

PENNSYLVANIA GAMING CONTROL BOARD

ROOM 8E  
CAPITOL COMPLEX  
HARRISBURG, PENNSYLVANIA

WEDNESDAY, NOVEMBER 2, 2005, 10:14 A.M.

BEFORE:

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

HILLARY M. HAZLETT, REPORTER  
NOTARY PUBLIC

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1                   CHAIRMAN DECKER: Good morning. We're  
2 going to get started. I would like to note for the  
3 record that our former NFL official had trouble  
4 seeing and he went to the wrong room.

5                   COMMISSIONER RIVERS: My apologies.

6                   CHAIRMAN DECKER: Greg Fajt will be joining  
7 us in a second. Good morning. I'm Tad Decker. I'm  
8 Chairman of the Pennsylvania Gaming Control Board. I  
9 would like to welcome the Board and all of you to our  
10 meeting today.

11                   A quorum of the voting members of the Board  
12 being present, the meeting is called to order.  
13 Everyone is attendance. Greg Fajt, who is being led  
14 around by our NFL official, is also now here.

15                   SECRETARY FAJT: Truth be told, I was  
16 leading.

17                   CHAIRMAN DECKER: We don't want to hear the  
18 truth. As always, please turn off your cell phones;  
19 and I should be the first one that does that. Okay.  
20 Make sure this is off. Now it takes much longer to  
21 turn off your state cell phones because of the  
22 password. I don't know if anyone else is aware of  
23 that.

24                   Okay. Let's see. Please join me for the  
25 Pledge of Allegiance.

1 (Pledge of Allegiance.)

2 CHAIRMAN DECKER: By way of old business,  
3 the Board earlier held an Executive Session to  
4 discuss personnel matters, specifically potential  
5 candidates for position with the agency. No business  
6 was conducted during these sessions.

7 Our first action item today, as usual, to  
8 approve the minutes of the last meeting.

9 May I have a motion, please?

10 COMMISSIONER MARSHALL: So moved.

11 CHAIRMAN DECKER: A second?

12 COMMISSIONER McCABE: Second.

13 CHAIRMAN DECKER: Any discussion or  
14 questions about the minutes?

15 COMMISSIONER MARSHALL: Aye.

16 CHAIRMAN DECKER: All of those in favor,  
17 please indicate by saying aye.

18 COMMISSIONERS: Aye.

19 CHAIRMAN DECKER: Any opposed?

20 Motion carries.

21 Please note, again, that these minutes are  
22 being recorded -- I'm sorry. The minutes we just  
23 approved are going to be made available on our  
24 website and that the minutes of this meeting are  
25 being recorded by a reporter.

1           The Pittsburgh diversity forum. Last week,  
2 we held our second diversity forum in Pittsburgh. We  
3 had a great turnout and LaMonte Williams -- is  
4 LaMonte here? Okay. Come on up, LaMonte. Our chief  
5 diversity officer and deputy general counsel is going  
6 to give us some details about the meeting.

7           Thanks, LaMonte.

8           MR. WILLIAMS: Good morning, Chairman.  
9 Good morning, Members of the Board. Thank you for  
10 this opportunity to talk to you today about the  
11 diversity initiatives of the Board, specifically the  
12 Pittsburgh diversity forum.

13           The Pittsburgh diversity forum was a  
14 success. We had over 150 people in attendance. Like  
15 Philadelphia, the attendees were provided with the  
16 opportunities to interact with other people that are  
17 interested in being in the gaming industry.

18           We also provided the attendees with the  
19 toolbox of basic principles of business so that they  
20 can compete in the gaming industry as this industry  
21 emerges.

22           The format was slightly different than  
23 Philadelphia, and we changed the format based on some  
24 comments that we got from people in the Philadelphia  
25 format.

1           What we did was we added a fourth session,  
2           which just comprised people that are currently in the  
3           gaming industry and other jurisdictions, so that they  
4           can give them perspective regarding diversity  
5           initiatives that they have in place that they feel  
6           are successful.

7           On that panel, that panel was titled Gaming  
8           Industry Perspective. On that panel, we had Harris,  
9           MGM Mirage, the Venetian, Boyd Gaming, and the  
10          Meadows Racetrack. That was also a big success.

11          We heard a lot of positive things about  
12          that particular section from people, because they  
13          could get a practical view from people who are  
14          currently in the gaming industry and other  
15          jurisdictions.

16          I would just like to thank you for your  
17          support, Mr. Chairman and Members of the Board, for  
18          your help with all of the diversity forums. Thank  
19          you for your participation.

20          Any questions?

21          CHAIRMAN DECKER: Any questions of LaMonte?

22          Thanks, LaMonte.

23          MR. WILLIAMS: Thank you.

24          CHAIRMAN DECKER: I thought the last forum  
25          was excellent, maybe even the content was even

1 better, LaMonte. I don't know how the rest of the  
2 members think. The first one was great but the  
3 second one might have even been -- the panelists had  
4 refined themselves a bit and some new people were on  
5 and it was really quite good.

6 MR. WILLIAMS: Yeah. I thought the flow  
7 was better also.

8 CHAIRMAN DECKER: I think people got a lot  
9 out of it. I hope they did anyway. Thank you.

10 MR. WILLIAMS: Thank you.

11 CHAIRMAN DECKER: Before we get into the  
12 rest of the business today, I wanted to comment on  
13 some recent remarks that were made by Mayor Murphy in  
14 Pittsburgh.

15 For us, I've talked to each of the Board  
16 Members individually. None of us are aware, none of  
17 us are aware -- this has been discussed individually  
18 by the Board Members for I don't know how long, since  
19 we first came on board.

20 None of us are aware of any deals  
21 whatsoever about licenses being issued or people  
22 thinking or legislators or appointing authorities  
23 having somehow divided up the state and given out  
24 licenses to everyone.

25 We have been told over and over again, and

1 I believe the individuals both on this Board and our  
2 appointing authorities, that we are going to be the  
3 ones that make these decisions.

4 That's what our mandate is. That's sure as  
5 hell what we are going to do. All right. That is  
6 for us to do, and we intend to do it.

7 All right. If Mayor Murphy has anything  
8 that he thinks is incorrect about that or he thinks  
9 there is something going on untoward, he should  
10 either bring it to our attention, the specific facts.

11 He should take it to the appropriate law  
12 enforcement authorities, like the State Police, the  
13 Attorney General's Office, the Federal Government,  
14 the US Attorney's Office, the FBI, etc.

15 Or he should retract those statements,  
16 because we do not believe that any of those things,  
17 at least to our knowledge none of those things are  
18 true, and they're certainly not appropriate, and that  
19 is certainly not the way we're going to conduct  
20 ourselves.

21 With that, I'm going to stop and we're now  
22 going to get into the business of the meeting.

23 Despite the fact that we only meet every  
24 two weeks, there is a lot of effort going on both by  
25 the staff and even sometimes by us to push this



1 process forward.

2 All right. The staff, now that we have  
3 staff, has done a terrific job of moving things along  
4 both on the regulatory front and on the processing of  
5 licensing and hiring additional people to deal with  
6 this.

7 All right. When we talk about this, we're  
8 going to -- it's important for everyone to understand  
9 what is really going on behind the scenes.

10 Anne, why don't you come up and tell us  
11 where we stand and where each of the departments  
12 stand and some of the key events that are taking  
13 place.

14 MS. LaCOUR NEEB: Good morning, Chairman  
15 and to the Board. I wanted to just give you an  
16 update as to what is going on in the area of  
17 personnel.

18 First off, I would like to say we're very  
19 happy that we now are able to organize our office  
20 into nine directors. These directors each have a  
21 speciality in their area. We have sort of redone the  
22 table of organization, I guess the best way to put it  
23 is, to make certain the right employees are in the  
24 right sections and that those sections are able to  
25 assist each other.

1           So we're going to have some cross training  
2 and some cross purposes. We have our director of  
3 human resources is now entrenched, Wendy Chan.

4           One of the things we have recently  
5 discussed is the creation of an employee policy  
6 manual so that all employees understand what the  
7 function/role is in each of their areas.

8           One of the things we have done is we have  
9 done some restructuring. I just want to make a short  
10 comment about that.

11           We have nine sections. Just so everyone  
12 understands, we have the office basically of general  
13 counsel. Then we have created the director in the  
14 section called corporate compliance.

15           Denyse Miskin, who is here today, along  
16 with Maureen Williamson are going to give you all a  
17 presentation today to sort of explain to everyone  
18 what internal controls are and compliance and why  
19 really and truly next to, I guess, the Bureau of  
20 Investigations, this is one of the important  
21 regulatory sections for this entire Board.

22           This group is going to be where the nuts  
23 and bolts and the mechanics really and truly of how  
24 you regulate gaming is going to take place. They're  
25 prepared to give a presentation today. So I'm going

1 to stop talking about that. I just wanted to give  
2 you all a little foresight on that.

3           The other area we have is our director of  
4 the Bureau of Gaming Laboratory, who is led by  
5 Richard Williamson. We have chief financial  
6 officers, the directors of Bureau of Investigation  
7 and Enforcement, which is David Kwait, the acting  
8 director of the Bureau of Licensing, which is Susan  
9 Hensel. Susan will also give a presentation today.  
10 She has some interesting news.

11           Then we have chief investigations of  
12 enforcement, director of administration, and the  
13 office of hearing and appeals.

14           You know, initially, this is how it was set  
15 up; but now I guess I could say I feel very, very  
16 confident that the people who are heading each of  
17 these sections and divisions know what they're doing.

18           They understand the mandate for what  
19 they're supposed to be doing, and everyone is working  
20 really hard.

21           The other thing I wanted to bring up was  
22 that in office space, we have advertised for office  
23 space in the central and western regions, that's  
24 Harrisburg and in Pittsburgh. We are awaiting  
25 responses to those advertisements under the ordinary

1 process.

2           That's about it for now. The only other  
3 thing I wanted to mention was that in connection with  
4 the wonderful job that was done at Duquesne  
5 University -- Duquesne just did a beautiful job. I  
6 was so impressed. It was a wonderful turnout.

7           What we've started to talk about recently  
8 is after we start getting a little more of licenses  
9 coming in, what we would like to do is set up job and  
10 vendor fairs with the casinos that are going to do  
11 business here. I think these are important.

12           One of our functions is to help the people  
13 in Pennsylvania, you know, get employment. That's  
14 part of this. That's one of the things we would like  
15 to do. I know the casinos would be happy to work  
16 with us on that.

17           So after seeing how nice the turnout was at  
18 Duquesne, we will probably be knocking on some other  
19 university doors. Whoever you know, let us know and  
20 we will be happy to ask them.

21           I would like to go ahead right now and turn  
22 this over to -- unless you want to go somewhere  
23 else -- but let Denyse and Maureen give their  
24 presentation on corporate compliance and explain what  
25 the process is unless you all have any questions.



1           COMMISSIONER DiGIACOMO COLINS: I'm not  
2 supposed to speak. I'll just project. Come up to  
3 this one? I wanted to make -- I wanted to make a  
4 comment in support of your statement about the Board  
5 getting involved in job fairs, etc.

6           I just wanted to announce that on November  
7 15th, the Governor's conference for women is having  
8 their main conference in Philadelphia, which will  
9 have approximately 4,000 women who will come to  
10 participate in this all day program.

