

PENNSYLVANIA GAMING CONTROL BOARD

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

THURSDAY, OCTOBER 20, 2005, 10:23 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. I'm Tad
2 Decker, Chairman of the Pennsylvania Gaming Control
3 Board. I would like to welcome the Board and all of
4 you to our meeting today. A quorum of the voting
5 members of the Board is present. Therefore, this
6 meeting is called officially to order.

7 Please note that Commissioner Ken McCabe is
8 joining us by telephone. Ken, can you hear me?

9 COMMISSIONER McCABE: Yes, sir. I can hear
10 you.

11 CHAIRMAN DECKER: Great. Thanks, Ken. As
12 always, as I remind myself to do the same thing, I
13 would like to ask everyone to turn off their cell
14 phones, Blackberries, etc.

15 Please join me in the Pledge of Allegiance.

16 (Pledge of Allegiance.)

17 CHAIRMAN DECKER: Thank you. By way of old
18 business, our first action item this morning is to
19 approve and adopt the transcript of our last meeting.

20 COMMISSIONER MARSHALL: So moved.

21 CHAIRMAN DECKER: Thank you.

22 Second?

23 COMMISSIONER CONABOY: Second.

24 CHAIRMAN DECKER: Any comments or
25 questions? All of those in favor, please indicate by

4

1 saying aye.

2 COMMISSIONERS: Aye.

3 CHAIRMAN DECKER: Opposed?

4 Motion passes.

5 Some announcements and housekeeping, the
6 Board earlier held Executive Sessions to discuss
7 personnel matters, specifically potential candidates
8 for positions with the agency. No business was
9 conducted during these sessions.

10 A reminder for everyone. The second gaming
11 diversity forum is next week at the Main Ballroom on
12 the Duquesne University campus in Pittsburgh. There
13 is still time to register. Is LaMonte here? I
14 presume we still have some open spots. There are?
15 Thank you, Mike.

16 So I would encourage any of you,
17 particularly those who missed the Philadelphia forum
18 which was quite good, to try to attend. If you need
19 any details, please visit our website.

20 Okay. New business. Operations.

21 Recently, we asked Ann Neeb, our Executive Director,

22 to prepare an update on our operations to date

23 agencywide.

24 Ann, can you -- thank you -- give us that

25 status report?

5

1 MS. LaCOUR NEEB: Good morning, Chairman

2 and Members of the Board. Can you all hear me?

3 Okay. I'm going to give just a very short overview

4 of each division's activities just so you can get an

5 idea of where we are.

6 Our first action is the licensing's action.

7 Basically, what is going on there, the letters to the

8 manufacturers and applicants have been issued. There

9 was a ten-day deadline for responses. This is for

10 them to get in the information that is requested.

11 Efforts have been coordinated now between

12 BIE and PSP, which is the Pennsylvania State Police

13 and the Bureau of Investigations, to finalize the

14 fingerprinting protocols, how they're going to do

15 that, the instructions on how to fingerprint.

16 There are currently quotes that are being

17 made for identity badges. These are needed for --

18 based on all of the employees and the types of

19 permits that you have as a worker. They are going to

20 be color coded. They have to be hologrammed.

21 It's a little more complicated than a basic
22 badge, but they're in the process of obtaining quotes
23 from the different companies that do this. The
24 companies they use are the ones that do law
25 enforcement badges.

6

1 After licensing has completed its review of
2 the applications, it will then be transmitted to the
3 Bureau of Investigation Enforcement for suitability,
4 investigation and follow-up.

5 Right now, Susan Hensel, who is the
6 director of our licensing division, is going to give
7 a more detailed presentation, you know, actual nuts
8 and bolts of what is going on. Basically, they're in
9 the process of getting ready to transmit this, so a
10 new division is going to take over this process.

11 The process for tax clearance from the
12 Department of Revenue has been finalized. Good for
13 the Department of Revenue, they worked that out.

14 There are currently 13 manufacturer
15 applications, which have been received and currently
16 have been processed. So Susan will give you more
17 information on that.

18 The next division is the Bureau of

19 Investigations. Basically, what is going on in that
20 Bureau, regional offices are being established, one
21 in Conshohocken, which will be considered the eastern
22 office. The central regional office will be the
23 Harrisburg office, where we are. The western
24 regional office site has not yet been determined, but
25 they are currently examining and looking for

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1 different sites in that area in Pittsburgh.

2 There is a need, of course, for them to
3 continue staffing because BIE is getting ready to
4 ramp up with their investigations.

5 The next division is hearing and appeals.
6 Commissioner Colins, Mike Edminston, Dale Miller,
7 Jim Dohery, and Don Shiffer have been reviewing rules
8 and regulations for the entire appeals process.

9 They are working diligently and making a
10 lot of progress there. They're trying to get the
11 procedures and rules ready so that they'll be
12 available once everyone is licensed in business.

13 In our office of communications, this
14 office is receiving approximately 50 requests per
15 week from the public, the media, investors,
16 investment companies, and communities mostly seeking
17 information on process, time lines, trying to

18 understand the Statute and having just questions
19 about the operations of the Board.

20 In connection with that, the office is
21 currently developing a brochure to disseminate how
22 the Board operates and how activities, you know,
23 affect everyone, and also the brochure is to develop
24 diversity outreach for inclusion in the different
25 projects around the state.

8

1 Additionally, in that office, there is
2 training for the new communications assistant and
3 that's ongoing.

4 The next division is gaming laboratory
5 operations. They are currently visiting potential
6 office space locations for the lab operations, which
7 is a pretty big operation.

8 They are updating the definitions for the
9 technical standards as defined in the actual computer
10 -- I don't know if I'm going to say it correctly --
11 the computer language that is used and the technical
12 terms as defined.

13 They're using models from Nevada and New
14 Jersey, and modifications mostly involve definitions
15 which exclude table games and other forms of gaming

16 that aren't applicable here.

17 Upon approval, the slot machine regulates
18 that manufacturers are then going to be submitting a
19 game for training purposes to the lab, and that
20 should be coming up somewhere around November 3rd or
21 4th.

22 Those are the main sections. Overall, we
23 have been operating pretty efficiently and been
24 working very hard. The staff has been just up and
25 running as quickly as they can.

9

1 If you have any questions, let me know.

2 I'm here to take questions.

3 CHAIRMAN DECKER: All right. Ann, how many
4 employees do we have now?

5 MS. LaCOUR NEEB: Sixty-one.

6 CHAIRMAN DECKER: Sixty-one. Okay. Thank
7 you.

8 MS. LaCOUR NEEB: Anybody else have any
9 questions?

10 CHAIRMAN DECKER: Any questions from
11 anyone?

12 COMMISSIONER RIVERS: Ann, before you get
13 away, just a question, have you been having periodic
14 meetings with your senior management staff?

15 MS. LaCOUR NEEB: Yes. We have every --
16 once a week, a formal meeting once a week with all of
17 the directors of each division. Then, of course,
18 during the week, it's continually in and out -- you
19 know, I meet with them as needed. We communicate
20 daily with everybody.

21 COMMISSIONER RIVERS: Thank you.

22 CHAIRMAN DECKER: Okay. Thanks, Ann. I
23 appreciate it very much.

24 Okay. Administration. Today, we have one
25 personnel matter. Is it one personnel matter, Mike,

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1 as I understand it to consider? Our director of
2 administration, Mike Walsh, is going to tell us about
3 it. Mike?

