

PENNSYLVANIA GAMING CONTROL BOARD

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

THURSDAY, SEPTEMBER 8, 2005, 10:13 A.M.

BEFORE:

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

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

1 CHAIRMAN DECKER: Good morning. I'm Tad
2 Decker, Chairman of the Pennsylvania Gaming Control
3 Board. I would like to welcome you to the Board
4 meeting and to review all of the issues that we're
5 going to be presenting today.

6 A quorum of the voting members of the Board
7 being present, this meeting is called to order. As
8 always -- I should be the first to do it -- let me
9 ask the members of the Board and the audience to turn
10 off their cell phones and Blackberries and other
11 devices because they can interfere with the sound
12 system. Excuse me while I turn off mine, which I
13 forgot.

14 As usual, please join me in the Pledge of
15 Allegiance.

16 (Pledge of Allegiance.)

17 CHAIRMAN DECKER: Thank you. In the way of
18 old business, let's cover some announcements and
19 housekeeping. The Board earlier held an Executive
20 Session to discuss personnel matters, specifically
21 potential candidates for positions with the agency.
22 No business was conducted during the session.

23 The first of our two gaming enterprise
24 diversity forums is just three weeks away. There has
25 been a lot of interest. In fact, I think it's 82 --

1 roughly 82 people as of yesterday have signed up.

2 As a reminder on the details, the first
3 diversity forum is scheduled for Thursday, September
4 29th, site is the Fox Gites Room at the Liacouras
5 Center at Temple University in Philadelphia. The
6 address is 1776 North Board.

7 I want to, again, thank Temple for hosting
8 us. It's a bit of a burden, and we appreciate the
9 effort they have gone through to do this.

10 We should be ready to announce details of
11 the second forum to be held Thursday, October 27th,
12 at Duquesne University in Pittsburgh. In the next
13 week or so, we will be announcing the details. It
14 will also be available on our website.

15 Again, let me thank Duquesne for doing the
16 same thing, for hosting us. It's very nice that they
17 have made their facilities available to us.

18 Also in the housekeeping front, a number of
19 people have asked about joining a Gaming Board e-mail
20 list. I'm happy to report that that function is now
21 available on our website.

22 People who sign up for the list will get
23 access to any releases or other information we
24 publish when we publish it. Visit the website, which
25 is, again, www.pgcb.state.pa.us.

1 There's a link on the front page, as I'm
2 instructed by Nick, and all you have to do is fill
3 out a registration form and you're in.

4 Our first action this morning is to approve
5 and adopt the transcript of our last meeting. May I
6 have a motion?

7 COMMISSIONER MARSHALL: So moved.

8 CHAIRMAN DECKER: Thank you. A second?

9 COMMISSIONER McCABE: Second.

10 CHAIRMAN DECKER: Any questions or
11 comments? All in favor, please indicate by saying
12 aye.

13 COMMISSIONERS: Aye.

14 CHAIRMAN DECKER: Any opposed?

15 Motion passes.

16 Please note that these minutes are
17 available on the PGCB website and that this meeting
18 is also being recorded by a stenographer.

19 In way of new business, today, we have
20 seven personnel decisions to consider. Our Director
21 of Administration, Mike Walsh, is going to review
22 these applicants with us.

23 Mike?

24 MR. WALSH: Thank you, Mr. Chairman. Just
25 a quick administrative update, the agency complement

1 stands at 40 staff with new employees starting each
2 week, and a number of key positions in each of the
3 Bureaus continue to be interviewed for.

4 To that end, there are seven hires, as you
5 mentioned, that we are proposing for report today. I
6 will give you an overview of their names and what
7 areas they are being proposed to work in.

8 First is Denise Miskin who will work in the
9 Bureau of Regulatory Compliance; Roseanne Shown, who
10 will work in the Office of Commissioners; Kathy
11 Reighter, who will work as Administrative Assistant
12 in the Bureau of Investigation and Enforcement;

13 Lori Bruno, who will also serve as an
14 Administrative Assistant in the Bureau of
15 Investigation and Enforcement; Elizabeth Cromwell,
16 who will serve as a Communications Assistant;

17 Kim Graham, who will work with us in the
18 Bureau in Administration as a Human Resource
19 Assistance; and Gregory Mertz, who will be a member
20 of Support Staff of the Bureau of Investigation and
21 Enforcement.

22 So we have those seven members who we
23 propose for the Board to consider hiring.

24 CHAIRMAN DECKER: Thank you.

25

MR. WALSH: Thank you.

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1 CHAIRMAN DECKER: As always, each hire is
2 contingent on the candidates passing a background
3 investigation.

4 COMMISSIONER MARSHALL: Mr. Chairman, I
5 would make a motion that we hire those individuals.

6 CHAIRMAN DECKER: Thank you. Second?

7 COMMISSIONER DIGIACOMO COLINS: Second.

8 CHAIRMAN DECKER: Any comments or questions
9 of anyone, including Mike?

10 Otherwise, all in favor, please indicate by
11 saying aye.

12 COMMISSIONERS: Aye.

13 CHAIRMAN DECKER: Any opposed?

14 Motion passes.

15 Commissioner Colins will now update the
16 Board on the progress on the regulatory front. Mary,
17 I understand you have some new regulations to publish
18 today for comment, correct?

