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THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION

PUBLIC MEETING #71

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

July 11, 2013, 9:30 a.m.

BOSTON CONVENTION AND EXHIBITION CENTER

415 Summer Street, Room 102-B

Boston, Massachusetts

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

CHAIRMAN CROSBY: I will call to order the 71st meeting of the Massachusetts Gaming Commission on July 11, 2013 held at the Boston Convention and Entertainment Center, I think.

COMMISSIONER ZUNIGA: Exhibition Center.

CHAIRMAN CROSBY: Exhibition Center, thank you very much. And we will start first item on our agenda with the approval of minutes, Commissioner McHugh.

COMMISSIONER MCHUGH: Mr. Chairman and colleagues, the minutes in draft form are in the notebooks under tab two. I welcome any comments on them. And if there are none, I would move their adoption.

I just received one comment in the form of essentially a technical correction. Any comments, substantive or technical? The one that I received, which deals with the paragraph at 10:22 a.m., I would move that the

1 minutes be adopted.

2 COMMISSIONER CAMERON: Second.

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

5 COMMISSIONER MCHUGH: Aye.

6 COMMISSIONER CAMERON: Aye.

7 COMMISSIONER ZUNIGA: Aye.

8 COMMISSIONER STEBBINS: Aye.

9 CHAIRMAN CROSBY: The ayes have it
10 unanimously. We will go to item three on our
11 agenda, which is the administrative update from
12 Director Rick Day.

13 MR. DAY: Good morning, Chairman,
14 Commissioners.

15 CHAIRMAN CROSBY: Director.

16 COMMISSIONER MCHUGH: Good morning.

17 COMMISSIONER CAMERON: Good morning.

18 MR. DAY: I would like to just start
19 out this morning just kind of a note for
20 everyone in the future is that our next meeting
21 Thursday, July 25 we plan to continue
22 consideration of Category 2 of Investigation
23 and Enforcement Bureau suitability reports and
24 recommendations.

1 I'd like to note a few things on the
2 administrative side as we proceed ahead. We
3 have selected our Director of Licensing and are
4 scheduled to introduce him to the public and
5 the Commission at the July 25 meeting.

6 CHAIRMAN CROSBY: Great.

7 MR. DAY: We are also working to
8 bring a proposal to the Commission concerning
9 performance management through the professional
10 services of the Collins Center. What we're
11 trying to do is continue to lead the Commission
12 on best practices that will support strategic
13 planning, effectiveness and accountability.

14 We're also working on a topic as
15 suggested by Commissioner McHugh concerning
16 problem gambling and the regulations that would
17 be most effective for Massachusetts. We plan
18 to have our Research and Problem Gambling
19 Director, Mark Vander Linden, present key
20 regulatory concepts and invite related
21 testimony. We'll still have that in the
22 future.

23 We are also working with Division of
24 Capital Assets and Management and Maintenance

1 in preparation for our space needs as our
2 current lease expires and as we plan on where
3 we'll be in less than a year. Time is moving
4 very quickly.

5 We are also preparing to release and
6 will actually tomorrow release an RFP for the
7 document management system. In addition, the
8 staff is completing the fiscal year end close
9 for the Commission's books. And we are
10 continuing to develop the resources to allow
11 the Commission to add areas of expertise for
12 evaluation of the applicants.

13 Just a quick update. The financial
14 advisor RFR responses are in and in the process
15 of evaluation. The building and site --

16 CHAIRMAN CROSBY: How many responses
17 did we get?

18 MR. DAY: I'm not absolutely sure.

19 COMMISSIONER ZUNIGA: I believe we
20 got seven, seven responses.

21 MR. DAY: Seven, thank you,
22 Commissioner Zuniga. The building and site
23 design, we've got a bidders conference and the
24 responses are due August 2. Economic

1 development RFR has been posted, bidders
2 conference completed and responses due August
3 12. Project manager coordinator RFR responses
4 due July 11, which is today. And we plan a
5 recommendation to the Commission on July 25.
6 We're still on schedule there.

7 CHAIRMAN CROSBY: Excuse me. The
8 economic development, go back again, when was
9 that released?

10 MR. DAY: Economic development has
11 been posted now. I don't have an exact date
12 but it's been posted.

13 COMMISSIONER ZUNIGA: It was posted
14 a week and a half ago, maybe.

15 CHAIRMAN CROSBY: And it has to stay
16 up until August 12. That seems like a long
17 time.

18 COMMISSIONER STEBBINS: We wanted to
19 allow a little extra time because as we've
20 talked about we were hoping our project
21 coordinator would also help us be able to
22 review some of the RFRs as they came in. So,
23 this would be subsequent to the project
24 coordinator hopefully being on board.

1 CHAIRMAN CROSBY: And you're
2 comfortable with there's time from August 12
3 on, okay.

4 MR. DAY: Our goal is to assemble
5 evaluation teams in September for orientation
6 and training and preparation for receipt of
7 Category 2 applications in October.

8 I don't know if any of the
9 Commissioners have any additional comments on
10 that topic or not before I move on.

11 COMMISSIONER ZUNIGA: If I can make
12 a quick comment. The most questions that we
13 received with the financial advisor RFR and a
14 couple of the others that the period of
15 questions is already upon us have to do with
16 potential conflicts of interest.

17 We are looking at that closely
18 obviously. Current engagement for one of our
19 applicants would represent a conflict, past
20 engagement does not necessarily. But we ask
21 all of the respondents to answer and disclose
22 the type of the relationships they have had
23 with our applicants.

24 CHAIRMAN CROSBY: Just looking at

1 it on a case-by-case basis.

2 COMMISSIONER ZUNIGA: We'll look at
3 it on a case-by-case basis but that's the
4 majority of the questions we've received so
5 far.

6 CHAIRMAN CROSBY: Right.

7 COMMISSIONER MCHUGH: They will be
8 all be special State employees as our other the
9 consultants were. So, the code of ethics,
10 statutory and regulatory will apply to them and
11 give us some guidance as to what a conflict is
12 and isn't, a prohibited conflict is.

13 I keep forgetting, and no doubt this
14 is unique to me, what the deadlines are and
15 where we are on this. Would it be possible to
16 have a short chart posted just listing the due
17 dates and the like so that I wouldn't have to
18 go ask Enrique every time I had a question?

19 COMMISSIONER STEBBINS: Eileen has
20 worked up some kind of project sheets for each
21 of the RFRs and all of the dates. They've
22 moved somewhat, but I think she probably has
23 the latest version that we can pass around.

24 COMMISSIONER MCHUGH: Maybe if she

1 circulates it that would be helpful, at least
2 to me.

3 COMMISSIONER STEBBINS: Sure.

4 MR. DAY: We'll condense the
5 information and circulate it to the Commission.
6 Anything else on that topic?

7 I know the next one is the
8 investigations financial status report for
9 fiscal year '13. And I know Commissioner
10 Zuniga is ready to speak toward that.

11 CHAIRMAN CROSBY: You have got to
12 speak up. I couldn't quite hear you.

13 MR. DAY: The investigations status
14 report for 2013 is there. And I know
15 Commissioner Zuniga has planned some comments.

16 COMMISSIONER ZUNIGA: I can briefly
17 summarize -- or rather this is a summary of the
18 activity of investigations minus collections
19 and payments to date. I figured as of the end
20 of our fiscal year.

21 As we continue this process of
22 investigations for these two regions and the
23 slots parlor license begins to come to a
24 conclusion that I think this would be a good

1 time to present.

2 You'll notice that only four
3 communities have requested grant payments. I
4 have included the application fees of course.

5 CHAIRMAN CROSBY: Five communities.

6 COMMISSIONER ZUNIGA: No, it's four.

7 CHAIRMAN CROSBY: Totals, I'm sorry,
8 yes.

9 COMMISSIONER ZUNIGA: There's a
10 total at the end. This spreadsheet does not
11 contain other payments that have been made as
12 per the letter of agreements for the consultant
13 for technical advice for some of the
14 communities. I wanted to report mostly on
15 investigations. So, I can take any questions
16 if anybody has any. Otherwise, it is really as
17 a status report that is being submitted here.

18 COMMISSIONER MCHUGH: I had a
19 question about the remaining balance piece. In
20 a couple of cases, it's a negative balance.
21 And that's over and above invoices that have
22 been issued in the case of Plainridge and
23 Raynham. Could you explain what that --

24 COMMISSIONER ZUNIGA: Yes. It's

1 mostly transient between recognizing the costs
2 that have been incurred by some of our
3 consultants and the invoices that are
4 forthcoming and our ability to issue invoices
5 soon after. These two have been issued an
6 invoice since this report.

7 COMMISSIONER MCHUGH: Then what
8 about the rest of them all have a positive
9 balance even though with respect to four of
10 them now the Phase 1 investigations have
11 concluded. What's the significance of the
12 positive balance, in some cases pretty large?

13 COMMISSIONER ZUNIGA: Yes. The
14 projection at the time -- Let me back up a
15 little. We received the application fee, the
16 \$400,000. We hit the \$200,000 threshold that
17 our regulations spoke about for the billing.
18 And in several cases, we billed for the full
19 projection at that time.

20 COMMISSIONER MCHUGH: Right.

21 COMMISSIONER ZUNIGA: What that
22 means is there is also -- some of those
23 projections have changed a little bit. Some of
24 them have gone up and others will have to be

1 adjusted down. And that's essentially what's
2 going on here. There's some more additional
3 payments that we have to make for our
4 consultants. I know June invoices we may have
5 them, received very recently, because we are
6 now at the beginning of July. It's essentially
7 cash flow.

8 COMMISSIONER MCHUGH: So, the
9 positive balance is either money that's going
10 to go toward invoices we haven't received for
11 the Phase 1 application. Or if there's a
12 surplus left after those invoices have been
13 paid, refunded to the applicant?

14 COMMISSIONER ZUNIGA: Precisely,
15 yes.

16 COMMISSIONER MCHUGH: And if it's
17 refunded to the applicant, does that affect the
18 budget numbers that we looked at at the last
19 meeting?

20 COMMISSIONER ZUNIGA: 13.71 percent,
21 yes, it does. Actually, I should correct
22 myself. We would go through our true-up
23 period, because our overhead rate is on the
24 basis under investigations. But we have costs,

1 direct costs that we're applying to this. So,
2 we may have to true up the overhead rate to
3 reflect and assess the costs that the
4 Commission incurred on investigations if the
5 basis moved up or down.

6 COMMISSIONER MCHUGH: But otherwise,
7 we take some away from the revenue side and the
8 expense side and equal them out. So, it
9 doesn't affect the bottom line.

10 COMMISSIONER ZUNIGA: That's right.

11 CHAIRMAN CROSBY: Except for the
12 overhead.

13 COMMISSIONER MCHUGH: Except for the
14 overhead otherwise, right. Yes, okay.

15 CHAIRMAN CROSBY: Any other
16 questions? Commissioners? On Mohegan Sun and
17 Penn National, there's no second collection.
18 Is that true and we just haven't received the
19 money yet? There's investigation collection,
20 line 1.3.

21 COMMISSIONER ZUNIGA: There is no
22 cash collection. But if you notice on four,
23 they have been issued invoices recently, as
24 recently as 7/8.

1 CHAIRMAN CROSBY: Oh, I see. Okay.
2 So, that is the balance.

3 COMMISSIONER ZUNIGA: That is the
4 monies due to the Commission.

5 CHAIRMAN CROSBY: Got it.

6 COMMISSIONER ZUNIGA: They have 30
7 days to pay us or to reimburse us.

8 CHAIRMAN CROSBY: Okay, thank you.
9 Got it. Anything else? Director?

10 MR. DAY: Thank you Mr. Chairman.
11 What I'd like to do is talk briefly about that
12 Phase 1 qualifier deadline discussion, which is
13 really a continuation of what we had -- the
14 Commission had started talking about at the
15 staff's request at the last meeting.

16 And the Commission may remember at
17 the last meeting, the staff raised the idea of
18 establishing a deadline for qualifier
19 information to support completion of the
20 suitability reports. The Commission's
21 discussion as it went on resulted in a thought
22 that perhaps it would be beneficial for the
23 Commission to establish a date of September 4,
24 and requiring any changes after that date be

1 approved by the Commission. Commission then
2 asked staff to consider this proposal and
3 report back to the Commission.

4 After considering the Commission's
5 and the IEB's authority, the process and the
6 multiple dates already established, it
7 generally appears to the staff that adding
8 another date may serve to more confuse the
9 process that we have at this point and may not
10 be particularly helpful.

11 The date of September 4 would likely
12 be -- As some of the consideration that we had
13 in our discussion, the date of September 4 will
14 likely be in the middle of the suitability
15 processor for Category 1. And it's likely many
16 of the reports will already be submitted in
17 draft or in notice, which will basically
18 because of the suitability process, not allow
19 any changes to the qualifiers at that point.

20 After the suitability process and
21 before the application deadline, is only three
22 months. And that's if the Commission will
23 actually be able to get through all of the
24 suitability reports in that time period, which

1 will be a challenge with the complexity of the
2 reports that we'll see.

3 During the discussion, the
4 Commission itself noted a variety of different
5 circumstances that were raised that may affect
6 the applicants and qualifiers. And an
7 additional approval by the Commission may
8 impede rightful things like investors and any
9 other process would add another separate
10 process to the ones the Commission already has.

11 As it is, IEB can consider the
12 timing, nature and impact of any proposed
13 change during that period. If necessary, of
14 course, bring the issue to the Commission's
15 attention. In addition, the Commission itself
16 may reject an incomplete application if that
17 takes place during the process.

18 And finally, the Commission controls
19 the end of the process through the evaluation
20 and award at any rate no matter what else
21 happens during that process. And then the
22 whole suitability reports themselves will
23 actually be part of the evaluation and the
24 ongoing suitability findings if there's any

1 changes.

2 As a result, the staff would
3 recommend leaving the process as is with the
4 direction, of course, that it needs to come to
5 the Commission if a problem does appear.

6 CHAIRMAN CROSBY: Did you combine
7 two issues there? One is the issue of the
8 changes in qualifiers along with should we set
9 a date? Did you talk about both of those just
10 now?

11 MR. DAY: Essentially. When we
12 started initial discussions, we were looking
13 whether there was a need to establish a date
14 for qualifiers for suitability. That's where
15 we started.

16 And then as we went on with the
17 discussion, if I am recalling correctly, there
18 was a discussion about whether something needed
19 to be done relative to making sure qualifiers
20 were in the mix, the appropriate ones. And
21 then the last part, as I remember, the
22 possibility of a September 4 date just as an
23 example that might be there. I tried to
24 address that group.

1 CHAIRMAN CROSBY: Relative to
2 setting another date, the deadline by which
3 anything else has to happen, your
4 recommendation is that there not be any further
5 dates set that the dates that are in place do
6 the job. But in terms of whether or not there
7 is a constraint on changing qualifiers between
8 now and some other time, I didn't quite get
9 what your suggestion was.

10 MR. DAY: There's a possibility,
11 financing as some of the practices go, there
12 may be some natural changes. I think as the
13 Commission was going forward, even as the
14 discussion went on, there were more and more
15 examples that might be independent.

16 So, there may be some appropriate
17 changes, there may be not. In the end, part of
18 the Commission's discussion was the time that
19 IEB could actually get another qualifier done
20 may limit that ability anyway.

21 So, that was part of the thought to
22 leave it as is. To be able to look at each of
23 those, if there are any changes, what impact
24 they have and make a decision about what time

1 is left between the process.

2 CHAIRMAN CROSBY: To be clear for
3 our applicants, so, in general we're hoping
4 that there won't be material changes in
5 qualifiers between now and the time we get
6 through the application process, both Phase 2
7 and Phase 1.

8 But if there is a proposed qualifier
9 change, we will look at it on a case-by-case
10 basis, see whether or not we think it's really
11 material to the fundamental either Phase 1
12 approval suitability or somehow the Phase 2
13 application and decide whether it's permissible
14 or not. Is that the bottom line?

15 MR. DAY: That's correct. That's
16 correct.

17 CHAIRMAN CROSBY: If somebody leaves
18 a deal, if somebody dies, let's say or somebody
19 runs out of the money, it's not like we have
20 the choice of saying sorry, you can't let that
21 person out of your deal. The person is gone.

22 So, I think we're in this kind of
23 funny situation. As a practical matter
24 business is going to take place as business

1 takes place. We're not going to be -- We're
2 not in control of the situation the way that
3 case-by-case standard sort of suggests.

4 But as long as the bidders
5 understand. So, fundamentally, (A) there won't
6 be changes. (B) If there are unavoidable and
7 material changes, we will look at it. And
8 there is the outside chance that it could so
9 change the nature of the applicant that it
10 could cause a problem for the applicant.

11 MR. DAY: And the timing, there's
12 just likely not enough time to complete an
13 adequate suitability investigation during that
14 period, which will be an essential thing for
15 any change. But as you mentioned, there could
16 be -- as example, there could be some changes
17 that are just unavoidable during that period.

18 COMMISSIONER MCHUGH: But that's the
19 other piece. If there's a material change
20 close to the suitability deadline, then we are
21 faced with the question of whether we are going
22 to allow it and push back the schedule to
23 accommodate that.

24 CHAIRMAN CROSBY: Or do it

1 conditionally.

2 COMMISSIONER MCHUGH: Or do it
3 conditionally, yes. Get into the Phase 2
4 process where we're still working on
5 suitability, right. So, there are those
6 choices that that kind of last minute thing
7 would create.

8 MR. DAY: And it's difficult until
9 you actually see it for anybody in the process
10 to make a judgment.

11 CHAIRMAN CROSBY: Okay. It's a
12 little fuzzy. For our applicants who are
13 trying to follow the rules here, it's a little
14 fuzzy, but I think you get the drift. Let's
15 try to avoid it. If unavoidable major
16 circumstance happen, we'll do our best to work
17 our way through it, but there is some risk.
18 Any other comments about that?

19 MR. DAY: Mr. Chairman, the next
20 topic I have is just a quick reference to the
21 master schedule. Essentially, we previously
22 discussed changes to the Category 2, some minor
23 changes to the Category 1 and also the Region C
24 side. So, I just want to mention a couple of

1 things to make sure the Commission is aware of
2 those changes.

3 CHAIRMAN CROSBY: Great.

4 MR. DAY: Probably, the first
5 discussion real briefly is just Category 2.
6 With the Category 2, we've indicated in our
7 reports for today, for instance, we are taking
8 the first two of the suitability reports from
9 IEB. And we plan -- The difference here than
10 what's on the agenda here in this corner, the
11 difference is is that we'll actually be
12 dividing the suitability reports between
13 today's meeting and July 25.

14 But that process we don't anticipate
15 will make us extend the date for completion of
16 the suitability determinations for Category 2.
17 We anticipate we'll be done, at least, by the
18 end of August, it may possibly allow us to
19 complete it quicker.

20 The second part, of course, is
21 probably more complex but right in this area,
22 which is the area of suitability reports for
23 Category 1. We are anticipating, actually,
24 August, early to mid-August for the first

1 suitability report from IEB. So, the first
2 thing I've got to let the Commission know is
3 that's probably very optimistic being able to
4 make that date.

5 But the purpose of my discussion
6 with the Commission more than that topic, we'll
7 keep looking at it as I'm sure you can see the
8 Category 2 and the Category 1 are overlapping
9 at this point. So, we'll see how things work
10 out as we move through this process and see
11 what the IEB is able to accomplish on the
12 Category 1 side.

13 But probably more interesting part
14 of the discussion is I wanted to make sure that
15 we were clear on the Commission's directions
16 with presentations of the Category 1 reports.
17 As what the chart shows and what the general
18 direction is that I understand is it will take
19 the reports on -- The Commission is interested
20 in taking the reports on a rolling basis, which
21 is to me is an as completed basis.

22 So, I wanted check back with the
23 Commissioners, because I know there has been
24 discussion about would it be better to take the

1 reports on a region or it would be better to
2 take the reports even all at the same time.

3 So, the purpose of my discussion
4 here this morning is to come back and say do we
5 go forward on the as completed or rolling
6 basis? Or would the Commission like us to take
7 a look at doing that in some other manner?

8 COMMISSIONER CAMERON: Do you or
9 Director Wells have a recommendation for us and
10 what you think would be the best way to roll
11 this out?

12 MR. DAY: I think from my
13 perspective, and Karen is also more than
14 welcome to weigh in, but I think an as
15 completed basis is probably -- it has its own
16 challenges, but there are so many moving parts
17 in these reports and different kinds of
18 applicants in each region, I find it might be
19 difficult to try to time region to region.

20 It could be done but I think it may
21 allow us to move the process along if we do it
22 on a case-by-case basis or completed basis,
23 excuse me.

24 COMMISSIONER CAMERON: When you say

1 there are challenges to rolling them out, what
2 are you referring to?

3 MR. DAY: Some of the applicants,
4 their suitability reports, they have more
5 complex, larger business structures,
6 international business structures, which makes
7 it difficult to complete those quicker as
8 opposed to those that are more in the United
9 States and maybe have a smaller business
10 structure itself. So, that's probably the one
11 subject that will run some of the process
12 regardless.

13 COMMISSIONER CAMERON: So, what that
14 means is those who are less complex would be
15 completed earlier, thus we could consider the
16 suitability. But is there any particular
17 challenge to us rolling this forward? And
18 we'll do one one week and maybe another one two
19 weeks later?

20 MR. DAY: From what I recall from
21 the discussions, and I think that's part of the
22 reason I want to raise it here, there's always
23 the concept there may be a perception that one
24 is more suitable than the other. Maybe a

1 factor getting a jump on the competition may be
2 an issue. From my perspective, I think it's
3 the most practical approach because I think any
4 of those other perception issues could come
5 almost regardless which process is selected.

6 COMMISSIONER CAMERON: Okay, thank
7 you.

8 MR. DAY: Karen do you have any?

9 MS. WELLS: Yes. Ideally, what my
10 preference would be would be to do it by
11 region. My concern is that I may have one hold
12 out in each region, for example. And then we
13 hold up everyone else because we're waiting for
14 one. So, I'd like to see how it can be done
15 most efficiently.

16 Just want to make sure the public is
17 aware just because an investigation may take
18 longer that doesn't necessarily mean that
19 that's because of an issue or problem. It may
20 just be the complexity of the nature of the
21 organization we're looking into. So, I just
22 want to make sure there's no bias in that
23 respect.

24 CHAIRMAN CROSBY: Other thoughts or

1 comments on this suggestion?

2 COMMISSIONER MCHUGH: I think it
3 makes sense so long as we can continue to
4 emphasize that there's no inference to be drawn
5 from the order in which we're doing them apart
6 from the fact that we happen to do this one and
7 get it finished. And we are now ready to
8 proceed with it.

9 Having gone through the process that
10 we've just gone through preparing this go-
11 around, it seems to me it would be helpful to
12 have these in smaller bites. And a rolling
13 basis would permit us to perhaps smaller bites
14 and perhaps chew more thoroughly.

15 MR. DAY: And the report
16 developments itself, I think that may
17 facilitate actually going through that process.

18 CHAIRMAN CROSBY: In terms of access
19 to the RFA-2 form that's already available.
20 So, by delaying this suitability decision for
21 one over another, that won't prejudice their
22 ability to move forward and do background work
23 for RFA-2 because that's already available,
24 right.

1 I agree with everybody. I feel
2 strongly it's much better to do it -- Under the
3 circumstances and in the interest of time and
4 efficiency to do it on a rolling basis. I
5 would just simply ask the bidders in the
6 audience that's watching to tell us if they see
7 some kind of prejudice in that that we're not
8 seeing. I don't think there is one.

9 But I would like to invite comment
10 if there is and we'll take it into
11 consideration. But assuming we don't hear
12 anything new from somebody about why doing it
13 on an as available rolling basis is prejudicial
14 to somebody, then I think we would accept your
15 recommendation of going forward on that basis.

16 MR. DAY: We'll continue on that.
17 What we found so far in the processes is that
18 events kind of seem to dictate some of that.

19 CHAIRMAN CROSBY: Elaine, you might
20 want to just make a note that we want to
21 technically ask for comments on that.

22 MS. DRISCOLL: Okay.

23 CHAIRMAN CROSBY: Just to be clear,
24 did you say that you thought it was unrealistic

1 that all of them would be done in August but
2 might some? And when might we start the
3 suitability hearings for Category 1, the first
4 ones?

5 MR. DAY: I think if we're
6 predicting as such, I think reasonably speaking
7 if we're on a case-by-case basis probably
8 August 22 somewhere around there is the most
9 reasonable.

10 CHAIRMAN CROSBY: For the first one?

11 MR. DAY: Yes.

12 CHAIRMAN CROSBY: Because it will
13 have to be the same basis. We'll have to give
14 people an out date, a 30-day date which they
15 can then waive if they want to, right?

16 MR. DAY: Right.

17 CHAIRMAN CROSBY: Is the 22nd the
18 out date? Is that with the 30-day notice so
19 that it could be waived and we could start
20 sooner?