4 MR. WALSH: Sure. Thank you, Mr. Chairman.
5 The Bureau of Administration puts forth one name for
6 recommendation for the Board to consider. That is
7 Melinda Morris Tucker to be a consultant to the Board
8 working in the Office of Chief Counsel.

9 Melinda most recently was Assistant
10 Attorney General in the state of Louisiana and
11 actually has worked for both the Louisiana Gaming
12 Control Board, as well as the Louisiana Racetrack

13 Commission.

14 So she was the section chief in racetrack
15 gaming in Louisiana and really has experience on both
16 sides, which will be very helpful to the other
17 lawyers who are working in the Office of Chief
18 Counsel.

19 COMMISSIONER MARSHALL: Mr. Chairman, I
20 move it.

21 CHAIRMAN DECKER: Do we have a second,
22 please?

23 COMMISSIONER CONABOY: Second.

24 CHAIRMAN DECKER: Any questions or
25 comments?

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1 COMMISSIONER RIVERS: Just a comment,
2 Mr. Chairman. I think that Melinda brings with her a
3 skill set that is surely needed by us. I do endorse
4 the recommendation of the Director of Administration
5 for the hiring.

6 CHAIRMAN DECKER: Thank you, Sandy.

7 Again, her hiring will be subject to a --
8 her retention as a consultant will be subject to a
9 background check.

10 MR. WALSH: That's correct.

11 CHAIRMAN DECKER: And secondly, just so
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12 everyone understands, that will be our second sort of
13 permanent full-time consultant, who will also be
14 subject to our ethics policy.

15 MR. WALSH: That's correct.

16 CHAIRMAN DECKER: Thank you.

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

19 COMMISSIONERS: Aye.

20 CHAIRMAN DECKER: Any opposed?

21 Motion carries.

22 As you know, our Bureau of Licensing has
23 been working on manufacturer applications submission
24 that we have received over the summer and is
25 preparing for the submission of other licenses,

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1 vendor, supplier, and operator in the coming months.

2 Susan Hensel, our acting director of the
3 Bureau, will now give us an update on our licensing
4 progress.

5 MS. HENSEL: Thank you, Chairman Decker and
6 good morning, Commissioners. Thank you for this
7 opportunity to talk with you this morning about the
8 Bureau of Licensing.

9 I'll start with an overview of activities

10 in the Bureau, provide you with an update on the
11 status of application preparation and processing, and
12 then discuss briefly with you some ongoing projects
13 and next steps for the Bureau.

14 First, I would like to offer a brief
15 description of where we envision the Bureau of
16 Licensing fitting into the overall licensing scheme.

17 Applications begin in the Bureau of
18 Licensing. Once the Bureau of Licensing is finished
19 with its work on the applications, they move to the
20 Bureau of Investigations for a suitability
21 investigation.

22 Following that investigation, the Bureau of
23 Investigations and Enforcement reports back to the
24 Bureau of Licensing with its findings. The Bureau of
25 Licensing then prepares a comprehensive report,

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1 pulling together all relevant information about a
2 particular applicant and provides that report to the
3 Board.

4 It is then envisioned that the Board,
5 acting on that and other material, will make a
6 decision on the suitability of a particular
7 applicant.

8 In preparation to carry out our

9 responsibilities just described, the Bureau has been
10 working for months to put in place the necessary
11 tools and procedures needed to carry out those
12 responsibilities.

13 These have included researching other
14 jurisdictions for best licensing practices,
15 developing application processing procedures,
16 identifying and hiring staff, preparing training
17 materials, conducting training, developing
18 applications, and putting in place a licensed
19 application tracking and database.

20 In addition, we have developed a licensing
21 manual that is geared at manufacturers. This manual
22 serves as a how-to guide for our analysts as they
23 work their way through the applications.

24 The manual contains a variety of
25 information, including very detailed checklists,

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1 database screen shots and instructions for how to use
2 that database, work flow charts, fee schedules, the
3 regulations, various forms, and templates.

4 We have also put in place a three-part
5 process for evaluating the applications. These three
6 parts include an intake process, a prerequisite

7 review, and completeness review of the applications.

8 The first step is to put the applications
9 through an intake process. It is during this phase
10 that we docket all of the applications.

11 When I talk about applications, it's
12 important to keep in mind that we're talking about
13 really a package of applications. For instance, with
14 the manufacturer applications, we have manufacturer
15 application disclosure forms. We have key employee
16 qualifier forms for both entities and natural
17 persons. We have waiver forms and other forms as
18 appropriate for the particular applicant.

19 Each of these applications is docketed and
20 then assigned to an analyst for evaluation. We
21 process the payments that we have received, and then
22 we send an acknowledgment to the person who has
23 submitted the application letting them know that the
24 application has been received.

25 From there, the application moves into a

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1 prerequisite review process. This process involves
2 the analysts checking to make sure that each
3 submission contains all of the required forms and
4 authorizations.

5 Now, while this sounds like a simple

6 process, it's actually quite involved and requires
7 the analysts to evaluate whether or not all of the
8 appropriate paperwork has been filed for a particular
9 applicant, do we have all of the natural person, key
10 employee qualifiers? Do we have all of the entities
11 that it appears should be licensed with respect to a
12 particular applicant?

13 Once the analysts work its way through that
14 process, they begin to develop an entity profile.
15 This entity profile assists the analyst in seeing the
16 big picture. How does the corporate structure fit
17 together? What are the internal operations of a
18 company, and what does that company plan to carry out
19 in Pennsylvania?

20 The next phase is a completeness review.
21 This is a page-by-page, line-by-line,
22 question-by-question evaluation of the applications.

23 Here, the analyst is looking to see not
24 only has the question been answered, but has the
25 question been answered in a responsive manner.

1 We're also looking to ensure that all
2 requested documentation and information has been
3 provided, including a number of schedules and

4 appendices.

5 With respect to the manufacturer
6 application, we are looking for 33 separate schedules
7 and 22 separate appendices.

8 We are not just going through the
9 application and saying check, they gave us something
10 that says Appendix 21. We're evaluating those
11 appendices and schedules to ensure that they're
12 providing the information that we need to make a
13 suitability judgment on the applicant.

14 Throughout this completeness review
15 process, the analyst is keeping a running tally of
16 deficiencies in the application.

17 Assisting the analyst in their completeness
18 review and in their prerequisite review are very
19 detailed checklists that alert the analyst to the
20 information that is required.

21 The analyst is also throughout these
22 processes in communication with the applicant to
23 receive clarification, information, and documentation
24 that may be missing.

25 Simultaneously with our three-part review

3 the Department of Labor and Industry.

4 We are also reviewing the diversity plans
5 to evaluate their sufficiency. Also, throughout this
6 process, our analysts are tracking their activities
7 in our database, which allows us to generate reports
8 and see the big picture of where we are in the
9 processing of the applications.

10 So where do we stand with respect to the
11 manufacturer applications? We have completed all
12 three of our phases, prerequisite review,
13 completeness review, and, of course, the intake
14 process.

15 We are now in the process of obtaining
16 outstanding information and following up on
17 deficiencies with the applicants. This is an ongoing
18 process and will probably continue even into the days
19 when BIE is working on the applications.

20 In addition to the work that has been going
21 on within the Bureau of Licensing, we have also been
22 working very closely with the Bureau of
23 Investigations and Enforcement to ensure a smooth
24 handoff of the applications.

25 David Kwait will be speaking with you

1 following my presentation about some of the details
2 of what BIE has in store.

3 At this point, the goal of the Bureau of
4 Licensing is to ensure that the Bureau of
5 Investigations and Enforcement has all of the
6 necessary information it needs in order to conduct
7 its investigation.

