

PENNSYLVANIA GAMING CONTROL BOARD

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

THURSDAY AUGUST 4, 2005, 12:11 P.M.

BEFORE:

THOMAS DECKER, CHAIRMAN
MARY DiGIACOMO COLINS
WILLIAM P. CONABOY
JEFFREY W. COY
KENNETH T. McCABE
JOSEPH W. MARSHALL, III, via telephone
SANFORD RIVERS
ROBERT P. CASEY, JR., PA STATE TREASURER
GREGORY C. FAJT, SECRETARY OF REVENUE
DENNIS WOLFF, SECRETARY OF AGRICULTURE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning and welcome
2 to our meeting. I don't know which number that is
3 now. Thank you. I guess it's good afternoon now.

4 I'm Tad Decker. I'm Chairman of the
5 Pennsylvania Gaming Control Board. I would like to
6 welcome you all officially to the meeting. Please
7 note that Commissioner Chip Marshall will be
8 participating by telephone.

9 Chip, can you hear us?

10 COMMISSIONER MARSHALL: I'm having trouble
11 hearing you, Tad.

12 CHAIRMAN DECKER: Good. Did you hear that,
13 Chip?

14 COMMISSIONER MARSHALL: I heard the good,
15 yes, Tad. If you could just get it a little louder,
16 I would appreciate it. Thank you.

17 CHAIRMAN DECKER: We will. We'll see if we
18 can speak a little closer to the mic, Chip. Thank
19 you for being able to be with us today, Chip.

20 COMMISSIONER MARSHALL: No problem.

21 CHAIRMAN DECKER: A quorum of the Board is
22 present so this meeting is called officially to
23 order. Please note that Secretary Wolff had a
24 scheduling conflict today and was unable to attend.

25 As always, we ask, particularly the Board

1 members, if I remember from the last meeting, that we
2 shut off our cell phones and blackberries, etc.,
3 because it interferes with the sound system.

4 Please join me in the Pledge of Allegiance.

5 (Pledge of Allegiance.)

6 CHAIRMAN DECKER: Thank you very much.

7 Before we begin the meeting or the official part of
8 the meeting, I would like you to know that the Board
9 had a brief Executive Session for the purpose of
10 discussing personnel and conducting some interviews,
11 specifically on potential candidates for positions
12 with the Board. No business was conducted during
13 this session.

14 Our first order of business this afternoon
15 is for the Board to approve and adopt the transcripts
16 of its last meeting. May I have a motion --

17 COMMISSIONER MARSHALL: So moved.

18 CHAIRMAN DECKER: Thank you, Chip --
19 approving the transcript?

20 COMMISSIONER RIVERS: Second.

21 CHAIRMAN DECKER: Any comments?

22 All of those in favor, please indicate by
23 saying aye.

24 COMMISSIONERS: Aye.

25 CHAIRMAN DECKER: It passing unanimously.

1 Please note that the minutes for the last meeting
2 will be available, as usual, on the PGCB website and
3 that this meeting is being recorded by a
4 stenographer, again, as usual.

5 Our next topic is diversity forums. As you
6 know, the Board has been planning to hold public
7 forums in Philadelphia and Pittsburgh this fall on
8 diversity in gaming.

9 These forums will be designed to help
10 women-owned, minority-owned, and disadvantaged
11 businesses in Pennsylvania's gaming industry at all
12 levels, not only in licensed suppliers but also in
13 vendors.

14 We're wrestling a little bit now with the
15 agenda, and I'll come back to that in a second, as to
16 whether we're going to have this just primarily
17 focused on suppliers or also suppliers and
18 contractors and vendors.

19 However, while the planning continues on
20 the Pittsburgh forum, which is scheduled now I think
21 everybody knows for October 27th, this year, 2005 at
22 the Duquesne University.

23 I am happy to report that we have finalized
24 our plans for location for the Thursday, September

25 29th, 2005 forum in Philadelphia. The site is at the

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1 Fox -- I'm going to pronounce this wrong, Chip --
2 Gites Room at the Liacouras Center at Temple.

3 COMMISSIONER MARSHALL: Fox Gites Room.

4 CHAIRMAN DECKER: Gites. That is a big
5 mistake. It's G-i-t-e-s, the Fox Gites Room at the
6 Liacouras Center at Temple University in Centre City.
7 The address is 1776 North Broad Street. We will be
8 publishing a tentative agenda for the forum, as I
9 said, on our website today and we will have a list of
10 speakers and details on the registration process as
11 soon as next week.

12 The web address, in case anybody doesn't
13 know it, is www.pgcb.state.pa.us. If you have any
14 questions or comments about the agenda and have
15 suggestions about the agenda, because part of this
16 process is not only providing information but we want
17 to provide some networking opportunities, please
18 contact Lamont Williams of our staff. He's going to
19 be our pointman on the forum or Nick Hays who heads
20 up our communications office.

21 We would be happy to have those comments
22 but they ought to be in writing -- okay -- so they're
23 not deluged with phone calls.

24 Again, the diversity forum is on Thursday,

25 September 29th at the Fox Gites Room, Liacouras

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1 Center on the main campus of Temple.

2 And again, because there had been some
3 confusion before, it's worth repeating for the people
4 in the west, details for the Pittsburgh forum on
5 October 27th at Duquesne will be announced as soon as
6 they are completed but that will be, I would suspect,
7 in the next few weeks.

8 Again, any suggestions, we would appreciate
9 having them. We think it's important. We want this
10 to be very successful and extremely well attended.
11 Again, we want to provide the kind of networking
12 activity that people do have typically in these kinds
13 of seminars.