19 COMMISSIONER DIGIACOMO COLINS: Correct.
20 All right. Good morning. The working group is
21 presently working. Let me give you an update on what
22 we're working on now for the next stage and to be
23 presented -- some of which will be presented at the
24 next meeting.

25

We're working on the regulations on the

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1 movement of slot machines. We're working on
2 regulations regarding junket enterprises. We're also
3 beginning work on regulations governing internal
4 operating controls of licensees, and also regulations
5 having to do with the limitations on multiple slot
6 machine license ownership.

7 Presently, we have completed a series of
8 regulations on vendors, and those regulations are
9 going to be offered today for publication.

10 The vendor regulation scheme is modeled
11 very closely on the New Jersey scheme for vendors;
12 and basically, there are two levels of registering or
13 licensing.

14 All vendors who are below the \$150,000
15 limit for one transaction with the licensee are going
16 to be required to register. The regulations cover
17 the criteria for registration, and the information
18 that is going to be required for that.

19 Any contract that exceeds the \$150,000
20 limit will require licensing. Licensing will be a
21 more stringent review by the Board.

22 In addition, any accumulation of contracts
23 by one vendor with numerous licensees that exceeds a

24 half a million dollars will require licensing.

25 Non-gaming employee registration will be

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1 required of the employees of vendors, and the
2 regulations go specifically into that area.

3 There will be exemptions for certain types
4 of vendors from licensing or registration. An
5 example would be a public utility would be exempt
6 from the licensing requirements with the Board.

7 The Board will also have generated on, I
8 believe, a monthly basis but the time frame of that
9 is yet to be determined, but the Board will have
10 generated an ongoing list of active vendors or
11 approved vendors and prohibitive vendors.

12 Finally, there are provisions in the
13 regulations for emergency vendor agreements.
14 Emergency situations that would require that a
15 licensee need to bring a vendor on Board to perform a
16 function quickly, there are provisions that cover
17 that scenario.

18 In addition to the vendor regulations,
19 which are completed now and ready for posting, at the
20 next meeting, the Board will be presenting the public
21 comment to the Category 2 and 3 regulations, which
22 are presently posted.

23 The public comment period closed yesterday.

24 I believe we have approximately eight to ten public
25 comments. I'm not sure yet. I haven't reviewed

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1 them.

2 There are significant public comments.
3 We'll be drafting our responses for the next meeting,
4 and so that will be presented to the Board for a vote
5 on adopting the Category 2 and 3 regulations.

6 So at this point, that concludes my
7 comments on regulations.

8 CHAIRMAN DECKER: Thank you, Mary.

9 Are there any questions for Mary about
10 this?

11 Thank you, Mary. May I have a motion to
12 post draft vendor regulations for public comment for
13 the period ending October 10th, 2005?

14 COMMISSIONER DiGIACOMO COLINS: Yes, I'll
15 make that motion that --

16 COMMISSIONER MARSHALL: Second.

17 CHAIRMAN DECKER: Is that the wrong date,
18 Mary?

19 COMMISSIONER DiGIACOMO COLINS: No. That's
20 the correct date, October 10th.

21 COMMISSIONER MARSHALL: Second.

22 CHAIRMAN DECKER: Any questions or

23 comments?

24 Otherwise, all those in favor, please
25 indicate by saying aye.

10

1 COMMISSIONERS: Aye.

2 CHAIRMAN DECKER: Any opposed?

3 The motion passes unanimously.

4 Mary, I understand you have some technical
5 changes to make to the draft supplier regulations.
6 Do you want to do that now or should we do that
7 another time?

8 COMMISSIONER DIGIACOMO COLINS: Well, I
9 mean, I would rather reserve that until next week, if
10 that's all right with you.

11 CHAIRMAN DECKER: Let's hold off on that.
12 I want to also announce that we are not going to act
13 today on the supplier regulations. We're going to
14 postpone that to the September 28th meeting, which
15 will be our next meeting.

16 The next topic is Conditional Category 1
17 applications. As you know, we approved general
18 licensing regulations and regulations governing
19 Category 1 gaming facilities, the racetrack facility
20 at our July 21st meeting.

21 The next step toward licensing these
22 facilities -- and this is a major step in

23 implementing gaming in Pennsylvania -- is to post
24 applications and set a deadline for submission of
25 applications for the Conditional Category 1 licenses

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1 that are permitted under Act 71.

2 May I have a motion to post the application
3 for Conditional Category 1 licenses on the website --
4 did I steal your thunder?

5 COMMISSIONER CONABOY: No.

6 CHAIRMAN DECKER: -- within the next week
7 and for the Board to accept applications for these
8 licenses through October 31st, 2005?

9 COMMISSIONER DiGIACOMO COLINS: So moved.

10 COMMISSIONER CONABOY: I'm going to make
11 that motion, but let me just clarify a little bit.

12 CHAIRMAN DECKER: Please. Sure. That's my
13 fault.

14 COMMISSIONER CONABOY: It's okay. I make a
15 motion to publish the Conditional Category 1
16 applications on the Pennsylvania Gaming Control
17 website within the next workweek, and further for
18 this Board to designate that the application period
19 for the Conditional Category 1 licenses will begin on
20 the date the application is posted on the website and
21 closed on October 31st, 2005.