8 As licensing continues to receive
9 supplemental information from the applicants, we will
10 continue to provide that to BIE.

11 In terms of staffing to carry out
12 licensing's responsibilities, we currently have eight
13 licensing analysts, one administrative officer, April
14 Fegley, who I have to say gets a lot of the credit
15 for the progress that the Bureau has made, a manager,
16 who joined us just this week, of course, and we work
17 on a daily basis with our legal staff.

18 As the Bureau of Licensing grows, I
19 envision that we will be dividing the Bureau into
20 units, units that focus on slot operators, suppliers
21 and manufacturers, gaming employees and vendors and
22 junkets.

23 In addition to our work with the
24 manufacturer applications, the Bureau of Licensing is
25 preparing numerous applications in anticipation of

1 the Board accepting those applications.

2 First of those are the Category II and III
3 applications, which should be finalized and posted on
4 our website by the end of this month. We are
5 developing applications for suppliers, vendors, and
6 junkets.

7 The Conditional Category I application is
8 currently posted on our website, www.pgcb.state.pa.us
9 and that application, again, contains a number of
10 separate application forms that form the package for
11 a Conditional Category I application.

12 We are also in the process now of revising
13 the manufacturer application. That application has
14 been pulled off of our website. At least, it's been
15 pulled off of our website under the licensure area.

16 We pulled it off because, one, we are
17 revising it and, two, because the Board is not
18 currently accepting manufacturer applications.

19 Anyone that is interested in guidance on
20 the type of information that we are looking for from
21 manufacturers can still access the old form if they
22 go out to the archive button, which is a new button
23 on our website. They will find the old form there,
24 but we don't want people to submit that form. We
25 want to work off of a new form in the future.

1 In terms of ongoing projects and activities
2 on a daily basis, the Bureau of Licensing is fielding
3 calls from applicants looking for guidance on how to
4 complete the application, what do certain questions
5 mean.

6 The questions range from the simple to the
7 very complex, and we are working very hard to be
8 responsive to the questions we are receiving.

9 We're also developing application review
10 processes for the Conditional Category I and
11 permanent operator licenses.

12 We're also continuing to work closely with
13 BIE on a number of areas, including establishing
14 effective lines of communication between BIE staff
15 and the Bureau of Licensing staff.

16 We're working on processes for obtaining
17 fingerprinting from the State Police, as well as
18 photographs of applicants.

19 We are working on putting in place an
20 infrastructure to produce licensing credentials or
21 badges for employees, who will be in the slots
22 facilities.

23 Longer term, we are focused on and
24 committed to achieving as paperless of an environment
25 as possible; and to that end, we hope to leverage

1 technology to allow us to put in place document
2 imaging and a work flow system, as well as a document
3 management repository. That concludes my update.

4 CHAIRMAN DECKER: Susan, how are you coming
5 along with that latter issue?

6 MS. HENSEL: I'm working with the
7 Department of Revenue technical staff, which is
8 actually serving as our technical staff these days.
9 I hope to have some sort of recommendation for the
10 Board either from myself or from a member of the
11 technical staff at a meeting in the near future.

12 CHAIRMAN DECKER: Questions?
13 Dennis, please?

14 SECRETARY WOLFF: Just briefly, Susan, when
15 you're taking the inventory of BMPs, I hope you're
16 working with horse and harness racing, being that all
17 of those employees and vendors are currently licensed
18 and will be part of the same campus so that there is
19 some uniformity there in the process.

20 MS. HENSEL: We do contemplate that when we
21 get to the vendor community. We haven't gotten there
22 yet; but yes, that's absolutely going to be a factor
23 for us.

24 COMMISSIONER DiGIACOMO COLINS: Susan, in
Page 22

25 what would be your estimate with respect to the

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1 manufacturers' applications as to what period of
2 time, how much more time will it be before licensing
3 is ready to pass the baton to BIE for their action?

4 MS. HENSEL: David Kwait and I were talking
5 about that as recently as yesterday. The Bureau of
6 Licensing is readying the applications for transfer
7 to BIE.

8 We are also, though, working to get the
9 outstanding information that we need from the
10 applicants.

11 Depending upon the nature of that
12 outstanding information, we may hold back on some of
13 the applications before transferring them to BIE; but
14 we do expect that that transfer will occur shortly.

15 COMMISSIONER COY: Mr. Chairman, thank you.

16 Susan, in terms of employees, I know you
17 said, what, eight licensed --

18 MS. HENSEL: Eight analysts.

19 COMMISSIONER COY: Right. Right. What do
20 you -- what do you believe that you will need when we
21 get fully up and running and when we begin to accept
22 other types and categories of applications? What do

23 you in your estimation -- I know you're shooting in
24 the dark a little bit because it's all new to
25 everybody, but do you have any feeling about that?

23

1 MS. HENSEL: I anticipate that the Bureau
2 will ultimately be 50-plus employees.

3 COMMISSIONER COY: So you have a ways to
4 go --

5 MS. HENSEL: You could say that --

6 COMMISSIONER COY: -- before you're really
7 ready to be in full swing?

8 MS. HENSEL: Well, we are -- we are working
9 very hard. I have a very dedicated staff that is
10 giving 150 percent every day. Our plan right now is
11 to just throw all of our resources at whatever
12 application is in front of us; but yes, ultimately,
13 when we get to a point where we can flesh out our
14 staff and break into units and start to specialize, I
15 envision that will be at the 50-plus mark.

16 COMMISSIONER COY: In terms of with some
17 sort of specificity what you are looking for, what
18 type of analyst, what type of folks are we looking
19 for that can really delve into the questions that you
20 need answered on these applications?

21 MS. HENSEL: People who are very detail
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22 oriented, those with an accounting background, those
23 who have done prior licensing work. Those are some
24 of the types of people that we already have on staff.
25 They are all doing a great job for us.

24

1 COMMISSIONER COY: Are these type of people
2 available?

3 MS. HENSEL: So far so good. I mean, we're
4 continuing to interview and identify candidates.

5 COMMISSIONER COY: Well, I mean, I think
6 it's important and I might have mentioned it before,
7 but I think it's important that, for example, our
8 state universities and others know the type of folks
9 that we're going to have needs for, and they can help
10 prepare students in certain areas for this type of
11 analysis.

12 I know that takes a while also, but I think
13 it's good to let folks out there know what our needs
14 will probably be ultimately. I appreciate the
15 information. Thank you.

16 CHAIRMAN DECKER: Commissioner Coy,
17 excellent questions.

18 Along those lines, you're with how many
19 employees now? Eight?

20 MS. HENSEL: There are ten all day in the

21 Bureau, eight analysts.

22 CHAIRMAN DECKER: We're throwing other

23 people at this, too, right?

24 MS. HENSEL: Oh, absolutely. Everyone that

25 walks into the door gets drafted into licensing.

25

1 Officially, we have ten.

2 CHAIRMAN DECKER: Just so everyone

3 understands that, that we're not having people

4 sitting in the corner.

5 Secondly, the staff of New Jersey, my

6 recollection is it's well in excess of 50, isn't it?

7 MS. HENSEL: Off the top of my head, I

8 believe that that is true. I don't know the exact

9 number.

10 CHAIRMAN DECKER: I'm not damming them.

11 I'm just pointing out to people that this is a fairly

12 efficient and lean operation under the circumstances.

13 MS. HENSEL: Absolutely.

14 CHAIRMAN DECKER: And some of that is

15 because of the delay we had in getting started

16 because of the lawsuit and, secondly, it's because it

17 takes time to hire people.