14 All right. New business, our next item,
15 regulations update. I would like to call on
16 Commissioner Mary Colins, who has been working for
17 several months now and has been leading a working
18 group made up of members of our staff as you know and
19 volunteers from the four legislative caucuses to
20 develop the regulations to implement Act 71.

21 Mary, I understand the group has completed
22 work on the next set of draft regulations and we
23 could put them out for comment today. Could you give

24 us an update, Commissioner Colins?

25 COMMISSIONER DIGIACOMO COLINS: Yes. Thank

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1 you. The next set of regulations that I'll offer to
2 my fellow Board Members for a vote on publishing them
3 for public comment will be for the Category 2 and 3
4 facilities, the licensing of those facilities and
5 also the regulations which establish the Bureau of
6 Investigations and Enforcement within the Board.

7 A brief summary of these regulations would
8 be that they -- the Category 2 and 3 regulations are
9 going to be added to the existing Subpart C, which is
10 entitled Slot Machine Licensing.

11 That will encompass the complete array of
12 proposed temporary regulations for operators'
13 licenses and Chapter 443 for the categories of
14 licensure.

15 In addition, I would like to just once
16 again repeat that under 1307 of the Act, the Board is
17 authorized to license no more than five Category 2
18 facilities. Again, they are the freestanding
19 casinos. Two of those facilities according to
20 Statute must be located in the city of the first
21 class, which would be Philadelphia, and one facility
22 must be located within the city of the second class
23 determination. According to the code, that is

24 Pittsburgh.

25 The Board will license no more than two

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1 additional Category 2 casinos in areas that are
2 considered tourist-enhanced areas throughout the
3 Commonwealth.

4 Then the Board may license no more than two
5 Category 3 facilities. Those, again, are facilities
6 which will have licenses awarding 500 -- a maximum of
7 500 slot machines per facility. They may be in
8 well-established resorts in the Commonwealth.

9 Regarding the BIE regulations, these will
10 be part of a new chapter, 405, titled Bureau of
11 Investigations and Enforcement. This will be added
12 to the general provisions.

13 These regulations pertain to the general
14 powers and duties of the Bureau of Investigations and
15 Enforcement. It creates within the Bureau, the
16 office of enforcement counsel, which will be the
17 prosecutorial arm of BIE.

18 There will be a counsel who will be the
19 chief prosecution counsel for the Board, and then the
20 procedure and conduct of BIE and the office of
21 enforcement is also encompassed in the regulations
22 that are proposed for posting.

23 These regulations will cover the practice,
24 the procedure of BIE, ensure, and hope to ensure at
25 the appropriate separation of BIE from the Board to

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1 ensure compliance with the Lyness decision requiring
2 the due process separation of the prosecutorial arm
3 of the Board from the quasi judicial function of the
4 Board.

5 In addition, as you all know, the
6 manufacturers' regulations are on website, approved
7 as temporary regulations. The applications are on
8 website. I want to add to that that during this
9 application period for manufacturers, if there are
10 questions concerning the applications and the
11 process, we encourage you to contact the licensing
12 department of our Board if you have questions about
13 these applications.

14 You should feel free to talk to staff with
15 your questions. They will assist you and guide you
16 through the process, if you need that. So I want to
17 make sure that that is understood.

18 Finally, the work group is working on the
19 vendors' licenses, licensing and registration for
20 vendors, and all of the regulations governing that.
21 We're doing that in hopes of having the draft
22 completed for our next meeting for publication.

22 just comment briefly on the issue of Fourth Amendment
23 due process, which some people may not understand.

24 I would like to go into it just a little
25 bit. There is a decision called the Lyness decision

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1 in Pennsylvania. Some of you may be familiar with
2 that.

3 We cannot -- we cannot as a Board -- be it
4 prosecutors and recommend prosecution of cases, in
5 essence denying people licenses in the first instance
6 or approving their licenses in the first instance or
7 revoking someone's license in the first instance.
8 That's why there's a BIE, there will be separate
9 counsel, etc.

10 From our perspective, we're going to be one
11 of the final judges of that at least from the
12 administrative standpoint. Therefore, we can't
13 receive information directly on those subjects, and
14 we don't plan to.

15 So I wanted to elaborate a little bit on
16 Mary's comment and so that people understand what our
17 role would be versus the Bureau of Investigations and
18 Enforcement and others who will be performing
19 services and supplying them with information. I want
20 to make that crystal clear.

21 Any more questions on that point?

22 COMMISSIONER DiGIACOMO COLINS: Could I add
23 something to that? We have received some calls from
24 potential applicants who want guidance and advice and
25 have met with some of our staff regarding the

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1 applications and have inquired, can we meet with a
2 Board Member as well?

3 Well, that's not possible because of Lyness
4 to sit down and to talk about the applications and
5 what should go in it with an applicant, just so you
6 understand that the appropriate people to deal with
7 that are our staff people.

8 CHAIRMAN DECKER: Any other questions or
9 comments on Mary's report?

10 Mary, thank you. I thank the working group
11 in particular for all of the group help as usual.

12 COMMISSIONER DiGIACOMO COLINS: Would you
13 like a motion on that?

14 CHAIRMAN DECKER: Yes. I'm sorry. How
15 about a motion, Mary, now that you mention it.

16 COMMISSIONER DiGIACOMO COLINS: Okay. All
17 right. I'll move that the Board make available for
18 public review and comment the draft temporary
19 regulations pertaining to Category 2 slot machine
20 licenses, Category 3 slot machine licenses, and the

21 development of the Bureau of Investigations and
22 Enforcement through the publishing of the regulations
23 in the Pennsylvania Bulletin and through the posting
24 of the regulations on the Board's website, and that
25 the Board shall establish a public comment period for

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1 a period of 30 days beginning August 4th, 2005 and
2 ending on September 6th, 2005.

