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THE COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
200th PUBLIC HEARING

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Lloyd Macdonald

Bruce W. Stebbins

Enrique Zuniga

Gayle Cameron

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September 22, 2016, 10:00 a.m. to 4:00 p.m.

Massachusetts Gaming Commission

101 Federal Street, 12th Floor

Boston, Massachusetts

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PROCEEDINGS

CHAIRMAN CROSBY: It's my pleasure to call to order the 200th meeting of the Massachusetts Gaming Commission on September 22nd, 2016 -- what is that, like four and a half years after our first meeting?

COMMISSIONER CAMERON: Yes.

CHAIRMAN CROSBY: -- at our offices at 101 Federal Street. We'll have a few words more to say about our 200th meeting in a few minutes. We will start as usual with Item Number 2, the approval of the minutes. Commissioner Macdonald.

COMMISSIONER MACDONALD: Yes. I move that we approve the minutes of the last meeting of the Commission subject to corrections for typographical errors or other nonmaterial matters.

CHAIRMAN CROSBY: Second?

COMMISSIONER CAMERON: Second.

CHAIRMAN CROSBY: Any comments on the minutes? All in favor? Aye.

COMMISSIONER CAMERON: Aye.

1 COMMISSIONER ZUNIGA: Aye.

2 COMMISSIONER MACDONALD: Aye.

3 COMMISSIONER STEBBINS: Aye.

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

6 The next item is commissioner  
7 updates, and Item 3(a.) is to a talk a minute  
8 about our 200th meeting. Some of us have  
9 gone back and looked at our first meeting and  
10 read some of our conversations and  
11 aspirations when we first got started.

12 Probably most important among those,  
13 although I think we were so new to the game  
14 we were only barely aware of it, that we set  
15 out a standard that we wanted to make this  
16 process a participatory, transparent, and  
17 fair process on the theory that if we could  
18 indeed participate in the appropriate way,  
19 get participation from all of the various  
20 parties, the public, the invested interests  
21 and so fort, and if we could get that  
22 participation in a totally transparent way  
23 where the public was able to see everything  
24 that we do and say that that would in and of

1           itself assure that we had a fair process.

2                     And you've heard us talk about  
3 participatory, transparent, and fair. It's  
4 in our mission statement. It's something  
5 that we have tried very hard to make a very,  
6 very high priority.

7                     We've appreciated some occasional  
8 feedback even from media that they have  
9 recognized the effort that we're making to  
10 live stream all of our meetings, to record  
11 those, keep those recordings on our website.  
12 They're searchable. We also have our  
13 archives, the text archives. All of our  
14 meeting materials are on the website. It's a  
15 fairly extraordinary commitment functionally  
16 led by Elaine Driscoll, our communications  
17 director, to make sure that works.

18                     In the final analysis whether this  
19 has been appropriately participatory,  
20 transparent, and fair, I think it's a  
21 judgment for the public to make, not for us,  
22 as much as we would like to. But to speak to  
23 those issues a little bit, we've put together  
24 two quick videos that we wanted to show you,

1           you meaning the public, the audience watching  
2           as well as the folks here, starting out with  
3           I think something called MGC, Mass. Gaming  
4           Commission by the numbers. Is that right,  
5           Mike?

6                                (Video plays.)

7                                CHAIRMAN CROSBY: Thanks, Mike.

8           Hang onto the next one. That's three  
9           minutes, but there is a lot that goes into  
10          all that, and I can't express enough  
11          appreciation to the staff now of around a  
12          hundred people now that we've put together to  
13          do this. There are innovations in that  
14          galore, whether it's our research, our  
15          problem gaming, the quality of our  
16          Investigations and Enforcement Bureau. There  
17          is an incredible amount of work that's gone  
18          on, and personally, I take tremendous pride  
19          in it, and I'm proud of the team of people we  
20          put together to do this work.

21                                This is meeting 200. There may well  
22          be 2,000, who knows, but I personally feel  
23          like we're off to a pretty good start.

24                                As far as the transparency, I think

1 Mike has another -- Mike Sangalang, who puts  
2 together all of our video, has another little  
3 video about the nature of our transparency.  
4 588 hours of video.

5 (Video plays.)

6 CHAIRMAN CROSBY: Let's hear it for  
7 Mike Sangalang.

8 COMMISSIONER STEBBINS: Stop using  
9 my play list on that.

10 COMMISSIONER ZUNIGA: I'd like to  
11 know if "Friends" and "The Simpsons" include  
12 commercials, because we have no commercials  
13 in our meetings.

14 MR. SANGALANG: No commercials.

15 CHAIRMAN CROSBY: We do have breaks.

16 COMMISSIONER ZUNIGA: Yes, we have  
17 breaks.

18 I just want to say something to  
19 agree with everything you say, Mr. Chairman,  
20 and there's a lot of effort that comes into  
21 all the work that we do. A lot of what's in  
22 the first video also goes to the effort that  
23 the licensees and the applicants in the first  
24 place put together. There is the jobs, the

1 historical preservation, the opening and the  
2 revenues, et cetera. They have had a huge  
3 role in the work we do and we license, and  
4 they also deserve a round of congratulations  
5 from all of us here.

6 CHAIRMAN CROSBY: Yes. Agreed.

7 COMMISSIONER CAMERON: Agreed.

8 CHAIRMAN CROSBY: Anybody else? All  
9 right. So our 200th meeting, thanks to you  
10 all.

11 We're going to change the order --  
12 No. We're going to do quick commissioner  
13 reports. We bring back to the other  
14 commissioners and to the public some of the  
15 things the commissioners have been doing on a  
16 one-on-one basis since, as you know, we can't  
17 get together and talk about it ourselves.

18 I and certain members of the staff  
19 had a meeting with Senator Rodrigues from --  
20 Rodrigues from the Fall River area.

21 COMMISSIONER MACDONALD: I think he  
22 pronounces it Rodrigues.

23 CHAIRMAN CROSBY: Senator Rodrigues,  
24 right. That's what I said, yes. And he is

1 the senate chair of the Committee on Revenue  
2 and Taxation I think, and he will be charged  
3 with advising the study committee that's a  
4 joint committee, house and senate committee,  
5 on online gaming, trying to set up a  
6 regulatory environment for online gaming. He  
7 will be charged with trying to determine,  
8 make suggestions about what the tax situation  
9 ought to be for online gaming, daily fantasy  
10 sports, as well as all the other stuff that's  
11 out there, and on what kinds of licensing  
12 fees, if any, we might imposed.

13 So he wanted to meet with us and  
14 have his staff get together with our staff to  
15 begin to compare notes about what's happened  
16 around the country and what might be  
17 appropriate.

18 So that's great that they're  
19 thinking about that. As everybody may know,  
20 when we did our white paper on daily fantasy  
21 sports, we urged that the legislature look at  
22 more than daily fantasy sports, but rather to  
23 take what we call an omnibus approach to all  
24 online gaming in order that the



1 Gaming Commission, if that's who they give  
2 the responsibility to, or some other body, if  
3 they give it to some other responsibility,  
4 some regulatory body has the flexibility and  
5 the know how to deal with all these new  
6 gaming technologies, online gaming  
7 technologies that come down the pike, and the  
8 legislature is looking hard at that.

9 We did not touch on the issue of  
10 license fees or taxation. We felt this was  
11 something that was totally the legislature's  
12 judgment to make, and it was great Senator  
13 Rodrigues is already off to work on that. It  
14 was a great meeting put together. Justin  
15 Stempeck in particular, who was our most  
16 knowledgeable person on other people  
17 happening across the country with the  
18 Senator's staff.

19 We also had a meeting with some of  
20 the key folks at Springfield Tech Community  
21 College. Commissioner Stebbins and I  
22 attended that meeting. I thought you'd give  
23 us a quick update on that one.

24 COMMISSIONER STEBBINS: Sure. As

1       you know, we've had a strong relationship  
2       with the community colleges and looking at  
3       workforce development issues for our  
4       licensees. Two of the biggest hard  
5       supporters of the collaboration, President  
6       Rubenzahl from STCC and President Messner  
7       from HCC have both retired.

8               CHAIRMAN CROSBY: STCC and HCC are.

9               COMMISSIONER STEBBINS: Springfield  
10       Technical Community College and Holyoke  
11       Community College will be working closely  
12       with MGM.

13               We had an opportunity to meet with  
14       the new president of STCC. Comes out of the  
15       community college world previously up in New  
16       Hampshire, but it was helpful for the  
17       Chairman and I to have a conversation with  
18       him. He remains committed to the support and  
19       the program as we move forward. And we also  
20       happen to have our Access and Opportunity  
21       Committee meetings at STCC every other month.  
22       So he was happy to come by and meet the group  
23       that is part of our AOC team.

24               Also, just a quick addition. I had

1 the chance with Jill Griffin and  
2 representatives from the governor's skills  
3 cabinet to visit with key MGM folks yesterday  
4 down in Washington to see their National  
5 Harbor hiring process, what they're looking  
6 for in terms of candidates and how they're  
7 getting ready to ramp up. We had an  
8 opportunity then to pull the HR people,  
9 including the senior VP for HR for all of  
10 MGM, their chief compliance officer for all  
11 of MGM, as well as their regional workforce  
12 issues. We also had some folks from the  
13 community colleges as well as part of the  
14 trip. So a great, excellent meeting as we  
15 begin to look forward to training and hiring  
16 for MGM Springfield.

17 CHAIRMAN CROSBY: This pertains to a  
18 subsequent topic, but do you know how they  
19 deal with the issue of criminal record issues  
20 for gaming service non-gaming employees?

21 COMMISSIONER STEBBINS: We got into  
22 a little bit of that yesterday. What was  
23 interesting was watching their process. They  
24 do group interviews for a lot of their game

1 service positions.

2 CHAIRMAN CROSBY: Gaming service  
3 positions are positions like restaurants and  
4 hotels and so forth that do not have any  
5 relationship to the gaming floor, to the  
6 gaming business. That's a different category  
7 of licensing that we have with the folks.

8 COMMISSIONER STEBBINS: So what they  
9 were doing was getting people through their  
10 internal process. There were people walking  
11 out of there with kind of contingency offer  
12 letters. They were doing a quick drug test,  
13 and then they got to go to the celebration  
14 room where you're actually cheered by your  
15 future teammates at MGM on being selected.  
16 Then they're asked in the following days to  
17 go back online to do a full background,  
18 information check, and reference checks for  
19 the work they're doing.

20 But we had a very good, candid  
21 discussion with MGM folks down there about  
22 some of their concerns going forward with  
23 looking to hire and recruit for MGM  
24 Springfield. So a good start to have the

1 conversation that I know will be ongoing.

2 CHAIRMAN CROSBY: President Mathis,  
3 I want to try out that celebration room when  
4 you get going up here. And  
5 Commissioner Zuniga, we had a legislative  
6 briefing yesterday.

7 COMMISSIONER ZUNIGA: Yes, we did.  
8 I attended a legislative briefing that The  
9 Mass. Council on Compulsive Gambling  
10 organized. But there was a lot of members of  
11 staff, of legislative staff, a lot of great  
12 questions. We effectivity presented --  
13 actually a researcher team presented. They  
14 were the main presenters of all the research  
15 that we're doing that we're commissioning and  
16 the nature and depth of the information we're  
17 going to get.

18 Just based on the number of  
19 questions, which were, you know, important  
20 enough to at least make me think about, and  
21 Dr. Volberg spoke to this, I think it's  
22 important for us to continue the effort of  
23 summarizing what is a huge amount of work and  
24 data that we have. And there's ideas like

1           these fact sheets that we're going to try to  
2           be a little bit more forthcoming in terms of  
3           putting them out there. I've spoken with  
4           Director Driscoll about this. Mostly because  
5           there is so much going on only in the world  
6           of our research agenda that there is really  
7           the business case for us to be always  
8           thinking about how we summarize it well for  
9           the public. But it's also a reminder to take  
10          these opportunities or make new ones because  
11          there is quite a bit of interest from the  
12          legislature in the work we're doing and  
13          overall a really good discussion.

14                   CHAIRMAN CROSBY: Just to remind  
15          people, there's a legislative mandate which  
16          we have interpreted very, very broadly to  
17          study all the variables out there, social and  
18          economic variables, that might be impacted by  
19          the introduction of casinos. Obviously, that  
20          means problem gaming, obviously, that means  
21          traffic, but every other variable that might  
22          be affected; property values, unemployment  
23          rates, job starts, domestic violence, crime  
24          rates, every variable you can think of that

1           might be affected pro or con, we are doing a  
2           careful baseline study for every town in the  
3           Commonwealth with all of those variables, and  
4           we'll be tracking that over the years as time  
5           goes on.

6                     You saw some references in this  
7           short clip on what we've done in the first  
8           year or so that we have studied the first  
9           sixth months of operation of Plainville and  
10          determined by going very carefully through  
11          all police blogs and police reports that  
12          there have been no increases in crime in that  
13          region, that close-around area, Plainville or  
14          surrounding communities owing to the  
15          introduction of a casino.

16                    There has also been no negative  
17          impact on the lottery. Lottery sales have  
18          been as similar in the area around the casino  
19          as they have been every place else. But  
20          those are just two of the variables that  
21          begin to tell you the kinds of data that  
22          we're going to be reporting on, not just in  
23          our terms, but as the years go on, what  
24          happens to all those variables. So we're

1 going to have an incredible amount of data.

2 And Commissioner Zuniga makes a  
3 really good point. How do we figure out how  
4 to get all that out there so people  
5 understand.

6 You've heard us say before we're  
7 very mindful of the fact that 40 percent of  
8 the people who are in Massachusetts voted to  
9 repeal the Gaming Law. We want to make sure  
10 that those folks as well as the 60 percent  
11 who supported the law understand what the  
12 consequences are and understand our trying to  
13 deal with those consequences if they're  
14 negative.

15 So how we get our arms around  
16 presenting this fantastic wealth of data is  
17 really important. We're starting it, as you  
18 can see.

19 Anything else, anything other  
20 commissioners?

21 COMMISSIONER CAMERON: No.

22 CHAIRMAN CROSBY: So we're going to  
23 move our deference to some out-of-town  
24 guests. We're going to move to Item 8(c.).



1 Director Wells from the Investigations and  
2 Enforcement Bureau will pick that up.

3 MS. WELLS: Yes. Good morning, Mr.  
4 Chairman and the Commission.

5 COMMISSIONER MACDONALD: Good  
6 morning.

7 MS. WELLS: I'm going to have deputy  
8 director and our chief enforcement counsel,  
9 Loretta Lillios, walk you through these  
10 investigation results.

11 MS. LILLIOS: Good morning, Mr.  
12 Chair and Commissioners. Before you this  
13 morning are the applications of three  
14 companies under the Everi umbrella, and those  
15 companies are Everi Payments Incorporated,  
16 Central Credit LLC, and Everi Games  
17 Incorporated. All have applied to the  
18 Commission for licensure as gaming vendors  
19 primary.

20 Everi came into being after the  
21 company Global Cash Access, a provider of the  
22 payment processing systems in the casino  
23 industry, acquired Multimedia Games, a  
24 Texas-based slot machines developer. This

1 acquisition occurred in December of 2014 and  
2 the result was the Everi family of companies  
3 which all have Everi Holdings Incorporated as  
4 their ultimate parent company.

5 Post acquisition, Everi has a more  
6 diversified portfolio made of up gaming  
7 products and services known as the games  
8 segment, and payments and credit reported  
9 services known as the payment segment with  
10 the payment segment accounting for the  
11 majority of Everi's revenues.

12 Two of our applicants, Everi  
13 Payments and Central Credit, fall into the  
14 payment segment and Everi Games falls into  
15 games segment, as their names suggest. Everi  
16 Holdings Inc. is the parent company for all  
17 three applicants and it is a publically-traded  
18 company on the New York Stock Exchange.

19 Initially, we performed preliminary  
20 background reviews under our temporary  
21 licensing regulation for each applicant and  
22 temporary licenses previously issued that  
23 have allowed all three companies to provide  
24 their services and machines to Plainridge

1 Park Casino. And of course, if you approve  
2 full licensure today, the companies will be  
3 in a position from a licensure standpoint to  
4 do business with all of our gaming licensees.

5 I do want to recognize the IEB  
6 investigators who performed this review.  
7 Trooper Dean Cerullo was the lead state  
8 police investigator and financial  
9 investigator Monica Chang and Ferdinand  
10 Pellegrino performed the required financial  
11 reviews.

12 And I would also like to thank the  
13 applicants through their individual  
14 qualifiers who were cooperative, engaged, and  
15 forthcoming throughout this entire process.  
16 Juliet Lim, general counsel for Everi, and  
17 CFO Mr. Randy Taylor are present here today.

18 With respect to full licensure, the  
19 IEB has conducted a background of all three  
20 applicant companies as is required by the  
21 gaming statute and our regulations. And in  
22 keeping with our legal mandate, we evaluated  
23 the applicant's overall reputations,  
24 including for their honesty, integrity, and

1 good character, financial stability,  
2 integrity, and background, their history of  
3 compliance with gaming licensure regulation  
4 requirements in other jurisdictions, and  
5 their criminal history, and note that none of  
6 the companies have any criminal history.

7 As part of the investigation of the  
8 three applicant companies, we've performed  
9 background reviews of their parent and  
10 affiliated companies as well as 11  
11 individuals identified as qualifiers by  
12 virtue of their executive positions, their  
13 directorship positions, or that direct sales  
14 relationship with our gaming licensee. All  
15 of these qualifiers, both the entities and  
16 the individuals, are named in the letter in  
17 your packet, and background reviews of two  
18 additional qualifiers who recently joined  
19 Everi's executive team are currently in  
20 process.

21 As part of our investigation, we  
22 reviewed the materials submitted as part of  
23 the application, and we verified the accuracy  
24 of that information. We requested and

1 received supplemental and updated  
2 information, and we gathered information from  
3 government and nongovernment sources and  
4 database. We reviewed the company's  
5 compliance plans and minutes of compliance  
6 committee meetings and audit committee  
7 meetings.

8 We also performed financial review  
9 and analyses of the companies and reviewed  
10 financial information of the individuals for  
11 stability, integrity, and background. Our  
12 investigators also had telephone  
13 communications throughout this process with  
14 representative of the Everi companies. They  
15 conducted site visits to Everi's headquarters  
16 in Las Vegas and its production facility in  
17 Las Vegas and interviewed individual  
18 qualifiers in the interviews. Investigators  
19 also travelled to Nevada, Arizona, and  
20 Colorado to review investigative reports  
21 compiled by gaming regulators in those  
22 states.

23 Turning first to the applicant Everi  
24 Payments Incorporated, that company was

1 previously known as Global Cash Access, which  
2 was established as a Las Vegas-based company  
3 in 2004. It provides payment processing  
4 systems in the gaming industry on a global  
5 basis and utilizes its patented integrated  
6 kiosk platforms for gaming ticket  
7 redemptions, bill breaking, and cash access  
8 services to the casino floor. Everi Payments  
9 has 24 of its ATMs currently at the  
10 Plainridge Park Casino.

11 Everi Payments is licensed in  
12 multiple state jurisdictions and tribal  
13 jurisdictions as well as international  
14 jurisdictions, and we verified license status  
15 in a number of those confirming that the  
16 licenses are in good standing with no  
17 derogatory information noted.

18 We researched regulatory violations  
19 of Everi Payments Inc. and its predecessor  
20 company and note, as with the other two  
21 applicants as well, that each applicant did  
22 disclose a number of violations, which is not  
23 unexpected for companies of this size and  
24 exposure. Everi Payments did disclose a

1 violation in an Arizona matter related to  
2 activity in the time frame of 1999 to 2002  
3 which led to a settlement between the  
4 applicant and the Arizona Department of  
5 Gaming to the tune of around \$800,000. And I  
6 mention this here because the dollar amount  
7 of that fine was fairly significant, but  
8 point out that for purposes of suitability,  
9 that the activity was around 15 years ago and  
10 under prior management and that the  
11 investigation shows a history of corrective  
12 action and that the number and types of  
13 violations are not reflective of current  
14 systemic deficiencies. And even in Arizona  
15 where this settlement occurred, the company  
16 has been fully licensed and in good standing  
17 and has had its licenses renewed on a number  
18 of occasions.

19 Our financial review focused on  
20 post-acquisition activities and performances  
21 of the companies, and we reviewed  
22 consolidated audited financial statements of  
23 Everi Holdings and income tax returns for  
24 Everi Holdings and the applicant companies

1 with confirmation via federal information  
2 that there are no outstanding tax  
3 obligations.

4 And as I mentioned, Everi Holdings  
5 is a publicly-traded company listed on the  
6 New York Stock Exchange, and as such, it is  
7 subject to the listing requirements with  
8 respect to corporate governance, including  
9 the requirement of an annual CEO  
10 certification, and of course, is subject to  
11 the reporting requirements and rules and  
12 regulations of the Securities and Exchange  
13 Commission.

14 Normally, our financial  
15 investigators would conduct ratio analyses,  
16 but given that the financial reviews span  
17 only the two-year post acquisition period,  
18 that would not have been telling. So as an  
19 alternative, Ms. Chang evaluated Everi  
20 Holdings Inc. and its subsidiary liquidity,  
21 solvency, and profitability, its access to  
22 cash and stock price exposures with the  
23 conclusion being that the financial condition  
24 raises no immediate concerns in terms of



1 financial stability.

2 Finally, with respect to Everi  
3 Payments Inc., you may recall that this past  
4 June the Commission voted to amend one of the  
5 internal control regulations dealing with  
6 credit card advances versus the language of  
7 ATM cash withdrawals, and the activity at  
8 issue that led to the amendment there arose  
9 from activity on the Everi ATM's at PPC.

10 Everi worked with the Commission  
11 staff in a very helpful manner as we worked  
12 to come to an understanding of the terms of  
13 art in the financial industry, and this in  
14 turn lead to a regulation that reached the  
15 conduct that the Commission was most intent  
16 on addressing. And I want to point out that  
17 Everi took a proactive approach once this  
18 matter was identified and has been in  
19 compliance with the new regulation.

20 Turning next to Central Credit LLC.  
21 It is a Delaware company that was founded in  
22 1999 and headquartered in Las Vegas.  
23 Central Credit maintains a database of  
24 casino-related credit information to help

1 operators make decisions about credit  
2 worthiness of patrons. This includes  
3 providing updated information on patron  
4 marker activity and notifications to  
5 operators of illegal or suspicious activity,  
6 all to assist casinos in making extensions of  
7 credit, or for the purposes of Plainridge  
8 Park Casino, determining credit worthiness  
9 for check cashing purposes.

10 Central Credit is directly owned by  
11 Everi Payments Inc. with Everi Holdings Inc.  
12 as its ultimate parent company, and because  
13 of that common ownership and consolidated  
14 financial information, much of the financial  
15 review for Central Credit mirrors that of  
16 Everi Payments. Central Credit is also  
17 licensed in a number of states and tribal and  
18 international jurisdictions, and similarly  
19 checks with selected jurisdictions show  
20 licenses in good standing.

21 Turning to Everi Games Incorporated,  
22 formally Multimedia. It was originally  
23 incorporated in 1993 and is based in Austin,  
24 Texas. It has satellite offices and a

1 production facility as well with the Austin  
2 location housing the company's creative  
3 development team. It is licensed in 58  
4 states [sic] and over 200 tribal and a number  
5 of international jurisdictions, and  
6 similarly, selective reviews there show  
7 licenses in good standing.

8 They presently supply Plainridge  
9 Park Casino with, I believe, 24 slot  
10 machines. Everi Games is directly owned by  
11 Everi Games Holding which was formally  
12 Multimedia Holdings and its ultimate parent  
13 company, like the other two applicants, is  
14 Everi Holdings Inc. Its regulatory history  
15 revealed no information that negatively  
16 impacts suitability. And in a similar vein,  
17 its litigation history, like that of the  
18 other two applicants, does not involve any  
19 concerning patterns involving the applicant's  
20 business practices. These companies have a  
21 history and reputation of performing on their  
22 contracts, as they have done in Massachusetts  
23 to date.

24 We also conducted background reviews

1 of the 11 individual qualifiers who are  
2 listed in the letter in your packet, and as a  
3 whole, these individuals have lengthy  
4 histories and experience in the gaming  
5 industry and have licenses in good standing  
6 in multiple jurisdictions.

7 Taking into consideration the  
8 entirety of the investigation, the IEB is  
9 satisfied that Everi Payments Inc., Central  
10 Credit LLC, and Everi Games Inc. have  
11 established their qualification by clear and  
12 convincing evidence, and the IEB therefore  
13 recommends that the Commission approves those  
14 three applications for licensure as gaming  
15 vendors primary.

16 Of course, suitability of all of our  
17 licensees is ongoing, and the licensees have  
18 certain self-reporting requirements, and we  
19 will continue to monitor any licenses that do  
20 issue.

21 So either myself or the  
22 investigators would be happy to try to answer  
23 any questions that you have, and of course,  
24 Ms. Lim and Mr. Taylor are here as well.

1                   COMMISSIONER CAMERON: Yes. I have  
2 a couple of actually comments rather than  
3 questions. I think I asked all my questions  
4 already.

5                   The quality of the investigations  
6 were excellent. I've seen huge improvement  
7 actually, and early on we looked at so many  
8 other investigations from consultants, from  
9 other jurisdictions, in particular financial  
10 work that was done, and this is superb. Very  
11 easy to understand. The investigator work,  
12 well done.

13                   I'm curious by nature and have an  
14 investigator background, so I had a number of  
15 questions. Always there was an answer and a  
16 thorough answer on what additional work that  
17 maybe didn't make its way into the report was  
18 done, and not only was it done, there was  
19 some, frankly, as there is in every  
20 investigation, there is some sensitive  
21 topics, right, whether they be arrests,  
22 convictions, other issues about finance. And  
23 when I questioned, asked questions about  
24 those issues, I was particularly impressed

1 with the manner in which those conversations  
2 took place. You know, got the answers that  
3 were necessary so that we're satisfied that  
4 that particular issue no longer is an issue  
5 but in a very professional way, that  
6 information was ascertained.

7 So again, I know I've said this  
8 before, but I think it's important that the  
9 quality of the work that we're doing and just  
10 the level of detail. You know, we read a  
11 number of pages, right, maybe a 20-page  
12 report on each individual and maybe a little  
13 longer report on the company, but just asking  
14 a couple of key questions, I realize the work  
15 that went in and how intimately they know the  
16 case inside and out, and just impressive work  
17 by our team, and certainly I agree with the  
18 recommendations.

19 MS. LILLIOS: Thank you,  
20 Commissioner. I know the team really  
21 appreciates that. They obviously put a lot  
22 of work into the reports that you get and  
23 care very much about the process and have  
24 been a part of evolution and learning process

1 as we go for sure. I appreciate that, as I'm  
2 sure they do. Thank you.

3 COMMISSIONER STEBBINS: I echo  
4 Commissioner Cameron's points. Also, you  
5 alluded because they are a new company with  
6 not a very long financial track record, in  
7 terms of ongoing suitability, kind of what  
8 continued due diligence can you do on that  
9 aspect of their business kind of going  
10 forward?

11 MS. LILLIOS: Well, they do have  
12 reporting requirements, and they're reporting  
13 requirements are both public and to us. And  
14 it's part of our model to continue to monitor  
15 those public filings, for instance, with the  
16 SEC. So we have built into and continue to  
17 build into our model that continuing  
18 monitoring process that is facilitated in the  
19 circumstance with the public company because  
20 many of those filings are already made and  
21 required by other regulatory agencies.

22 COMMISSIONER ZUNIGA: Can I make one  
23 point of clarification. It's a new company  
24 because it merged recently, but they have a

1 long history of being an industry standard  
2 really in many of the aspects of the prior  
3 companies.

4 I just want to say as well I have a  
5 couple of questions for our guests, but after  
6 we vote on the licensure. That's not part of  
7 my vote. I want to talk a little bit about  
8 the industry later. I do also want to say  
9 that there's a lot of detailed work that went  
10 into this effort, and it's very evident, and  
11 it's really great to read the report that you  
12 guys put out.

13 CHAIRMAN CROSBY: I would second  
14 what Commissioner Cameron and  
15 Commissioner Zuniga said. As I was talking  
16 earlier about our first four-and-a-half years  
17 and first 200 meetings, one of the areas that  
18 we have been distinctive in, I think, is the  
19 quality and professionalism of our  
20 investigations. There have been commentators  
21 out there who have commented that we are  
22 particularly rigorous. And we know we've  
23 made some real tough decisions over the  
24 course of the years. The question in my mind



1           that I'm going to bring up later, Everi ended  
2           pretty much like all of these big companies  
3           which are licensed in multiple jurisdictions,  
4           they ended up being fined, as most of them  
5           are. And one of the issues that we're going  
6           to be talking about under Topic 8(d.) is  
7           reciprocity, and are we putting the resources  
8           of our outstanding financial and other  
9           background investigators to work on the right  
10          places? There are a lot of issues coming up  
11          before us in a lot of places where we need  
12          our resources put to bear and that's  
13          something I want to talk about later on. But  
14          as it applies to this situation, the IEB is  
15          doing their work as we have assigned them  
16          thus far, and they do it in a nearly uniquely  
17          distinguished way.

18                    Any other comments or questions? Do  
19                    we have a motion?

20                    COMMISSIONER CAMERON: Mr. Chair, I  
21                    move that the Commission approve the  
22                    suitability of Everi Games Inc., Everi  
23                    Payments Inc., Central Credit LLC, and I  
24                    believe there were 11 applicants as well for

1           this company, and I move that we approve all  
2           of those entities and individuals.

3                   COMMISSIONER MACDONALD:   Second.

4                   CHAIRMAN CROSBY:   Further  
5           discussion?  All in favor?  Aye.

6                   COMMISSIONER CAMERON:  Aye.

7                   COMMISSIONER ZUNIGA:  Aye.

8                   COMMISSIONER MACDONALD:  Aye.

9                   COMMISSIONER STEBBINS:  Aye.

10                  CHAIRMAN CROSBY:  Opposed?

11                  The ayes have it unanimously.

12           Congratulations.  Welcome.  These folks can  
13           operate on a temporary license?

14                  MS. LILLIOS:  That's correct.

15                  CHAIRMAN CROSBY:  For how long?

16                  MS. LILLIOS:  There were different  
17           dates for each of them.  I think actually two  
18           different dates.  Let's see.  Everi --

19                  CHAIRMAN CROSBY:  More or less.  It  
20           doesn't have to be exact.

21                  MS. LILLIOS:  I think within about a  
22           year, I believe.

23                  CHAIRMAN CROSBY:  Okay.

24           Commissioner Zuniga, you had some questions?

1                   COMMISSIONER ZUNIGA: Yes. I just  
2 had generally just some questions for the  
3 benefit of the public. There's a couple of  
4 products where they are clearly almost a  
5 standard, a market leader. I understand the  
6 database of casino credit for Global Cash --  
7 I believe, Central Credit, and the patented  
8 products that you have, the kiosks.

9                   I just have a general question  
10 relative to competitive threats that you  
11 might see. If you could come and speak to  
12 any of that. When are these patents -- I  
13 would ask that one of you at least come to  
14 the microphone. I'm sure a lot of this is in  
15 your public disclosures with the SEC, et  
16 cetera, but we'd love to hear a little bit  
17 about your competitive environment.

18                   MS. LIM: Commission, I'm Juliet  
19 Lim. I'm general counsel --

20                   CHAIRMAN CROSBY: Is your mic on?

21                   MS. LIM: Good morning. I am Juliet  
22 Lim. I'm the general counsel of Everi. I'm  
23 also the executive vice president of  
24 Payments, so I can certainly speak to you

1 about the competitive issues in the payments  
2 industry.

3 We are a market leader both in share  
4 of market and also in technology development.  
5 We feel very well positioned to address our  
6 competitors. We have a number of public and  
7 smaller cash access payment providers. We  
8 feel that we provide very good service. We  
9 have loyal customers. We have an excellent  
10 service department. Our patent on our  
11 three-in-one rollover will expire in January  
12 of 2018.

13 CHAIRMAN CROSBY: Patent on what?  
14 I'm sorry.

15 MS. LIM: Our three-in-one rollover,  
16 I believe that's the patent you're talking  
17 about, will expire on its own terms on  
18 January 2018.

19 COMMISSIONER ZUNIGA: Do casinos  
20 normally operate with you and your  
21 competitors, or is it usually just a choice  
22 of one vendor for the services, for the  
23 services you provide?

24 MS. LIM: Are you asking whether

1 customers normally renew with us or whether  
2 they go out for competitive bid?

3 COMMISSIONER ZUNIGA: No. I'm  
4 asking whether you and your competitors,  
5 let's say, operate within a same casino, or  
6 the casino chooses one or another for the  
7 services you provide?

8 MS. LIM: I think it's different  
9 depending on the operator. Some operators  
10 buy everything from one provider. Some will  
11 buy cash access from one provider. They  
12 might get check services from another  
13 provider. Some don't buy central credit,  
14 some do. Does that answer your question?

15 COMMISSIONER ZUNIGA: Yes. That may  
16 certainly be the case. You're also  
17 manufacturers of slot machines, so you're  
18 obviously competing with a number of  
19 providers. Is that true?

20 MR. TAYLOR: Yes. This is Randy  
21 Taylor, CFO. From the game side --

22 CHAIRMAN CROSBY: I'm sorry, could  
23 you say that again so we can --

24 MR. TAYLOR: I'm sorry. I speak

1 fast. Excuse me, Chairman.

2 So it's Randy Taylor. I'm the chief  
3 financial officer. From the game side, we're  
4 clearly on the small end of the game  
5 provider, so it's very competitive.

6 Obviously, much bigger companies. But we  
7 have a spent a lot of money in technology.

8 When we acquired Multimedia, one of  
9 the things we did, we actually set up a new  
10 development studio in Chicago and one in  
11 Reno. They were mainly out of Austin. I  
12 really thought that was important to get a  
13 full -- you know, to get input from other  
14 areas and other gaming areas, and so we have  
15 invested a lot in the development side.