21 MR. DAY: I think it depends on when
22 we decide to issue the notices and the date we
23 establish. I think part of what I was trying
24 to do today is just re-verify whether we want

1 to do it on a case-by-case basis so we could go
2 back and kind of consult on how this might
3 actually lay out before I'd be able to give too
4 much more specifics.

5 COMMISSIONER MCHUGH: The deadline,
6 in any event, for at least our target date for
7 all of them completed remains September 20 at
8 the moment, right?

9 MR. DAY: At the moment, yes. Even
10 I'm suggesting we leave that -- I think it's
11 August 15. -- on our schedule. Leave that for
12 right now. We'll go back and take a look at it
13 more seriously now in a case-by-case basis and
14 be able to come back.

15 CHAIRMAN CROSBY: This will likely
16 increase the frequency of referenda held before
17 the suitability decisions, I would think as a
18 matter of natural course, which is unfortunate
19 but it's a bridge we've crossed before. So,
20 we're all right with that.

21 Again, bidders should know, be
22 sensitive to the fact that if their suitability
23 decisions are delayed, we do have a process
24 where they can go forward with their referendum

1 if they want. Okay. Are you finished?

2 MR. DAY: Yes, I am finished.

3 CHAIRMAN CROSBY: I just had a
4 couple of other quick things? Does anybody
5 else have any notes?

6 COMMISSIONER ZUNIGA: I just wanted
7 to note that there was an updated version to
8 that schedule since we submitted that to the
9 packets. There's a small difference in the
10 schedule that we have in front of us.

11 CHAIRMAN CROSBY: Jill Griffin, our
12 Director of Workforce and Supplier Development
13 is starting when?

14 MR. DAY: Jill is starting on the
15 29th in fact.

16 CHAIRMAN CROSBY: Of this month?

17 MR. DAY: Yes.

18 CHAIRMAN CROSBY: I'd ask this of
19 Ombudsman Ziemba if he were here. Do we know
20 anything about the Penn National situation?
21 They're still in play? Do we know anything
22 about where they might be going, which license
23 they might be looking for?

24 MR. DAY: We'll find out if anybody

1 behind me has better information, but I
2 understand that still in play is correct, but I
3 don't know any of the details past that.

4 CHAIRMAN CROSBY: Does anybody
5 behind you know any more than that? No. Then
6 the last thing you were going to be starting to
7 negotiate those consultant contracts pursuant
8 to the decision to extend the contracts. Is
9 that underway?

10 MR. DAY: Yes, it is.

11 CHAIRMAN CROSBY: Anything else?

12 Great.

13 MR. DAY: Thank you, Commission.

14 COMMISSIONER CAMERON: Thank you.

15 CHAIRMAN CROSBY: We will jump to
16 item number four, Director Jennifer Durenberger
17 of the Racing Division.

18 DR. DURENBERGER: Good morning, Mr.
19 Chair, Commissioners. How are you?

20 CHAIRMAN CROSBY: Good morning.

21 COMMISSIONER MCHUGH: Good morning.

22 COMMISSIONER CAMERON: Good morning.

23 DR. DURENBERGER: I'll be brief this
24 morning, very brief administrative update for

1 you. I think the only unfinished business from
2 the prior meeting was we had been working
3 through a software issue with our pari-mutuel
4 auditing software. That had resulted in
5 affecting two billing periods for live racing
6 at Suffolk Downs.

7 And I'm happy to report that that
8 software issue has been resolved. And the
9 adjusted summary sheets have been issued.
10 There have been no problems since then. We
11 don't know what the source of the glitch was,
12 but it's been resolved.

13 We continue to make progress working
14 with the crossover to the new software. We're
15 getting closer every day. I don't have a
16 projected date for you yet, but every day it's
17 getting closer and every day I'm getting more
18 hopeful. So, we are continuing to work on
19 that.

20 I would like to introduce to you the
21 next round of rulemaking in racing. I think
22 when last we spoke about rulemaking, I had
23 anticipated we'd go through three phases. The
24 first phase was the veterinary practices and

1 equine medication. The second phase was the
2 rules of the running of the thoroughbred races
3 and safety practices, equipment.

4 And the third phase was anticipated
5 to be duties of licensees and occupational
6 licenses and any sort of administrative cleanup
7 that became apparent during the live racing
8 season.

9 The good news is that we've done
10 great so far. The regulations that have been
11 adopted, have been accepted by the
12 stakeholders. We're getting positive feedback
13 about their influence on the racing product.
14 And so we're happy from that perspective.

15 We are discovering though that we
16 have a bit more rulemaking to do. So, we're
17 going to go through two more phases. And I'm
18 going to be introducing Phase 3, if you will,
19 to you in August.

20 What we are going to be looking at
21 here is first we are going to pick up an
22 anticipated amendment to one of the model rules
23 on controlled therapeutic medications and
24 penalty guidelines.

1 This is expected to come out of the
2 RCI, Racing Commissioners International, board
3 meeting in late July. So, we're going to be
4 poised -- we think we'll have a pretty good
5 idea about what the language is going to be.
6 So, we'll be poised to put that in this packet.

7 Then we're going to turn to, as I've
8 alluded to in many previous meetings, putting a
9 focus on tote and wagering and account
10 wagering, licensing and security best
11 practices. We're in the process of identifying
12 those best practices. We're looking at what's
13 going on in other states.

14 This is a fairly new area for
15 regulators to address. We're watching very
16 carefully what's happened in Kentucky the last
17 few years. We have some activity in New York
18 actually just in this last session. There's a
19 few states that have taken a very interesting
20 approach. Many of them have incorporated a
21 grandfather clause so that business can
22 continue during the transition process. So,
23 we're going to give a lot of thought about how
24 to do that going forward.

1 CHAIRMAN CROSBY: Is that Phase 4
2 you just described?

3 DR. DURENBERGER: This would be
4 Phase 3.

5 CHAIRMAN CROSBY: So, you're getting
6 to four. Okay.

7 DR. DURENBERGER: Yes. So, Phase 3,
8 we're going to bring that to the Commission in
9 early to mid-August. Tentatively right now, a
10 public hearing for that would be scheduled in
11 late September, which would put our rules in
12 the Legislature October, November because of
13 our unique rulemaking requirement for hopeful
14 adoption late December because we'd like to
15 have an effective date of January 1.

16 COMMISSIONER MCHUGH: None of these
17 changes would affect the current racing season?

18 DR. DURENBERGER: They would not.
19 They would not. Phase 4 will then pick up with
20 the duties of licensees and the occupational
21 licenses as well as anything administrative
22 that we've noticed over the course of the
23 racing season. Bring those to you probably in
24 November or December, again, with an eye at

1 having them adopted prior to the start of live
2 racing in 2014 in the Commonwealth.

3 COMMISSIONER CAMERON: Question,
4 Director. You mentioned recommended
5 penalties. And the last discussion we had
6 about penalties, I was interested in where we
7 were as opposed to other jurisdictions. And
8 you had said we were kind of below average in
9 some and maybe a little stricter with others.

10 And I'm wondering if RCI, are they
11 going to be in the habit of or make a practice
12 of recommended penalties so that not only could
13 we adopt model rules but penalties consistent
14 with other jurisdictions?

15 DR. DURENBERGER: That's an
16 excellent question, Commissioner. Currently,
17 as it stands, there is and we have adopted --
18 there is a uniform classification guideline
19 test, which has come out of a scientific
20 advisory committee.

21 And that categorizes medications in
22 various categories of their severity. And
23 there are a number of things that go into it,
24 which I won't bore you with because that can

1 get very detailed very quickly, and a
2 dissertation which I could probably give you
3 very quickly. But I'll back off on that.

4 Then along with that in the same
5 rule, there is a recommended penalty schedule
6 currently. The recommended penalty schedule
7 gives you a range. And the stewards or judges
8 shall consider the mitigating and aggravating
9 circumstances that have to do. A number of
10 them are enumerated but of course they are not
11 limited to consider those, but there are things
12 that they are required to consider.

13 And then the recommended penalty has
14 a range usually. So for example, a non-
15 steroidal overage, the recommended penalty
16 might be a written warning up to a fine of
17 \$500. Then there are those factors that the
18 judges and stewards shall consider when making
19 their determination.

20 What's happening in the RCI meeting
21 in late July is we are taking up an industry
22 proposal for a system. The best analogy is
23 like points on your driver's license. So, when
24 you have a medication violation, there will be

1 different points attributed based on severity
2 to that violation.

3 So, if you're a little bit over the
4 limit, you get one point. If you're clean for
5 a number of years, I can't remember if it's one
6 year or two years, that actually gets expunged
7 from your record. But if you do the big one,
8 which not many people do, but if you do the big
9 one that's on your record forever and you have
10 those points.

11 Then those points would also be used
12 to determine the range of the penalties. So,
13 if there was a suspension involved, if you have
14 a lot of points on your license, your
15 suspension might be instead of 15 days might be
16 45 days or something along those lines.

17 So, the brief answer to your
18 question is yes, there is something in place
19 right now. This will be more specific.

20 COMMISSIONER CAMERON: Thank you.

21 DR. DURENBERGER: You're very
22 welcome. Any other rulemaking?

23 CHAIRMAN CROSBY: Not rulemaking but
24 before you get to the tax reform did you have

1 another topic you were going to talk about?

2 DR. DURENBERGER: I don't.

3 CHAIRMAN CROSBY: I just was curious
4 to sort of the general sense about how it's
5 going? You put together -- You're
6 substantially into the meet. You put together
7 a whole new team with some stress and strain.
8 How is it going in general?

9 DR. DURENBERGER: I think in general
10 change in the horseracing industry, it's a hell
11 of a thing to go through. And I really just
12 think that this might very well -- Certainly,
13 nothing is perfect. Certainly, it hasn't been
14 without its hitches and hiccups, but the
15 feedback that we're getting and my observations
16 when I'm at the tracks is in terms of adopting
17 change and having everybody buy into it, we did
18 a really good job.

19 CHAIRMAN CROSBY: That's great.

20 DR. DURENBERGER: And we're happy to
21 hear if we aren't. So, to the extent that
22 anybody is displeased of has any suggestions,
23 we are always happy to hear those.

24 CHAIRMAN CROSBY: And you were able

1 to assemble a new team of people that was up to
2 the task.

3 DR. DURENBERGER: Yes, we are fully
4 staffed and been revisiting as things go. We
5 have new procedures for everybody. So, we're
6 using some learning experiences and we're
7 making some adjustments and writing the chip
8 here and there. And I think everything is
9 going very well.

10 COMMISSIONER MCHUGH: That's great
11 to hear that. And congratulations to you for
12 working this through so we could get these
13 changes, get some of the best practices in
14 place.

15 Do any of these changes -- Are any
16 of these changes expected to have impact on
17 revenues? And if so, has there been any
18 discernible impact on revenues?

19 DR. DURENBERGER: So, I'll take
20 those one at a time. Yes, to the fact that if
21 we can increase the integrity and the perceived
22 integrity of the running of the race, and we do
23 that through having a strong regulatory
24 program, ensuring that the horses that are out

1 there are in racing sound condition and should
2 be out there.

3 To the extent that our drug testing
4 program is state-of-the-art, that our racing
5 officials are accredited. Anything we do that
6 strengthens that program that product that's
7 the product that the industry sells.

8 So, increasing pari-mutuel
9 confidence is a goal, a big goal. It's a
10 little early to tell for two reasons as to
11 whether it's had a discernible effect. One is
12 that everything is in arrears in racing. So,
13 we always have to look backs a little bit
14 further out than we'd like to.

15 And two, is it's always helpful to
16 compare to what's happening nationally because
17 there are national trends, many of them not
18 positive. So, we kind of have to get a feel
19 for what else is going on and put it in some
20 sort of larger context.

21 COMMISSIONER MCHUGH: Great, thanks.

22 COMMISSIONER ZUNIGA: I just had
23 perhaps a comment. As we undertake these next
24 two phases of rulemaking and we are also

1 ongoing with the rulemaking process for our
2 gaming licensees, I think of a couple of
3 general topics like research or problem
4 gambling that could perhaps straddle both the
5 racing -- certainly the gaming but also the
6 racing.

7 So, if we can just keep that in mind
8 and make sure we coordinate, we don't silo in
9 two places with the reference rules that apply
10 to both operations.

11 CHAIRMAN CROSBY: That's a good
12 point. Have you had any contact with Mark
13 Vander Linden, the new director?

14 DR. DURENBERGER: I don't yet, but I
15 actually had intended to reach out to him
16 because I've got some things coming up that I'd
17 certainly like to have his involvement with.

18 CHAIRMAN CROSBY: I don't remember
19 whether he had racing. I'm sure they had
20 racing in Iowa.

21 DR. DURENBERGER: They do. They
22 have racinos. So, they've got the mixed
23 facility.

24 CHAIRMAN CROSBY: So, he's familiar

1 with it. But it's a very good point just to
2 make sure that it's in his mind integrating
3 both, as Commissioner Zuniga said, research and
4 problem gaming across the racing business.

5 DR. DURENBERGER: And to your point,
6 one of the things we've noticed is that other
7 states where I've worked in the regulations
8 signs -- if you need help signs with the 800-
9 numbers for places to send people who do find
10 they need help for compulsive gambling. These
11 are signs need to be posted in conspicuous
12 places on the premises. We don't have that in
13 our regs. right now. So, that'll be something
14 that we pick up over the fall. So, we'll work
15 with him as a perfect example.

16 CHAIRMAN CROSBY: Great. Okay.

17 DR. DURENBERGER: So, then we'll
18 move on to just a brief update on the state
19 withholding tax issue. I think probably the
20 only thing I have to report is a little bit of
21 information from our 50-state survey that we
22 conducted since last we met just to see what is
23 the state of the industry out there.

24 I'm going to preface it by saying

1 that this was not a 50-state survey of tax
2 statutes, because racing would have to be
3 suspended while we went through that.

4 But what we did do was look at 50-
5 state survey of the employer guidelines for
6 withholding. Because what happens with our
7 racetrack licensees is the burden is on them
8 just as it would be with an employer to do the
9 reporting withholding.

10 So looking at those, on the pari-
11 mutuel side it appears that 15 states, 15, 1-5,
12 do have state tax withholding on pari-mutuel
13 winnings. All but one of those apply the
14 federal threshold. And just to remind you, the
15 federal threshold for withholding is proceeds
16 of \$5000 or greater. So, that's 14 states.

17 The 15th state, which is Iowa does
18 withhold state tax for proceeds greater than
19 \$1000. The current state in Massachusetts is
20 \$600. So, they have a lower threshold than the
21 federal but higher than Massachusetts.

22 Then interestingly, on the slot
23 machine side, it appears that five states have
24 state tax withholding on winnings. One of

1 those will apply to nonresidents only. And
2 those the lowest threshold of those four states
3 is if winnings exceed \$1200. Again, our
4 threshold is \$600.

5 Other than just sort of summarizing
6 that and saying that Massachusetts is clearly
7 in the minority that's really all I have to add
8 on that issue.

9 CHAIRMAN CROSBY: Nothing else is
10 happening on the issue. The Reinstein
11 amendment didn't go forward.

12 DR. DURENBERGER: That's my
13 understanding.

14 CHAIRMAN CROSBY: And the industry
15 apparently isn't actively doing anything now in
16 the Legislature?

17 DR. DURENBERGER: That's my
18 understanding.

19 CHAIRMAN CROSBY: As we've talked
20 about before, I'm kind of two minds about
21 whether we should be proactive. It does seem
22 to me like there's logic and to some extent
23 best practice that if you're going to have a
24 withholding it should follow the federal model,

1 (A). And (B) this issue about not being able
2 to offset losses against winnings seems to be
3 just sort of extraordinary.

4 DR. DURENBERGER: Thank you for
5 reminding me to give that update as well. So,
6 it appears that seven states that Massachusetts
7 is one of seven states that does not permit
8 losses to be deductible up to winnings. So,
9 we're in the minority there as well.

10 I do have a report from our
11 licensees as to how many transactions actually
12 occurred in the month of June, which was the
13 first 30-day period. And we'll start with the
14 federal reporting. There were 566 -- between
15 all of our licensees, all of them 566 instances
16 there required federal reporting. Only 10 of
17 those required federal withholding. And we had
18 860 reporting and withholding requirements for
19 the state tax.

20 So, in terms of the reporting, we
21 went from 566 transactions to 860. The
22 withholding is the big one. So, there were 10
23 in total in the Commonwealth, 10 transactions
24 that required federal withholding, 860

1 requiring state tax withholding. And that
2 burden is on our licensees.

3 COMMISSIONER MCHUGH: The delta if
4 you were to adopt the federal guideline is 300
5 roughly between the withholding for the state
6 and the withholding under federal regime,
7 right?

8 CHAIRMAN CROSBY: Was that right?

9 DR. DURENBERGER: 566 federal
10 reporting and 10 withholding.

11 COMMISSIONER MCHUGH: And 10
12 withholding. But the paperwork, at least the
13 reporting piece the delta would be around 300.

14 CHAIRMAN CROSBY: Sixty percent.

15 COMMISSIONER MCHUGH: Sixty percent,
16 right. And we have not yet explored and to
17 what extent we can automate that.

18 DR. DURENBERGER: That is not
19 something I looked at.

20 COMMISSIONER MCHUGH: Right. I
21 certainly subscribe to the proposition that the
22 inability to deduct losses from wins doesn't
23 make any sense that I can understand.

24 The withholding piece I still would

1 like to have further information on before we
2 take a position. We still don't know where
3 that came from and why it's done. And we fit
4 it into the whole -- It's tax collection
5 measure. We fit it into the whole
6 Massachusetts tax collection process and what
7 it produces.

8 It seems to me that we have in this
9 Commonwealth an economy and a public budget
10 that's in balance that provides for things. We
11 don't have bankrupt cities. We've got sound
12 pension systems. We have a lot of things that
13 other states don't have.

14 This has to be considered, it seems
15 to me as a piece of all of that. So, it
16 doesn't mean we don't take a position on this,
17 but I'd like more information where it came
18 from and what its purpose is before we do take
19 a position.

20 DR. DURENBERGER: We do have reach
21 out to the Department of Revenue. We just
22 haven't connected yet.

23 CHAIRMAN CROSBY: Why don't we
24 follow your lead on this. We could have them

1 come in and talk to us about that.

2 DR. DURENBERGER: I think that's
3 what we're working on, yes.

4 COMMISSIONER MCHUGH: That would be
5 great. I would like to hear from them.

6 CHAIRMAN CROSBY: And any other help
7 that you need to try to kind of get kind of
8 background information that Commissioner McHugh
9 was looking for, I think we all have an
10 interest in pretty seriously considering
11 addressing at least some aspect of this. And
12 we might as well do it sooner than later.

13 DR. DURENBERGER: I think
14 Commissioner Zuniga had really made a good
15 point in the last meeting, which is it affects
16 pari-mutuel currently. And that's an industry
17 that I'm very protective of because I do feel
18 like it's fragile in the Commonwealth. But
19 it's a huge issue as we look at our nascent
20 industry that's coming forward, the gaming.

21 CHAIRMAN CROSBY: That's right.

22 COMMISSIONER ZUNIGA: I had a
23 thought along those lines. And of course we
24 should do more due diligence relative to the

1 threshold.

2 But we are required to submit an
3 annual report to the Legislature that is within
4 90 days of the end of the fiscal year. So,
5 we'll be working on that in the next two and
6 half months.

7 And I think this is a topic that
8 should feature -- should be featured
9 prominently as a current topic. One that may
10 need more study but one that from our
11 perspective may have an effect relative to
12 other states and relative to the product.

13 In addition to informing the
14 Legislature like we are required to do via the
15 annual report, we could do what other agencies
16 do, which is to have just personal meetings as
17 legislative updates. Again, sometimes these
18 kinds of issues take a little while to
19 understand at the Statehouse because frankly
20 they are dealing with a number of issues like
21 this. And the history and the turnover over
22 there it's important to have these sort of
23 discussions.

24 So, I would encourage us that we

1 start thinking about those two mechanisms very
2 soon.

3 CHAIRMAN CROSBY: Yes. I'm having a
4 meeting on the 16th, which is next something or
5 other with John Ziemba. We've invited
6 legislative aides from the House and Senate.
7 And we're going to have a series of just kind
8 of general review with some aides. There will
9 probably be a few members there. This might be
10 something you would think about putting in
11 that.

12 I'm not sure whether there's time.
13 That's only a week from now, but if we could at
14 least sort of inform people about the issues.
15 So, you might touch base with John when he gets
16 back and see whether it makes sense to have you
17 be there and have that be on the agenda.

18 DR. DURENBERGER: Okay.

19 COMMISSIONER MCHUGH: Without taking
20 a position on how we think it ought to come
21 out.

22 CHAIRMAN CROSBY: Just background
23 here are the issues, here's what we are
24 thinking about. Not presupposing in any way

1 what our position will be. But let them be
2 aware of -- Maybe hear what they're thinking
3 about.

4 COMMISSIONER MCHUGH: Get some
5 feedback. Sure, that'd be great. I would be
6 delighted if we could move at all deliberate
7 speed to get the information we need to take a
8 position on these, because it is an issue
9 however it's resolved.

10 DR. DURENBERGER: Duly noted.

11 CHAIRMAN CROSBY: And ask for help
12 if you need it from Director Day. I'm sure he
13 will allocate extra resources to help you if
14 you need it. Okay.

15 DR. DURENBERGER: That would
16 conclude my report.

17 CHAIRMAN CROSBY: Anything else for
18 Director Durenberger? Thank you.

19 DR. DURENBERGER: Thank you, Mr.
20 Chair.

21 COMMISSIONER CAMERON: Thank you.

22 COMMISSIONER MCHUGH: Thank you.

23 CHAIRMAN CROSBY: Our next issue is
24 the big one Investigations and Enforcement

1 Division. I'm going to suggest we take a quick
2 break.

3

4 (A recess was taken)

5

6 CHAIRMAN CROSBY: I think we're
7 about ready to reconvene. We are going to
8 conduct this a little bit more formally than we
9 have the rest of meetings. So, I am going to
10 read somewhat off of a script here. Some of
11 this would be repetitive, but just to make sure
12 we mind our P's and Q's on what's a very
13 important part of our process we are going to be
14 a little more formal.

15 I'll reiterate that today is
16 Thursday, July 11, 2013 and our 71st public
17 meeting. We now convene the Phase 1 suitability
18 public hearing identified on the agenda as item
19 five relative to Mass Gaming and Entertainment
20 LLC and PPE Casino Resorts Mass, LLC.

21 Each applicant at this point is
22 pursuing a Category 2 gaming license. These
23 public hearings are being convened in accordance
24 with 205 CMR 115.04, paragraph four and be

1 conducted pursuant to the formal rules outlined
2 in our regs., 801 CMR 1.01 subject to the
3 clarifications contained in our regs. 205 CMR
4 101.03.

5 The entire Commission will
6 collectively preside over these hearings and
7 decisions. As you know, I'm Steve Crosby, the
8 Chair of the Commission. And I'm joined here by
9 other our Commissioners, Commissioner Stebbins,
10 Zuniga, Cameron and McHugh.

11 Before we begin the particular
12 suitability conversations about the two
13 applicants, we'd like to explain the process a
14 little bit that led us here as well as the
15 process that will govern the hearings.

16 The Investigations and Enforcement
17 Bureau has conducted an investigation into the
18 qualifications and suitability of all applicants
19 and qualifiers for the two applicants that will
20 appear before us today. The Bureau generated an
21 investigative report of its findings and
22 submitted it to the Commission for the
23 Commission's ultimate decision.

24 I'd like to ask Karen Wells, the

1 Director of the Bureau, to provide a general
2 overview of the investigatory process itself,
3 how we determined to have the meetings today
4 versus the meetings next week and so forth,
5 Director Wells.

6 MS. WELLS: Thank you, Mr. Chairman,
7 members of the Commission. Just as a
8 preliminary matter, I'd like to acknowledge the
9 efforts and expertise of the consultant groups
10 that we worked with. We had the team of Michael
11 and Carroll and Spectrum Gaming who worked and
12 drafted the initial reports on this.

13 Their work product was excellent.
14 They were extremely thorough. And I cannot say
15 enough good things about their work ethic and
16 their ultimate product that they delivered in
17 conjunction with the efforts of the members of
18 the Investigations and Enforcement Bureau. And
19 specifically, I'd like to also thank the members
20 the Massachusetts State Police that worked with
21 the consultants on these investigations.

22 This continues to be an extremely
23 involved process. And just the efforts of the
24 State Police were outstanding. And their work

1 product was also exemplary.

2 CHAIRMAN CROSBY: While you're on
3 that, Karen, I just want to recognize one of
4 those consultants who was not able to be here
5 today. I believe he is watching us. And if he
6 is, Consultant Guy Michael, welcome. We wish
7 you well. All of us older men are sympathetic
8 to the issues that you're dealing with. And we
9 hope to see you back here shortly. We
10 appreciate the help that you have given us.