11           The Gaming Board will have a presence at  
12 this conference in an effort to put forth information  
13 about what the Gaming Board is about and what the  
14 gaming industry will bring to Pennsylvania. So that  
15 is basically supportive of your suggestion that we  
16 expand in those areas.

17           MS. LaCOUR NEEB: Yes. I'm aware, and I  
18 will be attending that conference. So we welcome  
19 anybody that has any questions about employment or  
20 vendors. Just call us. That's why we're here.

21           Does anybody have any other questions?

22           CHAIRMAN DECKER: Any questions?

23           Thank you.

24           MS. MISKIN: Good morning, Chairman Decker  
25 and members of the Board. As Anne discussed, Maureen

1 and I are here to give you a brief presentation on  
2 what internal controls are.

3           We broke this out into three parts. We're  
4 going to give a basic understanding of internal  
5 controls. We're going to go through -- then Maureen  
6 will go through what is specific to the gaming  
7 industry, and then we'll give you an overview of the  
8 Bureau of Corporate Compliance and Internal Controls.

9           As you are aware, Section 1322 of the Act,  
10 slot machine, accounting controls, and audits  
11 requires that a person seeking a slot machine license  
12 must obtain a Board's approval of its proposed site  
13 plans, internal control systems, and audit protocols.

14           The approval must be before they commence  
15 operations at a licensed facility. The following  
16 discussion and examples of internal controls are the  
17 center piece of Section 1322 and are part of the  
18 reason of the creation of corporate compliance and  
19 internal controls.

20           Before we get into internal controls, we  
21 should first understand what we mean by controls.  
22 Controls are what we use to make sure things happen  
23 the way we want them to.

24           Controls can be people actually doing  
25 things or things put into place by people. Types of

1 controls are preventative and detective.

2 Preventative controls prevent an event from occurring  
3 or effecting an organization.

4           Detective controls identify when some event  
5 or events occur and invoke appropriate action to  
6 mitigate the situation.

7           Controls seem foreign to many of us.  
8 However, you probably use controls every day. When  
9 you left your home today, did you lock your front  
10 door? Do you review your credit card statements on a  
11 regular basis? Do you count the change given to you  
12 by store clerks? These are a few examples of things  
13 people do in order to be reasonably assured that the  
14 desired results are achieved.

15           Locking your doors prevents trespassers.  
16 Reviewing your credit card statement detects billing  
17 errors and counting the change given to you by store  
18 clerks can mitigate theft.

19           The Bureau of Corporate Compliance and  
20 Internal Controls will focus on business internal  
21 controls, which are used in all types of industries.

22           It's essential to note that internal  
23 controls are not specific just to the gaming  
24 environment.

25           Every responsible business organization



1 establishes and relies upon industry specific  
2 internal controls.

3           These are called internal controls because  
4 they're used in organizations to ensure that internal  
5 operations work, that the organization accomplished  
6 what its leaders want.

7           Internal controls are managed and used by  
8 people inside the organization, and internal controls  
9 are built into everyday business activities.

10           Organizations use internal controls to help  
11 them do the right things effectively, in the right  
12 way efficiently, ensure that financial information  
13 provided and used is accurate and reliable, and  
14 protects organizations' assets and helps the  
15 organization meet their goals.

16           The most significant and recognized  
17 internal controls used by an organization will reduce  
18 exposure to fraud and theft and ensure compliance  
19 with laws, regulations, policies, and procedures.

20           Internal controls are so crucial, and  
21 without adequate internal controls or internal  
22 controls that fail, an organization may not meet its  
23 objectives, may lose assets as well as business  
24 opportunities, and finally, an organization may fail  
25 to comply with laws and regulations.

1           An appropriate internal control system is  
2 complex. An internal control system addresses the  
3 business procedures, computer systems, and  
4 management's commitment to following and monitoring  
5 the established procedures.

6           Now Maureen will discuss more specifically  
7 the accounting internal control regulations and their  
8 uniqueness to the gaming industry.

9           MS. WILLIAMSON: Good morning. As Denyse  
10 indicated, every responsible business organization  
11 uses an industry specific of internal controls.

12           In the gaming industry, really internal  
13 controls are viewed as having particular importance  
14 because of the role that they play.

15           You have to think of it in terms of  
16 licensing is what ensures the suitability of the  
17 operator. The system of internal controls is what  
18 ensures the liability and the integrity of the system  
19 that that particular operator employs.

20           That is what ensures the integrity of the  
21 licensed facility and that is what ensures that the  
22 Board meets its mandate to protect the public and to  
23 further the interest of the Commonwealth.

24           In recognition of that, 1322 of the Statute  
25 requires the preapproval of the exact system of

1 internal control that an operator seeks to employ  
2 within the Commonwealth prior to their commencing  
3 operations at that site.

4 Now, as Commissioner Colins has disclosed  
5 at an earlier meeting, I'm in the process of drafting  
6 a set of accounting and internal control regulations  
7 for the Board's consideration that will include  
8 minimum technical standards for the operation of slot  
9 machines developed by our lab.

10 It is upon the adopted version of these  
11 regulations that the proposed -- the operators will  
12 propose their system of internal control. It is  
13 really against these regulations that the Board will  
14 evaluate and assess the suitability of the system of  
15 control that they propose.

16 Now, these accounting and internal controls  
17 will really address every operational facet  
18 associated with a licensed slot facility. It will  
19 include an entire mixed bag of projects or topics  
20 that would go to things like just the sufficiency of  
21 accounting records.

22 It will address the actual mechanics of how  
23 the Bureau of Corporate Compliance actually goes  
24 about reviewing an initial system of internal control  
25 and any amendments thereto.

1           It will address things like the requirement  
2 that an operator provide audited financial statements  
3 to the Board on an annual basis. It will include  
4 things like record retention.

5           It will also include facility requirements,  
6 things that are very specific to our expectations  
7 about the licensed facility itself, its physical  
8 design, and its layout.

9           So it will address the provision of office  
10 space for the board and Pennsylvania State Police.  
11 It will include things like the necessity for a  
12 detention center on-site. It will go on to provide  
13 very specific protocols on our expectations for a  
14 surveillance system.

15           We'll also address in these accounting and  
16 internal control regulations an operator's  
17 organizational structure.

18           In looking at the organizational structure,  
19 we really will be concentrating on six departments  
20 that are really essential to the integrity of any  
21 slot operation. This would be security,  
22 surveillance, internal audit, information technology,  
23 slot management, and accounting.

24           While we will certainly be respectful in  
25 the regulation of an operator's need to tailor his

1 particular organization to his particular management  
2 philosophy, we'll still be looking to ensure that  
3 these essential departments are meaningfully managed  
4 from within Pennsylvania.

5 Another aspect that accounting and internal  
6 controls regulations will address will be facility  
7 and transactional requirements for the cashier's  
8 cage, count room, slot booths.

9 Here we will be talking about things such  
10 as how a wire transfer is handled or cash equivalents  
11 are accepted.

12 Really, perhaps most significantly and  
13 certainly at its most complex stage, these accounting  
14 internal control regulations will address really  
15 every event and transaction associated with a slot  
16 machine.

17 They will address the characteristics of a  
18 slot machine, the meters that we're requiring. They  
19 will address all involved with issuance and  
20 redemption of gaming vouchers.

21 They will talk about promotional and  
22 non-promotional credits and coupons, things like  
23 progressive and wide area progressive systems and how  
24 they are handled.

25 We will look at every type of manner in

1 which a jackpot payoff can be paid from a pouch pay  
2 through the use of automated redemption equipment.  
3 We'll look at electronic funds transfers, in this  
4 case, from an account down to a slot machine.

5           We will even look at aspects of the  
6 computer system, most notably the logical  
7 partitioning of systems, because there certainly will  
8 be a situation where backup and production systems  
9 will be residing inside and outside the Commonwealth.  
10 We will want to look at the controls associated with  
11 that.

12           The Board should be aware that at this  
13 juncture, we have had discussions with potential  
14 operators. We're very aware of the current  
15 technology, and we have no reason to think that any  
16 of our operations will not be fully voucher enabled  
17 or ticket in/ticket out systems.

18           So at this point, I'm not anticipating that  
19 the regulations would address any large scale  
20 handling of coin and tokens. I don't think we'll  
21 have a hard count room here in Pennsylvania.

22           Finally, the regulations will address a  
23 full kind of mixed bag of unrelated topics from  
24 currency transaction reporting to suspicious activity  
25 reporting, maintenance of an exclusion list, and

1 things as mundane as the acceptance of gratuities by  
2 employees.

3           Again, it's a full gamut, where we really  
4 will be discussing every aspect of the floor. I  
5 intend to -- I'm working right now preliminarily with  
6 our internal working group and hope to be bringing  
7 drafts before the Board regularly over the next few  
8 months for consideration.

9           So at this point, I will turn it back over  
10 to Denyse, and she'll brief you on how the Bureau of  
11 Corporate Compliance will actually deal with the site  
12 plan and internal control review requirements.

13           CHAIRMAN DECKER: Maureen, can I ask one  
14 question and maybe some others have some?

15           MS. WILLIAMSON: Sure.

16           CHAIRMAN DECKER: Are you going to have a  
17 list of each of these control processes?

18           MS. WILLIAMSON: Well, the way the internal  
19 controls will be --

20           CHAIRMAN DECKER: Which will be reviewed on  
21 a regular basis? Maybe Denyse is going to answer  
22 that question.

23           MS. WILLIAMSON: Well, the -- in other  
24 words, the regulations will provide very specific  
25 parameters for each type of transaction, but there

1 will be some flexibility in the regulations.

2           The internal control submission will  
3 actually define the operators' choice and election as  
4 to how they're going to comply with a particular  
5 requirement.

6           So although the regulations will be  
7 detailed, the internal control submissions will be  
8 even more detailed.

9           CHAIRMAN DECKER: Please, Denyse.

10           MS. MISKIN: Bureau of Corporate Compliance  
11 and Internal Controls will be working to ensure that  
12 the licensed entities' internal control systems are  
13 improved and in place in order to open gaming  
14 facilities in Pennsylvania.

15           I anticipate hiring a staff of accounting  
16 professionals, who will also have operational and  
17 auditing backgrounds, as well as information  
18 technology professionals as gaming operations are  
19 today and are expected to be much more technical in  
20 the future.

21           I expect the Bureau to grow in proportion  
22 to the growth of gaming in Pennsylvania. In  
23 fulfilling the Board's mandate to review and approve  
24 the internal control system and site plans, the  
25 Bureau of Corporate Compliance and Internal Controls



1 will act along a specific continuum.

2           Upon submission of the internal control  
3 systems and site plans, we will review them for  
4 compliance with the regulations. This step is vital,  
5 and although the Pennsylvania Gaming Control Board  
6 will closely regulate the operator's internal  
7 controls, it is imperative to keep in mind that the  
8 prime responsibility for a proper internal control  
9 system rests in the licensee's management.

10           As Maureen indicated, an adequate internal  
11 control system is necessary to maintain the integrity  
12 of the gaming environment.

13           So we'll make sure on a regular basis that  
14 the approved internal controls are working as  
15 expected.

16           We will also actively review and analyze,  
17 in conjunction with the Department of Revenue, the  
18 data from both the operator slot monitoring system  
19 and the Commonwealth Central Computer System to  
20 resolve any variance and ensure a high degree of  
21 integrity in the tax process.