16 So we really have to be a little bit  
17 smarter, a little bit hungrier, but, you  
18 know, we really believe we can grow our  
19 share, and we have a very good presence in  
20 the tribal gaming, so Class 2. There's Class  
21 2 and Class 3. So we operate in both, but  
22 Multimedia kind of got its roots in Class 2.

23 But from a gaming, from a games  
24 standpoint, very competitive, and obviously,

1           they will generally use -- I think operators  
2           look to who has that best game. It doesn't  
3           matter who you are, if your game is  
4           successful and your patrons like it, that's  
5           who they're going to go after.

6                        COMMISSIONER ZUNIGA: Perhaps you  
7           answered the next question I had, but in my  
8           estimation, there's been quite a bit of  
9           consolidation in the industry in perhaps what  
10          I would call the value chain, cash payment  
11          processors acquiring game companies. There's  
12          others who've done something similar. How do  
13          you see that industry evolving in the next  
14          few years?

15                       MR. TAYLOR: It's a great question.  
16          Clearly in '14, there was a lot of activity,  
17          primarily game manufacturing acquiring game  
18          manufacturers. We were a little bit  
19          different because we were a complimentary  
20          business with the cash access and the games.  
21          You know, I don't know. I really don't know.  
22          I think there could still be consolidation,  
23          but I think most of the bigger players have  
24          kind of got their plates full. They have got

1 a lot of things they've got to pull together,  
2 as do we.

3 As you talk with the team that  
4 investigated us, we have a lot of debt, and  
5 so we really need to pay debt down first  
6 before we would be going, you know, looking  
7 at anything really materially at this point  
8 unless somebody was looking at us. But, you  
9 know, I think there's still potential for  
10 that, but there's a lot done, and I think a  
11 lot of it has to be absorbed before anything  
12 else happens.

13 COMMISSIONER ZUNIGA: Thank you.

14 MR. TAYLOR: Thank you.

15 CHAIRMAN CROSBY: Anything else for  
16 our guests? Thank very much. Thanks for  
17 coming.

18 MS. LIM: Thank you, investigators.  
19 They were excellent.

20 CHAIRMAN CROSBY: While we set up  
21 for our next item, MGM can come forward, too.  
22 We'll take a quick break.

23 (Break taken.)

24 CHAIRMAN CROSBY: We are reconvening



1 Public Meeting Number 200. We are going to  
2 Item Number 4, which is the ombudsman's  
3 report. Ombudsman Ziemba.

4 MR. ZIEMBA: Good morning,  
5 Commissioners. Today MGM is presenting its  
6 quarterly report for the second quarter of  
7 this year which ended in June. Mike Mathis,  
8 president of MGM Springfield, is joined by  
9 Brian Packer, MGM vice president of  
10 construction and development, and Seth  
11 Stratton, MGM Springfield's general counsel.

12 MGM previously presented its first  
13 quarterly report on May 12th. That's when we  
14 all a look at the latest design of the  
15 facility. It's anticipated that the next  
16 report reflecting the current quarter will  
17 likely be in the early part of November.

18 Before they begin, I'd just like to  
19 given a little bit of a brief update  
20 regarding the parking situation in downtown  
21 Springfield. As you know, the Commission has  
22 been focusing on that situation and issues  
23 that have developed and had authorized some  
24 solutions as a result of a grant application

1 by the City of Springfield earlier this year.  
2 We revisited that just a short while ago to  
3 expand the potential options for a parking  
4 solution for that area.

5 So by way of update, over the last  
6 few weeks the City of Springfield has been  
7 taking a look at the various options on how  
8 to address the parking situation on that  
9 stretch of Main Street, taking a look at the  
10 shuttle option, taking a look at the valet  
11 option, which was part of the application.  
12 And I report today that the City of  
13 Springfield has determined that it will  
14 pursue the valet option and expanded valet  
15 option that would make sure that it makes  
16 availability for that valet service for that  
17 corridor of Main Street, and that has been a  
18 priority of the Commission that we make that  
19 program available to that segment.

20 So it's anticipated hopefully in the  
21 next couple of weeks that we'll move forward  
22 on an RFP process. I know that there's been  
23 a tremendous amount of work back and forth  
24 with MGM Springfield, with the City of

1 Springfield doing all of the due diligence,  
2 and there's been outreach to a number of  
3 different businesses in the corridor by MGM  
4 Springfield, and we've had, you know, further  
5 conversations with Caring Health, which was  
6 the main focus of the initial application.  
7 But it looks like hopefully we will soon have  
8 a lot of the details determined on this  
9 parking program so that it can move forward.

10 But in any event, the Commission  
11 took a look at having the 90-day first phase  
12 of the pilot so that we could take a look at  
13 how it works, what changes might be  
14 necessary, and we can continually make  
15 improvements. But I think we're now at a  
16 point where we're hopefully on the cusp of  
17 being able to move forward. But there are  
18 some, you know, thorny little details that  
19 everybody's trying to work out, but  
20 everybody's been working in a cooperative  
21 spirit. So with that, I turn to Mr. Mathis.

22 MR. MATHIS: Thank you, John. And  
23 before I make a couple of opening comments, I  
24 want to thank Ombudsman Ziemba for his hard

1 work on the parking issue. It's not the  
2 sexiest conference you get invited to.  
3 That's why I'm never on them, but I know John  
4 is, as is our team. And thank you to the  
5 Commission for freeing up some dollars to  
6 mitigate some of the impact down there.

7 We know local businesses are feeling  
8 it. Most of them, all of them are in it for  
9 the long run, and they've been encouraging,  
10 but I think if we can give them some help  
11 along the way, and this valet concept I think  
12 is a great one.

13 With that, on behalf of MGM, I want  
14 to congratulate you on this milestone. I'm  
15 not sure I saw Mike. Where's Mike who's in  
16 charge of the video? Great job on the video.  
17 I like to think of myself as a connoisseur of  
18 civil videos and that was a particularly good  
19 one. I particularly enjoyed the Caribbean  
20 calypso score. Got me a little nervous when  
21 I saw the church moving, that shake. But I  
22 think it's great.

23 You know, when I think about what  
24 you've accomplished as a group, it's really

1           that much more impressive when you think  
2           about how you started. I was on the panel  
3           with the Chairman, and he talked about the  
4           early days it was the five of you and an  
5           assistant. As tough as our job has been in  
6           Springfield, you know, we had a bit of play  
7           book, and we had about 62,000 employees on  
8           our bench. So really, really impressive and  
9           kudos to you.

10                         And you know, we've talked a lot of  
11           best practices in the last four-and-a-half  
12           years, five years collectively, and when I  
13           think about the way you've launched this  
14           governing body, I think new jurisdictions  
15           need to look at your process as best  
16           practices for launching a really quality  
17           organization and regulatory body. So I  
18           commend you on that.

19                         COMMISSIONER CAMERON: Thank you.

20                         MR. MATHIS: Lastly, I want to thank  
21           you and your staff for what really is more  
22           and more and every time we meet feels like a  
23           partnership. And, you know, we're all going  
24           towards a common goal of delivering a

1 world-class product, but delivering on some  
2 really important legislative and public  
3 policy aspects of it. And you know,  
4 Commissioner Stebbins' visit down to National  
5 Harbor is a great example of that.

6 We're working hand and hand with our  
7 Maryland regulators. They're showing their  
8 process so that we can adopt it here in  
9 Massachusetts and have a really smooth  
10 preopening and opening process and licensing  
11 process. So a lot of hard work on your  
12 staff's part. I've seen it because they've  
13 been down in Springfield, out in Springfield  
14 working with us on many, many issues. So  
15 thank you. It feels good to be part of a  
16 team here.

17 COMMISSIONER CAMERON: Thank you.

18 MR. MATHIS: With that, let me get  
19 to the clicker. So since we're in the school  
20 season, I thought I'd just start off with a  
21 quick little quiz for the Commission. What  
22 do these ten cities all have in common? I've  
23 got a map up here with dots.

24 COMMISSIONER CAMERON: I already

1 read the answer.

2 MR. MATHIS: All right.

3 CHAIRMAN CROSBY: It's hard to pull  
4 one over on Commissioner Cameron.

5 MR. MATHIS: Yes. And of course,  
6 she'd admit she saw the answer.

7 COMMISSIONER CAMERON: Yes.

8 MR. MATHIS: And not want to take  
9 credit inappropriately. These ten cities  
10 were just named by CNBC on August the 25th as  
11 ten of what I think is the most overlooked  
12 cities with rising business opportunities. I  
13 think that's really remarkable that a city  
14 like Springfield that's been neglected by the  
15 region in a lot of ways and has fallen on  
16 tough times is landing on a list not in  
17 Massachusetts, not in New England but on a  
18 national list of top opportunities.

19 You might remember the days when  
20 some of the naysayers about what we're all  
21 collectively doing here, talked about casino  
22 resorts scaring away legitimate businesses,  
23 and really the opposite has been proven. And  
24 here in Springfield, we've got Changchun

1           Railway has come and developed a factory on  
2           the old Westinghouse site. We have, of  
3           course, our project. It's part of a  
4           \$2.7 billion of economic development that  
5           Kevin Kennedy and the mayor love to brag  
6           about, as they should. And, you know, we are  
7           the lynchpin of it. And I think this group  
8           collectively have delivered this opportunity  
9           to Springfield and is changing the trajectory  
10          of the city, I think, for quite some time.  
11          So very proud to be a part of that.

12                    And with those opening comments, now  
13                    that we've got a lot of our items and  
14                    entitlements out of the way, we're letting  
15                    the real experts get to work. And I want to  
16                    turn it over to Brian Packer who is doing a  
17                    remarkable job of developing the site with  
18                    construction update.

19                    MR. PACKER: Good morning, Chairman,  
20                    Commissioners.

21                    COMMISSIONER CAMERON: Good morning.

22                    CHAIRMAN CROSBY: Good morning.

23                    MR. PACKER: Since this is the  
24                    second quarter update, I just want to kind of



1 get your mind up to speed where we were at  
2 the beginning of the second quarter, and we  
3 had just relocated the church.

4 And so in Slide 7 what you see  
5 towards the end of the quarter, what have we  
6 done. The church was just moved prior. The  
7 next 90 days what are we working on, the  
8 garage. You're starting to see foundations  
9 take place in the garage, a bunch of earth  
10 work, so a lot of the soil. We had soil we  
11 needed to import and amend existing soil. We  
12 had certain soil that had to be exported  
13 where we have underground storage tanks.

14 We started -- you see the squares  
15 kind of in the center in the front of the  
16 picture. Those are the spread footings for  
17 the actual casino. And we were doing  
18 preparation efforts on Union Chandler for the  
19 eventual kind of separation. So a lot of  
20 this is site cleanup, compaction,  
21 geotechnical work you're going to see during  
22 this quarter.

23 And here's a comparison we've done  
24 in the past of kind of the beginning of the

1 quarter and towards the end. And just at the  
2 beginning you see the remnants of YWCA. We  
3 couldn't knock that down until the church was  
4 relocated. So the minute the church was out  
5 of the way, that enabled that work that's  
6 right in the center of the site to move  
7 forward, cleared the remaining of that out,  
8 start preparing that whole center area to be  
9 able to receive foundations.

10 A lot of progress in the parking  
11 garage in this period. Parking garage  
12 foundations as well as the shared wall which  
13 you see on the picture to the right between  
14 the garage and the entertainment block. So  
15 that kind of sets that dividing line of  
16 separation between the two structures.

17 CHAIRMAN CROSBY: What's the start  
18 date, the opening date, for the garage?

19 MR. PACKER: Right now we're on  
20 target for January of '18.

21 CHAIRMAN CROSBY: January '18.

22 MR. PACKER: And we hope to at that  
23 point be able to utilize the garage for at  
24 least the construction worker parking.

1                   CHAIRMAN CROSBY: So it wouldn't be  
2 open to the folks in the neighborhood?

3                   MR. PACKER: I think at that point  
4 we have to look at the logistics of that.  
5 How am I going to mix construction with the  
6 public. Mike at some point will have  
7 employees coming to get trained potentially  
8 even out of the state. So with the logistics  
9 of all that, we have to work out. Plus you  
10 have life safety systems that are in the  
11 garage which will tie to the podium. And I  
12 am sure before the public is in that  
13 building, the city would like to see those  
14 tied in.

15                   So we have some work to do on the  
16 public date, but at least for construction  
17 parking we're fairly confident in January.

18                   MR. MATHIS: And that's not  
19 uncommon, Chairman, for garages of that  
20 nature to have sort of limited access until  
21 you have a full open access to the public.

22                   So we know there's a need, there's a  
23 desire to get folks in there and take a  
24 little bit of pressure off existing parking

1 sites, and we'll try to get that done as  
2 quickly as possible. But I think it is going  
3 to be a little bit difficult to do it very  
4 much earlier than our opening.

5 MR. PACKER: On the next slide you  
6 see some of the work off the loading dock  
7 right off of Union, some of the early ramp  
8 work along the property line going in, and  
9 again the shared footing line.

10 As I previously mentioned, a good  
11 amount of podium, earth work, and foundation  
12 work is going on. A few shots here of  
13 actually when we had to compact the soil, we  
14 have to do it in lifts. You can't just bring  
15 in everything and compact it all at once. So  
16 typically you have six-inch lifts, one-foot  
17 lifts, three-foot lifts depending on what the  
18 characterization of the soil is, and then  
19 you'll compact it, and get the sign off, and  
20 you'll be able to re-compact over it.

21 A few shots here of the podium  
22 foundation being poured. Generally, just a  
23 grid of squares all throughout your podium.  
24 These landings will be where your steel

1 columns basically center on.

2 The church, since we moved the  
3 church in the prior period, this was really  
4 about sealing off the lower foundation of the  
5 church, removing the support steel that was  
6 there for the move, and refacing the brick  
7 that had to be removed during the operation.

8 The shot on the left, there's a  
9 crawl space now underneath the church that  
10 was required to -- we had to set the church  
11 in the same relationship to the street height  
12 wise that it was previously, so this crawl  
13 space allows for that adjustment to take  
14 place.

15 The armory, we also removed the rear  
16 portion of the armory, and this was an  
17 interesting project because, obviously, we're  
18 trying to preserve the front piece of the  
19 armory and not damage while we're removing  
20 that rear addition. And you can see that the  
21 colorful paints that remain from the rooms  
22 that were --

23 CHAIRMAN CROSBY: What happened to  
24 those paints? How come they're not on the

1 shot on the right?

2 MR. PACKER: So paint was actually  
3 on drywall or fairing material.

4 CHAIRMAN CROSBY: Oh. All right.

5 MR. PACKER: So then when you  
6 removed it...

7 MR. MATHIS: Those were classrooms  
8 from the old South End Community Center, so  
9 they had some really vibrant colors in there.

10 Hey, Brian, while we're on armory,  
11 could you tell the Commission about what  
12 we're doing with your demo team. I thought  
13 that's really innovative.

14 MR. PACKER: So, you know, we are  
15 always looking to try to burn off work that's  
16 in front of us that we know we're going to  
17 have to do eventually. We're still working  
18 with Mike and the team on the programming of  
19 the interior of the armory, but we know that  
20 we have to clear out everything that's  
21 inside. And so while that contractor who's  
22 going to build the fit out of the armory may  
23 not be identified yet, we try to push ahead  
24 with the work.

1           So we thought what would be a  
2           creative way of getting that done in a unique  
3           manner, and we came up with an idea of, hey,  
4           can we assemble an all-woman demolition crew.

5           So currently we have six women in  
6           the armory clearing out all the old debris  
7           and at least getting that structure clean so  
8           that whenever we get to the point to bring in  
9           that general contractor in, you know, two  
10          months of work, six weeks of work is burned  
11          off. So a creative way to kind of --

12           CHAIRMAN CROSBY: So is this in  
13          collaboration with some union?

14           MR. PACKER: Yes. So it would be in  
15          collaboration with the unions as well as  
16          ultimate abatement, and ultimately someone's  
17          willingness to work with us to do that.

18           MR. MATHIS: And we're running some  
19          of the stats, but you know, our suspicion,  
20          they're a lot more efficient than the all-men  
21          team. So we're going to try to deploy that  
22          strategy elsewhere on the project.

23           COMMISSIONER ZUNIGA: My thought,  
24          that they were probably more careful with

1 some of the demolition as well.

2 CHAIRMAN CROSBY: Interesting.

3 MR. PACKER: So, you know, if  
4 anyone's at the armory --

5 CHAIRMAN CROSBY: We might add that  
6 to our research project, Rachel, comparing  
7 the efficiencies of all-female work teams to  
8 their predecessors. That's great.

9 MR. PACKER: And it's interesting.  
10 Because if you've been in the armory in the  
11 last year, it's dark. There was a lot of  
12 debris in there. We've put in very large  
13 fans to give circulation through the  
14 building, new construction lighting inside.  
15 So I think the next time everybody will be  
16 out, it'll feel like something is really  
17 going to happen inside.

18 73 State, we segmented the rear  
19 portion and left the front portion of 73 as  
20 part of our preservation initiative through  
21 historic. So that was another important  
22 milestone that really opens up to be able to  
23 get in and do underground utilities, the  
24 foundations and slab pour there for the new



1 marketplace.

2 CHAIRMAN CROSBY: The small world of  
3 this is, this is 73 State is Springfield. 53  
4 State in Boston right down had the exact same  
5 thing. Took down everything but the front  
6 facade like that and built a big building  
7 behind it. It's coincidental the names of  
8 the addresses.

9 MR. PACKER: And if you got out  
10 there today, we've put in some temporary  
11 protection and waterproofing on the backside  
12 of 73 so that until we're ready to tie our  
13 steel in there, the structure won't suffer  
14 any degradation due to the elements.

15 As I mentioned earlier, the YWCA was  
16 also fully demolished during this period. It  
17 opens up that whole casino connection and  
18 plaza connection there in front of the  
19 armory.

20 COMMISSIONER STEBBINS: Brian,  
21 looking at some of the pictures of the YWCA,  
22 I think it's important to note you saved a  
23 lot of the architectural elements --

24 MR. PACKER: That's correct.

1                   COMMISSIONER STEBBINS:  -- you're  
2                   going to fold into the entertainment block.

3                   MR. PACKER:  Yes.  We had a  
4                   requirement to salvage a certain count of  
5                   particular architectural features.  So what  
6                   we tried to do is at least wrap one of  
7                   everything because it needs to be replicated  
8                   in the new facade on the entertainment block.  
9                   So what better way to replicate something if  
10                  you actually have a template we could give  
11                  that contractor in the future.

12                  We'll also try to incorporate some  
13                  of the coining and some of the terra cotta  
14                  pieces that you see.  If we're able to  
15                  salvage them and we think we can reuse them,  
16                  we will reuse those in the future facade.

17                  The salvage had two kind of goals.  
18                  One was can we incorporate the actual  
19                  material into the future facade in some cases  
20                  or we have a template to use for the future.  
21                  And that was all outlined in the salvage  
22                  program in the historic component.

23                  CHAIRMAN CROSBY:  Where is this  
24                  debris going?

1 MR. PACKER: So depending on what  
2 the debris and who the contractor is, it'll  
3 go to various recycle facilities mainly for  
4 the job. I believe right now we're --

5 CHAIRMAN CROSBY: Mainly for your  
6 job?

7 MR. PACKER: For the entire job,  
8 98 percent plus or minus right now has been  
9 recycled. So those tickets are all part of  
10 your lead program. You have to track where  
11 it's gone and the weight. We have had  
12 multiple demolition contractors out there.  
13 So tracking that, getting that information,  
14 we've put it in the system for the eventual  
15 lead certification.

16 Very little will go to a landfill,  
17 and any of the soil, if possible, we will try  
18 to amend and reuse on site.

19 CHAIRMAN CROSBY: All right.

20 MR. PACKER: And what's interesting,  
21 too, is when you watch the building come  
22 down, most folks think you just knock the  
23 whole building down, pick up the debris,  
24 throw it into trucks, and sort it elsewhere.

1 All of this gets sorted on site. So it's  
2 more of a meticulous sort of demolition  
3 process, but it makes the recycling piece  
4 easier because all wood is going in one  
5 truck. All the brick is going on another  
6 truck. It's all on site basically waste  
7 separation.

8 Union Chandler facade, really in  
9 this period we were most concerned of would  
10 we be able to support the existing facade  
11 with the foundations that are there, or did  
12 we need to improve the foundation system to  
13 hold that facade up when we eventually  
14 separate it. And there was a good amount of  
15 steel structure we needed to put in as well  
16 as underground foundations and footings,  
17 mini-piles, to be able to support that load  
18 once the rear gets taken away.

19 95 State Street, eventually where  
20 the majority of executive offices, back of  
21 house circulation space for employees and  
22 their offices and cubes will be in 95. We  
23 now gutted the interior. So we're opening  
24 that up to come in, in the beginning of next

1 year and start building those offices.

2 As you can imagine, utility work on  
3 the site continues, will be continuing here  
4 for a little while, but with the weather,  
5 with the summer, we were able to make great  
6 headway in terms of utility connections,  
7 rerouting, and getting that work just out of  
8 the way.

9 On the design update in terms of the  
10 design itself, we previewed that last update  
11 with everyone. We just wanted to note here  
12 that we did provide our 50 percent submission  
13 sets to the City of Springfield as well as  
14 the off-site traffic due to the Mass. DOT  
15 submission process was further along, and so  
16 we submitted the hundred percent set for the  
17 city's review. The Commission also, staff,  
18 gets copies of what we submit.

19 Schedule, provided the required  
20 schedules at the beginning of each month.  
21 Nothing notable here. Still on track for  
22 September '18. With that, I'll turn it over  
23 to Seth.

24 CHAIRMAN CROSBY: Excuse me, one

1           thing. How are your bids coming in for or  
2           against your new budget projection?

3                   MR. PACKER: If you look at the  
4           totality, because we were buying a lot of  
5           scope, apparently the totality of everything  
6           is actually right where you would expect it,  
7           which in construction, because you're dealing  
8           with commodities and workers and different  
9           types of things, you can see large swings,  
10          sometimes 20, 30 percent. We haven't seen  
11          that yet for the current budget.

12                   So if you're looking at a line item,  
13          something might be up a million, down a  
14          million, but in totality right now it seems  
15          to be tracking. That's with, off the top of  
16          my head, maybe 20 percent of the scope bought  
17          out.

18                   So we still have a little ways to  
19          go. We're not to interior finishes. We're  
20          not into full MEP distributions yet. That's  
21          where sometimes projects will see either  
22          decreases or increases, but right now it's  
23          tracking.

24                   CHAIRMAN CROSBY: And the labor

1 market elasticity isn't presenting itself as  
2 an issue so far?

3 MR. PACKER: So far, the unions have  
4 been great in terms of addressing any of  
5 those concerns, walking us through how they  
6 plan to ramp up. The market in Western Mass.  
7 from a union standpoint, for years for them  
8 to survive, they've kind of had to be nomadic  
9 anyway. So they needed to always go where  
10 the work was.

11 And so everyone is willing to work  
12 with us, and they assure us that they will  
13 get us whoever we need in terms of manpower.  
14 And we've had multiple, multiple meetings on  
15 it with all of the trades in the room, and  
16 they feel fairly confident that they can make  
17 that.

18 COMMISSIONER CAMERON: Great.

19 CHAIRMAN CROSBY: Fingers crossed.

20 MR. STRATTON: Great. Thanks,  
21 Brian. Perfect segue. As you've just heard  
22 from Brian, thanks to his great work and that  
23 of his team, the project is so far on time  
24 and on budget, which is reflected in this

1 slide that's in front of you. As we've  
2 historically done, we've broken down for you  
3 by various categories of spend what we've  
4 incurred to date, what our total estimate is,  
5 which tracks to our RFA-2, and then the  
6 remaining spend in each of those categories.

7 So you have that information in  
8 front of you. I'll just highlight a few key  
9 points and what's changed since essentially  
10 the last quarter review.

11 If you look at the line item for  
12 construction design, you see incurred to  
13 date, we have \$60.4 million. That's versus  
14 approximately \$32 million at the end of the  
15 first quarter. So we've essentially doubled  
16 our spend between first and second quarter in  
17 construction with approximately \$30 million  
18 in spend in Q2.

19 If you look at the preopening  
20 expense close community costs, that also  
21 reflects an increase from the prior quarter.  
22 The prior quarter was just under \$30 million.  
23 So there's been between the ongoing  
24 operational costs of our organization as well



1 as certain payments to the City of  
2 Springfield during that period, that's  
3 increased by approximately \$4 million.

4 And you'll see also an increase in  
5 the financing costs capitalized interest of  
6 approximately \$2 million over the last  
7 quarter which was approximately 6.4 at the  
8 end of Q1.

9 So but again, getting back to the  
10 top three items where the significant expense  
11 has been incurred over this quarter, we're  
12 looking at a total of \$60 million incurred to  
13 date, roughly ten percent of an overall  
14 estimate of \$615 million. So we're still on  
15 track to exceed your required capital cost  
16 expenditure under the statute by over  
17 \$100 million.

18 If there's any questions I'd be...

19 CHAIRMAN CROSBY: Where does housing  
20 fall in there?

21 MR. STRATTON: And Mike and I can  
22 tag-team the question. But it's originally  
23 part of the construction budget. I think  
24 there's some internal accounting treatment

1 recently to try to shift some of that  
2 depending on whether it's going to be on site  
3 versus off site. Because if we do pull out,  
4 if we acknowledge that any expense on  
5 residential that is now built off site would  
6 not fall under the eligible capital costs  
7 because it has to be on site. I don't know  
8 if that answers your question.

9 MR. MATHIS: Yeah. It's within Line  
10 Item 7 because I think we're conservatively  
11 sort of viewing that as an expense and not,  
12 to Seth's point, a hard construction number  
13 that we wouldn't want included  
14 inappropriately above the line.

15 We've got dollars set aside for  
16 that. We're in negotiations with the city.  
17 So I don't want to drill down too far into  
18 where some of those ranges are right now, but  
19 certainly we know we're going to come back  
20 and give you a full report.

21 CHAIRMAN CROSBY: I was curious  
22 which line items were in at this point.  
23 Okay.

24 MR. STRATTON: And with that, I'll

1 pass it back to Brian to finish the update.

2 MR. PACKER: So we'll walk through  
3 some of the highlights on diversity, design,  
4 and any construction commitments, combined  
5 commitments, project report, our project goal  
6 for WBE, 10 percent, and our commitments  
7 generally are 13.2. For MBE 5 percent, and  
8 our commitments are currently 6.6 percent.  
9 And for VBE, a project goal of 2 percent.  
10 We're currently at 6.4 percent. That 6.4  
11 percent, a good amount of that was made up by  
12 a veteran-owned company who actually -- T&M,  
13 who is performing all the earth work on site.

14 You know, what's particularly, I  
15 think, interesting to me about this slide and  
16 other projects we've been on, already there  
17 are commitments to 74 companies, diverse  
18 companies.

19 COMMISSIONER ZUNIGA: 74, the  
20 number?

21 MR. PACKER: 74. And that's between  
22 design and construction. And on most jobs,  
23 even jobs that are larger than this one,  
24 that's a large company count.

1           So a lot of work has gone in to get  
2           the spend where we needed to. And in some  
3           cases, you can't just buy a large trade. You  
4           have to sort of chip away at it. So those  
5           numbers are becoming interesting on how we're  
6           getting into the regions.

7           CHAIRMAN CROSBY: It's great, Brian.  
8           And I know that it means you guys have had to  
9           try to think about how do we break up some of  
10          these jobs and get subcontractors and so  
11          forth. How inefficient is it? Is it -- You  
12          know, 750 -- How many? 74 you said for  
13          \$25 million, that's a not a little job. Is  
14          it a --

15          MR. PACKER: That's correct. I  
16          think this is design and construction. So,  
17          you know, approximately it looks like 19 of  
18          these companies were related to design or  
19          consulting services. On the construction  
20          side, so far I wouldn't call it inefficient.  
21          I think it's related to the enabling scope  
22          where you had 20 plus some structures. We  
23          had a lot of work to do in each building.

24          CHAIRMAN CROSBY: Yeah.

1           MR. PACKER: And you were able to  
2 parse it out, and this firm work on this  
3 building, this firm work on that building,  
4 and so by that kind of piecemeal attempt, I  
5 wouldn't say that we see any kind of  
6 inefficiency right now.

7           CHAIRMAN CROSBY: Great. Does that  
8 also mean it'll be harder to sustain it when  
9 you get into bigger -- You've got an awful  
10 lot of disparate pieces of the project, too.  
11 Is it going to be harder to sustain those  
12 numbers?

13          MR. PACKER: What I think you look  
14 at right now in our shoes, and we were just  
15 kicking around on the dry-erase board the  
16 other day, is to make the target goals, what  
17 does your spend have to be at the end of the  
18 job, and how are you going to roadmap the  
19 rest of that spend. And obviously, if you  
20 need another, you know, 40 plus million in  
21 woman spend, you're not going to be able to  
22 get that all in small companies. You're  
23 going to have to, you know, find some larger  
24 awards or get creative about how do you build

1 the armory or improve the church or -- So  
2 we're looking at a bunch of different options  
3 to try to get to that, you know, end goal,  
4 and it's very similar to how we've gotten  
5 here to date, right. We frequently meet,  
6 throw new ideas out, and just keep turning  
7 through it.

8 CHAIRMAN CROSBY: That's great.

9 MR. MATHIS: You know, Chairman, if  
10 I can, just because I don't think we could  
11 spend enough time talking about this effort  
12 and accomplishment of Brian and his team, but  
13 just to give you a sense of how proactive  
14 Brian is about this process, what we've  
15 talked about in that roadmapping process is  
16 towards the end of the job when you're under  
17 time constraints and you're looking at T&M  
18 work and change order work with an existing  
19 contractor that you have on the job, you're  
20 not going to be able to bid as much of that  
21 out. And when you know that going in, you've  
22 got to really go into that later stage  
23 beating the number because, frankly, you're  
24 going to get deluded at the end because you

1 don't have the ability to do some of the, for  
2 lack of a better word, micromanaging of the  
3 process that he's able to do now.

4 So that's how thoughtful he and his  
5 team are being about how do we make sure we  
6 land or exceed our numbers at the end of the  
7 job.

8 CHAIRMAN CROSBY: That's great. We  
9 are very much aware of this, as you know,  
10 value.

11 MR. PACKER: So this is now just the  
12 design slide. So this is a subset of the  
13 previous numbers. Design on the some project  
14 goals as previous ten are on WBE for a goal,  
15 commitment apparently 12.3 percent. MBE, 5  
16 as a target. Commitment is 11.2 percent.  
17 And on VBE of a 2 percent goal, we're at 2.9  
18 percent.

19 And then similar to previous  
20 presentations, there's usually an interest in  
21 what are the companies, where are they from  
22 and, you know, because we're talking  
23 commitments, who's actually been on site and  
24 performed work or not. So we highlight here

1 the light yellow kind of bars at least show  
2 you who's been paid to date on the project  
3 from a diverse standpoint.

4 On the construction side, WBE  
5 commitments of 13.4 percent; MBE, 5.7  
6 percent; and VBE is 7.2 percent.

7 And you know, looking at this the  
8 other day, even though, you know, we're  
9 always trying to hire locally and always  
10 pushed towards that scenario, as you can  
11 imagine, in the scope of a casino, very often  
12 you're pulling outside the immediate region.  
13 When you look down these lists we've really  
14 done a good job to date of keeping work here  
15 in the Commonwealth. The majority of all  
16 these companies are right from that area or  
17 the Commonwealth.

18 CHAIRMAN CROSBY: This is just a  
19 minor curiosity, and Jill and Bruce you might  
20 know the answer to this. If you hire a  
21 company that has an office in Massachusetts  
22 but is headquartered someplace else, does  
23 that count as a Massachusetts company?  
24 Anybody know?



1 MR. PACKER: So from a diverse  
2 standpoint --

3 CHAIRMAN CROSBY: From these  
4 standards here, yeah.

5 MR. PACKER: Yes. From a diverse  
6 standpoint, what counts them is actually  
7 their certification, the organization that  
8 would certify them.

9 CHAIRMAN CROSBY: Oh. Okay.

10 MR. PACKER: So they're not -- in  
11 that process, we're reviewing address and the  
12 makeup of the company and partners and what  
13 have you, but that's how we would report is  
14 based on these certifications and not  
15 locations.

16 MR. STRATTON: Yes. And if I could  
17 just add to that. We don't have a local -- a  
18 firm commitment on construction in terms of  
19 regional hiring, but when it comes to  
20 operations we do. And a company would --  
21 we've committed to spend -- good faith effort  
22 to spend \$50 million within the region which  
23 we've defined as the Western Mass. counties  
24 once we're open. The company will -- We

1 won't be looking -- I think to get at your  
2 question, Chairman Crosby, we won't be  
3 looking at the placement, corporation, or  
4 headquarters, but if they have a presence in  
5 Massachusetts, we would deem them to be a  
6 Massachusetts business that we're supporting,  
7 so we treat them as such.

8 COMMISSIONER ZUNIGA: Yes.

9 CHAIRMAN CROSBY: Okay. Thanks.

10 MR. PACKER: So the previous slides,  
11 we're speaking about commitments. This slide  
12 talks about our workforce statistics which  
13 are actually based on hours worked by  
14 individual. And so for women, the project  
15 goals are 6.9 percent. Project to date is  
16 9.87 percent. Minority workers 15.3 percent  
17 as a goal, and 29.45 percent as an actual to  
18 date, and veteran 8 percent, and the project  
19 to date is 9.38 percent.

20 CHAIRMAN CROSBY: That's almost  
21 50 percent minority, right?

22 MR. PACKER: Yeah. The calculation  
23 isn't as clean in the sense that because that  
24 the plan wants to encourage minorities, women

1 and veterans, you can double count in  
2 categories on this slide.

3 CHAIRMAN CROSBY: Oh. Okay.

4 MR. PACKER: So the mathematics, you  
5 know, you can't just add it that way. But  
6 very often we'll have someone in two  
7 categories. It's rare you find someone in  
8 all three.