11 MR. CARROLL: Thank you.

12 MS. WELLS: I'd also like to just
13 reference back to the last meeting we had where
14 we had a significant amount of time where I was
15 able to detail the investigative process itself,
16 and what's involved with the State Police and
17 the consultants did, what they looked into, what
18 the statutory criteria is.

19 And I know that the Commissioners
20 are aware of that but for anyone that would like
21 to refer back to the minutes from the last
22 meeting, there is a very detailed overview of
23 that investigatory process. So, I won't review
24 the process since the Commissioners have already

1 heard that.

2 Generally, I'd like to comment just
3 about suitability in general. That the
4 presentation I'm doing today and the report that
5 you've received, this is what we would deem a
6 snapshot in time.

7 Suitability for the purposes of
8 gaming is an ongoing process. So, just because
9 an individual or an entity is found suitable at
10 this point that doesn't mean if we come out with
11 further information that that cannot be
12 revisited by the Investigations and Enforcement
13 Bureau and ultimately the Commission. As we
14 engage in this journey together in gaming in
15 Massachusetts, I think suitability and integrity
16 is extremely important for the Commonwealth of
17 Massachusetts.

18 And I want the public and the
19 Commissioners to be aware that we will be
20 continuing in this process and always looking at
21 these things and always bringing things to the
22 attention of the Commissioners. So, that's I
23 think a very important thing for the public and
24 the Commissioners to be mindful of.

1 CHAIRMAN CROSBY: Can I just add to
2 that, Director Wells?

3 MS. WELLS: Yes.

4 CHAIRMAN CROSBY: I think that's a
5 really important point. As hard as we try, and
6 as thorough as we've been, no such process can
7 be perfect. And we have always encouraged the
8 public and for that matter the press to be
9 proactive.

10 If you see issues, if you have
11 issues that you think are important or issues
12 that we have, you think, missed, as Director
13 Wells said, this is an ongoing process. We will
14 make a clear and definite decision based on what
15 we know at the time we know it.

16 But there may well be other
17 information and we welcome that and consider
18 this an ongoing process. And I think the
19 bidders all understand that since it's repeated
20 about the ongoing changes of qualifiers and
21 continuing background checks and so forth.

22 That this is the best that we can do
23 with what we know when we know it. And based on
24 a very thorough process is important, but

1 welcome the public and the press continue review
2 of this to help us get this done right.

3 MS. WELLS: And along those lines,
4 we do have a process set up where members of the
5 public can provide information to the IEB about
6 any concerns about an applicant or ultimately
7 down the road a licensee.

8 And also, I just comment on that
9 that the cornerstone to good law enforcement, I
10 believe, is information sharing. So, none of us
11 is as smart as all of us. So, I am always open
12 to receiving information from whatever source
13 that may be and evaluating that information.

14 I do receive information from the
15 IEB. I get letters. I get other information.
16 That information is considered and evaluated.
17 So, I hope this continues to be an interactive
18 process with the other law enforcement agencies
19 and members of the public or anyone that has
20 information, whether it be the press or just an
21 individual. I will look into it. And we will
22 always consider what's going on in gaming in
23 Massachusetts.

24 CHAIRMAN CROSBY: Great.

1 MS. WELLS: One thing I'd like to
2 just articulate this morning, when I submit a
3 report on suitability, there is a difference
4 between conditions on suitability and
5 recommended the conditions of licensure. And
6 there is somewhat of a subtle difference.

7 So, in the reports that you have
8 before you here today, there were no conditions
9 on suitability. So for example, there was no
10 condition that needed to be met before I felt
11 comfortable recommending that that entity go
12 forward into the Phase 2 process. Now there may
13 be situations where there may be conditions that
14 need to be met before there would be a
15 recommendation of suitability.

16 In all applicants, I would expect
17 that there will be recommendations for
18 conditions on licensure. So, if an applicant is
19 successful in being granted a license that I
20 expect there will be conditions put on that
21 license.

22 So for example, the two applicants
23 we are dealing with this morning, I do have
24 recommended conditions if the applicant is

1 granted a license. But there is a slight
2 difference between that and a condition before
3 sort of meeting this criteria and going forward
4 in the process.

5 The other issue, which we talked
6 about at the last meeting as well, which I do
7 think bears repeating, is the importance of
8 considering the information in the suitability
9 report in the evaluation of the overall
10 applicant.

11 Just because someone is found
12 suitable, it does not mean that that information
13 is then ignored. Because there's going to be
14 relative degrees of suitability for any
15 applicant. There's going to be information that
16 the Commission may consider. And that
17 information should be considered as part of
18 their overall package when they are being
19 evaluated for whether or not they get a license.

20 So, if there's some concerns or some
21 issues raised, we can address those and they can
22 move forward in the process. That doesn't mean
23 that information can't be considered when you're
24 looking for which applicant you want to grant

1 the license.

2 And also I'll point out that the
3 Commission doesn't have to issue any licenses if
4 the Commission doesn't want to do that or
5 doesn't feel comfortable with it. A lot of
6 power in the authority of the Commission as to
7 making good judgments and deciding what to do.
8 And if that is not in the best interest of the
9 Commonwealth and in your conscience you don't
10 feel that's appropriate then that's well within
11 your authority.

12 In the suitability process, as the
13 Chairman has indicated, the burden is on the
14 applicant by clear and convincing evidence to
15 come forward and do that. During the
16 investigative process, the way that the
17 applicants meet that burden, if you will, is
18 providing materials and undergoing interviews
19 and subjecting themselves to this investigatory
20 process.

21 That has been done in this case.
22 I'll comment for the two that are here today,
23 they were extremely cooperative and engaged with
24 the IEB in providing those materials and having

1 discussions, making people available for
2 interviews. And that process went very well.
3 And that think that bodes well for each of the
4 applicants as far as how they would behave if
5 they were granted a license. And it's a very
6 telling thing for anyone that's looking to do
7 business in Massachusetts.

8 I believe the Commissioners in their
9 packets should have -- all have the redacted
10 versions of the Mass Gaming and the PPE reports.
11 Just for the record, the proper procedure is
12 that that be officially on the record that that
13 be introduced as an exhibit for purposes of this
14 hearing.

15 CHAIRMAN CROSBY: As well as your
16 cover letter.

17 MS. WELLS: Correct, correct, the
18 cover letter as well. So, at this point, I'm
19 prepared to go forward with the Mass Gaming
20 application.

21 CHAIRMAN CROSBY: Okay. Let me just
22 pick that up in one second. Did we get any
23 significant feedback from our meeting last week?
24 We invited people to comment for a week. I saw

1 some feedback about other issues like I forget,
2 organized crime or money-laundering. About this
3 process, was there any feedback?

4 MS. WELLS: I didn't receive
5 anything directly.

6 CHAIRMAN CROSBY: I'm seeing Janice
7 say no. Okay.

8 MS. WELLS: But if for whatever
9 reason that's an error, then I'll always revisit
10 that and I will always consider that if that's
11 something that just happen not to be forwarded
12 to me.

13 CHAIRMAN CROSBY: Right.

14 COMMISSIONER MCHUGH: Can I just ask
15 one question picking up on the continuing nature
16 of this. I understand your statement that this
17 a snapshot in time and the process will
18 continue. That's particularly important, isn't
19 it, in terms of the financial piece?

20 MS. WELLS: Correct, correct.

21 COMMISSIONER MCHUGH: Because we
22 have enough to make a preliminary judgment now,
23 but with all of these applicants the final
24 financial plans have not yet been put together,

1 the financing package in detail for exploration
2 and examination as part of the Phase 2
3 application.

4 So, we're making, particularly with
5 respect to the provisions of our regulations
6 that talk about that in the context of the Phase
7 1 process, the suitability process. We're
8 making a judgment based on the information that
9 we have now, anticipating a much fuller and more
10 detailed financing package and plan as we go
11 forward. Is my understanding correct?

12 MS. WELLS: That is correct. When
13 we're looking at sort of the Phase 1 process
14 looking at the financials, we're looking at the
15 financial stability of the company, their
16 history of practices, the individual qualifiers.
17 We, quite frankly, want to look if someone has
18 issues with debt, is that person vulnerable to
19 influence by undesirable entities.

20 My assessment at this point is sort
21 of that Phase 1 assessment. Can we go forward
22 with this based on that financial analysis?
23 Then we do have recommendation that -- I even
24 have this -- the MGC should still require the

1 applicant to specifically demonstrate the
2 specific method, sources and overall immediate
3 financial ability to complete its proposed
4 project in a timely fashion during the Phase 2
5 analysis, exactly what Commissioner McHugh is
6 saying. So, that is exactly correct.

7 MR. CARROLL: Commissioner, if I
8 could just add one thing. When you do get to
9 the Phase 2 process, you also have the added
10 financial analysis that goes on with assessing
11 the reasonableness of the projections, which of
12 course is obviously impacted by the financial
13 underpinnings of the project as a whole.

14 So, there's a whole battery of
15 additional financials. When you get all of that
16 together that does allow not only another look
17 at the initial suitability evaluation from a
18 financial point of view but when all of those
19 picture parts are together, it gives you a much
20 clearer picture at that point.

21 COMMISSIONER MCHUGH: For the
22 record, that was Robert Carroll.

23 CHAIRMAN CROSBY: Right.

24 MR. CARROLL: Good morning

1 Commissioners and Chairman. I am Robert
2 Carroll. I am with Michael and Carroll. With
3 me is Bernie Murphy. The one gentleman that the
4 Chairman was kind enough to credit, Guy Michael,
5 is not here today, but he here in both product
6 and spirit, I might add.

7 MR. MURPHY: And a quick text
8 thanking the Chairman for his kind words.

9 MR. CARROLL: We are electronically
10 connected to him.

11 CHAIRMAN CROSBY: Guy, relax. Will
12 you? Let's loosen up these cords because we're
13 going to have to pass these mics. Is that
14 really stuck? Can one of you guys come up and
15 loosen up these mic cords so we can pass the
16 mics back and forth?

17 Thank you, Director Wells for that
18 update. We will now move into the individual
19 hearings. They will operate as follows: At the
20 outset, we will offer the applicant an
21 opportunity to make a brief opening statement if
22 they so choose.

23 Then Director Wells will provide an
24 overview of the investigative report relative to

1 the suitability investigation of Mass Gaming and
2 Entertainment's Phase 1 application. Any
3 Commissioner may ask a question of Director
4 Wells at any point during her presentation.

5 Director Wells is joined, as you now
6 know, by the consultants who participated in the
7 investigation. They will also be available to
8 answer any questions or offer clarification.

9 The Commission will then discuss the
10 matter and take a vote. The burden is on the
11 applicant to demonstrate by clear and convincing
12 evidence both its affirmative qualification for
13 the licensure and the absence of any
14 disqualification for licensure. Achieving a
15 positive determination of suitability is of
16 course a prerequisite to submitting a Phase 2
17 application. We will then have the same process
18 for PPE Casino Resorts Mass, LLC.

19 So, would you like to introduce your
20 guest and we'll take it from there.

21 MS. WELLS: Yes. With me is John
22 Donnelly representing Mass Gaming.

23 MR. DONNELLY: Good morning,
24 Commissioners and members of the public. John

1 Donnelly, I'm a lawyer from Atlantic city. I
2 have moved and been admitted pro hoc to appear
3 before the Gaming Board. And I appreciate that.
4 This is an important milestone. And I know you
5 recognize that.

6 CHAIRMAN CROSBY: You are going to
7 have to sit to get closer to the mic.

8 MR. DONNELLY: This is an important
9 milestone for everyone in this room. The
10 suitability -- Massachusetts statute is
11 extremely complex in my experience with many
12 statutes. It in many ways puts the cart before
13 the horse. And I'm not saying that in a
14 negative way. But I'm used to seeing --

15 CHAIRMAN CROSBY: You mean it's kind
16 of good when the cart is before the horse.

17 MR. DONNELLY: I am used to seeing a
18 process where an applicant comes in, chooses a
19 site, gets financing, goes forward and when
20 there are situations where there are limited
21 number of licenses, usually the applicant is
22 picked and then the suitability starts.

23 Now that's caused problems in some
24 jurisdictions in the past because applicants

1 have been chosen and then deemed unsuitable
2 afterwards. So, this process makes a lot of
3 sense in determining -- getting a universe of
4 suitable persons and entities before the
5 selection for a limited license is in place.

6 That said it's an arduous and
7 lengthy and time-consuming process that normally
8 doesn't come until the second phase.

9 I wanted without appearing too
10 (INAUDIBLE) fake, thank staff, I'm delighted in
11 working with your director here. I mean that
12 sincerely. She is very, very I find competent,
13 pleasant to work with, responsive. You've done
14 great with that.

15 Bob Carroll and Bernie and Guy
16 Michael I've been dealing with for nearly 30
17 years. You couldn't have picked a better group
18 with those folks and with Spectrum. Guy, you
19 know his sense of humor and abilities. So, you
20 take a very difficult sometimes process and it
21 is done in a collegial manner. And we got
22 through a lot of work in a very compressed time.

23 Just to tell the public, who may not
24 understand this, the report that was issued is

1 211 pages. There were interviews, personal
2 interviews, depositions, sworn statements of
3 every qualifier that is every person to be found
4 suitable. I think there are 11 people in that
5 group.

6 There were five entities that were
7 vetted and looked at including some trusts with
8 various people including children of the
9 principle of this entity, Neil Bluhm.

10 There were several entities.
11 Massachusetts Gaming and Entertainment, the
12 applicant before you today, is affiliated with a
13 company called Rush Street Gaming, which is in
14 turn is affiliated with Neil Bluhm who is a
15 Chicago self-made man.

16 A CPA lawyer who started out with
17 nothing and developed a very prosperous business
18 in Chicago that is a prime equity fund and
19 engages in investment for a number of pension
20 funds throughout the country, state pension
21 funds and others and is very well respected.

22 And has been qualified and found
23 suitable for gaming in four other jurisdictions.
24 He started out in 1998 in the Province of

1 Ontario where his organization associated with
2 him received through an RFQ process was selected
3 to develop and later operate a casino in Niagara
4 Falls. That expanded into two.

5 Was then involved in a lengthy
6 attempt to open a casino in Des Plaines,
7 Illinois right outside of the Chicago O'Hare
8 airport, which 10 years later came to fruition,
9 not through his delay but through other delays.
10 And it's now, I think, the most successful
11 casino in Illinois.

12 Was engaged in what we call a beauty
13 contest to obtain a license in Philadelphia
14 where there were only two up and was selected by
15 the Pennsylvania Gaming Authority to allow the
16 development of a Philadelphia license.

17 While that was pending, the
18 Pittsburgh license, which had been -- And here
19 we come to putting the horse before the cart. -
20 - the Pittsburgh license had been issued to
21 another person or another entity, was faltering
22 because it was 2008 and nine and the financial
23 crisis hit. There was no longer financing
24 available to finance that casino.

1 Neil Bluhm and his organization,
2 which is extremely financially strong, stepped
3 in, rescued that casino. It did not go through
4 bankruptcy. They accepted all of the conditions
5 that had been imposed on the previous owner and
6 took over that casino. And that casino is now
7 operating an extremely successful casino.

8 We've also been vetted and approved
9 in Mississippi. We subsequently sold the casino
10 down in Mississippi. So, we have been through
11 the process. We get it. We understand the
12 process.

13 I echo what the Chairman said and
14 what the Director said, this is an ongoing
15 process. We understand the process. We know it
16 is our continuing duty to demonstrate what is
17 commonly known in the industry as good faith --
18 I'm sorry good character and outstanding
19 integrity, which encapsulates it all.

20 We are extremely gratified to be at
21 this milestone where we hope that the Commission
22 will adopt this 211-page report and the findings
23 in there and the depositions and sworn
24 statements and personal history disclosure forms

1 and business entity disclosure forms and the
2 Massachusetts supplemental forms have all gone
3 into this. Which again, for the public may not
4 understand gives five years of tax returns and
5 entire background on possible engagement with
6 law enforcement including traffic violations,
7 which has all of your family vetted, all your
8 financials vetted and is extremely
9 comprehensive.

10 Again, Guy and his group and Bob and
11 Spectrum did it in spades. And Massachusetts
12 State Police involved in the investigation.
13 They had former FBI agents involved in the
14 investigation.

15 I spent countless hours on the
16 telephone with Bob and Bernie and Guy and Karen
17 going over document, and submitting more
18 documents. As late as yesterday, we were
19 submitting documents. And we expect to be
20 continue submitting documents throughout this
21 process. That's not unusual, it's expected.

22 Again, two points were raised today
23 that I heard, one, financing. This report
24 demonstrates the strength of the Rush Street

1 Gaming to finance. When it financed and opened
2 the Pittsburgh casino, it was in a close to an
3 impossible financial situation. The markets had
4 collapsed. There was no financing out there.
5 And the Bluhm organization pulled it off. That
6 I think demonstrates a lot.

7 Secondly, as to the integrity.
8 Leopards don't change their spots. You have a
9 group here that's been involved in gaming since
10 1998 without a blemish. And I think this
11 Commission can take a lot of solace in that.

12 They've been vetted by other
13 agencies. They've been vetted to the extreme by
14 this Commission. And I think you can have a lot
15 of confidence and I think the people of the
16 Commonwealth can have a lot of confidence that
17 these folks, as I said, get it, know how to
18 operate.

19 As Ms. Wells knows, when there are
20 violations that have occurred in the casinos,
21 there's a culture of self-reporting. We're not
22 perfect. Things happen. Kids get into casinos
23 no matter what you do. We all were kids once.
24 We know the lure of things that are forbidden.

1 The numbers that demonstrate and the past
2 history demonstrate that this company and people
3 associated with it know how to control those
4 things. They know how to comply. And when
5 errors occur, they self-report, and they are
6 cured.

7 Again, I think you can have a lot of
8 confidence in the people who work with it. I've
9 gone on at some length. I will say one thing
10 since everybody is saying hi to Guy. I want to
11 tell -- Guy will remember and I said to the
12 Chairman on the break, when Guy and I and Bob
13 started out years ago in the first casino
14 control commission in New Jersey, the chairman
15 would start at 9:00, sometimes 8:30. And
16 everybody would be drinking coffee. And he
17 wouldn't break until 12. I appreciate --

18 CHAIRMAN CROSBY: And I said he must
19 have been a younger chairman.

20 MR. DONNELLY: Well, we learned
21 early on not to drinking coffee before going on.
22 With that on, I'll thank you. Again, I
23 appreciate the attitude that you've approached
24 this with. And we hope that you will find

1 Massachusetts Gaming and Entertainment suitable.

2 CHAIRMAN CROSBY: Mr. Donnelly,
3 before Director Wells starts her report, your
4 client has had some difficulty finding a
5 location. And we have decided to just let
6 nature take its course, and let our ultimate
7 application deadlines be the deadlines that
8 drive when you have to identify a site.

9 But (A) we are interested in having
10 you find a site, because we have been promoting
11 competition, as you know. And you're an
12 important part of that, your client's an
13 important part of that. But I am wondering what
14 you can tell us, if anything, about where
15 you're at now and your degree of confidence that
16 you will be able to get a site underway.

17 MR. DONNELLY: Sure. Interesting
18 about the time I learned how to pronounce
19 Worcester, the deal didn't go through. And I
20 will say that that had nothing to do -- Both
21 sides in that worked very hard in good faith. I
22 think both sides parted with respect. I think
23 everybody tried real hard to get that done.
24 Sometimes business deals just don't get done,

1 not because of anyone's fault.

2 As you are aware and has been
3 reported in the press we have moved on. Our
4 sights are on Millbury now. I can't talk a lot
5 about that because I find it's not really
6 helpful to the process to comment on what's
7 going on. The process is going on.

8 We found Millbury very receptive.
9 And it's a great site. And we're very hopeful
10 that we can reach an agreement there and move
11 forward. There's some actions taking place on
12 Monday.

13 We are mindful of the timetables. I
14 am going to meet with your Executive Director
15 after this meeting over those timetables again.
16 We're aware of it from the statute.

17 Again, it's an interesting process.
18 To address the public again, the
19 comprehensiveness of this statute is unusual in
20 that the communities have much more say than
21 they do in other jurisdictions. That's not been
22 my experience.

23 It makes for a difficult process and
24 a time-consuming process. And I've watched the

1 videos and I've watch you all struggling with
2 that. Democracy is a difficult process when you
3 have a lot of people involved.

4 We are mindful of it. We are very
5 optimistic that we can achieve all of those
6 goals.

7 CHAIRMAN CROSBY: Good. Well, we
8 hope you do make it. We will not be changing
9 our deadlines. We did say we would seriously
10 consider waiving or maybe we said we would waive
11 if requested the 10-day waiting period on the
12 certification or the final referendum vote. So,
13 that picks up 10 days in the process. But I
14 think we're pretty clear that beyond that we
15 won't be changing the deadlines. So, if you're
16 going to do it, it's got to be done within those
17 dates.

18 MR. DONNELLY: I'd like to say one
19 more thing. I neglected to comment. I've
20 talked with Catherine and she's been very
21 helpful. And John Ziemba is on the phone once a
22 week beating me up on something or other. The
23 staff's been really good and I really mean that.
24 You never know what you're going to get. And

1 it's been a very positive experience.

2 CHAIRMAN CROSBY: Good. Thank you.
3 Any other questions for Mr. Donnelly before we
4 go to the report? Director Wells, grab the mic.

5 MS. WELLS: So, as a preliminary
6 matter on the report, the report was submitted
7 and completed before the Worcester deal was
8 terminated. So, the Worcester references in the
9 report are no longer applicable obviously. And
10 they are now working on that site in Millbury.
11 So, that will be updated for the Commission as
12 we receive that information.

13 Also, I received a letter from Mr.
14 Donnelly just regarding the report, some issues
15 he had about some particular facts. I always
16 welcome that if there's any concern about some
17 information in the report. And we've talked.
18 And we'll work all of those issues out. He just
19 basically wanted to preserve the record on that,
20 which I find completely appropriate. So, we'll
21 go forward with that in concert.

22 COMMISSIONER MCHUGH: As you start,
23 could I just interject to say that and you
24 mentioned this before, Director Wells, the

1 report that we have before us is 88 pages in
2 length.

3 MS. WELLS: Yes.

4 COMMISSIONER MCHUGH: And is
5 accompanied by your cover letter, which is 11
6 pages in length. And then there's an executive
7 summary of about three pages. That's what we
8 have and are going to use in this meeting

9 MS. WELLS: Correct. And that is
10 the exhibit before you today. The nature of
11 these investigations, there's a lot of personal
12 and confidential information that is explored by
13 the IEB. It's something that would not be
14 appropriate for public disclosure and not legal
15 for public disclosure. So, we have the redacted
16 version of the report for consideration and for
17 public and for the Commissioners to consider as
18 part of this hearing.

19 I am well aware that the
20 Commissioners have read the report before them
21 today. So, I'll just give somewhat of a summary
22 overview and hit some of the high points. I
23 also have the consultants here. Given that were
24 so involved in sort of the details of the

1 investigations and have such considerable gaming
2 experience, I'll defer to them on some specific
3 questions that the Commissioners may have and
4 some of the issues.

5 The applicant before you today is
6 Mass Gaming and Entertainment, LLC, which was
7 established in August 9, 2011 basically for the
8 purpose of tendering this application. So, this
9 entity itself does not have a regulatory or
10 business history because this entity was formed
11 in order to try to do business in Massachusetts
12 as a licensee.

13 It's basically owned by a cadre of
14 five trusts. Mass Gaming and Entertainment, LLC
15 is associated with Rush Street Gaming Partners,
16 which owns Rush Street Gaming. And Rush Street
17 Gaming is more the operational entity for some
18 of the companies that we'll talk about during
19 the course of the presentation and have worked
20 in casino operations.

21 Investigation conducted a
22 comprehensive in-depth inquiry into all of those
23 person and entities whose qualifications are a
24 statutory and regulatory precondition to the

1 suitability of the applicant. That is
2 qualifiers.

3 People who would have either a
4 certain percentage of interest or a certain
5 direct control over the entity itself that we
6 really want to look into to make sure we know
7 who we are dealing with, who is going to power
8 and control over the casino. And who is going
9 to be really doing business in Massachusetts.
10 So, we are comfortable that the people that are
11 coming here into our home state are people that
12 are going to be able to comply with the law.
13 That are going to be regulated easily and that
14 are going to do good work.

15 In this case, that involved 19
16 individual yet related investigations. So, we
17 had eight entities and 11 individuals who were
18 identified as qualifiers. And they had to
19 submit as referenced either business entity
20 disclosure forms, personal history disclosure
21 forms, Massachusetts supplemental. There's a
22 lot of information that they were required to
23 provide to the IEB so that we could conduct this
24 investigation.