18 MS. HENSEL: Absolutely.

19 CHAIRMAN DECKER: We are planning to hire
20 some more over the next few months to Jeff's point.
21 The other thing I would mention is that you are doing
22 a substantial amount of training?

23 MS. HENSEL: Yes. Yes. We have developed
24 our own training program, again, based on our
25 research with other jurisdictions, developed a lot of

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1 training materials.

2 As I tell my staff every day, we are
3 committed to continuous improvement; and we will
4 continue to obtain whatever necessary training they
5 need in order to do their jobs.

6 CHAIRMAN DECKER: To Jeff's point also,
7 it's great that a couple of our colleges and
8 universities have indicated to us that they are
9 interested, as I understand it, in setting up
10 programs to provide for additional training for
11 people not only coming out of the college but for
12 some of our people as well.

13 MS. HENSEL: Yes.

14 CHAIRMAN DECKER: Any other questions for
15 Susan?

16 Thank you very much, Susan.

17 MS. HENSEL: Thank you.

18 CHAIRMAN DECKER: David Kwait, our Director
19 of Investigations and Enforcement, will now talk
20 about the progress that we are making in his area,
21 the BIE area.

22 David?

23 MR. KWAIT: Good morning, Mr. Chairman.
24 Good morning, Commissioners. To follow up on Susan's
25 presentation, we are prepared in BIE to accept the

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1 manufacturing licenses right now.

2 What we intend to do with the licensing
3 when we get them is to have our intake officer go
4 through the applications and to assign the criminal
5 investigation part to the Pennsylvania State Police
6 and the suitability to outsourcing firms.

7 Additionally, I am very pleased to tell you
8 that I think we're going to be able to handle two of
9 these applications at least in-house and we're
10 prepared to start that immediately.

11 To recapitulate on some of the things that
12 we have been doing in BIE, as you know, we've hired
13 six key staff members.

14 We've created procedures for interviewing
15 gaming agents, and we've prepared offers of

16 employment letters. We've written job descriptions.
17 We've interviewed numerous candidates for employment.
18 We've developed a training curriculum.
19 We've developed an internal affairs function. We've
20 developed a new employee orientation program. We've
21 developed a performance appraisal evaluation method.
22 We began the implementation of forms,
23 process for the investigative process. We've held
24 many meetings with PCCD to discuss Live Span, CPIN,
25 JNET, and the other issues necessary for future

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1 licensing inquiries, fingerprinting, and
2 photographing of employees and licensees.
3 Mike Schwoyer, the chief counsel for BIE,
4 in consultation with staff, we wrote the
5 authorization and release forms and the power of
6 attorney for all of the applicants.
7 Jim Dohery has recently been hired and
8 assigned to BIE. We've held numerous meetings in
9 Conshohocken with the Preferred Real Estate Advisors
10 Incorporated concerning the space that we're
11 ultimately going to have there.
12 We've used a consultant to ensure that the
13 place is adequately protected with security devices,

14 and we're currently working to acquire appropriate

15 space in the western area, in the Pittsburgh

16 vicinity.

17 Folks, that's that my presentation. Thank

18 you very much.

19 CHAIRMAN DECKER: Do we have any questions

20 of David?

21 How are you doing on the training side? I

22 mean, I know you've been interviewing a great many

23 people to get this thing going.

24 MR. KWAIT: Part of our ability to handle

25 at least two of the manufacturing licenses is due to

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1 the fact that six key members have been trained at

2 UNLB, the International Gaming Commission, and we've

3 arranged that when we do complete our staff, to have

4 those folks travel here to Pennsylvania to do on-site

5 training.

6 CHAIRMAN DECKER: And the background of

7 these individuals, they're all -- federal agents,

8 etc.?

9 MR. KWAIT: Yes.

10 CHAIRMAN DECKER: They're not -- I won't

11 say what they are not.

12 MR. KWAIT: They're all experts in the

13 field.

14 CHAIRMAN DECKER: Shocking. Okay. That's

15 good, David. I really appreciate that.

16 Any questions for David about any of this?

17 COMMISSIONER COY: Mr. Chairman, if I

18 could.

19 CHAIRMAN DECKER: Please, go ahead.

20 COMMISSIONER COY: Sort of the same

21 question that I asked Susan, where are you in the --

22 what do you think would be a total complement needed

23 as you approach full capacity here?

24 MR. KWAIT: We've had numerous discussions

25 about that. We've consulted over in New Jersey and

30

1 also in Nevada. I think ideally we would like to

2 have a staff of 16 investigators in the eastern

3 region, 16 in the western region, and perhaps 8 to 10

4 here in Harrisburg.

5 I think the initial corps of people we

6 bring in will be experienced law enforcement

7 investigators, and I say that realizing that it's

8 important to have a young corps of college graduates,

9 who have some accounting background, who will also be

10 part of this BIE process as we move to the future.

11 So while we bring in the initial
12 experienced folks to handle the large workload that
13 we expect as we go into next year, we also want to
14 have those experienced folks be in a position to have
15 some younger people working with them and sort of
16 have a training, mentoring component to our staff.

17 COMMISSIONER COY: Do you believe that the
18 resumes that you're saying in terms of applications
19 are reflective of folks who possess both the ability
20 and training and education to be able to meet the
21 needs of the Board?

22 MR. KWAIT: It's funny. We do have many
23 hundreds of applications, and we've gone through them
24 very thoroughly in terms of education and experience.
25 I think we have a good cadre of interviewees that

31

1 we're going to present to the Board as potential
2 hires.

3 COMMISSIONER COY: Thank you.

4 CHAIRMAN DECKER: Treasurer?

5 TREASURER CASEY: David, just by way of
6 review, I know you covered this before; but I want to
7 get a quick summary. Take us through the process.

8 If you have before you a firm that you're
9 reviewing or an individual, how does that process

10 work in general and how long does it take from start
11 to finish?

12 MR. KWAIT: You mean the investigative
13 process?

14 TREASURER CASEY: Right.

15 MR. KWAIT: If we had our full staff on
16 hand, it is our intention to have a small cadre of
17 people accept the application from licensing here in
18 Harrisburg.

19 This group will review it and efficiently
20 assign the work. That's why we have the three
21 different regions. If, for example, one application
22 -- I tend to have a case agent with each application
23 to be responsible for, but this case agent doesn't
24 necessarily have to travel to Pittsburgh and travel
25 to Philadelphia.

32

1 We hope we can have the ability to assign
2 work in Philadelphia or Pittsburgh or Harrisburg,
3 depending on the nature of that work so that it can
4 be handled efficiently. Pennsylvania State Police
5 will be doing all of the criminal checks of these
6 applicants.

7 TREASURER CASEY: And then, I mean, what

8 kind of a time frame are you looking at? I'm just

9 trying to imagine a typical case. It can vary, I

10 understand.

11 MR. KWAIT: From the looks of what Susan

12 has on her desk, some of these are very complex.

13 Again, looking at Nevada and New Jersey, some of

14 these investigations can take in excess of six months

15 because we are going to offer conditioning licensing.

16 We will be able to do that based on the

17 last entity that we accept, did the background, and

18 will update from that point.

19 TREASURER CASEY: I've got one additional

20 question on technology. Do you have the technology

21 now that you need for the near term or not?

22 Secondly, how about the long-term projection on needs

23 and how much it's going to cost?

