

PENNSYLVANIA GAMING CONTROL BOARD

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

THURSDAY, OCTOBER 6, 2005, 10:39 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
DENNIS WOLFF, SECRETARY OF AGRICULTURE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning, everyone.
2 We're sorry to be late. We were talking about
3 personnel matters and interviews. Can you hear me
4 now? It's not on. Okay.

5 We were talking about personnel matters in
6 our Executive Session. I wanted to announce today
7 that we're hiring Curt Haines from the Department of
8 Revenue as our new head of -- but it was a trade.
9 We're giving him Ken McCabe.

10 SECRETARY FAJT: Mr. Chairman, can I veto
11 that motion?

12 CHAIRMAN DECKER: Yes, you can. You can
13 vote in that case. Okay. Again, good morning. I'm
14 Tad Decker. I'm chairman of our Board. I would like
15 to welcome you to the meeting.

16 A quorum of the members are present. All
17 of our directors and Commissioners are here. As
18 always, let me ask, which I just did is shut off the
19 blackberries and phones, etc. because they interfere
20 with things.

21 Next item, would you please join me in our
22 Pledge of Allegiance.

23 (Pledge of Allegiance.)

24 CHAIRMAN DECKER: Thank you. Let me jump
25 around a little bit on our agenda. Our first action

1 item this morning is to approve and adopt the
2 transcript of our last meeting. May I have a motion
3 from the Board to approve our minutes?

4 COMMISSIONER MARSHALL: So moved.

5 COMMISSIONER DiGIACOMO COLINS: Second.

6 CHAIRMAN DECKER: All in favor?

7 COMMISSIONERS: Aye.

8 CHAIRMAN DECKER: Any opposed?

9 Motion passes unanimously.

10 By way of some housekeeping and
11 announcements, as I said, we held Executive Session
12 to discuss personnel matters and interview some
13 candidates. No business was conducted during these
14 sessions.

15 The first of our two gaming enterprise
16 diversity forums was last week. By all accounts --
17 and I was there but sometimes when you're -- as a
18 group, we hear only positive things.

19 In this case, you know, we've heard,
20 everybody, positive things, as I understand it. So
21 we're very pleased with the outcome.

22 LaMonte Williams, our Deputy Chief Counsel
23 for administration and our Chief Diversity Officer,
24 is going to talk to us about those events and, again,
25 about our Pittsburgh forum.

1 Thanks, LaMonte.

2 MR. WILLIAMS: Good morning, Chairman.

3 Good morning, Members of the Board. Thank you for
4 this opportunity to speak today about the diversity
5 initiatives of the Gaming Board. The diversity forum
6 in Philadelphia was a success.

7 When we first decided to create and host
8 the diversity forums, we set two goals; to provide
9 those that were interested in the gaming industry an
10 opportunity to network, and to provide for the
11 attendees a toolbox for how to do business in the
12 gaming industry. We achieved both of those goals.

13 Regarding the first goal, we had more than
14 200 participants in attendance at the Philadelphia
15 forum. We plan to publish those attendees on our
16 website.

17 The attendees traveled from Georgia,
18 Indiana, Nevada, Illinois, Maryland, New Jersey,
19 Michigan, Connecticut, Rhode Island, Missouri, and
20 New Mexico. As a result, there were many networking
21 opportunities for the attendees.

22 Regarding the second goal, during the
23 forum, attendees received information and advice on
24 the Gaming Act, its regulations, accounting, banking,
25 state certification, and business planning.

1 For the Pittsburgh forum, we plan to
2 duplicate, if not improve, on the success that we had
3 in Philadelphia. The Pittsburgh forum will be held
4 at Duquesne University in the Main Ballroom on
5 October 27th from 8:30 until 3:00.

6 The substantive content will be the same.
7 The forum panelists will be just about the same.
8 There will be a few regional variations. We expect
9 the attendance to be comparable to Philadelphia, if
10 not larger.

11 We encourage attendees to register early.
12 The registration forms are available on our website,
13 which is www.pgcb.state.pa.us.

14 Again, Chairman and Members, thank you for
15 this time. Any questions?

16 CHAIRMAN DECKER: Are there any questions
17 for LaMonte?

18 LaMonte, thanks a lot and thanks for the
19 hard work of you and the other staff members in
20 getting that forum up and running. It was a great
21 success and we expect an even better one in
22 Pittsburgh.

23 MR. WILLIAMS: Thank you.

24 CHAIRMAN DECKER: Thank you.

25 COMMISSIONER RIVERS: Mr. Chairman?

1 CHAIRMAN DECKER: Yes, please.

2 COMMISSIONER RIVERS: I think I should say
3 thank you to Commissioner Marshall --

4 CHAIRMAN DECKER: Absolutely.

5 COMMISSIONER RIVERS: -- for making the
6 facility available for us because the facilities
7 were outstanding, along with the food, and all of the
8 other amenities.

