino would
9 have. It just isn't going to --

10 COMMISSIONER ZUNIGA: -- break the
11 bank.

12 COMMISSIONER MCHUGH: -- it's not
13 going to break the bank and it would yield more
14 revenue for us. So, it seems to me -- I'm not
15 sure those numbers are right, but it seems to
16 me that kind of approach is a simple approach,
17 consistent with the statute and doesn't hurt
18 anybody and allows some flexibility for the
19 slot parlor operator.

20 CHAIRMAN CROSBY: I wouldn't
21 disagree with that. I think the fact that
22 nobody will write in and said this is a problem
23 speaks to and supports what you're saying.

24 MR. GROSSMAN: If I may, Mr. Chair

1 and members of the Commission. I thought I
2 would just mention one point that bears on the
3 point relative to no one commenting yet. This
4 piece is part of the overall slot regulations
5 which are schedule for public hearing on
6 Tuesday. At which point, members of the public
7 are invited to come and comment on the proposed
8 slot regulations including this provision.

9 And it is my understanding that the
10 folks from Penn National are interested in
11 coming and speaking on this issue in addition
12 to the letter they've already presented.

13 So, I would suggest that a final
14 decision on this provision be reserved until
15 that time to allow for any public comment from
16 any further Category 1 applicants or in fact
17 Penn National.

18 COMMISSIONER ZUNIGA: I think that's
19 great. In an expression of that though, I
20 think we could draft it the way it's suggested
21 here and invite that comment and invite those
22 comments.

23 COMMISSIONER MCHUGH: Do we have
24 anything in the draft regulation that talks

1 about a percentage?

2 MR. GROSSMAN: Just as one-to-one.

3 MR. GLENNON: We do not at this
4 time. We could certainly draft that language
5 for discussion on Tuesday.

6 COMMISSIONER ZUNIGA: That would be
7 my preference. I would prefer that we
8 incorporate some kind of cap whether by
9 percent, overall percent and we let the comment
10 period of the regulations begin if it hasn't
11 already started.

12 MR. DAY: This is the hearing. So,
13 the Commission could from a procedural aspect
14 draft and vote to include this change as it
15 formally adopts the regulations.

16 MR. GROSSMAN: We put it out for
17 public comment many weeks ago and specifically
18 highlighted this issue for a special comment.

19 COMMISSIONER STEBBINS: This is all
20 we got back?

21 MR. GROSSMAN: This is what we got
22 back.

23 CHAIRMAN CROSBY: It's pretty
24 arbitrary as to what percent and how many

1 numbers. But your numbers accommodate their
2 aspiration and seems as good as anything else.

3 MR. GLENNON: So, I suggest that we
4 validate Commissioner McHugh's suggested
5 numbers and make the language to reflect
6 something that accommodates the request in the
7 letter.

8 CHAIRMAN CROSBY: Put his suggestion
9 out there as something that we will be
10 considering and then we will come back to it in
11 two weeks with whatever other feedback there's
12 been. Yes, it's hard to see a down side to
13 that I agree.

14 MR. DAY: Mr. Chairman with that
15 particular comment, you mentioned and
16 originally the Commission had talked about that
17 being a sunset provision. Is that part of the
18 concept still? I kind of hear that it would be
19 just to permanent change in the regs.

20 CHAIRMAN CROSBY: That's what
21 Commissioner McHugh is suggesting, yes.

22 COMMISSIONER ZUNIGA: And two others
23 are agreeing.

24 COMMISSIONER STEBBINS: Three

1 others.

2 CHAIRMAN CROSBY: I wasn't saying we
3 shouldn't do it. I just said the only issue
4 was that possibility that it would change after
5 they come online. Since nobody's concerned
6 about it, then it's not a big deal.

7 MR. DAY: This may actually have
8 greater surety because it would make a change
9 but it would be limited to that change. There
10 would be no automatic change again in the
11 future which I think people may appreciate as
12 well.

13 MR. GLENNON: Thank you very much.

14 COMMISSIONER ZUNIGA: Thank you.

15 COMMISSIONER MCHUGH: Thank you.

16 CHAIRMAN CROSBY: So, where are we?
17 Licensing Division. That's it for your agenda
18 for today?

19 MR. DAY: Yes, Sir.

20 COMMISSIONER MCHUGH: Thank you,
21 Artem, for that helpful explanation of the
22 basics.

23 MR. DAY: Mr. Chairman, as our
24 groups are collecting here let me just make a

1 couple of introductory remarks what the
2 proposed change is.