22           Finally, one of the Bureau's ongoing  
23 responsibilities will be to work together with the  
24 operators, be actively involved with the licensed  
25 properties, to ensure application of internal

1 controls are effective, are working as intended, and  
2 most important, are cost efficient for the operators  
3 and the Commonwealth.

4 That concludes my presentation.

5 CHAIRMAN DECKER: Questions?

6 COMMISSIONER DiGIACOMO COLINS: I have a  
7 question -- just one question. Do you anticipate  
8 that there will be more or less a philosophical line  
9 that the Board will draw as to what areas of internal  
10 control regulation are basically not significant  
11 enough for us to have to take into consideration, and  
12 what areas are very important to us to review to  
13 ensure the integrity of gaming?

14 You mentioned mundane activities. I'm  
15 thinking aren't there -- the tips that employees get.  
16 I mean, why would we have an interest in knowing  
17 about that or reviewing an area like that?

18 MS. WILLIAMSON: It depends. I mean,  
19 regulations will really reflect the Board's  
20 temperament, their temperament as regulators.

21 In an environment where tips are pulled or  
22 the acceptance of tips is limited to certain  
23 enumerated levels, in other words, generally speaking  
24 in a gaming environment, tipping would be limited to  
25 individuals at a slot attended level, say, and we

1 would not permit someone at a supervisory level to  
2 accept a tip.

3           You may choose to include a regulation that  
4 would set forth that limitation. You may decide that  
5 as a regulating entity, that's not something you want  
6 to be involved with. Those are the types of choices  
7 that are reflected.

8           Certainly, any transaction that affects or  
9 touches the gross revenue process is something that  
10 we would want to include but the rest of it then, the  
11 degree to which you regulate it, really expresses the  
12 Board's own individual regulatory temperament.

13           CHAIRMAN DECKER: Either Maureen or Denyse,  
14 when -- before they come on line, all right, how much  
15 time do you need to check all of these processes?

16           MS. WILLIAMSON: We've been having ongoing  
17 discussions with potential Category 1, Conditional  
18 Category 1 operators and really anyone else who has  
19 questions as to what kind of general requirements  
20 we'll be looking for.

21           The regulations will expressly provide that  
22 an operator must submit their internal controls 90  
23 days in advance of the initial expected opening date.  
24 Minimum, that's the window.

25           CHAIRMAN DECKER: That means you're going

1 to be checking them with people who are trained to do  
2 this?

3 MS. MISKIN: Absolutely.

4 CHAIRMAN DECKER: Okay.

5 MS. WILLIAMSON: But again, that's why the  
6 dialogue with potential operators and having a good  
7 understanding of the type of voucher system they  
8 would like to use, the type of slot monitoring system  
9 they are using, and the type of operation they intend  
10 to run gives us an opportunity to prepare for what  
11 will be coming in.

12 MS. MISKIN: And to add to that, that's why  
13 a lot of what we're doing right now, we haven't begun  
14 the bulk of our hiring because we're doing a lot of  
15 research to find out these actual different pieces.

16 CHAIRMAN DECKER: To Mary's question, I  
17 mean, Chip and I and others that have been involved  
18 in businesses like Jeff and Bill and Sandy and  
19 everyone else here, right, you sort of prioritize so  
20 that there's material significant in terms of Sorbian  
21 Oxley, right, in the review of those processes, you  
22 sort of note where you have significant deficiencies  
23 and enough significant deficiencies turn out to be a  
24 material issue --

25 MS. MISKIN: Right.

1           CHAIRMAN DECKER: -- etc. I mean, we need  
2 to have kind of process. Is that what you're  
3 addressing?

4           MS. MISKIN: Absolutely. Sorbian Oxley is  
5 one of the best practices that we'll be using. We  
6 also want to have the individuals that we hire to be  
7 able to be consultants to the Bureau of  
8 Investigation, the Bureau of Licensing, so they will  
9 be more of an expert on that particular licensee.

10           So that's where Anne was speaking of before  
11 how we're going to cross train people. We want to be  
12 able to have them be very vibrant and be experts on  
13 those licensees.

14           MS. WILLIAMSON: And as to the  
15 organizational structure that potentially could be  
16 reflected in these regulations from a Sorbian Oxley  
17 perspective, we will be looking for our operators to  
18 have strong audit committees on their board of  
19 directors, and it would be my expectation that both  
20 internal audit and surveillance would have level of  
21 reporting line to those auditing committees.

22           CHAIRMAN DECKER: Anymore questions? It's  
23 a very good report; very good, very good. Thank you.

24           MS. MISKIN: Thank you.

25           CHAIRMAN DECKER: Anne, who is next? Is

1 Mike next? Mike, do you want to come up and tell us  
2 about administration?

3 MR. WALSH: Thank you, Mr. Chairman. I  
4 apologize. I have a cold. I won't be able to take  
5 any questions. I can't hear.

6 COMMISSIONER MARSHALL: You haven't been  
7 able to answer any.

8 CHAIRMAN DECKER: You're on a roll today,  
9 buddy.

10 MR. WALSH: It's an honor to play the  
11 straight line with Commissioner Marshall every  
12 meeting.

13 COMMISSIONER MARSHALL: The pleasure is all  
14 mine.

15 MR. WALSH: Thank you. As Director Neeb  
16 mentioned in her comments, the agency as a whole is  
17 working to ensure that as we build out each Bureau,  
18 the workforce is in place to meet the demands of the  
19 implementation of gaming.

20 We are, in the Bureau of Administration,  
21 working with each of the Bureaus to set up a time  
22 line for the positions that they need and when they  
23 need them.

24 The first two hires that we're going to  
25 talk about today are administrative assistants, one

1 in the Bureau of Gaming Lab Operations to assist  
2 Richard Williamson, and that's Cynthia Siegfried; and  
3 one to assist Denyse Miskin in the Bureau of  
4 Corporate Compliance, and that's Debra Pfaff. Those  
5 two will help them as they each have no staff yet and  
6 they will each then have one staff to build their  
7 Bureaus.

8           The remaining proposed hires for today are  
9 all in the Bureau of Investigations and Enforcement.  
10 I know Director Kwait is going to talk in a couple of  
11 minutes about how these new field investigators and  
12 supervisors will help BIE begin the process of doing  
13 background investigations.

14           The first set are for the western regional  
15 office. I'll just read their names and their  
16 positions. I have additional information, if you  
17 want on their background but I'll wait.

18           The first is Thomas Brletic as a  
19 supervisor, Patrick Adams as a field investigator,  
20 Jean Seneway as a field investigator, Howard Gray as  
21 a field investigator, Gary Gadley as a field  
22 investigator, William Joyce as a field investigator,  
23 Justin Husar as a field investigator, and Todd Moore  
24 also as a field investigator.

25           In the eastern regional office, there is

1 one administrative item and that's Roger Greenbank  
2 who is currently serving as a supervisor. It is  
3 being recommended that he be placed in the role of  
4 acting director for that region.

5           The supervisor then taking his place would  
6 be Donna Sykes. The field investigators would be  
7 William Gavigan, Kaylee Notaro, Mark Heim, Joseph  
8 Morace, Gerald Stoll and Thomas Lanzidelle. Each of  
9 those would serve in the Eastern Pennsylvania field  
10 office.

11           So these are the proposed hires we have for  
12 today. If you have any questions, I'll attempt to  
13 hear them.

14           COMMISSIONER RIVERS: Mike, have you had an  
15 opportunity to talk with the individual directors as  
16 it relates to these employees, and in the process  
17 they've identified the urgency in which we need to  
18 hire these employees?

19           MR. WALSH: In the Bureaus, both Director  
20 Neeb and I have met with each of the Bureau directors  
21 to discuss a staffing plan.

22           Since we first met as a group last  
23 December, we looked at an initial staffing plan; and  
24 during the course of the last nine or ten months,  
25 that plan has been updated and revised numerous



1 times.

2 As we hire a director, we meet with him or  
3 her and discuss how they would like that Bureau to be  
4 built out and what sort of needs that they  
5 anticipate.

6 So it continually gets revised and we are  
7 now working, now that we have a director of human  
8 resources as Anne mentioned, we are now working to  
9 ensure that there is a classification system that is  
10 -- that meets each of those positions that we're  
11 identifying on the organizational chart and a  
12 position description obviously for each of those.

13 So we're doing a lot of that background  
14 administrative work that just needs to get done as a  
15 new agency that's one under the Governor's  
16 jurisdiction.

17 I might add also that the time line is  
18 important because not everyone needs all of their  
19 employees all at once obviously. So we are setting  
20 them up to be hired by quarter and trying to meet  
21 those goals by quarter as the workload would  
22 increase.

23 COMMISSIONER RIVERS: And with this new  
24 number, what does it bring our complement up to?

25 MR. WALSH: At full build out.

1 COMMISSIONER RIVERS: Right now.

2 MR. WALSH: Let me just look here. Well,  
3 we have 17 on the list today, and we had roughly 61  
4 before today. So that would make 78.

5 COMMISSIONER COY: You're sure of that?

6 COMMISSIONER RIVERS: Are you a math major?

7 MR. WALSH: I'm a graduate of CMU.

8 COMMISSIONER RIVERS: Based on the  
9 recommendation of the Director of Administration, I  
10 would like to move forward and propose to the Board  
11 that we accept this as a motion and move forward on  
12 it.

13 COMMISSIONER MARSHALL: I'll second.

14 CHAIRMAN DECKER: Any questions of Mike or  
15 any comments?

16 Hearing none, all of those in favor, please  
17 indicate by saying aye.

18 COMMISSIONERS: Aye.

19 CHAIRMAN DECKER: Any opposed?

20 Motion passes unanimously.

21 Thank you, Mike.

22 COMMISSIONER RIVERS: Thank you, Mike.

23 COMMISSIONER MARSHALL: Nice job, Mike.

24 CHAIRMAN DECKER: Next up on our agenda  
25 today is Susan Hensel, our acting director of

1 licensing, who is going to update us on the progress  
2 in that Bureau which is obviously extremely important  
3 since we have a bunch of license applications.

4 MR. HENSEL: Thank you, Chairman Decker and  
5 good morning, Commissioners. What I would like to do  
6 this morning is just give you a very brief update to  
7 highlight the activities in the Bureau of Licensing  
8 since I last spoke to you at the meeting a couple of  
9 weeks ago.

10 First, as of Monday, the applications for  
11 the Category 2 and 3 operator licenses are available  
12 on the Board's website. These applications consist  
13 of a package of applications depending on the needs  
14 of the particular applicant, including operator  
15 application disclosure forms, key employee qualifier  
16 forms, waiver forms, and gaming employee forms.

17 A number of these applications have  
18 undergone revisions since they were originally  
19 posted, and those revisions for the most part have  
20 been minor to keep pace with amendments in the  
21 regulations.

22 Second, I mentioned at the meeting two  
23 weeks ago that the handoff of applications from the  
24 Bureau of Licensing to the Bureau of Investigations  
25 and Enforcement was imminent.

1           I'm happy to tell you today that that  
2 handoff has begun with the first application  
3 transitioning from licensing to BIE yesterday.

4           In the days ahead, I will continue to  
5 coordinate the transition of applications with BIE,  
6 and my staff will serve as resource to BIE staff as  
7 they become familiar with the applications as we have  
8 over the past several weeks.