22 CHAIRMAN DECKER: Thank you. Thanks for
23 correcting --

24 COMMISSIONER COY: Second.

25 CHAIRMAN DECKER: Second? Okay. Any

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1 discussion on that?

2 COMMISSIONER McCABE: I have a question,
3 Mr. Chairman.

4 CHAIRMAN DECKER: Please.

5 COMMISSIONER McCABE: Procedurally, can we
6 do without having already passed the supplier issue?

7 CHAIRMAN DECKER: Well, we can't issue the
8 licenses. Again, this is just to issue that -- have
9 the application filed. We can do it, yes. Yes, Ken,
10 but we can't issue the licenses without having the
11 supplier and manufacturer licenses issued for 90
12 days --

13 COMMISSIONER McCABE: Okay.

14 CHAIRMAN DECKER: -- beforehand. Okay.
15 We're continuing the process. That's the point.

16 Any other questions?

17 If not, all those in favor, please indicate
18 by saying aye.

19 COMMISSIONERS: Aye.

20 CHAIRMAN DECKER: Any opposed?

21 Motion passes.

22 Under Act 71, and our regulations, the
23 Board must initiate the formal procedure for the
24 acceptance, consideration, and final resolution of
25 all initial applications for slot machine licenses by

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1 setting a filing period for filing -- for the filing
2 of all permanent Category 1, 2, and 3 slot machine
3 licensed applications.

4 The filing period set by the Board must be
5 the same for all categories of slot machine licenses.
6 Again, permanent slot machine licenses except for the
7 Conditional Category 1 licenses, which we just talked
8 about, must be published in the Pennsylvania Bulletin
9 at least one month prior to the start of the filing
10 period.

11 In compliance with these requirements, I
12 would like to propose that the Board adopt a schedule
13 for posting on the PGCB website and publication in
14 the Pennsylvania Bulletin on September 24th, 2005.

15 This schedule will state that the
16 application process for permanent Category 1, 2, and
17 3 licenses will commence on October 24th, one month
18 after the publication of the notice in the
19 Pennsylvania Bulletin, and close on December 24th,
20 2005.

21 May I hear a motion or have a motion to
22 that effect?

23 COMMISSIONER RIVERS: So moved.

24 COMMISSIONER MARSHALL: Second.

25 CHAIRMAN DECKER: Any discussion?

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1 All those in favor, please indicate by
2 saying aye.

3 COMMISSIONERS: Aye.

4 CHAIRMAN DECKER: Any opposed?

5 Motion passes unanimously.

6 As we go through this process, it's
7 important to remember a couple of things here and Ken
8 pointed one of them out.

9 This is a schedule for when the Board will
10 receive applications for all operating licenses
11 except Conditional Category 1s. It is not a schedule
12 for when the Board will issue operating licenses.

13 In order to move forward, once we receive
14 the applications, we must set a date by which all
15 applications must be deemed complete.

16 From the deemed complete date forward, we
17 have 12 months in which we must act on these
18 applications together, in other words, at the same
19 time.

20 Act for our purposes means approve, deny or

21 approve with conditions. So we are not about to
22 start awarding licenses.

23 What we are doing is beginning the process
24 for which we receive applications for our
25 consideration.

15

1 Okay. Alternative licensing standards for
2 manufacturers is our next topic. Under Act 71, the
3 Board may determine whether the licensing standards
4 of another jurisdiction within the United States in
5 which an applicant for a manufacturing license is
6 similarly licensed or comprehensive enough to provide
7 adequate safeguards.

8 If the Board makes that determination, it
9 may use an abbreviated licensing process because many
10 of the manufacturer submissions the Board has
11 received have requested use of alternative standards.

12 It is important for the Board to consider
13 the standards of other jurisdictions in order for the
14 Bureau of Licensing, our Bureau of Licensing to
15 process these applications.

16 The common jurisdictions that those
17 requesting use of an abbreviated process have asked
18 us to consider are either New Jersey, Nevada, or
19 Mississippi.

20 Nan Horner, our Deputy Chief Counsel for
21 Licensing, is doing due diligence on these
22 alternative standards and will now make a
23 presentation to the Board along with a recommendation
24 for use of these jurisdictional standards.

25 Nan, thank you.

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1 MS. HORNER: Good morning, Chairman Decker,
2 Members of the Board. This morning, I would like to
3 discuss Section 1319 of the Pennsylvania Racehorse
4 Development and Gaming Act.

5 Section 1319 concerns alternative
6 manufacturer licensing standards and allows the Board
7 upon the request of a manufacturer to incorporate
8 information from another gaming jurisdiction about
9 that manufacturer into the Board's evaluation of the
10 manufacturer for licensure here.

11 Basically, Section 1319 allows for an
12 abbreviated licensing process, if the Board
13 determines that another jurisdiction's licensing
14 standards are comprehensive and thorough and provide
15 adequate safeguards comparable to those in the
16 Commonwealth.