9 CHAIRMAN DECKER: No. It was great, and I
10 had thanked Chip previously for that. You can't
11 thank him enough for getting that done. That was
12 really a great facility to have it in. I can't think
13 of a better place to have it. Thanks, Chip.

14 Okay. New business. Our first topic today
15 is ethics. At our meeting last week, Chip Marshall
16 and our Executive Director, Anne Neeb, talked about a
17 draft ethics policy for the Board. I would like to
18 ask Chip now to fill us in on the details about where
19 we stand. Thank you.

20 COMMISSIONER MARSHALL: Thanks, Tad. I
21 guess this sort of falls under the we have good news
22 and bad news with respect to an ethics policy.

23 The good news is that I think we have one.
24 The bad news is that we probably won't be able to get
25 it to you, the public, in a format until later this

1 evening or first thing tomorrow morning.

2 We just ran into some formatting problems.
3 Unfortunately, my citation and formatting skills have
4 diminished over the years. If it weren't for Anne
5 Neeb and Michelle Afragola, we will probably be until
6 Christmas.

7 What I would like to do with the Board's
8 permission is just sort of briefly outline some of
9 the things we will deal with. I know that Nick Hays,
10 Anne Neeb, and Tad will be available in the ensuing
11 days.

12 What we wanted to do is have a policy that
13 would sort of govern communication and conduct on the
14 part of the licensees, Board Members, employees,
15 applicants, vendors, so that the citizens of the
16 Commonwealth and the folks who are going to be
17 involved in that will be a very arduous and, Susan
18 Hensel tells me, expensive process for getting
19 licenses, whether it be as an operator, vendor, or
20 what have you in the Commonwealth.

21 We wanted the Commonwealth citizens to feel
22 that it was an open, transparent process and that it
23 would be credible. As you can imagine, working
24 through that has not been easy, not because we have
25 disagreements over the goals, purposes and intents.

1 These are difficult issues.

2 Fortunately, we've had some great work on
3 the part of Anne and Michelle. We've also had --
4 we've been fortunate in it being 26th, 27th, or 28th
5 in the process around the country. We have a lot of
6 things we can draw on and we have attempted to do
7 that.

8 We are somewhat, I won't say constrained
9 but directed is probably the better word, by our
10 statute, which deals with a lot of the ethical issues
11 that are found in the whole gaming process.

12 What we have endeavored to do, and I take
13 full blame for presentation but none of the
14 responsibility if it's good, that what we've tried to
15 do is put it in a form that would be readily
16 available so that people don't have to find their way
17 through that very complicated Gaming Statute,
18 complicated and lengthy Ethics Act and a number of
19 the other things that we have looked at.

20 It's three, four, five pages depending on
21 how the printing comes out. I think, if I could take
22 a couple of minutes and just deal with the issues,
23 and maybe start with process.

24 What we endeavor to do today and what I
25 will be asking the Board by a motion to do is vote to

1 post, and I use the word post, not publish,
2 intentionally.

3 This is a process where we believe that the
4 Board has come together and has collectively agreed
5 to act in a certain way and to cause others to act in
6 this way, so we don't see this as going through a
7 formal regulatory process.

8 We also think that, although we've spent a
9 great deal of time and effort, we would benefit
10 greatly from the public's comment. We encourage and
11 I would echo, Tad, who usually when we publish this,
12 please, we are interested. We want to hear what you
13 folks have to say. We see this as a living,
14 breathing, moving, evolving kind of a process.

15 That said, November 1st starts the process
16 where we will be taking license applications. So how
17 do you strike the balance?

18 What the Commissioners have agreed, what
19 the Board Members have agreed, is that as of today,
20 if we, in fact, pass this to post, we will all agree
21 to live by what you will find on the website later
22 this afternoon or tomorrow morning.

23 We are doing that voluntarily because we
24 believe that there needs to be a code of conduct in
25 place, but we are open to the notion based on comment

1 that may come in over the next 30 days to change,
2 modify, and edit.

3 CHAIRMAN DECKER: Chip, can I interrupt you
4 for one minute?

5 COMMISSIONER MARSHALL: Sure.

6 CHAIRMAN DECKER: The only thing I would
7 like to add is to remind everyone that the first act
8 we took in December was to adopt a code of conduct
9 and conflict of interest policy, which is the State's
10 Ethics Commission Policy. Am I correct on that?

11 COMMISSIONER MARSHALL: That's right.

12 CHAIRMAN DECKER: It's not that we've been
13 operating for a year or nine months without one. We
14 haven't. This is merely to help supplement that. I
15 think sometimes people forget that we have one in all
16 our talk about trying to make the one we have
17 stronger.

18 COMMISSIONER MARSHALL: We have been
19 adhering to those principles. We all filed our
20 statements as required by the State Ethics Act in
21 May. We continue to abide.

22 If you recall and if you're at all familiar
23 with the State Ethics Act, it is very careful to
24 address both impropriety and the appearance of
25 impropriety.

1 I think it's the belief of the legislature
2 then, certainly, the Board now, that we don't only
3 want to honor the law but we want to hold ourselves
4 up as an example and do even more than is required,
5 go that extra step.

