CHAIRPERSON JAMES:

Since our last meeting in Atlantic City, the Executive Director, Ms. Nancy Kennedy and the Commission staff have been steadily at work and at this point I'd ask that our Executive Director to provide the Commission with her report.

MS. KENNEDY: Thank you, Madam Chair.

After the Atlantic City meeting the staff went back to Washington to the table, and with the direction we received from the Chair and the Commissioners, worked to learn from that meeting's shortcomings and to build on its successes.

As a result, this agenda allows time for in-depth discussion among commissioners and witnesses. Witnesses have been asked to keep their testimony focused on specific issues, and we have, we hope, provided pertinent material to the Commissioners on the general content of the presentations. We are hopeful that you find this on-site meeting more productive then
the first. And I want to thank you all for your contributions and support.

We're still hoping for a detailee from the U.S. Government Accounting Office. We've met with their officials three times now. We've put forth a detailed work plan for such a staff economist and we have interviewed one candidate. And we expect to have a decision soon.

In addition, we have secured one unpaid intern to help in some administrative aspects of our work. I'd have to ask Martha to give her name. She is a young lady from Turkey, and I can't pronounce her name.

MS. ROBERTS: Asli Rubuluk. How's that?

MS. KENNEDY: We still do have requests out to many of the area colleges and universities for additional interns.

My report at every meeting will contain the reminder about confidentiality. The rules adopted by the Commission charge me as Executive Director with
enforcing the confidentiality provision. Everyone has
a copy of 18 U.S. Code Section 1905, regarding the
disclosure of legally confidential information. And
let me respectfully remind everyone of this legal
obligation and refer you to Section 10 of our
Supplemental Operating Rules.

COMMISSIONER BIBLE: In that particular
area, since you provide us with a great number of
documents, could you stamp those documents that the
staff considers to be confidential?

MS. KENNEDY: Certainly.

COMMISSIONER BIBLE: So that each
individual Commissioner does not have to make an
independent determination as to what is or is not
confidential?

MS. KENNEDY: Yes, we usually stamp them
draft, but we will stamp them confidential from now on.

Thank you.

In the area of research, the responses to
our RFP were of remarkable quality, as you've
discussed. And the Research Subcommittee has gone into merits of the proposals and they will be presented later.

You'll find in your briefing books under Tab 5, our current budget. It is tight, but we are currently on budget in the aggregate. And we're still hoping to secure co-funding with other federal agencies which will also be covered in Dr. Kelly's report.

We're tightening the belt even more regarding communications and meeting expenses. This means that we find it very expensive to contract with Lexis-Nexux which has, until the first of this month, been used on a pretrial basis. We received an offer of a discounted rate through the year, at the rate we are using it they projected that we would have to pay between $3,500 and $4,000 a month for next year based, as I say, on our current level of usage. At this rate, we will be disseminating clips to Commissioners on less regular basis, but we are going to, at least for the
moment, contract Lexis on a smaller scale so we can do
our literature search with the research.

We've already conducted advance work on the
logistics for our next meeting scheduled for May 20th
and 21st, in Chicago. And we have initiated
preliminary research on the perspective issue areas.
You saw an outline of possible subjects for the Chicago
meeting under Tab 7.

We would like to discuss these four areas
that from a staff perspective we do not feel that we
have the physical resources to properly do the research
and plan a meeting for four different areas. And we
would like to have your guidance on this.

And I'd like to--

CHAIRPERSON JAMES: When you say areas, you
mean the four different subject areas, issues?

MS. KENNEDY: Yes. And I'd like to open it
for discussion of that at this time.
COMMISSIONER BIBLE: What sort of research projects are being conducted by the staff at this point?

MS. KENNEDY: Not research projects, but we, going out and doing advanced work and talking to people within the different areas that are under consideration to be issues.

COMMISSIONER BIBLE: Are staff members then assigned projects, like Doug apparently was assigned a project to compile information on the lotteries?

MS. KENNEDY: Yes.

COMMISSIONER BIBLE: So a staff member is doing something on the Internet and we're also doing something on parimutuel wagering?

MS. KENNEDY: Martha has been working on Internet. And she did the advance to Chicago and I've asked her to come to the table to answer your specific questions. Allison Flatt is doing the research on the Native American gaming issues.
COMMISSIONER BIBLE: Do we have other research projects being undertaken at this point, or is that it?

CHAIRPERSON JAMES: Let me clarify something. Because I think there's a distinction between research projects and background briefing materials for the Commission. And I think that Nancy is talking about briefing materials as opposed to research. Is that correct?

MS. KENNEDY: That's correct.

CHAIRPERSON JAMES: So in terms of research projects, no.