17 Practically speaking, the process will
18 involve four steps. Number 1, if a manufacturer
19 holds a license in another gaming jurisdiction within

20 the United States that is similar to the
21 Commonwealth's manufacturer license, the manufacturer
22 may request that the Board utilize the licensing
23 standards of the jurisdiction in which it is
24 similarly licensed and will name the jurisdiction
25 upon which it would like the Board to rely.

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1 Number 2, the Board will make a
2 determination whether the licensing standards of the
3 other jurisdiction are comprehensive and thorough and
4 provide similar adequate safeguards as those required
5 in the Commonwealth.

6 Number 3, if the Board makes that
7 determination, the manufacturer will be required to
8 provide the Board with a copy of the licensed
9 application filed in the other jurisdiction, as well
10 as a copy of the license issued by the other
11 jurisdiction.

12 And No. 4, the Board may then issue a
13 manufacturer license to the manufacturer after
14 conducting an evaluation of the information from the
15 other jurisdiction, updated information from the
16 manufacturer, and information from other
17 jurisdictions in which the manufacturer is licensed.

18 Currently, there are approximately 445

19 commercial casinos in 11 states. There are in excess
20 of 224 tribes operating and regulating over 400
21 casinos in 28 states.

22 Rather than launching into research of the
23 licensing standards of all of these existing Native
24 American and commercial gaming jurisdictions in the
25 United States, the Bureau of Licensing thought that

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1 it would be more prudent to research the standards of
2 only those jurisdictions requested by the
3 manufacturers.

4 A preliminary review of the ten
5 manufacturer licensed submissions that have been
6 filed with the Board shows that the vast majority of
7 the manufacturer applicants have requested the use of
8 alternative manufacturer licensing standards.

9 The most common jurisdictions identified by
10 the manufacturer applicants were New Jersey, Nevada,
11 and Mississippi. I, therefore, conducted due
12 diligence to determine whether the licensing
13 standards of New Jersey, Nevada, and Mississippi met
14 the statutory requirements of the Pennsylvania
15 Racehorse Development and Gaming Act.

16 My research included review of the laws,
17 rules, and regulations of those states, a review of
18 the manufacturer application forms required by those

19 states, and conversations with regulators from those
20 states and other gaming jurisdictions.

21 Additionally, Richard Williamson, the
22 Director of the Board's Slot Testing Laboratory, is
23 extremely familiar with all of the manufacturers that
24 have requested the use of alternative manufacturer
25 licensing standards.

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1 We have discussed issues such as a
2 manufacturer's duty to inform all jurisdictions in
3 which it is licensed of situations in any
4 jurisdiction that would affect its license.

5 Director Williamson has discussed with me
6 the informal group of slot testing laboratory
7 managers from numerous jurisdictions, who are moving
8 towards the adoption of uniform testing procedures,
9 protocols, and standards, noting that New Jersey,
10 Nevada, and Mississippi have been active
11 participants.

12 Based upon my research of the licensing
13 standards in New Jersey, Nevada, and Mississippi, I
14 recommend that the Board pass a motion accepting the
15 current manufacturer licensing standards of New
16 Jersey, Nevada, and Mississippi as comprehensive and
17 thorough and providing similar safeguards as those

18 required by the Commonwealth of Pennsylvania.

19 Now, this is a preliminary list. I will
20 conduct research in other jurisdictions if
21 manufacturers request those jurisdictions.

22 Also, because the Board has not published
23 the Category 1 license applications and it has not
24 received requests concerning alternative Category 1
25 licensing standards, I have not conducted due

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1 diligence concerning Section 1314 of the Pennsylvania
2 Racehorse Development and Gaming Act.

3 Therefore, my recommendation of New Jersey,
4 Nevada, and Mississippi extends only to manufacturer
5 standards, not to the Category 1 licensing standards.

6 CHAIRMAN DECKER: Thank you, Nan.

7 Any questions for Nan?

8 Chip, please.

9 COMMISSIONER MARSHALL: Nan, thank you for
10 your report. How similar are the licensing standards
11 for New Jersey, Nevada, and Mississippi?

12 MS. HORNER: New Jersey and Mississippi are
13 very, very similar. Nevada is just slightly
14 different, just slightly different wording but --

15 COMMISSIONER MARSHALL: But essentially the
16 same?

17 MS. HORNER: Essentially the same, yes.

18 CHAIRMAN DECKER: You mean, they won't let
19 criminals in.

20 MS. HORNER: No, no, they don't. At least
21 they try not to.

22 COMMISSIONER McCABE: And that maybe goes
23 toward my question. We're going to get this. We're
24 going to get the application, accept New Jersey's.

25 This still allows us to conduct a

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1 background on the updated information from the last
2 time and license them up until the present time.
3 We're still going to be able to go back and conduct
4 background investigation.

5 MS. HORNER: Absolutely. Absolutely. It
6 just allows us to know that other gaming
7 jurisdictions have licensed these manufacturers based
8 on this application that was filed in that
9 jurisdiction.

10 We will receive the exact application that
11 was filed in the other jurisdiction. So we will have
12 that that we will send to BIE for investigation. We
13 will also have the updated information from the time
14 of that filing to the time of the filing in
15 Pennsylvania. We will be investigating that as well.