6 In concept, we look at -- we've taken the
7 area of restricted activities and I say this in a
8 very simple declarative sentence; under this new
9 policy, no Board Member shall engage in ex-parte
10 communications with an interested party.

11 We wrestled with the issue of whether we
12 ought to have conversations and record them, a la the
13 Pennsylvania Department of Health and the old
14 Certificate of Need Process, the Public Utility
15 Commission in certain aspects.

16 We just believe that as a basic
17 proposition, there should be no conversation between
18 a Board Member or key employee with anyone who has an
19 interest in an action that may come before the Board.

20 It does not mean that an interested party
21 and old friend can't go to the Phillies game and talk
22 about what a shame it was that they didn't make it by
23 one game.

24 If that conversation were to drift into an
25 area that involves a matter before the Board, it will

1 be cut off. It is prohibited.

2 In addition, we talk about disqualifying
3 interest, which is a term that the Statute uses,
4 perhaps you and I would tend to use the notion of
5 conflict of interest.

6 No Board Member shall vote on any matter
7 when such Board Member has a disqualifying interest
8 and shall comply with the disclosure and abstention
9 requirements as described therein.

10 If, by some chance, any of us have an
11 interest that might affect our impartiality, we will
12 not vote. We will recuse ourselves and we will
13 disclose pursuant to the Statute.

14 Finally, we have made it absolutely clear
15 that no member shall receive anything of monetary
16 value, including a gift, loan, political
17 contribution, reward, or promise of future employment
18 based on the offer or donor's understanding that the
19 Board Member's vote or official action would be
20 influenced thereby.

21 It is our goal, purpose, and intent to be
22 above reproach and to do so in a very clear and
23 credible manner.

24 As I said, this policy is four to five to
25 six pages, again, depending on the vagaries of HP and

1 whatever printer we use. We will try to make it very
2 available.

3 When we do finally publish or, I guess,
4 vote on the actual terms, which should take place
5 sometime after the 30-day comment period, it will be
6 widely distributed both on our website and in print
7 form.

8 Mr. Chairman, that said, I think that gives
9 a fair summary of where we are. I think the driving
10 forces, that being no communication, no vote whether
11 of conflict or disqualifying interest exists, no
12 acceptance of anything of value, I think sums up the
13 basis or the platform for which we deal with a number
14 of other things.

15 We do talk about confidentiality; and make
16 no mistake, the Board understands that there will be
17 people seeking to apply for licenses, whether it be
18 as an operator, vendor, employee, or whatever.

19 We are going to ask that they be rigorous
20 in terms of the information that we disclose to them.
21 We make the promise back to you that we will guard
22 that information and treat it appropriately, both as
23 board members and as key employees, we do that.

24 So again, that said, Mr. Chairman, if I
25 might at least get the process started, I would like

1 to move the following: That the Board shall publish,
2 as soon as with all due speed or all deliberate
3 speed, its proposed ethics policy for a 30-day period
4 of comment, analysis, further consideration; that as
5 of successful enactment of this motion or passage of
6 this motion, that the Board further agree that we
7 should live by the standards set forth in the draft
8 policy during pendency of the comment and analysis
9 period.

10 I would look, Mr. Chairman, to the
11 likelihood that sometime 31, 2, 3 or 4 days now, we
12 will be back in public session to consider and vote
13 finally on the policy that we use.

14 CHAIRMAN DECKER: Thank you, Chip. I would
15 like to thank Michelle and Anne also for getting this
16 done.

17 Any questions of Chip about the policy?

18 Bob?

19 TREASURER CASEY: Not a question but a
20 comment --

21 CHAIRMAN DECKER: Sure.

22 TREASURER CASEY: -- pursuant to what
23 Commissioner Marshall said. I'm happy that he
24 mentioned not just some of the language on the
25 communications but also on the question of

1 appearance.

2 It's an important to out point that and I
3 want to comment on generally and I think it will be
4 commented on in the final version.

5 I think that's critical. It's one thing to
6 have a policy on conflict of interest or
7 communication that sets forth what Board Members can
8 do or not do, but I think there should be also
9 language on appearance, which is important for all of
10 us.

11 I think that's -- we talk about how to
12 draft that language, but I want to commend
13 Commissioner Marshall for bringing that up because
14 it's an important feature, I think, of what should be
15 the final version of these -- of this code.

16 Thank you, Commissioner.

17 COMMISSIONER MARSHALL: And just in
18 response, again, to echo Tad's comments, the first
19 action we took as a Board was to adopt and embrace
20 the State Ethics Act; and as Mr. Casey knows because
21 he's probably been subject to it longer than all of
22 us, it is very clear that both impropriety and the
23 appearance of impropriety is covered in that Act and
24 will be covered in our policy as well.

25 We would welcome help with how to phrase

1 that appropriately, you know, and there is a balance;
2 and I know that over the next 30-some days and
3 probably forever, we will talk about that.