3 As the Commission will recall, the
4 Commission established a gaming vendor
5 secondary license. The idea was to establish a
6 less complex and less expensive, a little less
7 intrusive process for non-gaming vendors. And
8 that's what we're talking about as we approach
9 this discussion today. We have taken a look at
10 that.

11 As we've been working with our
12 various applicants, we've come to the
13 conclusion that although we did create another
14 category, less expensive I'm not sure that we
15 actually made it to our goal of less complex.

16 So, what we are here today is to
17 suggest to the Commission, recommend to the
18 Commission that we should make some changes
19 through emergency regulations to reduce the
20 complexity that we have just in the gaming
21 secondary vendor. And I think it would help
22 just a little clarification around the
23 contract, subcontracts you'll recall as well
24 giving a little bit more flexibility. With

1 that I will gladly refer it over to Loretta.

2 MS. LILLIOS: Good afternoon,
3 Commissioners. As Director Day explained it,
4 we've made our way through the vendor licensing
5 applications connected to the Penn project.
6 We've had the chance to evaluate some of the
7 regs. in real-time and in real practice. And
8 it has become apparent that some refinement may
9 be in order with respect to the gaming vendor
10 secondaries, in particular construction
11 companies.

12 The existing regs. treat a gaming
13 vendor primary such as a slots company largely
14 in the same fashion as a gaming vendor
15 secondary. Here we are again talking about the
16 construction companies. Our existing regs.
17 call for a comprehensive, detailed and onerous
18 and for the Commission expensive inquiry into
19 the secondaries. Standard inquiry, which in
20 the view of the IEB and the State Police is not
21 necessary for a thorough background of the
22 gaming vendor secondary.

23 Part of our process in developing
24 the proposed reg. 205 CMR 134, which you have

1 in tab 6 of your packet was to look at what
2 other gaming jurisdictions across the country
3 do with respect to construction companies. And
4 what we found is that there is no consistent
5 approach of other states to construction
6 companies.

7 Some states do an extremely
8 comprehensive background; some do a more
9 limited background. Some appear to require of
10 executives at the construction companies as in-
11 depth as our key gaming employee forms, others
12 mere registration with some supplemental
13 questions.

14 With this in mind, we drafted the
15 proposed amendment for your consideration that
16 we feel provide for adequate appropriate
17 background investigation, keeping in mind two
18 things. The \$5000 fee that the regs. now
19 require of the gaming vendor secondaries and
20 our practice that we do not charge back more to
21 cover the real cost of the investigation to
22 them.

23 And also knowing that we also have
24 in our regulations the ability to call for

1 additional and supplemental information and
2 documents on an as-needed basis as part of the
3 licensing requirements.

4 So, turning to the proposed
5 amendments, the proposed amendments do four
6 main things. The first thing is that they say
7 that individual qualifiers for a gaming vendor
8 secondary would have to submit a gaming
9 employee form instead of a key gaming employee
10 form. And the main difference in those forms,
11 as you may recall, is that the key form details
12 the net worth of the individual qualifier, and
13 also includes detailed information about
14 family, spouse, children and their financial --
15 some of their financial situation and
16 obligations that may be relevant to the gaming
17 like the slots primaries but have limited
18 relevance to the secondaries. So, that's one
19 of the areas that we are proposing change.

20 The second area that we're proposing
21 a change in is for the qualifying entities of
22 the gaming vendor secondary to fill out a BED
23 secondary form instead of a BED primary form.
24 The existing regs. actually require the

1 applicant of a gaming vendor secondary to fill
2 out a BED secondary. But the parent and
3 holding companies to fill out a primary, which
4 is lacking in some logic and may in fact have
5 been an error in the regs.

6 COMMISSIONER MCHUGH: The existing
7 reg. says that the entity that's going to do
8 the work fills out a secondary BED.

9 MS. LILLIOS: Correct.

10 COMMISSIONER MCHUGH: But it's
11 parent or a holding company fills out a primary
12 even though they're one step removed?

13 MS. LILLIOS: That's right.

14 COMMISSIONER MCHUGH: Okay. Thanks.

15 MS. LILLIOS: The third thing, as
16 Director Day alluded to, is to make an
17 adjustment in the subcontractor information
18 process. The current process requires that the
19 vendor applicant identifies subcontractors
20 upfront and continue to keep the Commission
21 updated. But also to provide a subcontractor
22 identification form that includes having
23 obtained consent from the subcontractors to
24 fingerprinting and to other background

1 information like CORI checks, credit checks and
2 so forth.

3 The proposal would require the
4 applicant to identify subcontractors, to keep
5 the Commission updated with new subcontractors
6 but this additional information including the
7 consent forms to be required only as an as-
8 needed basis upon request of the IEB.