16 CHAIRMAN DECKER: Please, Chip.

17 COMMISSIONER MARSHALL: Nan, in your view,
18 how far does 1319 extend in terms of the regulatory
19 scheme that we can borrow or apply from the other
20 jurisdictions?

21 Specifically I noted in your report, you
22 talked about, I guess, your conversations with
23 Richard about the ongoing duty to inform of any
24 situation.

25 As you go through the extension, we've had

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1 reports where anything subsequent can have an impact
2 on your license.

3 So does that same sort of standard apply
4 and would we then apply New Jersey or Nevada or
5 Mississippi's rules and regulations about after -- I
6 guess after the act information or situations or does
7 it come back into our sort of enforcement scheme?

8 MS. HORNER: If I'm understanding your
9 question correctly, any issue that would affect a
10 gaming license in any jurisdiction should be
11 reported, is required to be reported to every
12 jurisdiction. So if we find something in our
13 investigation, it would reflect on their licenses
14 elsewhere.

15 COMMISSIONER MARSHALL: I understand that.
16 I guess where I was trying, and I apologize, it's my

17 fault.

18 A scenario where New Jersey says that in
19 the event of a certain situation, the Gaming Control
20 Commission in New Jersey has five days within which
21 to act or must dispatch or something like that, does
22 1319 then cobble on that process?

23 MS. HORNER: Oh, okay. I'm sorry. It does
24 -- we are not bound by that, no. Absolutely not.
25 We're just using it for purposes of the filing of the

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1 application.

2 However, you know, if New Jersey does do
3 something going forward, we would certainly look at
4 it; but we're not bound by it. We would conduct our
5 investigation to look into that.

6 COMMISSIONER MARSHALL: So in your view, if
7 a manufacturer has a New Jersey, Nevada, Mississippi
8 problem, has the duty to report, which it does, then
9 it reports to us --

10 MS. HORNER: Yes.

11 COMMISSIONER MARSHALL: -- under the same
12 kind of reporting? What do we then do with that
13 information?

14 MS. HORNER: With that information, we
15 would have BIE investigate independently and, you

16 know, move forward concerning the license here.

17 COMMISSIONER MARSHALL: Thank you.

18 COMMISSIONER COY: Mr. Chairman?

19 CHAIRMAN DECKER: Please.

20 COMMISSIONER COY: A question about
21 especially, I guess, New Jersey and Nevada, who have
22 been at this for some time. Have the standards which
23 they have developed and they use, have they changed
24 over the years?

25 Has it been an evolutionary process? Are

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1 they using the same standards that they used in 1975
2 and 1980 when they first started? Can you talk about
3 that a little bit?

4 MS. HORNER: No. That's an excellent
5 question. No, the regulations in jurisdictions
6 change all of the time depending on what is
7 necessary.

8 Maybe the jurisdictions want to look at
9 something more closely now than they had looked at in
10 the past.

11 So the regulations are basically living,
12 breathing, changing things. That's why I would like
13 to recommend that we accept those jurisdictions at
14 this time.

15 COMMISSIONER COY: Will they continue to

16 share information as it is changed and developed and
17 enhanced?

18 MS. HORNER: Yes, yes. Absolutely. A lot
19 of the gaming jurisdictions are sharing information.
20 There are some that don't share as much as others,
21 and New Jersey and Nevada and Mississippi are very
22 involved in the exchange of information and coming in
23 a way to almost a standardized procedure that a lot
24 of the jurisdictions use.

25 There is an International Association of

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1 Gaming Regulators, which we are members; and that is
2 a great vehicle for exchange of information and
3 updating regulations.

4 COMMISSIONER COY: Thank you.

5 COMMISSIONER DIGIACOMO COLINS:

6 Mr. Chairman, may I offer a motion? I would like to
7 make a motion that the Board adopt the licensing
8 standards of New Jersey, Nevada, and Mississippi for
9 the purpose of using an alternative abbreviated
10 licensing process for manufacturer applicants who are
11 licensed in those jurisdictions, and request that
12 this process pursuant to Section 1319 of the Act and
13 Section 427.3 of the adoptive regulations be
14 accepted.

15 COMMISSIONER RIVERS: Second.

16 CHAIRMAN DECKER: Is there a second?

17 COMMISSIONER RIVERS: Second.

18 CHAIRMAN DECKER: Is there any additional
19 discussion or questions for Nan while she is there?

20 If not, all of those in favor, please
21 indicate by saying aye.

22 COMMISSIONERS: Aye.

23 CHAIRMAN DECKER: Any opposed?

24 Motion passes unanimously.

25 Nan, thank you very much for all of the

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1 work.

2 Our next item today is testing and
3 certification. One of the requirements of Act 71 is
4 that within three years of the Act's effective date,
5 the Board establish an independent testing and
6 certification facility to ensure the integrity of
7 slot machines before they are installed, and to
8 guarantee that they are compatible with the Central
9 Control Computer System at the Department of Revenue
10 and meet the necessary protocols and standards.

11 You may remember that a couple of weeks
12 ago, we were lucky enough to hire the head of the lab
13 in New Jersey, Richard Williamson, to build and run
14 our lab here in Pennsylvania.