COMMISSIONER BIBLE: There's nothing being done independently by the staff, it's all being done by the Research Committee.

CHAIRPERSON JAMES: It's background research, right.

COMMISSIONER BIBLE: So you're just providing background briefing papers on a variety of issues.
CHAIRPERSON JAMES: Correct.

COMMISSIONER LOESCHER: Madam Chairman, do you know, we've spoke of this before in earlier meetings, but I find it really helpful to have a panel like we had today on, like on the lottery. And now I have a little bit more information with which to consider research projects or further hearings or whatever.

And you know, for instance in Chicago, if you're looking at this Tab 7 and we have several subjects, one of them is Internet gambling. And one of the things that I thought, you know that we could do is to have a sort of prehearing where we could bring four or five experts in America to the table and just a briefing from them on what they see with Internet gambling. Because quite frankly, I don't know anything about it and the literature is unbelievable if you start looking into it. But somebody, a group, a panel like that could distill the high points that we should be looking at in a hearing hour, two hour hearing. But
these other subjects that we have for Chicago sort of bear the same, kind of a preliminary kind of panel of experts to help get us focused.

So I don't know what kind of work it takes for staff to identify three, four or five people in America who have the expertise and then invite them to the hearing or the meeting to help this body look at these issues. But it seemed to me that that's not an undoable effort.

So, I don't know, Madam Chairman, I would like to see some of these issues get a prehearing, prebriefing at some point in the next six months.

CHAIRPERSON JAMES: I think the question that, and I don't mean to speak for Nancy, but the question that she's asking of us as a Commission is that when we go to Chicago there are four very substantive issues. And she's just looking for some guidance, are there any priorities, do we want to prioritize them, do we want to do them all equally, do you want to give them any guidance as they're beginning
to put together that particular visit. Or do you just want the staff to give it their best shot and send it out to you in draft form?

We are looking at, as the Commission discussed last time, the Internet, we are looking at parimutuel or off-track betting, we are looking at securities and we are looking at riverboat gambling. And those were the four issues that the Commission identified last time as issues that could potentially be discussed in Chicago.

And so now the staff is coming back and asking for a little bit of guidance. Would you like to narrow that down, or would you like to keep it--

COMMISSIONER MOORE: --Doug's handout, I mean, mailed out last week on lotteries, that he presented this morning to us. I found this mailed out to us, the research or whatever he had done on that, very informative to me, and had me ready this morning to listen to him and know what he was talking about. Could we do that, like on the Internet?
CHAIRPERSON JAMES: Yes, that's our intention to make sure that we have some sort of briefing or background before each discussion. But I think what I hear the staff saying is, help. Could we narrow it a little bit, and they need to know from us what are priorities are. And so I'd like to open that up for discussion from the Commissioners at this point.

COMMISSIONER DOBSON: Madam Chairman, my statement is in the book, but I'd just like to call attention to it again, making the case for riverboat gambling as a subject for inquiry. I don't need to read it, but it's stated there.

CHAIRPERSON JAMES: Thank you.

COMMISSIONER McCARTHY: Would you mind mentioning, I've got parimutuel, riverboat gambling, Internet, and what are the other two, please?

CHAIRPERSON JAMES: Securities, parimutuels/OTB. And that's behind Tab 7, I believe in your books. And each subject is divided by a green paper.
Now we can direct the staff to come back with a recommendation, but if there is any guidance that you'd like to give, this is the time to do it.

COMMISSIONER BIBLE: Well some of these issues probably have fairly extensive briefing type documents prepared by other parties in our staff. I would guess the Internet has quite a bit of material that you could compile and just simply send it to us, and you can read it fairly quickly. Parimutuel, probably not, just because of the nature of the activity, it's a fairly traditional activity. I don't think there's anything that has been compiled recently on it that would be concise. But I think you just go back and take a look at the literature that's available and then supplement in terms of your briefing documents were you think it's appropriate. I think you're going to have to make those decisions.

CHAIRPERSON JAMES: And I'm going to ask Commissioners to really speak loudly and right into the
mike, because I'm having a hard time, I know they will out there.

MS. KENNEDY: Commissioner Bible, my concern from a staff perspective is that we are here in Boston with two issues on the table which are consuming our two days. I'm not sure that we can do justice to four issues at one site visit. In looking at the issues, the Internet could be looked at anywhere. It was brought up early in a Commission meeting as possibly doing it in Chicago, but you could do the Internet--

CHAIRPERSON JAMES: Could you do it over the Internet? That was not a joke.

MS. KENNEDY: As long as we tell the Press so they can all tune in.