9 COMMISSIONER MCHUGH: Would the
10 identification of the subcontractors under the
11 revised reg. include an identification of the
12 principles of the subcontractors or just the
13 names of the entities?

14 MS. LILLIOS: At this point, the
15 proposal would be the name of the entity only.
16 And that would be submitted on the BED
17 application form.

18 COMMISSIONER MCHUGH: Okay.

19 MS. LILLIOS: And the final
20 amendment that we are suggesting is an
21 amendment that essentially states that
22 notwithstanding the forms that are delineated
23 in the regulation, that a qualifier if
24 authorized by the Bureau may file licensing

1 information as determined by the Bureau in lieu
2 of the form identified in the regulation.

3 So, essentially if the reg. says a
4 BED secondary form is required of a parent or
5 holding company that the IEB could say and to
6 the example given in the proposed reg. is that
7 instead of the BED secondary, for publicly
8 traded companies, copies of their public
9 securities filings and/or audited consolidated
10 financial statements for a period as determined
11 by the Bureau may be filed in lieu of the form
12 identified in the reg.

13 Essentially, those are the four main
14 areas that the proposed amendments cover. I'd
15 be happy to go through them page by page or try
16 to answer any questions that you may have.

17 COMMISSIONER STEBBINS: Just to
18 recall, gaming vendor secondary isn't
19 necessarily for vendors who plan to have a
20 long-term or long-term relationship with the
21 applicant.

22 MS. LILLIOS: That's correct. That
23 is one of the differences that the Licensing
24 Division, the Bureau that we all spoke about

1 that the primary is somebody who is in the
2 gaming business and is expected to have a long-
3 term relationship with the gaming licensee.
4 But the secondary is a secondary by virtue of a
5 dollar amount threshold that was set in the
6 reg.

7 CHAIRMAN CROSBY: What are other
8 examples besides contractors? What are the
9 other categories of likely seconds?

10 MR. ACOSTA: For example, if you
11 were to provide food for the restaurants would
12 be considered because of the dollar amount a
13 secondary. So, that would be an example of a
14 company, an entity that's long-term but they
15 may be a company by dollar figure may only do
16 it one time, or not be continuous but be
17 providing a service that's not gaming related
18 but is just the one time service. Food,
19 alcohol are two examples.

20 COMMISSIONER MCHUGH: A laundry
21 company.

22 MR. ACOSTA: Laundry, linen, garbage
23 pickup, grounds those types of services.

24 COMMISSIONER CAMERON: Director

1 Acosta, having a background and knowing the
2 history of some subcontractors and issues that
3 have arisen you're comfortable with this
4 change?

5 MR. ACOSTA: Yes. There's one thing
6 that I think should be mentioned here. We've
7 had discussions in staff that for construction
8 companies that a memorandum from Director of
9 IEB go out to the construction companies that
10 require them to identify and for the
11 subcontractors to provide identification forms.

12 The subcontractor issue becomes a
13 little bit less clear when you're dealing with
14 a big gaming company. Does the provider of the
15 software to the slot machine, is that a
16 subcontractor? Does that entity need to submit
17 an identification or should they just be
18 identified?

19 So, there are certain subcontractors
20 that we feel should be identified and also
21 provide the form as well. This regulation,
22 these changes give IEB and Licensing the
23 flexibility to request that form to be
24 completed for certain groups that is practical

1 and for certain groups that is not practical to
2 just simply identify the individual.

3 COMMISSIONER CAMERON: And/or if
4 information is uncovered during investigation
5 or anonymously however, we obtain that
6 information we do have the ability to go get
7 additional --

8 MR. ACOSTA: Absolutely. The
9 language is quite clear that the IEB does have
10 that authority.

11 COMMISSIONER MCHUGH: What was the
12 reason for not requiring the subs or the
13 applicant to provide the names of the
14 principles of the subs as well as the name of
15 the sub entity?

16 MR. ACOSTA: On the form currently,
17 they just provide the entity. And the
18 identification form provided the specifics.
19 This would be just a continuation of that where
20 on the application that the vendor completes
21 they identify the entity. If we require them
22 to submit the identification form, all of the
23 information on the sub is then at that point
24 provided.

1 MS. LILLIOS: I think it was
2 envisioned that there is ongoing communication
3 about this. And that information would be
4 gleaned in conversations. But the point is
5 well taken. And an adjustment in the BED form
6 to require that as one of the entries may be in
7 order.

8 MR. DAY: Let me make sure that
9 we're all on the same page because the
10 subcontractor identification form, David, has
11 the listing of each individual, right?