15 We have asked Rich today to speak on what
16 he thinks will be required to get this facility off
17 of the ground. Rich will be making a PowerPoint
18 presentation, so if everyone can turn their attention
19 to the screen we have set up, we would appreciate it.

20 Richard?

21 MR. WILLIAMSON: Good morning. Thank you,
22 Chairman Decker and Board Members, for this
23 opportunity to speak about the new lab, which has
24 been named Gaming Laboratory Operations.

25 As most of you are aware, Section 1320 of

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1 our Act commits Pennsylvania to having its own
2 laboratory for the testing of slot machines by July
3 2007.

4 In making this commitment, the Legislature
5 quite astutely made two decisions. It preserved for
6 this Board the body to which it has delegated custody
7 and control of the state's gaming industry, the
8 ability to participate actively and meaningfully in
9 decisions regarding the integrity and fairness of the
10 slot products offered in this Commonwealth; and it
11 made a commitment to catapult Pennsylvania into that
12 first tier of gaming jurisdiction, New Jersey,
13 Nevada, Michigan, Ontario, large enough and committed

14 enough to the regulation of this industry to maintain
15 their own labs.

16 Make no mistake here. Not all
17 jurisdictions supply the same testing criteria or
18 fairness standards. There are real policy decisions
19 for this Board to make and for me, as director, to
20 apply and enforce in the lab.

21 These decisions are increasingly technical.
22 My responsibility and, I believe, my reputation in
23 New Jersey will bear this out, is to identify these
24 policy issues and to assist you, the Board, in making
25 a decision regarding a product with a full

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1 understanding of what your decision means, not only
2 from an integrity perspective but from a business
3 perspective, for the operator and from a
4 competitiveness perspective for the Commonwealth.

5 Slot machines, for example, come with what
6 are referred to as configurable options. It is the
7 options you select which will define the player
8 experience in Pennsylvania.

9 Some examples include downloadable credits,
10 both cashable and non-cashable, bonus reward systems,
11 which could be operated from outside of the
12 Commonwealth, game options like mystery pays for
13 non-winning combinations, extended payout features,

14 awards from mechanical devices like Pachinko or
15 physically operated bonus features like the old Atari
16 game Pong.

17 This morning, I would like to provide to
18 those assembled here and to those here by way of
19 Blackberry transmissions a brief overview on what
20 this lab will do, how I anticipate organizing it, and
21 perhaps most importantly, why I feel it can be up and
22 running in sufficient time to effectively handle the
23 approval of games and systems in the first
24 operational licenses issued in the Commonwealth.

25 Early on, a testing lab tested only slot

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1 machines. Each slot machine prototype was reviewed
2 along with a huge array of themes that would follow
3 for each prototype. That all changed with the full
4 scale embrace by the gaming industry of enhanced uses
5 of the computerized slot monitoring systems.

6 Originally utilized largely for player
7 tracking and promotional purposes, slot monitoring
8 systems in the last five years have evolved into the
9 core component of an interconnected maze of
10 peripheral systems, driving such gross revenue
11 impacting events as the issuance and redemption of
12 gaming vouchers at the slot machine, redemption of

13 the vouchers at the cage, at kiosks and validation in
14 the count room.

15 Further enhancements of these systems
16 include bonusing systems, downloadable credits, and
17 redemptions of coupons issued through the marketing
18 departments.

19 In today's environment, ensuring the
20 integrity of your slot environment goes far beyond
21 the slot machines themselves, which are also far more
22 complicated than they used to be and must include the
23 functionality and interoperability of all this
24 equipment.

25 Slot monitoring systems have not been the

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1 only source for new technology. Phenomenal
2 developments have included unique approaches to these
3 items:

4 Progressive controllers which enable the
5 operator to link any games on its floor regardless of
6 proximity to other games on the same link, as well as
7 wide area progressive systems which link games at
8 different authorized venues.

9 Bill validators, a revolutionary addition
10 to the modern slot machine in the '80s, now they are
11 capable of accepting and redeeming both gaming
12 vouchers and marketing coupons.

13 Bonusing systems, which can be implemented
14 in a variety of ways, which include the features
15 listed in this slide, as well as some new ideas being
16 dreamed up in some casino marketing department today.

17 The slot machine standards that we set will
18 largely define Pennsylvania's gaming industry.
19 Without question, integrity and accuracy are our
20 mandate; but this does not mean that we cannot be
21 open to industry innovation.

22 This is a highly competitive industry, and
23 I want the Pennsylvania lab to develop a reputation,
24 not only for the highest standards of fairness and
25 integrity but for its efficiency and receptiveness to

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1 sound product innovations.

2 We want to anticipate the industry needs,
3 review products targeted by the operators who have
4 filed for a license.

5 A note of caution here to the
6 manufacturers, the certification process for the
7 products will proceed for those manufacturers seeking
8 licensure to please be aware that this process is not
9 binding on recommendations made by the agency's
10 Licensing Bureau.

11 This is our goal, but bear in mind that the

12 Act has provided some of the labs with some special
13 dispensations to reach this goal.

14 Office space for the lab has already been
15 identified and that project is under way. Recruiting
16 will focus on obtaining key, experienced individuals
17 and then will largely involve recruiting at the fine
18 colleges and universities within the Commonwealth.