9           In addition, my staff will continue to  
10 funnel information to BIE as we receive it from the  
11 applicants, because we are still in the process of  
12 collecting outstanding information that the  
13 applicants owe us and that has been requested through  
14 the use of a deficiencies letter to them.

15           As we continue the transfer of  
16 applications, we are now turning our attention to  
17 preparing for the operator applications that are due  
18 December 28th.

19           We are working to put in place the  
20 processes we need to review those applications, and  
21 we will also be seeking some additional training for  
22 my analysts to familiarize them with the type of  
23 information that they are going to be receiving as a  
24 result of those applications coming in.

25           In addition, we are gearing up to handle

1 the registration and certification of vendors. We  
2 have established within the Bureau of Licensing a  
3 vendor unit.

4           Once the Board adopts vendor regulations,  
5 we will be finalizing those applications and making  
6 them available. We're also putting in place a  
7 database to track vendors and to track disbursements  
8 to vendors.

9           That concludes my update on activities in  
10 the Bureau of Licensing. I'm happy to take any  
11 questions.

12           CHAIRMAN DECKER: Any questions?

13           Please, Bill.

14           COMMISSIONER CONABOY: I don't have a  
15 question; but Susan, I would like to congratulate you  
16 and everybody else in the Gaming Control Board office  
17 for all of the hard work. I don't think it's overly  
18 dramatic to, in fact, call this a historic day.

19           MS. HENSEL: We did take a picture.

20           COMMISSIONER CONABOY: Yes. With the  
21 hand-off of the first applications to the Bureau of  
22 Investigations and Enforcement.

23           I think the public needs to know that  
24 there's a tremendous amount of work going on here in  
25 Harrisburg and a lot of people working on these

1 applications and regulations and everything else that  
2 is being done on a daily basis.

3           Again, I just want to congratulate everyone  
4 and let the people in the Commonwealth know that it  
5 is really a historic day for the processing of these  
6 first applications and the handoff, as you called it.  
7 It's just the beginning and there's a lot more of  
8 good things to come.

9           CHAIRMAN DECKER: Susan, before you go, how  
10 many people are on your staff right now?

11           MS. HENSEL: Right now, we have ten on the  
12 staff, including one manager, eight analysts and an  
13 administrative officer.

14           CHAIRMAN DECKER: And how many applications  
15 did you have to deal with?

16           MS. HENSEL: We had 10 submissions; and  
17 upon further of those submissions, we determined that  
18 we had 14 actual applications.

19           CHAIRMAN DECKER: Because they were  
20 doubling up on some things.

21           MS. HENSEL: Correct.

22           CHAIRMAN DECKER: The volume of these  
23 applications, we tried to --

24           MS. HENSEL: Is enormous.

25           CHAIRMAN DECKER: -- do that dramatically

1 and some people thought we were taking license, no  
2 pun intended. They're substantial, wouldn't you say?

3 MS. HENSEL: Yes. The average application  
4 stands about 4 feet tall and weighs about 90 pounds  
5 and they are -- they are significant.

6 CHAIRMAN DECKER: This is for the major  
7 manufacturers. I presume, it will be similar in the  
8 volume and complexity for those who are applying for  
9 licenses to be operators. Is that a fair point?

10 MS. HENSEL: Actually, we anticipate that  
11 they will be more voluminous.

12 CHAIRMAN DECKER: Okay. And more work.

13 MS. HENSEL: Absolutely.

14 CHAIRMAN DECKER: And some of those  
15 individuals will have never -- because of private  
16 ownership will never be looked at in the kind of way  
17 they are going to be looked at by us.

18 MS. HENSEL: That's correct.

19 CHAIRMAN DECKER: My question is, you have  
20 that many people now. I think on your chart you're  
21 to grow to 56 or 59 or something like that.

22 There's a lot of work to do in terms of  
23 30,000 -- not all 30,000 of them are going to be this  
24 big. Some of them are going to be work permits but  
25 there's a fair amount over the next ten months, would

1 you say eight months, ten months?

2 MS. HENSEL: Yes.

3 CHAIRMAN DECKER: And you're staffing up  
4 and training to be able to do this, right?

5 MS. HENSEL: Yes. Actually, now that we  
6 have our human resources director on board, she has  
7 been screening resumes for us and we are, in fact, in  
8 the process of scheduling interviews with additional  
9 candidates for licensing analysts.

10 CHAIRMAN DECKER: Right. And I just want  
11 to let everyone know that the sooner the better. If  
12 people have -- if there's anyone out there that has  
13 been thinking about applying to be on our licensing  
14 group, now is a great time to do it.

15 MS. HENSEL: That's right.

16 CHAIRMAN DECKER: Because we are going to  
17 need some good people.

18 Any other questions?

19 COMMISSIONER DiGIACOMO COLINS: I have a  
20 question about the vendor area. It's likely,  
21 hopefully, that we're going to approve vendor  
22 regulations today.

23 That being the case, do you anticipate that  
24 the licensing process for vendors will be  
25 simultaneous or contemporaneous to the process for



1 licensing the operators; and the next part of my  
2 question is when do you anticipate the vendor  
3 application will be available?

4 MS. HENSEL: To answer your first question,  
5 yes, I anticipate that that license -- certification  
6 registration of vendors will be somewhat simultaneous  
7 with the acceptance or the processing of the operator  
8 applications.

9 We are drafting the applications as we  
10 speak. I would expect that those would be available  
11 within the next week or so.

12 COMMISSIONER RIVERS: Susan, I think at one  
13 of the previous meetings, you spoke in terms of  
14 utilizing this team concept within your group?

15 MS. HENSEL: Yes.

16 COMMISSIONER RIVERS: Could you enlighten  
17 the public as to what in essence the team process is  
18 all about?

19 MS. HENSEL: Yes, within the Bureau of  
20 Licensing, I've divided my staff of analysts up into  
21 teams. The team -- we're taking a team approach to  
22 processing the application, hoping to not only use  
23 the teaming of these various skills that people bring  
24 to the table, but also to continue to raise the  
25 educational level of the teams, one helping -- each

1 person helping the other basically to come along with  
2 the learning process of how to process applications.

3 We have some people on our staff that do  
4 have licensing experience that are able to share that  
5 experience with others that don't have that  
6 experience.

7 We have some on our staff that have other  
8 backgrounds that are able to share that experience  
9 and their expertise with others that may not have  
10 that similar background.

11 So this team approach has been working very  
12 well for us. In addition to dividing the analysts  
13 into teams, we do have regular meetings where we talk  
14 about areas that people may have questions about,  
15 where we share experiences with various applicants  
16 and the type of information that we're receiving from  
17 them. We're really focusing on communication and  
18 continuous improvement.

19 CHAIRMAN DECKER: Okay. Chip?

20 COMMISSIONER MARSHALL: Thanks, Tad.  
21 Susan, I would join with Bill in adding my  
22 congratulations to you and your staff. It's really a  
23 historic day. I'm sure that we'll get that picture  
24 out on the wire or something like that.

25 I suppose the other historic piece is we're

1 now in that two-month application phase for the  
2 licenses, the operating licenses, all 14 of them.  
3 That period closes --

4 MS. HENSEL: December 28th.

5 COMMISSIONER MARSHALL: December 28th. I  
6 assume you just can't make that deadline with a  
7 one-page letter?

8 MS. HENSEL: Correct.

9 COMMISSIONER MARSHALL: So I think the  
10 public should realize and anyone to echo Tad's  
11 comments only a little differently, is that folks who  
12 anticipate -- we would hope that they get in quickly  
13 as well. Because it's a pretty comprehensive and, in  
14 your word, voluminous process.

15 MS. HENSEL: Absolutely. Anyone that wants  
16 to take a look at those applications can look at our  
17 website? The website is [www.pgcb.state.pa.us](http://www.pgcb.state.pa.us).

18 COMMISSIONER MARSHALL: Nick is beaming.

19 CHAIRMAN DECKER: Always applaud for that.  
20 The other thing to everyone's point, the filing of  
21 the application is just the beginning because back  
22 until -- you know, the questions back and forth until  
23 these applications are deemed complete, a term of  
24 art, under the Statute but an important term takes  
25 quite a bit of time.

1 MS. HENSEL: Absolutely. That's still  
2 ongoing with the manufacturers and applicants are  
3 under a continuing obligation to update the Board as  
4 to any material changes that take place with respect  
5 to their applications.

6 The process really will be never ending.  
7 Even after the deemed complete date, we will still be  
8 getting updated information.

9 CHAIRMAN DECKER: Okay. That's great.

10 Any other questions for Susan?

11 Susan, thanks. It's really been terrific.  
12 You've done a great job.

13 MS. HENSEL: Thank you.

14 CHAIRMAN DECKER: The whole group has.

15 David is next, I think. David Kwait, our  
16 director of the Bureau of Investigations and  
17 Enforcement.

18 MR. KWAIT: Good morning, Commissioners.  
19 Good morning, Mr. Chairman. First, let me thank all  
20 of you for approving the hires this morning. It's  
21 really important that we bring people on board as  
22 quickly as possible so that they can be trained  
23 appropriately and be in place to begin the very  
24 serious process of investigating background  
25 applications so that we can have a timely entry to

1 gaming in Pennsylvania.

2 To carry on with what Susan said, yes, we  
3 did have the first transfer yesterday from licensing  
4 to BIE. It was a memorable occasion, and we did  
5 record it with appropriate photographs.

6 As a matter of fact, we're considering  
7 publishing a Gaming Board monthly newsletter and  
8 that's going to be first page news.

9 When we receive the application, we begin  
10 to apply BIE protocol. The first thing our intake  
11 officer is going to do, that's Greg Sharp, and by the  
12 way Susan described the voluminous nature of these  
13 applications, when Greg lifted up the box, I thought  
14 he was going to be on permanent disability. The  
15 thing is in excess of 90 pounds.

16 The first thing he's going to do in  
17 applying the protocol is separate the criminal  
18 checks, the photographing and the fingerprinting that  
19 will be necessary by the Pennsylvania State Police.

20 In a timely manner, we will be forwarding  
21 to the State Police that portion of the background.  
22 In its particular instance, a manufacturer, we have  
23 agreed to outsource these and we will be meeting with  
24 the outsource companies as soon as possible to  
25 accomplish that transfer.

1           I will assign investigators to monitor the  
2 background investigations, each one separately by one  
3 of our BIE agents and the outsource company.

4           When we get the results back from the  
5 outsource company, we'll prepare a report. It will  
6 be a proper report indexed and outlined with a  
7 synopsis in that report of the investigation.

8           That concludes my report. Any questions?

9           CHAIRMAN DECKER: Please.

10          COMMISSIONER RIVERS: Mr. Chairman,  
11 question.

12          David, in terms of the report that you  
13 provide the Board, what will be the essence of that  
14 report?

15          MR. KWAIT: The essence will be the  
16 criminal background by the State Police and the  
17 suitability background conducted, first of all, by  
18 the outsource company and later as we develop the  
19 staff who can do them internally by the staff.

20          COMMISSIONER RIVERS: Will there be a  
21 recommendation?

22          MR. KWAIT: There will be a synopsis; and  
23 there will be a statement, something like a review of  
24 the background of this individual, this entity, this  
25 company. It reflects nothing that would prohibit

1 licensing.