9 COMMISSIONER STEBBINS: Brian, just  
10 probably because it's not visible to anybody  
11 looking at this on the screen, but I noted,  
12 and it's pretty exciting, your numbers down  
13 on the footnote talking about right now where  
14 this construction workforce is being reported  
15 from, where they're coming to. Almost  
16 35 percent from Springfield and your  
17 surrounding communities, 56 from Western  
18 Mass. -- I'm assuming that's the four western  
19 counties -- and 82 percent overall are from  
20 Massachusetts. I think that's an important  
21 figure to point out.

22 We don't ask for it to be reported,  
23 but pull that out next time and put it up  
24 there because it's pretty important.

1 MR. PACKER: It's unique because  
2 you're relying on the union for the  
3 workforce, and to have it work out this way  
4 is exciting.

5 And then since we're willing to this  
6 month, we thought we would just give you a  
7 quick kind of little snapshot of what we're  
8 going to see in the next update. And the  
9 first picture here at night is the tower  
10 crown, or the gantry crane foundation being  
11 poured. So very soon next week you'll see  
12 this crane starting to be erected and that  
13 will be visible in the skyline of Springfield  
14 for the foreseeable future.

15 Also you can see on the back of 73  
16 State where I had previously discussed, we're  
17 putting in the winterizing. The hotel  
18 foundations, we're making great progress on  
19 the casino slab. This was actually the first  
20 casino pour right there next to Union  
21 Chandler.

22 We start very early in the morning,  
23 so you can see in the upper right that's the  
24 concrete pump lip stretching all the way out

1 right there adjacent to 101 State.

2 The steel, support steel, in the  
3 bottom right for Union Chandler facade is in.  
4 And just recently, you see in the bottom  
5 right of the next slide, we've started  
6 peeling away the rear of that structure. And  
7 so if you go out there today, the Union  
8 Chandler facade is completely separated from  
9 the old building.

10 A couple of other progress shots of  
11 the garage. We had an important milestone  
12 here about a week ago where precasts started  
13 showing up and flying into place on the  
14 parking garage.

15 And so with that, if there aren't  
16 any other questions, I'll turn it back to  
17 Mike.

18 COMMISSIONER ZUNIGA: I do have one  
19 question, Brian or Mike. I remember one of  
20 your earlier updates that in terms of  
21 schedule on a number of things, whatever's  
22 underground is a big unknown, the risk of  
23 finding another underground storage tank or a  
24 utility line that you didn't anticipate. Is

1           it fair to say that you are out of that phase  
2           at this point and so far so good?

3                   MR. PACKER: We believe so. Every  
4           time I say that, we hit another underground  
5           tank. I think we're north of 30 some tanks  
6           as of now, and there were 14 originally  
7           identified on the original surveys. But what  
8           I do feel comfortable with is we're almost  
9           there to the end because we've now uncovered  
10          almost every piece of dirt, re-compacted it,  
11          put in underground utilities.

12                   So I think in another month, month  
13          and a half here, you'll be able to say that  
14          for sure, that we're out of those unknowns.  
15          But all the ones that we've, you know, come  
16          across so far, following all the reporting  
17          procedures to Mass. EP and working with  
18          Sanborn Head, our consultant, to constantly  
19          keep updating our reports to get those items  
20          to closure as soon as possible.

21                   COMMISSIONER ZUNIGA: Yes. That's a  
22          lot of work that happens in terms of  
23          engagement, identifying, et cetera, and it's  
24          not visible to the public because it's still

1 underground, but it's clearly something  
2 you've been very business at.

3 MR. PACKER: That's correct. And  
4 whenever you have all those old uses coming  
5 together and, you know, you're going in the  
6 ground, it's interesting what you find. We  
7 actually found some wooden conduit.

8 CHAIRMAN CROSBY: Water conduit?

9 MR. PACKER: We think at one point  
10 it may have been, and then years later the  
11 data companies seemed to have liked to come  
12 in and sleeve data through.

13 CHAIRMAN CROSBY: Wow.

14 MR. PACKER: But we've seen, you  
15 know, some interesting kind of older utility  
16 infrastructure as we're digging throughout  
17 the site.

18 COMMISSIONER ZUNIGA: Thank you.

19 CHAIRMAN CROSBY: Great.

20 MR. MATHIS: I think in closing, I  
21 want to highlight a few things. In terms of  
22 milestones, we're at 24 months out or so from  
23 our projected opening, or, as I like to tell  
24 the team to motivate them -- it motivates me

1 -- we're at 12 months out from being 12  
2 months out. And 12 months out is a scary  
3 milestone all by itself, and there are things  
4 that if you don't get done by then, you won't  
5 get done. So a high sense of urgency on our  
6 item. As you can tell, we've got a lot of  
7 trust in Brian. I think you've, over time,  
8 developed a lot of trust in him and his team  
9 and what we're doing right.

10 So at this point, Seth, myself, Mary  
11 Kate, the rest of our team, we're focused on  
12 long lead time items like workforce  
13 development, because we will open a  
14 world-class facility with great employees.  
15 The question will be, will those employees be  
16 locally sourced, will they be from all the  
17 different demographics and represent the  
18 diversity of our community and that we're  
19 committed to do and that we've got to start  
20 working on today.

21 So those are our priorities. I  
22 think one of the ways to think about the  
23 project in terms of the construction is if we  
24 get through this next winter, this'll really



1 be the last winter that can impact us,  
2 because the following winter, the last  
3 winter, we'll be doing interior work. So  
4 knock on wood for a mild winter, another mild  
5 winter. Or generally just as long as we  
6 don't have a really bad one, we feel really  
7 good about the schedule and all the different  
8 things we're doing leading up to the opening.

9 CHAIRMAN CROSBY: And I think  
10 everything is being done, but, you know, the  
11 workforce development not only to make sure  
12 that you have the people you need, but the  
13 places where you take people from, which is  
14 inevitable, are appropriately ready for  
15 backfill, prepared for backfill, has been one  
16 of Commissioner Stebbins' highest priorities  
17 from the beginning when we started talking  
18 here. I'm pretty sure this is happening, but  
19 obviously, if there's anything we can do to  
20 be supportive of that, whatever it might be,  
21 we want to be. So let us know.

22 MR. MATHIS: Thank you.

23 CHAIRMAN CROSBY: Just out of  
24 curiosity, is there anything you can tell us

1 on people on retail developments? We saw  
2 something about a Magic Johnson something or  
3 other. I forget what that is, but is there  
4 anything else going on in terms of who's  
5 going to be there or what you're doing that  
6 will be of interest that's something you can  
7 share?

8 MR. MATHIS: Yes. I think the Magic  
9 Johnson story was down the street at a  
10 restaurant site that was on the other side of  
11 the Main Street, and I think in a lot of ways  
12 that's just as important as what we're doing  
13 on our side of the street.

14 CHAIRMAN CROSBY: Absolutely.

15 MR. MATHIS: So really encouraged  
16 and talked about that goal of ancillary  
17 development. The development is actually  
18 happening.

19 In terms of what we're doing on the  
20 site, we are still in the process of  
21 finalizing a couple of our anchor tenants,  
22 the armory tenants, the movie theater  
23 operator. We've got them identified, but  
24 we're in the stage of going from an LOI to a

1 lease and all the things that can come with  
2 that in terms of drawings.

3 So we'll get there and have a  
4 portfolio of initial anchor tenants. I think  
5 the tricky part will be how we update you as  
6 a group because we've got to maintain a  
7 competitive edge leading up to opening.

8 So I think there are ways that we  
9 can work with your staff to give you short of  
10 a quorum, right, and consistent with open  
11 meeting laws, we can give you an update  
12 directionally where we're going as long as we  
13 can protect that information for official  
14 launch typically a year out, eight months  
15 out.

16 CHAIRMAN CROSBY: Totally appreciate  
17 that. And I'm asking out of curiosity.

18 MR. MATHIS: Sure.

19 CHAIRMAN CROSBY: And whatever you  
20 can, fine; whatever you can't, we're fine  
21 with that too. We want you to have a  
22 competitive edge.

23 MR. MATHIS: Yeah. And we're  
24 getting traction on a lot of those items, and

1 we'll update you along the way?

2 CHAIRMAN CROSBY: Great. Anything  
3 else, Ombudsman, on this topic?

4 MR. ZIEMBA: No.

5 CHAIRMAN CROSBY: Okay. Thanks very  
6 much.

7 COMMISSIONER CAMERON: Thank you.  
8 Great report.

9 COMMISSIONER MACDONALD: Thank you.  
10 Very impressive.

11 CHAIRMAN CROSBY: Next up is Item 5,  
12 research and problem gambling. Director  
13 Vander Linden.

14 Does anybody need a break?

15 COMMISSIONER MACDONALD: I'm fine.

16 CHAIRMAN CROSBY: You need a break?

17 COMMISSIONER ZUNIGA: I'm okay.

18 CHAIRMAN CROSBY: I think we'll make  
19 it.

20 COMMISSIONER ZUNIGA: Do you want to  
21 take a break?

22 CHAIRMAN CROSBY: Yeah. We'll take  
23 a quick break.

24 (Break taken.)

1 CHAIRMAN CROSBY: We're reconvening  
2 Public Meeting 200, and we're going to  
3 Director Vander Linden.

4 MR. VANDER LINDEN: Good morning,  
5 Commissioners and Chairman.

6 CHAIRMAN CROSBY: Good morning.

7 COMMISSIONER MACDONALD: Good  
8 morning.

9 COMMISSIONER CAMERON: Good morning.

10 MR. VANDER LINDEN: Congratulates on  
11 Number 200. I did some quick research and  
12 went back in the archives and saw I joined at  
13 meeting Number 69.

14 COMMISSIONER CAMERON: You did.

15 MR. VANDER LINDEN: You were well  
16 under way.

17 COMMISSIONER ZUNIGA: Excellent.

18 COMMISSIONER STEBBINS: We'll  
19 celebrate your 200.

20 MR. VANDER LINDEN: We're  
21 transitioning from construction and progress  
22 to construction complete as our next agenda  
23 item transitions to the construction of  
24 Plainridge Park Casino, the spending,

1 employment, and economic impact. For this,  
2 I'm joined with a number of experts. We have  
3 from Donahue Institute, we have Rod Motamedi.

4 MR. MOTAMEDI: Motamedi.

5 MR. VANDER LINDEN: Motamedi. I'm  
6 sorry.

7 MR. MOTAMEDI: Perfectly okay.

8 MR. VANDER LINDEN: Thomas Peake, a  
9 much easier name to say. Dr. Rachel Volberg.  
10 Also behind me, I want to point out that we  
11 have Lisa McKenny from Plainridge Park  
12 Casino, and Teresa Fiore, our program  
13 manager. I'm going to turn it over in a  
14 second to Rachel, but just to let you know,  
15 what we'll do first is we will present the  
16 report, the important findings from the  
17 report, construction report, and then Teresa  
18 and I will transition and talk a little bit  
19 about what was projected back in the  
20 application phase to what the actuals were,  
21 and I think it paints an interesting picture.  
22 So with that, I'm going to turn it over to  
23 Dr. Volberg.

24 DR. VOLBERG: Thanks, Mark.

1 Mr. Chairman, Commissioners.

2 COMMISSIONER ZUNIGA: Good morning.

3 CHAIRMAN CROSBY: Good morning.

4 DR. VOLBERG: It's great to be back  
5 here. I'm here only briefly because I want  
6 to shine the spotlight on the members of our  
7 team from UMass Donahue Institute who have  
8 been doing the work that they're going to be  
9 reporting out on. I also want to  
10 congratulate you on the 200th meeting. I may  
11 not always be here in person, but I have to  
12 tell you, I'm a very dedicated live stream  
13 watcher. So I actually remember the very  
14 first meeting that was live stream. It's  
15 amazing to see the progress that's been made.

16 I want to introduce Rod Motamedi and  
17 Tom Peake from the UMass Donahue Institute.  
18 They are members of the economic policy  
19 and --

20 MR. MOTAMEDI: And research.

21 DR. VOLBERG: -- and research group  
22 at UMass Donahue Institute and that group is  
23 headed up by Rebecca Loveland and Mark Melnik  
24 have actually been responsible for taking

1 care of and attending to all of the economic  
2 impacts and fiscal impact issues that are  
3 part of our broader research project. So  
4 without further adieu, I think we can turn it  
5 over to Rod.

6 MR. MOTAMEDI: Okay. We'll wait for  
7 the presentation here to catch up on our  
8 slides. So for sake of sounding like a  
9 broken record, good morning and  
10 congratulations. We'll just narrow it down  
11 to that. Thanks for the invite. We're  
12 looking forward to presenting this. We have  
13 been working on this report and thus the  
14 material in this presentation for a long time  
15 now.

16 Construction has been over for over  
17 a year, so it's nice to finally be able to  
18 put this report out there and talk about our  
19 findings and then really highlight what we  
20 have been able to learn about building  
21 Plainridge Park Casino.

22 So let's set the stage a little. I  
23 think I have a clicker. Yes. Does this  
24 work. Yes. Okay. So let's set the stage a



1 little. This is obviously review for many of  
2 the people in this room, but let's talk about  
3 what the project was.

4 We start with Plainridge Racecourse  
5 and then you add to that a casino, a  
6 renovated grandstand, and simulcast building,  
7 and then you add a parking garage. There was  
8 considerable new construction, there was  
9 renovation and remodeling and that went on as  
10 well.

11 Pre-construction lasted about five  
12 years in terms of architecture, engineering,  
13 and design. That was roughly \$13 million.  
14 The construction of the casino itself took  
15 about 14 months and cost what we found to be  
16 115 and change. That number, it's important  
17 to note, differs from the total investment  
18 because that includes things like furniture,  
19 fixtures, and equipment which is not part of  
20 the construction that we looked at but more  
21 the fit out of the building itself.

22 So I do want to make that clear that  
23 saying -- us sitting here saying this was  
24 \$150 million construction project is not the

1 same as saying they didn't meet their \$250  
2 million total capital investment requirement.

3 So we collected quite a bit of data  
4 from the general contractor, some with the  
5 help of the MGC and --

6 CHAIRMAN CROSBY: It was 125, right.  
7 It wasn't 250.

8 COMMISSIONER ZUNIGA: Well, to that  
9 point, it's 125, then minimum of eligible  
10 construction costs, yes.

11 MR. MOTAMEDI: Thank you for  
12 clarifying that. So data collection, we  
13 collected quite a bit of data with the help  
14 of Pinck & Co., the general contractor with  
15 the MGC, and with considerable cooperation  
16 with the casino itself. This is a point that  
17 we have reiterated a lot in our presentation  
18 and it's worth bringing up again. As you'll  
19 see when we get into this and in the report,  
20 we have a lot of very detailed data that went  
21 into producing some of the aggregate numbers  
22 that we're going to talk about today and that  
23 fine detail was really made possible by the  
24 cooperation of everybody involved, especially

1 the casino. And we're going to be looking  
2 forward to similar cooperation going forward  
3 when we start working on the operation  
4 impacts the first year of operation which Tom  
5 and I are getting sort of warmed up on now.  
6 This cooperation is going to be useful for us  
7 there as well.

8 CHAIRMAN CROSBY: Now that you  
9 mention that, John Ziemba, you're going to be  
10 doing the same thing for the Wynn and MGM  
11 projects which are orders of magnitude bigger  
12 and are going on now. So if there's anything  
13 you need to do, and maybe this is already  
14 underway, but need to do to sort of  
15 coordinate with them up front so they've got  
16 to know what you're looking for, we have Joe  
17 Delaney who's worked -- Do you know Joe?

18 MR. MOTAMEDI: We have not met in  
19 person, but we have talked on the phone and  
20 via e-mail.

21 CHAIRMAN CROSBY: Okay. So anything  
22 you need to be doing early on with MGM and  
23 Wynn to make sure you're going to be able to  
24 do the same kind of work, same kind of

1 analysis, it's always easier to get those  
2 links up front, so just --

3 MR. MOTAMEDI: We have begun this  
4 process. We aren't quite at the data sharing  
5 portion of it yet, but the conversation has  
6 started. The right people are talking.

7 CHAIRMAN CROSBY: Okay. Great.

8 MR. MOTAMEDI: I think we're all  
9 confident we're on a good path.

10 So we got detailed data on  
11 employment, wages, and spending by category  
12 and location for both pre-construction and  
13 construction. That data went into an  
14 economic model -- we'll talk about that in a  
15 moment -- to produce total economic impacts  
16 to this activity. It is presented because  
17 they occurred over completely sort of  
18 different years, they are not added up  
19 together in our analysis. The  
20 pre-construction is always presented  
21 separately before the construction because  
22 one ended before the other began. So we  
23 didn't want to add the whole thing up over a  
24 span of what would have been six or seven

1 years, and we felt that was a bit not a  
2 correct reflection of sort of what the  
3 economic impact would have felt like would be  
4 to add up something over seven years and  
5 presented that way. So we'll talk about them  
6 separately.

7 Talking about the econometric  
8 modelling, so here's a quick sort of map of  
9 the regions that we use. The regions that  
10 are available in our model, this study  
11 focuses on that yellow region in the  
12 southeast. That's the combination of Bristol  
13 and Norfolk counties. That's sort of our  
14 immediate Plainville area for the purposes of  
15 this analysis. This is also the same  
16 modelling methodology that we'll be using  
17 going forward for the operations impacts and  
18 further construction and operations of future  
19 casinos.

20 So the direct changes, the  
21 construction wages, spending, et cetera, went  
22 into this model into these regions, and using  
23 this model, we have data that's come out. So  
24 these are the areas for which we'll also be

1 presenting detailed economic impacts for  
2 these six areas.

3 So the three colored ones you see,  
4 the red is for Southeast Mass., which is  
5 relatively straightforward. Worcester  
6 County, which is labeled as Central Mass. in  
7 our results, and then Franklin and Berkshire  
8 counties would be the rest of Western  
9 Massachusetts.

10 Stop me if you have any questions,  
11 as I know you will, but I tend to get on a  
12 roll sometimes. Let me know.

13 Let's talk about pre-construction.  
14 So here's the pattern of pre-construction  
15 spending over time. There's two things I  
16 want to highlight. One is that it's nearly  
17 impossible to see on the slide. It's also  
18 almost nearly impossible to see on the piece  
19 of paper, but there is actually some  
20 out-of-state spending reflected on those  
21 bars. There's a tiny little gray strip on  
22 2014 that's probably the most easy to see.

23 So it's pretty clear graphically  
24 that the vast majority of the

1 pre-construction spending was spent on  
2 instate firms. So precisely, it was 3.2 out  
3 of 3.3 million -- I'm sorry, 13.2 out of 13.2  
4 million was spent in state, so a  
5 considerable with 99 percent or something  
6 like that, so. The largest amount was  
7 \$89,000 in 2014. So it's a very clear  
8 instate pattern.

9 The other thing we want to talk  
10 about is what's blatantly obvious of the  
11 chart is there was nothing in 2011. We don't  
12 have a clear explanation for that, but we  
13 have a speculative explanation for that, and  
14 we think that's due to the gap in between the  
15 first effort to expand sort of legalized  
16 slots at racecourses that happened in 2010  
17 that didn't pan out, and then the eventual  
18 expanding gaming act in 2011.

19 So we think in that ambiguous legal  
20 period, it seems logical and prudent to sort  
21 of hold off on this spending until there's a  
22 clear path forward. So we think that's what  
23 explains the pause in 2011.

24 COMMISSIONER MACDONALD: Excuse me,

1 in 2010, who was doing the spending?

2 MR. MOTAMEDI: That would have been  
3 Ourway, the original owner, Ourway Realty  
4 site that operated Plainridge Racecourse that  
5 I think was hoping to get slots as part of  
6 the 2010 effort.

7 COMMISSIONER CAMERON: They built a  
8 garage, which could have been used just for  
9 racing. They were hoping it would be used  
10 for more than that. But they kind of rolled  
11 the dice and built that parking garage.

12 COMMISSIONER STEBBINS: I guess that  
13 was my question. You know, different  
14 licensee post the 2011 statute with the  
15 impacts we're looking at, I'm just curious as  
16 to why you wanted to go back and reclaim some  
17 development costs from the previous operator.

18 MR. MOTAMEDI: So we wanted to look  
19 at what went on at the property, and we  
20 wanted to reflect that as best we could,  
21 which is why we went to try to go back to  
22 what we could get from the previous operator.

23 Part of figuring out this  
24 pre-construction spending was part of what



1           took us this time to get the report out was  
2           to track it down and deal with different  
3           owners and different time periods and  
4           different firms and different accounting. So  
5           we eventually tracked it all down with  
6           considerable help from the MGC. But again,  
7           our goal was to start talking about what  
8           happened at the property level.

9                        Because it is presented this way, if  
10           for various reasons you wish to sort of not  
11           count that, then it's clearly there, so you  
12           can...

13                    COMMISSIONER ZUNIGA: Yeah. You  
14           know, I was part of some of those discussions  
15           in trying to figure out, you know, how to get  
16           the information. I always thought of it, as  
17           the report mentions, as part of the project.  
18           It actually cost Penn in its closing that  
19           they did. When they transferred -- when they  
20           first exercised the option to purchase the  
21           property really, if the license was awarded,  
22           the purchase price reflected a lot of what  
23           was spent effectively. It wasn't itemized,  
24           but it reflected it because there was already

1 something that was going to be able to be  
2 done. And while we couldn't ascertain it  
3 from the purchase price, we could and that's  
4 part of what Rod mentioned as seen as Penn in  
5 the records for what had been spent for that  
6 garage that is effectively counting towards  
7 the capital investment and so on and that's  
8 effectively what happened.

9 COMMISSIONER CAMERON: Yes. In  
10 fact, the plans for the slots parlor were all  
11 designed so that garage was situated in a  
12 place that would lead easily to the build of  
13 the slots parlor and then connect to racing.  
14 So Penn pretty much had to use that design  
15 because of the garage already being in that  
16 location.

17 MR. MOTAMEDI: Anything else?

18 CHAIRMAN CROSBY: Yep.

19 MR. MOTAMEDI: So this spending is  
20 almost all also in professional and technical  
21 services, so things like engineering,  
22 architecture, design, and so on. So if you  
23 run that through our economic model,  
24 cumulatively over five years you get the

1 economic effects. So in total, this \$13.2  
2 million of instate spending creates or  
3 supports about 170 jobs.

4 The sort of big summary statistic  
5 that I think is worth focusing on in these  
6 economic impacts is always value added. It's  
7 also its equivalent to gross state product.

8 So if you really want a summary  
9 number about what did this do, that's really  
10 the number you should be looking at. So  
11 \$16.7 million of net new added economic  
12 activity in the state cumulatively over that  
13 time, which is pretty good. And then you'll  
14 see values for income and output which is  
15 essentially business revenues or business  
16 activity out there as well, and again,  
17 separated by region.

18 CHAIRMAN CROSBY: We're going to be  
19 doing a lot of this, so if you'll bear with  
20 at least me to make sure we understand the  
21 note. We spent 13 whatever it was,  
22 13 million.

23 MR. MOTAMEDI: 13.3.

24 CHAIRMAN CROSBY: 13.3 and had a

1 value add of 16.7.

2 MR. MOTAMEDI: Yep.

3 CHAIRMAN CROSBY: So that's like a  
4 ratio of 1 to 2 or 1 to 1.25, right, 1.25.

5 MR. MOTAMEDI: So the spending is  
6 equivalent to output. So that's probably --  
7 If you're looking to build a ratio, it would  
8 really be output over --

9 COMMISSIONER ZUNIGA: Direct  
10 spending.

11 MR. MOTAMEDI: -- your spending. So  
12 without getting really detailed into sort of  
13 the definitions of the two, but the key thing  
14 about output is it counts the sales of  
15 businesses, whether it's sales to each other,  
16 sales to the final customer, sales to  
17 exports, whatever. If you add up the  
18 revenues of all the businesses and economy,  
19 you get output.

20 The problem is output as a measure  
21 double counts economic activity because the  
22 value of what I sell to the customer includes  
23 the value of all the things I had to buy in  
24 order to produce the thing I sold to the

1 customer. But output would count that  
2 transaction as well. I buy something from  
3 Tom. I transform it into something I sell to  
4 Mark. This transaction counts in output and  
5 this transaction counts in output.

6 So value added essentially removes  
7 all of these business-to-business supply  
8 chain things which are the value of which is  
9 wrapped in the final thing, so the final  
10 product.

11 So output is you want to say we  
12 injected this many dollars in business  
13 activity and we got X amount of dollars in  
14 business activity. That output would be best  
15 constructed with ratio, with -- the ratio  
16 would be best constructed with output. But  
17 if you want to think about after you count  
18 for money leaking out of the economic through  
19 taxation, money leaking out of circulation  
20 through savings, money leaking out of the  
21 economy through imports and so on and sort of  
22 what's left and what's the net new value  
23 that's been created, that's value added. I  
24 don't know if that's any clearer than it was

1 two minutes ago.

2 COMMISSIONER ZUNIGA: So having a  
3 value added that's slightly higher than the  
4 direct spend is perhaps a really good measure  
5 of success. If it was less, then we would be  
6 in a situation like you articulated of  
7 leaking out.

8 MR. MOTAMEDI: Right.

9 COMMISSIONER ZUNIGA: Right.

10 MR. MOTAMEDI: So it's not  
11 impossible for the net value to be less.  
12 It's very rare, but it's not impossible. You  
13 know, you could have everything that's needed  
14 imported from out of state for example. But,  
15 yeah, something where value added only  
16 appears to be slightly bigger than the  
17 initial economic change, that's not only  
18 unheard of but quite normal. It's not a  
19 reflection on whether or not this was good  
20 spending or bad spending that the value added  
21 is only a few million dollars higher than the  
22 initial spending.

23 CHAIRMAN CROSBY: Give me an example  
24 of a dollar that you spend that comes back

1 with value added greater than the dollar.

2 What does that dollar do that adds the --

3 MR. MOTAMEDI: So the key thing  
4 about so the way money circulates through the  
5 economy is to remember that expenditure by  
6 one is income of another. So if I go, if I  
7 spend eight bucks on a sandwich, that's eight  
8 bucks of income to whoever sold me the  
9 sandwich. They take some portion of that,  
10 and they pay their employees, they pay their  
11 landlord, they pay their utilities. Then  
12 their employees take some of that money and  
13 buy food and groceries and so on and that  
14 becomes income to yet another.

15 So same dollar gets divided and then  
16 continues to circulate throughout the economy  
17 creating more and more economic impact, but  
18 at every stage, every transaction, some of  
19 that money leaves circulation through  
20 taxation or imports or savings or whatever.

21 So that's how these greater than one  
22 economic impacts are created.

23 And this is all accounts of output.  
24 I buy this from you, you buy this from me.

1 We sell this and you sell that. But then if  
2 you then look at sort of what is left after  
3 you pay for all of your inputs, you pay the  
4 cost and supply chain and so on, what's left  
5 is value added.

6 So that's why there's a greater than  
7 one ratio. How much greater than one the  
8 output number ends up being has a lot to do  
9 with how much is circulated, how much of that  
10 dollar continues to circulate. The value  
11 added ratio comes down to these things like  
12 supply chain effects and imports and taxation  
13 and so forth.

14 CHAIRMAN CROSBY: So do you take  
15 output and pull things out to get to total --

16 MR. MOTAMEDI: Value added.

17 CHAIRMAN CROSBY: -- value added?

18 MR. MOTAMEDI: Yeah. So the simple  
19 mathematical description of it is value added  
20 is output minus inputs. So if you take the  
21 cost of what you produced minus the cost of  
22 -- the value of what you produce minus the  
23 cost of all of the things, all of the  
24 materials you had to purchase to buy it,



1 what's left is value added.

2 If you think about it, it's the  
3 value that that company added to their  
4 inputs. You buy raw materials and transform  
5 them.

6 CHAIRMAN CROSBY: In gross terms,  
7 would that sort of be overhead and profit?

8 MR. MOTAMEDI: What value added  
9 would be?

10 CHAIRMAN CROSBY: Yes.

11 MR. MOTAMEDI: Value added is  
12 payments to labor and capital. So it would  
13 compensation to employees and it would be  
14 profits. It would be -- some of it would be  
15 taxes. It would be the cost of machinery,  
16 the amount of money that goes to machinery  
17 and equipment. That's all part of value  
18 added. That's how all of the things that a  
19 company needs to -- the labor and materials  
20 and machinery that a company needs to  
21 transform its inputs into whatever it is that  
22 it produces is its value added. So basically  
23 it's labor and machinery and profit is the  
24 simplest way to think of it. It's not the

1 simplest thing in the world, I understand.

2 COMMISSIONER ZUNIGA: There's a big  
3 complicated model that calculates what you --

4 MR. MOTAMEDI: I'm happy to keep  
5 answering until we're clear on these topics.  
6 I'm not in any hurry.

7 CHAIRMAN CROSBY: I start watching  
8 eyes close around the room. Maybe I better  
9 drop this one.

10 MR. MOTAMEDI: I don't know if Tom  
11 has a better way of explaining this than I do  
12 but.

13 CHAIRMAN CROSBY: It might be just  
14 -- You know, this is going to be something  
15 we're going to be talking about a lot.

16 MR. MOTAMEDI: RIGHT.

17 CHAIRMAN CROSBY: And particularly  
18 for those of us who are spokespersons about  
19 this, and since the legislature did this for  
20 economic development, we're going to want to  
21 be able to characterize these kinds of  
22 factors. So I, at least, probably could use  
23 a tutorial somewhere around the line so I  
24 know what I'm talking about.

1 MR. MOTAMEDI: I would be happy to.

2 But there is a glossary in the report --

3 CHAIRMAN CROSBY: Yeah, I saw the  
4 glossary.

5 MR. MOTAMEDI: -- for the larger  
6 purposes. But I think if you want to think  
7 about it or if you want to be able to -- I  
8 guess the key takeaway is that value added is  
9 really -- if you're looking for one summary  
10 statistic about what does any particular  
11 economic change add to the economy, what does  
12 in on net provide, value added is that net  
13 number.

14 An output is really just I think  
15 it's best to think about it as business  
16 activity. All of the business activity that  
17 goes on that ultimately results in the  
18 creation of net new economic value.

19 CHAIRMAN CROSBY: All right.

20 MR. MOTAMEDI: That would be the  
21 easiest way to, I think, to conceive of it.

22 CHAIRMAN CROSBY: Let's, Mark and  
23 Rachel, think of some point in the next few  
24 months, you know, let's think about a

1 tutorial for dummies.

2 COMMISSIONER MACDONALD: I made the  
3 dummy list.

4 MR. MOTAMEDI: We'll take a break  
5 from that and get to some simpler -- Is my  
6 clicker. No. I think my clicker may have  
7 stopped working. There we go. It's back  
8 maybe. All right.

9 So we're moving into construction  
10 now. So let's talk about sort of where  
11 construction, sort of where the money goes,  
12 where does it come from, who got it, and so  
13 forth.

14 So if you split the total  
15 construction budget up into the two main  
16 projects, so the casino being the casino,  
17 grandstand, simulcast totality, and then the  
18 garage, not surprisingly, the vast majority  
19 of the expenditure went to the casino,  
20 77 percent of it in fact.

21 What I think is worth noting is that  
22 that garage expenditure, obviously, some of  
23 it happened a bit earlier, but it is all here  
24 nevertheless because we got ahold of it.

1           Another thing I want to point out, I  
2 think you'll see repeatedly throughout our  
3 presentation is we don't typically report  
4 things down to the last dollar because it's  
5 kind of awkward to read, but I have it there  
6 only to highlight that we literally got  
7 expenditures down to the last dollar. There  
8 was considerable richness in the data we got,  
9 so I figured if we had it, we might as well  
10 show it.

11           So here we have spending by quarter  
12 split up into, again, same colors, casino in  
13 red and the garage in gray. And you can see  
14 the total spending by quarter, how it ramped  
15 over time to Q1 2015 was really the busiest  
16 quarter in terms of expenditures, \$36 million  
17 all expended in that one quarter.

18           The busiest quarter or the most  
19 expensive or the most outlays for the garage  
20 happened the quarter earlier, but  
21 nevertheless the overall project spending  
22 trajectory you see here.

23           I'm hitting the right button, right.  
24 Okay.

1           So let's look at the share of  
2           construction spending by state. The data we  
3           received included the value of not only where  
4           did the money go, what specific subsector was  
5           it spent on, but whether or not that company  
6           was in Massachusetts or some other state. As  
7           you can see here, 85 percent of the spending  
8           went to companies based in Massachusetts,  
9           which is significant. And I don't typically  
10          speculate on these sorts of things, but I  
11          would feel comfortable speculating that left  
12          to its own accord, your average construction  
13          project would not have 85 percent of instate  
14          supply chain. I have some detail on the next  
15          slide about where some of that other spending  
16          is.

17                 So here are the largest spending of  
18                 subcategories of things. So the single  
19                 biggest expenditure item was actually  
20                 electrical sort of equipment and so on which  
21                 came from Massachusetts. That was 15 percent  
22                 of the total budget. So that's what that  
23                 share column is on the left.

24                 I do want to take a moment and talk

1 about two big takeaways from this slide. One  
2 is we don't know the second level, or I  
3 should say, the next level of the supply  
4 chain. We know, for example, that the  
5 drywall was purchased from a Massachusetts  
6 company, but we don't necessarily know  
7 whether or not the drywall itself was  
8 manufactured in Massachusetts. We know that  
9 the wholesaler, the provider of the drywall  
10 was Massachusetts based, but that next step  
11 of the supply chain, we don't know. The  
12 model that we use has your average typical  
13 supply chain for your basic industries, and  
14 so that second step was just dealt with in  
15 the way that where does Massachusetts  
16 typically buy those things, and it was dealt  
17 with that way.

18 So I don't think even if we had  
19 asked for it that anybody would have been  
20 able to provide us with that information.  
21 That is a significant level of detail that  
22 perhaps the drywall provider might not even  
23 necessarily have known where all of their  
24 drywall had come from or where all of it was

1 manufactured in the first place. So that's  
2 takeaway number one.