24 MR. KWAIT: I have no idea about the cost.

25 I do know we have a long-term need for an IT section

33

1 in house. We are now working with revenue. They

2 provided a whole lot of expertise to get us off of

3 the ground.

4 TREASURER CASEY: Okay. And in terms of

5 the challenge with regard to technology, is it mostly

6 hardware or is it -- do you have to purchase software

7 to do some of this work or do you think it's more a
8 question of the equipment?

9 MR. KWAIT: Both. We will need a very
10 comprehensive case management system. I think that
11 once we get over this initial hurdle, we can discuss
12 that in depth. Susan and I have been talking about
13 that for several weeks.

14 TREASURER CASEY: Thank you.

15 MR. KWAIT: Thank you, sir.

16 CHAIRMAN DECKER: David, just to come back
17 to it a little bit, the pieces of that will go to the
18 State Police --

19 MR. KWAIT: Yes, sir.

20 CHAIRMAN DECKER: -- in terms of the
21 criminal background check as we are referring to,
22 correct?

23 MR. KWAIT: Yes.

24 CHAIRMAN DECKER: And then we've
25 contemplated there are various pieces where they will

34

1 be able to help us in some of the background
2 investigations?

3 MR. KWAIT: Absolutely.

4 CHAIRMAN DECKER: Right. And in addition,

5 we're going to have to make sure that we have the
6 expertise on the financial side, correct, to look at
7 these things?

8 MR. KWAIT: Correct.

9 CHAIRMAN DECKER: And you're looking at
10 companies and the financial reports, etc., which no
11 one right now has?

12 MR. KWAIT: Yeah. And we are contemplating
13 also a forensic accounting unit here in Harrisburg.

14 CHAIRMAN DECKER: Right. Just like in New
15 Jersey, correct?

16 MR. KWAIT: Exactly.

17 CHAIRMAN DECKER: And Nevada?

18 MR. KWAIT: Exactly.

19 CHAIRMAN DECKER: Okay. How long do you
20 think it will take you to get that kind of expertise
21 in-house trained?

22 MR. KWAIT: I think we'll be prepared, I
23 hope, by the end of the year, hired and trained.

24 CHAIRMAN DECKER: So that by the end of
25 2006?

1 MR. KWAIT: No. Going into 2006, we should
2 be --

3 CHAIRMAN DECKER: You're talking about the
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4 fiscal year or the calendar year, state fiscal year
5 or the calendar year? I've been hanging around with
6 Lynn too much, David.

7 MR. KWAIT: We have interviewed a fair
8 number of people, and we do have a very strong corps
9 of accounting types, as well as investigators ready
10 for training. The only holdup might be the UNLB
11 staff.

12 CHAIRMAN DECKER: Well, how are you going
13 to handle all of these other applications in
14 manufacturers and conditional licenses if you don't
15 have the people inside?

16 MR. KWAIT: We're going to use our
17 outsourcing companies for the manufacturers to get us
18 over this hump in the next few months.

19 CHAIRMAN DECKER: Okay. Thank you.

20 MR. KWAIT: Thank you.

21 CHAIRMAN DECKER: Any other questions of
22 David on this point, on any of these points,
23 including the need for outsourcing?

24 Okay. Thank you very much, David. We
25 appreciate it.

1 MR. KWAIT: Thank you.

2 CHAIRMAN DECKER: Regulations. What would
3 a meeting be without Mary and regulations?

4 COMMISSIONER DiGIACOMO COLINS: Good
5 morning, everyone.

6 CHAIRMAN DECKER: Thank you. Please.

7 COMMISSIONER DiGIACOMO COLINS: All right.

8 We are presently in the area of regulations juggling
9 six balls at once, specifically vendors, the Bureau
10 of Hearings and Appeals, the accounting and internal
11 control regulations, supplier regulations, multiple
12 slot machine license regulations, and ongoing changes
13 to the presently adopted regulations.

14 I'm going to go through each of those six
15 categories briefly and the sixth and last category,
16 the changes, I'm going to invite Nanette Horner and
17 Michelle Afragola to provide the changes for the
18 Board to contemplate and act on.

19 In the vendor area, the public comment
20 period has closed on the vendor regulations. We are
21 presently reviewing those public comments. We will
22 be drafting responses for the Board to contemplate
23 and act on, and then asking at the next meeting the
24 Board to vote on the vendor regulations.

25 I've reviewed the vendor public comments.

1 They are -- there are about seven of them. They are
2 very interesting public comments. They bring to
3 light the tension between the issues of regulation
4 and type regulation and the intent of the Act, which
5 is to encourage entrepreneurship and investment in
6 Pennsylvania, that tension being if we overregulate,
7 do we discourage the growth of enterprise; and that
8 is a policy decision that the Board is going to have
9 to wrestle with, as we go through these public
10 comments and make determinations on how to change or
11 adopt the regulation to the comments.

12 The next area is Bureau of Hearings and
13 Appeals. We have a team in-house that is working on
14 developing the groundwork and the regulations for
15 what will be our internal court system, basically.

16 Our intention is to have it streamlined to
17 avoid backlog and to make sure that the best
18 practices of the other agencies that we have already
19 reviewed can be tailored to the needs of our Statute
20 to make our Bureau of Hearings and Appeals responsive
21 to the workload as we go forward.

22 Dale Miller, Mike Edminston are very much
23 involved in that. I'm hoping that in about a month,
24 they'll have a presentation for us on these
25 regulations.

1 The third area is the very technical area
2 of Section 1322 of the Act, which deals with
3 accounting and internal controls and the Board's
4 requirement to the operators that they must seek
5 Board approval for their accounting and internal
6 control protocols.

7 That whole area is extremely technical,
8 extremely expert; and we have our own expert, who is
9 delving into that, in Maureen Williamson, who came to
10 us from New Jersey as their expert and troubleshooter
11 in the area of internal operating controls and
12 compliance.

13 She will be working in that area and
14 developing our regulations in conjunction with the
15 assistance from Denyse Miskin, who is our compliance
16 expert, and that is an area which will consist of six
17 subcategories dealing with very specific areas of
18 casino slot machine operations.

19 As we go forward with regulations, Maureen,
20 with each meeting, will present to us the body of
21 regulations that relates to the six subcategories,
22 such as records retention, that would be one example,
23 organizational structures within the operators, that
24 would be another area.

25 Without belaboring it more, with each

1 meeting, as I have said, Maureen will present us with
2 the body of regulations.

3 The fourth area are the supplier
4 regulations. The supplier regulations have been
5 prepared in three drafts. They deal with the three
6 potential Board approaches to the supplier issue in
7 Pennsylvania.

8 They are drafted. They define -- they
9 uniformly define what a supplier in Pennsylvania will
10 be, the requirements of the supplier not only to be a
11 Pennsylvania-based company but to be a company that
12 has adequate working operation to be self-sufficient
13 and not the alterego of a manufacturer. So those
14 specific regulations are prepared.

15 The fifth category is the multiple slot
16 machine license regulations, which are presently
17 on-line on our website subject to public comment; and
18 when that closes, we will be dealing with public
19 comments as well.

20 The last category has to do with the
21 editorial changes to previously adopted regulations
22 of the Board.

23 As you know, we go through and make
24 required changes as needed. This happens as a result
25 of our day-to-day experience.

1 To update us on the changes this week,
2 Nanette Horner has some changes to discuss and then
3 Michelle Afragola. Both Nanette and Michelle have
4 been intermittently involved in the regulation
5 development process. So I'll ask them to comment.