The issue of the parimutuel over the OTB could also be handled on our trip in the west. I think the two issues that lend themselves most precisely to Chicago, should you decide to do it, is the securities issue and the other would be the casino boat gambling
from the local impact. Which is what Dr. Dobson was getting to in proposing it there, as opposed to Biloxi or New Orleans, where you have people coming from all over the country, whereas in the midwest it's mostly people in the local area who use the facility.

CHAIRPERSON JAMES: Commissioner Wilhelm.

COMMISSIONER WILHELM: I want to point out with respect to parimutuels that one of the reasons Commissioner Lanni suggested Southern California at the particular time frame that he suggested it specifically, was because there's an opportunity to visit the parimutuel issue there at that time. And that might be worth considering in terms of the agenda crunch that you're talking about.

I also would, while I completely agree with Commissioner Dobson that we need to look at not just riverboat gambling but, I think the focus of his concern as I understood it was that type of gambling which draws primarily from the immediate local community. That is readily available in both
Mississippi and Louisiana. It is also true that there
are some other variations of casino gambling in
Mississippi but that kind of examination is readily
available in both Mississippi and Louisiana.

So I, and my own view is we ought to look
at parimutuels when we go to California and we ought to
look at riverboats and related kinds of gambling, that
I would call convenience in Louisiana, which has at
least two varieties of it, truck stop video play and
locally oriented riverboats. And that we ought to look
at it in convenience gambling in Las Vegas too, you
know, slot machines in supermarkets and 7-Elevens for
example, which is something that troubles me
personally.

And I would make those suggestions with
respect to trying to deal with the agenda crunch in
Chicago. I would also, when we do the Internet, I
would like to urge you to invite, and this is indicated
in some of the notes that you've provided us in the
binder, to specifically invite the Attorneys General of
Missouri, Wisconsin and Minnesota, as well as Senator Kyl to come and talk to us.

CHAIRPERSON JAMES: So noted.

Any other guidance for the staff at this point.

COMMISSIONER McCARTHY: So that I may understand what my colleague Mr. Wilhelm was proposing, we limit this down to now, in the order of one, two, three, what were the priorities you want to see as given in Chicago, John?

COMMISSIONER WILHELM: I was suggesting securities. Something about which I know absolutely nothing and never intend to learn. But of one which Commissioner Leone can try to educate. No seriously, I was suggesting securities and the Internet. And to whatever extent we can add on some riverboats, fine. I've been discouraged by the apparent view on the part of some of us that we ought not ever go outside the room. And I will assure you that if you go to Chicago, you've got to go a ways to find any
riverboats. They're not in Chicago. So if people are
up for road trips, which they seem to have a reluctance
to be, maybe we can fit them in as number three. But
since we can see various kinds of convenience gambling
including but not limited to riverboats in both Las
Vegas and Louisiana, it seems to me we can do that
there too.

So I would say securities, Internet and to
the extent that we can fit it in riverboats. And I
would recommend parimutuels be saved for California.

COMMISSIONER BIBLE: And I would concur
with that, but rank them a little bit differently. It
would seem to me you'd want to do Internet, riverboat
and securities. Or riverboats, Internet and
securities.

COMMISSIONER LANNI: Yes. I think John is
suggesting Internet and securities as one and two,
correct?

COMMISSIONER BIBLE: I believe that was
John's suggestion.
COMMISSIONER WILHELM: Yes, let's do them both there, and then whatever else we have time for, basically, was what I was suggesting.

CHAIRPERSON JAMES: Commissioner Leone.

COMMISSIONER LEONE: Yes, let me try to clarify, if I've been pressing this securities issue, what I have in mind and why I think it would be useful. I have, I recognize that the mandate of the Commission doesn't technically cover what's called the securities industry. And I also recognize that what in the securities business is called speculation is not considered the same as gambling and has a noble economic purpose that it serves. And I also recognize that the securities industry contributes more to politics than even the gambling industry. So I have no illusions about our incorporating any of the issues about speculation and securities into our agenda.

What I do think would be useful for us is the securities industry by and large is very proud of the job it does. The soft regulatory organizations,
the exchanges, the two large and there are several smaller federal agencies, the SEC and the CFTC, have elaborate structures, there's an immense federal code that covers this.

There are, within the large consumer oriented firms like Merrill Lynch and D.L.J. and other ones, internal rules that effect who can do what and what kind of customers can do other things. There's a great deal of information about disclosure. And I think that are, I think this is as close as we can come on the national level to models that might provide some useful insights into regulation. Obviously at the state level there are some obvious places we're visiting, New Jersey, Nevada, where people claim they have great models for regulatory issues.