3 CHAIRMAN DECKER: Mary, before we vote --

4 COMMISSIONER MARSHALL: Second.

5 CHAIRMAN DECKER: Second. Thank you, Chip.

6 As was the case with our previous public comment
7 periods, our communications department will oversee
8 public comments this time around as well.

9 With an outline on how to do that, Nick,
10 could you just make -- to refresh everyone's
11 recollection on how that is done, could you please
12 comment on that?

13 MR. HAYS: I'm getting to be an old hat at
14 this, but it's good to come out again and try to make
15 this process as clear as possible for everyone.

16 Number one, thank you for taking the time
17 to hear me. This phase of the regulatory process
18 covers the Category 2 and Category 3 licenses, as
19 well as the Bureau of Investigations and Enforcement.

20 As I discussed with you in previous

21 sessions, when we do a public access project of this
22 importance, there are three pieces to it.

23 The first is making sure that people have
24 access to the information that they're going to
25 comment upon. Second, that we as an agency are able

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1 to gather and organize the comments for maximum
2 utility to the Board and the public. Third, that the
3 public has access to all of the comments themselves.

4 As in the past, we'll provide public access
5 to the draft regulations in three ways. As soon as
6 the Board approves them, we will put them on the
7 website. Worth repeating, again, the address is
8 www.pgcb.state.pa.us.

9 Second, draft will be published in the
10 August 13th, 2005 issue of the Pennsylvania Bulletin.
11 Third, anyone who wants a printed copy may request it
12 by mailing the PGCB a certified check for \$10 to
13 cover copying, staff time, and mailing charges.

14 If you are going to avail yourself of that
15 opportunity, the address is PGCB, Box 69060,
16 Harrisburg, Pennsylvania. The zipcode is 17106-9060.
17 The check should be made out to the Commonwealth of
18 Pennsylvania.

19 It's worth noting that through the two

20 prior phases, we have actually not had a single
21 request for a hard copy or had to send one out. I'm
22 probably jinxing this.

23 CHAIRMAN DECKER: Yeah. You didn't have to
24 mention that, Nick. You can move on with that topic.

25 MR. HAYS: It was been -- the use of the

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1 Internet has been tremendously successful there.
2 We're also going to publish the instructions that I
3 have outlined with the draft so people can go to the
4 net and find them.

5 Board's approval of the posting will mark
6 the beginning of a month-long public comment period.
7 Again, to be considered, submissions must be
8 postmarked no later than Tuesday, September 6th,
9 2005.

10 After we received all of the comments, of
11 course, we will organize them and present them to the
12 Board for you guys to consider, ultimately to
13 approve.

14 One word on the submissions themselves,
15 there is certain information that must be provided
16 with them. You must have the name of the person
17 submitting the comment, the name of any organization
18 on whose behalf he or she is commenting.

19 We need to have the person or

20 organization's mailing address. We need a telephone
21 number, an e-mail address that we can use to verify
22 the source of the information, though we're not going
23 to publish those and the county in which the person
24 or organization is based.

25 Finally, the comments should include the

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1 section number of the regulations that the comment
2 addresses or if there's no section number, just the
3 general topic of the comment.

4 Let me repeat that except for the mailing
5 addresses, phone numbers, and e-mail addresses, this
6 information will go into the record that the Board
7 ultimately publishes with the comments themselves.

8 Final step is the staff will publish a copy
9 of the public comments and the Board's responses. If
10 needed, we will provide hard copies for a price to be
11 determined. I can't tell you what the price would be
12 yet because we don't know how voluminous the comments
13 would be.

14 That's basically the outline. If anyone
15 has any questions, I will be happy to answer them.

16 CHAIRMAN DECKER: Thank you, Nick.

17 Any questions from any of the Board

18 Members?

19 Thank you, Nick.

20 We have a motion pending, which was
21 seconded to publish the draft regulations for a
22 30-day public comment period.

23 Is there any discussion? If not, all of
24 those in favor, please indicate by saying aye.

25 COMMISSIONERS: Aye.

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1 CHAIRMAN DECKER: Any opposed? Motion
2 carries.

3 Our next order of business is a licensing
4 update, and I would like to ask Susan Hensel, special
5 assistant to the Board, and David Kwait, who is our
6 director for investigations and enforcement, to come
7 forward.

8 On June 16th, the Board opened a two-month
9 period for manufacturers of gaming equipment to
10 submit license application. That period closes on
11 August 15th, just 11 days from now.

12 Again, here with an update are Susan and
13 David. Susan, I understand you have some news for us
14 as well. Thank you.

15 MS. HENSEL: Thank you, Chairman Decker,
16 and good afternoon, Commissioners. I'm pleased to
17 tell the Board that yesterday we received our very
18 first application for a manufacturer's license.

19 I will tell you that the application we
20 received yesterday is just a precursor to what we can
21 expect from future applicants.

22 Chairman Decker wanted me to talk to the
23 Board a little bit about what the application itself
24 actually looks like so that we all have a perspective
25 of what we're talking about when we talk about an

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1 application.

2 CHAIRMAN DECKER: What the submission looks
3 like.

4 MS. HENSEL: The submission, yes. To
5 illustrate that, I brought along a blank copy of our
6 manufacturer's application form, a modest binder. I
7 also brought along the box, which thankfully is empty
8 today and this, filled to capacity, constituted our
9 first submission for an application, our first filled
10 out application.