12 MR. ACOSTA: That is correct.

13 MR. DAY: So, what we were doing up
14 until this point -- What we are doing now is
15 requiring subcontractors that are identified,
16 we're requiring that form to come in for
17 everybody; is that correct?

18 MR. ACOSTA: That is correct.

19 MR. DAY: So, the concept here is to
20 -- the only change that's made is to have that
21 subcontractor identification form come in at
22 the discretion of IEB rather than with every
23 application. And to plan to use it for a
24 particular tool where we know there were

1 problems in the past. Building contractors,
2 some of the subs in those areas there have been
3 issues in the past, and other areas where we
4 think there is a higher risk of needing the
5 information.

6 So, the IEB then has the ability to
7 request that information rather than that
8 burden as we move forward for that all to come
9 in with each one of the applications which can
10 be quite extensive.

11 COMMISSIONER MCHUGH: Got it, and I
12 appreciate that. I don't press the point
13 strongly. It just struck me that names of
14 people without even descriptions might trigger
15 some need for inquiry where the name of the
16 entity as a sub wouldn't.

17 MS. LILLIOS: I think that's an
18 important point. And we should confirm with
19 State Police and IEB that the mere name of the
20 sub company may not give them the initial
21 information that they need to be able to figure
22 out whether to go back and ask for more
23 information.

24 So, if it's a matter of adding

1 another line on the BED form as to who is the
2 principle of the company --

3 CHAIRMAN CROSBY: -- or principles.

4 MS. LILLIOS: -- or principles, I
5 don't know that that's anything that our
6 information shows that the applicant would have
7 a difficult time or be onerous to the
8 applicant.

9 COMMISSIONER ZUNIGA: But the form
10 is not described in full in the regulations,
11 right?

12 MS. LILLIOS: Not in full.

13 COMMISSIONER ZUNIGA: So, there
14 could be those kinds of changes and adjustments
15 all within the discretion of the IEB, which is
16 the larger point here. And you can modify the
17 form as needed.

18 COMMISSIONER CAMERON: But if you
19 don't have the information you wouldn't know to
20 ask.

21 COMMISSIONER ZUNIGA: It's at the
22 discretion.

23 COMMISSIONER CAMERON: But IEB
24 wouldn't know because they don't have the names

1 to begin with.

2 COMMISSIONER ZUNIGA: That's my
3 point. The form can be modified without
4 changing the regulation.

5 COMMISSIONER CAMERON: To include
6 the names.

7 COMMISSIONER ZUNIGA: To include the
8 names, right.

9 COMMISSIONER CAMERON: I missed your
10 point.

11 CHAIRMAN CROSBY: He's agreeing with
12 you. I agree with it too. I agree with
13 everybody else that that's a good idea.

14 The fact that IEB and State Police
15 are in favor of this change speaks loudly to
16 me. It's a little counterintuitive to me that
17 we spend millions of dollars investigating
18 these big companies, all of which have been
19 investigated before lots of time with lots of
20 millions of dollars and are by everybody's
21 account by now pretty well cleaned up all of
22 these big guys and all of the operators, many
23 of them public companies.

24 And where the potential bad guys get

1 in anecdotally or at least can still get into
2 this business is through the contractual
3 relationships, the very ones you mentioned, the
4 garbage, the construction companies, the
5 laundry, the booze. Those are where organized
6 and unorganized bad guys can try to penetrate
7 an operation like this.

8 So, that's where we really are most
9 vulnerable and we are degrading the degree of
10 investigation at that most vulnerable point of
11 entry. As I said if you guys think it's a good
12 idea, you're in the business, I think I would
13 rely on your judgment. But it's a little
14 counterintuitive to me.

15 COMMISSIONER ZUNIGA: I don't think
16 we're degrading it. I wouldn't characterize it
17 that way. There's a lot of flexibility built
18 into these changes and that's the whole point,
19 because by requiring everybody to fill out the
20 very extensive forms, there's all of these
21 other implications and other things that we
22 also want to balance like keeping legitimate
23 people away because the licensing process is so
24 onerous.

1 These type of forms are very lengthy
2 to fill out and can be intimidating to small
3 business, some of the minority businesses, etc.
4 So, there's a counterargument on the other end
5 as well.

6 COMMISSIONER STEBBINS: I think it's
7 a balance between getting information, to
8 Commissioner Cameron's point, which is giving
9 IEB enough information to be able to go out and
10 start an investigation and then decide whether
11 they need more as opposed to getting big data
12 dump of stuff.

13 MR. ACOSTA: Let me emphasize that
14 an entity that is doing business with a casino
15 must either register or be licensed. What
16 we're referring to as not requiring are
17 subcontractors, which are more common during
18 the construction phase. And by clarifying the
19 definition for the big companies what
20 constitutes a subcontractor? Do we need to
21 know that Microsoft provided the software for
22 the slot machine to run and have Bill Gates
23 give us an identification form?