1 As I indicated, the applicant is a
2 newly formed entity. And the investigation
3 analyzed the business practices and regulatory
4 history of the related entities to get an idea
5 of what we'd be looking at in Massachusetts.

6 We have confirmed through the
7 interviews with the principles that the entity
8 will use Massachusetts specific on-site
9 management team for day-to-day operations with
10 oversight by their company, Rush Street Gaming.

11 As Mr. Donnelly indicated, and I'm
12 grateful for his overview of sort of the history
13 of Neil Bluhm and the Rush Street operations.
14 So, the lead in this corporate and individual
15 entity is Neil Bluhm, a successful businessman
16 as outlined in your report.

17 The investigation analyzed other
18 gaming ventures two in Canada, the Fallsvie
19 Casino in Ontario, the Casino Niagara, Niag
20 Falls. Also in the US, the entity's River's
21 Casino in Illinois, SugarHouse in Philadelphia,
22 Pennsylvania, the Rivers Casino in Pittsburgh,
23 Pennsylvania and the Riverwalk Casino in
24 Vicksburg, Mississippi.

1 We also looked into the licensing
2 and compliance history of these entities. I'll
3 note in the report that most -- what is
4 significant as part of the investigation, we
5 look at if there are violations in the gaming
6 industry, it is extremely common for there to be
7 violations. As Mr. Donnelly has said, these
8 things happen.

9 What the investigators found is that
10 in these entities where there were violations,
11 most were minor, were considered minor and the
12 expertise of the investigators. What we found
13 particularly significant was that generally the
14 issues were self-reported. And that that
15 corrective action that was taken appears to be
16 effective.

17 So, that is particularly significant
18 as a regulator because there is an element of
19 trust involved. That if things happen, the
20 entity is supposed to report to the Commission
21 involved in oversight of the entity.

22 And if that self-reporting, if there
23 is a practice that happening that is something
24 in favor of the applicant because they're not

1 hiding things. They're not being deceptive.
2 And they're truly working with the Commission.

3 So, we did find that. The
4 consultants can put the violations more in
5 context because they understand this is new for
6 Massachusetts and for the Commissioners. So, if
7 there's any specific questions about the
8 violations and the fines and put them in
9 context, I'll defer to the consultants if you
10 have any questions on that.

11 I will comment there are some issues
12 that we looked at. One thing that is part of my
13 recommendation is regarding the audit committees
14 of the applicant. And I'll just read from my
15 cover letter so it's clear on the record.

16 The IEB does raise concern regarding
17 the structure of audit committees within the
18 various entities that the applicant and its
19 various companies operate. As noted in the
20 findings of fact, Gregory Carlin is a member of
21 the audit committees of Holdings Acquisition
22 Company LP Rivers Casino and HSP Gaming LP
23 SugarHouse Casino.

24 Mr. Carlin also serves as president

1 and chief executive officer of Rush Street
2 Gaming, LLC, the entity that provides oversight
3 services to all of the Bluhm's companies
4 operating casinos.

5 Essentially, the purpose of an audit
6 committee is to provide oversight of management.
7 The presence of management personnel in the
8 audit committee raises a potential conflict of
9 interest, management overseeing itself. For
10 this reason, IEB recommends the applicant be
11 required to restructure its audit committees if
12 any of its related entities that conduct
13 business in Massachusetts to replace any
14 management personnel with independent
15 representatives.

16 So, that is something that came to
17 my attention. I think that the Commission
18 should consider as part of a licensing condition
19 should the applicant receive the license.

20 We have also reviewed the applicant
21 litigation. The litigation was reviewed. It
22 appears to be consistent with what would be
23 ordinarily expected given the nature of the
24 business, the size of the operation and what

1 other entities are also going through in similar
2 circumstances.

3 As part of the investigation, aside
4 from the look at the companies, we also looked
5 at the individual person qualifiers. So, these
6 are people that have an influence, are running
7 the company, have some kind of operational
8 control. So, we wanted to take a look at these
9 people that are coming here, potentially, in
10 Massachusetts.

11 So, as I indicated, Neil Bluhm is
12 sort of the patriarch of the operation, the key
13 principle. He is extensively educated and
14 experienced businessman. The investigation did
15 find that he was financially stable,
16 responsible, had financial integrity.

17 He had gaming licenses or been found
18 suitable by various jurisdictions. He currently
19 holds gaming licenses, found suitable by
20 Illinois Gaming Board, which is current,
21 Pennsylvania Gaming Control Board with two
22 separate facility interests, the Mississippi
23 Gaming Commission where he was found suitable
24 but then sold the facility interest.

1 The Colorado Division of Gaming, in
2 that case the application was withdrawn due to
3 the project withdrawal. The Nevada Gaming
4 Control Board, that is pending but there is no
5 project at this point. The Louisiana Department
6 of Public Safety Indian Gaming Division that
7 license was granted but it's expired. And
8 Alcohol and Gaming Commission of Ontario, he was
9 found suitable as a gaming related supplier of
10 management services and that's current.

11 Mr. Bluhm also holds numerous
12 alcohol retail sale licenses from diverse
13 jurisdictions. For example, the Illinois Liquor
14 Control Commission, the City of Chicago
15 Department of Business Affairs and Licensing as
16 well as numerous licenses related to his
17 ownership and interests in hotels, shopping
18 centers and retail restaurant properties in
19 numerous states and commonwealths in the United
20 States and Canada.

21 And I'll go through the other
22 individuals as well. We also did criminal, as
23 you know from the presentation last week, we
24 look at everything from driving history,

1 criminal record check to any kind of issues. In
2 that case, no disqualifying information was
3 found. And he presented information that would
4 deem him suitable to hold the license in
5 Massachusetts.

6 The next qualifier is Andrew Bluhm
7 who is the son of Neil Bluhm. He could be best
8 described as a limited participant, a financial
9 investor. He has been involved in numerous
10 businesses and charitable trusts and funds.

11 Similar to his father, he has also
12 been suitable, found suitable in various
13 jurisdictions. He'd been thoroughly
14 investigated by the Illinois Gaming Board and
15 the Pennsylvania Gaming Board and the Ontario
16 Alcohol Gaming Commission. And found suitable
17 for participation in the gaming industry in each
18 of those jurisdictions.

19 He also holds current gaming
20 licenses from the following gaming regulatory
21 agencies: the Illinois Gaming Board, the
22 Pennsylvania Gaming Control Board, the
23 Mississippi Gaming Commission, the Colorado
24 Division of Gaming, the Nevada Gaming Control

1 Board, the Louisiana Department of Public Safety
2 Indian Gaming Division, the Alcohol and Gaming
3 Commission of Ontario. Pardon me, Andrew Bluhm
4 owns entities in which he is a principle, also
5 holds numerous alcohol retail sale licenses from
6 diverse jurisdictions.

7 So, similar to his father, he has
8 also been vetted in other jurisdictions and
9 found suitable.

10 COMMISSIONER MCHUGH: Are those
11 licenses required -- Is periodic renewal of
12 those licenses required?

13 MR. CARROLL: Yes.

14 MS. WELLS: Yes.

15 COMMISSIONER MCHUGH: Thank you.

16 MS. WELLS: For example, the
17 Pennsylvania one's current. For example, the
18 Louisiana Department of Public Safety Indian
19 Gaming Division, he's found suitable but it's
20 currently inactive. So, there's different
21 statuses for those licenses.

22 COMMISSIONER MCHUGH: The active
23 ones require periodic rechecks?

24 MS. WELLS: Correct, correct,

1 correct. The next individual that was
2 investigated was Leslie Bluhm. That is the
3 daughter of Neil Bluhm. She is an attorney.
4 She has founded Chicago Cares. She is, I would
5 say, is what you'd call a passive investor, not
6 actively involved in the operations, heavily
7 involved in charity work.

8 And I would comment , it's extremely
9 impressive the amount of charity work, the
10 accomplishments that she has done. She does
11 hold a number of gaming licenses in
12 jurisdictions. More specifically, she was found
13 suitable and/or licensed by the Alcohol and
14 Gaming Commission of Ontario in '97, the
15 Louisiana Department of Public Safety and
16 Correction, the Pennsylvania Gaming Board, the
17 Mississippi Gaming Commission, the Illinois
18 Gaming Board. And she made application in
19 February 2001 to the Dry Creek Gaming Agency but
20 the project was not pursued and the application
21 was withdrawn.

22 Similarly, she made application to
23 the Nevada Gaming Control Board. And while the
24 application remains pending, she no longer needs

1 to seek that license. She has never been found
2 unsuitable nor has she been disciplined by any
3 gaming agency.

4 The next individual that was
5 investigated was Meredith Ann Bluhm-Wolf. She
6 is also the daughter of Neil Bluhm. Similar to
7 her sister, she will acting as a limited
8 capacity as an investor, also an attorney.
9 Similar to the other individuals I've described,
10 all of the record checks be it the CORI check,
11 license check, all came back showing
12 favorability.

13 She also has gaming licenses in a
14 number of jurisdictions. The Alcohol and Gaming
15 Commission of Ontario, the Louisiana Department
16 of Public Safety and Correction, the
17 Pennsylvania Gaming Board, the Mississippi
18 Gaming Commission, the Illinois Gaming Board.

19 And similar to her sister, she made
20 application in February 2001 to the Dry Creek
21 Gaming Agency. The project was not pursued and
22 the application was withdrawn. Similarly, she
23 made application to the Nevada Gaming Control
24 Board in 2006. And while the application

1 remains pending, she no longer needs to seek
2 that license.

3 We also investigated Gregory Carlin.
4 He is the CEO for Rush Street Gaming. So, now
5 we're getting into the operational people of the
6 applicant entity. He has worked with this group
7 for a considerable amount of time. He also has
8 basically passed muster with respect to criminal
9 checks and other investigative checks into his
10 finances and all that.

11 He has been investigated and
12 confirmed that he held or currently holds gaming
13 licenses or been found suitable by the Illinois
14 Gaming Board, the Pennsylvania Gaming Board, the
15 Mississippi Gaming Commission, the Colorado
16 Division of Gaming, the Nevada Gaming Control
17 Board, the Louisiana Department of Public Safety
18 Indian Gaming Division and the Alcohol and
19 Gaming Commission of Ontario.

20 He also holds or has held alcohol
21 related retail sales related licenses from
22 Pennsylvania and Mississippi. The investigation
23 reviewed and evaluated the applicant submitted
24 materials, database information where necessary

1 and confirmed agency records and found no
2 material findings as to his suitability just
3 like the other applicants.

4 The next individual that was
5 investigated is David Patent. He is the Chief
6 Operating Officer and President of Rush Street
7 Gaming. He'll be a key manager in this project.
8 So, they looked into his financial stability,
9 his integrity. Just with the other ones, I'm
10 holding all of these to the same standards.

11 Similar to the others, he was also
12 holds gaming licenses -- I won't go through all
13 of those. It's getting a little repetitive.
14 But similar to the other ones in other
15 jurisdictions he has been investigated and found
16 suitable.

17 The other individual that has been
18 investigated is Timothy Drehkoff. He is the
19 Chief Financial Officer of Rush Street Gaming.
20 Similar to the other qualifiers that have been
21 investigated, everything that was presented to
22 him showed in our opinion by clear and
23 convincing evidence that he would be suitable.

24 He also holds gaming licenses in

1 other jurisdictions and has been vetted by other
2 agencies and other jurisdictions.

3 The next individual that was
4 investigated is Zelleeta Wyatt. She is the Vice
5 President of Strategic Planning and Operations
6 for Rush Street Gaming. She is someone that
7 worked her way up through the industry starting
8 and moving up in different positions.

9 She was similar to the other
10 qualifiers investigated and provided information
11 to confirm her suitability in the opinion of the
12 investigators. And also holds gaming licenses
13 and was investigated by other jurisdictions and
14 found suitable.

15 I will comment on her. She was the
16 subject of one regulatory proceeding. That was
17 after her licensing in 2002. There was a
18 dispute over whether the casino had obtained
19 proper approvals to consolidate some cage
20 operations.

21 I will comment that a hearing was
22 held and the Commission ultimately determined
23 that she had done all she could do to make sure
24 that that approval would be obtained, and that

1 the problem lay elsewhere.

2 And I will note that so careful was
3 the Commission to make sure she would not be
4 blamed for the problem, it rejected even the
5 minor penalty of the letter of reprimand. So, I
6 put that as a note. I refer to the report if
7 you want some more detail on that. But I just
8 wanted to bring that to your attention that that
9 seems to be fully vetted and that does not cause
10 a concern as to suitability.

11 Suzanne Trout, she's the Chief
12 Marketing Officer. The expectation is she will
13 participate in Mass Gaming and Entertainment
14 local facilities and promotional planning. She
15 similar to the other individuals was
16 investigated for financial stability, integrity,
17 honesty and good character, as well as business
18 experience. In the opinion of the
19 investigators, is found suitable. She also
20 holds gaming licenses in other jurisdictions and
21 was fully vetted and investigated in those
22 jurisdictions.

23 The next individual is Joseph
24 Scibetta. He is the Vice President of

1 Operations for Rush Street Gaming. In his
2 present position, he's responsible for
3 directing, design and construction from the
4 corporate level.

5 The expectation is he will work with
6 architects and designers in Massachusetts on the
7 project. He'll also participate in the hiring
8 phase. He describes himself as sort of acting
9 as a VP of Human Resources for the Rush Street
10 operation.

11 The expectation is also that he will
12 spend time at the local community, keeping folks
13 informed of what's going on with the project.
14 He's sort of the boots on the ground liaison
15 with the community members.

16 Similar to the other applicants, he
17 was vetted under the same criteria, found that
18 he had presented sufficient evidence that he was
19 suitable for licensure. Also has gaming
20 licenses in Pennsylvania, Illinois and Indiana.
21 He's held a Nevada license that has since
22 expired. Those licenses are currently in good
23 standing.

24 And the final individual that has

1 been investigated is James -- And will James I'm
2 going to pronounce this wrong.

3 MR. CARROLL: Jabczynski.

4 MS. WELLS: -- Jabczynski. He is
5 the Director of Slot Performance and Analytics
6 at Rush Street Gaming. He was investigated and
7 evaluated like the others.

8 Similar to the others, he also has
9 applied for a gaming license in Pennsylvania.
10 That application is pending. He previously held
11 licenses in Illinois and Indiana but those
12 licenses have expired. Never been found
13 unsuitable nor has he personally been
14 disciplined by any gaming agency. So, we did
15 look into those individuals.

16 The application before you from Mass
17 Gaming and Entertainment also has -- there were
18 five trusts. The Neil G. Bluhm Family
19 Descendants Trust, the 2002 AGB Family Dynasty
20 Trust, the 2002 LNB Family Dynasty Trust, the
21 Meredith A. Bluhm 2006 Family GST Trust and the
22 Carlin Dynasty Trust.

23 So, the investigators also looked
24 into the trusts, where the money came from, what

1 the money's used for, and found no issues of
2 concern with those trusts. Basically, these
3 trusts are created in order to enable a fair
4 distribution of these assets for the Bluhm
5 family and their associates.

6 The specific investments and bank
7 accounts of the these trusts have been disclosed
8 to the financial investigators and been examined
9 and evaluated. The assets of the trusts consist
10 of bank accounts and investments in closely held
11 or related entities. The bank account
12 activities have been examined to the extent
13 necessary to conclude that the reported values
14 are reasonably accurate. The investments in
15 closely held and related entities represent a
16 large majority of the trusts' assets.

17 Insofar as these are not investments
18 in publicly traded entities, the evaluation
19 given to each investment can't be ascertained
20 with certainty. However, based on the financial
21 investigators' review of the tax documents and
22 other financial statements on which the
23 activities of the closely held or related party
24 entities are reported, evaluation assigned to

1 the trusts' investments are not unreasonable.
2 So, if the Commission is looking for any more
3 detail on that I will defer to the consultants
4 on that.

5 I should clarify we also checked all
6 of the statutory criteria including make sure
7 none of the entities had any prohibited
8 political contributions or any criminal history
9 issues that made them unsuitable. And that they
10 had the requisite financial stability, integrity
11 and responsibility. The good character,
12 honesty, integrity and experience required for
13 participating in a gaming operation as well as
14 sufficient business ability and experience. So,
15 all of the entities were evaluated using that
16 criteria.

17 And the ultimate recommendation of
18 the IEB is that the entity be deemed suitable
19 and therefore be able to move forward with the
20 Phase 2 application.

21 As we stated earlier, just as a
22 reminder that this suitability is ongoing. We
23 will continue to investigate. Particular note,
24 because there is a new location and we still

1 have to receive any information about that,
2 we'll have to confirm if there's any issues with
3 the location.

4 I have had numerous conversation
5 with Mr. Donnelly. What they've indicated is
6 they do not expect that any land deal will
7 require any new qualifiers. But obviously, the
8 IEB will look into whatever issues might come up
9 as a result up of where they're going to have
10 their facility. So, that would be something I
11 will in fact report back to the Commission when
12 it's appropriate.

13 I'll just reference the recommended
14 conditions of licensure in the report. I won't
15 go through in great detail. I reference the
16 issue regarding the audit committee and that is
17 a recommendation that I have. Also with all of
18 the other applicants -- As with all of the
19 applicants, we just ask that they be required to
20 update the IEB as to any changes in their
21 structure so that we can do the investigation if
22 that be necessary.

23 The other condition that I put on
24 there, and I'll defer to the letter that's

1 before you but refer to basically the Bank
2 Secrecy Act and the money-laundering practices
3 of individuals and anti-money-laundering
4 controls that casino has in theirs.

5 As a matter of course, I am very
6 concerned about that for Massachusetts. That is
7 something that I personally find very
8 significant that we need to be very, very
9 cognizant of when we're looking at casino
10 operations in Massachusetts.

11 So, for all of the applicants I am
12 going to recommend that that be a condition of
13 licensure so we can take a very proactive role
14 in what's going on in that area. And we can set
15 the standard nationally or globally on anti-
16 money-laundering practices so that we dissuade
17 anyone with any ill intent from doing anything
18 in Massachusetts.

19 As Commissioner McHugh mentioned
20 earlier, we still have sort of the financing
21 piece and the details of the financing. I'm
22 very comfortable that based on what's been
23 provided, this applicant should go forward and
24 go to the Phase 2 process on that issue.

1 However, the Phase 2 application
2 will provide an opportunity for the applicant to
3 give far more detail about what they're
4 financing is. And we can look exactly at the
5 financing. And we will go forward with that at
6 that proper time when we have all of the
7 specific details.

8 I recognize that applicants at this
9 phase may not have that available. So, we in
10 good conscience can allow them to set up their
11 financing, how they're going to structure it,
12 but we are going to take a look at it.

13 So, that sort of concludes the
14 overview. I have the consultants here who did
15 yeoman's work on this project, did a fantastic
16 job, and can probably answer some of the
17 specific questions that I may not have
18 addressed.

19 COMMISSIONER CAMERON: Director, I
20 had a couple of questions on process. This
21 would be the overall process. First, I agree
22 with you that we are fortunate to have the
23 contract investigators with a wealth of
24 experience both Michael and Carroll and Spectrum

1 Gaming.

2 What I was interested in is I of
3 course take note that our State Police assigned
4 to the IEB have been traveling quite a bit on
5 business with investigative responsibilities. I
6 know that one of our goals was that transfer of
7 knowledge. That we will be in the near future
8 prepared to investigate from within our own
9 resources.

10 I was just wondering how that
11 transfer of knowledge is taking place. The
12 context that will be needed in jurisdictions all
13 over the world. Do you feel like that piece is
14 happening in a timely manner and you're pleased
15 with the progress?

16 MS. WELLS: Yes, I am definitely
17 pleased with the progress. Gaming is new in
18 Massachusetts. So, we had a director and
19 members of the gaming enforcement unit of the
20 State Police that had never done this type of
21 work before.

22 As part of the contract with our
23 investigators was to teach us and see what's
24 happening. The amount of information that we

1 have learned over the past several months during
2 these investigations, I can't even articulate
3 because it has been such a wealth of knowledge.
4 I found that the consultants not only are doing
5 a good job with the investigations, they're
6 doing an outstanding job in training our
7 investigators on how to do these kinds of
8 investigations on our own.

9 The nature of a suitability
10 investigation is you sort of do it at the onset.
11 So, it's a massive undertaking. Once the
12 investigations are done and casinos are
13 licensed, the nature the IEB and what the
14 investigators are going to be doing will change
15 because they'll be doing background
16 investigations for licensees. And they're also
17 going to be investigating any kind of regulatory
18 issues at the casinos.

19 But the background information that
20 the consultants are providing and the training
21 and education that the investigators are getting
22 is invaluable to doing that kind of work as you
23 go forward. Because we are really getting to
24 know these companies and how this industry

1 operates and what to look for and how to ask the
2 questions.

3 We have State Police going along
4 with investigators on interviews. And they're
5 looking at documents. They're being trained on
6 how to look at the documents, what to look for.
7 And it's been a very positive experience.

8 COMMISSIONER CAMERON: Thank you. I
9 also had a question about - You've mentioned
10 many times licensed in other jurisdictions. I
11 was wondering how much information other
12 jurisdictions were willing to share with us?

13 And secondly, it appears to me in
14 reading the report that we independently
15 verified that information and just did not take
16 that on face value. But I'd like to hear more
17 about the sharing of information and how we
18 independently verified that.

19 MR. CARROLL: Right. One of the
20 steps that we took at the outset was to make
21 sure that we teamed up with members of the
22 Massachusetts State Police and our
23 investigators.

24 What we did, to even go back a

1 little bit to the earlier question, one of the
2 things we wanted to do was introduce
3 Massachusetts officials, existing officials to
4 as many of our contacts in the industry that
5 have over the years proven to be of high
6 integrity and reliable. With that in hand, we
7 started to establish what we could call the
8 Massachusetts Gaming Commission interagency
9 reputation.

10 You have to crawl before you walk,
11 obviously. And there's steps you have to go
12 through. Each agency has different standards of
13 sharing. I can say that we now have achieved
14 after these six months, good working
15 relationships with all of the key agencies.

16 The sharing has been evolutionary.
17 For example, there may be areas that the agency
18 that we inquire into has information provided to
19 it by law enforcement. And even though the
20 Commission is a law-enforcement agency, if that
21 information for example was derived from a state
22 police group, they are more comfortable
23 providing it directly to the state police. We
24 made those adjustments and arrangements as we

1 went along. The key was you were getting the
2 information.

3 So, as that evolved, then there was
4 more of a comfort factor. And as these things
5 evolved, I come to the conclusion that we made
6 great progress in that area.

7 I would also just add, having this
8 opportunity to commend the personnel that were
9 chosen by the State Police to work, their
10 temperament and their expertise and their
11 experience has been absolutely excellent.
12 They're coming into an area that has complexity,
13 has literally a whole new vocabulary. And aside
14 from that, it's the interrelationships of the
15 corporate world into gaming and the complexities
16 of that. And all of that is being essentially a
17 tidal wave of information that's being provided.

18 What we found was that everyone was
19 very willing to take on that tidal wave and move
20 right into it. And I think in the first couple
21 of months the overwhelming factor gradually
22 eroded. And now everyone is very comfortable.
23 We've hit the stride. I think the State Police,
24 and I don't mean to speak for them, but I would

1 hazard a guess that they would say that they're
2 comfortable with the relationships that they've
3 made already.

4 We noticed we can say even in the
5 past month or two agencies are directly
6 contacting, and have been, Karen and the State
7 Police on things. And we understand that
8 process will continue to escalate. And then the
9 consultants obviously will be phased out.
10 That's planned. The obsolescence is desirable.
11 And we will continue to make that effort along
12 the way.

13 Again, relationship building is very
14 important in the industry. The only other thing
15 I'd add is you mentioned about the fact that we
16 didn't just accept recommendations of well, he's
17 licensed that's enough. We felt it important
18 that the database that your Commission builds on
19 all of your, lets call your core applicants that
20 have applied in the first cycle here that that
21 database contain as much information as we could
22 above and beyond just a simple licensing factor.

23 And we wanted to draw upon the
24 actual findings and efforts of those other

1 agencies and compare it to what was being
2 provided in the applications in Massachusetts.
3 That's laborious and it's time-consuming. And
4 there are shortcuts you can take, say okay, we
5 accept their findings. But it was felt at the
6 time that it would be better to build that broad
7 database covering all of the different
8 components that other agencies have used.

9 Because what it essentially gives
10 you at the end is a broad-based foundation of
11 all types of factors. You will assign a weight
12 to those as you go along. And your
13 investigators know what's important from other
14 agencies.

15 We can look at an application that
16 may have 100 parts. But there might be 10 parts
17 in there that are the critical elements, whether
18 it's criminal history or litigation history or
19 licensing disciplinary actions that go right to
20 the core of it.