4 We want to balance the rights of
5 applicants. We want to balance the rights of
6 citizens. Frankly, we want to balance the 15, 20, 30
7 people that are going to be covered by this policy.

8 We didn't -- well, some might say we kind
9 of grew out like a mushroom, but we've all lived in
10 the Commonwealth for a long time. We have all been
11 very active citizens.

12 The record of public service on this Board
13 is unparalleled. So as I said, we do not act in a
14 vacuum. We are very sensitive to the issue of both
15 appearance and impropriety and will do what we can to
16 meet that very, I think, serious obligation.

17 CHAIRMAN DECKER: Ken?

18 COMMISSIONER McCABE: I don't have a
19 question, but I would like to say something. I would
20 like to thank everyone who has been working hard,
21 trying to put this together, our Ethics Code.

22 I must admit, and I think everyone knows,
23 that I'm a little frustrated and disappointed that 11
24 months after I tried to get a strict Ethics Code
25 adopted for our Board that we're presenting this

1 today.

2 We, as a Board, have been working hard
3 trying to do our best to put together the best
4 possible rules and regulations for gaming in
5 Pennsylvania and do what is best for Pennsylvania.

6 Many of us have made compromises in the
7 past in the best spirit of cooperation and trying to
8 move forward. I strongly believe that one area that
9 we cannot compromise ourselves is in the realm of our
10 Ethics Code.

11 We need to let the people of Pennsylvania
12 know that we are looking out for the best interests
13 of the Commonwealth and are willing to make
14 sacrifices and live up to a higher standard of ethics
15 to keep our honored reputation beyond reproach.

16 I know for the last 30 years, I have had to
17 live up to a higher Code of Ethics, first as an
18 officer of the United States Marine Corps, and then
19 as a special agent in the FBI.

20 I know that I must continue to live up to
21 these high standards in representing the people of
22 Pennsylvania as a Commissioner on the Gaming Board.

23 I know the Board Members will continue to
24 work together to adopt a strict Ethics Code that we
25 will be proud of. I ask that we place this as our

1 highest priority in the coming days.

2 CHAIRMAN DECKER: I take that as a second
3 to the motion.

4 COMMISSIONER McCABE: That's a second.

5 CHAIRMAN DECKER: Thank you.

6 COMMISSIONER DiGIACOMO COLINS: Please,
7 Mr. Chairman, I would like to make a comment.

8 CHAIRMAN DECKER: Mary and then Dennis.

9 COMMISSIONER DiGIACOMO COLINS: Dennis?

10 SECRETARY WOLFF: Go ahead.

11 COMMISSIONER DiGIACOMO COLINS: I would
12 like to comment on something that Commissioner
13 Marshall said with respect to the nature of this
14 document.

15 He characterized it as a living document
16 that will continue to be changed and molded as the
17 Board grows. I think that's a very important concept
18 that everyone understands.

19 Ethics policies and the matter of ethics is
20 like a body of law. It develops as the process
21 develops and as the Board will develop. So I think
22 that we started on a very smart and good step in the
23 beginning by adopting the State Ethics Code, which is
24 a good code, which has been in place and has been
25 tried, and now we're moving forward by going into

1 further detail as the application process opens.

2 I consider this as a living document, which
3 we will continue to work on, especially when we bring
4 on a general counsel and we will get into the area of
5 ethics recommendations, ethics -- specific issues to
6 be considered and reviewed.

7 We will be developing within the Board, I'm
8 sure, an entire procedure for the handling of ethics
9 questions, not just when someone has acted badly but
10 advisory matters.

11 This is a very significant and lengthy
12 process and you all have to understand that. It's
13 not just the policy but it's making the policy suit
14 the process, and that will take a while and I think
15 this is an excellent start.

16 CHAIRMAN DECKER: Thank you, Mary.

17 Dennis, please.

18 SECRETARY WOLFF: Yes. I would like to
19 make a note, as the Secretary of Agriculture I do
20 oversee and regulate the tracks in Pennsylvania.

21 I have an administrative relationship with
22 those folks now. That maybe could be noted in here,
23 that, you know, as long as those responsibilities and
24 those discussions fall within the normal
25 administrative boundary of what I do, that that would

1 be acceptable.

2 CHAIRMAN DECKER: I don't think that will
3 be an issue at all. The other thing I would like to
4 just say is that this does not -- as Ken has said
5 publically a number of times, we appreciate the
6 information we've gotten from people who represent
7 the industry and others that have come into the Board
8 in, I would call it, an official way.

9 This does not -- this policy does not
10 prohibit that. Those kinds of contacts with our
11 staff about questions, for example, about the
12 applications, information coming back about
13 regulations, etc. in the formal way or otherwise or
14 special meetings people want to set up with staff,
15 that's not an issue. That still can proceed like in
16 every other jurisdiction.

17 What we are addressing here and Chip spent
18 a fair amount in talking about in drafting is the
19 ex-parte-types of stuff, you know, one off kinds of
20 things.