11 I can tell you that contained in this box
12 were six volumes that were 5 inches each and in
13 addition to that, at least another 11 smaller
14 binders. Together, these items stacked one on one
15 stand almost 4 feet tall. So when we're talking
16 about an application, we're talking about a great
17 deal of information.

18 The reason that we're seeing so much
19 information being submitted by an applicant is
20 because of the extraordinary level of detail of
21 information that we are requesting.

22 For instance, from an applicant, which an
23 applicant constitutes both and a business entity that
24 is applying and also the key employees and the
25 qualifiers that are applying for licensure, when we

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1 ask them for information, we are looking for
2 extraordinary detail.

3 For the business entity, for instance, we
4 are looking at part of the application requests them
5 to provide 33 schedules worth of information, much of
6 this is focused on financial information.

7 This financial information ranges from
8 financing long-term debt to any bankruptcies or
9 insolvencies, etc.

10 We also attach -- ask them to attach to
11 their application 19 appendices of information,
12 again, focusing very heavily on the financial. These
13 appendices include various financial reports from
14 auditors and other sources, securities and exchange
15 commission filings, IRS filings, information on
16 insurance claims, litigation and on and on and on.

17 So we are getting a great deal of financial

18 background on each of the corporations. With respect
19 to the individuals who are applying, the information
20 that we require is just about as in depth.

21 Despite the quantity and the complexity of
22 the information contained in each of the
23 applications, I want to assure the Board today that
24 its Bureau of Licensing prepared to process these
25 applications.

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1 Since January, we have been putting in
2 place the various processes that will be necessary to
3 accept not only this first application but all of the
4 applications that will follow. Each day we work to
5 refine those processes and to put in place the
6 various tools that will be necessary for the Bureau
7 of Licensing to carry out its responsibilities,
8 beginning initially with what is called a
9 completeness review of the application.

10 This completeness review of the application
11 is very critical, because it ensures that the Board
12 has all of the various pieces of information from the
13 applicant that are necessary for the Board to begin
14 evaluating the suitability of the applicant.

15 Once the Bureau of Licensing is finished
16 with its work, the application will be turned over to

17 the Bureau of Investigations and Enforcement. I want
18 to underscore the sophistication and effort that will
19 be required by the Bureau of Investigations and
20 Enforcement to look into the financial --
21 particularly, the financial operations of each of
22 these applicants.

23 For that reason, licensing has been working
24 on a daily basis with the Bureau of Investigations
25 and Enforcement to develop a comprehensive and

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1 coordinated effort to approach the licensing process
2 from application intake right through to license
3 issuance.

4 I'm now going to turn the floor over to
5 David Kwait, who will be the person responsible for
6 overseeing those background investigations. First,
7 I'll remove my box.

8 MS. KWAIT: Thank you, Susan. Thank you,
9 Mr. Chairman. Let me say first to the Commissioners
10 that it's an honor and a privilege for me to be here
11 for the first time since my appointment as director
12 of Bureau of Investigations and Enforcement.

13 I would like to follow-up on a little bit
14 of what Susan said by telling you a dilemma that
15 we're in right now.

16 First of all, as you know, the Supreme

17 Court challenge to Act 71 delayed hiring. So we are
18 in a position right now of looking to build a staff
19 from ground up.

20 It's going to take three to six months to
21 hire, to train, and to have investigators able to do
22 background investigations in a thorough and competent
23 manner. Susan pointed out the problem is beginning.

24 This week we received our first box
25 consisting of one application. This is going to

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1 continue on a regular basis.

2 I have done some research and have
3 identified several firms who do background
4 investigations. They're well regarded and well
5 respected in the industry.

6 I am, therefore, recommending that the
7 Board authorize Chairman Decker to seek and approve
8 an emergency procurement to negotiate and enter into
9 contracts with MDBI, OMNISEC International
10 Investigations and Corporate Investigations
11 Incorporated allowing us to explore with them the
12 possibility of doing some background investigations
13 until we are up and running.

14 CHAIRMAN DECKER: Dave, let me interrupt
15 you for a minute. Do these companies have the

16 ability to do the forensic accounting piece of this
17 that we are in need of?

18 MR. KWAIT: Mr. Chairman, MDBI is
19 specifically known for its ability to do forensic
20 accounting work. They're very sophisticated and able
21 to handle the most complex kinds of investigations
22 and have done so in the gaming industry in the past.

23 CHAIRMAN DECKER: Because my understanding
24 of this, of the applications we're getting in, the
25 big bulk of it is going to be on the financial side.

24

1 Am I correct in understanding that?

2 MR. KWAIT: Absolutely.

3 CHAIRMAN DECKER: Particularly for the
4 companies like manufacturers and operating companies
5 that are already in the business and have been
6 licensed in a bunch of other locations; is that
7 correct? Who have already been reviewed by competent
8 people in other organizations is the presumption?

9 MR. KWAIT: Yes.

10 CHAIRMAN DECKER: Okay. Thank you.

11 COMMISSIONER McCABE: Mr. Chairman, if I
12 may address that, because I was probably behind
13 recommending that we do go to outsourcing these
14 investigations based on my experience as a supervisor
15 in the FBI, as having conducted investigations,

16 background investigations in the FBI, talking with
17 the Pennsylvania State Police, and having an idea of
18 what we're about to face talking to other
19 jurisdictions is -- these companies are now doing
20 this for the Federal Government.

21 The Federal Government, the FBI, DEA, IRS,
22 DOD, they all outsource their background
23 investigations now. These companies have
24 investigators that are doing these investigations for
25 the Federal Government, also.