2 CHAIRMAN DECKER: If there isn't anything?

3 MR. KWAIT: Yes.

4 COMMISSIONER DIGIACOMO COLIN: I have a  
5 question. Dave, with respect to the outsourcing  
6 companies that are going to be looking into the  
7 suitability issues, who from our organization will be  
8 coordinating that, those investigations and reviews,  
9 and who will be providing them with our suitability  
10 standards and criteria from the Statute and the  
11 regulations?

12 MR. KWAIT: We have developed that  
13 protocol. We will have the outsourcing companies  
14 come into the office for a specific meeting. They  
15 will be given our protocols that reflect the  
16 regulations.

17 We will assign someone to be with them  
18 full-time, of course, from Harrisburg full-time to  
19 respond to any questions they might have concerning  
20 what we expect as a product.

21 CHAIRMAN DECKER: Any other questions for  
22 David?

23 Let me make one comment while you're still  
24 here. We have talked a lot about the various  
25 criteria which we are going to govern our decisions

1 on these licensed applications.

2 We've talked about having gaming expertise,  
3 having diversity, having financial capabilities. One  
4 of the ones we've talked about but I want to  
5 emphasize today is suitability, this so-called  
6 suitability, which is a lot more than suitability.

7 There have been some discussions, and I've  
8 heard rumors that people think that this is going to  
9 be a walk in the park. This is not a walk in the  
10 park as the State Police can tell you in terms of our  
11 own background investigations.

12 This is something we have thoroughly looked  
13 at, not only just your criminal background but your  
14 real suitability about whether you're an appropriate  
15 individual for the citizens of Pennsylvania to  
16 entrust to run one of the gaming establishments.  
17 That's extremely important.

18 I want everyone to know how important that  
19 is to us and that if people are not suitable in every  
20 way, shape and form as I just described and as the  
21 Statute and our regulations define, they will not be  
22 getting a license.

23 I would suggest that people ought to take a  
24 look at themselves first before they enter into this  
25 process because it's a very, very serious one and



1 very, very capable people will be looking into them  
2 both with the State Police, with our BIE, and others  
3 on the financial and forensic side.

4 This is a very serious thing, and I want  
5 people to understand that. I have a lot of  
6 confidence in David and the State Police and others  
7 who are going to be helping us in this process.

8 Please, Ken.

9 COMMISSIONER McCABE: I just have a  
10 question, David, while you're there. I know we were  
11 talking about entering into with the State Police a  
12 memorandum of understanding. Where does that stand?

13 CHAIRMAN DECKER: Let me address that  
14 because it's something that David and I and Michael  
15 Schwoyer and others have been dealing with.

16 We're in the process of doing that now. I  
17 think we prepared and I think it's been sent over or  
18 about to be sent over to the State Police.

19 We're in the process of doing that and  
20 outlining each of the responsibilities that we will  
21 have and they will have -- when I say we, I'm talking  
22 about the Bureau of Investigation so there's not a  
23 lot of overlap and there is cooperation and people  
24 will be working together.

25 That's a very important document and it's

1 moving along. I hope and trust it will be signed up  
2 in the next week or two. What I would like --  
3 please. Comments?

4 COMMISSIONER COY: On another subject.

5 CHAIRMAN DECKER: Okay. If I -- what I  
6 would like to do is get a motion moving this forward  
7 so that I can be authorized to enter into these  
8 negotiations and finalize the contract.

9 COMMISSIONER CONABOY: Mr. Chairman, as we  
10 move into this next phase that is being discussed  
11 here this morning with this hand off and as we  
12 attempt to continue to have this process moving  
13 forward, I would like to make a motion today  
14 authorizing Chairman Decker to enter into  
15 negotiations with the Pennsylvania State Police in an  
16 effort to finalize a memorandum of understanding  
17 between the Pennsylvania State Police and the  
18 Pennsylvania Gaming Control Board.

19 COMMISSIONER McCABE: Second.

20 CHAIRMAN DECKER: Thank you.

21 Any questions or comments about that?

22 COMMISSIONER COY: Mr. Chairman, yes.

23 CHAIRMAN DECKER: Yes.

24 COMMISSIONER COY: I'm hopeful that we can  
25 arrive at an agreement and working relationship with

1 the State Police on this issue, too.

2 I am also hopeful that with the signing of  
3 this agreement that pending legal action that has  
4 been filed by, I guess it's the State Police retired  
5 folks, might be able to be moved forward.

6 I think it's important that we can -- that  
7 we work together because the goals are the same. So  
8 once this memorandum is signed, I'm hopeful,  
9 Mr. Chairman, that you can talk to the appropriate  
10 officials so that the legal action which has been  
11 filed may be dealt with and so we can move forward  
12 with this item. Thank you.

13 CHAIRMAN DECKER: Jeff, thank you very  
14 much.

15 COMMISSIONER DiGIACOMO COLINS: Excuse me,  
16 Mr. Chairman. I would like to amend this motion to  
17 include a provision that provides for you to execute  
18 a memorandum of understanding pursuant to your power  
19 to negotiate it.

20 CHAIRMAN DECKER: Thank you. Is that  
21 acceptable to you, Bill?

22 COMMISSIONER CONABOY: Yes. Thank you,  
23 Mary. I meant to say that.

24 CHAIRMAN DECKER: One of the things that  
25 will happen though is I will be discussing the terms

1 of MOU with each of the Commissioners before I  
2 execute that agreement, so that I will know that I  
3 have the full support of the Board before we do that.

4 Okay. Any other questions or comments on  
5 this?

6 I want to echo Jeff's comments and the  
7 point being that we -- it's very hard to have a  
8 partner when the partner is suing you. I just want  
9 to pass that along for what it is worth.

10 Most of our businesses would not accept it  
11 and it's hard for us to also. Hopefully, that will  
12 be worked out and we'll move forward because we have  
13 a lot of respect for the people that we have been  
14 working with already at the State Police. They're  
15 quite good individuals. They know their business.

16 We're going to be primary in criminal  
17 enforcement inside and around those buildings and  
18 also in helping us check on the background of the  
19 individuals who want a license and work permit, etc.  
20 in Pennsylvania because it is a privilege.

21 Any other questions?

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

24 COMMISSIONERS: Aye.

25 CHAIRMAN DECKER: Any opposed?

1                   The motion carries. Thank you very much.

2                   COMMISSIONER COY: Mr. Chairman?

3                   CHAIRMAN DECKER: Please.

4                   COMMISSIONER COY: A question for Director  
5                   Kwait with regard to the earlier comments by Denyse  
6                   Miskin with regard to the regulatory and her  
7                   function, her area and the possible referral to the  
8                   Bureau of Investigations and Enforcement if there are  
9                   illegal activities found.

10                   Are the two Bureaus working together? In  
11                   other words, is there an interchange between two of  
12                   you right now?

13                   MR. KWAIT: Absolutely, Commissioner.  
14                   Denyse and I meet daily and discuss that very thing.  
15                   Her job will be to identify these discrepancies and  
16                   bring them to BIE's attention and we will address  
17                   them when necessary.

18                   COMMISSIONER COY: I think it's fair to say  
19                   with your expertise and the other folks in the  
20                   Bureau, in your Bureau, who have been involved with  
21                   identifying illegal activity in the past might be  
22                   able to be helpful to the regulatory folks to  
23                   indicate what they should be looking for, to keep  
24                   their eyes out for, so that we might be able to see  
25                   this before it becomes even more of a problem.

1                   MR. KWAIT: I think that's true. I think  
2 we'll have the presence of the State Police in the  
3 casinos also helping that.

4                   COMMISSIONER COY: Thank you.

5                   CHAIRMAN DECKER: That's a very good point,  
6 Jeff. We want people working together because we  
7 have the enforcement and, I would say, compliance  
8 side to some degree on one front and the auditing on  
9 another front. So it's crucial that this all be one  
10 big happy family. I expect it will. Thank you.  
11 Although, it's not true in some other control  
12 agencies, as we all know.

13                   Let's see. Our next issue, I thought I  
14 would bring everyone up to date on our supplier  
15 issue.

16                   I have told individually each of the  
17 members of the Board and we have made -- we don't  
18 have any significant breakthroughs to report today.  
19 If we took a vote today, it would be the same as at  
20 the last meeting. Therefore, it is kind of  
21 superfluous to waste time doing that. So we do not  
22 have an agreement on suppliers.

23                   Again, I mentioned for the public's purpose  
24 and it may be others who are in this room the  
25 importance of getting this resolved so that we can

1 move forward with gaming.

2 We're going to continue down the road on  
3 vendors, as Mary said, on Category 1, 2, and 3  
4 permanent and conditional licenses for Category 1 but  
5 we can't actually issue those licenses until 90 days  
6 have passed after we've licensed suppliers. Okay. I  
7 keep harping on this, but I think it's an important  
8 point.

9 Our next speaker will be Commissioner Mary  
10 Colins, who will provide us with update on regs,  
11 which is an continuing activity; and I would suspect  
12 regs will be a continuing activity even after the  
13 licenses are issued, Mary, right?

14 COMMISSIONER DIGIACOMO COLINS: I would  
15 think. My presentation today primarily has to do  
16 with the vendor regulations. Just let me begin by  
17 saying that the attorneys within the Gaming Board are  
18 working on regulations presently involving operator  
19 internal controls. Maureen is spearheading that,  
20 Maureen Williamson.

21 Hearings and appeals regulation, Dale  
22 Miller and Mike Edminston are intimately involved in  
23 that area of regulations in conjunction with creating  
24 their operation.

25 The Board has continued to receive and

1 review public comment on slot machine movement and  
2 slot ownership regulations, which are presently  
3 posted and that public comment period for those  
4 regulations actually just closed on October 28th.

5 In the next month, we will be responding to  
6 those public comments. But today, I want to talk  
7 about the vendor regulations and the public comments  
8 and the responses.

9 First, I would like to highlight some  
10 changes that we have made to the vendor regulations  
11 as a result of the public comment that we have  
12 received.

13 Then I'll discuss in a very general way the  
14 public comment and our philosophical approach to some  
15 of this public comment.

16 With regard to the regulations, we've made  
17 the following changes: The vendor licensure term has  
18 been changed to the term of vendor certification.  
19 That certification process will require a three-year  
20 renewal.

21 A vendor who conducts business with slot  
22 machine licensees in excess of \$2,500 will be  
23 required to register. So those contracts at the  
24 level of \$2,500 or below are not subject to  
25 registration, those one-time contracts.



1           A vendor who conducts business with one  
2 slot machine licensee totalling \$200,000 in a  
3 12-period or a vendor who conducts business with  
4 multiple slot machine licensees totalling 500,000 in  
5 a 12-month period will be required to be certified by  
6 the Board. Those certification requirements are akin  
7 to full-blown licensing.

8           We have amended the regulations pertaining  
9 to slot machine operators who have existing  
10 agreements with vendors.

11           These operators are permitted to file a  
12 vendor notification form with the slot machine  
13 license application, with their application, which  
14 allows vendors to begin the contract work, and then  
15 the operator will have a 20-day period in which to  
16 file the registration form or the certification form.

17           So it's a window for the operator to engage  
18 the vendor and begin the contract and the work,  
19 especially in this start-up mode that operators will  
20 be in.

21           We've received eight public comments. I'm  
22 just going to highlight some of the thoughts of these  
23 public comments and some of our thoughts in  
24 responding to them regarding the threshold limits.