3 Takeaway number two is the -- you'll  
4 see general conditions, insurance bonds, et  
5 cetera, 13 percent of the budget, \$15 million  
6 dollars. Those are the performance bonds  
7 that are typically taken out on any big  
8 construction project to ensure that the  
9 contractor completes the work and the  
10 property owner isn't left with some half  
11 built, you know, thing that's just sitting  
12 there.

13 The important thing about that is  
14 all projects have these. It's a considerable  
15 sum of money, but it doesn't particularly  
16 manifest in on-the-ground activity. There  
17 aren't hard hats associated with performance  
18 bonds. So it's not concrete rebar associated  
19 with that, but it is a significant portion of  
20 all the construction projects.

21 So if you take the \$115 million of  
22 construction spending, you put that into the  
23 economic model, and you see what we get on  
24 the backside of that.



1           So now we're looking at economic  
2           impact. So this is total business revenues,  
3           otherwise known as output or business  
4           activity. Total over two years was  
5           \$165.6 million, which is pretty good. Again,  
6           115 in, 165 million out in terms of business  
7           activity. That ratio is good and nothing  
8           that anybody should be ashamed of. It's not  
9           overly high either, but that's, again, very  
10          unusual.

11           So you can see that the bulk of the  
12          economic impact was in the immediate vicinity  
13          of the project itself in Bristol and Norfolk  
14          counties and, what will become a theme of  
15          this presentation, a significant amount of  
16          secondary impact on the Metro Boston area.  
17          You'll see that as we get into other things.

18           COMMISSIONER MACDONALD: Excuse me,  
19          Rod. Did you do any breakout within the  
20          category of Bristol and Norfolk so as to be  
21          able to have any data on what economic  
22          benefits Bristol County received.

23           MR. MOTAMEDI: No. There are no  
24          butts as to how I'm going to answer this

1 question. Our economic model doesn't have  
2 Bristol County broken up separately. It's  
3 combined with Norfolk County. With our  
4 employment data, we had employment by ZIP  
5 code. So we know where everybody lived and  
6 where their expenditures went.

7 Obviously, we're not going to report  
8 it down to the individual level like that.  
9 There's, obviously, problems with that.  
10 You'll see it later on our report when we  
11 talk about employment and wages, we are able  
12 to talk about Plainville and the surrounding  
13 communities, the rest of the area. So for  
14 that data, we are able to get significantly  
15 more detailed.

16 For the vender spending, we have  
17 modified our data request sheets going  
18 forward to include vendor expenditures by ZIP  
19 code, so we can talk a bit more precisely  
20 about the supply chain of -- you know, we  
21 know for this project where our construction  
22 materials came from in terms of state, but we  
23 don't know where in the state they came from  
24 with anymore precision. So we've modified

1           our data request sheets, so hopefully for  
2           Wynn and MGM and if there is a third casino,  
3           a third resort casino, that for those, we  
4           will be able to talk more precisely about  
5           that.

6                     The next slide is value added. So  
7           again, this is just a subset of that. Total  
8           value added is 105 million. So again, that's  
9           a bit less than the total output, but again,  
10          that's not cause for alarm. We know right  
11          off the bat, for example, that 15 percent of  
12          the project, that just the inputs to the  
13          project were imported. So that money  
14          immediately right off the bat will leak out.  
15          We'll get later into a decent number of the  
16          workers were out of state, so their wages  
17          will leak out. And then there's a secondary  
18          supply chain of all of the, you know, where  
19          did the drywall come from, where the did the  
20          -- The structural steel, for example, that  
21          went into the building was all imported from  
22          Quebec. So that was a significant project  
23          cost and that was all imported into the  
24          state.

1           So again, I'm not worried or do I  
2 think it's a knock on the project that the  
3 value added over two years was less than the  
4 project budget. But again, similar pattern.  
5 Most of the impact in Bristol and Norfolk  
6 counties, but, you know, again, roughly a  
7 quarter, 20 percent to a quarter of the  
8 additional impacts in the Metro Boston  
9 region.

10           So let's change gears and talk about  
11 the workers. Where were these workers; how  
12 many of them were there; how much were they  
13 paid; and so forth. I know a topic of  
14 considerable interest. The interesting thing  
15 about construction is that the individual  
16 workers don't necessarily spend a ton of time  
17 on site. They are tradesmen. Their  
18 particular trade, they come in when their  
19 particular trade is needed, they stay until  
20 the need is done, and they cycle out. If  
21 you're a carpenter, you're not on site for  
22 the entire time. If you're an electrician or  
23 a plumber or so on, you come in for when your  
24 skill is called upon and they cycle out. So

1 because of that, the number of people who  
2 cycle through the site is considerably larger  
3 than what it would appear on like a full-time  
4 equivalent basis.

5 So based on the quarterly counts of  
6 people, there was about 2,200 sort of  
7 quarterly counts. Now, that quarterly count  
8 probably includes the same -- could include  
9 or very well include the same person who  
10 showed up on site in more than one quarter,  
11 so they were counted more than once. But it  
12 gives you an idea about sort of the sheer  
13 number of sort of people cycling in and out  
14 of this site over time. It works out to be  
15 on average about 550 some odd people on site  
16 in any given quarter. Some of those would be  
17 the same people, but some of those would be  
18 entirely different.

19 In terms of where they came from in  
20 total, you'll see that there was some from  
21 Plainville and surrounding communities. Not  
22 a lot, but again, these are relatively small  
23 communities. Plainville itself, I think, is  
24 only eight or 10,000 people or something like

1 that. So these aren't big towns.

2 Bristol and Norfolk County provided  
3 a good chunk. The rest of Massachusetts as a  
4 whole, you can see, is a big majority. I  
5 think I have here 81 percent of all workers  
6 that cycle through the site at any point were  
7 Massachusetts residents. The bulk of the  
8 remainder were from Rhode Island, and not  
9 surprising given the proximity of the site to  
10 Rhode Island.

11 I was actually surprised by how high  
12 the Massachusetts number was, because, again,  
13 you're basically right on the border with  
14 Rhode Island. Rhode Island had a large  
15 construction sector prior to recession. Its  
16 construction sector has not come back up near  
17 where it was in 2008, and so you would think  
18 there's a lot of construction workers who are  
19 available and underutilized in Rhode Island  
20 who would love to go 20 minutes down the road  
21 and work on this site.

22 So I was actually pleasantly  
23 surprised that 81 percent of all workers were  
24 Massachusetts residents. And I know Mark

1 will talk a little bit about how that  
2 compares to the original goal.

3 The gray bars are the wages paid in  
4 the -- basically the same communities. It's  
5 millions of dollars. What you will notice  
6 and what we will talk about in a bit more  
7 detail is that the closer you are to the  
8 site, the higher the gray bars are over the  
9 red bars, and that is important because it  
10 feeds into something we'll get to in two  
11 slides, so hold that thought for a moment.

12 This is impossible to read on the  
13 slide here, and it's much easier to read on  
14 the report on a full sort of read  
15 eight-and-a-half-by-eleven-piece of paper.  
16 But I want to highlight this map. This is  
17 wages going to all the various counties. So  
18 for Bristol County, we have -- I'll round up  
19 -- call it \$4.6 million of wages went to the  
20 residents of Bristol County versus 3 -- we'll  
21 round up -- \$4 million for Norfolk County.  
22 There was a total of \$21.5 million of wages  
23 paid to construction workers over the  
24 14 months. And so again, you'll see that

1           that's a pretty substantial portion of that.  
2           You know, we'll call it eight and a half  
3           million dollars of that was just in Bristol  
4           and Norfolk County.

5                         But you can also see you have  
6           workers coming from all the way into  
7           Connecticut, Western Mass., the southern  
8           counties of New Hampshire. The draw was  
9           pretty large, but I can tell you that some of  
10          these folks in some of these faraway places,  
11          the total wages paid to them was less than  
12          \$1,000. So it was clearly somebody who came  
13          in very briefly for one specific thing, got  
14          paid for that one specific thing, and then  
15          didn't have further association with the  
16          project.

17                        And that's reflected in this  
18          regional comparison of average wages. You'll  
19          see that the further you get away from the  
20          site, the lower the average wages paid to the  
21          workers.

22                        CHAIRMAN CROSBY: These are actual  
23          wages paid for however many hours they  
24          worked.



1 MR. MOTAMEDI: Yeah.

2 CHAIRMAN CROSBY: So this isn't per  
3 year or anything?

4 MR. MOTAMEDI: No. This is the  
5 actual wages.

6 CHAIRMAN CROSBY: Actual wages for  
7 however many hours?

8 MR. MOTAMEDI: That's correct. And  
9 it is extraordinarily unusual for a  
10 construction worker to be on site for a whole  
11 year. You know, I think nine months is kind  
12 of the upper limit of some of that. And then  
13 for a fast-moving project like this, only 14  
14 months, I would suspect that your average  
15 worker was on site for considerably less time  
16 than even nine months.

17 CHAIRMAN CROSBY: Right.

18 MR. MOTAMEDI: What we don't know is  
19 necessarily why the average is higher with  
20 proximity. We don't know if it's because the  
21 workers were able to work more hours or if  
22 they were paid a higher hourly wage or some  
23 combination of the two. Because we don't  
24 have hours worked by worker, we can't figure

1           that number out. But we do know if you live  
2           closer to the site, the odds are that you  
3           made more money working on the site.  
4           Probably our suspicion is because you worked  
5           more hours on the site. But you can see that  
6           it's a very sort of consistent relationship.  
7           The farther you move away, the more that  
8           average wage drops.

9                        COMMISSIONER ZUNIGA: Is this  
10           typical in your experience?

11                      MR. MOTAMEDI: I think it is. You  
12           know, it's one of these things where  
13           construction, as the MGM gentlemen mentioned,  
14           starts very early in fact morning. You're  
15           not going to come from really far away to  
16           show up for a 5:00 a.m. clock-in time. And  
17           there's also the fact that the vast majority  
18           of these things that happen on site are the  
19           not so specialized where you have to bring in  
20           crews from really far away. Some of that  
21           might have been.

22                      In fact, there was some pockets  
23           where there might have only been one person  
24           from a particular town but that person was

1       paid tens of thousands of dollars, and it's  
2       likely that that person was a -- we don't  
3       know, but could have been an engineer or some  
4       kind of had to sign off on what was going on  
5       or came in or was the supervisor and was on  
6       site for a long time. But that's very  
7       typical.

8                You know, this isn't like -- I'm  
9       trying to think of the specialized stuff I've  
10      worked on over time. Stringing up power  
11      lines, for example. You know, a very -- sort  
12      of your normal construction crew can dig and  
13      pour the foundation for the pylons, but it  
14      takes very specialized construction crews to  
15      come in and actually string high voltage  
16      power lines between the power lines.

17               So those guys are essentially  
18      nomads. They fly in. They're there for two  
19      weeks. The only local economic impact you  
20      really have from them is essentially the per  
21      diem on their hotels and food, and then they  
22      take whatever income they were paid, and they  
23      spend it back wherever they may have lived.

24               It's similar to oil and gas work in

1 a place like Alaska. You know, you work two  
2 weeks on, one week off and you live in  
3 Houston. You fly up, you work there for two  
4 weeks, you live in a man camp, and you go  
5 back.

6 So we're not looking at things like  
7 that. These are generally the kinds of  
8 things where the construction workers from  
9 your local market would be more than able to  
10 do.

11 So switching again to economic  
12 impacts, if you, again, run our total  
13 economic impacts, what you get is what you  
14 see here, total added up over two years is  
15 1,116. Is that right, Tom?

16 MR. PEAKE: Yeah.

17 MR. MOTAMEDI: 1,116 jobs over two  
18 years. Again, that probably counts the same  
19 people twice. So it's better to think about  
20 the annual average if you want to talk about  
21 how many individuals is perhaps best affected  
22 by this. And that's in the 550 range. I  
23 don't remember the exact number. 558 I think  
24 it is. Is that right?

1 MR. PEAKE: Yes.

2 MR. MOTAMEDI: So 558 is the average  
3 annual average. If you want to talk about it  
4 in terms of how many individuals are perhaps  
5 impacted by these, it's about 558 per year.

6 Interestingly here, you'll see that  
7 the share of the induced impacts, so that's  
8 what's created through consumption, so all  
9 these workers get paid a wage and they take  
10 their wages and they spend it elsewhere in  
11 the economy. That's what are called  
12 consumption based or induced impacts are  
13 actually a significantly large share of the  
14 total.

15 It actually creates similar to  
16 almost economic impacts than just the direct  
17 wages paid for the direct employment at the  
18 construction site itself. So these secondary  
19 tertiary jobs were actually a significant  
20 portion of the total, and much more than the  
21 business-to-business sort of supply chain  
22 jobs.

23 COMMISSIONER CAMERON: Is that  
24 unusual?

1 MR. MOTAMEDI: That is a little  
2 unusual, but it comes down to the nature of  
3 the supply chain versus the wages that are  
4 paid to people. So because we're talking  
5 about jobs, if we're talking about suppliers  
6 to sort of construction, these aren't super  
7 labor intensive kinds of industries. It's  
8 not terribly labor intensive to sell drywall  
9 or to provide electrical work or to sell  
10 steel or HVAC systems.

11 So while the dollar value of what  
12 they're providing might be quite high, their  
13 employment needs aren't terribly high.  
14 They're very high labor productivity types  
15 industries. But then on the flip side, these  
16 sort of consumption-based sectors that  
17 compose most of the induced employment, those  
18 are typically low labor productivity sectors  
19 like food and beverage and all those sort of  
20 normal consumption based retail wholesale  
21 kinds of things where it takes more employees  
22 to produce a dollar worth of sales than the  
23 supply chains. So on average it's unusual.  
24 Not terribly unusual in this specific case.

1           If we look at it by region, this is  
2 sorted by the total, I believe. You'll see  
3 again there is a proximity effect at play  
4 here where most of the jobs are created  
5 closest to the site, but again, keeping up  
6 the scene that we keep talking about, Boston  
7 Metro does show up prominently in our  
8 economic impact. And it's because, and it's  
9 not surprising to anyone, the Boston Metro  
10 region is tightly intertwined in all of the  
11 state's intrastate trade. It's tightly  
12 intertwined in the state's commuting  
13 patterns, especially if you're talking to  
14 that area of the state.

15           So it's not surprising that a lot of  
16 the dollars and a lot of the jobs in the  
17 state happen to flow through this region as a  
18 whole.

19           So I believe that is -- No, I have  
20 one more slide. Sorry. I thought that was  
21 my last slide. But we have to talk about  
22 income.

23           So here is total income that's  
24 generated. Again, \$21.5 million was the

1 direct wages paid from the project. That is  
2 incorporated in these. So this is not net of  
3 that. But then this is what the total  
4 economic impacts are. So the roughly 1,100  
5 workers that we're talking about in total  
6 over two years together earn about 91,  
7 92 million dollars over two years, in, again,  
8 the distribution of the wages by region as  
9 you see here.

10 So that is my last slide. Here's  
11 contact information for anybody in the  
12 audience who are watching who has any  
13 questions about this. You guys know where to  
14 find me. So with that, any questions?

15 COMMISSIONER STEBBINS: Rod, great  
16 report. And I appreciate what the great team  
17 at UMass did pulling this together. I think  
18 it reaffirms everybody's belief that the  
19 introduction of this new industry has  
20 positive benefits attributable to the region  
21 in a number of cases.

22 Just a suggestion, if it's possible,  
23 as kind of even an addendum to the report,  
24 and I think that's probably pretty easy



1 information for us to find for you or with  
2 you and perhaps Jill or through Turner  
3 Construction, I'd love to go back and include  
4 in that report the diversity targets and what  
5 they actually realized both in terms of the  
6 vendor's side of the house and the  
7 construction workforce side of the house.

8 MR. MOTAMEDI: We have included --

9 COMMISSIONER STEBBINS: It's tough  
10 to show what that economic impact is.

11 MR. MOTAMEDI: Right.

12 COMMISSIONER STEBBINS: But it's --  
13 you know, as we always talk about, it's so  
14 prominent in the statute, the slide in the  
15 report, I think, would be a great addition.

16 MR. MOTAMEDI: I apologize for  
17 interrupting.

18 COMMISSIONER STEBBINS: As other  
19 people look at this.

20 MR. MOTAMEDI: We have included that  
21 conversation ongoing for the next project.  
22 You know we have included Jill in the  
23 conversations that we're having about how do  
24 we get the same kind of data from Wynn and

1 MGM.

2 So we'd like to make that a more  
3 prominent part going forward, and we will see  
4 what we can do to add something to this  
5 existing one.

6 COMMISSIONER STEBBINS: I can't  
7 remember the woman's name at Turner, but it  
8 was her job to follow the diversity piece, so  
9 my guess is she's got good stats on what that  
10 was.

11 MR. MOTAMEDI: Okay. Thank you.

12 COMMISSIONER STEBBINS: But nice  
13 work. Great work.

14 MR. MOTAMEDI: I appreciate it.

15 CHAIRMAN CROSBY: Anyone else?  
16 Thanks very much.

17 COMMISSIONER ZUNIGA: Thank you.

18 CHAIRMAN CROSBY: Mark, we've got  
19 some more, right?

20 MR. VANDER LINDEN: Yeah. Just  
21 really briefly, Teresa and I wanted to take a  
22 look at how the actuals compared to what was  
23 projected by Penn National Gaming when they  
24 were in the RFA-2 application phase.

1                   And so as way of background, during  
2                   that application phase, Penn hired a group,  
3                   The Innovation Group, to do an economic  
4                   impact assessment. Noting that this isn't  
5                   exactly an easily task comparing what they  
6                   were projecting versus what the actuals are,  
7                   there are different economic models that are  
8                   used. Penn used Inplan while the Donahue  
9                   Institute had actual data and was using the  
10                  REMI model.

11                  But with that, it was an interesting  
12                  exercise to go back to what they were  
13                  projecting, look at that, work with Rod and  
14                  the Donahue Institute to make sure that we  
15                  were looking at similar numbers to see what  
16                  we came up with. And so I think we can move  
17                  to the next slide. It's a quick one-page,  
18                  two-page comparison.

19                  This was a great exercise for Teresa  
20                  to kind of roll herself into the research  
21                  activities. So I'm going to turn it over to  
22                  her to explain what the process was and what  
23                  our findings were.

24                  MS. FIORE: So I was tasked with

1 looking at the application for Plainridge  
2 Park Casino and reviewing the innovation  
3 report that Mark just mentioned which gave  
4 estimates and sort of projected what they  
5 expected the outputs to be for this project,  
6 specifically surrounding construction.

7 So I went through and I compared the  
8 two findings, and what was especially tricky  
9 for me when comparing the contracts and  
10 projection, with the SEIGMA report was that  
11 SEIGMA was incredibly detailed, so excellent  
12 work. It took a long time to run through  
13 that. As you can tell, it's a very good and  
14 detailed report.

15 I just want to underscore before I  
16 run through these that the actual findings  
17 which were taken from SEIGMA are still  
18 estimates. So it's just in comparison to the  
19 projected.

20 So I will start with projected  
21 Massachusetts hires, Plainridge estimated  
22 90 percent. Donahue found that 81 percent of  
23 Massachusetts hires were from this state, of  
24 course.

1                   CHAIRMAN CROSBY: Was that human  
2 beings or hours or dollars? What measure of  
3 hires?

4                   MS. FIORE: That's human beings.

5                   MR. MOTAMEDI: Yes. For our case,  
6 it's definitely people.

7                   CHAIRMAN CROSBY: Okay. For however  
8 many hours it might be, it's human beings.

9                   MS. FIORE: So I know that actual  
10 falls short, but if you look directly to the  
11 right of that, the projected statewide labor  
12 income was 62.6 million. Actual statewide  
13 personal income was 91.5 million. And after  
14 conferring with Donahue, projected statewide  
15 labor income was comparable to the personal  
16 income. It was just different terminology  
17 used for the two.

18                   Moving down from that, the projected  
19 jobs supported by the construction phase of  
20 the project was 959 while the actual jobs  
21 supported by the construction phase was  
22 1,116. And again, this goes towards direct  
23 jobs and induced jobs because of that  
24 construction.

1           One thing which the contract didn't  
2           promise was pre-construction spending, so  
3           they didn't have an actual budget set for  
4           that. Donahue found out that actual  
5           pre-construction expenditure was 13.3  
6           million. So that can be rolled into the  
7           actual construction expenditure overall which  
8           is 115.4 million while The Innovation Group  
9           estimated 118.1 million.

10           And if you don't have any questions,  
11           I can go to the next page.

12           MR. VANDER LINDEN: Actually, just  
13           one point of the clarification. I believe  
14           the construction expenditure of 115.4 million  
15           is added to the pre-construction of  
16           13.3 million. So if you look at it that way,  
17           it actually exceeds what the projected  
18           construction budget of 118 million was.

19           COMMISSIONER MACDONALD: So Mark,  
20           just so I'm understanding that. What you're  
21           saying is that this actual construction  
22           figure of 115 million does not include the  
23           pre-construction?

24           MR. VANDER LINDEN: Correct.

1 MS. FIORE: So if we flip over to  
2 the next page, we illustrated this in both  
3 percentage and dollar amounts. So the  
4 projected construction spending in state was  
5 63.7 percent while the actual construction  
6 expenditure in state was 85 percent. So  
7 we're happy to see that number broken down  
8 into dollars.

9 The projected instate spending would  
10 have been 75.2 million, while the actual  
11 in-state construction spending would have  
12 been 98.4 million, with 17 million going to  
13 out-of-state. I know that was broken down a  
14 bit in the report, so that was represented by  
15 Rhode Island, New Hampshire, a little bit in  
16 Connecticut, and the majority going to other  
17 states. And we weren't able to get down to  
18 that level of detail, but that was the  
19 overall breakout of spending.

20 And in closing, I thought that  
21 Donahue did a really nice job of sort of  
22 describing the rippling effect of dollars  
23 spent because of this, so I'm going to -- I  
24 pulled a quote directly from the report. "As

1 the spending ripples through the economy, it  
2 creates total impacts that are larger than  
3 the initial project. In total, over the  
4 14-month process, the construction of  
5 Plainridge Park Casino added 166 million to  
6 total business revenue and 105 million to  
7 gross state product."

8 COMMISSIONER CAMERON: So overall,  
9 better numbers than were projected.

10 MS. FIORE: Yes.

11 MR. VANDER LINDEN: Yes.

12 CHAIRMAN CROSBY: Great.

13 MR. VANDER LINDEN: The one  
14 exception would be the percent of  
15 Massachusetts residents was slightly short,  
16 but as Rod was pointing out, I think taking a  
17 look at the overall market where the  
18 availability was, it makes sense. And in  
19 fact, Penn National did an excellent job of  
20 drawing from the available labor pool in  
21 Massachusetts.

22 COMMISSIONER CAMERON: Great.

23 COMMISSIONER ZUNIGA: I, for one,  
24 always thought that that 91 percent figure



1 was very ambitious. Anything that gets that  
2 close to a hundred percent in terms of  
3 statistics and projections is significant.  
4 But yeah, everything is being exceeded by  
5 some interesting margins. So it looks really  
6 good.

7 MR. MOTAMEDI: I'd add to that only  
8 simply that the share of total project wages  
9 that went to Massachusetts residents was 85  
10 percent. So, you know, if you're talking  
11 about that, that's even closer still to what  
12 their original goal was.

13 COMMISSIONER ZUNIGA: To 90 percent.  
14 Thank you.

15 CHAIRMAN CROSBY: Thank you. That's  
16 really great, both from the first report and  
17 the comparison. That's really helpful. Is  
18 that it?

19 MR. VANDER LINDEN: That's it.

20 CHAIRMAN CROSBY: Thank you very  
21 much.

22 COMMISSIONER CAMERON: Thank you.

23 COMMISSIONER STEBBINS: Thank you.

24 COMMISSIONER ZUNIGA: Thank you.

1 COMMISSIONER CAMERON: Very good  
2 work.

3 CHAIRMAN CROSBY: It's 12:35. I'm  
4 thinking we should take a break, maybe come  
5 back at 1:15, and we'll pick up with Item  
6 Number 6.

7 (Break taken.)

8 CHAIRMAN CROSBY: We are reconvening  
9 Public Meeting Number 200 at about 1:15, and  
10 next up on the agenda is an administrative  
11 update. Our executive director is away. He  
12 is replaced by our deputy director Karen  
13 Wells.

14 MS. WELLS: All right. So the first  
15 item on the agenda is the fiscal year 2016  
16 closeout report and fiscal year 2017 first  
17 quarter update. I'll turn it over to  
18 Mr. Lennon, our chief financial and  
19 accounting officer.

20 MR. LENNON: Thank you, Karen. Good  
21 afternoon, Mr. Chairman and Commissioners.

22 CHAIRMAN CROSBY: Good afternoon.

23 MR. LENNON: Today I'm joined by  
24 Agnes Beaulieu. I'm here to present the

1 closeout of the FY16 budget and the first  
2 update of the FY17 budget. Normally, they're  
3 updated quarterly, however, the FY16 accounts  
4 payable period did not close until  
5 August 31st. We're only eight days away from  
6 the close of the first quarter of FY17, so  
7 we're putting the two together, which I know  
8 disappoints some people to come back after  
9 another lunch with numbers.

10 CHAIRMAN CROSBY: We could have a  
11 special meeting, bring you back.

12 MR. LENNON: Why not. But the  
13 information, because it's so early on in the  
14 first quarter, isn't going to change  
15 significantly. After the budget update,  
16 Agnes will be providing the vendor supply  
17 diversity update for FY16 and projections for  
18 FY17.

19 The MGC approved an initial FY16  
20 gaming control fund budget of \$28.3 million  
21 requiring a \$22.2 million assessment. After  
22 three updates in FY16, the anticipated  
23 spending was revised down to 26.87 million,  
24 but we've had an unbudgeted liability of

1 1.62 million for indirect costs, which we've  
2 talked about numerous times here. If we want  
3 to refresh that, we can.

4 CHAIRMAN CROSBY: I'd just be  
5 curious to know, the last time around, I  
6 think the licensees were going to take a shot  
7 at it. I still think it's totally  
8 outrageous. Where are we at?

9 MR. LENNON: The licensees would  
10 still like to talk with A&F about it. A&F  
11 has kept the doors open to talking, but they  
12 still have not granted a waiver. So we  
13 incurred \$1.62 million this year, as we've  
14 talked, anywhere from \$5,000 to \$30,000 worth  
15 of costs that we've used over the last two  
16 years.

17 CHAIRMAN CROSBY: Well, it's not  
18 particularly the time or the place, but, you  
19 know, it's not going to get fixed at A&F I  
20 don't think. It's going to be back in the  
21 other part of that third floor.

22 COMMISSIONER ZUNIGA: You know,  
23 there's a fix that I think we should explore,  
24 and that is if we were able to get a grant,

1           however large or small, from the federal  
2           government, our actual indirect costs would  
3           go to that 50 or whatever.

4                       MR. LENNON:   It's .2 percent.

5                       COMMISSIONER ZUNIGA:   The actual  
6           amount for reasons that I don't want to  
7           explain, but that's what would happen.  I  
8           think we should -- With the activity that  
9           we've been wanting to do around workforce  
10          development, for example, and so on, I think  
11          it's an area that we should really seriously  
12          contemplate.  And it's in our statute.  We  
13          could be recipients of federal moneys, some  
14          loans, for example, not that we would in this  
15          case.  But that's something that I, for one,  
16          want to coordinate with Commissioner Stebbins  
17          perhaps and Jill to explore, you know, that  
18          possibility.  But I don't want to take away  
19          from that.

20                      CHAIRMAN CROSBY:   Yes.  Well, that's  
21          very creative, and if we do that, might kill  
22          two birds with one stone, which would be  
23          great.  But let's follow the other one, too,  
24          and maybe we should follow up at some point

1 after this and just talk and make sure  
2 everybody's on the same page. Over 15 years,  
3 it's a lot of money.

4 MR. LENNON: Yes. I think we said  
5 it's close to 25 million over 15 years.

6 CHAIRMAN CROSBY: Right.

7 MR. LENNON: So that was an  
8 unbudgeted liability, which would drive that  
9 \$26.87 million up. Our anticipated revenues  
10 after those first three updates was  
11 27.74 million, which, as we discussed at the  
12 third update, we didn't reduce the assessment  
13 because we knew we had this unbudgeted  
14 liability which means we had about 750,000 of  
15 that \$1.6 million liability to make up over  
16 the fourth quarter. I'm happy to report that  
17 our FY16 final spending came out at  
18 \$27.29 million, which was \$450,000, or  
19 1.6 percent below our projected revenues. In  
20 the budget world, you usually want to be  
21 between one and three percent reversion for  
22 overspending. We ended up in the right area.  
23 However, our actual revenues came in at  
24 28.28 million, which was 538,000, or

1 1.9 percent, above our projected revenues.  
2 This resulted 937,000 surplus ending balance  
3 in gaming control fund for FY16, and we're  
4 recommending that this surplus be refunded to  
5 the licensees in proportion to their share of  
6 gaming positions in FY16.

7 The chart on page 2 of the  
8 memorandum gives some detail behind the areas  
9 that under spent as well as where revenue  
10 actuals exceeded projections.

11 Do you have any questions? I'm  
12 willing to take them now on 16 before moving  
13 into FY17.

14 COMMISSIONER ZUNIGA: I do want to  
15 mention one thing on 16, which is really just  
16 for the record and for the public benefit, I  
17 suppose. The other area over expenditure is  
18 the item for state police, AGO that includes  
19 overtime.

20 MR. LENNON: Correct.

21 COMMISSIONER ZUNIGA: And I want to  
22 continue the practice that we currently have  
23 of not budgeting for overtime. I do  
24 recognize that it's an important tool for

1 management, an important aspect of dealing  
2 with 24 operations. That people take  
3 personal days and sick days and so on. But  
4 it's something as -- for the record, it'll  
5 continue to show as an over expenditure,  
6 because in my opinion, if we budget it for an  
7 overtime line item, there would be an  
8 incentive to spend to that amount after  
9 seeing that perhaps where we -- I don't want  
10 to create that incentive necessarily. So I  
11 just wanted to kind of mention that for the  
12 benefit of others.

13 CHAIRMAN CROSBY: Are you talking  
14 about our state troopers, or are you taking  
15 about the AGO?

16 COMMISSIONER ZUNIGA: Both. They're  
17 both reported in the same line item.

18 CHAIRMAN CROSBY: Okay.

19 MR. LENNON: So we do budget --  
20 there's a budget allocation for overtime as  
21 well as straight time for the AGO and for our  
22 own internal MS people. But if you look at  
23 the that line item and combine it with the  
24 AGO's ISA line item, it's almost a wash. And



1           AGO told us they're going to have a hard time  
2           spending their full appropriation, but they  
3           would probably bump up their overtime. And  
4           as long as it didn't -- rather than amending  
5           the ISA 500 times, we had this conversation  
6           internally that as long as those two items  
7           didn't go above the total amount that was set  
8           aside, which I think it was 1.9 million --  
9           they came in under that -- then we didn't  
10          have a problem.

11                    COMMISSIONER ZUNIGA: But do we  
12          budget for our own state police overtime?

13                    MR. LENNON: Yes. It's in our  
14          budget each year. I think combined, the two  
15          items are 700,000.

16                    COMMISSIONER ZUNIGA: What about  
17          separately?

18                    MR. LENNON: I think it's 250 and  
19          450, but I'd have to look at the details in  
20          FY17.

21                    CHAIRMAN CROSBY: 250 for the AGO  
22          and 450 us?

23                    MR. LENNON: 450 us.

24                    COMMISSIONER ZUNIGA: Well still,

1 the point about our use of overtime is a  
2 necessary tool.

3 MR. LENNON: Yes.

4 COMMISSIONER ZUNIGA: It's a  
5 management tool and that's important.  
6 That'll continue. Perhaps we can look at how  
7 that trends overtime with a mix of how we  
8 ramp up to the larger operations and the mix  
9 of people and what's required by ISA or other  
10 things. I know, for example, there's a  
11 requirement that there be two state place at  
12 all times in the casino and that carries all  
13 kinds of implications.

14 MR. LENNON: Correct. And it's  
15 tough when you're working in shift and you  
16 have to have two people. I mean, I've faced  
17 this when I was a ways and means analyst with  
18 the state police account. I've also faced  
19 this when I was a DCR CFO and we had to have  
20 troopers for pools or for picnicking time out  
21 west, make sure bears didn't harass. It's  
22 tough because if you have someone who goes  
23 out, you have to cover the shift, so there  
24 has to be an overtime allowance there.

1           And Karen and Brian keep track of it  
2           on a weekly basis as far as the overtime  
3           that's not related to those types of issues  
4           are really need base. You try to recup some  
5           of it on the primary vendor applications, on  
6           reviews, so we figure out how much we can  
7           charge off. I forget the exact percentage,  
8           but we try to make sure that it's not an item  
9           that keeps growing, which you hear the  
10          hyperbole.

11           COMMISSIONER CAMERON: And I know  
12          they do have a monitoring system in place --

13          MR. LENNON: Right.

14           COMMISSIONER CAMERON: -- where  
15          supervisors monitor what has happened on a  
16          weekly basis.

17          MR. LENNON: Right.

18           COMMISSIONER CAMERON: The other  
19          thing which I thought was a really good use  
20          of personnel, we know that it's not always,  
21          you know, a busy time at Plainridge, but  
22          while one trooper has the responsibilities  
23          for the floor, the other trooper will be  
24          working investigations. And that actually

1 applies to the racing troopers as well, which  
2 I think is a really good use of the  
3 resources. You know, so just because you're  
4 assigned to racing, you have gaming  
5 investigations that you will be conducting  
6 when you have the time to do it.

7 So I have been taking a look at how  
8 they operate, and you know, I think the  
9 monitoring system is in place as well as a  
10 smart use of the resources.

11 COMMISSIONER ZUNIGA: Thank you.

12 CHAIRMAN CROSBY: Okay.

13 MR. LENNON: So now opening up FY17.  
14 The MGC approved a FY17 gaming control budget  
15 of 27.17 million composed of 20.3 million for  
16 gaming operations, 4.49 million for research  
17 and responsible gaming, and a \$2.73 million  
18 assessment to the Attorney General's office  
19 and their state police costs.