25

1 In addition, talking with the Pennsylvania
2 State Police, they have said they do not have the
3 forensic investigative capabilities that we're going
4 to need to be looking at these backgrounds.

5 In addition, to be able to conduct these
6 thousands and thousands of background investigations
7 on individuals, corporations, trusts, there is going
8 to be more work than we can -- than any one group can
9 do.

10 That's, therefore, why I was recommending
11 that the Pennsylvania State Police, BIE, and an
12 outsource contracting company all do this under the
13 auspices of the Bureau of Investigation, they being
14 the central controlling point.

15 They determine where these investigations
16 go, what the Pennsylvania State Police have to do,
17 what the outside agency has to do and then as we hire
18 BIE investigators for them to do.

19 If we try to select one group to do this,
20 this would take -- I know in the FBI just to do our
21 background investigations was at least minimum nine
22 months to a year.

23 If we want to get this gaming up and
24 running and moving, I think this is the best way to
25 do it.

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1 COMMISSIONER COY: Mr. Chairman?

2 CHAIRMAN DECKER: Yes, please go ahead.

3 COMMISSIONER COY: Thank you.

4 Mr. Kwait, I'm wondering if you could tell
5 us a little bit about the firm itself, the history of
6 the firm, the personnel, the management involved with
7 the firm, and so on.

8 MR. KWAIT: MDBI is located in Alexandria,
9 Virginia. They've been in business for over 25
10 years. As Commissioner McCabe pointed out, they're
11 doing a lot of the outsourcing now for some of the
12 Federal agencies.

13 They've developed over the course of the
14 years the expertise to do the forensic accounting

15 kind of things and, as importantly, to be able to
16 help train our staff to achieve the same level of
17 competency.

18 OMNISEC International is another company
19 that does a lot of outsourcing for the Federal
20 agencies. It's also the largest minority-owned
21 company of its kind in the country. Both of these
22 firms use investigators that already live and work
23 here in Pennsylvania.

24 The last one, Corporate Investigations, is
25 located in Pittsburgh. Like the other two, they do

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1 background investigations also for the Federal
2 agencies. They are staffed with investigators who
3 live here in Pennsylvania.

4 COMMISSIONER COY: Thank you.

5 SECRETARY FAJT: Mr. Chairman?

6 CHAIRMAN DECKER: Greg, please.

7 SECRETARY FAJT: David, just so I'm clear,
8 you're not recommending that we hire these folks
9 right now but simply to allow Chairman Decker to
10 begin discussing possibly hiring one or all of them,
11 am I correct in that?

12 CHAIRMAN DECKER: I think it's a little
13 further than that.

14 SECRETARY FAJT: Okay.

15 CHAIRMAN DECKER: I think the
16 recommendation was to authorize me and the staff to
17 go out and hire one or more of these groups to help
18 BIE and the State Police in a matter we're going to
19 talk about on the supplier side through the forensic
20 side of this.

21 SECRETARY FAJT: Thank you.

22 CHAIRMAN DECKER: Thank you for clarifying.

23 COMMISSIONER MARSHALL: Tad, this is Chip.
24 Have we sort of made it known in the industry in
25 giving people the opportunity to submit credentials

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1 for review?

2 CHAIRMAN DECKER: I think -- David, why
3 don't you answer that?

4 MR. KWAIT: Absolutely, Mr. Commissioner.
5 On a regular basis now we have been receiving and
6 reviewing all sorts of publicity material and
7 contract proposals from a lot of firms that are like
8 MDBI and like OMNISEC.

9 CHAIRMAN DECKER: What are the background
10 of the people that are doing these investigations?
11 Who are they?

12 MR. KWAIT: These are primarily -- probably
13 all of them are retired Federal, State and Local law

14 enforcement people. They are embedded through a
15 background through their agencies, by their
16 companies. They are all licensed private
17 investigators, and they all use licensed analysts.

18 CHAIRMAN DECKER: Chip, did you have your
19 question answered?

20 COMMISSIONER MARSHALL: Well, I guess --
21 look, you know, I would just assume not get 20 angry
22 phone calls saying that we never knew that the Board
23 was going in this direction.

24 CHAIRMAN DECKER: Well, if somebody wants
25 to submit an opportunity, the door is not closed on

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1 this and it won't be. This is an authorization for
2 the Board to go out and retain some people. As David
3 gets more people in, if there are others, he can move
4 people in and out.

5 COMMISSIONER MARSHALL: That's fine. Look,
6 I don't want to make the decision. I wouldn't know
7 how to do this. I don't think any of us should be
8 making the decision. That's why we have David.

9 I'm just saying, you know, we just need, I
10 think, to be careful that if we're going to go in
11 this direction, a direction which I fully support,
12 then we ought to make it known so that people have

13 the opportunity.

14 CHAIRMAN DECKER: I think we just did, if
15 we haven't already.

16 COMMISSIONER MARSHALL: That's the whole
17 purpose of the voir dire.

18 COMMISSIONER DIGIACOMO COLINS: I would
19 like to ask David, what do you envision your role
20 will be with these outsourcing companies in
21 controlling, directing? Outline for us what you
22 think your role will be in all of this, the level of
23 control you will have on this.

24 MR. KWAIT: We will have a complete
25 hands-on control, as a matter of fact. We will do

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1 the assigning after the application would come from
2 licensing.

3 It will be reviewed by myself and my staff
4 and assigned according to the expertise of the
5 company, and we would set deadlines and have regular
6 reviews of their product.