25           A number of comments suggested that the

1 threshold limits for vendor registration and vendor  
2 certification were too low, and that because the  
3 limits were too low this might have a chilling effect  
4 on encouraging small businesses to get into gaming  
5 because of the burdensome process of certifying -- or  
6 registering and certifying.

7           Well, the registration form as we have  
8 reviewed it has been culled down a bit and requires  
9 basic information, which in our view is not  
10 burdensome but yet gives us enough information to  
11 track and follow vendors. That's the registration  
12 form.

13           In order to reach the balance that we think  
14 we need to achieve between intense monitoring for the  
15 purposes of ensuring the integrity of gaming and also  
16 encouraging businesses to form and develop in  
17 Pennsylvania to achieve that ongoing balance, we did  
18 raise the limits a bit.

19           The one time contract, 200,000, and the  
20 12-month period, 500,000. I believe that the  
21 licensing development is conducting ongoing research  
22 into the statistics of vendors to determine whether  
23 or not those thresholds are viable, should they be  
24 raised, should they be lowered in the future. That's  
25 going to be something we're looking at on an ongoing

1 basis.

2 That was the primary gist of most of the  
3 regulations. Don't squelch small businesses by over  
4 regulating. We think that we are starting out by  
5 recognizing that tension and trying to regulate in a  
6 balanced form.

7 There were also comments that had to do  
8 with suggesting that we only regulate gaming vendors  
9 and not non-gaming entities or non-gaming vendors.  
10 We reject that. We will continue to apply our  
11 scrutiny in the vendor area to those companies which  
12 are not directly in the gaming mode of the operators  
13 but nonetheless have ongoing contractual  
14 relationships with the operators, because we believe  
15 our mandate is to ensure that the operators are  
16 companies of integrity with relationships with  
17 companies that encourage diversity and are honest  
18 companies.

19 So that is a summary of what we have done;  
20 and I have a resolution, if I could read it at this  
21 point.

22 CHAIRMAN DECKER: Please. Go ahead,  
23 Commissioner.

24 COMMISSIONER DiGIACOMO COLINS: Whereas on  
25 July 5th, 2004, the Pennsylvania General Assembly

1 enacted the Pennsylvania Racehorse Development and  
2 Gaming Act, establishing the Pennsylvania Gaming  
3 Control Board as the primary regulatory agency  
4 charged with the responsibility of implementing and  
5 overseeing slot machine gaming in the Commonwealth.

6 My apologies to the stenographer. I'm  
7 sorry. I forgot.

8 Whereas, the Act authorizes the Board to  
9 adopt temporary regulations in order to facilitate  
10 the prompt implementation of the Act during the two  
11 years following the Act's effective date and whereas  
12 the Board has developed draft temporary regulations  
13 for the registration of non-gaming employees and the  
14 registration and certification of vendors, and  
15 whereas the public has had an opportunity to comment  
16 on the draft temporary regulations and the Board has  
17 incorporated appropriate public comments into the  
18 regulations, and whereas the Board's final temporary  
19 regulations are designated as Title 58, Recreation  
20 Part 7 -- Gaming Control Board Subpart B, licensing,  
21 registering, certifying, and permitting, specifically  
22 Chapter 435 Employees and Chapter 437 Vendor  
23 Registration and Certification, and whereas the Board  
24 reserves the right to amend the temporary regulations  
25 as it deems necessary in accordance with the purpose

1 of the Act and in order to further the intent of the  
2 Act.

3 Be it resolved that the Board adopts the  
4 draft regulations as its temporary regulations for  
5 the registration of non-gaming employees, the  
6 registration and certification of vendors and issues  
7 relating to vendors.

8 So that's the resolution, and I move that  
9 the Board upon adopting this resolution publish the  
10 public comments for the draft regulations and the  
11 responses and adopt the regulations.

12 COMMISSIONER MARSHALL: Second.

13 COMMISSIONER COY: Mr. Chairman?

14 CHAIRMAN DECKER: Thank you. Please.

15 COMMISSIONER COY: Thank you, Mr. Chairman.

16 Commissioner Colins, I appreciate very much  
17 the work that you all have done and your folks on  
18 these matters.

19 I don't have a mandatory language, but I  
20 would like to suggest there are a few areas that  
21 perhaps in the coming time period, and I heard your  
22 motion that you indicated that the Board reserves the  
23 right to amend these if we see.

24 I'm concerned that as I looked at the  
25 regulations, nothing in the proposed regulations

1 speaks directly to the issue of diversity within the  
2 vendor segment.

3 I heard you mention diversity in the -- in  
4 your remarks, but I didn't see anything in the  
5 regulations themselves directly speak to diversity.

6 For example, will certified vendors be  
7 required to develop and implement a participation  
8 plan?

9 Moreover, as you know, this segment of the  
10 gaming industry, which could be problematic  
11 enforcement-wise, I think must be really vigorously  
12 regulated in this area of diversity.

13 With that said, I question the  
14 appropriateness of permitting licensees to continue  
15 to use vendors that they have had a previous  
16 relationship with unless these vendors are fully  
17 vetted for integrity and character.

18 Moreover, each agreement between a vendor  
19 and a licensee regardless of classification, I think,  
20 should be in writing and not simply an oral agreement  
21 between them.

22 The proposal, I believe, would permit oral  
23 agreements, which I think personally is asking for  
24 some sort of trouble or possible mischief. So  
25 although description summaries of oral agreements

1 would be required, the Board would have nothing in  
2 writing to verify the veracity of the summaries.

3           As I said, I don't have a mandatory  
4 language today, Mr. Chairman; but I would hope that,  
5 Commissioner, under your leadership, you could have  
6 the staff redress these particular issues with regard  
7 to diversity especially and maybe perhaps provide  
8 some mandatory language in the coming weeks.

9           COMMISSIONER DIGIACOMO COLINS: Right.  
10 Commissioner Coy, with respect to your comments about  
11 diversity, we are addressing that right now as a  
12 matter of fact.

13           The way it's being addressed is in a very  
14 simple way. The diversity regulations are being  
15 changed and amended to add the issue of vendor to  
16 those diversity regulations.

17           We're not changing the vendor regulations.  
18 We're changing the diversity regulations to broaden  
19 their application not only to gaming employees,  
20 operators, manufacturers, and potentially suppliers,  
21 when that happens; but also, we are working on  
22 amendment to broaden the language to vendors,  
23 registered and certified. That should solve that  
24 issue. That is something that we are very much aware  
25 of and in the process of correcting.

1           With respect to the issue of oral  
2 contracts, that is something we have to think about  
3 and talk about.

4           That is a -- that has a number of -- we can  
5 deal with that in a number of ways. Again, I'm not  
6 prepared to address that specifically. We have to  
7 talk about that more. The diversity issue is in  
8 progress.

9           COMMISSIONER COY: I thank you,  
10 Commissioner; and I hope that we can address the oral  
11 versus written contact because I think especially in  
12 terms of enforcement later on, written contracts are  
13 a lot easier to develop an enforcement on if  
14 necessary than an oral contract. However --

15           COMMISSIONER DiGIACOMO COLINS: In a way.

16           COMMISSIONER COY: I'm sorry.

17           COMMISSIONER DiGIACOMO COLINS: Just to  
18 comment on that. In a way, by rising that  
19 threshold -- originally, when we had drafted the  
20 vendor regulations, the threshold was \$1,000. By  
21 raising it to \$2,500, I think that is taking care of  
22 the oral contract issue to some extent.

23           Because any contract of significance, I'm  
24 thinking, will more likely be in writing; and a  
25 contract that is of lesser value would more probably



1 be an oral contract. That might resolve the issue  
2 somewhat. Again, we have to look into it more.

3 COMMISSIONER COY: I appreciate the fact  
4 that you will look into. Once again, on the issue of  
5 diversity, I simply think that if someone were to  
6 read the vendor regulations and not the diversity  
7 regulations without specific mention of diversity and  
8 without specific guidelines therein, they may miss  
9 the point. That's my reason for wanting to --

10 CHAIRMAN DECKER: That would be true in  
11 every set of regulations we have.

12 COMMISSIONER DIGIACOMO COLINS: It's just a  
13 question of formatting in compliance with the  
14 Pennsylvania Bulletin.

15 COMMISSIONER COY: I know I've said this  
16 before and I'll say it again, and that is that the  
17 Act is very directive in this regard.

18 It says that the Board shall at every  
19 opportunity address the issue of diversity and  
20 provide for participation therein.

21 CHAIRMAN DECKER: I think they are two  
22 different things. I think we are definitely going to  
23 do that. We have talked about that and we are going  
24 to have those requirements.

25 Where they are in the regs, I would trust

1 people can read or maybe they can't, but I would hope  
2 they would be able to read and go to the right  
3 section.

4 COMMISSIONER COY: I don't have a law  
5 degree so maybe I.

6 CHAIRMAN DECKER: You more than make up for  
7 it, I can assure you.

8 COMMISSIONER MARSHALL: You wrote them.

9 COMMISSIONER COY: Part of them.

10 CHAIRMAN DECKER: My point is, whatever the  
11 standards are for everyone else, they're going to be  
12 the standards for the vendors.

13 We expect that each of the operators is  
14 going to have a plan in place for not only for their  
15 hiring but for the vendors. That is an absolute  
16 criteria on our part for getting these licenses. You  
17 got to do it and you got to live up to it.

18 Denyse and others and David will be making  
19 sure that they do live up to it. If they don't,  
20 they're going to have a problem with the Board.  
21 That's the most important thing to make it clear to  
22 that.

23 COMMISSIONER RIVERS: Mr. Chairman, I  
24 understand what you're saying and I hear you. But I  
25 also have to agree with what Commissioner Coy is

1 talking about and that is this whole diversity issue.

2           It is paramount. It is we as a group and  
3 as a body have embraced it. I think it is imperative  
4 that in anything and everything that we put forward  
5 to the public and the industry that it does make  
6 representation, that it represents our commitments to  
7 diversity.

8           I think that wherever we can, we need to  
9 reinforce that issue that we are serious and that we  
10 are committed.

11           CHAIRMAN DECKER: I don't know what we  
12 could do more than say that if diversity -- if you're  
13 not paying attention to diversity, you're not going  
14 to get a license.

15           It's not the vendor piece that I'm as much  
16 worried about enforcing. I'm worried about making  
17 the licensees, the operating licensees enforce the  
18 issue of diversity.

19           They're going to be the first instance of  
20 the people hiring. They better have a plan and they  
21 better live up to it.

22           The vendors that expect to get these things  
23 better also consider their own diversity. If I've  
24 miscommunicated this and I don't know how I can make  
25 it any clearer. I may be having a bad day.

1           It's a very, very clear process. If you're  
2 not interested in diversity, don't apply for a  
3 license. It's real simple.

4           Mary's group is going to listen to what  
5 Jeff had to say, I presume and they're going to --

6           COMMISSIONER DiGIACOMO COLINS: It's been  
7 in process.

8           CHAIRMAN DECKER: -- take care of it.  
9 Jeff, I cut you off. Go ahead.

10          COMMISSIONER COY: I'm done.

11          COMMISSIONER DiGIACOMO COLINS: Point well  
12 taken.

13          CHAIRMAN DECKER: It's a good point.

14          COMMISSIONER DiGIACOMO COLINS: We're  
15 making every effort to make sure that the regulations  
16 truly encompass what the Act says. Remember the Act  
17 is controlling and the regulations will refine and  
18 mirror that.