21 The database is now in there. And
22 that is all part of the Commission record at
23 this point. And it's our feeling that we made
24 -- That was one area I think we're pretty proud

1 of in making those relationships. And I think
2 the reports contain that detail.

3 COMMISSIONER CAMERON: Thank you.
4 Last question and I'll let the other
5 Commissioners ask some questions. I was very
6 interested in compliance history. Mr. Donnelly
7 you mentioned some of the violations.

8 What I saw in reading this report
9 were lists of violations, significant violations
10 and fines, progressive discipline. And the
11 statement that there's not an inherent or
12 systematic weakness or pattern of intentional or
13 neglect.

14 I was wondering how you compared --
15 I was interested in how you compared and were be
16 able to make those statements. They're
17 improving or -- Because I'll be honest with you,
18 when I look at the tables on pages 36 and seven,
19 I actually don't see a history of reduced
20 violations.

21 I am assuming that there are sweeps
22 done by Alcohol Beverage as in most other
23 jurisdictions that I'm aware of. In other
24 words, they'll pick a couple of times a month

1 maybe to go and they'll be identification of
2 licenses, age verification.

3 But you were able to ascertain that
4 this is within the course of doing business?
5 This is not unusual and/or necessarily high? Is
6 that compared to other facilities in the
7 jurisdiction? Or is that your overall knowledge
8 of what would be acceptable?

9 MR. CARROLL: I can answer that
10 rather than John, I think. The comparison that
11 was done included both the host jurisdiction for
12 the facilities as well as what we have
13 experienced in the industry as a whole.

14 The different agencies have
15 different enforcement standards. You are right.
16 There are sweeps and so forth that are done.
17 What we found was that you evaluate the number
18 of people that go through the facilities that
19 they have, how large are they? What's the
20 number of people they're dealing with? Is it
21 10,000 people a night on a weekend that type of
22 thing. And then look at the type of incidents.

23 I would say, I think, with a high
24 degree of confidence that what we found with

1 this applicant was a culture of regulatory
2 compliance, which was based upon much self-
3 reporting of things. They didn't hide things.
4 But more importantly, the timely response and
5 remedial actions that were taken.

6 There may not be a numerical
7 lessening. For example, you might have in 2011,
8 you might have seven underage incidents in one.
9 You might have another seven -- You have four
10 for example in 2012. That's a numerical
11 reduction but the actual number compared to the
12 number of people that for example go through
13 their facilities and the type of remedial action
14 they undertook we found to be very positive.

15 I also might say that particular in
16 the Rivers Casino and you look at this you'll
17 notice that seems to be the area where the most
18 violations are, that was the casino where they
19 inherited the property, so to speak, that was
20 still being developed.

21 In talking to their executives and
22 Mr. Donnelly, they explained to us a factor that
23 I thought was significant. The egress and
24 ingress points of a facility in modern casino

1 design, effective casino design there's what's
2 called a chokepoint where people go through
3 security and you narrow down the rush so that
4 security can look for underage people and check
5 --- effectively check identifications and so
6 forth and weed out kids that are trying to get
7 in.

8 As Karen mentioned before, that's a
9 continuing thing. That will always be the case.
10 They want to get in to see the alcohol. They
11 want to go in to hear the machines. They want
12 to try to gamble. And this is exciting. That's
13 never going to stop.

14 But getting back to this Pittsburgh
15 facility, when they inherited that facility they
16 did a design after getting some of these
17 violations. And it was represented to us that
18 they said they didn't like that. They had
19 disciplined their supervisors and, I guess,
20 terminated a couple and so forth and did
21 training. But the design element was a problem.

22 And I understand that they had
23 redesigned, but more importantly carried over
24 that learning experience to when they opened up

1 the Philadelphia facility. And John, if I
2 misstate this, I don't want to, they had
3 represented to us that the facility had designed
4 corrections for these types of things in place.
5 That same evolutionary learning curve will be
6 brought to Massachusetts. And John, if you want
7 to add to that.

8 MR. DONNELLY: I think what you said
9 is more than adequate. Kids do try to get in.
10 You will experience some things that will shock
11 you later on. People will come into the casino
12 with their kids and stand by and encourage their
13 kids to play slot machines. I find that
14 stunning but I see it.

15 There are different ways to approach
16 that. Kids have false IDs too. And with
17 computers now the false IDs are more and more
18 sophisticated. That said, I want to make one
19 point to the public. No casino is interested in
20 having a kid in their casino. Kids don't have
21 any money. They're just trouble. Nobody in the
22 public should think someone is trying to entice
23 a kid into the casino. It is absolutely to the
24 contrary. We don't want them.

1 And we are in favor of penalties to
2 the kids. New Jersey takes away driver's
3 license. Now what's the relationship between a
4 driver's license -- They give them a six-month
5 suspension. What's the relationship between
6 gambling, trying to get into a casino and a
7 driver's license, nothing. What does a kid
8 want, the driver's license. So, that's
9 effective.

10 I would love to see the parents
11 brought into these sometimes. As I said, I've
12 seen cases where parents encourage their kids to
13 come into casinos. There should be something
14 done with those parents.

15 But I want to emphasize that we
16 don't want kids in the casinos. They are of no
17 use to us at all. They have no value. They
18 shouldn't be in a casino and so on. And we do
19 everything that I think is physically and
20 humanly possible to stop them. From guards at
21 the gates, we roam around. We have surveillance
22 looking at them, looking at the floor at all
23 times.

24 As Bob pointed out, the vast

1 majority of these are self-reported violations
2 where guards will go around and find somebody
3 that looks young and card them again. And by
4 the way, we won't pay jackpots, something else
5 the public should learn. If some kid gets in a
6 casino in any jurisdiction, and I'm sure in
7 Massachusetts too, and thinks they're going to
8 win money, forget it. Because if we find out,
9 we won't pay the jackpots. We will forfeit them
10 to the State.

11 So, there's no reason they should
12 be --

13 CHAIRMAN CROSBY: Forfeit them to
14 the state, nice.

15 MR. CARROLL: That's not an
16 incentive though.

17 MR. DONNELLY: I will echo also what
18 was said. The history of compliance here is not
19 unusual. Some of the numbers if we sat here and
20 put the numbers of kids that are turned away,
21 they would be very, very, very high. Some
22 fishes get through that net. The only thing
23 that we can do in those cases is what we do, we
24 self-report.

1 By the way, our statistics I think
2 -- in some way, we can be a bit proud of them,
3 because they are drive by self-reporting. So,
4 we're not trying to hide the ball when it
5 happens. I wish in a lot of jurisdictions there
6 could be penalties that would really deter a kid
7 from even thinking about going into a casino.
8 And I think it works.

9 CHAIRMAN CROSBY: That's a
10 worthwhile suggestion. We'll think about that.

11 MR. DONNELLY: By the way, back to
12 the Jersey experience, I'm a private
13 practitioner too. It's not uncommon for me to
14 get a call from a parent who says I want my son
15 or daughter who was in the casino and got picked
16 up, I don't want them to lose their license. I
17 don't want the blemish.

18 And the courts in New Jersey -- I
19 tell them, I tell these clients there's nothing
20 I can do. They are going to be prosecuted.
21 They are going to lose their license. They are
22 going to get a black mark. You can maybe
23 expunge it later on. It's not a horrible black
24 mark, but there's nothing I can do. And that

1 word has gotten out among the kids in New Jersey
2 if you get caught in a casino, you're going to
3 lose your license.

4 MS. WELLS: Just as a side note, we
5 do have that in Massachusetts for tagging.

6 CHAIRMAN CROSBY: For what?

7 MS. WELLS: For tagging, for
8 graffiti for kids. As a prosecutor in juvenile
9 court, that was one --

10 COMMISSIONER CAMERON: I think this
11 has been said many times to me from compliance
12 folks is pay attention in the design because I
13 think that could be very, very helpful for
14 compliance in a number of levels. Thank you,
15 thank you.

16 CHAIRMAN CROSBY: Commissioner
17 McHugh?

18 COMMISSIONER MCHUGH: I want to
19 correct something I said at the beginning when I
20 was saying how many documents we had in front of
21 us. I said that the executive summary is about
22 three pages. It's actually seven and I want the
23 record to reflect that.

24 I wondered why redesign of the audit

1 committee was a condition of the license rather
2 than a condition of suitability?

3 MS. WELLS: I think that's more that
4 that is a very simple fix that the Commission
5 can easily enforce. So, it's not something
6 where we have concerns about an individual or
7 need more information or need them to explain
8 something more. It's a very hard and fast issue
9 that can be addressed at the licensing stage.

10 And I don't think that the applicant
11 had any issues with that. And we discussed
12 that. So, it's a very simple solution that
13 could be easily addressed and didn't need the
14 whole process of questioning suitability.

15 MR. DONNELLY: May I address that?

16 COMMISSIONER MCHUGH: Surely.

17 MR. DONNELLY: Thank you,
18 Commissioner. A couple of things. One the
19 audit committee that we set up originally was
20 voluntary. There was no requirement under those
21 entities when they were originally set up.

22 Rush Street Gaming, the parent
23 oversight entity is indeed an oversight entity
24 and began as an oversight entity. It has

1 morphed to some degree as was pointed out into
2 some operational elements. And it's serving now
3 as more of an umbrella organization.

4 The person who is on that audit
5 committee is part of the oversight entity. And
6 although there -- There are two audit
7 committees. One in Pittsburgh and one in
8 Philadelphia. The role of that oversight audit
9 committee is to provide oversight on the
10 operations of the properties. So, it is, I
11 think and it was deemed effective. And the
12 Pennsylvania regulators were acceptable with
13 that.

14 That said, this issue arose during
15 investigation. And we have no objection to not
16 having anyone from Rush Street on the audit
17 committee in Massachusetts. And we would, even
18 if not required, establish an audit committee in
19 Massachusetts.

20 COMMISSIONER MCHUGH: Thank you. My
21 only other question was one that Commissioner
22 Cameron already has touched on and you responded
23 to. Drilling down one more level, it did strike
24 me that the self-reporting was admirable. The

1 lack of any intentional disregard of regulatory
2 compliance struck me as a sound and sensible
3 conclusion from this.

4 But I must say I was troubled by the
5 number of incidents and the fact that they
6 didn't seem to disappear, notwithstanding the
7 substantial fines that were imposed and the
8 training regiments that were instituted.
9 February 15, 2011, at Rivers for example, was
10 seven incidents that began in June and went
11 through January. And then there was the fine
12 and the retraining.

13 But in November 20 there are four
14 more that begin right at the beginning of the
15 year where the other ones left off. Then a year
16 later in SugarHouse in Philadelphia there is
17 another seven about in the middle of the
18 retraining or shortly after the retraining in
19 Pittsburgh.

20 On an enterprise basis, I was
21 concerned with the effectiveness of the
22 regulatory machinery. Two different locations,
23 two different design, same issue, repetition. I
24 understand you're not advertising and you don't

1 want these kids in there, but I wondered about
2 why these accumulation of incidents didn't
3 demonstrate a pattern that demonstrated some
4 regulatory weakness.

5 MR. DONNELLY: I'll respond to that.
6 The only thing I can say again is what I see on
7 a daily basis in all of the places I service is
8 you see kids who are 20 years old who look like
9 they're to me 25. And they have fake IDs, and
10 extremely sophisticated fake IDs.

11 And even if they're stopped at the
12 door, checked, carded and get in, someone like
13 that we might catch when they win a jackpot and
14 we do a W-2G on them or when security sometimes
15 find someone who has been the place beforehand.

16 I want to be perfectly honest, you
17 can't stop every kid from getting into a casino.
18 It won't happen. It's never happened in any
19 jurisdiction in the world. The most effective
20 -- Just like alcohol and other places where kids
21 shouldn't be, they get in. The only effective
22 thing to do is to do absolutely the best you
23 can, retrain people, punish people, employees
24 when they make mistakes they shouldn't make. If

1 it's not a mistake they shouldn't make, retrain
2 them. Make it a priority, make it a culture.

3 One of the things that they're doing
4 in Rivers, and I should have gotten statistics
5 today, but I told it to either Guy or Bob, they
6 were putting on the walls the days that they've
7 been without a violation like when I used to
8 work in the steel mill and they used to do it,
9 yes, OSHA, they used to do it, and say how many
10 days without an accident.

11 So, they were trying to put through
12 the culture look we've now had at the time it
13 was something like 180 days without an incident.
14 This isn't even a solution. Even in New Jersey
15 it's proven, even with the kind of tough
16 penalties that kids suffer, kids still try to
17 get in. Kids still get caught. Kids get
18 rejected.

19 COMMISSIONER MCHUGH: I understand
20 that. But the question is why doesn't it
21 demonstrate a pattern? And the same is true of
22 underage drinking in bars, but we shut down bars
23 for a second violation. Something like this
24 would shut down a facility.

1 MR. CARROLL: I could just add one
2 thing. It's probably relevant to provide to the
3 Commission some of the other jurisdictions,
4 particularly say Pennsylvania to give you a
5 larger context of it.

6 I just asked Bernie, I said, I
7 believe we have in our materials and if our
8 staff is listening, maybe they could find it, I
9 believe we have some of the annual statistics on
10 this to give you a better context of it.

11 But to rise to a level of a pattern
12 for us would probably take the contextual
13 analysis. For example, if the average casino
14 would have 100 of these violations a year. And
15 other types of casinos, similar casino size and
16 demographic and so forth would have 200 or 300
17 more that would show us something. It would
18 show that it would be less than the others or
19 maybe they're doing a little bit better.

20 But candidly, this number here we
21 thought very low. We don't think it's tolerable
22 at all, but as John said, it's a really big
23 challenge to try to exclude minors. And what we
24 found is that in looking at these, and we did

1 look at them sequentially, we compared them, I
2 think what we can do is we'll get that
3 information to the Commission so you can have a
4 larger context to perhaps see the numbers.

5 It's a problem in gaming, no
6 question about it. I think all gaming operators
7 are very conscious of it now. There are
8 penalties, as you can see, significant financial
9 penalties. But as John has already indicated,
10 no one wants minors to participate.

11 I can tell you also from a practical
12 side of it, in addition to the fact that they
13 get in and you have problems when they're found
14 in there, it taxes your security staff. It
15 taxes surveillance because responding. Security
16 officers are dispatched. They're taken into
17 custody. They're prosecuted. Law enforcement
18 comes.

19 One minor coming in may have 10
20 persons be affected by that whether it's the
21 manager on duty who has to make a decision.
22 Security, two officers escort, the person's
23 interviewed. There's verifications done. The
24 local police are called. The State Police are

1 called. Everybody comes, we got a minor. And
2 the person is brought out, brought to a location
3 and processed. All of that because some kid had
4 a false ID and was able to get in. So, it's a
5 problem.

6 I can say and I'll draw this is a
7 personal comment on experience that these
8 numbers I would say are very much on the low
9 side. But I think to give you a larger context,
10 let's get some industry wide stuff for you so
11 that would be helpful, I think.

12 MR. DONNELLY: I also want to
13 emphasize again, we self-report. So, our
14 numbers reflect vigorous self-reporting. So, if
15 we find a kid on the floor, even though we
16 didn't arrest him, even though no one would know
17 unless we self-report, we self-report.

18 CHAIRMAN CROSBY: Is it voluntary to
19 self-report? Other casinos don't?

20 MR. DONNELLY: I know what we do.
21 We self-report.

22 MR. CARROLL: Not all casinos do.
23 One thing I just wanted to point out. One other
24 statistic, Judge, what this doesn't show is how

1 many minors are turned away by effective
2 security.

3 I can remember in bars when kids
4 would try to sneak in. If you go a year, you
5 would see fake IDs that were seized would fill a
6 shoebox on any given weekend. In here, when I
7 say here, in this industry the number of minors
8 that are turned away is astronomical. They all
9 try. But I think getting you some contextual
10 numbers just will be helpful to you.

11 COMMISSIONER MCHUGH: Thank you.

12 MR. CARROLL: You're welcome.

13 CHAIRMAN CROSBY: Commissioner
14 Zuniga?

15 COMMISSIONER ZUNIGA: I had a
16 question relative to what appears here on page
17 38, 37 and 38 of the report, an unpermitted work
18 and discharge of dredge during the construction
19 of the Rivers Casino.

20 I was just wondering if you could
21 expound on the circumstances around it? Whether
22 there was an oversight failure of a contractor?
23 I know the applicant was not necessarily party
24 to the settlement. But if you can expound on

1 those circumstances or the lessons learned or
2 what have you?

3 MS. WELLS: Is that a question for
4 the applicant?

5 COMMISSIONER ZUNIGA: Yes. It's a
6 question for the team.

7 MR. DONNELLY: Yes. First of all,
8 let me put this in some context. In the city of
9 Philadelphia, city probably like Boston too, I
10 won't say it's been there for quite a while.
11 There are outflows which handle storm water and
12 some of them are 100 years old, brick outflows.
13 Sometimes they become combination storm water
14 and storm sewage when there's heavy rains.

15 There are two outflows on the
16 property where SugarHouse is located. One I
17 know is over 100 years old. I don't know how
18 old the other one is. During the course of
19 construction, what occurred was because we were
20 on the river, on a navigable river, the Army
21 Corps of Engineers has jurisdiction over the
22 river I think up to the high-tide line, mean
23 high-tide line. The Delaware River is affected
24 by tides.

1 There is jurisdiction on that area
2 which during the construction phase people, the
3 construction people stored some construction
4 materials, which they shouldn't have stored on
5 there. I want hasten to add there was not
6 pollution. There was no toxic chemicals or any
7 chemical or anything that flowed in. It was a
8 matter of storing material on ground that the
9 Army Corps had jurisdiction over.

10 And as to one of these outflows,
11 there were bricks that fell in and so on. And
12 one of the construction people, as I understand,
13 did some construction repairs on that outflow.
14 Again, no pollution, nothing flowed into the
15 river, nothing that affected the environment.

16 Nonetheless, it was argued by the
17 Army Corps that that violated their rules. We
18 went into some relatively lengthy discussions.
19 There was no violation found. And all of the
20 related company agreed to pay a \$25,000 fine and
21 to make a contribution to a charitable entity
22 for the environment.

23 But I think the thing that is most
24 important (A) it wasn't done by the company. It

1 was done by its contractor. But (B) it wasn't
2 an environmental incident associated with it at
3 all. It was -- In fact, one of the factors was
4 in one case some snow was pushed onto that
5 property.

6 I don't want to minimize it. It
7 shouldn't have happened. It did happen. But I
8 also don't want people to think that the company
9 engaged in a polluting activity either
10 consciously or unconsciously, it did not.

11 Right now, we're dealing with the
12 Army Corps on the expansion that's going on
13 there. And everything is going fine. And we
14 are doing -- We are repairing as part of the
15 project, we are repairing those outflows. If
16 you saw them, they would not look lovely to you,
17 just let me say that. We are repairing them and
18 from a site point of view be much better and
19 from a functional point view be better too.

20 CHAIRMAN CROSBY: Just for the
21 record, it wasn't \$25,000, it was \$650,000.

22 MR. DONNELLY: It was a \$25,000
23 fine, Mr. Chairman, and the remainder was a
24 contribution that remained not as a fine but a

1 contribution to a charitable entity.

2 CHAIRMAN CROSBY: Okay. Anything
3 else, Commissioner Zuniga?

4 COMMISSIONER ZUNIGA: Just a follow
5 up, on the audit committee question that was
6 already raised. Could you tell us your plans?
7 Or are you taking steps already towards having
8 an independent audit committee on other
9 properties, you mentioned Massachusetts that
10 would not be the case?

11 MR. DONNELLY: The answer is no, not
12 at this stage not in the other two properties.
13 As a snapshot today, a Rush Street person sits
14 on that audit committee. And the other
15 regulators have not raised an issue on that.

16 Whether that remains the same or
17 not, I can't say. No one is dying to be on an
18 audit committee. So, it wouldn't shock me if
19 that person got off.

20 COMMISSIONER ZUNIGA: Thank you.

21 CHAIRMAN CROSBY: Commissioner
22 Stebbins?

23 COMMISSIONER STEBBINS: Just a
24 couple of quick questions. I like the fact that

1 I think the Commission has mental telepathy
2 amongst each other, because we all seem to have
3 identified the same questions, at least from my
4 notes.

5 Quickly to follow up on the
6 environmental incident in Pennsylvania. Have
7 you taken any corrective or did you see the need
8 to take any corrective steps in how you screen
9 essentially contractors coming in to do work on
10 any of your properties kind of as a follow-up?

11 MR. DONNELLY: The answer is that we
12 have some contractual remedies that are working
13 their way through right now, which I think will
14 be successful. Those contractors who were
15 onsite when this happened are, because of the
16 contractual remedies, are very aware of it. And
17 I don't think it will occur again, let me just
18 say that.

19 The Army Corps was very aggressive
20 in asserting its jurisdiction over that piece of
21 ground. I just keep coming back. Again, it was
22 not an environmental problem. It was a problem
23 with intrusion on Army Corps jurisdictional
24 ground that the Army Corps had jurisdiction

1 over. And we should not have intruded on that
2 ground.

3 But I want to emphasize that there
4 wasn't any pollution. When you see
5 environmental, you think, well, something
6 happened, some chemicals got in or something
7 like that and that was not the case.

8 COMMISSIONER STEBBINS: The other
9 question I had I guess is for Director Wells.
10 As we are requiring applicants to let us know of
11 any changes in qualifiers in the business scene,
12 considering the information we had that this is
13 a pretty tightly controlled, family-operated
14 business as well as some key employees that are
15 qualifiers in this process, you don't see any
16 new qualifiers.

17 Do we have a requirement that any
18 information that comes up in this intervening
19 time period where we will be reviewing their
20 Phase 2 application that they alert us to any
21 regulatory fines or violations from their other
22 operations?

23 MS. WELLS: Yes, that's correct.

24 MR. CARROLL: Yes. And actually

1 that has actually happened. Mr. Donnelly's
2 office has kept us abreast of any violations
3 that have occurred. I think there is even a
4 supplemental report that we had provided some
5 additional information on. Yes, that is
6 happening. It is a requirement. And this
7 applicant so far has been responsive in that
8 regard.

9 MR. DONNELLY: Without burdening the
10 record, I'd like to address the qualifiers,
11 because I think as I was listening earlier,
12 there will be new qualifiers that come in during
13 this process because you kind of change the
14 process in that you're finding suitability first
15 and selecting a casino operator later on.

16 I just want to kind of give you my
17 thoughts on this. There's two ways to handle
18 that. Obviously, if a new qualifier were to
19 come in, even as a financial source for I would
20 say Rush Street. Rush Street has retained or
21 has hired a new person who has a title I can't
22 even pronounce. It's Vice President of
23 Analytical Algorithms or something who is going
24 to be doing gaming analysis for them. That

1 person is completing personal history disclosure
2 forms and will submit them probably this week or
3 early next week to the gaming board and that
4 person will have to be investigated.

5 I think just a suggestion, in the
6 past the way we've handled those situations is
7 essentially said okay, until this person is
8 vetted that person cannot provide services to
9 are related to the entity where he has to be
10 licensed in.

11 We kind of put him on the shelf, him
12 or her on the shelf. And allow them the time
13 period to learn the ropes where they work -- I'm
14 being factious on that, but what their duties
15 are and so forth but not exercise the duties of
16 the office until such time. I think that's one
17 way the gaming boards can be comfortable in
18 getting new people in.

19 This particular human being is a
20 former FBI Special Agent. So, we're not going
21 to have any question as to suitability I don't
22 anticipate. But that's one way. As I was
23 listening and the Chairman said look, this is
24 business. Things are going to happen. People

1 are going to leave. They're going to quit.
2 They're going to have to hire new people.
3 People are going to die. Organizations are
4 going to expand. So, that's going to happen.

5 The only real effective process is
6 since it takes time to take time to do these
7 investigations is to say okay, until we're
8 comfortable with those people, maybe they can't
9 exercise their duties of their office. And I
10 think that's an effective way that makes
11 everybody satisfied.

12 CHAIRMAN CROSBY: I think the only
13 situation that could really cause us some angst,
14 and it's unlikely, would be if there was a
15 change in qualifier, which was so substantial
16 you were potentially changing the applicant,
17 which is highly unlikely. Otherwise, this is
18 just going to be routine and we would deal with
19 it in this kind of way, I think. Commissioner
20 Stebbins?

21 COMMISSIONER STEBBINS: All set,
22 thank you.

23 CHAIRMAN CROSBY: I have two quick
24 questions. But I would like to just turn off

1 the mic and take about a one minute break,
2 because I want to ask Commissioner McHugh a
3 question before I do that.

4

5 (A recess was taken)

6

7 CHAIRMAN CROSBY: We are back on.
8 Two questions, one of them is pretty minor. But
9 in your final letter, here and elsewhere and I
10 think it's the same thing in the IEB report, you
11 talk about new qualifiers would need to get the
12 BED and the personal history form. You don't
13 mention the Mass. Supp.?