7 COMMISSIONER DIGIACOMO COLINS: How about
8 the subject matter of the investigations? Will you
9 have an influence on how that will be conducted, what
10 the subject matter will be?

11 MR. KWAIT: Yes, ma'am. We will direct
12 that company.

13 COMMISSIONER COY: Let me try one other
14 comment, Mr. Chairman, if I could. We are -- we
15 insist upon all of our employees and all of us and
16 every other firm that we contract with us to have a
17 background check.

18 Now, do we do a background check on the
19 background checkers? I mean, it's a serious point.
20 I mean, is there a process through which we can be
21 assured that these firms or any of them now that we
22 sort of opened it up to the public are thoroughly
23 vetted by us or someone?

24 CHAIRMAN DECKER: Well, we didn't
25 investigate, you know, Von Seldeneck or Coleman and

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1 we didn't investigate Pricewaterhouse. The question
2 is whether we can get a handle on their background
3 and what they're like.

4 MR. KWAIT: I think through my experience
5 in this law enforcement community that I will have a
6 handle on the kind of firms that -- and I won't bring
7 a firm to your attention that certainly has a
8 reputation that is less than 100 percent.

9 CHAIRMAN DECKER: Go ahead, please.

10 COMMISSIONER MARSHALL: Tad?

11 COMMISSIONER CONABOY: Excuse me, Chip.

12 Just a quick question and maybe Ken may have already
13 said this or Dave, I'm not sure. Ken mentioned DOD
14 and Department of Justice, FBI, IRS, etc.

15 Do we know, have these firms also done this
16 type of work for other gaming jurisdictions, other
17 gaming commissions throughout the United States?

18 MS. KWAIT: Yes. I asked each of the firms
19 that. As a matter of fact, they have. If they
20 depended solely on the Federal Government for their
21 existence, they wouldn't be around long. So they do
22 a lot of investigations for the Fortune 500 companies
23 and particularly in the gaming industry.

24 CHAIRMAN DECKER: Governor Casey?

25 TREASURER CASEY: Thank you for the

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1 promotion. This is just by way of follow-up to
2 Commissioner Marshall's question. In this process
3 and I'm really addressing this to a lawyer, we've
4 got a number of lawyers in the room but whoever is
5 most qualified to answer this.

6 I'm assuming when this -- in order to
7 retain a firm like this or firms, that there's a
8 procurement process that's triggered. I just don't
9 know the outline to that.

10 If someone can outline that in terms of
11 what the Board has to do in order to retain someone

12 to follow the procurement rules. I don't know what
13 the --

14 CHAIRMAN DECKER: Right. I think, first of
15 all, what is our involvement in the procurement
16 rules? I'm not sure we are.

17 MS. HENSEL: We are, yes. The Board will
18 be seeking an emergency procurement -- approval of an
19 emergency procurement to obtain these services.

20 CHAIRMAN DECKER: But we will not just have
21 one anyway, Treasurer Casey. We're going to have
22 more than one and they will be bidding against each
23 other. But we also have to find one that is -- that
24 are suitable, you know, responsible, shall we say, in
25 terms of the lowest responsible bidder. I don't

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1 think we'll just have one.

2 That's not your proposal, is it, David?

3 MR. KWAIT: No. I identified three to
4 bring to your attention this afternoon, and I
5 certainly will continue the process of identifying
6 others.

7 CHAIRMAN DECKER: Okay. Chip?

8 COMMISSIONER MARSHALL: Yeah, Tad, I guess
9 this question is probably for Mary being the resident
10 Lyness expert.

11 You know, it occurs to me as we talk
12 through it, you know, everything kind of got dumped
13 on Ken because he has all of the experience but I
14 don't think we can be involved in this.

15 Can we, Mary?

16 COMMISSIONER DIGIACOMO COLINS: In what way
17 involved, Chip?

18 COMMISSIONER MARSHALL: In vetting,
19 selecting, recommending --

20 COMMISSIONER DIGIACOMO COLINS: As to the
21 --

22 COMMISSIONER MARSHALL: -- any of these
23 firms?

24 COMMISSIONER DIGIACOMO COLINS: I don't
25 know that Lyness would be that far reaching. What

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1 Lyness does is it protects us or it requires that we
2 are not privy to the information in the applications
3 and the information that we'll have to use to base
4 our decisions on licensing and the, you know,
5 ancillary issues involving licensing.

6 I don't know that -- I don't see it
7 reaching out to this level since basically we're
8 deciding on whether or not to bring outsourcing
9 companies in to do this and which companies, in fact,
10 should do it.

11 COMMISSIONER MARSHALL: Well, I understand
12 the process, you know, the question, I guess, that's
13 the question that we have to answer. I'm just -- I
14 mean, are you comfortable with, you know, any of us
15 saying, for example, we use this firm at Temple, we
16 think that they're good. I mean, I just want to make
17 sure we don't inadvertently step on --

18 COMMISSIONER DiGIACOMO COLINS: I don't see
19 an issue in that way.

20 CHAIRMAN DECKER: I don't see a problem at
21 all, unless you got into the details of what they
22 discovered. If we had that directly sent to us, I
23 think that part is a good question, Chip.

24 If you have the information sent to us
25 directly then, you know, the opinion we've received

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1 will be tainted. That will cause a Lyness problem.
2 We can't make the persecutory decision. We can
3 certainly, as a Board, as an entity, make a decision
4 about how we're going to handle these.

5 I think David's recommendation to us is
6 that we move forward and get some firms in to handle
7 a couple different pieces of this.