24 COMMISSIONER STEBBINS: I want to

1 see his personal financial disclosure form.

2 MR. ACOSTA: I'm sure it would be
3 interesting to read. But this is what we're
4 trying to accomplish here. To your point, I
5 think we are still required by regulation or
6 statute to investigate companies to ensure that
7 we don't get unwanted individuals coming in
8 through the back door.

9 MS. LILLIOS: And I think, Mr.
10 Chair, to address your comment, I think the
11 type of infiltration that occurs with the
12 groups that you spoke to is not revealed in the
13 types of forms that they'd be filling out under
14 the existing regs. And that a different sort
15 of intelligence and investigation would uncover
16 that, which IEB and the State Police feel
17 prepared to do in a different manner and not
18 through the types of information that's gleaned
19 from the forms.

20 CHAIRMAN CROSBY: Okay.

21 COMMISSIONER ZUNIGA: I actually
22 like the Microsoft example, because if we did,
23 if we said that anybody providing anything as a
24 subcontractor would be required to fill out the

1 form, the net effect would be we cannot get
2 that form from Mr. Gates, we were not going to
3 run Microsoft in order to do business here.
4 That's realistically what would happen.

5 CHAIRMAN CROSBY: Other questions,
6 thoughts? So, is anybody in disagreement with
7 this proposal?

8 COMMISSIONER ZUNIGA: No.

9 COMMISSIONER STEBBINS: No.

10 COMMISSIONER MCHUGH: No.

11 CHAIRMAN CROSBY: Then we need a
12 vote, I guess. Do we need a vote, yes.

13 COMMISSIONER ZUNIGA: Do we want to
14 adopt this by emergency?

15 CHAIRMAN CROSBY: Yes. Commissioner
16 McHugh.

17 COMMISSIONER MCHUGH: I would move
18 that the regulations -- The amendments to the
19 regulations that I'm going to find the
20 beginning of in a minute -- the amendments to
21 205 CMR 134 set out in the meeting packet be
22 adopted by the Commission on an emergency basis
23 and then simultaneously we move forward with
24 the regular promulgation process, subject to

1 any amendments to the packet materials to deal
2 with the names of principles of subcontractors
3 that we just discussed.

4 CHAIRMAN CROSBY: Second?

5 COMMISSIONER CAMERON: Second.

6 CHAIRMAN CROSBY: Any further
7 discussion? All in favor of the motion say
8 aye. Aye.

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. LILLIOS: Thank you.

16 MR. DAY: Mr. Chairman, I think
17 Loretta has the next topic as well.

18 CHAIRMAN CROSBY: We are to item
19 number seven.

20 MS. LILLIOS: This matter is a
21 request that the Commission delegate to the
22 Director of the IEB the authority to waive the
23 qualification requirement for institutional
24 investors who own stock in a gaming licensee or

1 a gaming vendor licensee.

2 Under 23K and our regs. the
3 Commission may waive the requirement to be
4 licensed as a qualifier for institutional
5 investors holding up to 15 percent of the stock
6 of the vendor or the licensee upon a showing
7 that the investor purchased the stock for
8 investment purposes only, does not have any
9 intention to influence or affect the affairs or
10 operations of the gaming vendor or gaming
11 licensee and that the investor who is granted a
12 waiver if the company subsequently determines
13 to influence or affect the affairs, the
14 Commission must be notified not less than 30
15 days before they can influence or affect the
16 affairs and must submit to qualification.

17 The term institutional investor is
18 defined in 23K. And part of the definition is
19 that the investment company must be registered
20 under the Federal Investment Company Act of
21 1940.

22 We currently have a company that has
23 invested in Penn National Gaming and has
24 petitioned for a waiver under this section.

1 That company currently owns less than five
2 percent, but has in the past has owned more
3 than five percent of the stock. And based on
4 the statutory terms and our regulations, we
5 have developed a certification form where an
6 employee or officer of such an investment
7 company who has knowledge of the company
8 certifies under the pains and penalties of
9 perjury that he's reviewed the definition of
10 institutional investor in 23K that the company
11 meets that definition. And requires an
12 explanation on the form of how the company
13 meets that definition. That it has no
14 intention of influencing or affecting the
15 affairs of the licensee. And also details the
16 percentages of stock owned by the firm.

17 So, with use of the petition process
18 and a certification form as described, signed
19 under the pains and penalties of perjury, I am
20 requesting that you permit the Director of the
21 IEB, Director Wells to grant that waiver in
22 lieu of those investors coming before the
23 entire Commission for that waiver to be
24 granted.