14 MS. WELLS: That may just be an
15 unintentional oversight. If that's required, we
16 would ask for that, yes.

17 CHAIRMAN CROSBY: It would be
18 required, right, if it's an individual?

19 MS. WELLS: Right, not for a
20 business entity.

21 CHAIRMAN CROSBY: So, that's
22 throughout your letters. It doesn't refer to
23 that. And we just might as well be sure that
24 it's added in.

1 MS. WELLS: Yes, absolutely. Thank
2 you for correcting that.

3 CHAIRMAN CROSBY: The other one is
4 sort of an issue for -- is an issue for Mr.
5 Donnelly and relates to a certain extent to the
6 discussion we've been having about the audit.
7 As I reviewed the information, I was at least
8 puzzled by the corporate employment structure at
9 Rush Street Gaming.

10 You've got a handful of very well
11 compensated obviously, quite experienced
12 executives. And right underneath that and
13 that's a very small handful, right underneath
14 that you have at the corporate headquarters a
15 number of executives who at least according to
16 their titles are serious players. They're quite
17 modestly compensated, in some cases modestly
18 accomplished, in some cases have had financial
19 problems.

20 And it seems to me that creates a
21 vulnerability to this organization for obvious
22 temptations. Somebody that's at the heart of an
23 organization like Rush Street Gaming, which
24 oversees such a substantial financial empire

1 that that seems to me to be an issue. And I say
2 it relates to the audit because I wonder if it's
3 a privately held company that wants to keep
4 everything close to its vest, doesn't want a lot
5 of junior executives running around who have
6 very much authority. Similarly, having
7 management on your audit committee, you don't
8 really want a bunch of outsiders messing around
9 in your private entity business. I don't know.

10 Anyway, so that seems to me to be a
11 little bit of an issue. And I wonder if you
12 could just speak to that if you understand what
13 the theory is. If you think whether that's an
14 issue? If you think that's anything that needs
15 to be attended to.

16 MR. DONNELLY: Well, it raises a
17 couple of points. It isn't just a one-man band.
18 There are a number of entities that are
19 associated with Neil Bluhm. And in many of
20 these projects, for example, in Pittsburgh the
21 coinvestors are different from coinvestors in
22 Philadelphia, a completely different set of
23 human beings and/or entities.

24 Those coinvestors serve as a mini

1 audit committee as well. For example, in
2 Philadelphia there is a group called RSPS that
3 is a partner and there are at least quarterly
4 management meetings. That group gets
5 financials, reviews and is very competent in and
6 of itself and is watching its investment.

7 And the same thing in Pittsburgh,
8 there is a group that is associated in those
9 projects and does the same thing. And in Des
10 Plaines there is a third-party in there. So, it
11 isn't a one-man show. In all of these projects
12 there are other parties who are minding the
13 store, if you will, as well.

14 As to the second part of your
15 question, Rush Street is in many ways a provider
16 of services. For example, rather than each
17 individual entity doing its own financing and
18 looking out for its own financing, its own bank
19 relationships, if there is a favorable market,
20 there might be an opportunity for a refinancing.

21 Rush Street has a person, Tim
22 Drehkoff, who is their CFO, I believe. I'm not
23 exactly sure of his title. But part of his job
24 is to provide that sophistication and that level

1 of expertise to all of the properties. So, if
2 the financial markets become favorable and
3 there's an opportunity to refinance some of the
4 debt in any one of the companies, they won't do
5 it themselves. They'll look to someone like Tim
6 to provide them with the context and expertise.

7 That doesn't is mean that Tim has
8 any operational duties on the properties. He
9 doesn't. He's not operating the property. They
10 have their own -- Each property has its own
11 operational staff and so on. And that's similar
12 for virtually all of the employees with some
13 exception. David Patent is the one employee who
14 moves from place to place and comes in and flies
15 in and says what's going on here. And Greg
16 Carlin, secondarily, although Greg is more of an
17 executive level area.

18 So, the structure is such that you
19 have operating people at each property. Each
20 property has an internal audit division. And
21 each property has surveillance, security plus
22 internal audit and regular accounting audit too.
23 So, the way those casinos are structured are
24 pretty much, I'm certain the way they will be

1 structured here as well, is that each property
2 has its own compliance section, if you will.

3 They have persons who are charged
4 with compliance with the regulations. They have
5 their own financial staffs that are responsible
6 for compliance. They have a legal staff that is
7 responsible for compliance. Then they have
8 surveillance, which is independent of the rest
9 of the entities and security -- the rest of the
10 groups and they have security. All of these
11 people watch each other.

12 Then you have internal audit, that
13 comes around and has carte blanche to audit
14 everyone else. And the structure that we have
15 in place is that internal audit and surveillance
16 report directly to that audit committee.

17 So, when the audit committee
18 meetings are held on -- I can't tell you exactly
19 how frequently they are held. I think they are
20 held quarterly. -- the presentations are made to
21 the audit committee in both places. And that
22 audit committee has independent people. It has
23 investors on it who are interested in the
24 finances of it. And some are from Rush Street.

1 That audit committee will hear from
2 the operator of the facility. They will hear
3 from the persons in charge of compliance. They
4 will hear from me, because part of my job -- I'm
5 an outside auditor. Part of my job is to know
6 what the gaming boards, the Pennsylvania Gaming
7 Board's thinking. I don't provide services in
8 Des Plaines, but I do for the Pennsylvania
9 casinos. They will hear from surveillance and
10 they will hear from internal audit.

11 CHAIRMAN CROSBY: This is a little
12 bit off the topic and I realize confusing.

13 MR. DONNELLY: Sorry.

14 CHAIRMAN CROSBY: I brought up both
15 the audit issue as well as this. I understand,
16 I think, the audit. It's been talked about
17 quite a bit. And there are a number of checks
18 and balances. And you're going to address the
19 issue we thought about, and that's fine.

20 This is a little bit different from
21 that. It is different than that, and it's
22 somewhat gratuitous. Everything that we have
23 heard from our consultants and elsewhere just in
24 the common business press that this is a high-

1 quality outfit and people that we would be proud
2 to have here.

3 But it does strike me that at your
4 corporate headquarters where you have people
5 with substantial titles and I assume substantial
6 responsibility who by those titles for a company
7 of that size look to me to be modestly
8 compensated, maybe in some cases have modest
9 opportunities for other employment. Have no net
10 worth and in some cases have had financial
11 troubles that you're creating a coterie of
12 executives who are vulnerable to financial
13 pressure. And in a business like this, that's
14 not something you'd want.

15 I talked about this with Bob Carroll
16 and you might want to speak to this. But
17 there's something about that package of
18 compensation, background, financial experience
19 and responsibility at a multibillion-dollar
20 corporate headquarters that strikes me as a
21 little odd.

22 MR. CARROLL: I would just add a
23 couple of things on. It's certainly a valid
24 observation, Chairman. One of the things that I

1 did discuss with the Chairman was that the
2 industry, in looking at for example the
3 particular individuals that populate the
4 operational, this mid-level operational group
5 for Rush Street Gaming. Again, not inconsistent
6 with the industry in any way, but a lot of these
7 people who perhaps do not have significant
8 personal wealth, come from -- and looking at
9 their whole history, literally from the time
10 from high school on, you'll note that they were
11 in the gaming industry. Several progressed from
12 front desk clerks to positions of considerable
13 authority.

14 In doing that, in looking at the
15 backgrounds even what's in the report, although
16 it is summarized to a certain extent, we also
17 had the opportunity to look at their personal
18 family structures, who was married, had children
19 and was working a second job and so forth.

20 And I say this all because the
21 context we saw it in, and I did go back and
22 check after we talked, Chairman, and looked at
23 each individual's more detailed files. And what
24 I saw was these are mostly industry experienced

1 people that are paid at levels that are say
2 essentially consistent with the industry for
3 those titles.

4 The interesting thing that I saw
5 also was the Rush Street Gaming structure does
6 have this core group of roughly 10 individuals
7 in their corporate office in Chicago who have a
8 great deal of very successful business
9 experience. But all of them, and I believe
10 including Mr. Bluhm himself, did not start out
11 in the gaming industry. He acquired interests
12 and became very educated and obviously
13 successful.

14 But there is a need in this industry
15 for those type of people who literally have put
16 their lives into this and have worked their way
17 through it and reached a certain level. In many
18 cases, it's not at a level that you would have
19 achieved if you had completed higher education
20 and went into the corporate world.

21 But your experience, and I would
22 point you to multiple properties these persons
23 have served in in say a 30-year career, they may
24 bounce from \$150,000 job to a \$160,000 job to

1 \$170,000 on and on. And end up after 30 years
2 at \$240,000, which to many people is a very
3 large sum of money. But when you take that
4 person who has 30 years of experience and put
5 them in charge of five operating casinos from an
6 oversight perspective and have them traveling
7 around five days a week, six days a week, it
8 starts to become a lot more relevant.

9 I only say that just from a
10 practical standpoint, the disparity is there, no
11 question about it. Vulnerability, I think, I
12 don't think my personal opinion matters on
13 whether they would be vulnerable. I think their
14 individual integrity records have been examined.
15 I think we're confident in recommending them to
16 you.

17 The final piece of it would be their
18 vulnerability in the sense of not having any
19 money at all and looking at in the past what has
20 caused that other than their own job jumping, so
21 to speak. We did look at any variances in
22 income levels, differences if there was no
23 progression or if there were spikes. Each one
24 of those were looked at.

1 We did find examples where there
2 were spikes in income, but we checked back and
3 we found they were due to stock sales, stock
4 options sale and leaving companies and cashing
5 in on stock holdings and things. Again, nothing
6 out of the ordinary.

7 I'm very, very confident in saying
8 based on fact not opinion that the core group of
9 individuals we saw there seemed to possess a
10 great deal of industry experience, a modest
11 degree of industry recognition and position.
12 And that's about as far as I could go and be
13 comfortable.

14 MR. DONNELLY: The only thing I'd
15 add is I want to make it plain this this not a
16 mom-and-pop shop out there. There's case early
17 on in Boardwalk Regency Caesars where the
18 Supreme Court of New Jersey said that the game
19 of blackjack alone is regulated more than most
20 industries in New Jersey.

21 The good part of this is these
22 gaming operations are so highly regulated that
23 there is built into it an absence of
24 vulnerability, if there is such a thing. I

1 don't know how given that every number is
2 reported, there are audit committees, there are
3 internal audit, there are all of these checks
4 and balances, as you spoke of, and then
5 regulators on top of that. It is not an
6 industry that lends itself to infiltration or
7 anything along those lines from the beginning.

8 Number two, the Chicago outfit with
9 the exception of David who hits some properties,
10 most of those are in kind of service or staff
11 positions what I would recall. Again, they are
12 not in charge of operations. They are providing
13 shared services or oversight to these entities.

14 Those people in those positions are
15 not in the position to do anything with property
16 revenues that are governed on each property or
17 for that matter do I believe in a position,
18 let's take an extreme situation that I guess
19 your question suggests if somebody were in such
20 financial dire straits that they'd want to help
21 out some bad person somehow or other, I don't
22 think there's anything they could do. They
23 don't have access to cash. They don't have
24 access to giving credit to players. They don't

1 have access to giving complimentaries to
2 players. They don't have access to Bank Secrecy
3 Act records. There's nothing that they can do.

4 For example, there are marketing
5 people. This new person who is coming in is
6 going to crunch numbers and advise us as to what
7 kind of promotions would be more successful than
8 others. But they don't have access to cash.
9 They don't have access to decision-making on
10 what kind of players come in and what players
11 can do. That's all governed at the property
12 with enormous amount of checks and balances.
13 So, I really don't see a vulnerability on them.

14 MR. CARROLL: One other point I wish
15 I could take credit for, but my colleague has
16 electronically just prodded me, was just to
17 mention that there is no comparison between what
18 would be known as the Wall Street salary, I
19 don't want to impugn Wall Street, but these
20 executive levels in the casino industry are not
21 at that level where you would hear a lot of
22 zeros.

23 Generally speaking, hiring is based
24 on experience. And people change jobs in the

1 industry. It's rare that somebody stays with a
2 property their entire career, very few people.
3 The only other point I would make is that the
4 relicensing process, renewal process and so on
5 will also have safeguards.

6 In the course of our backgrounds at
7 this stage, this snapshot including tax returns,
8 property examinations, how many cars do they
9 have, evaluations of assets, net worth, all
10 these things were produced and examined. In all
11 of the cases of the individuals that are
12 mentioned here, there was no disparity between
13 net worth, employment and so forth. Any areas
14 where there was an influx of any cash or any
15 other asset, it was examined.

16 That type of analysis can be applied
17 and will be applied in the future for renewals
18 when these licenses come back up. And if by
19 chance there is an attempt at a financial
20 influence or an improper influence due to
21 vulnerability and so forth, there are cross
22 checks and there will be identification.

23 There will be indicators that a
24 vigilant agency like the IEB will have those

1 identifiers available. I'm confident that that
2 will be built into your system. It is now from
3 a statutory point of view. A regulatory point
4 of view is just adding on top.

5 CHAIRMAN CROSBY: Okay. Anything
6 else anybody? It is 20 of one. We will thank
7 you folks very much. We have to decide whether
8 we want to stay right now and talk and then vote
9 on this (A). Then whether we want to go into
10 our second bidder or do want to take some kind
11 of a food break. I'm game to do whatever.
12 Unfortunately, food is not very accessible in
13 this facility.

14 COMMISSIONER MCHUGH: Right, right.
15 I would just assume talk about this one, make a
16 decision or decide not to make a decision and
17 then take a break.

18 CHAIRMAN CROSBY: So, we'll do that.
19 Do you want to stay here while we discuss? I'm
20 not sure there's any pro forma.

21 MR. CARROLL: We'll stay here --

22 CHAIRMAN CROSBY: There may be
23 questions.

24 MS. WELLS: I'll sit back in my

1 chair.

2 CHAIRMAN CROSBY: Let me just open
3 this up to any discussion from any of the
4 Commissioners about the pros and cons, any other
5 questions, whatever?

6 COMMISSIONER CAMERON: I think all
7 of our questions have been asked and answered
8 satisfactorily from my perspective. I think it
9 is by and large a clean report. I see no issues
10 whatsoever in moving them forward with a
11 positive suitability.

12 COMMISSIONER MCHUGH: I agree with
13 the bottom line. I'm prepared to find them
14 suitable. I think the investigation and the
15 report has been thorough, comprehensive. And
16 the discussion that we had today has been very
17 productive and very helpful.

18 There are two things, one that I
19 raised and one that you raised, Mr. Chairman,
20 that I think I would like more information on.
21 But I don't think they affect suitability so
22 much as they do the plans that will, at least
23 from my standpoint, the plans for which I'll be
24 looking -- components of the plan at which I'll

1 be looking at the second stage.

2 The first is one that I've already
3 talked about. And that is this recurring
4 pattern of violations, particularly on underage
5 admittees. That is both a construction, where
6 are the chokepoints, and a procedural process.
7 And I will be looking for that as we review the
8 second phase, particularly in the site design
9 phase and the operational phase.

10 The second, I hadn't really thought
11 of in the context that you raised, Mr. Chairman.
12 But I was struck as I read the report between
13 the disparity between, what I perceive to be the
14 disparity between the salaries at the very high
15 end and the salaries at the operational end.

16 I was thinking about that. Not so
17 much in the context of the vulnerability piece
18 as I was in the context of what does this
19 portend for economic development and a salary
20 structure in that casinos themselves that helped
21 to give good jobs to good people.

22 So, we have a number of questions in
23 the Phase 2 application that deal with that and
24 how they plan to deal with that. So that's a

1 second aspect that I'm going to be looking very
2 carefully at as I would the others.

3 With those two thoughts in mind, I
4 am confident that they've shown by clear and
5 convincing evidence that they're qualified.

6 COMMISSIONER ZUNIGA: I agree with
7 the bottom line as well. I for one was not
8 struck by the disparity that you mentioned. I
9 think the way I read it is the difference
10 between ownership and employment, being an
11 employee. An important one, but the rest of the
12 management structure has an ownership stake.
13 And that has in my view may explain the
14 difference in the compensation.

15 But I agree with the bottom line. I
16 think they are as per the report, they would
17 appear suitable. I emphasize something that
18 Director Wells mentioned, which is the
19 significant personal involvement in charity work
20 by not just in terms of the amount of donations,
21 but also the amount of hours and work that a
22 couple of these qualifiers do. And it would be
23 in accordance with -- I would be agreeing with
24 the ultimate finding of suitability.

1 CHAIRMAN CROSBY: Commissioner
2 Stebbins?

3 COMMISSIONER STEBBINS: I join my
4 other colleagues. I think to Commissioner
5 McHugh's point, to our consultants who want to
6 provide us with some information as to the
7 regularity of these types of infractions and
8 what some of the industry standards are I think
9 will be helpful information going forward. Not
10 anything that would preclude me from approving
11 their suitability at this point.

12 Again, I was impressed with the
13 applicant's success in other jurisdictions. I
14 think the underage casino visitors' issue gives
15 us an opportunity, and we've talked about it
16 briefly, about are some things that we can do to
17 make sure that gaming operations that are
18 established and licensed in Massachusetts are
19 both robust and successful.

20 The one example we were shared that
21 this might be an opportunity where we can do
22 some good things, obviously, for the
23 Commonwealth but also to not detract resources
24 at the gaming operational level in terms of the

1 amount of resources that are taken away from the
2 operation of the casino to deal with somebody's
3 son or daughter who tries to get on the gaming
4 floor illegally.

5 CHAIRMAN CROSBY: Unless it's yours.

6 COMMISSIONER STEBBINS: I can only
7 have high hopes for my kids. Again, my
8 questions to the extent that I had them have
9 been answered for me satisfactorily at this
10 point.

11 CHAIRMAN CROSBY: And I don't have
12 anything to add to what you all have said. I
13 agree that the applicant has demonstrated clear
14 and convincing evidence of suitability. Before
15 I ask for a motion on this, however, I do want
16 to raise one note that was brought by one of our
17 brilliant lawyers.

18 Do we need to vote to waive the
19 adjudicatory hearing? We talked about it at the
20 last meeting. And there was a discussion with
21 the applicants to do that. But do we need to do
22 anything more formal before we move forward on
23 these votes?

24 COMMISSIONER MCHUGH: I think, Mr.

1 Chairman, that the regulation gives the
2 applicant that option. But the fact that you've
3 raised the question suggests that we vote
4 nonetheless even if the vote is --

5 CHAIRMAN CROSBY: Prophylactic.

6 COMMISSIONER MCHUGH: -- prophylactic,
7 yes.

8 CHAIRMAN CROSBY: Okay. I'm getting
9 nodding heads here. Okay. So, would you,
10 Commissioner McHugh like to make that --

11 COMMISSIONER MCHUGH: I would move
12 that the Commission with the assent of the
13 applicant Mass Gaming Enterprises --

14 CHAIRMAN CROSBY: You might as well
15 do the other one.

16 COMMISSIONER MCHUGH: And for the
17 second one?

18 CHAIRMAN CROSBY: Might as well.

19 COMMISSIONER MCHUGH: And for the
20 applicant PPE Casino Resorts, LLC -- Let me
21 begin again.

22 I would move that the Commission
23 with the assent of Mass Gaming and
24 Entertainment, LLC and with the assent of PPE

1 Casino Resorts MA, LLC waive all regulatory
2 requirements, regulatory and statutory
3 requirements for an adjudicatory hearing on the
4 question of suitability to proceed to the Phase
5 2 application process.

6 COMMISSIONER STEBBINS: Second.

7 CHAIRMAN CROSBY: Any other
8 discussion? 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. Thank you. Now would
15 somebody like to offer a motion on the
16 suitability or accepting the IEB recommendation
17 of suitability for Mass Gaming and
18 Entertainment?

19 COMMISSIONER MCHUGH: Yes. I'd like
20 to do that. But this is a matter -- There are
21 three copies there, Mr. Chairman, if you would
22 pass them on down. This is a matter that calls
23 for a little bit more formality in our motions
24 than we've had before.

1 So, I've handed to you, and I will
2 make part of the minutes of this meeting, a
3 formal resolution with respect to suitability.
4 I'm not going to read the text of it. It will
5 be in the minutes. It will be publicly
6 available. It's important for us to take a
7 minute to read it and then I'll highlight its
8 provisions and we can vote to adopt it.

9 The bottom line is that it is a
10 recommendation - it is a finding of suitability,
11 but it's done with the formality that this kind
12 of a finding requires. If we want to take just
13 a minute to read it. And then I'll go through
14 the highlights.

15
16 (Commission review)

17
18 COMMISSIONER MCHUGH: I think
19 everybody has finished reading. I could have
20 read it. And the reason I'm not reading it is
21 that it is a formal document. And sometimes I
22 misread things. I don't want there to be a
23 discrepancy between what the document says and
24 what I say it says, because it's what the

1 document says that we are adopting.

2 So, in essence, the document
3 recites, and this is a general summary, it's not
4 the document itself, that MGE filed an
5 application, complied with the Phase 1
6 requirements, paid all of the fees. The IEB
7 conducted a thorough and comprehensive
8 investigation. And a report in redacted form
9 has been made part of the record at today's
10 meeting.

11 They recommended, the IEB has that
12 MGE be found suitable. And it goes on to say
13 that the Commission agrees with the
14 recommendation that a positive suitability issue
15 and resolves that after review of the
16 suitability report, it finds MGE suitable.

17 Issues of positive determination of
18 suitability deems MGE suitable to proceed to
19 file an RFA-2 application. And it will continue
20 to review MGE's ongoing suitability as it
21 proceeds through the RFA-2 process. And that
22 continued observation may require further
23 submissions of information from time to time.

24 That is a summary of the document.

1 I move that the Commission adopt the
2 recommendation, adopt the finding of suitability
3 in the form contained in the two-page document
4 I've distributed and is found before each of the
5 Commissioners and that I've just summarized.

6 COMMISSIONER CAMERON: Second.

7 CHAIRMAN CROSBY: Any further
8 discussion, other discussion? All in favor of
9 the motion as offered say aye, aye.

10 COMMISSIONER MCHUGH: Aye.

11 COMMISSIONER CAMERON: Aye.

12 COMMISSIONER STEBBINS: Aye.

13 COMMISSIONER ZUNIGA: Aye.

14 CHAIRMAN CROSBY: Opposed? The ayes
15 have it unanimously. And congratulations and
16 welcome to our first suitable applicant, Mass
17 Gaming and Entertainment.

18 MR. DONNELLY: Thank you very much,
19 it was really a pleasure.

20 COMMISSIONER CAMERON: Thank you

21 COMMISSIONER STEBBINS: Good luck.

22 CHAIRMAN CROSBY: Good luck. Find a
23 site. We will adjourn temporarily.

24

1 (A recess was taken)

2

3 CHAIRMAN CROSBY: We will reconvene
4 the 71st meeting of the Mass. Gaming Commission
5 on July 11, 2013 for the purpose of discussing
6 the suitability recommendation for PPE Casino
7 Resorts MA, LLC. And we will start out with
8 Director Wells although she can introduce our
9 guests and invite them to speak.

10 MS. WELLS: Absolutely. I'd like to
11 introduce Joe Weinberg who is representing the
12 PPE Casino Resorts here today. And like the
13 IEB's experience with the Mass Gaming applicant,
14 the experience with Cordish was also extremely
15 favorable as far as their responsiveness to
16 inquiries, their ability to produce documents
17 and their forthrightness during the interview
18 process for their qualifiers.

19 So, I just turn that over to Mr.
20 Weinberg if he wants to make any comments just
21 in the beginning of this proceeding and then
22 I'll go ahead with the summary of the report.

23 MR. WEINBERG: Good afternoon, Mr.
24 Chairman and Commissioners. One, it's exciting

1 for us to be here today and to move onto the
2 next phase of this project. Just as a way of a
3 quick introduction and then we can get into the
4 presentation. We are a little over a 100-year
5 old private business. We are one of the leading
6 real estate, entertainment and gaming developers
7 and operators in the country.

8 Our projects have been recognized by
9 institutions like the Urban Land Institute for
10 seven awards of excellence, which is more than
11 double what any other developer in the world has
12 received from this industry organization.

13 In the gaming world, our projects
14 have been recognized for their excellence and
15 from a design and operational standpoint. As
16 you heard earlier today, this has been an
17 extremely thorough process. It's been a very, I
18 think, good relationship between our company as
19 well as staff. And we look forward to working
20 with staff and the Commission going forward.

21 One just final comment, one of the
22 things we think is a real point of difference
23 for our company is the fact that we are private.
24 I am a partner in the company. All of our

1 principles are involved day-to-day in every
2 facet of our projects on the development side as
3 well as on the operational side.

4 I'm sure staff can attest to the
5 fact that whenever there is a question of us,
6 it's usually me or one of my partners who
7 personally answer the questions without
8 intermediaries. So, we think that's a real
9 strong point of difference of our company and
10 how we approach our projects. And we look
11 forward to being able to personally work with
12 you all going forward.