20 The balance forward of surplus FY16  
21 revenue will result in a reduction to the  
22 FY17 assessment as presented in the chart on  
23 page 4 of the memorandum. The FY17 budget,  
24 as you well know, we just passed recently and

1           went through many discussions over it, did  
2           not include contingency items, reserves,  
3           anything that we'd had in the past, so it was  
4           a much tighter budget, and we're starting to  
5           see that.

6                        As of the middle of September, the  
7           budget adjustments within divisions have  
8           added nearly 32,500 to the bottom line;  
9           however, at this point, I'm not recommending  
10          any cuts to offset these amendments, as it is  
11          very early in the fiscal year. We haven't  
12          realized any turnover savings. We haven't  
13          done our raises, so we don't know whether  
14          we're going to use the entire raise pool.  
15          We're waiting to see how the rest of state  
16          government goes, which isn't sounding like we  
17          will use our full raise pool.

18                       We haven't realized any slippage in  
19          contracts, any of the larger contracts going  
20          forward. So when I look at a \$27 million  
21          budget, and we're off by 32,000 right now,  
22          I'm not recommending any changes.

23                       With that information, I'll take any  
24          questions on the FY17 information. I don't

1 have much to present to you. Like I said,  
2 we're only two and a half months into it.

3 CHAIRMAN CROSBY: Questions?

4 COMMISSIONER ZUNIGA: You know, I  
5 thought it was in FY17, but it's really on  
6 FY16. Can I go back a little bit to  
7 highlight FY16?

8 MR. LENNON: Yes. Absolutely.

9 COMMISSIONER ZUNIGA: There was a  
10 really good variance down on the non-payroll  
11 expenses of \$500,000 and change that I know  
12 you had highlighted here. One of the good  
13 reason was for mobile device management.

14 MR. LENNON: Correct.

15 COMMISSIONER ZUNIGA: And some other  
16 IT related efficiencies --

17 MR. LENNON: Correct.

18 COMMISSIONER ZUNIGA: -- that  
19 John Glenn and others found and attributed to  
20 these last year. First, I want to highlight  
21 it as a great outcome.

22 Secondly, we did make some  
23 assumptions for that aspect on a slightly  
24 lower amount for FY17. How is that panning

1 out, or is there anymore room to continue  
2 going?

3 MR. LENNON: So on the mobile device  
4 management, we went from a proposal that  
5 someone had given us of 100,000 to something  
6 that we're actually doing around seven or  
7 eight thousand. Is it the great bells and  
8 whistles that the 100,000 option had? No.  
9 But does it get us to a point where we can  
10 tell where our devices are and we can push  
11 content down to them, we can restrict content  
12 to the level that we need to? Yes. So  
13 that's a fixed cost.

14 As far as the surveillance  
15 platforms, once again, John and his team did  
16 a great job of finding ways to cut out a lot  
17 of the costs that Verizon billed in by using  
18 our state partners through ITD.

19 On the LMS side, that just was  
20 timing. So, you know, we didn't spend 80,000  
21 this year that will get pushed into this  
22 fiscal year, but we've revised our budget  
23 down and we kept it at a fixed dollar amount.

24 So we do as much as we can with that

1 475 that we have available, and as part of  
2 that 475 is the 80 that slid from last year  
3 into this year.

4 Now, I don't think we're going to  
5 experience any problems with that because  
6 we're taking time to test it. We're taking  
7 time to make the changes that we want. We're  
8 holding the vendor to producing a very high  
9 quality product as Karen can speak to. Her  
10 team is doing that on a daily basis with  
11 licensing and IT. So I don't think you'll  
12 see deterioration, and we what wanted to get  
13 out of LMS may just get pushed out a little  
14 longer.

15 COMMISSIONER ZUNIGA: Okay.

16 MR. LENNON: But the other areas in  
17 IT, we're looking at some and we're hoping to  
18 pull together an IT strategy group that can  
19 look at devices, how many devices each person  
20 has, how we use it, whether going to the  
21 cloud or staying in the data center is the  
22 right place. So there's still room to look,  
23 but I wouldn't see a \$500,000 savings.

24 COMMISSIONER ZUNIGA: No, I wouldn't



1 expect that either. I wouldn't. And that  
2 was precisely part of my point, that we made  
3 certain assumptions on fiscal year '17 that  
4 included tidying a number of these items, and  
5 it's likely some of these savings will not be  
6 realized just by that process.

7 MR. LENNON: We're starting out  
8 lower this year than we did last, than we  
9 finished this year or our initial projections  
10 that's not including indirect costs. So we  
11 really tightened up the budget in FY17  
12 compared to where we were in the past.

13 COMMISSIONER ZUNIGA: Right.

14 CHAIRMAN CROSBY: Your memo says  
15 you're looking for approval.

16 MR. LENNON: Yes.

17 CHAIRMAN CROSBY: But we don't have  
18 vote on the agenda.

19 MR. LENNON: Okay.

20 CHAIRMAN CROSBY: Are we needing a  
21 vote for this?

22 MR. LENNON: No. It's part of the  
23 regs. The only thing I'm looking for is to  
24 move that money forward into '17 and reduce

1           their assessment.

2                    COMMISSIONER ZUNIGA:    Their  
3           assessment.  I think either way, without a  
4           vote from us.

5                    CHAIRMAN CROSBY:    As far as I'm  
6           concerned, as long as you're cool with it.

7                    MR. LENNON:    Yeah.

8                    CHAIRMAN CROSBY:    Derek, I am too.

9                    MR. LENNON:    Consistent with last  
10          year.

11                   MS. BLUE:    It is required by the  
12          regs that we do a true-up at the end of every  
13          year, and the regs say if there's an overage,  
14          we would refund it.  So just as long as  
15          you're comfortable with it, Derek can  
16          proceed.

17                   CHAIRMAN CROSBY:    Okay.

18                   COMMISSIONER MACDONALD:    I'm  
19          comfortable with it.

20                   COMMISSIONER CAMERON:    Yes.  It  
21          makes good sense.

22                   COMMISSIONER ZUNIGA:    Sounds good.

23                   COMMISSIONER STEBBINS:    Agreed.

24                   CHAIRMAN CROSBY:    Yep.

1 MR. LENNON: At this point, I'll  
2 turn over the presentation to Agnes, and  
3 she'll walk us through our '16 diversity  
4 spend and '17 projections. Thank you.

5 MS. BEAULIEU: Good afternoon,  
6 Mr. Chairman and Commissioners.

7 CHAIRMAN CROSBY: Good afternoon.

8 COMMISSIONER CAMERON: Good  
9 afternoon.

10 MS. BEAULIEU: You have in your  
11 package prior diversity program benchmarked  
12 for the Mass. Gaming Commission and its total  
13 expenditures for FY16 and '17 estimates. I'm  
14 pleased to say that we reached and surpassed  
15 our goals for both the women-owned businesses  
16 and the small business benchmark.

17 For our minority-owned business  
18 benchmark, we came in at 96 percent, which  
19 was just under \$25,000 short of the  
20 benchmark. We continue to struggle with the  
21 service-disabled veteran-owned businesses, as  
22 many other state agencies do just because of  
23 the services that they provide, and we don't  
24 necessarily match with them but we're still

1 looking at them.

2 Director Griffin has brought to us a  
3 new vendor that we looked forward to meeting  
4 with that may be able to assist in  
5 identifying more businesses that can help to  
6 fulfill these benchmark goals.

7 You also have in your packets  
8 estimates for what the FY17 benchmarks will  
9 be. We currently have not yet received the  
10 benchmarks from operational services  
11 divisions, so we have completed the templates  
12 carrying forward the same benchmarks for  
13 FY16. We'll adjust this accordingly once OSD  
14 has released the new benchmarks.

15 CHAIRMAN CROSBY: I didn't quite get  
16 this. So looking at '16 -- sorry. Looking  
17 at '16 minority-owned business benchmark was  
18 7 percent. That means -- okay.

19 MR. LENNON: Per our discretionary  
20 budget.

21 CHAIRMAN CROSBY: So the spent,  
22 okay, over in the far right.

23 MS. BEAULIEU: Far right. Our spent  
24 is 585.

1                   CHAIRMAN CROSBY: Is how we did  
2                   against our --

3                   MS. BEAULIEU: Against the target of  
4                   610.

5                   COMMISSIONER ZUNIGA: So we're a  
6                   little lower than the benchmark on  
7                   minorities. We're higher on women-owned.  
8                   Significantly higher on small business.

9                   MR. LENNON: Now we --

10                  CHAIRMAN CROSBY: Is veteran-owned,  
11                  is this service-disabled veteran-owned,  
12                  that's different from the VBE that we hold  
13                  our licensees for, right?

14                  MR. LENNON: Correct.

15                  COMMISSIONER STEBBINS: Correct.

16                  MR. LENNON: And we don't have a  
17                  list of those vendors. A lot of them aren't  
18                  state vendors.

19                  CHAIRMAN CROSBY: Yeah.

20                  MR. LENNON: We don't do enough  
21                  procurement. So this is the part where Jill  
22                  introduced us to a vendor who was actually on  
23                  statewide contract as a small business out of  
24                  New York who is going to take, if we can get

1 involved with them, all of Jill's lists, all  
2 of the state lists, put them into one  
3 database, and then when you're searching for  
4 a service, you put in the keyword, and it  
5 pops up with a whole number of vendors who  
6 can provide the service, and it tells whether  
7 they're minority owned, women owned, veteran  
8 status. And it's not just the OSD list,  
9 which is what we're going off of. Which then  
10 we can get credit for some of the spend.  
11 Maybe these people registered in places other  
12 than the OSD list.

13 COMMISSIONER ZUNIGA: This is the  
14 Vera Cloud?

15 MR. LENNON: Yeah. So they have a  
16 statewide contract.

17 CHAIRMAN CROSBY: They do?

18 MR. LENNON: Yes. They got onto a  
19 statewide contract. And they've said they're  
20 willing to work with us and pilot us.

21 So I know that it would be great for  
22 Jill, but I thought of it selfishly when I  
23 look at what we go through every day like the  
24 licensees go through trying to make sure that

1 we spread the money around the right way and  
2 be responsible about it and help out the  
3 areas that we've committed to.

4 COMMISSIONER ZUNIGA: Were you going  
5 to say something after my last point on the  
6 spent?

7 MR. LENNON: Which piece, the  
8 veteran owned?

9 COMMISSIONER ZUNIGA: No. The --

10 MR. LENNON: Oh. Yes. On the  
11 minority- and women-owned businesses, we  
12 would have been much higher, but if you  
13 recall, PMA and Pinck and ROPM came off the  
14 table, and we drastically reduced those. So  
15 this is one of the other reasons we didn't  
16 meet our benchmarks.

17 Aside from that, New England Office  
18 Supply got folded into WB Mason, which is not  
19 big area of our spend. We have a lot of work  
20 to do to meet our benchmarks this year, which  
21 is why we're scrambling to try to find  
22 resources to help us.

23 COMMISSIONER ZUNIGA: I tell you,  
24 this is one of the unintended consequences of

1 looking for efficiencies elsewhere. You  
2 know, we significantly reduced our actual  
3 spend on project oversight by hiring Joe, and  
4 you know, this translates into, you know --

5 MR. LENNON: 1.5 million dollars  
6 that we would have been giving to minority-  
7 and women-owned businesses.

8 COMMISSIONER ZUNIGA: Right.

9 CHAIRMAN CROSBY: As you know,  
10 you're taking accountability for this, which  
11 is right.

12 MR. LENNON: Correct.

13 CHAIRMAN CROSBY: But we don't care  
14 about what --

15 MR. LENNON: No.

16 CHAIRMAN CROSBY: -- the excuses are  
17 that our licensees give us, and we've got the  
18 same problem.

19 MR. LENNON: Correct.

20 CHAIRMAN CROSBY: Okay. Anything  
21 else from Derek? Do you have more or  
22 questions of Derek, anybody? All right.

23 COMMISSIONER STEBBINS: Nice work.

24 MR. LENNON: Thank you.



1 COMMISSIONER CAMERON: Thank you.

2 MS. WELLS: The next item on the  
3 agenda is just a briefing on the building  
4 security changes. So I have been updated by  
5 our chief of staff, Ms. Riley. Downstairs  
6 they have installed turnstiles for access to  
7 the building, and those are going to be  
8 activated effective October 1st. So this  
9 will impact the public meeting on  
10 October 13th.

11 So for public meetings, the visitors  
12 will need to check in with security to let  
13 them know they're going to the public  
14 meeting, and the security will allow them  
15 through the turnstiles. There will be  
16 signage in the lobby at the entrances as well  
17 as at the turnstiles. And the members of the  
18 public won't need an ID to go up to the  
19 public meetings. It will be different for  
20 other office visits, but that's a process  
21 that's going to be in place once these  
22 turnstiles are in place.

23 COMMISSIONER ZUNIGA: And they  
24 are -- they will be in place in October, is

1           that the --

2                   MS. WELLS:  October 1st is when they  
3           will be activated.  But they're there now,  
4           but they're just not operational.

5                   COMMISSIONER ZUNIGA:  So effectively  
6           our next meeting with include these.

7                   MS. WELLS:  That's correct.  I think  
8           next is the Racing Division.

9                   CHAIRMAN CROSBY:  Yes.  We are then  
10          to Director Lightbown from the Racing  
11          Division.

12                   DR. LIGHTBOWN:  Good afternoon,  
13          Commissioners.  Our senior financial analyst,  
14          Doug O'Donnell, will handle numbers A and B.  
15          Doug.

16                   MR. O'DONNELL:  Good afternoon.

17                   COMMISSIONER CAMERON:  Good  
18          afternoon.

19                   MR. O'DONNELL:  I have a few items  
20          today that I'm going to present to you, the  
21          first one being Commissioner Stebbins'  
22          favorite subject, trust funds.

23                   COMMISSIONER STEBBINS:  I'm not  
24          going to say a word.

1                   MR. O'DONNELL: We've got a request  
2                   for consideration from Suffolk Downs Capital  
3                   Improvement Trust Fund. They have eight  
4                   projects on this particular packet which are  
5                   totalling \$107,468.98. The architect that  
6                   we've been working with, Dixon Salo, has  
7                   reviewed the information, and everything is  
8                   in line with what we need and that's why we  
9                   are presenting it to you today. We need an  
10                  approval on this, and at that point they will  
11                  go out and make sure that all the work has  
12                  been done and come back for request for  
13                  reimbursement. This is a series of a number  
14                  of RFCs that are coming in to us now from  
15                  Suffolk Downs.

16                  CHAIRMAN CROSBY: Any questions?

17                  COMMISSIONER STEBBINS: Mr. Chair,  
18                  I'd move the Commission approve the request  
19                  from Suffolk Downs for the Suffolk Downs  
20                  Capital Improvement Trust Fund for the total  
21                  \$107,468.98.

22                  CHAIRMAN CROSBY: Second?

23                  COMMISSIONER CAMERON: Second.

24                  COMMISSIONER MACDONALD: Can I just

1 have a question to Doug on this. I see that  
2 there's a distinction between capital  
3 investments and cost of maintenance and other  
4 ordinary operations. In my going through the  
5 request, there were several that -- I don't  
6 have it right in front of me here -- that  
7 seems to be kind of borderline. As a  
8 practical matter, how do you make that  
9 distinction?

10 MR. O'DONNELL: They're set up with  
11 two different. We have two different trust  
12 funds, the cap fund and the promo fund. The  
13 Capital Improvement Trust Fund is basically  
14 used for anything that is going to improve  
15 the track or maintain the track. That's what  
16 we use.

17 So for example, in here, they  
18 renovated the dormitories back in the  
19 backside. They purchased a couple of  
20 vehicles. They had drainage issues that they  
21 had to work with, all things that fall under  
22 that category.

23 COMMISSIONER MACDONALD: Okay. Let  
24 me see if I can find an example.

1                   COMMISSIONER ZUNIGA: And in  
2                   general, perhaps just to follow up while the  
3                   commissioner looks for it, the promo fund,  
4                   what does that typically pay for?

5                   MR. O'DONNELL: That's basically for  
6                   promoting the track, advertising, whether  
7                   it's in the paper or billboards that they  
8                   have. That's earmarked specifically for  
9                   that. That is for the improvement and the  
10                  maintenance of the track, the capital fund.

11                  COMMISSIONER ZUNIGA: So it includes  
12                  maintenance items then?

13                  MR. O'DONNELL: Yes.

14                  COMMISSIONER ZUNIGA: Okay.

15                  COMMISSIONER MACDONALD: One of the  
16                  items that caught my eye was the request, and  
17                  this is not significant, but for \$5,600  
18                  roughly for repairs to the backhoe, and the  
19                  letter to you from the architect was the  
20                  backhoe was in need of substantial repairs  
21                  due to its age and constant use. That just  
22                  struck me as sounding kind of like  
23                  maintenance things as opposed to a capital  
24                  investment, so.

1 MR. O'DONNELL: Well, again, it  
2 still falls under that same category whether  
3 it's maintenance or a capital investment.

4 COMMISSIONER MACDONALD: I see.

5 COMMISSIONER STEBBINS: The name of  
6 the fund is --

7 COMMISSIONER MACDONALD: So it  
8 really is not a distinction between strictly  
9 capital and maintenance, it's more the  
10 subject matter of the -- or where it's  
11 applied to.

12 MR. O'DONNELL: Correct. It falls  
13 under this.

14 CHAIRMAN CROSBY: And this is this  
15 peculiar fund which it's their money anyway,  
16 right.

17 MR. O'DONNELL: Right.

18 DR. LIGHTBOWN: Correct.

19 CHAIRMAN CROSBY: It comes to us,  
20 and then we give it back to them.

21 MR. O'DONNELL: Right.

22 CHAIRMAN CROSBY: We go through this  
23 long process of verifying their expenses so  
24 we can give their money back.

1 AUDIENCE MEMBER: Buddy LeRoux,  
2 1989.

3 CHAIRMAN CROSBY: Okay. Right.

4 MR. O'DONNELL: There you go.

5 CHAIRMAN CROSBY: Oh, really.

6 MR. O'DONNELL: Could you say that  
7 again?

8 CHAIRMAN CROSBY: Go ahead.

9 AUDIENCE MEMBER: Buddy LeRoux,  
10 1989.

11 CHAIRMAN CROSBY: We want to hear  
12 the back story on that.

13 COMMISSIONER ZUNIGA: Some  
14 legislative history.

15 AUDIENCE MEMBER: I'd be happy to  
16 fill you in on that.

17 CHAIRMAN CROSBY: Yeah. All right.  
18 Great.

19 COMMISSIONER CAMERON: That's an  
20 offline story.

21 CHAIRMAN CROSBY: Yeah. Okay.  
22 Anything else on that one?

23 MR. O'DONNELL: We need your  
24 approval on that.

1 CHAIRMAN CROSBY: Okay. Sorry.

2 COMMISSIONER MACDONALD: I think  
3 there's a motion on the table.

4 COMMISSIONER STEBBINS: A motion  
5 made.

6 CHAIRMAN CROSBY: Sorry.

7 COMMISSIONER CAMERON: It was  
8 seconded.

9 CHAIRMAN CROSBY: That was further  
10 discussion. Any further discussions? All in  
11 favor? Aye.

12 COMMISSIONER CAMERON: Aye.

13 COMMISSIONER ZUNIGA: Aye.

14 COMMISSIONER MACDONALD: Aye.

15 COMMISSIONER STEBBINS: Aye.

16 CHAIRMAN CROSBY: Opposed? The ayes  
17 have it unanimously.

18 MR. O'DONNELL: Next on the agenda  
19 is the quarterly aid distribution. This is  
20 in accordance with Section 18B of Chapter 58.  
21 Local aid is payable to each city and town  
22 within which racing activities are conducted,  
23 amounts are computed at 35.35 percent times  
24 amounts wagered during the quarter ended in



1 six months prior to the payments.

2 So this would be for handles paid to  
3 the city and towns that were conducted in  
4 January, February, and March of this year.  
5 And the total payment to all the cities and  
6 towns for this quarter would be \$165,777.32.

7 CHAIRMAN CROSBY: Questions?

8 COMMISSIONER ZUNIGA: Are we seeing  
9 any appreciable difference on Plainville  
10 relative to an increase in the handle? This  
11 is such a small percentage compared to  
12 increase in handles. Is there any  
13 appreciable difference?

14 MR. O'DONNELL: There has.  
15 Plainridge has had an increase of handles on  
16 a year to year over last year. But for this  
17 quarter, it did not. It's actually -- this  
18 year -- I take that -- this year is up  
19 considerably. It's up 23 percent because  
20 last year at this time, we had that issue  
21 with the Monarch Group, so we weren't getting  
22 the number of signals that were coming into  
23 our tracks.

24 COMMISSIONER ZUNIGA: Oh.

1 MR. O'DONNELL: That's why there's a  
2 big jump this quarter. But overall, I would  
3 say we are up probably around 5 to 7 percent.

4 COMMISSIONER ZUNIGA: Oh. Great.

5 COMMISSIONER CAMERON: So Mr. Chair,  
6 I move that we authorize the Racing Division  
7 to make the appropriate payments to cities  
8 and towns as outlined in this memo dated  
9 September 22nd.

10 COMMISSIONER STEBBINS: Second.

11 CHAIRMAN CROSBY: Further  
12 discussions? All in favor? Aye.

13 COMMISSIONER CAMERON: Aye.

14 COMMISSIONER ZUNIGA: Aye.

15 COMMISSIONER MACDONALD: Aye.

16 COMMISSIONER STEBBINS: Aye.

17 CHAIRMAN CROSBY: Opposed? The ayes  
18 have it unanimously.

19 DR. LIGHTBOWN: Okay. So next, Item  
20 C, General Counsel Blue will address that  
21 one.

22 MS. BLUE: Good afternoon,  
23 Commissioners. Item C is just an update on  
24 where we are in this matter. We have

1           communicated with both parties. We've asked  
2           them to provide us with briefs on the issues  
3           that you discussed at the last meeting.  
4           Those briefs are due by the close of business  
5           today. We have tentatively scheduled them to  
6           come before you on the first meeting in  
7           October.

8                         So once we get the briefs, we'll  
9           review them, we'll circulate them, and then  
10          we will schedule them to come in and address  
11          the Commission and answer any questions that  
12          you have at that time.

13                        CHAIRMAN CROSBY: Great. Anybody  
14          else?

15                        COMMISSIONER CAMERON: No. Thank  
16          you for that update.

17                        COMMISSIONER ZUNIGA: Thank you.

18                        DR. LIGHTBOWN: And then Item D is a  
19          request from Plainridge Racecourse to approve  
20          director of racing Steve O'Toole as a fill-in  
21          judge when their judge is not available,  
22          which we expect that to occur very rarely,  
23          and then also to approve him as a backup  
24          starter in case something happens with a

1 starter, and he is credited in both those  
2 positions already.

3 COMMISSIONER ZUNIGA: We've approved  
4 him in the past, remind me.

5 DR. LIGHTBOWN: Yes. He's done it  
6 before.

7 CHAIRMAN CROSBY: Are we sure we  
8 want to give him this added responsibility?  
9 I hope he's watching.

10 DR. LIGHTBOWN: We do have two of  
11 the judges in the stand are Gaming Commission  
12 employees, so we do still have the majority,  
13 and Steve will be there also.

14 CHAIRMAN CROSBY: Right.

15 COMMISSIONER STEBBINS: Mr. Chair, I  
16 move the Commission approve the request of  
17 Steve O'Toole to be approved as a fill-in  
18 judge as needed and a backup starter also if  
19 needed.

20 COMMISSIONER CAMERON: Second.

21 COMMISSIONER MACDONALD: Second.

22 CHAIRMAN CROSBY: Further  
23 discussion? All in favor? Aye.

24 COMMISSIONER CAMERON: Aye.

1 COMMISSIONER ZUNIGA: Aye.

2 COMMISSIONER MACDONALD: Aye.

3 COMMISSIONER STEBBINS: Aye.

4 CHAIRMAN CROSBY: Opposed?

5 The ayes have it unanimously.

6 DR. LIGHTBOWN: Thank you.

7 CHAIRMAN CROSBY: All set?

8 MR. O'DONNELL: Thank you.

9 DR. LIGHTBOWN: Yes.

10 COMMISSIONER CAMERON: Thank you.

11 CHAIRMAN CROSBY: Okay. We are to  
12 Item Number 8, Investigations and Enforcement  
13 Bureau, Director Wells.

14 MS. WELLS: Thank you, Mr. Chairman.  
15 So the first item on the agenda,  
16 Number 8(a.), you have before you 205 CMR  
17 134, a packet of proposed licensing  
18 regulation changes. This was previously  
19 discussed at an earlier public meeting where  
20 the Commission agreed to put it forward for  
21 informal comment. So that formal comment  
22 period has taken place.

23 We did receive some comments from  
24 MGM. So I'm happy to sort of run through

1 those. There are also representatives from  
2 MGM here. They generally are in agreement,  
3 but there are some discussion points which I  
4 think were certainly valid, and I thought the  
5 letter and comments were extremely thoughtful  
6 and well done. So if it's all right with  
7 you, Mr. Chair, I'll just sort of run through  
8 the MGM comments about these particular regs  
9 as a mechanism to do the review.

10 CHAIRMAN CROSBY: Yes. That would  
11 be great.

12 MS. WELLS: So the first and  
13 probably the most voluminous comments are  
14 regarding the de minimis exemption. As you  
15 are aware from our past meeting, upon  
16 recommendation from the licensees, we did  
17 include a de minimis exemption as part of a  
18 proposal for the Commission to consider in  
19 some kind of regulatory changes. So we have  
20 a list of exemptions under 134.046, and the  
21 de minimus exemption is an addition.

22 So there was some discussion at the  
23 last meeting about whether or not to even  
24 include the de minimus exemption, and then we

1 left the piece about what would be the  
2 threshold for that minimum threshold open for  
3 discussion and for comment. So I think sort  
4 of the decision point for the Commission  
5 right now on this issue is do you want to go  
6 forward, number one, with an exemption; and  
7 if so, what do you want the de minimis amount  
8 to be? So below that threshold, there  
9 wouldn't be any requirement for registration.

10 So I do have the -- you know, the  
11 comments, as you can see, they recommend an  
12 amount of \$10,000 as the de minimis  
13 exemption.

14 There are a couple of pieces in  
15 their comments I just wanted to address. One  
16 was that they point out that we do get a  
17 disbursement report. So part of their  
18 argument is, well, you know what the  
19 companies are because of the disbursement  
20 report. So I just want to make it very clear  
21 for the Commission, from the investigative  
22 side, just because something is on the  
23 disbursement report, that doesn't mean an  
24 investigation is going to take place.

1           So if the Commission wants an  
2           investigation on that company to look at the  
3           company, it needs to be -- the person or  
4           company needs to register because we would  
5           not do it just based on a name and a  
6           disbursement report. So in doing your policy  
7           analysis, you should recognize that, that the  
8           ones that are exempt because of the de  
9           minimus exemption, we don't even get their  
10          names in the registration process, and we  
11          wouldn't be looking in a disbursement report  
12          to do investigation. So just make sure that  
13          you're aware of that in making your  
14          decisions.

15                 CHAIRMAN CROSBY: I'm not sure what  
16                 they meant by that reference. But you know,  
17                 if, for example, we had a checklist of funky  
18                 companies, you know, that would be a way that  
19                 we could use a list to cross reference it.

20                 MS. WELLS: Yes. It unnecessarily  
21                 puts the burden on us to do the cross  
22                 referencing. Sometimes the names -- That's  
23                 why when we look, you know, vendor companies,  
24                 we ask for all the names they're doing



1 business as. It might be not doing business  
2 as the same name. It might be an  
3 incorporation name, a different name. It's  
4 unreasonable to expect that the IEB is going  
5 to catch something just based on a  
6 disbursement report.

7 Now, if we know, for example, that  
8 X, Y, or Z, you know, someone happens to know  
9 it or, you know, the licensing division is  
10 the one that runs the disbursement reports,  
11 of course, if they see that are they going to  
12 flag it and then would we do something, yes.  
13 But I want to make sure the expectations are  
14 clear that we should not expect an  
15 investigation on a company that's not  
16 registered.

17 COMMISSIONER MACDONALD: Karen,  
18 remind me, what do you recommend it as the de  
19 minimis?

20 MS. WELLS: Well, we kind of go back  
21 and forth. There's different folks have  
22 different recommendations. I think that the  
23 10,000, I think, is the number that Maryland  
24 just went up to. I think when we were

1 thinking about it internally, we've gone  
2 anywhere from 2,500 to 5,000. I think it's  
3 probably easier to start smaller and work  
4 your way up. You know, there are folks that  
5 think you could go even higher. So it's  
6 certainly open.

7 I think what's significant, and I  
8 thought it was very helpful from the MGM  
9 folks, was the analysis they did with  
10 Maryland and indicating the percentage of  
11 vendors or the number of vendors that would  
12 likely be exempt if the exemption were to be  
13 passed as a regulation. And what they point  
14 out, which is very interesting, is that 99  
15 percent of the spend is for the company's  
16 that are, you know, at this upper level, but  
17 there are a lot at the volume, the number of  
18 companies is very high that would be exempt.  
19 So you'd have a lot of companies with very  
20 little business that would be exempt.

21 COMMISSIONER ZUNIGA: I think that  
22 specifically goes to the core of the  
23 recommendation of the de minimis exemption --

24 MS. WELLS: Right.

1                   COMMISSIONER ZUNIGA:  -- to focus  
2                   your efforts on what represents the risk, if  
3                   you will, to have a risk-based approach.  
4                   I've been on the record on this, and I'll  
5                   reiterated it now, I think the threshold  
6                   should be \$10,000 like it was initially at  
7                   least discussed or like it went to recently  
8                   in other places.  There is all these other  
9                   benchmarks around \$10,000.  For example, the  
10                  reporting of currency transactions, you know,  
11                  for anti-money laundering procedures, et  
12                  cetera.  And I think just looking at some of  
13                  those numbers, in my mind, let's figure out  
14                  and let's register and know who the parties  
15                  are of the companies that are representing  
16                  the majority of the spend, 99 percent in this  
17                  case, even at a ten percent, \$10,000  
18                  threshold.  So I would be in favor of going  
19                  to the \$10,000 that even MGM recommends here  
20                  as well.

21                  COMMISSIONER CAMERON:  And I think  
22                  I'd be more comfortable saying that \$5,000  
23                  range, and I'll tell you why.  As we see,  
24                  Maryland has had a number of years of

1 business now. They've assessed. They have a  
2 handle on the kinds of business they're  
3 doing. I'm sure their troopers have a handle  
4 on, you know, where they see risk, and for  
5 us, we just don't have that body of work yet.  
6 And I think for us to get comfortable, how  
7 many vendors, you know, the kind of work, the  
8 kinds of companies, I think makes a lot of  
9 sense. And then if, you know, we have a body  
10 of work and we're comfortable coming back  
11 again, this will be a living, breathing  
12 document that we can make an adjustment. But  
13 understanding the industry is a huge part of  
14 this, and our state police are gaining  
15 knowledge with that all the time and having,  
16 you know, a bigger body to assess that and in  
17 making the determination, I think, is a smart  
18 way to start with this and then come back to  
19 it after a few years and see, like other  
20 states have done. They've started, and then  
21 they've assessed, but we just haven't had to  
22 opportunity to really assess and get to know  
23 the companies we're talking about.

24 So for an education standpoint, an

1 intelligence standpoint with our  
2 investigative staff, I would be more  
3 comfortable at that 5,000.

4 CHAIRMAN CROSBY: This would be  
5 annual, right? This would be annual?

6 COMMISSIONER CAMERON: Annual spend.

7 MS. WELLS: Yes.

8 COMMISSIONER STEBBINS: I would take  
9 Commissioner Cameron's argument one step  
10 further. Right now, we're starting out with  
11 a body of work of interacting with a small  
12 slots parlor. I'm not comfortable yet kind  
13 of loosening the restrictions prior to two of  
14 our largest licensees opening. I think it's  
15 critical for us to develop that, and I like  
16 the term the body of work, based on what we  
17 see come through the door.

18 You know, we prescribed to a kind of  
19 accept a notion that it's really not going to  
20 be the key gaming vendors who are going to be  
21 the folks who are going to get caught. It's  
22 going to be lower-tiered suppliers and other  
23 ancillary businesses that has a tendency to  
24 be where the trouble starts.

1 I'm just not there yet to set even a  
2 2,500 or 5,000 without having at least a good  
3 year's work under our belt. I know that  
4 obviously puts constraints and taxes  
5 resources of licensing and IEB. I would  
6 suggest and I think there are some other  
7 things that we can look at to lighten the  
8 load going forward with those smaller  
9 vendors, but I'm just not supportive.

10 And you know, I'm more than happy to  
11 kind of let this go through the start of the  
12 promulgation process which will include  
13 formal commentary. Even to this point, I  
14 can't expect we're going to hear more  
15 commentary, the comments that have been  
16 supplied by MGM. I think at this point, I  
17 can't support setting that de minimis  
18 exemption at this point.

19 COMMISSIONER ZUNIGA: At all? Even

20 --

21 COMMISSIONER STEBBINS: Zero.

22 COMMISSIONER ZUNIGA: Even zero.

23 Oh. That, to me, is such a tax on resources,  
24 again, for an incremental one percent of the

1 spend. I mean, we're talking about a company  
2 that we will see once and not for a while,  
3 so.

4 CHAIRMAN CROSBY: Remind me of two  
5 things, Karen. One, when a company is going  
6 to get registered, what that process is, what  
7 does it consist of? So those companies that  
8 are above ten or above zero, depending where  
9 we -- what are --

10 COMMISSIONER ZUNIGA: It's a  
11 non-gaming vendor.

12 CHAIRMAN CROSBY: I want everybody  
13 to know exactly.

14 MS. WELLS: As you may recall,  
15 recently there was a change. So it used to  
16 be that someone would have to come in and get  
17 fingerprinted and there would be that process  
18 as well. What we heard from the applicants,  
19 that was the most burdensome part of the  
20 process. And we did an analysis and found  
21 that that, we really weren't getting our bang  
22 for our buck for that piece of it.