21 So make sure that -- we don't want to have
22 a lot of questions. Does this mean I can't talk to
23 Susan Hensel about my application, well, of course,
24 not. I just want to clarify that.

25 We do expect to get good information during

1 the comment period or otherwise in letters and
2 otherwise from the industry. They know a great deal,
3 and we've appreciated the kinds of things that have
4 come from the various people in helping us to get
5 started and from other regulatory agencies as well.

6 Any other questions about this policy?

7 All right. Hearing none, Chip has a motion
8 before the Board. All in favor, please indicate by
9 saying aye.

10 COMMISSIONERS: Aye.

11 CHAIRMAN DECKER: Any opposed?

12 The motion carries. Thank you.

13 Administration, that's our next topic.

14 Today, we have one personnel matter to consider; and
15 our Director of Administration, Mike Walsh, is going
16 to tell us about it.

17 Mike, please.

18 MR. WALSH: Thank you, Mr. Chairman. The
19 one recommended hire for the Board to consider today
20 is in the Bureau of Administration. Actually, I'm
21 happy to recommend for your consideration Wendy Chan,
22 as the first director of human resources for the
23 Gaming Board.

24 As I think the Board knows, we've been
25 through this process of identifying candidates and

1 interviewing them for a number of months. We were
2 held up with the Supreme Court case, as we were with
3 a number of hires.

4 We began this process, again, several
5 months back and really met with some fine candidates
6 from across the Commonwealth.

7 Wendy comes to us from the Department of
8 Transportation. She previously was in the Department
9 of Labor & Industry. She is a graduate of Pace
10 University in New York. She studied abroad at
11 Beijing University. She received her law degree from
12 Brooklyn Law School in New York and I think will be a
13 fine addition and much needed addition to the Gaming
14 Board. So I respectfully ask that for your
15 consideration.

16 CHAIRMAN DECKER: Thank you, Mike.

17 COMMISSIONER RIVERS: Mr. Chairman, based
18 on the recommendation of the Director of
19 Administration, I would like to offer the following
20 resolution, resolve that the Pennsylvania Gaming
21 Control Board hereby authorize the hiring of Wendy
22 Chan as a director of human resources.

23 As always, her hiring and final hiring is
24 subject to a positive background investigation and I
25 so move.

1 was going to defer to Nan Horner's presentation. We
2 have junket regulations that Nan has been working on.
3 She will explain and summarize those for us.

4 MS. HORNER: Good morning, Chairman Decker
5 and Members of the Board. Before you this morning
6 for consideration is the opening of a 30-day public
7 comment period on a draft regulation concerning
8 gaming junkets and the regulation and licensing of
9 the people and companies that will be providing
10 gaming junket services in the Commonwealth.

11 In this presentation, I will discuss
12 junkets, what they are, and why they should be
13 licensed.

14 Junkets are arrangements made between a
15 junket enterprise or a junket representative and a
16 licensed facility, the intent of which is to induce a
17 gaming patron to come to the licensed facility for
18 the purpose of gambling and pursuant to which the
19 full or partial cost of transportation, food,
20 lodging, and entertainment are paid by the licensed
21 facility.

22 Junket representatives, who will be
23 registered employees of licensed junket enterprises,
24 will make the travel arrangements and reservations
25 for dinner, shows, and other activities and events

1 for the gaming patrons who are arriving on a junket.

2 Junket representatives often accompany
3 patrons who arrive on a junket. Junket enterprises
4 usually have a specific region or territory in which
5 they market and promote a certain licensed facility
6 to gaming patrons and other potential customers.

7 Many junket enterprises have a database
8 with the names, addresses, and gaming history of
9 thousands of gaming patrons. Junket representatives
10 send out marketing letters and invitations to the
11 gaming patrons in the database.

12 A junket enterprise may have several levels
13 of offers in its marketing letters and invitations,
14 each level tailored to a specific group of gaming
15 patrons.

16 The level of offers depends on the pattern
17 of gambling that a patron has historically shown, and
18 the offer may include free or reduced airfare on
19 either a commercial or chartered plane with
20 accommodations or free accommodations to a drive-in
21 player.

22 An example of a gaming patron who may be
23 offered free flight on a chartered plane with free
24 accommodations is one who has historically played,
25 say, 5 to 6 hours a day on a 25 cent machine wagering

1 the maximum amount of coin per pull.

2 If the gaming patron does not meet those
3 requirements, he or she would likely qualify for
4 reduced airfare and reduced rate accommodations.

5 If the gaming patron, who historically
6 gambles enough to warrant a free trip fails to play
7 to his/her historic levels on a junket, it's unlikely
8 that that gaming patron would be invited back without
9 having to pay at least some or part of their next
10 trip.

11 Gaming patrons are often coded to a host,
12 who works direct for a licensed facility. However,
13 if a gaming patron comes to a licensed facility
14 through a junket, he or she would be coded to the
15 junket enterprise or junket representative.