19                 As I've explained, it is not an oversight  
20 on the part of the Board. It is an ongoing effort to  
21 refine the regulations in compliance with the  
22 procedural requirements of the Pennsylvania Bulletin  
23 and also in an effort to make our regulations  
24 uniform. Diversity will apply to every aspect of  
25 gaming licensing and renewal.

1                   CHAIRMAN DECKER: Any other questions?

2                   It's a good comment and a good point from

3                   Commissioners Coy and Rivers.

4                   We have one other matter -- a couple other  
5                   matters. I want to turn it over to Greg Fajt, who is  
6                   going to talk about where we stand with maybe one of  
7                   our most -- clearly, one of our most important  
8                   contracts.

9                   SECRETARY FAJT: Thank you, Mr. Chairman.

10                  I'm here today to mention that --

11                  COMMISSIONER DIGIACOMO COLINS: We have to  
12                  vote.

13                  CHAIRMAN DECKER: I'm sorry. I forgot.  
14                  Mary, are there more regulations to approve today or  
15                  is that it?

16                  COMMISSIONER DIGIACOMO COLINS: That's it.

17                  CHAIRMAN DECKER: Okay. I apologize, Mary.

18                  We have technical changes but let's vote on this  
19                  first.

20                  CHAIRMAN DECKER: All of those in favor,  
21                  please indicate by seeing aye.

22                  COMMISSIONERS: Aye.

23                  CHAIRMAN DECKER: Any opposed?

24                  Motion carries.

25                  Let's have this announcement and go to the

1 technical changes.

2           SECRETARY FAJT: Thank you, Mr. Chairman.  
3 I'm here today to inform the Board and also the  
4 public that we have a significant -- another  
5 significant milestone in addition to the one Susan  
6 Hensel talked about earlier.

7           We have the -- Department of Revenue has  
8 finalized the contract with G Tech. As many of you  
9 know, G Tech is the provider of the Central Computer  
10 System, which will be housed here in Harrisburg.

11           It will have a direct line to each and  
12 every slot machine that is operational within the  
13 Commonwealth.

14           Mr. Chairman, to your comment earlier about  
15 the public's perception and maybe misperception of  
16 what is going on here in Harrisburg and the  
17 significant work that you and the Gaming Board are  
18 doing, I would like to add to that to say that this  
19 was a significant effort on the part of the  
20 Department of Revenue, working in conjunction with  
21 folks in the Gaming Control Board like Anne Neeb and  
22 Richard Williamson and other people in the -- on the  
23 Board staff.

24           Let me give a little overview, if I could  
25 for a couple of minutes, of what that contract says.

1 Before I do that though, the contract is available on  
2 disk.

3 Steve Niley is here from the Department of  
4 Revenue, our press secretary, has copies of disks, if  
5 anybody needs them. It's also available on the  
6 Gaming Control Board website or will be later on  
7 today and it is available on the Department of  
8 Revenue website.

9 The contract with G Tech, between G Tech  
10 and the Department of Revenue is a five-year  
11 contract. That five-year period runs from the date  
12 that G Tech is licensed as a manufacturer by the  
13 Gaming Control Board.

14 I think it's important that the public  
15 understand that G Tech will be required, as all  
16 manufacturers are, to undergo an extensive background  
17 check and investigation.

18 To Commissioner Coy's comment, anticipating  
19 a question, we have made it very, very, very well  
20 known to G Tech that diversity is of utmost  
21 importance in this contract.

22 We will closely monitor their compliance  
23 with the diversity initiative that the Board has set  
24 forth and that is contained in the law itself.

25 G Tech will deliver, install, and operate

1 with Department of Revenue oversight its Enterprise  
2 Series Central Control System.

3           This system is in use in seven other  
4 jurisdictions including Oregon and Canada. G Tech  
5 will operate the system from a Pennsylvania data  
6 center. A backup center will be located in a G Tech  
7 facility in Austin, Texas.

8           G Tech has engaged Gaming Labs Incorporated  
9 to assist the Department of Revenue in independently  
10 certifying the system for production; and to the  
11 members of the Gaming Board, we have been in contact  
12 with Richard Williamson on the Board and will look  
13 forward to working with Richard to make sure that  
14 whatever we do with G Tech comports with what you are  
15 going to need as far as reports and protocols and so  
16 forth with the Gaming Control Board.

17           The slot machines in Pennsylvania must  
18 initially communicate via SAS 601, which is the slots  
19 gaming protocol.

20           Chairman Decker, I know you have an  
21 understanding for what those terms mean. I am told  
22 that that means, SAS means, Slots Accounting System.  
23 If and when the industry begins to --

24           CHAIRMAN DECKER: I thought that was SAP  
25 you were talking about.



1                   SECRETARY FAJT: I still don't know what  
2                   SAP stands for.

3                   COMMISSIONER MARSHALL: And neither does  
4                   Mike.

5                   SECRETARY FAJT: The contracts state that  
6                   if and when the gaming industry begins to a new  
7                   standard protocol, G Tech will support that protocol  
8                   as well as SAS 601 system during any transition at no  
9                   cost to the Department of Revenue. So we get one  
10                  free upgrade as to protocol.

11                  The Department of Revenue will pay G Tech a  
12                  percentage of slots revenue. The percentage will  
13                  decline as the number of gaming machines increase.  
14                  Payments to G Tech under the contract will not exceed  
15                  \$6.3 million a year.

16                  The contract went through the  
17                  Commonwealth's normal review and approval process. I  
18                  would like to thank the Department of Revenue Chief  
19                  Counsel, the Governor's Office of General Counsel,  
20                  the Attorney General, and also the Comptroller's  
21                  Office, all of whom have signed the contract,  
22                  reviewed the contract, and did it in a very timely  
23                  manner. I would like to thank all of those parties.

24                  As with all large contracts, the contract  
25                  contains numerous penalty clauses to protect the

1 Commonwealth in the event of non-performance by  
2 G Tech.

3 To assure the maximum uptime for slot  
4 operators, the contract requires significant  
5 redundancy in operating hardware, software, backup  
6 and telecommunications.

7 Again, Steve Niley from the Revenue press  
8 office is here and can get a copy of that contract,  
9 anybody that wants to review it.

10 That concludes my presentation,  
11 Mr. Chairman. If anyone has any questions, I would  
12 be happy to answer them.

13 CHAIRMAN DECKER: Any questions from any of  
14 the Commissioners?

15 Greg, that's good news. It really is.  
16 It's a crucial part of what we're going to need in  
17 our compliance area as well.

18 So in addition to monitoring the flow of  
19 money, etc., this is an absolutely great step  
20 forward.

21 It puts Pennsylvania, I think and I know  
22 that the other Commissioners agree to this, on the  
23 leading edge on those kinds of systems, which is a  
24 wonderful thing particularly going forward.

25 Greg, congratulations.

1           Mary, you want to go back and finish up the  
2 technical issues?

3           COMMISSIONER DIGIACOMO COLINS: Michelle  
4 Afragola is going to give us the technical changes.

5           MS. AFRAGOLA: I'll try to make this brief.  
6 Good morning, Chairman Decker and members of the  
7 Board.

8           I'm offering some editorial changes and  
9 amended language to the regulations. In the  
10 resolutions to adopt the regulations, the Board  
11 reserved the right to make amendments to the  
12 regulations.

13           The ones that I'm offering today are based  
14 on suggestions from the Bureau of Licensing Board  
15 Members and our own staff's review.

16           The first is that we propose adding the  
17 word certifying to the title of Subpart B in  
18 compliance with the vendor regulations since we have  
19 a new level of licensing, which is certified.

20           The next change is to Section 441.4  
21 entitled Slot Machine License Application. On June  
22 2nd, the Board issued an industry letter advising  
23 potential slot machine licensed applicants that the  
24 Board intends to scrutinize any and all vendor  
25 contracts entered into by any applicant regardless of

1 whether these contracts were entered into prior to  
2 filing the application.

3 In accordance with policy, the Bureau of  
4 Licensing proposed that the following language be  
5 added to Section 441.4 of the regulations.

6 In its application for licensure, the slot  
7 machine licensed applicant must provide a chart of  
8 existing vendors including the name, address,  
9 telephone number, tax identification number of the  
10 vendor, type of goods and/or services provided by the  
11 vendor, total dollar amount of business with the  
12 vendor in the past 12 months, and total dollar amount  
13 of business expected to be with the vendor in the  
14 next 12 months.

15 This provision will serve as a starting  
16 point for the Bureau of Licensing's review of the  
17 vendor contracts.

18 The last amendment is to Section 443.5  
19 entitled Category 3 Slot Machine License. We propose  
20 that Section B-3 of these regulations be amended to  
21 include the defined term well established resort  
22 hotel to be consistent with the Act and the other  
23 regulations.

24 Those are for your consideration.

25 CHAIRMAN DECKER: Any questions?

1                   COMMISSIONER DiGIACOMO COLINS: I move we  
2 adopt those changes.

3                   CHAIRMAN DECKER: Can I have a second?

4                   COMMISSIONER MARSHALL: Second.

5                   CHAIRMAN DECKER: Any questions for  
6 Michelle or Mary on these?

7                   Hearing none, all of those in favor?

8                   COMMISSIONERS: Aye.

9                   CHAIRMAN DECKER: Any opposed?

10                  Motion carries.

11                  Thank you. We have -- as you recall -- go  
12 ahead. Okay. As you know, I guess our meeting, not  
13 the last one, the one before last, I believe, if I'm  
14 correct, we had looked at -- we had published for  
15 review and comment a series of amendments to our code  
16 of ethics.

17                  The comment period ends on, I believe,  
18 November 6th. Am I right about that?

19                  COMMISSIONER MARSHALL: Yes.

20                  CHAIRMAN DECKER: We have gotten a few  
21 comments and not many. Some very highly praising our  
22 ex parte and some dealing with other subjects, most  
23 of which were very good suggestions.

24                  What I would like to do is turn it over to  
25 Chip who has had the difficult job of ushering us

1 through this. He's chairing that subcommittee for  
2 us.

3 Please, Chip.

4 COMMISSIONER MARSHALL: Thank you,  
5 Mr. Chairman. You are correct, sir, on October 6th  
6 -- well, we posted a draft on our website and  
7 published and asked for comment for a 30-day period  
8 which does expire in the next five days.

9 I would hazard a guess given the quality of  
10 the comments that that policy would be expanded. In  
11 the meantime, what we did do on the 6th of October  
12 was to, I suppose, voluntarily decide or agreed as a  
13 Board that we would live by the provisions of the  
14 draft policy that was posted.

15 And I think most significantly that was the  
16 ex parte, the prohibition on ex parte communication  
17 with parties that have an interest with the Board.

18 I would again echo what we said before. We  
19 would welcome any and all comment. This started out  
20 -- it's a long and arduous journey. It started a  
21 little piece on contacts and it expanded.

22 I am hopeful that we will be able to have  
23 something soon laying it out. I would expect that we  
24 would get and begin to review comments in earnest  
25 sometime early next week, depending on how long it

1 would take us to come up with a draft and begin  
2 circulating and editing.

3 I would think that probably in the next  
4 month, maybe not the next meeting but the meeting  
5 after that, we would have something to act on. And I  
6 believe I would reiterate Member Colins' comments of  
7 the October 6th meeting, that we anticipate that this  
8 will be a living, breathing document and one that  
9 will be revised on a regular basis.