13 CHAIRMAN CROSBY: Just before you go
14 ahead, I just ask you the same question I asked
15 the earlier applicant, there's been some
16 difficulty finding a location. Can you give us
17 an update on where that stands and what your
18 degree of confidence is?

19 MR. WEINBERG: Yes. I actually
20 meant to pre-empt your question. So, thank you
21 for asking it. We are working very closely in
22 Leominster in terms of working with the mayor in
23 the negotiations of a host agreement, working
24 with the council on going through the whole

1 informational process.

2 We have land that we have in the
3 city. It's an outright purchase of land. So,
4 it would not introduce any new qualifiers to the
5 project. So, we're working now diligently on
6 pursuing Leominster as our host city.

7 CHAIRMAN CROSBY: And I'll just
8 reiterate what I said to the earlier one that
9 our deadlines are what the deadlines are with
10 the exception of the issue of the possibly
11 waiving the certification of the final vote.
12 But we very much want you to be a player. It's
13 important to us for reasons that everybody has
14 heard. But the deadlines are what the deadlines
15 are.

16 MR. WEINBERG: And we're aware of
17 that and we have made that very clear to the
18 governmental representatives that we are dealing
19 with on a day-to-day basis. And I think there's
20 a good kind of working understanding between
21 both parties that those are the dates we are
22 working towards.

23 CHAIRMAN CROSBY: Okay, great.

24 MS. WELLS: I'd like to start off by

1 introducing Ted Grove who is sort of the lead
2 investigator and attorney for the Spectrum
3 Gaming Group, and also the lead drafter of the
4 report. I'd like to commend him on the job that
5 he did in this and working cooperatively with
6 the folks at the Cordish and PPE Casino Resorts.
7 I was very happy with the result.

8 And I'd like to just proceed. As
9 far as the report goes, PPE Casino Resorts Mass,
10 LLC that's similar to the Mass Gaming applicant
11 that we had that we discussed earlier this
12 morning. That's an entity that was created
13 basically for the purpose to apply for this
14 Massachusetts license.

15 So, that was created on January 9,
16 2013. It has no direct entity affiliates. The
17 members are Jonathan Cordish, Blake Cordish,
18 Reed Cordish, Joseph Weinberg who is here today
19 and Charles Jacobs. They have an association
20 with the Cordish Company that's more the
21 umbrella company. That's not a qualifier here
22 because they are a separate entity, but we did
23 look into the company and some of the business
24 dealings.

1 Cordish is in good standing and we
2 did do an investigation into that company. It's
3 associated with PPE Mass in that it shares
4 office space, common employees and owners,
5 preferred access to resources of other Cordish
6 company entities, etc. It's generally a major
7 real estate developer and operator of
8 entertainment businesses.

9 We also looked into the Cordish
10 Family II, LLC, which generally is a family
11 investment vehicle and lender. And that is
12 generally controlled by David Cordish who would
13 be sort of the patriarch in this organization.

14 During the course of the
15 investigation, we looked into this group's
16 gaming operations, interests and experience.
17 Their first foray into this world of gaming,
18 they were a developer of the Hard Rock complexes
19 in Tampa and Hollywood, Florida. They were not
20 a manager and operator at this time. It was
21 more in lines with their prior business dealings
22 of being a real estate developer.

23 They then were involved with Indiana
24 Live, a gaming operation which they developed

1 and managed until 2010. So, that was between
2 2007 and 2010. And then they also are involved
3 with Maryland Live, which is another gaming
4 operation. They developed and operated that
5 since June 2012. So, it's a relatively recent
6 operation but from the investigation we found
7 that also very successful.

8 So, the investigators during the
9 course of looking into this entity and the
10 associates checked with different states, and
11 what information they could get from different
12 states on these qualifiers and the applicant.

13 In Maryland, they investigated the
14 Maryland Live casino. They found that according
15 to regulators no real compliance issues other
16 than minimal and routine regulatory matters. I
17 would note that they've only been open since
18 June of 2012. But that seems to be going
19 extremely well as far as the regulatory and
20 compliance portion of their operation.

21 They also checked with the Indiana
22 and Indiana Live. The revenue on Indiana Live
23 was on the high-end of the industry average, but
24 that operation did struggle financially due to

1 debt load. And I can have Ted Grove explain a
2 little bit more of that in detail if the
3 Commissioners have any more questions.

4 They had a management agreement with
5 Cordish Company. And that ended up being --
6 There's a lawsuit involved in that and they
7 ended up terminating that relationship. That
8 settlement was reached in July 2012.

9 Again, similar to Maryland, the
10 investigation revealed a minor history of
11 regulatory violations according to those
12 investigators. They also because of other
13 business dealings, they checked with Florida,
14 New Jersey, Kansas and Pennsylvania. In Florida
15 there was some litigation between Cordish and an
16 Indian tribe that ended in favor of Cordish, and
17 they looked into that issue.

18 In New Jersey, there was an
19 unsuccessful bid to buy property after the
20 company Tropicana was denied re-licensure. In
21 Kansas, Penn National ended up buying Cordish's
22 interest in Kansas International, LLC. And in
23 Pennsylvania they're competing for a licensing
24 right now. So, they are going through that

1 process.

2 In looking at the financial
3 suitability review, the investigators took a
4 very strong look at PPE Maryland for two
5 reasons. One, that funding stream for the Mass.
6 project in part, in large part is going to come
7 from that operation. So, they're looking at
8 that operation for their financial stability to
9 fund the Massachusetts projects.

10 In addition, the expectation is that
11 the Massachusetts project would be similar to
12 the Maryland project. So, they wanted to take a
13 look at those operations as well and get an idea
14 of what we'd be looking at in Massachusetts.
15 And that investigation went very well. And they
16 received sort of a favorable review from
17 investigators.

18 The investigation, as I mentioned,
19 there's also this Cordish Family II, LLC.
20 That's owned by David Cordish individually as
21 well as through two trusts. That is a funding
22 source or funding stream, potential funding
23 stream for financing for the casino operations.
24 So, we looked at that and that also received a

1 favorable review.

2 In the report, you can see that
3 there is a section on significant litigation
4 that the company have been involved in. They do
5 highlight three matters. The PPE Casino Resorts
6 Indiana, LLC versus Indiana Downs, LLC. That
7 was a management contract issue, and that was
8 settled.

9 They also have the Power Plant
10 Entertainment, LLC versus the Seminole Tribe of
11 Florida. That matter has also been settled.
12 There was also another lawsuit, Trump Hotels and
13 Casino Resorts versus Power Plant Entertainment,
14 LLC, Joseph S. Weinberg, Richard T. Fields, et
15 al. That case ended being dismissed with each
16 side assuming their own expenses. So, the
17 detail of that's in the report. I just want to
18 highlight that for the members of the
19 Commission. We can also -- Any of us here can
20 answer if there are further questions on that.

21 As I indicated earlier, we also
22 looked into the compliance history. Indiana and
23 Maryland both indicated, similar to the -- in
24 the Mass Gaming application that we analyzed,

1 their compliance was below concerns of industry
2 standards. Both jurisdictions did not have
3 significant issues of concern which would rise
4 to the level that these individual applicants or
5 the individual qualifiers of the applicant would
6 be unsuitable.

7 We also looked into the operations
8 of the entity, in particular, their compliance
9 plan and their compliance committee. The plan
10 that this entity intends to use in
11 Massachusetts, they want to use the Maryland
12 operation as a framework although there was some
13 flexibility based on what the needs are in
14 Massachusetts, if there's any input by the
15 Commission on the compliance plan.

16 We did identify a couple of issues
17 looking through that. One was no minutes kept
18 of the meetings of the compliance committee.
19 So, my recommendation if the applicant is found
20 suitable and then given a license, I would
21 suggest that be part of the condition of
22 licensure. Additionally, same issue with their
23 internal audit committee, no minutes of those
24 meetings kept. I would make that same

1 recommendation should the applicant be given the
2 license.

3 And also, I would recommend the
4 Commission require submission of and strict
5 adherence to a comprehensive compliance plan
6 satisfactory to the Commission. Similar once a
7 compliance plan is settled that they can submit
8 that to the Commission for your review and you
9 can take a look at that.

10 So, those are all issues that I
11 believe can be addressed at the licensing stage
12 once you've had an opportunity to look at their
13 whole application. I don't think the applicant
14 would have any issues with that going forward.
15 So, we've in agreement that that is easily
16 remedied and we can go forward on that issue.

17 Similar to the other applicant that
18 was before us today, the same issue with the
19 Foreign Corrupt Practices Act and money-
20 laundering concerns. We would want those kind
21 of plans to be submitted to the Commission for
22 their review. I would expect that that
23 condition I would recommend for all applicants.
24 So, that's nothing in particular to Cordish or

1 PPE Entertainment.

2 So, generally, this applicant has
3 the award for the fewest number of qualifiers.
4 In terms of the chart on my wall, they had the
5 smallest list. So, the applicant, their
6 financial suitability and their good character,
7 honesty, integrity and their business practices,
8 you can see in the report has all been
9 demonstrated through their prior business
10 experience and our investigation into their
11 finances.

12 We also conducted the suitability
13 investigations into the individual qualifiers.
14 As I've already been through another applicant
15 and sort of the details on that, I won't
16 reiterate everything I've said. But generally
17 same kind of investigation we do for each one of
18 the qualifiers for each one of the applicants.
19 So, they're all looked at.

20 And you'll see in my cover letter
21 all of those considerations are taken into
22 account when evaluating the recommended
23 suitability of the applicants and the
24 qualifiers. So, all of those criteria were in

1 fact looked at for each of the individual
2 qualifiers.

3 And I'll just, as an example, run
4 through. So, for example, they verify their
5 name and their information, date of birth,
6 address, etc., their employment history,
7 criminal record, education. We referred to
8 their professional and gaming licenses,
9 directorships and stock holdings, civil
10 litigation records, bankruptcy issues, property
11 ownerships, financial suitability evaluation.
12 They do an income analysis, a net worth analysis
13 and generally do a summary as to financial
14 suitability.

15 And each one of these individual
16 qualifiers, David Cordish, Jonathan Cordish,
17 Blake Cordish, Reed Cordish, Charles Jacobs and
18 Joseph Weinberg, their summary as to financial
19 suitability was that they would recommend that
20 the Commission find them suitable.

21 They were checked for political
22 contributions in contradiction to Massachusetts
23 law. There was no issues there. And their
24 references were checked, media coverage on

1 individuals was checked to see if there's
2 anything out here on the Web, in trade
3 magazines, anything that could be of concern.
4 And those were all checked.

5 So, I can report to the Commission
6 that ultimately the IEB recommends subject to
7 the conditions that I have already mentioned,
8 which would be recommended as conditions of
9 licensure, that the applicant be deemed suitable
10 by the Commission and allowed to go forward in
11 the process.

12 Similar to the other applicants, I'm
13 also including my cover letter the
14 recommendation that as their entity changes, and
15 things may change, it's probably less likely
16 with this group because it's a privately held
17 company. It's different than the other 10
18 applicants that we have, but that any changes we
19 would be notified so that we can investigate.

20 Also given that there are several
21 pending instances of litigation involving the
22 applicant, the IEB recommends that the applicant
23 simply be required to update us as to how that's
24 going and what the status is of that, which I

1 don't think is any issue with Mr. Weinberg.

2 So, that generally is the overview.

3 This was going to be -- The small number of
4 qualifiers definitely helped expedite the
5 process. But all of them, they were
6 investigated to the same degree that all other
7 qualifiers are investigated through this
8 process, and pleased to report a favorable
9 recommendation by the IEB.

10 CHAIRMAN CROSBY: Thank you. This
11 time we'll start with Commissioner Stebbins. Do
12 you have some questions?

13 COMMISSIONER STEBBINS: I had just
14 had two points. First of all, Mr. Weinberg, you
15 commented on the fact you've been recognized by
16 the ULI. I've had experience working with ULI
17 and congratulate that. I know that's no small
18 feat.

19 Any thoughts or reaction, Mr.
20 Weinberg, on your part about the comments in the
21 report with respect to your financial overview?
22 Obviously, building off the succession you're
23 anticipating in Maryland is the financing source
24 in Massachusetts. And the IEB's requirement or

1 suggestion that we need to continue to monitor
2 the ongoing financial needs and again,
3 additional investors as they may be identified.
4 Do you have any thoughts or feedback on that
5 portion of the report?

6 MR. WEINBERG: I think it would be
7 routine if we brought in any additional
8 investors that they would have to be subject to
9 the same degree of scrutiny that we have. So,
10 no problem at all with that.

11 Just a point of clarification on the
12 financing of this project. We have the ability
13 to either finance it as individuals or to use
14 cash flow from other entities or the Cordish
15 Family II source, which is kind of a banking, an
16 internal banking source. So, we're not
17 dependent on any one of these areas. So, from
18 the ability to do this project, we may in fact
19 want to put some type of debt on it in the
20 future, but it's not a requirement for us to be
21 able to actually get on this project.

22 COMMISSIONER STEBBINS: Thank you.

23 CHAIRMAN CROSBY: Is that it?

24 Commissioner Zuniga.

1 COMMISSIONER ZUNIGA: Yes, thank
2 you. I had a couple of questions. The report
3 does mention the instance in Indiana where the
4 company or the venture struggled due to debt
5 load. I was wondering if you could expand a
6 little bit, give us some of the circumstances
7 around it in general, of course, and lessons
8 learned maybe that you derived from that?

9 MR. WEINBERG: Well, lessons learned
10 is don't work for somebody else. This was a
11 project where we were brought on at a fee basis
12 as a developer and manager. When we came into
13 the picture, the owner had already incurred \$350
14 million worth of debt. So, it was unrelated to
15 the actual casino that we were responsible for
16 building and managing.

17 So, as the Director had mentioned,
18 what we were responsible for in terms of
19 building and operating the facility, it operated
20 at among the highest levels not only in Indiana,
21 but also in the entire Midwest.

22 The problem was that the owner had
23 taken on debt to buy out a partner, to build a
24 racetrack, to do a lot of things that were

1 unrelated to the actual dollars that went into
2 the casino.

3 It is instructive from a positive
4 standpoint though because that was a similar
5 situation, not vis-à-vis the debt issue, but in
6 Indiana there's 13 licenses. Two were slots
7 only licenses and 11 were full gaming licenses.
8 So, the Indiana Live was a slots only license.
9 So, we were able to very positively compete for
10 slots only against 11 other facilities that had
11 full gaming and unlimited number of devices and
12 gaming positions.

13 So, in that respect it shows that
14 because of the way we treat the design and the
15 development and management of our facilities,
16 you can very positively compete with slots only
17 against larger full casino properties.

18 COMMISSIONER ZUNIGA: Do you want to
19 expand on that from the report?

20 MR. GROVE: Good afternoon,
21 Commissioners.

22 COMMISSIONER CAMERON: Good
23 afternoon.

24 COMMISSIONER MCHUGH: Good afternoon.

1 MR. GROVE: I think Mr. Weinberg has
2 encapsulated the explanation very well. I don't
3 really have anything to add at that point.

4 CHAIRMAN CROSBY: I'd asked a
5 question, and I'll just jump in. I had asked a
6 question of you because as I read the report
7 that was this -- apparently Cordish brought in
8 this fellow Gomes who appeared to be a quality
9 manager, as best we can tell. At some point,
10 Gomes left for undisclosed reasons and then
11 there was this fallout. And I asked the
12 question whether there was any relationship
13 between the two, (A). And (B) why did Gomes
14 leave? You responded, but I think the
15 Commission might be interested in hearing that.

16 MR. GROVE: Yes, we had examined
17 that. And Mr. Gomes and Cordish had some
18 partnership disagreements essentially over the
19 amount of interest Mr. Gomes would have in the
20 partnership going forward.

21 There were some disagreements over
22 the performance of each party as far as
23 marketing each other's involvement in the
24 partnership. And also during this timeframe,

1 the Cordish Company was looking for possible
2 association with another gaming company, which
3 would, if successful, would have minimized Mr.
4 Gomes role in the partnership. It looks like it
5 was a very amicable split but it nonetheless was
6 for those reasons.

7 CHAIRMAN CROSBY: And it had nothing
8 to do, apparently, with the subsequent problems
9 with the facility?

10 MR. GROVE: It did not.

11 CHAIRMAN CROBYS: Okay.

12 MR. WEINBERG: Totally unrelated
13 issues.

14 CHAIRMAN CROSBY: Right, okay.
15 Commissioner Zuniga, did you have other?

16 COMMISSIONER ZUNIGA: Yes, I had two
17 others. From looking at the report, the company
18 of which you are a partner on has a clear and
19 long history, as you mentioned, in the real
20 estate development arena. When it comes to
21 gaming operations that history is a lot more
22 recent.

23 Again, without getting into the
24 specific plans for Massachusetts, because that's

1 really a question for our Phase 2, what can you
2 tell us relative to general plans towards future
3 for gaming operations?

4 MR. WEINBERG: Sure. Like anything
5 and in fact most companies don't have a huge
6 bunch of people because this would actually be
7 one of the smaller facilities for us. It'll
8 have several hundred, somewhere in the
9 neighborhood of 500 employees. Our Maryland
10 Live facility has 3000 employees.

11 So, what we do in all of our
12 businesses is you have to go out and recruit and
13 retain the best people in the industry. And I
14 think we've shown that we've been able to do
15 that in each of the projects we've done.

16 As an example, the Hard Rocks that
17 we did in Florida, the current CEO had worked
18 for us. Jim Allen who is now the CEO of Hard
19 Rock had worked for Cordish before going over to
20 Hard Rock.

21 Same thing in Indiana, we operated
22 at the highest levels. We went out and
23 recruited and retained good people. And in
24 Maryland, we've done the same thing. So in

1 Maryland, we are the highest grossing casino in
2 the entire mid-Atlantic region. So, we out
3 gross everyone in Maryland and Delaware, West
4 Virginia, Pennsylvania, everything in Atlantic
5 City including Regatta.

6 So, I think we've demonstrated that
7 we know how to go out and find and recruit and
8 retain good people. And we would do the same
9 thing here.

10 COMMISSIONER ZUNIGA: Thank you.
11 Also, the report talks a lot about your
12 significant experience in many areas of the
13 country. But it did not mention New England or
14 Massachusetts in particular.

15 So, I was wondering about your
16 history there, if there's any examples in this
17 market that you can point to?

18 MR. WEINBERG: We have not developed
19 anything in Massachusetts at this point.
20 Probably the furthest north we've been at this
21 point is New York.

22 CHAIRMAN CROSBY: Anything else?

23 MR. WEINBERG: But we are very
24 familiar with going into new markets and

1 developing and operating facilities. So, we're
2 doing it all of the time.

3 CHAIRMAN CROSBY: Commissioner
4 McHugh? I just wanted to for the record
5 purposes say that the documents that we here
6 before us is your 11-page letter, Director
7 Wells, plus the 99 page redacted report which
8 includes as part of those 99 pages the executive
9 summary. That's what we have before us.

10 MS. WELLS: That is correct. That
11 is correct.

12 COMMISSIONER MCHUGH: I wanted to
13 ask Mr. Weinberg and Mr. Grove about the first
14 seven of the regulatory violations founded on
15 pages 36 and 37 of the report and give you an
16 opportunity to explain those. Those are
17 different from the kids sneaking in kind of
18 things that we discussed this morning.

19 Those involved, what looks to me in
20 several cases, certainly the under reporting,
21 filing a report that people knew was wrong with
22 respect to certain income. Machines removed
23 from play due to the large amount of jackpots,
24 and the like. So, I wonder if you could comment

1 on those? As I said, it strikes me as a
2 different character than the things we heard
3 about this morning.

4 MR. WEINBERG: Well, first I think a
5 lot of these were in the early months of the
6 operation of the facility. We actually ended up
7 coming in and turning over people in some of
8 these areas. We got it corrected pretty
9 quickly. I don't think they're terribly out of
10 the ordinary, but we weren't happy with them
11 either. So, we made quick changes and were able
12 to correct the ship pretty quickly.

13 COMMISSIONER MCHUGH: Were these
14 self-reported or were these violations that the
15 authorities found or do you know at that level?

16 MR. WEINBERG: As a rule, most of
17 the issues would be self-reported.

18 MR. GROVE: Commissioner, I can tell
19 you these violations caught our eye. When you
20 look at the violations that a company has, you
21 look at the severity of the violations, their
22 frequency, whether they go to the integrity of
23 the operation and whether they're repetitive.
24 Do they learn their lesson after they make an

1 error?

2 And I think when you go through
3 here, I believe there are about 26 violations
4 over -- actually, I think 17 separate violations
5 over the 26 months that Cordish was operating
6 this casino. So, just on an average basis
7 that's about one every 45 days.

8 But when you examine them, they
9 don't seem to be repetitive. There was, I
10 believe, three minor entering the casino, three
11 violations for minors.

12 COMMISSIONER MCHUGH: Right, right.

13 MR. GROVE: That's fairly
14 insignificant for that timeframe. And one
15 voluntarily excluded person who placed themselves
16 voluntarily on the exclusion list who was able
17 to reenter the casino.

18 COMMISSIONER MCHUGH: Right.

19 MR. GROVE: The other violations
20 appear to be isolated and again not repeated.

21 The incident with underreporting of
22 slot ticket income, we examined that. We talked
23 to Indiana about that. And actually, our
24 investigators visited the Indiana Gaming

1 Commission and met with them. And it appeared
2 to be, although it was a significant fine
3 imposed, it simply appeared to be just sloppy
4 accounting at that.

5 COMMISSIONER MCHUGH: What about the
6 taking of -- number five, taking out slot
7 machines, I assume slot machines, out of play
8 because they were yielding too big jackpots --
9 the jackpots were too big?

10 MR. GROVE: We examined that as
11 well, but we also looked at the amount of fine,
12 which was a \$2500 fine imposed by the Indiana
13 Gaming Commission, which is a signal to us that
14 they did not take that to be a serious
15 violation.

16 MR. WEINBERG: Also, just to give it
17 a little bit more color, it's not unusual if you
18 see unusual activity on a machine to go in and
19 check it. So, the problem was not in this case
20 was not in going in and verifying the machine,
21 but more so that there was a procedure with the
22 Indiana Gaming Commission that should have been
23 followed and wasn't followed correctly. And
24 that's what the issue was here.

1 COMMISSIONER MCHUGH: I see. And
2 that would be consistent with a \$2500 fine as
3 opposed to something more?

4 MR. GROVE: It would be.

5 COMMISSIONER MCHUGH: Okay, thank
6 you. That's all I have.

7 CHAIRMAN CROSBY: Commissioner?

8 COMMISSIONER CAMERON: Yes, good
9 afternoon. I wanted to ask some questions about
10 your compliance and your audit function and the
11 fact that there was no minutes kept. Is that
12 something that was overlooked?

13 MR. WEINBERG: It's a little bit of
14 form over function in this case. I am one of
15 the members of our internal audit team. So,
16 obviously because it's my money that I'm
17 watching, I'm pretty strict about our audit
18 function.

19 What we do and what we found is the
20 most valuable to us is we develop an annual
21 audit plan. And then we have quarterly minutes
22 to review the audits that are done in
23 progression. So, in our audit meetings, what
24 we're doing is we're reviewing these 25 plus

1 page audits in detail.

2 CHAIRMAN CROSBY: Are you using
3 audit interchangeably with compliance here?

4 MR. WEINBERG: I'm going to get to
5 compliance. This is the internal -- There are
6 two departments, the internal audit and I'll
7 move to compliance after that.

8 So, internal audit we're going
9 through very detailed reviews of the audits.
10 Then we have follow-up procedures that we put on
11 a tracking sheet. So, our mechanism of tracking
12 things is through a tracking sheet not through
13 minutes.

14 We did provide to Spectrum our
15 internal audit reports, which are very detailed
16 and complete. And we are very proud of our
17 internal audit function. Again, we look at it
18 as while the Maryland Gaming Commission can come
19 in and review it, we look at it as something
20 we're doing for ourselves. It's a very
21 important function to us.

22 So, we have a system in place that
23 we think is the most valuable to us because it's
24 easier for us to go to tracking sheets than to

1 go review minutes in terms of the follow-ups.

2 On the compliance department side,
3 unlike some states and Maryland for instance,
4 functions like vendor registration is done by
5 the state. That would be kind of a big part of
6 what a compliance department would be looking
7 at. And in many states the casinos are going
8 through the vendor backgrounds and reviews.

9 So, Maryland we're not responsible
10 for that. So, a big part of what the compliance
11 group would be doing in terms of looking at
12 vendors we're really not doing.

13 We do keep minutes on the
14 compliance, but on specific areas that we think
15 are critical like the Title 31 issues, which are
16 the money-laundering reviews. So, we work very
17 closely with law enforcement, of course, in
18 terms of any transactions over 10,000 and
19 monitoring those and what goes on. So, we keep
20 very complete minutes on those specific areas
21 that we think are valuable to keep minutes for.