16 When a junket representative or enterprise
17 sends a patron to a licensed facility, the junket
18 enterprise gets a report from the facility at the end
19 of the trip, which summarizes the history for each
20 gaming patron on the trip.

21 It's through the use of this information
22 that the enterprises are able to know the level of
23 offers to make for each gaming patron.

24 Coding a gaming patron to a junket
25 representative or enterprise not only allow that

1 enterprise to create its database of gaming patrons
2 and to keep track of the play history of each patron,
3 it is also the manner by which junket enterprises are
4 compensated.

5 Generally, the compensation that
6 enterprises and representatives receive are
7 commissions that are based on theoretical win of a
8 patron.

9 Loosely defined, theoretical win is what
10 the licensed facility thinks it will win from the
11 player over time based upon the whole percentage of
12 the slot machine being played.

13 It's a measurement of a player's long-term
14 value to a licensed facility, calculated on the
15 length of play, the average bet, and the theoretical
16 advantage of the slot machine.

17 The commission that a junket representative
18 or enterprise receives may be calculated using
19 theoretical win of the gaming patron, theoretical win
20 of the entire junket group discounted based on the
21 group's expenses and complementaries or on the actual
22 losses of junket patrons.

23 If a junket patron has been coded to a
24 junket representative or enterprise, the patron is
25 not precluded from going to a licensed facility

1 without the junket.

2 A gaming patron may drive to a licensed
3 facility and ask a junket representative to arrange
4 for their accommodations.

5 Unlike casino hosts, however, junket reps
6 do not have the ability to provide complementaries
7 directly to gaming patrons. He or she can, however,
8 request complementaries for a gaming patron from the
9 marketing department.

10 The inability to deal directly with a
11 person authorized to grant complementaries may
12 frustrate a drive-in gaming patron, who is coded to a
13 junket representative.

14 Therefore, the patron may be recoded to a
15 host, if the patron starts dealing directly with the
16 host instead of the junket rep.

17 Now that you know what junkets are, I want
18 to briefly discuss why they should be licensed. In
19 some foreign jurisdictions, junket representatives
20 perform activities that a casino would be prohibited
21 from doing.

22 For example, a casino is required to
23 complete a currency transaction report for currency
24 transactions in excess of \$10,000 and has to comply
25 with strict rules and regulations concerning cashing

1 checks, collection matters, and the extension of
2 credit.

3 Junket representatives are not subject to
4 the same requirements. In some US jurisdictions,
5 junket representatives in the past have provided
6 questionable services for gaming patrons, such as
7 structuring currency transactions to avoid casino
8 reporting, cashing patron checks, lending money to
9 their gaming patrons, and transporting currency into
10 the US to allow a patron to avoid customs
11 declarations.

12 Because of the personal relationship
13 between a junket rep and a patron and the fact that
14 the junket representative's compensation is based on
15 that patron's play, some history of misbehavior on
16 the part of the junket reps and the potential for
17 violations of gaming laws in gaming jurisdictions
18 exists.

19 The Board should be able to look into the
20 background of a junket enterprise, look into the
21 background of the junket representatives, and have
22 the ability to regulate their activities.

23 In order to further the legislative intent
24 of the Pennsylvania Racehorse Development and Gaming
25 Act and its regulations, I urge the Board to publish

1 the draft junket regulations and thereafter register
2 and license junket representatives and junket
3 enterprises.

4 As you are aware, the Board's approval of
5 the publication of the draft regulations will mark
6 the beginning of the month-long comment period.

7 In order to be considered, comments will
8 have to be postmarked by no later than Monday,
9 November 7, 2005. Comments must be accompanied by
10 the commentator's name, the name of any entity or
11 organization on whose behalf the comment is being
12 submitted.

13 Commentators must also include a mailing
14 address, including a county, for the individual and
15 organization, if appropriate, and a telephone number
16 and e-mail address that can be used to verify the
17 source of the information.

18 When comments are submitted, they should
19 cite the specific section to which the comment
20 pertains or, at a minimum, the topic under
21 discussion.

22 Comments which are not related specifically
23 to gaming junkets will not be entertained and
24 considered during this comment period.

25 Once staff has reviewed the public

1 comments, the comments and the Board's response will
2 be posted on the Board's website.

3 COMMISSIONER DIGIACOMO COLINS: And,
4 Mr. Chairman, may I make a motion in response to this
5 presentation?

6 CHAIRMAN DECKER: Thank you, Mary. May I
7 have a second?

8 COMMISSIONER MARSHALL: Second.

9 CHAIRMAN DECKER: Any questions for Nan or
10 Mary on this particular proposed regulation?

11 Ken?

12 COMMISSIONER McCABE: I just have a
13 comment. I'm not going to read anything. I think
14 it's important that we do this.

15 I'm aware in some jurisdictions that where
16 the junkets are unregulated and individuals
17 associated with some sort of organized crime are
18 either sponsoring the junkets or participating in the
19 junkets, that's where you have some problems with
20 loan-sharking and other illegal activity.