19 The lab will in accordance with the Statute
20 conduct the communication testing of the games with
21 the Central Computer System.

22 The details are many, but a summary of the
23 critical ones is listed here. The statisticians use
24 computers with multiple processor capability for the
25 evaluation of random number generators and the award

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1 schedules of the games. This is the only testing
2 equipment that the Board must obtain.

3 The industry standard for all labs, both
4 governmental and for-profit, is that the
5 manufacturers seeking the approval will provide both
6 the equipment to be tested and where necessary the
7 testing equipment needed to certify the games.

8 This equipment, largely consisting of
9 in-circuit emulators and PCs, can be expected as soon
10 as the lab space can accommodate the shipment of slot
11 machines.

12 Hundreds of product submission packages
13 containing thousands of products, plus thousands of
14 slot machine movements into and within the
15 Commonwealth will occur annually.

16 Progress has already been made in building
17 these database tools for keeping track of all of the
18 details.

19 Of course, we have to have accurate file
20 and recording systems to categorize and archive all
21 of the work performed by the lab.

22 Investigative methods will be developed to
23 handle the many issues that will require the
24 attention of Board officials.

25 Predominantly, these methods will be

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1 developed for conducting operational audits,
2 resolving patron complaints, and, when necessary, for
3 criminal investigations.

4 The certification process ensures that the
5 manufacturers perform quality assurance testing and
6 certify that all operating standards are met for
7 Pennsylvania prior to submission of the product.

8 I initiated this requirement in my previous
9 position, and it has proved an invaluable tool to
10 help ensure the quality of the product being

11 submitted to the lab and translates into improved
12 turn-around times for product submissions.

13 We will have dialogue with the
14 manufacturers prior to this submission process to
15 avoid surprises.

16 Product review checklists will be provided
17 to the manufacturer soon. The configuration of the
18 lab will be such that it has an efficient layout for
19 performing the emulation processes and the system
20 testing.

21 The certification process, the Statute
22 permits three options, certify in the Pennsylvania
23 lab, accept peer jurisdiction certification, accept
24 private lab certification.

25 This wide range of options will be

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1 sufficient to achieve the goal of having the product
2 certified for the first opening. The Statute also
3 permits us to use any combination of these three
4 options.

5 After the G2E gaming show next week, Global
6 Gaming Exposition in Las Vegas, the Pennsylvania
7 operators will have a better idea of what products
8 they want.

9 The lab will work with the Pennsylvania
10 licensed applicants to identify these products and

11 proceed with the manufacturers to obtain from them
12 certifications already issued for those products by
13 select jurisdictions.

14 Only where a peer jurisdiction is not
15 available will we need to examine our other options;
16 that is, testing in-house or through a private lab.

17 My expectation is that testing will be done
18 in-house; but I would like to stress, we will do
19 whatever is necessary to get the Pennsylvania
20 operators the products they have chosen in time for
21 their opening.

22 In all scenarios, it is anticipated that
23 the Central Computer Communication testing will be
24 performed by the lab.

25 Testing protocols are developed based on

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1 the complexity and capabilities of the products
2 submitted.

3 Specifics of the testing changes as the
4 technology of the products are enhanced or otherwise
5 modified, but the overall game of integrity remains a
6 constant.

7 Obviously, several of these priorities run
8 concurrently but one goal is certain. The first
9 operation will not be waiting for approvals of its

10 equipment if the manufacturers have provided all that
11 is requested for Pennsylvania to issue the
12 certifications.

13 Thank you for this time and opportunity to
14 make this presentation.

15 CHAIRMAN DECKER: Thank you, Richard.
16 That's very comprehensive.

17 Any questions from the Board?

18 Having visited both Nevada's lab and New
19 Jersey's lab, we understand that this is a big
20 undertaking and there's a lot of technical
21 requirements in order to get started.

22 So we appreciate -- we're delighted you're
23 here and we appreciate all of the effort and we know
24 it's going to take a lot more effort to get it going,
25 but we have a lot of confidence.

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1 TREASURER CASEY: Mr. Chairman, I have one
2 question.

3 CHAIRMAN DECKER: Please.

4 TREASURER CASEY: Mr. Williamson, just
5 based upon your experience and what you have already
6 been able to determine as to where we go in
7 Pennsylvania, just in terms of cost budgeting, is
8 there anything here that you presented in terms of a
9 projection that you think will add additional cost

10 to what you think we can spend in Pennsylvania? Is
11 there any way of projecting that now?

12 MR. WILLIAMSON: Yes, sir. It's been my
13 experience that the lab is generally self funded
14 through its billing to the manufacturers for the
15 product reviews.

16 TREASURER CASEY: Okay. Do you have any
17 cost estimates in terms of what you presented today?

18 MR. WILLIAMSON: No. I haven't put those
19 numbers together yet to present to the Board. That
20 should be -- after the gaming show, I'll have those
21 numbers.

22 TREASURER CASEY: Okay. I've got one other
23 question about certification. This is really asking
24 you to present an opinion. The certification
25 process, the Statute permits three options,

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1 certifying in a Pennsylvania lab, accept peer
2 jurisdiction certification, or three, accept private
3 lab certification.