22 Things like vendor registrations
23 that are really just getting sent to the state
24 for review. The licensing of employees gets

1 sent to the state for approvals. Again, we have
2 tracking sheets on these employees or these
3 vendors have gone to the state. But it doesn't
4 get translated into minutes because we don't
5 find it valuable. We have no problem in
6 changing -- having formal minutes as part of the
7 process.

8 COMMISSIONER CAMERON: Your plan
9 actually calls for minutes, correct?

10 MR. WEINBERG: I'm aware of that.

11 COMMISSIONER CAMERON: So, you
12 didn't think they were valuable, but you didn't
13 look at it as not complying with your own
14 compliance plan?

15 MR. WEINBERG: I understand. And we
16 plan as a result of it being pointed out to make
17 that change. From a substantive standpoint
18 that's what we do and feel like that's valuable.
19 We should be following that SOP and have made
20 that change.

21 COMMISSIONER CAMERON: An important
22 piece of compliance is training. Do you have
23 training records?

24 MR. WEINBERG: Yes. Of all

1 employees, yes. We have all kinds of training
2 going on, which we keep complete --

3 COMMISSIONER CAMERON: And you keep
4 records?

5 MR. WEINBERG: Absolutely.

6 COMMISSIONER CAMERON: Mr. Grove,
7 you looked at this issue and are satisfied by
8 reading this that you brought it to their
9 attention. Was there any way you had to verify
10 that these meetings actually took place? That
11 there were compliance -- that the committee was
12 actually overseeing the responsibilities they
13 should be overseeing?

14 MR. GROVE: Through discussions with
15 Mr. Weinberg, he identified who the compliance
16 officer was and his background. But the absence
17 of minutes really goes to the heart of
18 regulatory oversight, because with minutes you
19 can tell if the meetings, which are supposed to
20 occur on a quarterly basis are actually being
21 held, who attends, what the agenda is, what was
22 discussed, what concerns were raised.

23 CHAIRMAN CROSBY: But did the
24 meetings take place?

1 MR. GROVE: We were told that the
2 meetings took place. Mr. Weinberg indicates
3 that there was some information on paper. But
4 we couldn't verify independently that these
5 meetings occurred on a quarterly basis.

6 COMMISSIONER CAMERON: So, that is
7 being addressed?

8 MR. WEINBERG: That's a change we're
9 addressing.

10 COMMISSIONER CAMERON: Okay, very
11 good. I was also interested, I see that the
12 majority of your businesses is shopping,
13 entertainment, sports. I was interested in the
14 differences that you found now that you've
15 entered gaming. What are the differences in
16 running a business and operating a gaming
17 facility?

18 MR. WEINBERG: Well, first, we think
19 that our background in all of these different
20 facets of entertainment and real estate
21 development has allowed us to build and operate
22 better facilities than our competition.

23 In terms of, because we come from a
24 discipline where if you set the gaming apart,

1 you have the entertainment, the restaurants and
2 the retail, it's a business that you have to
3 aggressively work every day to make work. And I
4 think we bring that discipline to our gaming
5 facilities.

6 Our background from a development
7 standpoint, the ability to really design and
8 build quality facilities, there's not a lot of
9 true developers around anymore who really design
10 and build and develop. A lot of the major
11 gaming companies have become more acquisition
12 companies than developing companies. So, we
13 think that discipline has been very helpful for
14 us.

15 The differences are really more on
16 the regulatory side. Because the gaming
17 industry is, and this is good for the public to
18 know that this is one of the highest regulated
19 industries in the country. Maybe nuclear power
20 plants might be up there, I think. But this is
21 a business that has very, very strict regulatory
22 environments that have state agents on the
23 premises 24 hours a day.

24 In terms of accounting, the systems

1 that will be in place for the state to be able
2 to monitor all of the revenues going through the
3 facility. How our, like no other industry, the
4 security and surveillance that provides the safe
5 environment for the public is really like
6 nothing other than maybe a military institution.

7 So, the regulatory environment would
8 really be the big difference.

9 COMMISSIONER CAMERON: Thank you.
10 That's all I have.

11 CHAIRMAN CROSBY: Just to follow up
12 again, on the compliance. I'll say it again,
13 the audit function is substantially to protect
14 the company. The compliance is substantially to
15 protect the public. And they're both important
16 and we care about both of them. But they're not
17 duplicative functions at all with duplicative
18 focuses.

19 I think you have heard this now and
20 it has been talked about a lot, but again, just
21 reading the report sort of getting a sense that
22 you were going through the motions of
23 compliance. You put together a 15-page plan and
24 sort of threw it in front of Maryland. And

1 Maryland thought it was fine and that was the
2 end of that. And you're hearing that that
3 doesn't cut it.

4 But I want to also talk about the
5 makeup of the compliance committee. I know
6 there's a compliance officer who I think serves
7 on that committee. If I remember correctly, but
8 I might not, there is meant to be at least one
9 member of the compliance committee who is not --
10 who is independent of the company. Does that
11 occur?

12 MR. WEINBERG: Yes.

13 CHAIRMAN CROSBY: So, who are the
14 other members of the compliance committee?

15 MR. WEINBERG: They're department
16 heads and then there's Al Luciani who is our
17 independent representative.

18 CHAIRMAN CROSBY: And what is his
19 relationship to the company?

20 MR. WEINBERG: He's an outside
21 consultant you would call him. He's a former
22 New Jersey regulator as well as a senior gaming
23 executive.

24 CHAIRMAN CROSBY: Can either of you

1 tell us whether -- What is the best practice for
2 the makeup of a compliance committee in this
3 environment?

4 MR. GROVE: Commissioner, best
5 practice in large national gaming companies
6 nowadays tend to be having a total independent
7 compliance committee.

8 Companies have found that if members
9 of the compliance committee are not independent,
10 there may be reporting issues where they're
11 actually vetting a marketing idea or a marketing
12 partner that is being pushed by someone above
13 them. And if they turn down -- if they voice an
14 objection to an association with that potential
15 partner, that's going to show up on their next
16 performance review. So, by having independent
17 members of the committee, you remove that from
18 the equation.

19 Here you've got a small, relatively
20 small gaming operation, with an operation in
21 Maryland and potentially one here in
22 Massachusetts. In addition, it's essentially
23 five partners and a lot of family involvement.

24 With a three-member committee, I

1 would say that one independent member would work
2 in this situation. I'm not sure we need to go
3 to the totally independent committee, but I
4 think at least one is a very good start.

5 CHAIRMAN CROSBY: So, what's best
6 practice going to a company -- Are you saying
7 that your advice would be that one of three for
8 this company is the right way to go?

9 MR. GROVE: That is my assessment.

10 CHAIRMAN CROSBY: Not acceptable,
11 but the right way to go?

12 MR. GROVE: That would be an
13 appropriate approach to the compliance for a
14 company this size with that many operations,
15 yes.

16 CHAIRMAN CROSBY: To make two
17 points. First of all, there's been no
18 indication anywhere that Cordish is nothing
19 other than a first-rate company, period. So,
20 don't let anything that I say suggest anything
21 other than that. You are very likely in the
22 process to having support. But having said that
23 this is heart of the matter.

24 You had an outside independent

1 member who didn't pick up the absolute most
2 basic rules of the plan that he was there to
3 oversee. So, I would say that guy's not cutting
4 it. That guy or gal, whatever it is, is not
5 doing the job. Or something was wrong.

6 I can sort of understand how you all
7 might not think about it because of your other
8 processing, the way you approach things. But he
9 -- Is it a he?

10 MR. WEINBERG: Yes.

11 CHAIRMAN CROSBY: -- should take
12 this pretty seriously, it seems to me. So, I
13 would wonder whether it would be appropriate to
14 have him stay on at least insofar as it talks
15 about overseeing compliance in our jurisdiction
16 unless somebody can explain to me why he didn't
17 really totally fail in his job. So, I'll bring
18 that up for discussion I guess as to whether or
19 not we would want to enhance your condition.

20 Am I overreacting do you think? I
21 am sure you think I am overreacting, but can you
22 rationalize how you think I'm overreacting?

23 MR. WEINBERG: First of all, I would
24 assume that typically what happens when we've

1 been selected as the license and we're moving
2 toward operations, we would submit all kinds of
3 internal controls and standard operating
4 procedures to the Gaming Commission for
5 approval. At which time, the Commission would
6 have the chance to say look we've really thought
7 about it and we really think there should be
8 this requirement for this committee and that
9 committee.

10 And I don't want you to think that
11 we're not serious about compliance. We are very
12 serious. And a lot of the compliance issues
13 also get picked up in our internal audit
14 reviews. So, there are checks and balances
15 going on.

16 And a lot of the issues in terms of
17 like relationships with vendors or that type of
18 thing, again, the state has taken responsibility
19 on those reviews.

20 I think in terms of today's
21 decision, the Commission is going to have a
22 chance to review every facility's internal
23 controls and operating procedures and to give
24 their input on what they'd like to see at that

1 time.

2 CHAIRMAN CROSBY: If I'm not
3 mistaken we made a condition in the prior
4 proposal, report that every member of the audit
5 committee of this privately held company, is
6 that right, not be part of management?

7 COMMISSIONER CAMERON: No.

8 COMMISSIONER MCHUGH: No.

9 CHAIRMAN CROSBY: No, that's not
10 right?

11 COMMISSIONER CAMERON: No, I don't
12 think so. The one individual who was part of
13 management was not to continue in that --

14 MS. WELLS: I'd have to check my
15 notes. It's a slightly different type of
16 company. Cordish is a privately held company
17 and Mass Gaming is slightly different. I'd have
18 to look at my notes as to the recommendation.
19 But I think it was external members. I think,
20 Mr. Commissioner, you're correct.

21 MR. WEINBERG: And we would want to
22 make sure that ownership is part of the internal
23 audit committee because it's a big part of the
24 risk management part.

1 CHAIRMAN CROSBY: Right, I get that.

2 COMMISSIONER ZUNIGA: There was a
3 member of management that was also a member
4 serving as part of the audit committee, which
5 would represent a conflict, because it's
6 overseeing themselves. It's different from this
7 issue or circumstance.

8 COMMISSIONER MCHUGH: The audit
9 committee.

10 CHAIRMAN CROSBY: It's different
11 than compliance, but I'm talking about audit
12 now. Let's just take the time to find it.
13 Where is this?

14 COMMISSIONER MCHUGH: Page 10, isn't
15 it, of the cover letter?

16 CHAIRMAN CROSBY: Page 10, yes.

17 COMMISSIONER MCHUGH: Paragraph
18 three -- page 11, I'm sorry.

19 MS. WELLS: Page 11, yes. I think
20 the issue was management personnel on the audit
21 committee raises a potential conflict of
22 interest. So, that may be the keyword, the
23 management.

24 CHAIRMAN CROSBY: What our

1 recommendation says is IEB recommends the
2 applicant be required to restructure audit
3 committees in any of its related entities that
4 conduct business in Mass. to replace any
5 management personnel with independent
6 representatives.

7 MS. WELLS: Right, so management
8 personnel.

9 CHAIRMAN CROSBY: So, no management
10 personnel as opposed to -- fair enough.

11 MR. WEINBERG: For instance, we
12 don't have any property management on our audit
13 committee. It's all ownership and independent.

14 CHAIRMAN CROSBY: I get it. I think
15 that's a fair distinction. The other stuff is
16 pretty quick. That same thing about the Mass.
17 supp., I mentioned that.

18 MS. WELLS: Yes, and I'll take care
19 of that in subsequent letters.

20 CHAIRMAN CROSBY: Another question
21 that I asked Mr. Grove earlier on is on page 57
22 and others, but particularly on page 57 there is
23 a list of -- I'm sorry. This is not the one I
24 asked Mr. Grove. On 57, there are a list of all

1 of the other entities that one of the qualifiers
2 may be involved in.

3 Mr. Grove, do we have any way to
4 know what all those other entities do other than
5 just sort of ask generically? In other words,
6 who the qualifiers -- This doesn't go
7 particularly to Cordish. This goes to a number
8 of similar entities. Do we have any way of
9 figuring out who these qualifiers are in
10 business with via a list like this?

11 MR. GROVE: Commissioner, we do.
12 That serves as a guide to our investigators when
13 they conduct an interview with each individual
14 applicant. And they explore the people behind
15 the companies that are listed there.

16 CHAIRMAN CROSBY: You explored the
17 people behind all of these entities?

18 MR. GROVE: That was brought in the
19 interviews. Which particular individual are
20 you speaking of?

21 CHAIRMAN CROSBY: I'm looking at
22 page 57. And I'm just looking at this huge long
23 list of entities and just wondering who are our
24 qualifiers in business with?

1 MR. WEINBERG: While he's looking
2 for that I can give you our perspective on it.
3 In our case, other than where it's obviously a
4 Riggs or a PNC, the LLC's that are listed would
5 be all Cordish entities with similar -- you
6 include the partners here or other internal
7 partners within Cordish. And we did review that
8 with Spectrum's investigators.

9 COMMISSIONER ZUNIGA: Aren't these
10 on page 57 property LLC's?

11 MR. WEINBERG: Yes, they would be
12 individual other real estate or operating
13 entities.

14 COMMISSIONER ZUNIGA: Right, it's
15 not necessarily another company.

16 MR. WEINBERG: They're not outside
17 other than the obvious Riggs. They're our
18 entities.

19 MR. GROVE: If I could expand on
20 that. We learned very quickly in this
21 investigation that the way the partners in
22 Cordish operate is they have the Cordish Company
23 umbrella, but it seems every entity under that
24 is formed for a particular purpose either to

1 apply for a gaming license in Massachusetts, to
2 run a casino in Maryland, to operate a
3 restaurant in Kansas City. So, that's why there
4 is such a long list of entities in this report.

5 CHAIRMAN CROSBY: As I said, this
6 question is not really about Cordish per se. It
7 happened to come up because of that I was
8 thinking about.

9 One of the things we would like to
10 know is who are our qualifiers in business with.
11 And what other businesses are they in and who
12 are they doing business with.

13 And what you've listed here is not
14 Cordish companies. At least it doesn't say
15 they're Cordish companies. It just says a bunch
16 of other boards and directorships and
17 partnerships and so forth. And I just was
18 curious whether we have a mechanism -- What is
19 our investigative mechanism of figuring out who
20 all our qualifiers are in business with beyond
21 the entities that we already investigated?

22 MR. GROVE: I can assure you that
23 the database research that is done identifies
24 individuals and the companies they are tied to.

1 Then further investigation is done on those
2 companies to see if there's any public partners.
3 And also the companies are spoken about with
4 each individual applicant at the time of their
5 interview.

6 CHAIRMAN CROSBY: Okay. I think the
7 last thing on page 19, this was something that I
8 asked Mr. Grove about. There was this elaborate
9 series of transfers of shares and LLC's one
10 place to another, more elaborate than I could
11 follow.

12 And I mentioned it didn't raise any
13 red flags in particular. I just wonder what
14 that was all about. We have had conversations
15 about tax avoidance and the aggressiveness of
16 tax avoidance. And is this related to that?
17 That might be something we want to think about.
18 And you said --

19 MR. GROVE: Yes.

20 MR. WEINBERG: Not as to the tax
21 avoidance.

22 MR. GROVE: There was a series of
23 transfers of the interest, ownership interest of
24 the Cordish Family II, which was owned by David

1 Cordish. And our CPA discussed that with him.
2 And it's our understanding that essentially this
3 company was formed to be used as a vehicle for
4 lending to projects undertaken by other partners
5 within the Cordish umbrella.

6 They wanted to compile assets within
7 the Cordish Family II that were liquid so they
8 could be easily valued by subsequent gaming
9 regulators who are looking into whether that
10 entity was financially stable.

11 To put it another way, if they had
12 real estate holdings located in Cordish Family
13 II, it's difficult to put evaluation on that.
14 So, they make sure the assets in that operation
15 were liquid. You can easily value it.

16 In addition, there were some
17 transfers out to some trusts that were
18 controlled by David Cordish. And it's simply,
19 to our review, it just seemed to be tax and
20 estate planning purposes. We didn't see
21 anything nefarious in this transfers.

22 CHAIRMAN CROSBY: Okay. That's it
23 for me. Anybody else, questions, thoughts? All
24 right. I guess we can deliberate. Thank you.

1 We'll call you back if we need help. Thank you
2 very much.

3 MS. WELLS: I just want to comment
4 for the record as I did with the Mass. Gaming
5 given that they haven't identified a site and
6 they're looking at Leominster. Is it
7 Leominster?

8 MR. WEINBERG: Leominster.

9 MS. WELLS: That as we would with
10 any entity with a site, we would also
11 investigate any issues relating to their
12 location, site land deal and etc. And that
13 would be reported to the Commission.

14 CHAIRMAN CROSBY: Okay, good. Thank
15 you.

16 COMMISSIONER MCHUGH: Thank you.

17 CHAIRMAN CROSBY: Does anyone want
18 to summarize or comment?

19 COMMISSIONER CAMERON: Again, I
20 think we asked questions. The questions were
21 answered. The report itself is comprehensive
22 and clear. And I see no reason not to move this
23 company. And from my standpoint, the
24 suitability is positive and clear and

1 convincing.

2 CHAIRMAN CROSBY: What about the
3 issue that I raised about -- there is an outside
4 person on the compliance committee who ipso
5 facto wasn't really doing their job.

6 COMMISSIONER CAMERON: I don't think
7 that's a matter for us to handle. I think that
8 it was very clear to me that Mr. Weinberg
9 understood the issue and has addressed the issue
10 and those things.

11 Because whoever's responsibility it
12 was, I don't know that that's for us to
13 determine other than the problem will be
14 rectified and everyone is aware that we would
15 expect that's something we take seriously here.
16 So, I see no issue with moving that forward.

17 CHAIRMAN CROSBY: Commission McHugh,
18 what's your thought on that?

19 COMMISSIONER MCHUGH: I agree,
20 frankly, with Commissioner Cameron for the
21 following reason. Number one, there aren't any,
22 apart from the several reports that we have
23 here, there isn't any report of regulatory and
24 other compliance mistakes, problems. So,

1 however they did it, it didn't generate
2 problems.

3 Secondly, having, and we all have
4 seen small groups of tightly held companies who
5 are very successful as this company is,
6 sometimes run themselves with a little bit more
7 informality than a large public company would.
8 I think that's undesirable from a regulatory
9 standpoint. I think we need to make sure that
10 doesn't happen. But I don't think it is
11 entirely unexpected.

12 So, I join you in saying it can't
13 happen here, but I don't assign a great deal of
14 -- I don't put a great deal of emphasis on it as
15 an historical matter. And I do think going on
16 and looking at the report and the contents and
17 the presentations that were made here today and
18 Mr. Weinberg's demeanor and candor, I do think
19 that considering all of the circumstances there
20 is a clear and convincing evidence of Cordish's
21 suitability.

22 CHAIRMAN CROSBY: Gentlemen?

23 COMMISSIONER STEBBINS: I completely
24 agree with Commissioner McHugh and Commissioner

1 Cameron. I don't see anything here that would
2 -- Obviously, coming into play in a new state
3 with our new regulations, they'll need to adjust
4 their compliance efforts in that regard. But
5 nothing here that I would see that would
6 convince me that they aren't suitable to move to
7 the next phase.

8 COMMISSIONER ZUNIGA: I would echo
9 all of those comments as well. I think the
10 record and testimony shows that they are clearly
11 and convincingly suitable in my opinion.

12 CHAIRMAN CROSBY: I would agree with
13 that. Commissioner McHugh, do you want to offer
14 a series of observations and actions here?

15 COMMISSIONER MCHUGH: Yes. I'm
16 going to proceed, Mr. Chairman, if I might in
17 the way I did before. Before the Commissioners
18 is a two-page resolution document in the form
19 that we discussed earlier, in the form that we
20 used earlier.

21 I would ask the Commissioners to
22 take a look at it and make certain that the text
23 is agreeable. And then I would propose to
24 summarize each of the paragraphs and ask that we

1 adopt it. It concludes, as too the last one, a
2 finding that PPE Casino Resorts MA, LLC is
3 qualified and that we're prepared to have them
4 move to the next phase. So, if everybody wants
5 to take a minute to look at that then I'll
6 summarize it and we can move forward.

7 CHAIRMAN CROSBY: It's the same
8 document.

9 COMMISSIONER MCHUGH: It's the same
10 document, but the names have been changed,
11 basically. So, this document recites, and it's
12 a summary of course, because as before we're
13 voting on the text of this, on the text of this
14 document, not the summary.

15 This document says that the entity
16 PPE Casino Resorts MA, LLC filed its Phase 1
17 application in conformity with the regulations,
18 paid all its fees. The IEB conducted a thorough
19 investigation. That the IEB recommends that the
20 Commission issue a positive determination of
21 suitability with a number of conditions attached
22 to not to the suitability but to the license, if
23 a license is ultimately issued.

24 That the Commission agrees with the

1 IEB's recommendation. And therefore that the
2 Commission finds that the entity PPE is
3 suitable. Issues a positive determination of
4 suitability and says that it is fit to proceed
5 to the next stage, but that the Commission will
6 continue to review its suitability and
7 continuing suitability as the Phase 2 process
8 proceeds and indeed thereafter.

9 So, I move that the resolution
10 stating in more formal terms what I've just
11 summarized be adopted by the Commission.

12 CHAIRMAN CROSBY: Second?

13 COMMISSIONER ZUNIGA: Second.

14 CHAIRMAN CROSBY: Any further
15 discussion? All in favor of the motion as
16 offered, aye.

17 COMMISSIONER MCHUGH: Aye.

18 COMMISSIONER CAMERON: Aye.

19 COMMISSIONER STEBBINS: Aye.

20 COMMISSIONER ZUNIGA: Aye.

21 CHAIRMAN CROSBY: Opposed? The ayes
22 have it unanimously. Congratulations to our
23 second qualifying applicant. Find a location.

24 Any other business, folks? All

1 right, there being no other, motion to adjourn?

2 COMMISSIONER ZUNIGA: So moved.

3 COMMISSIONER CAMERON: Second.

4 CHAIRMAN CROSBY: All in favor, aye.

5 COMMISSIONER MCHUGH: Aye.

6 COMMISSIONER CAMERON: Aye.

7 COMMISSIONER STEBBINS: Aye.

8 COMMISSIONER ZUNIGA: Aye.

9 CHAIRMAN CROSBY: Thank you all,

10 very much.

11

12 (Meeting adjourned at 3:12 p.m.)

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1 ATTACHMENTS:

- 2
- 3 1. Massachusetts Gaming Commission July 11,
4 2013 Notice of Meeting and Agenda
- 5 2. Massachusetts Gaming Commission June 27,
6 2013 Meeting Minutes
- 7 3. Massachusetts Gaming Commission Financial
8 Status Report
- 9 4. Massachusetts Gaming Commission 6-18-2013
10 Summary Schedule Update
- 11 5. July 3, 2013 Massachusetts Gaming
12 Commission Memorandum Regarding
13 Suitability Investigation for Mass Gaming
14 and Entertainment, LLC, Applicant for a
15 Category 2 Gaming License
- 16 6. Investigative Report for the Massachusetts
17 Gaming Commission: Applicant: Mass
18 Gaming and Entertainment, LLC
- 19 7. July 3, 2013 Massachusetts Gaming
20 Commission Memorandum Regarding
21 Suitability Investigation for PPE Casino
22 Reports MA, LLC, Applicant for a Category
23 2 Gaming License
- 24

1 8. Investigative Report for the Massachusetts
2 Gaming Commission: Applicant: PPE Casino
3 Resorts MA, LLC
4
5
6

7 GUEST SPEAKERS:

8 Robert Carroll, Michael & Carroll
9 John Donnelly, Mass Gaming and Entertainment, LLC
10 H. Theodore Grove, Spectrum Gaming Group
11 Bernie Murphy, Michael & Carroll
12 Joseph Weinberg, PPE Casino Resorts MA, LLC
13

14 MASSACHUSETTS GAMING COMMISSION STAFF:

15 Richard Day, Executive Director
16 Dr. Jennifer Durenberger, Director of Racing
17 Karen Wells, Director of Investigations and
18 Enforcement Bureau
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C E R T I F I C A T E

I, Laurie J. Jordan, an Approved Court Reporter, do hereby certify that the foregoing is a true and accurate transcript from the record of the proceedings.

I, Laurie J. Jordan, further certify that the foregoing is in compliance with the Administrative Office of the Trial Court Directive on Transcript Format.

I, Laurie J. Jordan, further certify I neither am counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken and further that I am not financially nor otherwise interested in the outcome of this action.

Proceedings recorded by Verbatim means, and transcript produced from computer.

WITNESS MY HAND this 15th day of July, 2013.



LAURIE J. JORDAN

My Commission expires:

Notary Public

May 11, 2018