23 So currently, the process is the  
24 applicant has to fill out a form, submit it

1 to the Gaming Commission, and the Gaming  
2 Commission finds it to be complete in the  
3 Division of Licensing, and then they can get  
4 to work.

5 CHAIRMAN CROSBY: And then the  
6 gaming -- and then do you go back and verify  
7 all that stuff?

8 MS. WELLS: Yeah. Without getting  
9 into detail in sort of the investigative  
10 process, because, you know, we have limited  
11 information. The form is really not very  
12 onerous to fill out. I've taken a look at  
13 it. The non-gaming vendor form is nothing  
14 like the primary vendors.

15 CHAIRMAN CROSBY: Right. Say what's  
16 in it just roughly.

17 MS. WELLS: Well, let me see if I  
18 have a copy here. Because it is on the  
19 website for everyone to look at.

20 CHAIRMAN CROSBY: Right. We've all  
21 seen it, but I think it's important for  
22 people.

23 MS. WELLS: Yes. So the general  
24 categories, basically you've got your name



1 and description of your business, you know,  
2 other names you may have, someone you would  
3 need to contact regarding the application,  
4 you know, their address. There are certain  
5 certifications, you know, minority-owned  
6 business, et cetera. And then other names  
7 and addresses of the business or who owns the  
8 business. There's a criminal history piece  
9 in case the applicant, which is very unusual,  
10 but occasionally there will be a business  
11 that has been convicted of a crime. And then  
12 the antitrust, trade regulation, and  
13 securities agreements, So if they've been in  
14 violation of something for government. And  
15 then it's just a release authorization and a  
16 statement of truth and acknowledgment. So  
17 it's really just the basics about the  
18 company.

19 CHAIRMAN CROSBY: And let me just  
20 say something. When you take this and you  
21 and your staff work that through, what are  
22 you looking for? What is the purpose in your  
23 mind of this registration process?

24 MS. WELLS: So the registration

1 process, we're looking at these vendor  
2 companies to see if there is anything, any  
3 kind of red flag, anything that would  
4 basically, you know, in relation to sort of  
5 the first part of the Gaming Act that would  
6 really undermine the public confidence in the  
7 gaming operations.

8 So if they're doing business with a  
9 company that's had, I don't know, and I'm  
10 just speaking hypothetically, but say  
11 numerous, numerous violations of  
12 environmental law or they were doing things  
13 with animal cruelty, there's some kind of  
14 tangible problem with the company, or maybe  
15 they've been convicted of a crime or some  
16 kind of fraud that's going on with the  
17 company, particularly if that's public  
18 information. You know, database searches are  
19 very helpful as far as what is out there,  
20 both in law enforcement and public access  
21 databases. So really just finding out. But  
22 we are limited in the non-gaming vendor  
23 category because you're really just looking  
24 at the business.

1           The Commission should be aware, it's  
2           a big difference between a non-gaming vendor  
3           and one of these primary and secondary  
4           vendors.

5           CHAIRMAN CROSBY: Oh, no. I  
6           understand that.

7           MS. WELLS: But we're not doing a  
8           deep dive. We're doing an individual  
9           investigation into the corporate officers or  
10          anyone involved in the corporation because  
11          we're not getting that information by way of  
12          the form.

13          CHAIRMAN CROSBY: I get that. So if  
14          I'm hearing this right, and this is what I  
15          was thinking, the mandate up front right at  
16          the top of the law is to protect the  
17          integrity of the industry. That is, if not  
18          priority one, it's one of the top two or  
19          three priorities. And I think we have  
20          agreed, if it doesn't say this exactly, that  
21          included in that is the optics, the  
22          perception of integrity is almost as  
23          important as the reality of integrity. So  
24          that's what we're trying to get out of this.

1           So with that in mind, as I think  
2           about whether we should have a threshold, a  
3           de minimis threshold, A, and, B, if we  
4           should, where it should be, I try to think  
5           about what kind of transaction with the  
6           parent here, with the licensed company, could  
7           either in reality create a channel by which  
8           you might somehow or rather do some damage in  
9           fact to the integrity of the business; or  
10          even if there really isn't a channel, but  
11          it's some really bad actor, how much business  
12          is enough business to have it be a material  
13          optics problem, a material perceptions  
14          problem? Is \$1 enough or \$2,000 or 15,  
15          whatever.

16                 So taking that as the framework,  
17                 then what's the total operating expense like  
18                 for annual operating expense, Mike, annual  
19                 operating expense more or less for --

20                         COMMISSIONER ZUNIGA: They committed  
21                         to 50 million locally.

22                         CHAIRMAN CROSBY: That's local  
23                         spend.

24                         COMMISSIONER ZUNIGA: Just locally.

1                   CHAIRMAN CROSBY: Round numbers,  
2                   what's the total annual operating expense?

3                   MR. MATHIS: Top of my head, I'd say  
4                   something like 200 million, 100 million and  
5                   -- Well, then you're getting into payroll.

6                   CHAIRMAN CROSBY: Something like  
7                   that.

8                   MR. MATHIS: But you're talking  
9                   about on the product services side?

10                  CHAIRMAN CROSBY: Right.

11                  MR. MATHIS: I'd say about, call it,  
12                  200 million.

13                  CHAIRMAN CROSBY: Right. So round  
14                  numbers, give or take 20 million, whatever,  
15                  something like \$200 million a year of  
16                  business is going to be transacted, and to  
17                  think that anybody who works at, for example,  
18                  10,000, which is your recommendation, that  
19                  that would on the first category have any  
20                  possibility of actually affecting the  
21                  integrity of the operations, anything is  
22                  possible. So we can't reduce anything to the  
23                  absolute no possibility. But there's just no  
24                  nexus between \$10,000 worth of business and

1 the actual integrity of an operation.

2 And even optically, if you have a  
3 guy doing \$10,000 who happens to be a bad  
4 guy, out of a \$200 million a year business,  
5 that feels, to me, like just to use the  
6 expression we're talking about here, a de  
7 minimus problem. You know, I just can't see.

8 To me, it's much higher. I mean, I  
9 think in a business license, again, what do  
10 you think about where is going to give you  
11 the leverage or the relationships to get  
12 your, you know, inappropriate claws into a  
13 business so that you might actually corrupt  
14 the integrity of the casino, what volume of  
15 business, what number of transactions? And  
16 to me, the number is a lot higher than 10,  
17 but certainly to take it to 10. I just don't  
18 get it.

19 COMMISSIONER ZUNIGA: Well, that's  
20 part of my point. I think of an example, you  
21 know, let's look at -- and I'd love to hear.  
22 I know Mr. Madamba is here, and he has many  
23 clients in addition to MGM who could also  
24 give us a perspective on what goes in other

1 jurisdictions, but perhaps I'll reserve my  
2 comments if you would like to speak to this  
3 effort, Mr. Madamba.

4 MR. MADAMBA: The --

5 CHAIRMAN CROSBY: Introduce myself.

6 MR. MADAMBA: Sorry. My name is  
7 Patrick Madamba. I'm an attorney with Fox  
8 Rothschild located in Atlantic City. Just to  
9 be clear for the record, I am not admitted to  
10 practice law in Massachusetts. But if you  
11 would like my thoughts. We represent MGM  
12 Resorts International throughout the United  
13 States and regional jurisdictions. And I've  
14 been practicing law for about 28 years, both  
15 in house and outside in the gaming industry.

16 Frankly, very few jurisdictions now  
17 license or register non-gaming vendors. It's  
18 in your statute. It's a statutory thing, so  
19 you're required to do it. But when you look  
20 at the resources that you have to put in to  
21 vet vendors when you're looking at 99 percent  
22 of the spend being over the threshold that we  
23 suggested, you know, the things that matter  
24 you may missed because your people are busy

1           doing what we would consider de minimis  
2           spend, in addition to which there's a  
3           practical consideration that needs to be  
4           considered, which is if a licensee need to  
5           buy something, and it's a very small thing  
6           below the 10,000 or 5,000 or what have you,  
7           to go through the registration process is  
8           burdensome. You need to buy something today,  
9           and it's not material to the operation, but  
10          it's a minor spend and that vendor has to go  
11          through the registration process.

12                    And I can give the example. I've  
13                    actually given the example a number of times.  
14                    What if I want to go buy sandwiches  
15                    somewhere? Do I need to go wait to get  
16                    registered for that? It's a minor spend.

17                    But your resources are really going  
18                    to be taxed, which is why we gave the  
19                    presentation we did where we showed you the  
20                    under and over 10,000 on a number of vendors  
21                    that when you look at \$100 million or  
22                    \$200 million of spend, is that really a bad  
23                    reflection. At the end of the day, it's a  
24                    risk-based system.



1 MR. STRATTON: And if I could add  
2 something, Pat, just to crystalize an  
3 example. One that we actually experienced  
4 was on our construction side and one of the  
5 folks wanted to get a piece of software that  
6 was available on a website, a download. And  
7 the only way you can do it is you go on the  
8 website, you download it with a credit card.  
9 And we talked to the IEB and we got -- we  
10 talked it through and got an exception, but  
11 the issue is you can't -- how do you even get  
12 in touch with that company to get them to  
13 file a registration form for a 49.95 piece of  
14 software? The incentive -- You have to call  
15 a 1-800 number. You're never going to get  
16 anywhere, and then what's their incentive to  
17 do it for that small of a piece of business  
18 with a large company. So that is one of the  
19 reasons for the --

20 COMMISSIONER CAMERON: But you got  
21 the exception.

22 MR. STRATTON: Correct.

23 COMMISSIONER CAMERON: Right. So  
24 common sense was used appropriately.

1           Secondly, these are no onerous  
2           investigations. We're not talking about  
3           using resources inappropriately. With  
4           databases today, this is a very quick  
5           process.

6                         Also, to your point, sir, right  
7           away, you get a temporary. This is not --  
8           you know, you're not waiting to complete a  
9           very short investigation in order to do  
10          business. So --

11                        MR. MADAMBA: There's some companies  
12          that would simply -- very large publicly  
13          traded companies that would simply say that  
14          your business for this one unique software  
15          license, for example, is not worth -- I make  
16          hundreds of millions or billions of dollars.  
17          It's not worth filling out this registration  
18          form.

19                        COMMISSIONER CAMERON: Well, it got  
20          the extension, for that example. But that  
21          example was not --

22                        MR. MADAMBA: But the exemption was  
23          not really built into your regulations. What  
24          we did was we talked to the staff about the

1           exception of its not related to the gaming  
2           facility, and once that facility is open,  
3           almost everything they use or consume will be  
4           related to the gaming facility.

5                        So while that is essentially a  
6           temporary fix. And that was, frankly, the  
7           genesis for us going in to your staff about a  
8           year ago now and ask for a de minimis  
9           exemption, that it be formalized so this  
10          could be simply handled as a matter of course  
11          rather than having to come in with these  
12          various purchases.

13                       COMMISSIONER ZUNIGA: Every time.

14                       COMMISSIONER STEBBINS: But wait a  
15          minute. I think you're mixing a one-time  
16          opportunity. And I agree, chasing the  
17          software developer in the case/situation Seth  
18          is using, would be exhaustive and probably  
19          nonproductive. I think we need to kind of go  
20          back and formalize those ways that you don't  
21          get hamstrung when you have those kind of  
22          one-off purchases or emergency purchases.

23                       Or I think we saw in Plainridge,  
24          your kegerator blew up and you needed some

1 assistance on the weekend and understand.  
2 We're not going to hold you up on those types  
3 of purchases.

4 And I think there's a way to  
5 formalize the regulation to give you that  
6 exemption. But you know, ongoing consistent  
7 business with somebody you're spending money  
8 with year over year, month over month, I  
9 think is a different argument.

10 COMMISSIONER ZUNIGA: But year over  
11 year, month over year would typically rise  
12 above the \$10,000 or \$5,000. If it's a  
13 reoccurring, it's likely going to exceed any  
14 threshold.

15 COMMISSIONER CAMERON: No. We're  
16 saying --

17 COMMISSIONER ZUNIGA: I'm not  
18 talking about those.

19 MR. MADAMBA: But you could have an  
20 exemption where it's \$10,000 per year or some  
21 cumulative spend that also triggers to  
22 address your concern. I mean, look, you  
23 could debate about what the appropriate  
24 threshold is. From the operator's

1 perspective, they're simply looking for the  
2 ability to have this exemption at some level.  
3 It makes good business sense at some level to  
4 have the exemption.

5 COMMISSIONER CAMERON: Agreed.

6 MR. MATHIS: Can I make a comment on  
7 this? Number one, your staff has been really  
8 good and actually exercising a lot of  
9 reasonableness in the implementation of this  
10 requirement, and if they did, frankly, it  
11 would be really manifest of how unworkable  
12 this is.

13 So the way I view it -- And I  
14 understand the concerns about being diligent  
15 about this process. I think if we don't have  
16 a de minimis threshold, what we're going to  
17 have is the exceptions that eat up the rule,  
18 because what we'll do, and I'm confident of  
19 this, we'll give you during this rule-making  
20 process example after example that I think  
21 uniformly you'd all agree.

22 Software, software renewals, you  
23 know, is it the local sandwich shop. I worry  
24 is it the piece of gum that our folks go buy

1 on a trip. It supports us, but it doesn't  
2 support the gaming establishment. We lay  
3 them all out, and I think one by one as  
4 opposed to Karen and her staff continuing to  
5 get a phone call giving us the exemption.

6 Because there's a realtime issue  
7 here. You know, how long did we have to wait  
8 to buy that piece of software knowing that  
9 Karen, once we got ahold of her and explained  
10 to her, would give us the exemption. So  
11 maybe we would go in and ask for a blanket  
12 exemption on software. And then we would  
13 continue to give you examples.

14 I guess my concern is that the  
15 exceptions would eat up the rule and where  
16 you would land would be closer to this  
17 \$10,000 threshold. But I really respect the  
18 concern you have, and I'm trying to --

19 COMMISSIONER ZUNIGA: You know, I  
20 think that's an excellent point, which makes  
21 me think about another thought that I've had  
22 associated with this, which is we don't want  
23 to put the operator in a position where they  
24 start to make decisions against their

1 business model because it's going to be  
2 harder to get in touch for an exception or  
3 what have you.

4 I think of an example, you know, as  
5 in if you decide to have a '70s party and  
6 have to go look for a disco ball, you know,  
7 you'll never do that again, right, but you  
8 might go, well, by the time I get an  
9 exception, let's just do away with the '70s  
10 party and not get it. It's a possibility.

11 And you might say, it's kind of a  
12 ridiculous example. Well, you start to begin  
13 at -- When we're looking at a zero threshold  
14 for these kinds of things, then everything  
15 gets rolled into this notion, and we begin to  
16 be, I think, missing the big picture here  
17 where if there is resources that we need to  
18 allocate and we can cover that with  
19 99 percent of the spend, I think we're in a  
20 much better place.

21 COMMISSIONER CAMERON: The other  
22 issue I have is -- And to me, this is about  
23 what the number is so that we can be  
24 comfortable, understand our business, and

1           then if that changes because we do understand  
2           and we see the risks, then that's okay.

3                       Nobody's going to look at the number  
4           if we get a really bad actor in there. The  
5           story will be the bad actor, not they only  
6           spent this kind of money. So I don't assess  
7           the risk the same way you do, Mr. Chair, at  
8           all.

9                       CHAIRMAN CROSBY: So you're saying  
10          zero is the way we should go?

11                      COMMISSIONER CAMERON: No. I've  
12          already said I would be comfortable with five  
13          just to start this so that we can understand  
14          what we're doing. It's a quick. It's not an  
15          onerous investigation. But to just say -- to  
16          just look at the number and say, oh, they  
17          only spent this much money, it's not a risk.  
18          I just -- We're new, and people have real  
19          concerns at the integrity of this. And some  
20          of them may be old stories and people, you  
21          know. But we're new, and we're trying to get  
22          it right. And I know IEB works to do this  
23          and use common sense. So I just personally  
24          would be more comfortable with a lower number



1 right out of the box just so everybody knows  
2 we're taking a quick look at the business.

3 You know, again, you get your  
4 temporary right away. It's not an onerous  
5 investigation in which we'll be using all  
6 kinds of resources. That is not the case.  
7 Database searches today have made this so  
8 much easier, this whole process.

9 So I just think -- Because the one  
10 bad story would not be about, oh, they only  
11 spent \$10,000.

12 COMMISSIONER ZUNIGA: Fine. But you  
13 said five. I want to pick up on something  
14 that was mentioned here, which is the way  
15 other jurisdictions are going, they're not  
16 licensing non-gaming vendors anymore. And I  
17 know -- You know, I think that's important  
18 for us to think about it in this context for  
19 this conversation. It's in our statute, et  
20 cetera, as Mr. Madamba mentioned. But I --  
21 Anyway, I really think the de minimis  
22 exemption is warranted in my opinion here.

23 COMMISSIONER CAMERON: May I just  
24 make one other suggestion.

1                   CHAIRMAN CROSBY: I want to add one  
2 thing that you made a point of saying how  
3 flexible Karen and her staff have been. You  
4 mentioned that also, Commissioner Cameron.

5                   This is not about the way the IEB is  
6 presently doing its job. We probably have  
7 the best investigations and enforcement  
8 bureau in the United States, and we have  
9 frequently had comments about that from our  
10 applicants. So that's not the issue. What  
11 they are doing is doing well, operating under  
12 the priorities that we've given them to date.

13                   The question is whether we want to  
14 reconsider in our judgment those priorities.  
15 When we do, if we do, they will then go off  
16 and perform against those new standards in  
17 the way that they're most capable. This is  
18 not in any way, no possible way, a discussion  
19 about the nature or quality of the work of  
20 the IEB. The discussions about the policy  
21 parameters that we give in our appropriate  
22 authority for the IEB to operate under. Go  
23 ahead.

24                   COMMISSIONER MACDONALD: I have a

1 comment and a question of two of my fellow  
2 commissioners. The comment would be that I  
3 come to this kind of conservatively with the  
4 awareness that we are early in our  
5 institutional operation with regard to the  
6 resort casinos. And I would be inclined to  
7 start small and then enlarge upon the basis  
8 of experience. That said, my question to  
9 you, Commissioner Cameron and Commissioner  
10 Stebbins, is there any reason to think that  
11 the mix of our non-gaming vendors are going  
12 to be in any material way different from the  
13 cross section of non-gaming vendors that our  
14 licensees have experience with in the other  
15 jurisdictions that they're operating in?

16 COMMISSIONER CAMERON: Will ours be  
17 different, is that the question?

18 COMMISSIONER MACDONALD: Yes. Is  
19 there any reason to think that the non-gaming  
20 vendors that MGM will be contracting with or  
21 is contracting with and Wynn are going to be  
22 contracting with are going to be different  
23 from Michigan or Maryland or of these  
24 jurisdictions that have no requirement for

1 registration?

2 COMMISSIONER STEBBINS: You mean the  
3 individual industries or the names of the  
4 vendors?

5 COMMISSIONER MACDONALD: The nature  
6 of the business that they're doing. Is there  
7 any reason to think --

8 COMMISSIONER CAMERON: I don't think  
9 they will be different. I think what is  
10 different is we're talking about mature  
11 agencies that have a body of work and have  
12 then assessed their risk and decided to move  
13 in a different direction. That's the piece  
14 that we're missing. That's the piece I know  
15 our IEB would like to be comfortable with in  
16 their ability to protect this industry here  
17 in the Commonwealth.

18 So that, to me, is the big  
19 difference, not, you know, what kind of  
20 non-gaming vendors they will be.

21 COMMISSIONER MACDONALD: Let me flip  
22 it around then. Is there any reason to think  
23 that our perception of risk would be  
24 materially different from our brother and

1           sister agencies around the country that are  
2           currently doing this and have a track record  
3           that have led to the recommendations or that  
4           have led to the configuration of substantial  
5           de minimis or no de minimis or complete  
6           exclusion of this category of business?

7                    COMMISSIONER CAMERON: Well, your  
8           question is will our experience be different?

9                    COMMISSIONER MACDONALD: No. Why do  
10          you think that our assessment of risk would  
11          be any different from the assessment of risk  
12          that's been done for years in these other  
13          gaming jurisdictions that we have been --

14                   COMMISSIONER CAMERON: They've had  
15          the opportunity to assess that risk in their  
16          jurisdiction. We have not had that  
17          opportunity.

18                   CHAIRMAN CROSBY: But that does go  
19          to a point that I do think is important here.  
20          These are matters of opinion and judgment.  
21          There are no right or wrong here. That's why  
22          we have different kinds of people at this  
23          table. But one of the things that we'll talk  
24          about this when we get to Item D, and I do

1 think it's important, not only for us but for  
2 other people in the industry, to be able to  
3 learn from one another and not do everything  
4 over again. And if there are quality  
5 agencies out there, and I take one is  
6 Maryland for example, that has gone through  
7 this, I don't know why -- and this is not a  
8 rhetorical question. Do we need to relearn  
9 what Maryland has already learned is I think  
10 your question, and I tend on things like this  
11 to want to come down on saying, hey, this has  
12 been learned before. Let's pick up what  
13 other people have learned and move from here.

14 COMMISSIONER ZUNIGA: Yep. I agree.

15 COMMISSIONER STEBBINS: And I would  
16 only argue to that point, Maryland has -- and  
17 I like the term Commissioner Cameron has been  
18 using in terms of a body of work. They've  
19 ramped this up, again, based on their  
20 experience.

21 I think to Commissioner Macdonald's  
22 question, the nature of the businesses that  
23 MGM may interact with, let's say, in  
24 Springfield as compared to Detroit might be

1 somewhat different, but I think the view of  
2 the land of is commitments for local spend  
3 with new businesses that have not interacted  
4 with this industry before, new entities,  
5 local entities. Some of it will be a  
6 variation maybe even of some national  
7 contracts, but those will be larger folks. I  
8 think that's somewhat the difference.

9 CHAIRMAN CROSBY: Jill, have you had  
10 a chance to look at this from the standpoint  
11 of is there -- Do you have any informed  
12 thought on whether this would have a ripple  
13 effect on our target vendors? Have you  
14 thought about this issue at all? If you  
15 have, come up; if you haven't...

16 MS. GRIFFIN: You know, I have to --  
17 (Inaudible.)

18 COMMISSIONER MACDONALD: She's  
19 passing.

20 MS. GRIFFIN: I'm going to pass.

21 CHAIRMAN CROSBY: Yeah. Okay.

22 COMMISSIONER ZUNIGA: She's not  
23 coming.

24 CHAIRMAN CROSBY: Whether we deal

1 with this more now or we deal with this in  
2 the future years, I think that's a  
3 perspective that we would like both  
4 Commissioner Stebbins and Jill, not now, but  
5 further in due time to have factored into our  
6 conversations.

7 COMMISSIONER ZUNIGA: Well, I can  
8 only think from the small business  
9 perspective that, you know, if there is a  
10 requirement, and we took -- this was a very  
11 good reminder. We took away something that  
12 was a bigger barrier.

13 COMMISSIONER CAMERON: Yes, we did.  
14 We did.

15 COMMISSIONER ZUNIGA: This  
16 fingerprinting, which was very important and  
17 we should all recognize that. But if there  
18 is, you know, a form, an additional form, for  
19 something that's once or a very small  
20 purchase, there may be at least incentive,  
21 not just on the operator, but on the vendor  
22 to say, well, I'm just not going to do it,  
23 therefore undermining an effort of entering  
24 into and doing business with the casino,



1           which was part of the economic development  
2           goals.

3                   COMMISSIONER CAMERON: I guess I  
4           just never understood why you wouldn't fill  
5           out a five-page form, why that is, you know  
6           --

7                   COMMISSIONER ZUNIGA: If you're only  
8           going to sell something for \$250, you might  
9           just say sorry.

10                   COMMISSIONER CAMERON: Well, we are  
11          talking about an exemption here. It's just a  
12          question of what we're comfortable with as an  
13          exemption.

14                   COMMISSIONER ZUNIGA: Which is,  
15          again, you keep thinking of 5,000. I keep  
16          thinking of anything under 10,000.

17                   CHAIRMAN CROSBY: Let's try to get  
18          some data, try to get some informed opinion  
19          on this at some point.

20                   COMMISSIONER ZUNIGA: Are you  
21          anywhere on this issue, Commissioner, because  
22          we seem to be a bit of a two-two here on this  
23          topic.

24                   COMMISSIONER MACDONALD: No. I'm

1 trending towards the -- I found very  
2 plausible and arguably persuasive the  
3 submission by MGM on this issue and that I  
4 think that I agree with your, Commissioner  
5 Zuniga's, approach here in substance. So I  
6 would be comfortable with a \$10,000 de  
7 minimis exemption largely for the reasons  
8 that have been noted.

9 But I have a procedural question.  
10 Are we deciding today on this to incorporate  
11 a de minimis in the proposed regulation?

12 MS. WELLS: Correct. So the way  
13 it's written, the number amount is blank, so  
14 you would vote on if you want to add a number  
15 to the amount, and then you would vote to the  
16 whole package. I was just talking with  
17 Catherine. It's almost like you have to do  
18 two votes.

19 MS. BLUE: The question really comes  
20 down to that section in or out moving forward  
21 and a number for that. You could decide to  
22 go forward without a number if you want to  
23 address that again when it comes back. After  
24 the process, the regulations will come back

1 to you. There may be changes based upon  
2 comments we receive in the public hearing we  
3 have to have.

4 So you have a couple of choices. If  
5 you're comfortable overall with the  
6 exemption, you can leave it in as its drafted  
7 without a number. If you want to put a  
8 number in there, you can advise staff as to  
9 the number you'd like to put in there, or if  
10 you decide you just don't want that section  
11 in there at all, then we would take it out,  
12 but that choice is first, and then the vote  
13 on the whole package.

14 MS. WELLS: So Catherine, if I could  
15 just ask a question. If there's no number,  
16 would that delay the process?

17 MS. BLUE: No, it wouldn't delay the  
18 process, but we would have to bring it up  
19 again when it came back to the Commission  
20 after the formal hearing process. And we may  
21 get comments on that, and there may be  
22 multiple numbers that we receive and that  
23 might be the choice at that point for the  
24 Commission to make.

1                   COMMISSIONER MACDONALD:  If we're  
2                   going to do this, I would think that putting  
3                   a number in, whatever it is, would be helpful  
4                   because that would crystallize the minds of  
5                   the people who would be inclined to comment  
6                   either up or down.

7                   CHAIRMAN CROSBY:  So let me -- I  
8                   would actually probably go for a higher  
9                   number.  That's clearly not going to go  
10                  anywhere.  Commissioner Stebbins would go for  
11                  zero.  It doesn't look like there's an  
12                  appetite for zero.  So we have a five on the  
13                  table, but we also have at least, I think it  
14                  sounds like, maybe three --

15                  COMMISSIONER ZUNIGA:  Three, ten.

16                  CHAIRMAN CROSBY:  So if somebody --  
17                  Do you want to make a motion?

18                  COMMISSIONER ZUNIGA:  I would be  
19                  happy, yes.

20                  CHAIRMAN CROSBY:  Make it a double  
21                  that we will include and we would set it at  
22                  ten.

23                  COMMISSIONER ZUNIGA:  Yeah.  I would  
24                  then move to -- There will be two votes in

1           this motion, or two motions. I would move  
2           that the Commission include a de minimis  
3           exemption for non-gaming vendors in the  
4           regulations before us, 205 CMR 134.

5                   COMMISSIONER CAMERON: Second.

6                   COMMISSIONER STEBBINS: It's just to  
7           include --

8                   COMMISSIONER ZUNIGA: To include the  
9           exemption.

10                  COMMISSIONER STEBBINS: To include  
11          the number.

12                  COMMISSIONER ZUNIGA: No. To  
13          include the exemption.

14                  COMMISSIONER CAMERON: No numbers.

15                  COMMISSIONER ZUNIGA: No numbers.

16                  COMMISSIONER CAMERON: It's just to  
17          have a --

18                  COMMISSIONER ZUNIGA: There's a  
19          second motion coming.

20                  CHAIRMAN CROSBY: But zero wouldn't  
21          count as a number.

22                  MS. WELLS: I hate to throw a wrench  
23          in this. I'm just trying to figure out the  
24          timing of this. It may be better. There is

1 an additional recommendation in the comments  
2 by the MGM Group. I'm not agreeing with the  
3 recommendations, so it may -- you know, it's  
4 up to you whether you would like to do it or  
5 not. But they do add a piece on the  
6 exemption (O), which is the one we're talking  
7 about, saying, "If a vendor exceeds the  
8 threshold, that the Division of Licensing  
9 shall forward notice to the vendor of its  
10 obligation to register as a non-gaming  
11 vendor. Within 45 days of service of this  
12 notice, the vendor shall submit a completed  
13 non-gaming vendor registration form as set  
14 forth in 205 CMR 134.07(4) or file a written  
15 request with the Division of Licensing for a  
16 determination that a registration is not  
17 required as a non-gaming vendor on the  
18 grounds it is not providing goods or services  
19 on a regular continuing basis."

20 So when we drafted the original -- I  
21 know, it's a mouthful. When we drafted the  
22 registration, we did think about who is the  
23 onus on, and we did make the deliberate  
24 determination that the onus -- if the

1 licensee wants this vendor to be exempt, then  
2 the onus would be of the licensee to track,  
3 and they need to know if they hit the  
4 threshold, they're going to have to register;  
5 not put the burden on the Commission to chase  
6 you down if you're going to hit the  
7 threshold.

8 So that would be my objection, not  
9 recommendation, but please feel free to ask  
10 the licensee their question.

11 COMMISSIONER CAMERON: That should  
12 be, in my mind, the licensee's  
13 responsibility, not ours.

14 CHAIRMAN CROSBY: My instinct would  
15 be to let you guys -- if we decide to put in  
16 an exemption, we would rely on your  
17 recommendation, and we'd talk about it, but I  
18 personally would rely on your recommendation  
19 on how you would want to implement it.

20 COMMISSIONER MACDONALD: And that's  
21 not on the table today. It's not part of  
22 your --

23 MS. WELLS: Well, it could be part  
24 of the discussion, but it's not part of my

1 recommended package to the Commission.

2 COMMISSIONER STEBBINS: But it would  
3 have to be engrained in regulation.

4 CHAIRMAN CROSBY: Eventually if we  
5 have an exemption, there would have to be a  
6 mechanism for exceeding the number, correct.

7 MS. WELLS: Well, the way it reads  
8 now, it says submission of a written  
9 certification by the gaming licensee. So we  
10 purposefully did that.

11 CHAIRMAN CROSBY: Oh. I see.

12 MS. WELLS: So it's the licensee is  
13 certifying and that's why we did it that way.  
14 If you think about it, if it's just up to the  
15 non-gaming vendor, we don't have any teeth.  
16 So X, Y, Z imports does \$4,000 worth of  
17 business, but then they eventually go over  
18 the threshold, they're not registered with  
19 us, so there's no mechanism to connect with  
20 them. So if the licensee bears the ultimate  
21 responsibility, we can work with the licensee  
22 to make sure this is handled properly.

23 CHAIRMAN CROSBY: As I said, I would  
24 defer to your judgment. I know we can talk



1 with them and try to figure out the best way  
2 to do it.

3 MR. MADAMBA: I'm going to blame  
4 this on the Massachusetts attorneys.

5 MR. NOSAL: Well, then I can provide  
6 --

7 MR. MADAMBA: We don't have an  
8 objection to the casino licensee tracking it.

9 MR. NOSAL: I hope you can see --

10 MR. MADAMBA: It's these people over  
11 here.

12 CHAIRMAN CROSBY: See, people  
13 arguing amongst themselves, it's okay.

14 MS. WELLS: I guess my general  
15 reaction was, nice try.

16 MR. NOSAL: I hope I can get a  
17 little hometown love here. But the genesis  
18 was to have a mechanism essentially trigger  
19 the registration requirement. We patterned  
20 it off the way the gaming vendors secondary  
21 registrant goes. Again, this isn't  
22 something, certainly, that we want to  
23 sacrifice. I think the bigger goal here is  
24 getting an exemption. And Mr. Chairman,

1 we're happy to work with staff to figure out  
2 the right mechanism for that.

3 MR. MADAMBA: Karen, can I ask one?

4 MS. WELLS: Absolutely.

5 MR. MADAMBA: Can we muddle the  
6 water just for a moment about --

7 MS. WELLS: All right, Pat.

8 MR. MADAMBA: -- potentially the --  
9 First off, you and Loretta have done a  
10 wonderful job over the last two years of  
11 accommodating us when we've come to you and  
12 talked to you about our problems. I want to  
13 be very, very clear. We have a wonderful  
14 relationship with staff.

15 Is it premature to talk about  
16 automation?

17 MS. WELLS: To what?

18 MR. MADAMBA: Automation of the  
19 vendor registration process, online vendor  
20 registration.

21 MS. WELLS: You mean an online?

22 MR. MADAMBA: Yes.

23 MS. WELLS: We can talk offline  
24 about that.

1 MR. MADAMBA: Okay.

2 MS. WELLS: Because we are in the  
3 process of doing that, and that is actually  
4 expected to roll out sooner rather than  
5 later.

6 CHAIRMAN CROSBY: We're hoping to  
7 have it part of your operation.

8 MS. WELLS: Yes. And it will make  
9 things extremely easy. So we're looking  
10 forward to that.

11 CHAIRMAN CROSBY: Okay. So we're  
12 looking for further -- we have a second to  
13 include --

14 COMMISSIONER ZUNIGA: Include the  
15 de minimis exemption.

16 CHAIRMAN CROSBY: -- to include a  
17 de minimis exemption. Do we have further  
18 discussion? All in favor? Aye.

19 COMMISSIONER CAMERON: Aye.

20 COMMISSIONER ZUNIGA: Aye.

21 COMMISSIONER MACDONALD: Aye.

22 CHAIRMAN CROSBY: Opposed?

23 COMMISSIONER STEBBINS: No.

24 CHAIRMAN CROSBY: Commissioner

1 Stebbins votes no. Otherwise it's four to  
2 one. Commissioner.

3 COMMISSIONER ZUNIGA: I would  
4 further move that as part of that exemption,  
5 the Commission set a threshold, an initial  
6 threshold of \$10,000 relative to that  
7 exemption.