10 Any questions?

11 CHAIRMAN DECKER: Are there any questions  
12 of Chip on this issue?

13 COMMISSIONER MARSHALL: Mr. Chairman, if  
14 there aren't, I would ask a point of personal  
15 privilege.

16 CHAIRMAN DECKER: Please. Go ahead.

17 COMMISSIONER MARSHALL: I would like to say  
18 something. I have been identified in two newspaper  
19 stories and one magazine story as the Board Member  
20 blocked -- supposedly blocked -- the band on  
21 political fund-raising by Board Members from being  
22 included in the ethics policy that was either  
23 depending on the writer, quote, unquote, approved or,  
24 quote, unquote, adopted by the Board last month.

25 My alleged opposition to the band was

1 trumpeted in two stories in the Philadelphia Inquirer  
2 and last week it surfaced in Philadelphia Magazine.  
3 Not surprisingly, the source of these allegations was  
4 anonymous.

5           Let me be as clear as I can be. This  
6 allegation is wrong on the facts, and it is unfair.  
7 I am the former chairman of the Pennsylvania Ethics  
8 Commission.

9           I have built my professional reputation on  
10 my continuing commitment to the highest ethical  
11 standards in my professional life.

12           I remain committed to supporting a strong  
13 and effective ethics policy to govern the actions of  
14 this Board.

15           First, for the record, the Board neither  
16 approved nor adopted an ethics policy last month. We  
17 posted a draft of a policy and invited and indeed  
18 begged for public comment during a comment period,  
19 which does not even expire until this weekend.

20           We also stated that this was a, quote,  
21 unquote, living, quote, unquote, breathing document  
22 that we expected to continually update and revise as  
23 we confronted unanticipated and different situations.

24           Finally, what the Board did do on October  
25 6th, 2005 was to agree to live by the provisions of



1 the draft during the period of public comment and up  
2 through the time when we officially adopt our ethics  
3 policy.

4           Significantly, this meant that there would  
5 be no ex parte communication with anyone having an  
6 interest in a matter before the Board, which is the  
7 most restrictive position of any jurisdiction in the  
8 United States.

9           Once more, a review of the facts with  
10 respect to our draft ethics policy makes it clear  
11 that I have never blocked restrictions on political  
12 fund-raising.

13           I have with me copies of a series of e-mail  
14 correspondence between Board Members on this issue.  
15 These records indicate that I was and remain quite  
16 willing to address and resolve a number of these  
17 types of issues.

18           For example, on October 5th, less than 24  
19 hours before the meeting in which we posted the draft  
20 policy for public comment in response to the issues  
21 of Board Members accepting gifts from people having  
22 an interest in gaming and soliciting contributions, I  
23 stated as follows: I quote, I'm okay with addressing  
24 the gift issue in the future after consultation with  
25 our general counsel and a careful

1 analysis/consideration of the actual language to be  
2 used, end quote.

3           Quote, I believe that we should be cautious  
4 when attempting to fashion an absolute rule, end  
5 quote. Quote, similarly, I am fine with attempting  
6 to address the contribution issue; but again, would  
7 want to make sure that we are careful so as not to  
8 inadvertently expose any one of us, end quote.

9           Quote, for what it is worth, as stated  
10 above, I am happy to deal with all of these issues in  
11 the future after a consultation and analysis.  
12 However, I am not comfortable with acting on these  
13 issues tomorrow. Tomorrow being the time for the  
14 Board's October 6th meeting.

15           If anyone thinks that I have not accurately  
16 recited my role in the events that led to the posting  
17 of the Board's draft ethics policy for public comment  
18 or wishes to suggest that I am inalterably opposed to  
19 a ban of political fund-raising, I would appreciate  
20 hearing so now so that we can discuss my position  
21 publicly and put the matter to rest.

22           CHAIRMAN DECKER: Thanks, Chip.

23           COMMISSIONER MARSHALL: Excuse me. I am  
24 not done.

25           CHAIRMAN DECKER: I'm sorry.

1           COMMISSIONER MARSHALL: So that there is no  
2 doubt, let me say again, my position with respect to  
3 political contributions and fund-raising has been  
4 clear and consistent.

5           I believe that Board Members have a right  
6 to contribute to political candidates if they so  
7 choose. A right that is protected under the First  
8 Amendment.

9           However, I would support restricting a  
10 Board Member's ability to solicit funds for political  
11 campaigns provided that the ban does not create more  
12 problems than it attempts to solve.

13           My concern is not with the concept of  
14 banning political fund-raising but rather with the  
15 difficulty that always comes with the creation of  
16 absolute rules.

17           For example, would an absolute band on  
18 fund-raising prohibit Board Members from soliciting  
19 on behalf of charitable causes, nonprofit  
20 organizations, issues that have no clear partisan  
21 prejudice?

22           We must be careful not to create an  
23 absolute rule that makes absolutely no sense. That  
24 said, I remain willingly to work cooperatively to  
25 develop the strongest possible ethics rules to guide

1 the conduct of this Board in all of its future  
2 endeavors.

3 Mr. Chairman, I don't intend to comment  
4 further on this issue until we have adopted our final  
5 policy. Thank you and thank you, members of the  
6 Board, for your indulgence.

7 CHAIRMAN DECKER: Chip, thank you.

8 Just so everyone knows, I don't think Chip  
9 is going to get any fight about what he said. I  
10 don't think we need to do that.

11 I think Chip has been up front about it as  
12 have everyone. I have spoken to everybody about these  
13 issues on an individual basis.

14 We will come together and talk about this  
15 as a group at an appropriate time when we get all of  
16 the comments back.

17 Even though it's somewhat premature, I  
18 think Chip's statements represents in terms of where  
19 he thinks we should be going, represents our current  
20 views on the subject.

21 The other thing I would mention to you very  
22 specifically is the gift policy, where we are not  
23 going to be taking -- again, I can speak for everyone  
24 individually, we're not going to vote on this today  
25 but the consensus clearly is we will not be taking

1 gifts from anyone who is known by us to be involved  
2 in the industry, and that includes lobbyists,  
3 representatives, and other interested parties.

4           On the ex parte, I want to make it clear  
5 because it's been somewhat confusing, we did not need  
6 -- we did not specifically think we needed to have  
7 what New Jersey does, which is you can't meet with  
8 any party except in the office -- I mean on an ex  
9 parte basis.

10           You can meet -- New Jersey provides you can  
11 have an ex parte meeting with someone who might be  
12 interested, quote, unquote, interested in their  
13 office. All right. But you have to record it.

14           We didn't think that was necessary because  
15 we were banning those kinds of discussions. You  
16 don't need to record something that is prohibited.

17           We don't intend to have them; and when we  
18 talk about interested parties, we're not just talking  
19 about the gaming industry, the representatives,  
20 lobbyists, however you want to talk about it. We're  
21 talking about anyone at all who is for or against a  
22 particular application or other matter before the  
23 Board.

24           That means our appointing authorities and  
25 that means the Governor and that means other

1 legislative and elected officials who might be  
2 lobbying, if you will, for a certain license.

3           So that's what we were trying to do with  
4 that ex parte. We think it's very clear if you read  
5 it.

6           So I want to make that statement so that  
7 everyone understands what we were trying to do with  
8 that last draft, which we said we were going to be  
9 living with.

10           Chip, did you want to say anything more  
11 about it?

12           Jeff or anyone?

13           Thank you. Thank you for indulging me in  
14 my little soap opera up here, too.

15           Now, moving on, I think we have one other  
16 matter. I think Treasurer Casey would like to say  
17 something.

18           TREASURER CASEY: Thank you, Mr. Chairman.  
19 I planned to say this before Commissioner Marshall's  
20 comments. I want to thank him for those comments.  
21 This is not meant as a response to those.

22           Just briefly, I know that our meeting has  
23 gone on probably longer than we anticipated. I  
24 wanted to say this before we ended today.

25           I speak as a non-voting member of this

1 Board. I also speak as a public official, who has  
2 had to develop and at least preside over the  
3 development and implementation of a code of conduct  
4 in the Department of Auditor General and now in the  
5 Treasury Department.

6 I want to say, first of all, that I think  
7 in the work I have done as a member of this Board,  
8 even as a non-voting member, put me into contact on a  
9 fairly regular basis with the members of this Board  
10 on a whole variety of matters.

11 I have been very impressed with each and  
12 every Board Member's commitment to their statutory  
13 mandate, their integrity, and their commitment to  
14 public service, and their work ethic. I think that  
15 is important to say that. We should say it more than  
16 we do.

17 I have been very impressed with each and  
18 every Board Member. I think members of this Board  
19 are trying to get this code of conduct right.  
20 They're working very hard to do that.

21 I think with due respect to what has  
22 already been presented in terms of where this code of  
23 conduct is, I think it falls short.

24 I think that the recent proposals or  
25 comment by Senators Jubelirer and Fumo are a positive

1 step in the right direction and I support those  
2 changes.

3 I'm going to submit a written commentary  
4 before the deadline of my own that will in some cases  
5 not just adopt those provisions by those two Senators  
6 and others but may even add to amplify what is there.

7 I really believe that this Board wants to  
8 get it right. I think there are a few things this  
9 Board will do this year and for many years that are  
10 more important than this code of conduct.

11 It's my experience as a public official  
12 that public confidence in a public official or public  
13 agency takes an awful long time to develop; sometimes  
14 a year, sometimes decades and the challenges to earn  
15 that everyday even when that level of confidence has  
16 been achieved.

17 The problem with public matters and public  
18 officials and codes of conduct in the infractions  
19 that involve those codes of conduct is that in the  
20 blink of an eye, that confidence can be shattered or  
21 at least eroded, almost like dropping a fine piece of  
22 china that shatters into a thousand pieces.

23 I think we have to get it right. We have  
24 to make sure that we get it right. We also -- when I  
25 say we, even though I can't vote on it, I'm speaking



1 as encouragement from the sidelines in a sense, but  
2 that once we have it right, not just this Board but  
3 as citizens of this Commonwealth, that we enforce it  
4 rigorously.

5 I think that's the commitment of the people  
6 of this Board, who are serving on this Board, but I  
7 think there are a few things that this Board,  
8 especially the voting members of this Board will do  
9 that are as important as this.

10 That's why I think this comment period can  
11 be very important. I think the sentiment that I  
12 expressed today is shared by all of the members of  
13 this Board. Thank you.

14 CHAIRMAN DECKER: Thank you, Treasurer  
15 Casey. We look forward to receiving your comments.

16 Anything else on this point? Okay. Are  
17 there any other matters to be brought before the  
18 meeting today?

19 Hearing none, just before we leave, I need  
20 to say we're going to have another Executive Session  
21 to discuss personnel matters. No action will be  
22 taken at the meeting, which will be closed to the  
23 press and public. We will not return to open session  
24 today.

25 Our next meeting, for your information,

1 will be on November 16th sometime in the afternoon we  
2 believe. We're going to have to post that because  
3 we're still working on schedules and kind of working  
4 that out because some members won't be here. They  
5 are going to have to do it by phone. We'll get it  
6 out to you in the coming days.

7 All of those in favor of adjournment,  
8 please indicate by saying aye.

9 COMMISSIONERS: Aye.

10 CHAIRMAN DECKER: Any opposed?

11 Thank you very much, and thank you for  
12 coming to the meeting today.

13 (The meeting concluded at 12:07 p.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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