1 COMMISSIONER STEBBINS: If the
2 Director of IEB is doing this, do you see an
3 appeal process by which somebody who is turned
4 down would turn to us?

5 MS. LILLIOS: I think the general
6 appeal process set out in the regs. may apply.

7 MS. BLUE: I would think that if
8 somebody wanted a waiver but didn't receive a
9 waiver, they would come in front of the
10 Commission in some sort of a petition process
11 and appeal it. There is an appeal process from
12 decisions of the IEB in general. So, we would
13 first look at that process.

14 COMMISSIONER ZUNIGA: From what you
15 describe, an institutional investor holding
16 less than 15 percent but having a seat on the
17 board of any one of the companies here would
18 represent active ownership and control and not
19 apply to the scenarios that you're describing?

20 MS. LILLIOS: I think that company
21 would have a difficult time certifying that
22 they have no control if they have a seat on the
23 board.

24 CHAIRMAN CROSBY: I assume there

1 would be some mechanism for reporting back to
2 us each time this happens so we know about it.

3 MS. LILLIOS: Yes, we could make
4 that part the process.

5 MS. BLUE: We could do a regular
6 update as we do with the Director of Racing on
7 her delegated authority and the Executive
8 Director as well.

9 CHAIRMAN CROSBY: Yes, I think that
10 would be important.

11 COMMISSIONER CAMERON: I see no
12 reason not to approve this request.

13 CHAIRMAN CROSBY: I agree with that
14 one amendment, yes. All right. We need a
15 vote?

16 MS. BLUE: Yes, please.

17 COMMISSIONER STEBBINS: Mr. Chair, I
18 move that the Commission delegate the authority
19 to the IEB for determining petitions for waiver
20 of qualifications -- waiver of qualification by
21 institutional investors.

22 COMMISSIONER CAMERON: Second.

23 CHAIRMAN CROSBY: And to be reported
24 routinely back to the Commission. Any further

1 discussion? All in favor, aye.

2 COMMISSIONER MCHUGH: Aye.

3 COMMISSIONER CAMERON: Aye.

4 COMMISSIONER ZUNIGA: Aye.

5 COMMISSIONER STEBBINS: Aye.

6 CHAIRMAN CROSBY: Opposed? The ayes
7 have it unanimously.

8 MS. LILLIOS: Thank you.

9 CHAIRMAN CROSBY: Next.

10 MS. LILLIOS: Finally, is a request
11 that the Commission delegate to myself and to
12 General Counsel Catherine Blue, the authority
13 to act as hearing officers in Racing matters.

14 We're asking for this delegation at
15 this time because Mr. David Murray who has been
16 serving as a hearing officer on a contract
17 basis has alerted us that he has conflicts
18 interest in some upcoming Racing hearings that
19 derive from his term as a member of the Racing
20 Commission.

21 General Counsel Blue or I would, if
22 this authority is delegated to us, still have
23 to perform an internal assessment to ascertain
24 our independence and unbiased view towards any

1 hearing. But for these reasons, we are seeking
2 a delegation of authority for Catherine Blue
3 and myself to serve as officers on Racing
4 matters.

5 And you are authorized to do this
6 under 801 CMR, the rules governing adjudicatory
7 rules of policy and procedure, which define the
8 term presiding officer for such hearings as the
9 individuals authorized by law or designated by
10 the agency to conduct an adjudicatory
11 proceeding.

12 COMMISSIONER STEBBINS: Do you see
13 this as a temporary thing for a couple of these
14 cases?

15 MS. BLUE: I see it as a very
16 infrequent thing. David has one case in front
17 of him where he was actually the attorney
18 representing the Racing Commission. And this
19 matter is now back on an appeal. But generally
20 speaking, David has had very few conflicts
21 going forward.

22 There will also be a point in time
23 in the future when we have more cases where we
24 have a permanent hearing officer who will come

1 on board. So, that will help.

2 CHAIRMAN CROSBY: A staff member?

3 MS. BLUE: Yes, a staff hearing
4 officer.

5 CHAIRMAN CROSBY: I thought you were
6 the hearing officer.

7 COMMISSIONER CAMERON: I was. I
8 served in that capacity until we brought David
9 on board.

10 COMMISSIONER ZUNIGA: And the same
11 mechanism of appeal would be preserved, right?
12 Anybody who chooses to appeal the decision of
13 the hearing officer can submit their appeal to
14 the Commission.