8 COMMISSIONER MARSHALL: I support that and
9 I would agree, that, you know, obviously we can't

10 have -- as long as David, I think, is making those
11 decisions and recommendations, I think in a sense all
12 we're doing is gratifying those. On the other hand,
13 though, once these organizations are in, we can't be
14 dealing with them.

15 CHAIRMAN DECKER: That's right.

16 COMMISSIONER MARSHALL: Do you agree with
17 that, Mary?

18 COMMISSIONER DiGIACOMO COLINS: Yes.
19 That's the way that it would have to be handled and I
20 can't see from a practical perspective why we would
21 be involved in what they were doing anyway. Yes,
22 that's the protection that we need, that we have no
23 contact regarding the subject matter of the
24 investigations or the direction of the
25 investigations.

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1 COMMISSIONER MARSHALL: With David or the
2 outside firm?

3 COMMISSIONER DiGIACOMO COLINS: Exactly.

4 COMMISSIONER MARSHALL: Tad, we probably --
5 I know we suffer from the lack of a general counsel,
6 but maybe that's something we ought to go to a one
7 page or you know, a set of dos and don'ts.

8 CHAIRMAN DECKER: I think we do. I think
9 there's going to be a protocol under BIE that's going

10 to establish that, Chip.

11 COMMISSIONER MARSHALL: Good.

12 CHAIRMAN DECKER: Sandy, do you have a
13 question?

14 COMMISSIONER RIVERS: Mr. Chairman, the
15 question that I have of David is very simple.

16 David, why don't you take a minute or so to
17 talk about the process that you use to identify these
18 individual companies and basically why you feel very
19 comfortable in making the motion that you made for
20 the Board today.

21 MR. KWAIT: Well, I am personally
22 acquainted with many of the firms in the business
23 today for lots of reasons. I know many of the
24 investigators that are associated with them around
25 the country.

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1 I have looked at and reviewed many of the
2 applications and the advertising literature that have
3 been sent to the Board since the inception of gaming
4 here in Pennsylvania and there are more than just a
5 few.

6 I have narrowed it down to these three for
7 the initial period primarily because of their ability
8 to do this job and do it right quickly, including the

9 sophisticated accounting issues that we have to deal
10 with as these manufacturer licenses come in and when
11 we start licensing the owners.

12 COMMISSIONER COY: Mr. Chairman, are we
13 looking for a limited sort of term of contract to see
14 how they do for us? Would the contract be for --
15 what do you remember, six months or something like
16 that to see how they do?

17 CHAIRMAN DECKER: Does there have to be a
18 definite period?

19 MR. KWAIT: It's my vision to assign them a
20 project and see how they do, evaluate it after it's
21 finished.

22 CHAIRMAN DECKER: I think it's month to
23 month at best.

24 COMMISSIONER COY: I would move that the
25 Board authorize the Chairman of the Board through

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1 recommendation of the director of Bureau of
2 Enforcement Investigation to seek emergency
3 procurement contracts with the three firms identified
4 for purpose of conducting these investigations.

5 CHAIRMAN DECKER: Thank you.

6 COMMISSIONER MARSHALL: Second it.

7 CHAIRMAN DECKER: Any other discussion or
8 comment?

9 Hearing none, all of those in favor, please
10 indicate by saying aye.

11 COMMISSIONERS: Aye.

12 CHAIRMAN DECKER: Any opposed? Motion
13 passes.

14 David, did you have anything else on that
15 subject or Susan?

16 MR. KWAIT: Thank you very much.

17 CHAIRMAN DECKER: Let me just comment
18 generally on a couple of other areas. We have spent
19 a lot of time studying this issue as you know. We
20 hired Pricewaterhouse to take a look at this for us.
21 We have talked to the State Police quite a bit on
22 this subject.

23 We're moving forward on the background
24 investigation side. We have another class of
25 grouping, the manufacturers are one but we also have

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1 suppliers coming fairly quickly, we hope.

2 The suppliers, we have asked the State
3 Police because they -- as Ken said, not every group
4 can do everything, but we have asked the State Police
5 to concentrate initially on the suppliers.

6 In addition to that, they will be, as I
7 understand it, doing some initial criminal background

8 checks, some of the computer things and other things
9 that have to be done with respect to the
10 manufacturer; is that correct?

11 MR. KWAIT: Absolutely.

12 CHAIRMAN DECKER: So there will have to be
13 some coordination on your part, David, with the State
14 Police on the information they're developing, if I
15 understand it correctly, and the financial
16 investigation and some of the other non-criminal
17 background investigation that will be done by these
18 outside agencies.

19 MR. KWAIT: Yes. We've already initiated
20 the dialogue between the State Police and myself.
21 We'll get into it heavily when the supplier
22 applications start arriving.

23 CHAIRMAN DECKER: Right, because they're
24 going to be doing a little bit more on that. They're
25 going to be doing the full investigations.

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1 MR. KWAIT: They'll be fully occupied.

2 CHAIRMAN DECKER: The other thing I would
3 like to mention is the Board through our working
4 group and others has developed a protocol. Mary,
5 would you call it a protocol --

6 COMMISSIONER DiGIACOMO COLINS: Yes.

7 CHAIRMAN DECKER: -- of how these

8 background investigations will be conducted and the
9 things we're looking for specifically and the
10 information we're interested in developed in each
11 period of the various categories; companies,
12 officers, and directors of those companies,
13 individual managers we expect to be in Pennsylvania,
14 and then other supervisors, and then non-supervisory
15 employees and then non-gaming as well. There will be
16 protocols for all of those things, am I correct on
17 that?

18 COMMISSIONER DiGIACOMO COLINS: Yes. And
19 those protocols by way of further clarification are
20 in sync with the licensing requirements that are
21 directed by the Statute and regulations. So it fits
22 into one unified piece.