8 COMMISSIONER MACDONALD: Second.

9 CHAIRMAN CROSBY: Further  
10 discussion? All in favor?

11 COMMISSIONER ZUNIGA: Aye.

12 COMMISSIONER MACDONALD: Aye.

13 CHAIRMAN CROSBY: Aye.

14 That would be  
15 Commissioners Macdonald, Crosby, and Zuniga  
16 in favor. Opposed?

17 COMMISSIONER CAMERON: No.

18 COMMISSIONER STEBBINS: No.

19 CHAIRMAN CROSBY: Commissioner  
20 Cameron and Commissioner Stebbins. So the  
21 ayes have it three to two.

22 But remember, this is step one, and  
23 we'll have a lot more discussion about this  
24 as time goes on. So we will promulgate now

1 the rest that your --

2 MS. WELLS: Right.

3 CHAIRMAN CROSBY: Go ahead. Your.

4 MS. WELLS: Formal process. Okay.

5 COMMISSIONER ZUNIGA: Well, we don't  
6 have -- we have to vote on that promulgation.

7 COMMISSIONER STEBBINS: Right.

8 MS. WELLS: Yes. The whole thing,  
9 we'll vote at the end on the whole thing.  
10 This is just a little change.

11 Along those lines, I just have one.  
12 The line right above that, the exemption  
13 (6) (n). Right now it reads: "Any person  
14 that, by submission of a written petition,  
15 can demonstrate to the commission that  
16 registration of a non-gaming vendor is not  
17 necessary to protect the public interest." I  
18 would ask the Commission's permission to  
19 change that to Division of Licensing, because  
20 process wise, that's how it happens. So to  
21 eliminate confusion letting the licensees and  
22 the non-gaming vendors know, that petition  
23 goes to the Division of Licensing and that's  
24 who handles it. If it's agreeable with the

1 Commission, I'd like to change that so we  
2 have a little more clarity in the reg.

3 COMMISSIONER ZUNIGA: I'm all for  
4 it.

5 COMMISSIONER MACDONALD: So moved.

6 MS. WELLS: Okay.

7 CHAIRMAN CROSBY: Do you have more?  
8 Go ahead.

9 MS. WELLS: Maybe you could vote on  
10 that. Catherine, do you have to vote on that  
11 kind of administrative change?

12 MS. BLUE: No.

13 CHAIRMAN CROSBY: No. We can just  
14 adopt that.

15 MS. WELLS: All right. So we'll  
16 just go ahead and change that for the formal  
17 process.

18 COMMISSIONER ZUNIGA: With all  
19 the -- Yeah.

20 MS. WELLS: So moving forward, under  
21 MGM's letter under additional vendor  
22 registration and licensing exemptions,  
23 they're in favor of the CMR 134.04(6)(d).

24 They also talked --

1 CHAIRMAN CROSBY: Which is?

2 DIRECTOR WELLS: That's the  
3 professional -- Pardon me. Let me read this.  
4 Legal, accounting, lobbying, and financial  
5 services.

6 CHAIRMAN CROSBY: Right.

7 MS. WELLS: Instead of having the  
8 word professional.

9 They also talk about another  
10 interesting suggestion adding the exemption  
11 for publicly-traded companies. So we have  
12 had some discussion based on the submission.  
13 This is one of those issues where probably  
14 right now I wouldn't recommend at least right  
15 now to go forward, but I'd like to put that  
16 on the table and consider that.

17 COMMISSIONER CAMERON: What page are  
18 you on?

19 MS. WELLS: Page 4 of the letter.  
20 So right now, we're looking at because  
21 publicly-traded companies, I do agree, they  
22 are under scrutiny and there are -- you know,  
23 there is an external agency looking at that.  
24 We do utilize that in our current process,

1 but it's one of the things maybe we could put  
2 that to the side, and I'd like to give that a  
3 little more thought and bring that back  
4 before the Commission potentially at another  
5 date.

6 COMMISSIONER ZUNIGA: I think that's  
7 right on point. We can do that as part of  
8 the normal comment period. I'm curious  
9 though, what type of companies might we see  
10 in this category?

11 MS. WELLS: I'll defer to MGM.

12 COMMISSIONER ZUNIGA: Like in the  
13 example that you cite in Michigan, the  
14 executive director appears to have the  
15 discretion. How is that normally exercised?  
16 Can anyone tell us?

17 MR. MADAMBA: It's a blanket. It's  
18 essentially a blanket exemption, but the  
19 point of that exemption really is that since  
20 there's so much information available for  
21 publicly-traded companies, that you're not  
22 going to get better quality information in  
23 your vendor registration form.

24 The further point is that if a



1 publicly-traded company does something I'll  
2 call bad, whatever bad is, you're going to  
3 know about it because the press is going to  
4 pick it up. So as a practical matter,  
5 there's enough scrutiny on the company that  
6 you're going to immediately know it and the  
7 licensee is going to know it, and you'll  
8 either put in an order to stop doing business  
9 if it's egregious enough, or if the casino  
10 licensee doesn't want to have a domino effect  
11 in various jurisdictions, it's going to stop  
12 doing business.

13 The point was that the quality of  
14 the information is just so much different in  
15 publicly-traded companies. You're not  
16 getting anything extra by having a vendor  
17 registration form for them or having a  
18 licensee form for them.

19 MR. STRATTON: And this is  
20 non-gaming.

21 MR. MADAMBA: And these are just  
22 non-gaming vendors.

23 COMMISSIONER ZUNIGA: This is  
24 publicly-traded companies.

1 MR. MADAMBA: This is not for slot  
2 machine manufacturers or any type of gaming  
3 equipment manufacturers or what have you.  
4 The point was simply that what more are you  
5 going to get by putting the non-gaming  
6 publicly -- Microsoft, what more you can get  
7 putting Microsoft through your system.

8 MR. STRATTON: Or Dell.

9 COMMISSIONER ZUNIGA: Or Wells  
10 Fargo.

11 MR. MADAMBA: Well, you're going to  
12 know about Wells Fargo.

13 COMMISSIONER ZUNIGA: That's another  
14 example.

15 MR. MADAMBA: We all know probably  
16 more than we want to know about Wells Fargo.

17 COMMISSIONER ZUNIGA: I think it's a  
18 good comment. Let's take it under  
19 advisement. I think it's a very reasonable  
20 one. As Mr. Madamba points out, we do know a  
21 lot of stuff.

22 DIRECTOR WELLS: The other comment  
23 that I thought was interesting, the proof of  
24 business relationship, or the MGM group

1 wanted to specifically request that the  
2 Commission avoid requiring documentation that  
3 could be construed as creating a contractual  
4 relationship, and I absolutely agree with  
5 that. I don't know if that needs to be in  
6 the reg or that's just how we would do the  
7 form. We could do it either way.

8 What we would do or the vision we  
9 had when we were drafting this proposed  
10 regulation is there would be a form created  
11 by the Division of Licensing which would  
12 basically have the casino licensee certify --  
13 there's some expectation of a good faith  
14 basis of a relationship, but it would not be  
15 something that you would have to be in a  
16 contract with them because that's going to  
17 hamper their ability to do business and  
18 that's not what we're trying to do. We're  
19 just trying to create some efficiencies for  
20 our resources.

21 So I mean, we can work with them on  
22 the development how to do it, but I can state  
23 for the record we're not looking to create a  
24 contractual relationship by this requirement.

1                   COMMISSIONER STEBBINS: My  
2                   expectation was there was going to be  
3                   something as simple as we intend or hope or  
4                   plan to do business --

5                   MS. WELLS: Right.

6                   COMMISSIONER STEBBINS: -- with  
7                   company X, signed Mike Mathis, and there it  
8                   is. Nothing more complicated than that.

9                   MS. WELLS: Nothing more complicated  
10                  than that.

11                  MR. MADAMBA: Our thought was it  
12                  didn't need to be in the reg. We just  
13                  figured we'd work it out with you informally.

14                  MS. WELLS: Yes, that was  
15                  reasonable. And then the rest of the  
16                  comments, they're supportive of the enhanced  
17                  Licensing Division discretion to designate a  
18                  non-gaming vendor as a gaming vendor  
19                  secondary. So we're in agreement with that.  
20                  And then also the vendor and employee  
21                  registration and licensing efficiency. So  
22                  they're very supportive.

23                  They do have an additional topic for  
24                  comment, but I think that's more appropriate

1 for section D of the discussion. So unless  
2 there's anything further from the folks at  
3 MGM, I think the next step would be the  
4 Commission's decision on whether or not to  
5 move this forward in the formal promulgation  
6 process.

7 CHAIRMAN CROSBY: Right. So your  
8 other comments under additional comments  
9 we'll take up in section D. Yes, I think  
10 we're ready. Somebody want to start?

11 COMMISSIONER MACDONALD: I move that  
12 the Commission approve the amendments to 205  
13 CMR 134.00, licensing and registration of  
14 employees, vendors, junket enterprises and  
15 representatives, and labor organizations  
16 amendments that's included in the packet and  
17 as amended by the prior motions that were  
18 approved by us and authorized the staff to  
19 take steps necessary to proceed with a  
20 regulation promulgation process.

21 COMMISSIONER ZUNIGA: I second that.

22 CHAIRMAN CROSBY: Further  
23 discussion? All in favor? Aye.

24 COMMISSIONER ZUNIGA: Aye.

1 COMMISSIONER STEBBINS: Aye.

2 COMMISSIONER MACDONALD: Aye.

3 COMMISSIONER CAMERON: Aye.

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

6 MS. WELLS: Thank you very much.

7 CHAIRMAN CROSBY: Thank you very  
8 much.

9 MS. WELLS: The next item on the  
10 agenda is 8(b.), the MGM qualifier  
11 suitability determination. As you'll see  
12 from the letter that I've included in your  
13 packet, Blue Tarp reDevelopment is our  
14 Category 1 casino licensee out in Western  
15 Massachusetts, and they advise the IEB that  
16 they were planning on using two subsidiaries  
17 of Blue Tarp's parent company, MGM Resorts,  
18 going forward, and we made the determination  
19 that they should be subject to qualification  
20 by the Massachusetts Gaming Commission.

21 These were newly formed entities.  
22 As a result of our case load, we ended up  
23 having Michael and Carroll, our consultant  
24 firm, do the investigation and go through the

1           suitability process. So I'd like to thank  
2           them for their work on that.

3                     You're familiar with the suitability  
4           criteria. These are different than what  
5           we've had in the past because they are  
6           newly-formed LLCs. And I can give you a  
7           little background on each of the LLCs.

8                     MGM Resorts Regional Operations, or  
9           what I may call Regional Operations,  
10          incorporated in the State of Nevada August 26  
11          of 2014 is a limited liability company, and  
12          it's wholly owned by MGM. It's been  
13          described to me as sort of a mini MGM Resorts  
14          that has a focus on the regional properties.  
15          You know, the original MGM was very  
16          Nevada-centric, but they started developing  
17          more into the regional aspects. So this LLC,  
18          aside from sort of efficiency of resources  
19          and being able to centralize administrative  
20          functions, also serves as sort of a voice for  
21          the regional groups, which MGM is developing  
22          more as time goes on.

23                     The Regional Operations LLC was  
24          found suitable by the Michigan Gaming Control

1 Board in 2015 as a discretionary qualifier  
2 and found qualified for the Maryland Lottery  
3 and Gaming Control Agency in 2016 as a  
4 principal entity. That's not unsurprising.  
5 Because it is a new entity, there's no record  
6 or any regulatory violation, no criminal  
7 record, no material civil litigation. And an  
8 online analysis of online and print media  
9 surfaced no derogatory information about the  
10 company.

11 Because it's new, it had very little  
12 financial history and because of its  
13 structure and limited nature of its  
14 operational functions, it doesn't do very  
15 much, at least doesn't give us very much  
16 information, but because of the structure of  
17 the company, its relationships and reliance  
18 on the parent company, the financial  
19 stability of the company can be deemed  
20 suitable.

21 There are ten individual qualifiers  
22 associated with Regional Operations. Six  
23 were already found suitable by the  
24 Commission, the original Blue Tarp



1           suitability decision, and then also another  
2           one that was found suitable by the Commission  
3           in August of 2016. The other three are  
4           pending, and I'll bring them before the  
5           Commission when the investigations are  
6           complete.

7                       The other entity is MGM Springfield  
8           reDevelopment, LLC. So I'll refer to that as  
9           Springfield reDevelopment. And this was  
10          formed in accordance with Chapter 121A, and  
11          it was formed for the purpose of owning the  
12          real property upon which Blue Tarp's gaming  
13          establishment is developed and located. So  
14          really its sole purpose is to hold it. And  
15          then Blue Tarp reDevelopment will lease the  
16          real property from the Springfield  
17          reDevelopment and the  
18          Springfield reDevelopment will collect lease  
19          payments. It does not anticipate doing any  
20          other business other than what I just  
21          described, and no lease has been entered into  
22          yet, so there's really no activity.

23                      It doesn't hold any other gaming  
24          licenses in any other jurisdictions. It's

1 really just for Massachusetts. And there was  
2 no derogatory information regarding any kind  
3 of criminal history or any kind of media  
4 search. And financially, just it's one of  
5 these entities it is what it is. It's an LLC  
6 designed to hold the property.

7 The eight individual qualifiers were  
8 identified, seven of whom were already found  
9 suitable by the Commission and one is  
10 pending.

11 So taken into consideration the  
12 entirety of the investigation, it's the IEB'S  
13 recommendation that both these newly-formed  
14 entities be found suitable by the Commission.

15 COMMISSIONER CAMERON: I agree with  
16 that recommendation. Very clean reports, the  
17 two of them. Limited obviously for the  
18 reasons you just outlined, but none the less  
19 clean reports, and I agree with the  
20 recommendation that we find them both  
21 suitable.

22 CHAIRMAN CROSBY: Further  
23 discussion? Do we have a motion?

24 COMMISSIONER CAMERON: Mr. Chair, I

1 move that the Commission find both MGM  
2 Springfield reDevelopment, LLC and MGM Resort  
3 Regional Operations. LLC suitable.

4 CHAIRMAN CROSBY: Second?

5 COMMISSIONER MACDONALD: Second.

6 COMMISSIONER STEBBINS: Second.

7 CHAIRMAN CROSBY: Further  
8 discussion? All in favor? Aye.

9 COMMISSIONER ZUNIGA: Aye.

10 COMMISSIONER STEBBINS: Aye.

11 COMMISSIONER MACDONALD: Aye.

12 COMMISSIONER CAMERON: Aye.

13 CHAIRMAN CROSBY: Opposed?

14 The ayes have it unanimously.

15 COMMISSIONER ZUNIGA: Can I say one  
16 thing. I think it's great work. I mentioned  
17 this prior to this. As we continue to get  
18 through a lot of these investigations and  
19 look at the mix, and I know you've been doing  
20 this, our use of consultants and inside  
21 people the way we've been staffing up, one  
22 added note for all the multiple entities of  
23 multinational like MGM, if we do them  
24 in-house, we begin to -- no, we continue to

1 further our understanding of all their  
2 operations.

3 MS. WELLS: Correct.

4 COMMISSIONER ZUNIGA: And I know  
5 that's in the cards, and I think it's great  
6 work. By the way, from your comments you  
7 clearly know what's going on.

8 MS. WELLS: Yes.

9 COMMISSIONER ZUNIGA: So the one I  
10 suggest that we've done here internally.

11 COMMISSIONER STEBBINS: Now, just  
12 from our experience yesterday, the Regional  
13 Operations, you know, we had a chance to meet  
14 with some of your colleagues on the Regional  
15 team, and it's nice to see that their focus  
16 is not Vegas-centric, but it's focused after  
17 National Harbor Springfield. So, you know,  
18 you have that talented team with human  
19 resources being focused on some of the  
20 smaller outside of Vegas projects. It's a  
21 benefit to us.

22 CHAIRMAN CROSBY: 8(c.) we've done.  
23 We've got 8(d.). Let's take a quick break,  
24 and we'll be back in a couple of minutes.

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(Break taken.)

CHAIRMAN CROSBY: Reconvening Public Meeting Number 200. This is the continuation of the discussion about looking at our licensing regs, again, with the draft reg that we've just approved starting with the IEB. Do you want to introduce or shall I?

MS. WELLS: I mean, it's kind of your agenda items. I'll defer to you how you want to manage that.

CHAIRMAN CROSBY: Right. So we ran through at our last meeting a number of items that one or more of us have been interested in talking about as we rethink the standards of the licensing regs. And to reiterate, all of us to one degree or another feel like, okay, now we've been doing this for a while. We've learned what we think is necessary, what's not, how we can be more efficient and more effective. The IEB took first crack at the apple, and, for example, came up with the idea that we really didn't need to do fingerprinting for certain categories of vendors. And there are other issues on the

1 table.

2 Again, these are just judgment  
3 calls. There's nothing wrong or right. And  
4 to reiterate what has been said 14 times  
5 today, one of our distinguishing features is  
6 our Investigations and Enforcement Bureau.  
7 They're doing what we've asked them to do.  
8 The question is should we ask them to do  
9 something somewhat different, as they have  
10 proposed on a number of issues.

11 One of the ones that has been  
12 troubling to me and others has been what I  
13 perceived, at least, and I think some others  
14 have perceived, as an inconsistency in our  
15 statute about whether or not our statute  
16 calls for the obligatory disqualification of  
17 gaming service employees for the first  
18 primary ten-year period. I decided to ask  
19 former Superior Court Judge Lloyd Macdonald  
20 to take a look at this from a completely de  
21 novo standpoint and advise us -- this isn't  
22 binding either, but it's at least one  
23 informed man's opinion who's kind of new to  
24 this game -- on how he would recommend that

1 we interpret this statute.

2 We've talked about the issue in the  
3 past, but the issue of trying to reconcile  
4 this has continued to bubble. So  
5 Commissioner Macdonald is going to walk us  
6 through his analysis. His analysis will be  
7 available in writing. If isn't now, it will  
8 be within shortly for the commissioners to  
9 read and for the public to look at.

10 COMMISSIONER MACDONALD: Well, the  
11 only thing I would say is that I didn't see  
12 my task here as being one to come up with a  
13 specific recommendation, that rather that  
14 what our chairman asked me to do was to take  
15 a fresh look at the statutory provisions in  
16 the regulations pertaining to gaming service  
17 employees and advise as to whether I thought,  
18 having taken the independent look at it,  
19 whether or not the Commission had discretion  
20 to adopt a standard of registration for  
21 gaming service employees that would permit  
22 the Commission to allow for -- would approve  
23 registration in spite of a gaming service  
24 employee having -- an applicant have a record

1 of criminal conviction within ten years of  
2 the application. I'll get more specific  
3 about the specific criminal convictions.

4 I've prepared a file memorandum for  
5 our chairman and for our executive director  
6 Ed Bedrosian, did not circulate it to others  
7 on account of the requirements of the open  
8 meeting law, but that our Chairman urged that  
9 the memorandum become a part of the public  
10 record and we begin a discussion here today.

11 And I've been advised by our general  
12 counsel, and she is free to interrupt at any  
13 time if I muff this, but that under the open  
14 meeting law, under these circumstances, I'm  
15 permitted in the open meeting to circulate to  
16 my fellow commissioners a copy of the  
17 memorandum that I submitted to Mr. Bedrosian  
18 and our Chairman yesterday. This will be, if  
19 it's not already, on the website for the  
20 public to have access to it in its  
21 completeness.

22 So I'm now handing out copies. I'm  
23 not expecting the commissioners at this point  
24 to read it, but the Chairman asked me if I



1           could kind of walk through some of the  
2           highlights of it and then use that as a basis  
3           for further discussion going forward and  
4           perhaps it becoming part of a formal agenda  
5           item itself at some later time.

6                     I'm going to summarize certain parts  
7           of the memorandum but then read selected  
8           sections just because it would be a more  
9           failsafe way to perceive things.

10                    First of all, the setting from a  
11           legal perspective of this inquiry. As a  
12           general matter, that an administrative agency  
13           that is obliged by statute to oversee some  
14           aspect of the public administration of a  
15           jurisdiction is required to follow the letter  
16           of the statute; however, in the circumstance,  
17           which is not that unusual, of an agency  
18           administering the statute, the agency can be  
19           perplexed because of a lack of precision in  
20           the language of the statute so that there's a  
21           perceived inconsistency in the terms of the  
22           statute. That inconsistency can be one in  
23           which there are two sections of a statute  
24           which simply are outright inconsistent, or it

1           could be in the form of the language of the  
2           statute of being unclear. So there's an  
3           ambiguity within a particular section.

4                     Under those circumstances, and let's  
5           call them both ambiguous language in the  
6           statute, the law in the Commonwealth, and  
7           it's a familiar law around the country and it  
8           certainly applies in the federal courts, that  
9           an administrative agency under those  
10          circumstances is permitted to resolved the  
11          ambiguity that is presented in the statute  
12          provided that in doing so that it is acting  
13          to further what's perceived as the principle  
14          purposes of the statute. And if the  
15          administrative agency does that, then our  
16          courts will give substantial deference to the  
17          interpretation by the administrative agency.  
18          Not without limits, but nevertheless give  
19          substantial deference to it and the legal  
20          issue when channelled is whether or not there  
21          was an inconsistency in fact and whether or  
22          not the administrative agency in good faith  
23          applied itself or applied the statutory  
24          objectives of the statute that controls or

1           that empowers the administrative agency to  
2           act. So that's the context.

3                       And what I was asked to do  
4           specifically was to focus on two sections of  
5           21 -- 23K, our founding statute, that  
6           arguably applied here. And the first one is  
7           the operative text of Section 16(b). And  
8           again, even though these sections apply to  
9           other kinds of applicants either for license  
10          or registration, the context that, as I said,  
11          that this question was placed to me was as it  
12          pertains to the gaming service employees.

13                      So the operative text of Section 16  
14          is and, as I quote, "The Commission shall  
15          deny an application for a license or  
16          registration" -- and here it's gaming service  
17          employees being registered -- "if the  
18          applicant, number one, has been convicted of  
19          a felony or other crime involving --  
20          convicted of a felony. Or other crime  
21          involving embezzlement, theft, fraud or  
22          perjury, provided, however, that for  
23          convictions which occurred before the  
24          ten-year period immediately proceeding the

1 application, the applicant may demonstrate  
2 and the Commission shall consider the  
3 applicant's rehabilitation and whether such  
4 conviction should not be an automatic  
5 disqualification." In other words that 16(b)  
6 directs us to automatically disqualify  
7 anybody who is applying for a gaming service  
8 registration if that person had been  
9 convicted either by any kind of felony or any  
10 crime that involved elements of embezzlement,  
11 theft, fraud, or perjury.

12 Now, the question is whether or not  
13 that provision is inconsistent with the  
14 provision of another section of 23K,  
15 specifically Section 30(f), which also  
16 purports to be directed to the registration  
17 of gaming service employees in addition to  
18 other types of applicants. In here, the  
19 operative language is: "The Commission may,"  
20 note may rather than shall, "may deny an  
21 application for the registration of any other  
22 employee of a gaming establishment if the  
23 Commission finds that an applicant or  
24 registrant is disqualified under Section 16,"

1           which I just read, "or may be unsuitable for  
2           licensure under the criteria set forth in  
3           Section 12. However, that the Commission, in  
4           its discretion, may issue a license to an  
5           applicant for a gaming employee license or  
6           register a gaming service employee who has a  
7           prior conviction if the applicant or  
8           registration can affirmatively demonstrate  
9           the applicant's rehabilitation."

10                        So as noted, my task was to focus on  
11           these two sections and to answer the question  
12           whether they're inconsistent. Try as I might  
13           to reconcile the text -- And let me take a  
14           step back. Along the way, as I was doing  
15           this, I not only referred to the text but  
16           also consulted with the senior legal counsel,  
17           legal persons in our IEB. But try as I might  
18           to reconcile the text of 16(b) and 30(f) as  
19           they apply to gaming service employees, I  
20           concluded that I could not. And accordingly,  
21           in my view, we are confronted with two  
22           inconsistent provisions on a subject material  
23           to the larger objectives of the gaming  
24           statute.

1           Now, those objectives prominently  
2           include on the one hand the assurance of the  
3           integrity and honesty of the gaming  
4           establishments and of their employees, and  
5           the other, the expansion of employment  
6           opportunities for minorities and other  
7           persons who historically have been  
8           underrepresented in the workforce. With that  
9           being the situation, normally it would lie  
10          within the authority of the Commission to  
11          exercise its collective judgment and  
12          discretion to resolve the conflict by  
13          promulgating new regulations to do so.

14                 And let me say here, as I'm sure my  
15                 fellow Commissioners are aware, our current  
16                 regulations are basically borrowed from the  
17                 imperative of 16(b) and automatically  
18                 disqualify any applicant for a gaming service  
19                 employee position if they have been convicted  
20                 within the ten years of the referenced  
21                 crimes.

22                 Now, I could leave it there, but I  
23                 do want to share with you that I didn't stop  
24                 there. I consulted or met with, as I do

1 weekly, with General Counsel Blue, and we  
2 reviewed the background of all of this. And  
3 before I had gone and taken any truly deep  
4 dive into it, that she had advised that  
5 when -- as a background to the regulations  
6 being promulgated, that some of these issues  
7 had been discussed in a public meeting. And  
8 I think it's useful to make a record, even  
9 though that I trust in the accurate  
10 recollections of all of my fellow  
11 commissioners, there have been 200 meetings  
12 that they have presided over, and they may  
13 not have remembered exactly what was said on  
14 December 13, 2013, when these regulations  
15 were first proposed.

16 And General Counsel Blue had our  
17 soon-to-be Deputy Todd Grossman send me a  
18 copy or the link to the transcript of the  
19 December 13th meeting where the regulations  
20 were further discussed and thereafter adopted  
21 in January in their current form.

22 And now at the December 13th  
23 hearing, on the prospect of the gaming  
24 service employee being automatically

1           disqualified, there was discussion about  
2           this, and it wasn't so much focused on  
3           whether -- it was not focused on whether it's  
4           an inconsistency between 16(b) and 30(f), but  
5           it was rather on whether this makes sense  
6           just as a matter of policy. And that the  
7           testimony and discussion amongst the  
8           commissioners did touch significantly on  
9           concerns about the automatic nature of  
10          certain convictions and the automatic  
11          disqualifying facts; and that Todd  
12          specifically, who directed the presentation  
13          at the December 13th meeting, used those  
14          words to draw the attention of the Commission  
15          to the issue. And he said, "The key here is  
16          the automatic nature of certain convictions  
17          and the automatic disqualifying nature." And  
18          then he went on to say, "You can only  
19          demonstrate rehabilitation if the events  
20          occurred more than ten years ago. It's an  
21          automatic disqualifier."

22                        So he shared so that the staff  
23                        thought it was important that the Commission  
24                        understand what our interpretation of the law



1 was and is because it will have -- this is a  
2 quote from Todd -- perhaps broad  
3 implications. And then there was extensive  
4 discussion on the record. Our consultants  
5 Michael and Carroll, Guy Michael affirmed  
6 Todd's interpretation, and I'm quoting from  
7 his presentation. And it's: "That's the  
8 reading of the statute. It's in certain  
9 instances it could be harsh. I mean, you  
10 could have somebody who has a shoplifting  
11 nine years ago. That's a theft offense.  
12 They would be prohibited from being a slot  
13 mechanic. You know, that's a harsh result,  
14 but if it's the legislative intent, then  
15 there's really nothing else the Commission  
16 could do." And then our Chairman  
17 interjected. "And on that case in point,  
18 that's the legislative intent?" And then  
19 Mr. Grossman responded, "That's the way we  
20 read it."

21 And then Assistant Director Griffin  
22 noted that there had been public comments as  
23 to concerns about the CORI checks  
24 specifically for gaming service employees,

1           our Chairman then remarked, "The issue of  
2           CORI for service workers is a really good  
3           example. You know, it may be if that's what  
4           law imposes on us, then we're stuck with it.  
5           But you may want to file this away. We will  
6           be talking some day with the legislature, and  
7           that might be one we may want to think  
8           about." And then my predecessor, Judge  
9           McHuge, added, quote, "Mr. Michael's point is  
10          exactly right. Shoplifting of any kind would  
11          trigger the ten-year disqualification."

12                         And then the Commission heard from  
13          several representatives of community  
14          organizations, and they reenforced the  
15          concern about the impact of the proposed  
16          regulations. And amongst others, Hawking  
17          Cunningham of the Boston Workers Alliance  
18          stated: "We have to start thinking  
19          critically about impediments to economic  
20          opportunity." And our Chairman responded:  
21          "I just want to make sure that we're doing  
22          what I think is the policy intention, to  
23          build -- to bridge from that to the reality  
24          of the real people that a person like

1 Mr. Cunningham works with and figuring out  
2 how it will facilitate their chance to get  
3 those jobs." And then he addressed himself  
4 to Ms. Griffin, and he said, "That's your  
5 job, Jill."

6 That basically concluded the  
7 substance of the discussion at the December  
8 meeting. In reading the transcript, it  
9 appeared to me that it was anticipated at the  
10 time that the Commission would vote that day  
11 on the proposed regulations, but there was  
12 discussion and a conclusion in light of the  
13 testimony and the observations by the various  
14 commissioners that this needed further  
15 attention, specifically on the question of  
16 its application to the gaming service  
17 employees, and so the decision was made to  
18 postpone a vote and to resume the discussion  
19 in January. And I retrieved the January --  
20 more accurately, Todd retrieved the  
21 transcript for me, and I reviewed that.

22 Now, there was no further testimony  
23 from either the community representatives or  
24 further discussion amongst the commissioners

1 on the text of the statute; however, Todd did  
2 report that taking into account the comments  
3 and the discussion at the December meeting  
4 that there had been some changes to the  
5 proposed regulations, and those included that  
6 juvenile delinquency convictions or juvenile  
7 delinquency findings would not count as  
8 automatic disqualifiers; further, that it was  
9 added that sealed records of adult  
10 convictions would not count either.

11 So if somebody had been convicted of  
12 whatever, you know, shoplifting or a more  
13 serious offense, even a felony, and had  
14 succeeded in having the record sealed that  
15 that would not, notwithstanding the  
16 conviction, it would not be taken into  
17 consideration.

18 And finally, that Todd noted that  
19 the regulations would provide that when there  
20 is a consideration of these issues with  
21 regard to a particular application, that,  
22 quote, "The information will be considered in  
23 the light most favorable to the applicant  
24 unless it can't be done so in accordance with

1 the statute."

2 At that point, the Commission voted  
3 to approve the regulations in their present  
4 form. So the regulation in present form  
5 tracks 16(b) and automatically disqualifies  
6 anybody with a conviction within ten years of  
7 the application.

8 Thereafter, I had further  
9 conversations with the senior legal staff,  
10 and at that meeting they gave me a copy of  
11 the transcribed remarks of a 2015 GPAC  
12 meeting, and these remarks led by a Senator  
13 Ross --

14 CHAIRMAN CROSBY: Gaming Policy  
15 Advisory Committee, GPAC.

16 COMMISSIONER MACDONALD: Gaming  
17 Policy Advisory. And Senator Ross, there was  
18 a transcript prepared of that, and they  
19 presented to me his testimony, and he  
20 apparently had been a member of the  
21 conference committee at the time that 23K was  
22 being legislated. And I'm quoting here. "I  
23 think we figured there are enough truly --  
24 Let me start again. "I think we figured

1           there are enough really truly honest people  
2           out there that don't have jobs that are going  
3           to be applying that we'd really like those  
4           people to be given preference first. Ten  
5           years doesn't seem like a long time to have  
6           to be clean and away from getting felony  
7           convictions. Somewhere along the line, we've  
8           got to draw the line in the sand and keep the  
9           integrity of the operations the way you would  
10          like to see them operating."

11                   The IEB staff also suggested to me  
12           that the problem of the regulations having  
13           adverse effect on employment opportunities  
14           may not be as serious as some people believe.  
15           And it was noted that of the thousand,  
16           approximately thousand employees investigated  
17           for Plainridge, only one was disqualified on  
18           account of 16(b) and that person was applying  
19           for a gaming employee position, not a service  
20           position. Although, it was acknowledged that  
21           perhaps there was some self-selection there  
22           that's going on. But in any event, on the  
23           record from the experience at Plainridge that  
24           this disqualification provision for service

1 workers was not significant.

2 So putting all of that together, and  
3 there's a longer memorandum here, I'll just  
4 read what my conclusion is so there's no  
5 inconsistency between what I'm saying here  
6 today and what I wrote yesterday. My  
7 conclusion is I believe the text of 16(b) and  
8 30(f) are sufficiently at odds to have been a  
9 lawful basis for the Commission to have  
10 exercised its discretionary authority in 2013  
11 and 2014 to reconcile them by concluding that  
12 the rehabilitation provision of 30(f) trumped  
13 16(b)'s automatic disqualification for the  
14 subject convictions; however, taking into  
15 consideration the Commission's informed  
16 decision in 2014 to interpret it otherwise  
17 and the strength of the IEB's still current  
18 belief that that was the correct call, in the  
19 absence of hard data from MGM and Wynn that  
20 the present regulations will materially  
21 prejudice their workplace development goals,  
22 in my view, albeit subject to further  
23 consideration, and here we're studying it for  
24 further consideration, it's not worth making

1 an issue out of it at this time beyond  
2 raising the concern that 16(b)'s impact be  
3 closely monitored and our being supportive of  
4 any remedial legislation that may be filed in  
5 the future.

6 So that's the result of my response  
7 to the Chairman's request.

8 COMMISSIONER CAMERON: Thank you,  
9 Commissioner. Thank you for the research. I  
10 certainly agree with your conclusion that  
11 this is not an issue that we should revisit  
12 at this time. I actually don't believe we  
13 have the authority to do so.