15 MS. BLUE: Yes, as we have before.
16 That's right.

17 COMMISSIONER STEBBINS: My question
18 about whether it was temporary in nature is
19 whether it's delegating authority to your
20 position or to you specifically that makes
21 sense.

22 MS. BLUE: Under our statute we have
23 a designation of the Chair can designate
24 hearing officers. Under our statute it is to a

1 person as opposed to a position, I believe.

2 That's how we've read it.

3 I would prefer to do it personally
4 at the moment to Loretta and I because we will
5 watch for conflict as opposed to a general
6 position delegation which then makes the
7 conflict check a little bit difficult.

8 CHAIRMAN CROSBY: Is there anything
9 about needing to know anything about the racing
10 business to be a hearing officer?

11 MS. BLUE: If we were to put out for
12 a staff hearing officer, we would require
13 knowledge of hearing officer duties. Knowledge
14 of the particular law can be learned. And in
15 David Murray, we are very fortunate because
16 that is the background that he comes from. But
17 the more important quality would be someone who
18 would understand the hearing process both under
19 our statute and under our regulations and the
20 801 CMR regulations as well.

21 CHAIRMAN CROSBY: You've done it.
22 So, do you agree with that?

23 COMMISSIONER CAMERON: I do. When I
24 served in that capacity, DPL had a staff

1 attorney who attended and I frequently used to
2 make sure we were legally within our rights to
3 do certain things. I see no problem with this
4 at all and I wish you luck.

5 MS. BLUE: I also want to add that
6 the Racing Commission is represented by counsel
7 at all of these hearings. So, it's not the
8 hearing officer that is involved in that. We
9 do have Danielle Holmes who represents the
10 Commission. That's basically take the place of
11 the DPL attorney that was there when
12 Commissioner Cameron did it.

13 COMMISSIONER MCHUGH: That's the
14 only thing that I wonder about. The entity --
15 The person representing the Commission at these
16 hearings is somebody who is subject to the
17 authority of the hearing officer.

18 MS. BLUE: It's possible in the case
19 if I were the hearing officer that would be
20 true.

21 COMMISSIONER MCHUGH: Right. How
22 does that work?

23 MS. BLUE: We would consider the
24 case carefully before I sat on one. I think I

1 would be more inclined to have Loretta be a
2 hearing officer on a matter before me unless
3 there was some reason why Loretta couldn't
4 serve. That's why we're asking for an
5 appointment of the two of us.

6 COMMISSIONER MCHUGH: I raise that
7 because that's something I was very concerned
8 about from the very beginning. With David
9 Murray, we do have a neutral person.

10 If we hired a hearing officer, we
11 would wall that person off from normal
12 Commission activities. And he/she would be
13 independent from other Commission activities.
14 In some jurisdictions it's somebody from an
15 outside entity even though they have an office
16 with the Commission.

17 But the appearance of fairness in
18 this case, knowing the people it would be the
19 appearance of fairness is potentially
20 compromised by having an advocate for one of
21 the parties be subject to the direction,
22 control and supervision of the hearing officer
23 and one with whom the hearing officer
24 customarily works with as a colleague.

1 So, I am prepared to vote in favor
2 of this but I frankly would hope there'd be a
3 rare occasion when you would actually would be
4 the hearing officer. The same problem exists
5 with respect to either of you but to a far
6 lesser degree with Ms. Lillios.

7 COMMISSIONER ZUNIGA: And is it true
8 that if there is a situation where that could
9 be a problem there's always the possibility to
10 come back before the Commission to be the
11 hearing commission, right?

12 MS. BLUE: That's true. There's
13 also we could come to the Commission to
14 delegate potentially an outside counsel that
15 was neutral to do it as well. We could do that
16 too.

17 CHAIRMAN CROSBY: Or you could have
18 outside counsel replace Danielle.

19 MS. BLUE: That's right.

20 CHAIRMAN CROSBY: Either way. I
21 think nobody has more experience with
22 appearances than I do. And I think it's a very
23 good point. It's a set up for getting knocked
24 if it ever were to happen. So, I think we

1 ought to make an amendment to the motion that
2 that not happen and that however it gets
3 adjusted that there not be a case where the
4 General Counsel is the hearing officer when
5 somebody who reports to the General Counsel is
6 the counsel for the Commission. With that
7 adjustment I think this makes sense.

8 COMMISSIONER ZUNIGA: I would be
9 fine but this eventuality does happen in many
10 other agencies in the same context. The
11 attorneys representing a part of -- this is
12 true for DPL that the attorneys on the staff
13 hearing are some of the matters are working
14 with the people that preside over those
15 matters. So, I don't think --

16 COMMISSIONER MCHUGH: Well, I'm not
17 quite frankly concerned with other agencies.
18 Part of the problem with administrative law is
19 that it's viewed as a secondary method and
20 secondary conduit of justice.