23 CHAIRMAN DECKER: One other point on that
24 before we close this out is those protocols, as I
25 understand it, were developed, in part, based on the

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1 protocols for investigations that are utilized in
2 other gaming jurisdictions, is that correct, such as
3 New Jersey and Nevada and Michigan, other places that
4 are substantially more sophisticated on the subjects
5 that Pennsylvania? Is that a fair comment?

6 MR. KWAIT: Absolutely.

7 CHAIRMAN DECKER: Thank you. Any other
8 questions on that?

9 Thank you very much. I appreciate it very
10 much. You definitely are going to have your hands
11 full.

12 But in addition to that, Chip and Greg have
13 decided that they're going to read every piece of the
14 applications.

15 COMMISSIONER MARSHALL: That's right.

16 SECRETARY FAJT: Get ready, Chip.

17 CHAIRMAN DECKER: Thank you. Our next item
18 is sort of an administration update. Today, we have
19 nine personnel decisions to consider; four in the
20 department of licensing, one in the department of
21 regulatory compliance and four in administrative
22 assistants.

23 With the exception of one, the licensing
24 and regulatory compliance hires are all mid-level
25 staff and not department heads.

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1 First, I want to announce that we are
2 promoting Susan Hensel as acting director of the
3 Bureau of Licensing. She has been a special
4 assistant to the Board since January. She has been a
5 tremendous help in a number of areas. We're asking
6 her now to focus on the licensing side where she has

7 spent enormous amounts of time and has come up the
8 learning curve tremendously in the last three to four
9 months.

10 We are also considering Eileen Capece,
11 Michael Green and Joe Schmidt for the Bureau of
12 Licensing; Nelson Smiles for the Department of
13 Regulatory Compliance and Daria Manning, Lyndsey
14 Wanich, if I'm mispronouncing, I'm sorry, Donna
15 Chambers and Angela Yanoscak as administrative
16 assistants.

17 All of these hires, with the exception of
18 Susan, has underwent a background investigation, are
19 pending successful completion of the background
20 investigations.

21 May I have a motion to approve these
22 individuals for the positions listed pending
23 successful completion of the background
24 investigations?

25 COMMISSIONER McCABE: So moved.

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1 COMMISSIONER MARSHALL: Second.

2 CHAIRMAN DECKER: Thank you. Any
3 discussion?

4 If not, all of those in favor, please
5 indicate by saying aye.

6 COMMISSIONERS: Aye.

7 CHAIRMAN DECKER: Any opposed? Motion
8 carries.

9 As we have discussed earlier and heard
10 earlier in our previous meetings and in somewhat in
11 our Executive Sessions, we are about to pick up the
12 pace of hiring at BIE licensing department and other
13 departments such as compliance and auditing, etc.

14 As this occurs, we're going to need
15 additional office space for those individuals in the
16 southeast and in the southwest regions because that's
17 where a majority, you know, of the license
18 applications at least in the first round are coming
19 from.

20 We think it's a good practice to have our
21 local BIE people and compliance people in those
22 locations.

23 As a result, I would like to ask for a
24 motion authorizing the Chairman to enter into two
25 leases; one for a southeastern regional office and

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1 one for a southwestern regional office.

2 A southeastern one is far along, and we
3 have selected a site after seeing 10 or 15 different
4 sites and getting proposals in from many others in
5 the Conshohocken area.

6 May I have a motion on that part?

7 COMMISSIONER CONABOY: So moved.

8 CHAIRMAN DECKER: May I have a second?

9 COMMISSIONER McCABE: Second.

10 CHAIRMAN DECKER: Any discussion on that?

11 All of those in favor, please indicate by
12 saying aye.

13 COMMISSIONERS: Aye.

14 CHAIRMAN DECKER: Again, as I understand
15 it, these leases are being looked at by the state.
16 The first one has been negotiated by the state and I
17 think was approved -- recently approved by what is
18 it?

19 MR. WALSH: Board of Commissioners of
20 Public Grounds and Buildings.

21 CHAIRMAN DECKER: I couldn't say it again.
22 Thank you. And the second one will be vented in
23 exactly the same way. We will seek multiple
24 locations and we'll have multiple bids and that will
25 all be reviewed by the state. Okay. Thank you.

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1 SECRETARY FAJT: Mr. Chairman, Mike Walsh
2 has come a long way since SAP, just to note that for
3 the record.

4 CHAIRMAN DECKER: Yes. Please enter that

5 into the record. That's very important.

6 COMMISSIONER COY: He didn't use initials.

7 CHAIRMAN DECKER: Let's see. Is there any
8 other business to come before the meeting today?

9 I have one more announcement before we
10 adjourn. After this meeting, the Board will hold an
11 Executive Session for the purpose of discussing
12 personnel issues and conducting some interviews.

13 No business will be conducted during the
14 executive sessions, which will be closed to the media
15 and the public. We will not come back to the room
16 after that. We don't have any other business for
17 today.

18 The Board's next meeting is up in the air.
19 It's originally scheduled for 10:00 a.m. on August
20 18th, but please watch our website and announcements.
21 We think it's going to be moved to, like, 4:00 or
22 5:00 on the 17th because of some conflicts in
23 scheduling.

24 Okay. So we're still up in the air about
25 that. We'll see. We'll certainly let you know as

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1 soon as possible.

2 Any other business? Hearing none, there's
3 no -- if there's no objection, the meeting is
4 adjourned.

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(The meeting concluded at 1:00 p.m.)

1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that

4 this is a correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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