6 MS. HORNER: Thank you. Good morning,
7 Chairman Decker and members of the Board. Michelle
8 Afragola and I are presenting to you today for your
9 consideration proposed amendments to the regulations
10 adopted by the Board on June 16th, 2005.

11 In the resolution to adopt the regulations,
12 the Board reserved the right to make amendments to
13 the regulations as it deems necessary in accordance
14 with the purpose and in order to further the intent
15 of Act 71.

16 As we move forward in the regulatory
17 process, we are continually reviewing the existing
18 regulations. Based on suggestions from the Bureau of
19 Licensing, Board members, and Board staff's review of
20 the regulations, we are offering today some editorial
21 changes and amended language to existing regulations.

22 Specifically, the changes are to Sections
23 401.4, 435.2, 435.3, 435.4, and 461.2 of the

24 regulations.

25 The changes are as follows: Section 401.4

41

1 is the definition section of the regulations. On

2 June 16, 2005, the Board voted to adopt the

3 definition of key employee qualifier.

4 Generally, key employee qualifiers are

5 people and entities that have a financial interest in

6 an applicant or have the ability to control the

7 applicant through a position as a corporate officer

8 or a director.

9 Key employee qualifiers must be found

10 qualified or must request a waiver from

11 qualification, basically, by demonstrating that they

12 do not have the ability to control the applicant.

13 Because a key employee qualifier

14 application form or a key employee qualifier waiver

15 form must theoretically be filed for each and every

16 shareholder pursuant to the definition, we propose to

17 amend the definition to provide that only those

18 shareholders of 5 percent or more of the securities

19 will be considered as a key employee qualifier.

20 Therefore, only those people will have to complete

21 one of the forms.

22 On September 28, 2005, the Board voted to

23 add the term financial backer to the definition of

24 key employee qualifier.

25 This term was added in order for the

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1 definition to be consistent with the provisions of

2 the Statute.

3 Upon further review of this addition, the

4 Bureau of Licensing found that additional language

5 needed to be added to this definition in order to

6 clarify the universe of financial backers who are to

7 be considered key employee qualifiers.

8 The suggested amendment is consistent with

9 the shareholder amendment of which I just spoke. The

10 amendment would clarify that the definition of key

11 employee qualifier includes only those financial

12 backers whose holdings have a value that is

13 equivalent to an amount that would cause them to be

14 key employee qualifiers if the amount were equity

15 securities.

16 This also includes holders of convertible

17 bonds, whose holdings, if converted to equity

18 securities, would cause the holder to be a key

19 employee qualifier.

20 Additionally, a clause has been added,

21 which clarifies the Board's authority to require any
22 person, even a holder of one share of equity, to be
23 licensed.

24 Accordingly, the suggested amendment would
25 add the following language to the definition of key

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1 employee qualifier. A key employee qualifier
2 includes officers, directors, persons who directly or
3 indirectly hold any beneficial interest in or
4 ownership of an amount equal to 5 percent or more of
5 the securities of an applicant or licensee, a person
6 who has the ability to control the applicant or
7 licensee, has a controlling interest in the applicant
8 or licensee, elects a majority of the Board of
9 Directors of the applicant or licensee, or otherwise
10 has the ability to control the applicant or licensee.

11 A lender, other than a bank or lending
12 institution, which makes a loan or holds a mortgage
13 or other lien acquired in the ordinary course of
14 business.

15 An underwriter, a financial backer whose
16 holdings are valued at an amount equal to 5 percent
17 or more of an equity interest in the applicant or
18 licensee, including holders of convertible bonds, the
19 conversion of which would or does result in the

20 holder owning 5 percent or more of an equity interest
21 in the applicant or licensee.
22 Employees of a slot machine applicant or
23 licensee, manufacturer, applicant or licensee or
24 supplier applicant or licensee required to be
25 licensed by the Board and any other person required

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1 to be licensed by the Board.
2 Michelle Afragola is going to address
3 additional proposed revisions to the regulations.
4 MS. AFRAGOLA: Thank you, Nan.
5 Can you hear me? Okay. Good morning,
6 Chairman Decker and members of the Board. As Nan
7 mentioned, I'm offering for your consideration some
8 editorial changes and amended language to the
9 regulations. I'll read the text of the regulation.
10 Just bear with me for some of these.
11 Section 435.2, entitled key employee
12 qualifier license, lists the requirements for
13 licensure of the key employee qualifier.
14 As Nan explained, key employee qualifiers
15 are licensed because they hold some form of
16 controlling or financial interest in an applicant for
17 slot machine license.

18 A controlling interest can be held by a
19 natural person or by an entity. Therefore, the
20 Bureau of Licensing has determined that key employee
21 qualifiers should not be limited to natural persons,
22 but should also include entities that hold a
23 controlling interest.

24 The proposed amendment reads as follows:

25 All key employee qualifiers, including natural

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1 persons and entities, must obtain a key employee
2 qualifier license from the Board.

3 Sections 435.3 and 435.4 pertain to key
4 employee licensing and occupation permits for gaming
5 employees. Key employees and gaming employees are
6 natural persons.

7 Therefore, the existing reference to the
8 applicant's affiliates, intermediaries, subsidiaries,
9 and holding companies should be deleted from these
10 sections.

11 Section 435.4 pertains to occupation
12 permits, which are issued to gaming employees. In
13 Section H, if the Board allows a gaming employee
14 applicant with past convictions to demonstrate
15 rehabilitation, the gaming employee applicant must
16 provide certification from the Pennsylvania Board of

17 Probation and Parole or the county probation and
18 parole office, whichever is applicable, that all
19 obligations for restitution, fines, and penalties
20 have been met.

21 The Bureau of Licensing has determined that
22 gaming employee applicants with out-of-state
23 convictions should be subject to the same scrutiny.
24 Accordingly, the following language is offered to be
25 added to this section:

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1 For an individual with out-of-state
2 convictions, if the Board provides that individual
3 with the opportunity to demonstrate rehabilitation,
4 the individual shall provide certification from the
5 equivalent state or county Board of Probation or
6 Parole, whichever is applicable, that all obligations
7 for restitution, fines, and penalties have been met.

8 The Board shall provide notice to the
9 District Attorney or equivalent thereof of the
10 individual's place of conviction, of the individual's
11 request for a determination of rehabilitation.

12 The District Attorney or equivalent thereof
13 shall have 15 days from receipt of the notice to
14 provide input into the determination.

15 Finally, in Section 461.2, which pertains
16 to the testing and certification of slot machines,
17 the Board, as you're aware, has the authority to
18 utilize the services of a slot machine testing
19 facility to conduct testing until the Board's
20 permanent lab is established.

21 The proposed amendment would change the
22 language from a single slot machine testing facility
23 to slot machine testing facilities, plural. This
24 allows the Board greater discretion in utilizing the
25 services of multiple testing facilities.

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1 I offer these amendments to the Board for
2 your consideration and propose that, if adopted, such
3 changes be published on the website and in the
4 Bulletin. Thank you.

5 CHAIRMAN DECKER: Thank you, Nan and
6 Michelle. Any questions for Nan or Michelle or Mary
7 on this topic?

8 COMMISSIONER MARSHALL: Mr. Chairman, I
9 would move the amendments.

10 CHAIRMAN DECKER: Thank you.

11 Do I have a second, please?

12 COMMISSIONER CONABOY: Second.

13 CHAIRMAN DECKER: Any further discussion?

14 Hearing none, all of those in favor, please

15 indicate by saying aye.