14 I heard you that there is some  
15 inconsistencies, but you know, I spent a lot  
16 of time talking to folks from IEB who have  
17 extensive experience with appellant law and  
18 talking about the statutory construction and  
19 how to read that. And, you know, again, we  
20 don't have evidence of a problem. I really  
21 like the idea -- I know MGM brought forth an  
22 idea of a working group to really make sure  
23 we're talking about these issues and we're  
24 monitoring these issues, and to me the



1 appropriate, if there ends up being an issue,  
2 the appropriate fix would certainly be a  
3 legislative one, as Michael and Carroll  
4 mentioned in one of their memos that  
5 certainly they interpreted, as did Commission  
6 McHugh, the same way that we promulgated our  
7 regulations, and that at some point that  
8 would be the appropriate mechanism to address  
9 this issue if it becomes an issue at all.

10 I think we made the right decision  
11 in 2014 after a lot of thoughtful  
12 conversation. I remember at length  
13 discussing this issue. And I really am --  
14 Frankly, personally, I would be in favor of  
15 much less than a ten-year rehabilitation  
16 period for this. But again, we have certain  
17 parameters. And I do, again, like the idea  
18 of the working group to really make sure  
19 we're monitoring and make sure we're getting  
20 everybody's best thoughts on this issue.

21 COMMISSIONER STEBBINS: I also  
22 appreciate Commissioner Macdonald's due  
23 diligence on the question. And I also  
24 appreciate MGM's interest in more closely

1 coordinating our efforts as they are kind  
2 of -- I mean, they're obviously next in the  
3 queue in terms of starting a recruitment,  
4 which I think some of that begins next month,  
5 you know, at least getting people into a  
6 system. I know they've done a lot of work in  
7 reaching out with community-based  
8 organizations to begin to kind of encourage  
9 folks in the neighborhoods of Springfield and  
10 some of the surrounding communities to begin  
11 to look at this process.

12 I also think, and I think I've  
13 talked about it before, I also think that  
14 there's potentially a messaging or a  
15 communication strategy that should be  
16 developed. I think early on from our  
17 emphasis and standing up this organization,  
18 there was a lot of talk about enforcement,  
19 investigations, new industry that is heavily  
20 regulated that to some degree or not may have  
21 placed kind of a cold blanket on people's  
22 expectations for what they thought might be a  
23 career opportunity, and there might be some  
24 folks that have just been -- I think when you

1 use the term CORI, that begins to generate  
2 certain perceptions about what I might be  
3 eligible for or not be eligible for based on  
4 my background. I think some of that  
5 emphasis, again, has maybe thrown a cold  
6 blanket on some people's expectation or hopes  
7 of getting a job.

8 I think there's some messaging  
9 between IEB and licensing and working with  
10 Elaine Driscoll that we can at least as a  
11 first step begin to fashion in conjunction  
12 with our licensee and begin to get out the  
13 message as to what is certainly a  
14 disqualifier, what isn't a disqualifier.  
15 There's other terminology in 16(b) that is  
16 certainly subjective and maybe needs some  
17 more definition.

18 So you know, kind of continuing to  
19 work with our licensee, again, as to how we  
20 can more effectively communicate what this  
21 piece of the statute talks about, what our  
22 regulations talk about, I think, will begin  
23 to give us a clearer picture of is this  
24 really an obstacle to people in Springfield

1 and other communities seeking employment.  
2 And if it leads to approaching the  
3 legislature for a legislative change, then  
4 hopefully we have some hard data to kind of  
5 back that up.

6 CHAIRMAN CROSBY: You know, I've  
7 always been uncomfortable with this reading,  
8 but I think this as a thorough and objective  
9 reading with where we stand as we can  
10 possibly get, so I'm totally with it, unless  
11 and until we get to the contingent conditions  
12 in Commissioner Macdonald's memo about  
13 demonstrable need.

14 So let's let this one go for now. I  
15 do think the workforce idea that MGM  
16 recommended is something we should pursue.  
17 Jill unfortunately has left. Janice, but if  
18 you'll remember, we should talk about that  
19 and try to figure out what that would do.  
20 Both Penn and Wynn at an earlier stage back  
21 in 2014 when we originally adopted this reg  
22 agreed with MGM and us that it would be good  
23 if we could get the legislature to amend it.  
24 So I know the other two licensees have the

1 same interests. So let's work on that task  
2 force idea and we'll follow up on that.

3 It's getting late and it's a long  
4 time. The rest of the issues that we have on  
5 the table I want to talk about but relatively  
6 briefly because they'll require more time.

7 The next one is this issue -- there  
8 is this clause in our statute that gives us  
9 the authority to have reciprocal agreements.  
10 I'm not sure the language in the statute is  
11 right. It seems to say you can create a  
12 reciprocal agreement with the applicant, and  
13 I think it reads other licensing authorities,  
14 but in any event, the clear intent is to give  
15 us the opportunity to create a reciprocal  
16 relationship with other regulatory bodies  
17 which would enable us to use some or all of  
18 their suitability work to make our own  
19 judgments about our own applicants.

20 And again, we have adopted certain  
21 standards which we've asked the IEB to use  
22 and that's what they've been using. The  
23 question is are those -- now that we've had a  
24 few years to think about it, are those the

1 right standards.

2 So what I wanted to ask is to have  
3 Director Wells just sort of give us a quick  
4 sense of how you're doing that, what you  
5 think the issues are, and then talk about it  
6 a little bit further in this involvement.

7 MS. WELLS: Yes. I'm absolutely  
8 happy to do this. It's a very interesting  
9 issue because especially given my  
10 communications with other jurisdictions and  
11 different thoughts on this. So as the  
12 Chairman said, it's right in the statute that  
13 there is this provision that also was adopted  
14 by regulations.

15 So what we have done in practice is  
16 initially we've used this sort of reciprocal  
17 licensing concept on the front end. So  
18 before we opened Plainridge, Plainridge came  
19 with a number of gaming vendors primary that  
20 they needed to be licensed in order to get  
21 going. And what's very interesting in the  
22 statute is that the statute Section 31 talks  
23 about the vendors. What's interesting is  
24 similar to how it works in Maryland, there's

1 no provision in the statute for a temporary  
2 licensure.

3 So in Maryland, if you want to get  
4 licensed and you want to -- you know, your  
5 gaming equipment, you do -- it takes, I think  
6 they said, something like nine months before  
7 they project ahead, do the investigation,  
8 they can do some preliminary work, but you  
9 can't, in fact, deliver the equipment until  
10 you're licensed.

11 So what we did is through regulation  
12 and through practice at the IEB is we used  
13 that concept of reciprocal licensing and that  
14 became our base for the temporary licensure  
15 so that we could really open Penn National on  
16 time.

17 So when we did sort of our initial  
18 look at these vendors who were going to be  
19 providing gaming equipment to the Penn  
20 National property, we looked heavily at where  
21 else they were licensed and licensed in good  
22 standing, so we did rely and in some ways  
23 used that reciprocal licensing concept in  
24 order to get the operations off the ground.

1 So that's sort of how we used it on the front  
2 end.

3 And then right now, we are doing  
4 full investigations of these gaming vendors  
5 primary. I think it's important to note this  
6 is a compact group of vendors. We're not  
7 talking about 300, 400, 500 vendors. There's  
8 maybe 30 that we would expect would be  
9 licensed in the future. And these are the  
10 vendors that really are the core of the  
11 business. We are regulating not only our  
12 casinos, but we're regulating these primary  
13 vendors as well. You see that in the  
14 regulatory history that they're regulated by  
15 other jurisdictions.

16 So one thing we've been learning and  
17 that I've come to understand is sort of that  
18 the value in and of itself of a full review  
19 of these companies that are the heart of the  
20 operations within the casino, what I hear  
21 time and time again is the number one value  
22 to doing the investigation and having that  
23 thorough deep dive is establishing the  
24 relationships with the people and with the



1 company, that we are a relationship of a  
2 regulatory body to the licensee and that that  
3 relationship is critical to ongoing  
4 regulation of not only the entity.

5 You know, it was interesting that  
6 one of the primary vendors said -- I think it  
7 may have been at a public meeting -- that the  
8 relationship doesn't end upon delivery of the  
9 machine. That's where the relationship  
10 begins. So these are ongoing relationships.  
11 And it's critical to the public confidence  
12 and the operation these machines work right,  
13 these people who are involved in the process  
14 are creditable, and that they can have faith  
15 that these games, there's integrity in the  
16 games themselves.

17 And I would note that what we've  
18 heard on the investigative side is there's  
19 also value to the company as well in this  
20 relationship.

21 If you notice, the two folks from  
22 Everi, they didn't have to come in for this  
23 hearing. You know, they knew what the  
24 recommendation was. They fully expected.

1 But they value the relationship. They want  
2 the regulators to know them and have that  
3 kind of communication. So it's important  
4 enough for them to come to this hearing, show  
5 respect to the Commission, and have a good  
6 relationship with the body that's regulating  
7 them.

8 The second item that I just have on  
9 my list of the value of the investigation  
10 itself is the investigatory process is  
11 mechanism to fully understand the company and  
12 its operations. So the concept that, well,  
13 we're just doing an investigation check to  
14 make sure there's no mob involvement. Well,  
15 sure that's a tiny piece of it, but that's  
16 just a piece of it.

17 A lot of the value in the  
18 investigation is understanding, you know,  
19 something like Everi Payments, like how the  
20 payments work? How is the company  
21 interacting with the casino? How is the  
22 company governed? How do they make  
23 decisions, things like that when we have an  
24 ongoing duty to regulate them, and, you know,

1 we re-license them every three years.

2 So you know, for example, with  
3 Everi, when that issue came up regarding the  
4 ATM withdrawals, we knew all the people. We  
5 knew how to contact. We knew how their  
6 operations worked. So in evaluating them on  
7 the regulatory side of the house and Bruce  
8 Ban side of the house, if you will, that's  
9 when the investigation is.

10 The state police side of the house,  
11 they kind of merged, and it was helpful to me  
12 as sort of the ultimate decision maker on any  
13 kind of action, we already had an  
14 understanding of the company, and then we  
15 were being told about why things will happen  
16 and that is how this operates. We already  
17 know about the company and what they do.

18 So I guess my summary statement on  
19 this is it's not just about making sure there  
20 are no mob people in the operations, although  
21 we are checking for that. It's beyond that.  
22 It's really educating yourself and being an  
23 effective regulator.

24 You know, a third value in the full

1 review, similarly, is that the process, we do  
2 use this to development our own knowledge  
3 base. How does the industry work? What are  
4 the new things coming out? What are the  
5 products that they're using? A lot of this  
6 comes out through the investigation because  
7 you have to understand the company in order  
8 to understand what they're doing. And making  
9 good decisions about regulations, making good  
10 representations to you as the Commission,  
11 that's strengthen by knowledge and experience  
12 about the companies and operations that we're  
13 regulating. So there's value in that. So  
14 those would be sort of my three high points  
15 as sort of the value of the investigation  
16 itself.

17 There's also some challenges with  
18 reciprocal licensing that I've heard about  
19 and talked to folks about and we're sort of  
20 seeing ourselves. I would say the number one  
21 challenge is that not every jurisdiction has  
22 the same laws and standards. You know, one  
23 memo that was provided to me was, you know,  
24 simple acceptance of another jurisdiction's

1 decision ignores the differences between  
2 jurisdictional standards. So understanding  
3 that, you know, one jurisdiction may have  
4 very high standards by law or regulations,  
5 another one may have different standards. So  
6 to compare those is difficult, so you have to  
7 understand the different jurisdictions and  
8 what the standards are.

9 Another challenge for me is just as  
10 a new agency, I think I need to have some  
11 humility in understanding that I don't know  
12 everything. You know, I am not as  
13 experienced as some of these regulators who  
14 have been doing this 10, 20, 30 years, and  
15 our investigatory protocol is still evolving  
16 and that makes determining a comparable  
17 jurisdiction a little more difficult. If  
18 we're a moving target and some other  
19 jurisdictions are changing, you're sort of  
20 making it difficult to figure out who's  
21 working on a parallel track and doing a  
22 similar investigation.

23 Also individual investigations may  
24 vary not only by jurisdiction, but who the

1 investor is. You just know that sometimes  
2 the different quality of work depends on  
3 who's assigned to it.

4 I think the third challenge is that  
5 it's important to remember that these  
6 overarching standards that are unique to the  
7 gaming law, this requirement of determining  
8 by clear and convincing evidence their  
9 integrity, honesty, and good character and  
10 reputation of the applicant, that's a little  
11 harder to translate. It would be easy if we  
12 had sort of definitive simple things that  
13 were the standard.

14 So for example, you know, if you  
15 license someone, if they've had fewer than  
16 two arrests or there is a certain number of  
17 fines they haven't hit the threshold for or  
18 if they had a clean litigation history, never  
19 sued, those are easy things to sort of match  
20 up, but the concept of good integrity,  
21 honesty, and good character and reputation,  
22 that's harder.

23 So some of these other pieces are  
24 data points, but then you sort of rise it to

1 the next level. And it's somewhat unique to  
2 the gaming industry, and it's very  
3 interesting to think about how does that  
4 affect what we're doing that that's the  
5 standard.

6 You know, and it's just, it's not --  
7 you know, these investigations are not a  
8 check the box. Okay. How many times have  
9 you been sued, check. How many times have  
10 you been arrested, check, things like that.  
11 It's a little more relational than that and  
12 sort of having confidence in the company and  
13 putting your stamp of approval.

14 The fourth challenge, I would  
15 suggest, frequently that thorough, deep dive  
16 that you're seeing, so like Everi and Konami  
17 and the other ones we've done, in other  
18 jurisdictions, sometimes that thorough  
19 investigation you want to rely on can be many  
20 or several or many years old. So figuring  
21 out how long ago this took place and when the  
22 jurisdiction did it is extremely relevant.  
23 And also I have concerns about the chain. So  
24 jurisdiction A relied on jurisdiction B who

1           relied on jurisdiction C who relied on  
2           jurisdiction D. If you're relying on A,  
3           you're actually relying on something four  
4           items down the road. So that's just a  
5           challenge.

6                     And also another challenge is just  
7           the nature of the industry, especially  
8           currently. What we're seeing, you know, we  
9           have a lot of qualifier changes. Some  
10          company may have, you know, 11 individual  
11          qualifiers, and then six months later six of  
12          those are gone and there's another six in  
13          there. So these companies are changing as  
14          they go along.

15                    And we've also seen a lot of mergers  
16          and acquisitions going on right now. We saw  
17          that. You know, we saw a situation with  
18          Everi, IGT, Novomatic. There's a lot going  
19          on in the industry there, so it makes it  
20          harder to sort of grab that moving target or  
21          rely on something that happened a while ago  
22          before that company was restructured.

23                    Now, you can use some of that older  
24          information, but it's harder to just rely on



1           it, oh, they did it in X, Y, or Z  
2           jurisdiction two years ago, okay, we're good  
3           to go. Those are some of the challenges.

4                     So I thought I'd talk a little bit  
5           about also how we use this concept now,  
6           because I do recognize that you don't want to  
7           waste resources. You don't want to redo over  
8           and over and over again what someone's  
9           already done.

10                    So our investigatory protocol this  
11           time has a review of a recent jurisdiction as  
12           sort of the jumping off point for the  
13           investigation. So what we've determined in  
14           the protocol, so if you've got a new gaming  
15           vendor primary entity, figure out where were  
16           they last licensed.

17                    You know, the bigger jurisdictions  
18           that we -- We're starting to learn who does  
19           what. Go to that jurisdiction. Don't redo  
20           everything. Go to that jurisdiction first.  
21           Start with that investigation. See what you  
22           could find out there so you don't have to  
23           redo everything that you can rely on from  
24           there and then move forward. So that's

1 something we're doing right now, which I  
2 think is going to help flow. And also just  
3 learning from other jurisdictions how they do  
4 these investigations.

5 And then I think going forward, I  
6 really have to think about how to use this  
7 going forward. My expectation is that we  
8 will rely heavily on a reciprocal licensing  
9 mechanism in the renewal processes. As you  
10 know, these licenses are only good for three  
11 years. I can't logistically with the  
12 workload we have, we can't do this type of  
13 deep dive investigation every three years.  
14 So a renewal process, I think we're going to  
15 have to utilize in a more specific way some  
16 kind of reciprocal mechanism with other  
17 states and figure out how we can combine all  
18 this information to give the Commission a  
19 comfort level.

20 Now, these reciprocal licenses are  
21 what they talk about on an abbreviated form,  
22 they'll probably be a little different from  
23 different companies and that's where that  
24 value in the initial investigation comes in

1 because we learn a lot in the investigation.

2 I learn about the company, how they're  
3 structured, and also the comfort level.

4 So a company that there's a strong  
5 level of comfort with that just got licensed  
6 in another jurisdiction that we are familiar  
7 with their protocols, strong protocol, we may  
8 have a very abbreviated licensing process for  
9 that renewal. Another company where there  
10 are several questions, yeah, they got their  
11 license, but we heard about something that's  
12 going on in the past few years. They  
13 actually haven't been licensed in a major  
14 jurisdiction in a while, at least not a deep  
15 dive, maybe we do a little bit longer  
16 investigation.

17 Those are sort of my thoughts on  
18 where this is going. It's a very interesting  
19 topic because I can understand why, you know,  
20 certain companies, it's like, oh, I've got to  
21 do this over and over again, and I understand  
22 that. I think some of the industry and  
23 regulator joint efforts, for example, having  
24 that multi-jurisdictional form, that's an

1 effort to try to get moving in the same  
2 direction, but it's hard.

3 For the major jurisdictions, a lot  
4 of them, they take pride in what we're doing.  
5 They have their own standards, and if they're  
6 going to put their name on it, they want to  
7 make sure that it's right. So I can  
8 understand from a higher level it's a tricky  
9 thing to try and get jurisdictions to work  
10 together on investigations. We've been  
11 exploring that as well, but it's tricky. So  
12 that's where we are. That's my long spiel.

13 CHAIRMAN CROSBY: That's really  
14 interesting. Go ahead.

15 COMMISSIONER ZUNIGA: Yes. Well,  
16 there's a lot there. Obviously, you've  
17 thought a lot about it for a while.

18 MS. WELLS: Oh, yes.

19 COMMISSIONER ZUNIGA: And I think  
20 there's little to add or a lot to react to.  
21 Let me just mention a couple of things.

22 As you correctly point out, the  
23 reliance or this notion of reciprocity cannot  
24 be an all or nothing because you get into all

1 kinds of things like you described, different  
2 standards, timing issues, you know, different  
3 approaches, et cetera. But you know, so if  
4 we, of course, discard that notion and we do  
5 what you seem to be doing already, which is  
6 what was the latest, if you understand the  
7 standards of the latest investigation and you  
8 also develop the relationships with other  
9 regulatory bodies, not just the relationships  
10 with the companies that you licensed, which  
11 are critical --

12 MS. WELLS: Yes.

13 COMMISSIONER ZUNIGA: -- and very  
14 important and that's a very important point,  
15 but you also develop those relationships,  
16 there is a flow of ideas, methods, and you  
17 know, what have you, that's enriching to  
18 everybody. So I think you have the right  
19 approach in all of this, and the jump off  
20 notion or the understanding of who does what  
21 out there on the regulatory side is really  
22 critical.

23 I would point out something that  
24 seldom goes mentioned in this process, which

1 is that the more strict that everybody is --  
2 no judgment on anybody, sometimes just you're  
3 directed by the statute -- on this industry,  
4 the gaming vendors, for example, the more  
5 incentive, the more barrier that there is to  
6 new entrance. That's just a matter of  
7 economics. The people at Valley told us, I  
8 remember well, that they're happy to pay the  
9 fees that these investigation requires  
10 because, frankly, that helps their business  
11 model as a bit of a --

12 CHAIRMAN CROSBY: It protects  
13 competition.

14 COMMISSIONER ZUNIGA: It protects  
15 competition. Where we don't have  
16 restrictions or regulations like New Jersey  
17 once had, for example, where a casino could  
18 not have more certain concentration of slot  
19 machines, let's say, I think they did away  
20 with that. We need to watch for what our  
21 process does to limit new entrance. And I  
22 know it's perhaps a little grandiose to think  
23 that we here in Massachusetts are going to  
24 move the needle nation or worldwide, but it's

1 something that I think we should consider and  
2 as something where all of the relationships  
3 we build and all of the investigation that we  
4 do relative to understanding the business  
5 model is something that factors into the  
6 notion of, you know, eventually we also like  
7 new entrance for many reasons, not just  
8 economic development, but even for  
9 strengthening the business model. If  
10 eventually there's only one company that does  
11 X, Y, Z for the casino, they become  
12 vulnerable to monopolistic type behavior from  
13 that vendor and that doesn't help the  
14 business model.

15 So you know, all of what you  
16 mentioned sounds great. You've thought a lot  
17 about it. I think as, obviously, the  
18 reciprocity notion is very nuanced and very  
19 complex, but as we continue to evolve in our  
20 understanding, I would also encourage to  
21 continue developing those relationships with  
22 those regulators through the lens of the  
23 overall health of the industry, which I  
24 happen to -- in my opinion, is going through

1 significant consolidation and that's  
2 something we need to keep an eye on.

3 CHAIRMAN CROSBY: Other thoughts?

4 COMMISSIONER CAMERON: I'm just --  
5 You didn't tell me anything I already knew  
6 because I do really like to follow what your  
7 shop does. I've seen how much you've looked  
8 for efficiencies, how much you're always  
9 assessing the bang for the buck, you know, is  
10 this an important step or not. I totally  
11 agree with you that the relationships are  
12 critical, and it just helps with renewals.

13 I know you found that another  
14 jurisdiction was at a similar point in  
15 investigation. You ended up conducting some  
16 joint interviews, for example. So I know  
17 that you are, in fact, looking to use  
18 resources wisely and continually assess the  
19 work that you do. So that was a very good  
20 update on where you are and what you think is  
21 important, and I think the missing piece when  
22 you think, oh yeah, someone already did this,  
23 the relationship piece is criteria.

24 CHAIRMAN CROSBY: As usual, that



1 discussion of what you've done, what you're  
2 thinking about, why you're doing, it is  
3 characteristic of you and your team. And I'm  
4 completely mixed on this issue, and I think  
5 that a lot of things that concern me probably  
6 can't be addressed by a single jurisdiction.  
7 In a rational world, in my mind, for all of  
8 these multi-jurisdictional players, you would  
9 have some kind of centralized facility that  
10 assured the integrity and an agreed upon  
11 standard of all the players, and everybody  
12 would chip in a few bucks and that would be  
13 the end of that, but that's not anything that  
14 we can do.

15           What I do think about while we're --  
16 But I think that's something, frankly, that  
17 we ought to be talking to everybody else  
18 about. Maybe it's impossible, probably is  
19 impossible, but it still should be looked  
20 about, it's so rational. But a case like  
21 Everi, to me, is the perfect example. I  
22 don't doubt that there's something to be  
23 gained for that. But we have to make cost  
24 benefit analysis and cost tradeoffs, and we

1 have a lot -- in the next few years, we've  
2 got a lot coming up. Everybody knows your  
3 team is going to be under tremendous  
4 pressure.

5 There's a whole world we all the  
6 time see about all the places where there are  
7 still a lot of aggressive, bad folks which is  
8 cheating in the whole table game world which  
9 we haven't even yet come to grips with.  
10 There's going to be a world of activity  
11 there. There's going to be a ton of not  
12 multi-jurisdictional licensing that we'll be  
13 doing that are people who are just or very  
14 few jurisdictions or maybe just  
15 Massachusetts, a ton of licensing where we're  
16 going to have to pay really careful attention  
17 to who the players are.

18 Our resources applied to in Everi,  
19 one of our qualifiers at Everi was found  
20 suitable at a hundred other jurisdictions,  
21 and essentially all of them were 10, 15, 20.  
22 Using Commissioner Zuniga's standard in an  
23 earlier conversation, on a risk basis, what  
24 is the likelihood that we're going to find

1 something troubling, something disqualifying,  
2 something really concerning with, and what is  
3 the risk of the problem on the one hand, A,  
4 and B, taking the point that Commissioner  
5 Macdonald was saying, what is the likelihood  
6 that we will learn something that we couldn't  
7 just pick up from some other place?

8 You've said there are values there,  
9 and it's a question of weighing those values  
10 against other uses of the resources, et  
11 cetera. So I would hope and I know you guys  
12 do, you're already doing this, but help us  
13 think about ways to skin this cat. It is  
14 crazy.

15 When I look back on all of the big  
16 ones that we've done, I just can't imagine  
17 that we've really had to learn about Jim  
18 Merin. You know, do we really have to do him  
19 de novo on an investigation. It just doesn't  
20 make sense to me.

21 But you know, you can help us think  
22 this through. You guys know as much as  
23 anybody about how to do this. I just mean  
24 this as a sort of an open-ended question.

1 And I don't think there's a lot we can do  
2 from our standpoint alone, but I think we can  
3 -- maybe if we get lucky we can help the  
4 industry think about how it might do this in  
5 a better way.

6 If somebody else wants to speak on  
7 that, fine, otherwise I'm going to mention  
8 two quick things, and then call it a day.  
9 Anybody else want to say anything to that?

10 COMMISSIONER STEBBINS: There's one  
11 more item.

12 COMMISSIONER MACDONALD: You know,  
13 we have the small --

14 CHAIRMAN CROSBY: Oh, I'm sorry.

15 MS. WELLS: There's one more item.

16 CHAIRMAN CROSBY: I mean call it a  
17 day on this item, right. There are two other  
18 issues that we had talked about, and they've  
19 been talked about now tangentially. This is  
20 purely me talking. I don't know if anybody  
21 else agrees with me.

22 It seems to me that there is a  
23 tendency away towards what I would consider  
24 to be an evolving best practice, which is to

1 have little or no investigation, registration  
2 of non-gaming vendors.

3 We have a certain statute that we  
4 have to operate within. Given that statute,  
5 is it worth it for us to do what we're doing  
6 for non-gaming vendors? Now, we just a  
7 debate. We've already done the \$10,000  
8 tentatively, so we're not going to go any  
9 further on that at the moment. But again, I  
10 think it's something for us to think about.  
11 I think the rest of the industry is thinking  
12 about it. And by the same token, on the  
13 non-gaming employees, the gaming service  
14 employees, again, we have a statutory  
15 requirement. We've just discussed what it  
16 is. We have a consensus on it for the time  
17 being, but beyond that statutory requirement,  
18 how much does it really make sense to treat  
19 restaurant workers, hotel workers,  
20 concierge's people at restaurants and casinos  
21 and retail outlets that are near a casino  
22 differently from ones that are across the  
23 street? Does that really make sense.

24 And again, you all are in as good a

1 position as any to think about that. We've  
2 already invited our licensees and anybody  
3 who's interested to weigh in on those issues.  
4 And it's things that I think is, again, we  
5 can talk about constructively at an  
6 industry-wide basis, not just a one-off in  
7 Massachusetts. So I leave that on the table  
8 for us to continue to think about.

9 COMMISSIONER ZUNIGA: Can I talk  
10 about a little bit of that?

11 CHAIRMAN CROSBY: Sure. Go ahead.  
12 Let me just. The last thing was to talk  
13 about regular review. I think since Director  
14 Wells already started the review of regs on  
15 the licensing regs and is now undertaking  
16 review of internal control regs --

17 MS. WELLS: We haven't started that  
18 yet.

19 CHAIRMAN CROSBY: Well, it's getting  
20 there. But she has put that on the table,  
21 not the Commission. I think you're probably  
22 pretty comfortable with having and MGM  
23 supported the idea of having some kind of  
24 methodical review process. Maybe we'll wait

1           until we get past 2019 to do too much more of  
2           that. So that's the other thing that's on  
3           the table to keep thinking about. Please.

4                    COMMISSIONER ZUNIGA: Well, I was  
5           going to talk a little bit about what you  
6           just mentioned at the end of your comments,  
7           which is perhaps just process wise. I  
8           remember when we first started writing  
9           regulations when we were contemplating the  
10          award of how we were going to actually  
11          solicit those licenses. You might remember,  
12          we had this number of policy questions that  
13          we brought -- do you remember that we brought  
14          to each other. We distributed them amongst  
15          commissioners at the time. We obviously can  
16          use staff much more efficiently this time  
17          around.

18                    You know, there was a notion of a  
19          working group as well that  
20          Commissioner Cameron was mentioning. If we  
21          can come to some of these on a systemic way  
22          with specific or however broad, but narrow,  
23          policy questions, let's say, as we continue  
24          this process, I think it would be very

1 helpful to narrow the discussion and help us,  
2 you know, really do regulation writing  
3 eventually or rewrite, and in some instances  
4 leave it as is, you know, like what  
5 Commissioner Macdonald concludes from the  
6 existing notion of the automatic  
7 disqualifier.

8 I, for one, have recently been  
9 thinking about these very same sections not  
10 in the context of the automatic disqualifier  
11 of a felony, but in the investigations that  
12 we can do, may do as part of a disqualifying  
13 for -- that brings -- which Section 12 of the  
14 statute that wasn't mentioned before, brings  
15 in just about everything else: financial  
16 integrity, financial stability, you know, of  
17 individuals. And I've always sort of thought  
18 to myself exactly what does financial  
19 stability mean for an individual.

20 CHAIRMAN CROSBY: Especially a  
21 waitress.

22 COMMISSIONER ZUNIGA: Yes. And so  
23 as we contemplate rewriting these regulations  
24 or any others, I think process wise, if we



1 did something similar to that time where we  
2 had a specific policy question, I, for one,  
3 do a lot better by reading the material  
4 beforehand before the meeting, and if there  
5 is either, you know, the background that what  
6 we did or a transcript from before or a legal  
7 analysis in some case in house, we have a lot  
8 of capability to do that, I think we would be  
9 in a great position to do these very  
10 effectively. So as we continue these  
11 reviews, I would encourage us to try to do  
12 something like that.

13 CHAIRMAN CROSBY: We can follow up  
14 and talk to Catherine and Karen about if you  
15 have some specific issues you'd like to tee  
16 up like that.

17 COMMISSIONER ZUNIGA: Yes.

18 CHAIRMAN CROSBY: Any other on 8(d.)  
19 and these topics? Thank you, Director Wells.

20 MS. WELLS: You're welcome.

21 CHAIRMAN CROSBY: All right. We are  
22 to General Counsel Blue. Thank you  
23 Springfield folks for hanging around.

24 DIRECTOR WELLS: I'm just going to

1 step out with the group here.

2 CHAIRMAN CROSBY: Yes. Please do.

3 MS. BLUE: You have in your package  
4 today an amended small business statement for  
5 205 CMR 6.00. These are the Pentafecta Pool  
6 rules that we are adding to our racing  
7 regulations. These, we've had our hearing on  
8 this. We have filed them with the  
9 legislature and received no comment, so we're  
10 asking today for your approval of the amended  
11 small business impact statement so that we  
12 can do the final promulgation and get this  
13 one finally promulgated.

14 COMMISSIONER STEBBINS: Mr. Chair, I  
15 move the Commission approve the amended small  
16 business impact statement for 205 CMR 6.00,  
17 pari-mutuel rules for thoroughbred, harness  
18 racing, and greyhound racing, and the  
19 Pentafecta Pool is included in the packet and  
20 authorize staff to take all steps necessary  
21 to file the regulation with the Secretary of  
22 the Commonwealth and complete the process.

23 COMMISSIONER MACDONALD: Second.

24 CHAIRMAN CROSBY: Discussion? All

1 in favor. Aye.

2 COMMISSIONER ZUNIGA: Aye.

3 COMMISSIONER STEBBINS: Aye.

4 COMMISSIONER MACDONALD: Aye.

5 COMMISSIONER CAMERON: Aye.

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

8 MS. BLUE: Thank you.

9 CHAIRMAN CROSBY: Do I have a motion  
10 to any other business? Do I have a motion to  
11 adjourn?

12 COMMISSIONER ZUNIGA: So moved.

13 CHAIRMAN CROSBY: Second?

14 COMMISSIONER MACDONALD: Second.

15 CHAIRMAN CROSBY: All in favor?

16 Aye.

17 COMMISSIONER ZUNIGA: Aye.

18 COMMISSIONER STEBBINS: Aye.

19 COMMISSIONER MACDONALD: Aye.

20 COMMISSIONER CAMERON: Aye.

21 CHAIRMAN CROSBY: Believe it or not,  
22 we're all in favor. Thank you.

23

24 (Whereupon the hearing was adjourned at 4:00 p.m.)

SPEAKERS

GUEST SPEAKERS:

MGM Springfield:

Mike Mathis, President

Brian Packer, VP of Construction/Development

Seth Stratton, VP and General Counsel

Patrick Madamba,, Jr., Esq., Fox Rothschild,

LLP

UMass Donahue Institute:

Rod Motamedi

Thomas Peake

Everi Holdings:

Juliet Lim, General Counsel

Randy Taylor, CFO

Plainridge Park Casino:

Lisa McKenny

SEIGMA

Dr. Rachel Volberg, Principal Investigator

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1 MASSACHUSETTS GAMING COMMISSION:

2 Catherine Blue, General Counsel

3 Karen Wells, Director IEB

4 John Ziemba, Ombudsman

5 Loretta Lillios, Deputy Director of IEB

6 Mark Vander Linden, Director Research and

7 Responsible Gaming

8 Teresa Fiore, Program Manager

9 Doug O'Donnell, Senior Financial Analyst

10 Derek Lennon, Chief Financial and Accounting

11 Officer

12 Agnes Beaulieu, Finance and Accounting

13 Alex Lightbown, Director of Racing

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C E R T I F I C A T E

I, Amie D. Rumbo, an Approved Court Reporter,  
do hereby certify that the foregoing is a true and  
accurate transcript from the record of the  
proceedings.

I, Amie D. Rumbo, further certify that the  
foregoing is in compliance with the Administrative  
Office of the Trial Court Directive on Transcript  
Format.

I, Amie D. Rumbo, 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 Stenographic  
means, and transcript was produced from a  
computer.

WITNESS MY HAND this 27th day of September,  
2016.

*Amie D. Rumbo*



Amie D. Rumbo, Notary Public

My Commission expires: 10/23/2020