21 I think if we from the very beginning
22 license the junket representative, we do a background
23 check on them, we can make this a safer place for the
24 people that want to come here and have a good time.

25 CHAIRMAN DECKER: Thank you, Ken.

1 Any questions or comments?

2 COMMISSIONER COY: Mr. Chairman?

3 CHAIRMAN DECKER: Please.

4 COMMISSIONER COY: I mean, is it possible
5 that we would even look into not allow junketing to
6 happen in Pennsylvania as part of these regulations
7 if the problem is pervasive among illegal activities
8 and illegal individuals and so on? Maybe we need to
9 say, this shouldn't happen here at all. I would
10 encourage that we simply look at that topic, include
11 this as well.

12 CHAIRMAN DECKER: There are other states
13 that have regulated this successfully; namely, Nevada
14 and New Jersey. Right, Nan?

15 MS. HORNER: And with all due respect,
16 historically, prior to strict regulation, it had been
17 a problem in various jurisdictions in the United
18 States.

19 It has been regulated for many years in
20 Nevada, New Jersey, and Mississippi, the major gaming
21 jurisdictions, without incident, without problems.

22 COMMISSIONER McCABE: I think that is the
23 key thing is having it regulated and looked at to
24 keep it honest and to keep some of these people out
25 of it.

1 CHAIRMAN DECKER: Chip?

2 COMMISSIONER MARSHALL: Right. But as I
3 understand what we're doing today was you've just
4 asked us or, Mary, you've made the motion and I
5 second that we will post on the website for comment.

6 I would urge people that have a view, all
7 views to come in including those that think we
8 shouldn't. It would be very helpful to hear from
9 those folks as well.

10 CHAIRMAN DECKER: I agree. I think Jeff's
11 comments were right on point.

12 Treasurer Casey?

13 TREASURER CASEY: Just a quick question.
14 You may have covered this already and may be plowing
15 ground you covered, but how about enforcement?

16 In other words, if you have a policy in
17 place and there's some kind of infraction or
18 violation, how does that -- what is the procedure for
19 any kind of enforcement?

20 MS. HORNER: There will be enforcement
21 procedures. They're in the process of being drafted
22 at the moment.

23 TREASURER CASEY: They're coming?

24 MS. HORNER: Yes.

25 COMMISSIONER DiGIACOMO COLINS: And I would

1 also think that that would be part of the Board's
2 ongoing responsibility for audit compliance with the
3 regulations and also part of the renewal process,
4 too, and that would further the regulatory process by
5 doing that.

6 TREASURER CASEY: They would be the subject
7 of a further body of regulations?

8 MS. HORNER: Yes.

9 TREASURER CASEY: Okay.

10 CHAIRMAN DECKER: Any other questions or
11 comments? May I have a motion -- do we have a motion
12 on the floor?

13 COMMISSIONER DiGIACOMO COLINS: We have a
14 motion.

15 CHAIRMAN DECKER: Sorry about that. All of
16 those in favor, please indicate by saying aye.

17 COMMISSIONERS: Aye.

18 CHAIRMAN DECKER: Any opposed?

19 Motion carries. Thank you very much.

20 Thanks, Nan.

21 Mary, we have a diversity letter. Do you
22 want me to cover that or are you prepared to read
23 that?

24 COMMISSIONER DiGIACOMO COLINS: I thought
25 you would read that.

1 CHAIRMAN DECKER: That's fine. Very good.
2 We have a motion -- excuse me. I'm going to ask for
3 a motion approving this letter, which I'm about to
4 read, which deals with what we think are our
5 obligations under the Act concerning diversity.

6 Our intent is to send this out to all
7 potential applicants for slots, gaming licenses.

8 Under Section 1212 of our Act, the Board is
9 charged with promoting and ensuring diversity in all
10 aspects of gaming activities authorized under the
11 law.

12 The Board takes this responsibility
13 seriously and is committed to enhancing the
14 representation of diverse groups in the ownership,
15 participation, and operation of the licensed entities
16 and licensed facilities.

17 In addition, the Board seeks to improve
18 diversity in contracts of goods and services entered
19 into by the licensees.

20 The Board is issuing this letter as a
21 result of the feedback we received at the September
22 29th Board-sponsored diversity forum in Philadelphia.

23 That feedback indicated that although
24 potential slot facility operators are moving forward
25 with plans to locate in communities throughout the

1 state, little or no outreach efforts are under way to
2 increase diversity.

3 This letter puts current and future
4 applicants for slot machine licenses on notice that
5 in examining an applicant's diversity practices, the
6 Board will not only look at those practices after an
7 application is submitted but will also look at the
8 applicant's diversity practice history.

9 This is particularly true for those
10 applicants breaking ground on new projects and
11 developing new businesses in Pennsylvania.

12 The Board advises that those interested in
13 applying for licenses begin now to reach out to
14 minorities, women, people with disabilities, and
15 disadvantaged businesses.