4 What is your opinion on the best way to
5 proceed, even though I realize the Statute presents
6 options; but just based upon your experience, is it
7 better to select one, one of these three, or is it
8 better to try to have more than one?

9 MR. WILLIAMSON: The approach that we're
10 going to take is going to be very similar to the
11 approach taken by the Licensing Bureau, and that is
12 to look at other jurisdictions that have already
13 approved products that the Pennsylvania operators are
14 going to want to use.

15 Having come from New Jersey and having
16 personally overseen the approval of many products,
17 I'm very comfortable with that lab's process and will
18 readily accept approvals from there.

19 So what our approach will be, like I said
20 in presentation, is to identify the products that the
21 operators want, go back to the manufacturers and ask
22 them what approvals they have for those products, and
23 then make recommendations to the Board based upon
24 those approvals.

25 TREASURER CASEY: Thank you.

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1 CHAIRMAN DECKER: Thank you, Treasurer.

2 Any other questions for Richard before he
3 sits down?

4 SECRETARY FAJT: Tad?

5 CHAIRMAN DECKER: Please.

6 SECRETARY FAJT: Thank you, Mr. Chairman.
7 Mr. Williamson, I'm not sure I understood exactly the
8 answer to the last question.

9 I think, and I don't want to put words in
10 your mouth, but short-term, I think I heard you say
11 that you anticipate using a melding of all three
12 options.

13 So my question is long term, I thought it
14 was our game plan to establish a lab in Pennsylvania
15 long term. So wouldn't that be to certify in
16 Pennsylvania lab, which is one of the options that
17 you had up on the board as a long-term process or do
18 you see long term being a melding of all three?

19 MR. WILLIAMSON: Long term, I see
20 Pennsylvania having its own lab, conducting its own
21 review, and reporting those reviews to the Board.
22 You're correct.

23 SECRETARY FAJT: Okay. And then short
24 term, you see using -- possibly using all three
25 options?

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1 MR. WILLIAMSON: Whatever is necessary to
2 get the operators going.

3 SECRETARY FAJT: Got you. Thank you.

4 CHAIRMAN DECKER: That doesn't -- I mean,
5 since these games -- just to clarify this. These
6 games have already been approved by other
7 jurisdictions, correct?

8 MR. WILLIAMSON: Yes, sir.

9 CHAIRMAN DECKER: And they're exactly the
10 same games and that's one of the things that you
11 would be certifying?

12 MR. WILLIAMSON: Exactly.

13 CHAIRMAN DECKER: Okay.

14 MR. WILLIAMSON: We will certify that they
15 are the exact same.

16 CHAIRMAN DECKER: All right. And that sort
17 of rounds it down.

18 MR. WILLIAMSON: Right.

19 CHAIRMAN DECKER: Okay. I just wanted to
20 clarify that for the public and the Board Members.

21 By way of new business, let me go over a
22 couple of points. One, we are continuing to look
23 into various other -- well, let me come back. Let me
24 make an announcement first.

25 First, after this meeting, we will hold an

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1 Executive Session for the purpose of discussing
2 personnel issues. No business will be conducted at
3 the Executive Session, which will be closed to the
4 public and the media. We will not be returning after
5 the adjournment today.

6 Secondly, we still have a couple of very
7 important positions that need to be filled, and we're

8 interviewing -- still continuing to interview for
9 general counsel.

10 Since I see that President Lincoln is in
11 the audience today, I understand he was a terrific
12 lawyer before he became President, if you would like
13 to apply for the general counsel's job, we would be
14 more than happy to accept his application.

15 Second, on behalf of the Board, and this is
16 a much more serious matter, I want to formally
17 welcome Anne Lacour Neeb, our first Executive
18 Director to this meeting.

19 (Applause.)

20 CHAIRMAN DECKER: As many of you know, Anne
21 came to us from Louisiana, specifically New Orleans,
22 and Metairie is where her home was. She had a very
23 -- she's had a very trying experience because her
24 house was, indeed, flooded along with a lot of other
25 houses in New Orleans and Metairie.

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1 We're delighted that she was able to make
2 it with her family, and we welcome you here and we
3 hope the surrounding community will be particularly
4 supportive of you during this process.

5 Okay. We certainly intend to be and we
6 hope others in the area will be also. We're very

7 happy that you're here, Anne, for any number of
8 reasons. We're delighted that you and your family
9 are going to be with us for a long, long time.

10 The Board's next public meeting is
11 scheduled for 10:00 a.m. on Wednesday, September
12 28th, at the Downtown Marriott in Philadelphia. The
13 address is 1201 Market Street.

14 I think you will recall, those of you who
15 attended the last meeting, it's the same spot where
16 we had the last meeting. I don't know if it's the
17 same room but it's at least the same hotel.

18 May I have a motion to adjourn the meeting?

19 COMMISSIONER MARSHALL: So moved.

20 CHAIRMAN DECKER: Any opposed?

21 Meeting is adjourned. Thank you very much
22 for coming.

23 (The meeting concluded at 11:05 a.m.)
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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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