16 COMMISSIONERS: Aye.

17 CHAIRMAN DECKER: Any opposed?

18 Motion carries.

19 COMMISSIONER MARSHALL: May I?

20 CHAIRMAN DECKER: Please.

21 COMMISSIONER MARSHALL: Mr. Chairman, I

22 wonder if I could ask Mary to give us some status, if

23 she has any, on the ownership issue that we discussed

24 and I think were posted on the -- on our website for

25 comment. I have not had a chance to see recently

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1 just how many comments we have had.

2 COMMISSIONER DiGIACOMO COLINS: I really

3 don't know. I haven't looked, and I haven't asked

4 yet how many public comments are in. I'll find that

5 out for you.

6 COMMISSIONER MARSHALL: I would just

7 reiterate our plea from last time. I think this is

8 an issue that is going to take a great deal of

9 wrestling with. We would really appreciate as many

10 views as possible on how we should read the Statute

11 with respect to this issue.

12 CHAIRMAN DECKER: Thank you, Chip. I

13 appreciate that.

14 The other thing we're waiting on,

15 Commissioner Colins, I take it, is the comments on

16 our ethics policy, correct?

17 COMMISSIONER DIGIACOMO COLINS: Right.

18 Those comments will be coming in. We will have to

19 address that as well. So we have a lot -- we have

20 three areas of public comment, which are really going

21 to occupy a lot of our time.

22 CHAIRMAN DECKER: Do you remember when

23 those comment periods end? I can't remember.

24 COMMISSIONER DIGIACOMO COLINS: I don't

25 remember.

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1 COMMISSIONER MARSHALL: At the last

2 meeting, it was October 6th and I think we gave 30

3 days posting.

4 CHAIRMAN DECKER: Thank you. Our next area

5 is supplier regulations. At our last meeting, I

6 stated that the Board had reached an impasse on

7 supplier issue and that it was now likely, in at

8 least my opinion, that we will not be able to issue

9 Conditional Category I licenses until sometime in the

10 second quarter of 2006.

11 Today, we're going to revisit the issue of
12 suppliers. At the risk of sounding like a broken
13 record, let me repeat why this issue is so important
14 to our mission.

15 Under Act 71, we must license both
16 manufacturers and suppliers, again, distributors is
17 the same term of art, of gaming equipment no less
18 than 90 days before the Board can issue any operating
19 license.

20 We have set a December 28th deadline for
21 the submission of applications for Conditional
22 Category I licenses.

23 We approved the manufacturer regulations
24 some time ago and received, I believe, ten
25 applications; is that correct, Susan?

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1 MS. HENSEL: Submissions.

2 CHAIRMAN DECKER: Submissions, for
3 manufacturer licenses by the August 15th deadline.
4 As you heard today, those applications are now being
5 processed by our staff.

6 So if you do the math, 90 days before April
7 1, the earliest, I now believe, we can issue the
8 conditional operating license is January 1st. That

9 means we need to have manufacturers and suppliers

10 licensed no later than January 1st. I'm sorry.

11 That's wrong.

12 The operator license would be April 1st. I

13 apologize. It's April 1st. That means we need the

14 manufacturer and supplier licenses no later than

15 January 1st.

16 After the presentations you heard earlier,

17 I think it's fair to say that realistically it is

18 unlikely, even if we pass the supplier regs today, to

19 have all of the supplier applications prepared and

20 submitted and reviewed and approved in time to allow

21 us to issue the conditional operating licenses

22 earlier in the time period I suggested, which would

23 be early April.

24 Every time we now meet without addressing

25 this issue, we run the risk of pushing back that date

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1 even further. So that's why this is so important to

2 us and I presume to the citizens of Pennsylvania.

3 Let me also recap the proposals before us

4 on the table. We have three different supplier

5 proposals now. First, the proposal developed by the

6 so-called working group, this proposal follows the

7 Statute very closely and would allow licensed

8 suppliers to operate statewide.

9 Second, the proposal offered by
10 Commissioner Coy that would create five regions in
11 the state and license the suppliers by region.

12 Third, we have the outline of a compromised
13 proposal that I offered. The plan would create two
14 regions and license suppliers that way. It will have
15 two or a sunset provision.

16 COMMISSIONER COY: Mr. Chairman?

17 CHAIRMAN DECKER: Please.

18 COMMISSIONER COY: Thank you very much. I
19 think you have adequately outlined where the Board
20 finds itself right now. I appreciate that.

21 I also appreciate the members of the Board
22 for being willing to listen to these proposals and to
23 try to make some sort of sense out of them as they
24 apply to the Statute and so on.

25 The Statute, I think, is very clear. It

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1 requires the Board at every opportunity to address
2 the issue of diversity, to apply the issue of
3 diversity at every opportunity, and to encourage it.
4 That is the basis. That is the basis of the regional
5 supplier's concept, that the Board address diversity

6 issues, that the Board take opportunities to expand,
7 opportunities for women-owned businesses, for
8 minority-owned businesses and to further expand
9 economic opportunities through this gaming
10 legislation to every part of the Commonwealth and
11 indeed to large and small businesses alike.

12 That's why I think the concept of regional
13 suppliers just makes sense. I also understand the
14 other side of the argument and have tried to be
15 cognizant of that.

16 So today, in the spirit of compromise and
17 the spirit of encouragement from our Chairman, who
18 has -- and people need to know this -- the Chair has
19 done his best to try to bring two sides together on
20 the issue and I appreciate that.

21 So in the spirit of compromise and in an
22 attempt to move the issue further, I would move to
23 adopt the supplier regulations and divide the state
24 in half, into two regions.

25 We have been provided by our consultant,

1 Mr. Stelle, and others an economic and business
2 impact statement, which indicates that the two region
3 concept does work from a business point of view, that
4 it does work in terms of the numbers, if you will.

5 There was some doubt as to whether the five
6 regions did, but I don't think there's any doubt that
7 the two regions do.

8 And so therefore, I would move,
9 Mr. Chairman, that we adopt the supplier regulations,
10 move the process forward, divide the state in half,
11 and provide for two regions effective immediately.

12 CHAIRMAN DECKER: Commissioner Coy, are you
13 withdrawing the five region plan then under those
14 circumstances for a vote today?

15 COMMISSIONER COY: Sure.

16 CHAIRMAN DECKER: Okay. Commissioner
17 Marshall?

18 COMMISSIONER MARSHALL: Mr. Chairman, I
19 guess I would like some clarification. I would also
20 like to make a comment.

21 First, for purposes of clarification, Jeff,
22 are you moving the proposal that Tad made before with
23 the sunset provisions and all of that?

24 COMMISSIONER COY: Yes, I think for the
25 purposes of today's vote.

1 COMMISSIONER MARSHALL: So it's the
2 Chairman's proposal. Okay.

3 COMMISSIONER COY: He may enjoy all of the
4 credit.

5 COMMISSIONER MARSHALL: And I suppose -- I
6 know that you did not intend or mean to suggest this,
7 I will speak for myself in terms of observing my
8 observations of all of the other Board members is
9 that everyone shares an absolute and abiding
10 commitment to diversity.

11 We understand, accept, and embrace our
12 requirements under the Statute. So I would hate for
13 this -- what I would maybe characterize as an
14 economic difference to be viewed before or against
15 diversity. I know, Jeff, you are not suggesting
16 that.

17 We can, I think, agree to disagree
18 reasonably about our approaches; but whether one is a
19 proponent of the regional provision or a free market,
20 I believe that I and all of my fellow Board members
21 will support and do everything we can to enhance
22 diversity in the Commonwealth.