21 And I'm concerned and the reason I
22 raise that concern is that our administrative
23 proceedings not be viewed as a secondary
24 mechanism for doing justice. So, I think our

1 standards ought to not reduce themselves to the
2 least common denominator. That's the reason
3 why I raise that.

4 CHAIRMAN CROSBY: Any other
5 thoughts? Commissioner Stebbins, do you want
6 to try it again?

7 COMMISSIONER STEBBINS: I defer to
8 the Judge on this one.

9 COMMISSIONER ZUNIGA: I don't think
10 there was motion yet on this one.

11 COMMISSIONER CAMERON: Are we clear
12 on a course of action?

13 CHAIRMAN CROSBY: What I thought we
14 had a consensus was that we would delegate this
15 authority subject to the condition that there
16 not be a situation when the hearing officer is
17 the General Counsel and the counsel to the
18 Commission reports to her.

19 COMMISSIONER CAMERON: Which means
20 we'd be looking for an outside person as a
21 staff attorney?

22 MS. BLUE: We might. We might have
23 a staff attorney come in or we would have
24 perhaps an outside counsel come in and act as

1 the hearing officer if we needed to replace one
2 side or the other.

3 COMMISSIONER CAMERON: Okay.

4 CHAIRMAN CROSBY: And also this says
5 hearing officers, but it means hearing officers
6 for the Racing Division, right?

7 MS. BLUE: It is just for the Racing
8 Division, yes.

9 CHAIRMAN CROSBY: That should
10 probably be in the motion too. Commissioner
11 McHugh do you want to make the motion?

12 COMMISSIONER MCHUGH: I move that
13 the Commission delegate to General Counsel Blue
14 and Counsel Lillios the power to act as hearing
15 officers in Racing Division hearings provided
16 that General Counsel Blue does not act as a
17 hearing officer when the Commission is
18 represented by a staff attorney under her
19 supervision.

20 COMMISSIONER CAMERON: Second.

21 CHAIRMAN CROSBY: Any 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 And that may be it. Anything else?
6 Any new developments Ombudsman Ziemba since we
7 saw you last?

8 MR. ZIEMBA: I can talk to you
9 after, nothing on full Commission business.

10 CHAIRMAN CROSBY: Any other
11 business? Do we have a motion to adjourn?

12 COMMISSIONER MCHUGH: So moved.

13 CHAIRMAN CROSBY: All in favor, aye.

14 COMMISSIONER MCHUGH: Aye.

15 COMMISSIONER CAMERON: Aye.

16 COMMISSIONER ZUNIGA: Aye.

17 COMMISSIONER STEBBINS: Aye.

18

19 (Meeting adjourned at 2:45 p.m.)

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1 ATTACHMENTS:

- 2 1. Massachusetts Gaming Commission June 12,
3 2014 Notice of Meeting and Agenda
- 4 2. Massachusetts Gaming Commission May 29,
5 2014 Meeting Minutes
- 6 3. Summary of Somerville Objections to Wynn
7 BFAO
- 8 4. Fundamental Inconsistency Petition
- 9 5. Massachusetts Gaming Commission Central
10 Management System Presentation
- 11 6. Penn National May 22, 2014 Letter
12 Regarding Central Server Issues
- 13 7. Massachusetts Gaming Commission Scope of
14 Work to Create a High Performance
15 Organization
- 16 8. Massachusetts Gaming Commission 5/21/2014
17 Licensing Schedule Update
- 18 9. Massachusetts Gaming Commission Slot
19 Machines and Gaming Positions Presentation
- 20 10. Penn National May 22, 2014 Letter
21 Regarding 205 CMR 143.01(3)
- 22 11. 205 CMR 134

23

24

1 GUEST SPEAKERS:

2 Michael Mathis, MGM Springfield

3 Jed Nosal, Brown Rudnick, LLP

4

5 MASSACHUSETTS GAMING COMMISSION STAFF:

6 David Acosta, Director of Licensing

7 Catherine Blue, General Counsel

8 Richard Day, Executive Director

9 John Glennon, Chief Information Officer

10 Todd Grossman, Deputy General Counsel

11 Derek Lennon, CFAO

12 Loretta Lillios, Deputy General Counsel

13 Artem Shtatnov, Staff Attorney

14 Karen Wells, Director of Investigations and

15 Enforcement Bureau

16 John Ziemba, Ombudsman

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C E R T I F I C A T E

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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 14th day of June, 2014.

LAURIE J. JORDAN My Commission expires:
Notary Public May 11, 2018