So I thought that we might devote part of one session to presentations by people who were both scholars and regulators and maybe even some industry people who if properly assured might not feel they'd be tainted by appearing before a commission with our name
to come and teach us what we, we can draw our own
conclusions down the road about whether or not any that
information is useful.

CHAIRPERSON JAMES: At first blush they
want nothing to do with us.

COMMISSIONER LEONE: That's true. That
doesn't surprise me. But it is interesting in a
variety of ways. And obviously in commodities trading
the most reliable estimates are that 85 percent of the
people who speculate, who buy and sell commodities
contracts lose all the money they invest. But that is
the most risky of the conventional securities
transactions.

So I just thought Chicago, having been
president of a futures exchange, so I know something
about this business, we might collect, there might be
some people. And it also is easy for people to come
out from Washington and New York to Chicago, somewhat
easier, it's a short flight. That's my main argument.
It doesn't obviously have to be in Chicago. I think
we've got, you know Chicago is an anomalous place, for
the riverboat gambling a place like Iowa might even be
better, more clearly nobody quite understood what was
going on when they started riverboat gambling and some
other states.

So I don't have a strong preference about
where we do what. I do agree the Internet has to be
high on our list. But I do think we ought to be moving
to a couple of these issues where we have a lot to
learn, like the Internet, like securities business.

CHAIRPERSON JAMES: Any other guidance? My
suggestion will be at this point that we take this
discussion that we've had here back to the staff and
let them come to us with a recommendation for how we
could best use our time in Chicago based on what they
know, or the restraints that they're operating under.

COMMISSIONER BIBLE: It sounds to me like
parimutuel wagering is essentially off the agenda for
Chicago.
CHAIRPERSON JAMES: What I'm hearing is that we will have the opportunity to address that perhaps in our California visit. Anything else on this subject?

Okay. Nancy -- yes?

COMMISSIONER DOBSON: Madam Chairwoman, may I just make one more statement in defense of studying riverboat gambling?

CHAIRPERSON JAMES: Absolutely.

COMMISSIONER DOBSON: I'm no expert on this, and so this is just my understanding, some Commissioners may want to contradict me, but that the riverboat gambling in Illinois is different from Biloxi and other places. That it does draw primarily on the local population. And that other states are considering instituting that same kind of operation, which will be instructional for them, apart from how it's done in some of the larger gambling centers that draw from people outside. Also the fact that it is in
fairly low income areas. And so, for what it's worth,
I still think we ought to do that.

CHAIRPERSON JAMES: Thank you.

Nancy, do you want to continue with your report.

MS. KENNEDY: Yes. As we discussed at the last meeting the staff attempts to do at least some preliminary thinking a meeting ahead or two meetings ahead, and at Tab 8, you have our memo on the meeting for July in California and Arizona. I would appreciate your consideration of issues for that meeting. And as I'm hearing we do have parimutuels on the list but I need you to think about the issues for California, because I will be getting back to you shortly after I get back to you on Chicago, to try to identify issues for that meeting.

But while I have you, also I'd like to ask, we have, in looking into the California/Tempe meeting, find that we could spend one day in San Diego and take a 6:30 flight or 7:30 flight and it's like an hour
flight into Phoenix. And then we could stay over night
and do the Native American gaming meetings the next day
there. That issue I'd like to have some serious
discussion on because of the fact that securing hotel
space is very, very hard. As the Chair indicated this
morning we had to rely upon the help of the officials
here in Boston to get us this meeting space.

COMMISSIONER McCARTHY: Madam Chairman?

CHAIRPERSON JAMES: Yes.

COMMISSIONER McCARTHY: I move we follow
the suggestion just made that we take planes and be in
Tempe and plan to stay there that night so that we can
have an earlier start on the second day of that
meeting, because we have a long complex agenda on the
Indian gambling.

CHAIRPERSON JAMES: With that direction,
Nancy I'm going to ask that you go ahead and work out
that with the two issues that we have and get that back
to the Commission in draft form for discussion.

Anything else?
MS. KENNEDY: Yes. As always, the staff will continue to work hard to respond properly and thoroughly to the requests for information from both Commissioners and the public. And we welcome any recommendations that you might have to make us more responsive in that area.

And I'm pleased to tell you since our last meeting, when the Website was approved, that we are up and running.

CHAIRPERSON JAMES: Do you want to give that address?

MS. KENNEDY: Yes. We're at WWW.NGISC.GOV and you can pull us up on the Internet now. And we find it very exciting to be there. We've gotten a lot of e-mail and we've already been hot linked to some other sites.

I think that just about covers my report.

I thank you for your consideration of our work plan and we will forge ahead. If you have any other questions?
CHAIRPERSON JAMES: Are there any other questions for the Executive Director?

Thank you, Nancy.