23 CHAIRMAN DECKER: Thank you. Thanks, Chip.

24 COMMISSIONER MARSHALL: And then I would
25 second Commissioner Coy's motion.

2 to comment on that as well. When Jeff first
3 introduced the five-region approach, I spoke at the
4 -- think it was the meeting in Pittsburgh, Jeff. I
5 then spoke to each of the members, which is sort of
6 the way we've approached this issue separately.

7 I know that each of us considers diversity
8 in ownership, in ownership, a key part of those
9 supplier requirements. I can't say that loudly
10 enough for those in the audience who may be in the
11 business.

12 This is a crucial part of the way we're
13 going to approach this, and I don't think I need to
14 say anymore on that. Are there anymore comments or
15 questions about the two regional approach?

16 COMMISSIONER COY: Mr. Chairman, just to
17 clarify, I appreciate Commissioner Marshall's
18 comments. There was no attempt -- that was not a red
19 flag sort of word.

20 It is simply my attempt to reflect the
21 language of the Statute, which says diversity should
22 be a requirement and should be addressed at every --
23 at every opportunity.

24 CHAIRMAN DECKER: Right.

25 Please?

1 COMMISSIONER MARSHALL: And thanks, Jeff.

2 You know we don't have a disagreement. I guess I
3 would just like to note, I'm probably a free market
4 advocate. I probably am a free market advocate in
5 the sense that my personal preference would be that.

6 I think at some point we have to rise above
7 this and get on with our lives. I think that Jeff's
8 proposal adopting of Tad's plan represents an
9 affirmative step of going forward.

10 I think I would like to note that I'm
11 prepared to second this, even though I think if I had
12 to pick one, I would pick the other. I think it's
13 that important that all of us get behind this and get
14 going.

15 CHAIRMAN DECKER: Are there any other
16 questions or comments?

17 COMMISSIONER McCABE: Yes, Mr. Chairman.

18 CHAIRMAN DECKER: Please, go ahead, Ken.

19 COMMISSIONER McCABE: I appreciate
20 everybody's hard work in this, and I appreciate and
21 thank everybody for trying to help me understand the
22 three different proposals. I also agree with
23 Commissioner Marshall and your comments about we're
24 all behind the diversity.

25 However, at this time, I'm still not

1 convinced that splitting up the state is in the best
2 interest of the state.

3 I don't know -- I haven't been convinced
4 yet that it will create the jobs that people are
5 saying. I'm still not convinced that it's legal that
6 we split up the state.

7 I think if the Legislature had the intent
8 of splitting up the state into regions or they wanted
9 to do that, they would have done that. So for those
10 reasons, I'm not going to be able to support
11 splitting up the state at this time.

12 CHAIRMAN DECKER: Thank you, Ken.

13 Any other comments or questions?

14 Well, let me call the motion. There's a
15 motion on the floor to basically divide the state
16 into two regions for purposes of having suppliers.

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

19 COMMISSIONER DiGIACOMO COLINS: Aye.

20 COMMISSIONER CONABOY: Aye.

21 COMMISSIONER COY: Aye.

22 COMMISSIONER MARSHALL: Aye.

23 COMMISSIONER RIVERS: Aye.

24 CHAIRMAN DECKER: Any opposed?

25 COMMISSIONER McCABE: Nay.

1 CHAIRMAN DECKER: That means that the
2 motion does not carry because it does not have the
3 qualified majority as set forth in the Statute.

4 That leaves us with one other motion on the
5 table today, which is the original proposal on
6 suppliers, the working group, which would have no
7 regions.

8 Are there any questions or comments,
9 additional questions or comments that we hadn't
10 discussed on that?

11 Hearing none, we're going to vote on that
12 as well. All of those in favor of the original
13 proposal, not the amended proposal which we just
14 voted on but original proposal, please indicate by
15 saying aye.

16 COMMISSIONER McCABE: Aye.

17 CHAIRMAN DECKER: All those opposed to the
18 original proposal?

19 COMMISSIONER COY: No.

20 COMMISSIONER MARSHALL: Chairman, I would
21 vote with Jeff on this. Again, I think as a matter
22 of economic policy, it's probably the right way to
23 go. I guess I would appeal that at some point but if
24 we're going to get this off of the ground, we got to

25 get behind this issue.

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1 CHAIRMAN DECKER: Okay. Let's make sure we
2 have the votes counted. All of those in favor of the
3 original proposal, indicate by saying aye. I thought
4 I heard Ken say aye.

5 COMMISSIONER McCABE: Yeah. Aye.

6 COMMISSIONER DiGIACOMO COLINS: Aye.

7 COMMISSIONER MARSHALL: Aye.

8 CHAIRMAN DECKER: So the vote is five to
9 two. It does not have the qualified majority. So
10 that fails as well. Okay. That means we're still at
11 the same point we were before.

12 We have a Board meeting on November 2nd. I
13 believe our next Board meeting is the first week in
14 December. The date escapes me.

15 You can all count, and I don't need to say
16 anymore about suppliers or when gaming would be
17 coming to Pennsylvania.

18 Next issue, we have two other things to
19 come before the Board. I have two announcements.
20 One is really a terrific thing. It represents the
21 recognition of Mary in the industry as becoming a
22 person who is making major contributions.

23 I would tell you, Mary -- I'll announce it
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24 now. I want to congratulate Commissioner Colins, who
25 has been named to the Board of North American Gaming

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1 Regulators Association. That's really terrific.

2 (Applause.)

3 CHAIRMAN DECKER: Again, it's a tremendous
4 tribute to all of the work that Mary has done in
5 doing these regs and a million other things on behalf
6 of the Board and being involved and getting us
7 involved nationally.

8 She's been sort of our case person out
9 there with the other regulators. She started that
10 very early on, and it's been terrific.

11 COMMISSIONER DiGIACOMO COLINS: Thank you.

12 CHAIRMAN DECKER: Is there any other -- let
13 me announce one other thing.

14 COMMISSIONER COY: Mr. Chairman?

15 CHAIRMAN DECKER: Yes, please.

16 COMMISSIONER COY: Just under unanimous
17 consent, that's the way we used to do it. I would
18 just like to say something, if no one objects.

19 I appreciate the consideration on the
20 suppliers issue today. I view this as moving the
21 issue along, which is what we're trying to do.

22 Certainly, it can be described as an
23 impediment; but I would like to describe it as the
24 Board continuing to work through the process. I need
25 to say the word diversity again but without that

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1 being the sole issue but also economic opportunities
2 all across the state.

3 So maybe between now and the next meeting
4 or the next meeting, we can come up with some
5 language that all of us can be supportive of and try
6 to move things along. Thank you.

7 CHAIRMAN DECKER: And again, I think
8 whichever proposal that we wind up with, unless there
9 is a third that comes around that we're not aware of
10 now, this diversity issue is going to be played out
11 to the highest level.

12 It's going to be up there with every other
13 priority listed in the regulations of equal footing
14 with every other. If people aren't taking us
15 seriously about that, they're making a major, major
16 mistake.

17 Any other business to come before the
18 meeting?

19 Before we adjourn, I just want to say that
20 we will be having another Executive Session to

21 discuss personnel matters. No action will be taken
22 at the meeting. It will be closed to the press and
23 the public. We will not return to the open session.

24 May I have a motion adjourning the meeting?

25 COMMISSIONER CONABOY: So moved.

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1 COMMISSIONER MARSHALL: Second.

2 CHAIRMAN DECKER: We're adjourned. Thank
3 you very much.

4 (The meeting concluded at 11:33 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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