16 In addition to scrutinizing the diversity
17 practices prior to their filing of an application,
18 the Board will closely examine all required diversity
19 plans as part of its review of application for
20 licensure and renewals.

21 The Board also will monitor implementation
22 of plans and hold applicants and licenses accountable
23 for the results.

24 Finally, applicants for slot facilities
25 licenses should be aware that the Board will take

1 into account in the application review process the
2 applicant's plans to improve diversity in all
3 employment classification and to enhance the
4 participation of diverse groups in all aspects of
5 their operation.

6 To assist applicants in their efforts to
7 improve diversity, the Board has made available on
8 its website a link to the Pennsylvania Department of
9 General Services list of minority and women-owned
10 business. The Board's website can be found at
11 www.pgcb.state.pa.us.

12 May I have a motion approving that letter?

13 COMMISSIONER MARSHALL: So moved.

14 COMMISSIONER McCABE: Second.

15 CHAIRMAN DECKER: Any comments or
16 questions?

17 All of those in favor, please indicate by
18 saying aye.

19 COMMISSIONERS: Aye.

20 CHAIRMAN DECKER: Any opposed?

21 Thank you. Motion carries and this letter
22 will be sent as soon as reasonably possible.

23 Our next topic is supplier regulations. At
24 our last meeting, we postponed a discussion on
25 supplier regulations until today.

1 I want to announce that the Board is at a
2 total impasse of approving these regulations. We
3 have a number of proposals, at least three proposals
4 out there.

5 On one side, it would be the idea of having
6 mandatory regional suppliers. If we voted -- I've
7 talked to each of the members individually, and I
8 know there's no point in having a vote on either of
9 these two topics, that if we try to vote on that
10 today, that issue will be vetoed.

11 Secondly, there is another that people
12 commonly call the free market approach, which would
13 require no regions unless the manufacturers and
14 suppliers decided to do that on their own.

15 I know if we voted on that today, that
16 proposed regulation, dating back to May, would also
17 be vetoed.

18 I want to remind everyone that without
19 these regulations, there will be no gaming in
20 Pennsylvania. No gaming in Pennsylvania.

21 Approving the supplier regulations is
22 crucial in the step to bringing gaming to
23 Pennsylvania. It's crucial because we must license
24 both manufacturers and suppliers of gaming equipment
25 no less than 90 days before the Board can issue any

1 operating license, at least so long as the current
2 provisions of the statute remain in effect.

3 We approved the manufacturer regulations
4 some time ago and received ten applications, as I
5 think we've announced, by the August 15th deadline.
6 We are now dealing with those in terms of processing
7 the applications and starting the background
8 investigations.

9 Meanwhile, we have set until December 28th
10 a deadline for the submission of applications for
11 Category 1, conditional licenses.

12 Also, we have said several times at the
13 earliest -- I want to say also that we have said
14 several times at the earliest we could vote those
15 conditional licenses would be in the mid-February to
16 end of March time period.

17 Since our next meeting is October 20th, I
18 think you can all do the math, and we do not believe
19 -- at least I do not believe, I don't want to speak
20 for the other Board Members, that we can issue those
21 conditional licenses now in light of that 90-day
22 period before mid- to late April.

23 So while there's progress under the
24 manufacturers, there's been none on the suppliers.
25 We'll continue to work on that. I want to make the

1 point that we have a ways to go.

2 If there aren't any -- do we have any other
3 new business to talk about today?

4 COMMISSIONER DIGIACOMO COLINS: Could I add
5 something, please, Mr. Chairman?

6 CHAIRMAN DECKER: Sure.

7 COMMISSIONER DIGIACOMO COLINS: I would
8 just like to reiterate that the Board has moved
9 forward in all other areas.

10 We have the framework completely set in
11 place from a regulatory standpoint, from a procedural
12 standpoint, from an operational standpoint to act and
13 move forward in all of these licensing areas.

14 So the framework is there. Once the issue
15 is resolved, the Board is ready to move.

16 CHAIRMAN DECKER: Thank you, Mary.

17 Is there any new business?

18 Let's see. I have two more announcements
19 today. First, after this meeting, the Board will
20 hold an Executive Session for the purpose of
21 discussing personnel issues. No business will be
22 conducted, and we will not be returning afterwards.

23 And last, the Board's next public meeting
24 is scheduled at 10:00 a.m. on Thursday, October 20th,
25 in Harrisburg. We will be in Room 8E. Please check

1 our website and our further announcements because
2 this meeting may get moved or canceled.

3 Is Greg Fajt still here? Could you leave,
4 Greg, because I was going to announce Ilene McNaulty
5 was coming with us as well.

6 Okay. If there are no other matters to be
7 brought before the Board, I would entertain a motion
8 to adjourn the meeting.

9 COMMISSIONER McCABE: So moved.

10 CHAIRMAN DECKER: Second?

11 COMMISSIONER MARSHALL: Second.

12 CHAIRMAN DECKER: The meeting is adjourned.

13 Thank you very much.

14 (The meeting concluded at 11:26 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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