

PENNSYLVANIA GAMING CONTROL BOARD

HEARING ROOM 1
NORTH OFFICE BUILDING
HARRISBURG, PENNSYLVANIA

THURSDAY, FEBRUARY 2, 2006, 10:25 A.M.

BEFORE :

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

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning. We're
2 sorry to be late, but we have a few things we're
3 going to announce today so we took some time getting
4 it done.

5 Is Sandy and Treasurer Casey -- Sanford,
6 are you on the phone?

7 COMMISSIONER RIVERS: We're present.

8 CHAIRMAN DECKER: Treasurer Casey? Okay.
9 I'm sure he was on.

10 COMMISSIONER RIVERS: He is on. I can
11 vouch for him.

12 CHAIRMAN DECKER: Pardon me?

13 COMMISSIONER RIVERS: Treasurer Casey is,
14 in fact, on.

15 CHAIRMAN DECKER: Good.

16 COMMISSIONER MARSHALL: You called him
17 Senator.

18 CHAIRMAN DECKER: Did I say Senator? No.
19 Sorry. Treasurer. If I said that, I apologize. I
20 called him Governor a couple of weeks ago. Thank
21 you.

22 Good morning. I'm Tad Decker. I'm
23 Chairman of the Pennsylvania Gaming Control Board. I
24 would like to welcome you all to our meeting. I want
25 to note that Secretary Wolff is not able to join us

1 today. I've already said that Commissioner Rivers
2 and Treasurer Casey are on the phone.

3 A quorum of the voting members are present.
4 Therefore, this meeting is officially called to
5 order.

6 As always, and I'm the biggest offender,
7 let me ask that members of the Board and the audience
8 turn off their cell phones, please.

9 Okay. As usual, please join me for the
10 Pledge of Allegiance.

11 (Pledge of Allegiance.)

12 CHAIRMAN DECKER: By way of announcements,
13 and old business, today we had an Executive Session.
14 We dealt with personnel matters. No business was
15 conducted during this session.

16 At the last meeting, we approved the plan
17 for public input hearings across the state on the
18 proposed gaming facilities pending a couple of
19 changes requested by the Board Members.

20 Those changes have been made, and the plan
21 has been published on our website and announced by
22 the media.

23 Briefly, we are now planning 13 days of
24 hearings in 9 separate locations across the state.
25 The first hearing is on April 5th in Gettysburg. We

1 will wrap up the series of forums and hearings on May
2 3rd in Somerset.

3 Please, if you're interested, please visit
4 the website and click on the public input hearings
5 button on the home page for more details.

6 Since I haven't had a chance to state the
7 website again in a couple of weeks, Nick has asked me
8 to do it again. It's www.pgcb.state.pa.us.

9 Because of the hearings and some of our
10 schedules, we will be shuffling a couple of public
11 meeting dates and times.

12 On February 16th -- this is our Board
13 meeting now. Our February 16th meeting has been
14 canceled and we will have a March 2nd -- excuse me.
15 The March 2nd meeting is canceled. Instead, we will
16 meet on February 28th at 11:00 instead of the usual
17 10:00 time. We will post a reminder on the website.

18 I also want to alert you that it is very
19 likely that we will be having another meeting next
20 Friday. It's very likely that was going to take
21 place but we don't know the time yet. I'll talk more
22 about that in a minute.

23 Let's move on to action items at this point
24 in time. May I have a motion to approve the
25 transcript --

1 COMMISSIONER MARSHALL: So moved.

2 CHAIRMAN DECKER: Thank you.

3 COMMISSIONER McCABE: Second.

4 CHAIRMAN DECKER: Thank you. Any

5 discussion?

6 All of those in favor, please indicate by

7 saying aye.

8 COMMISSIONERS: Aye.

9 CHAIRMAN DECKER: Any opposed?

10 The motion carries.

11 Sandy and Treasurer, can you hear us okay?

12 COMMISSIONER RIVERS: Yes.

13 CHAIRMAN DECKER: Great. At our September

14 28th meeting in Philadelphia, we put in place an

15 ethics policy to supplement the State Ethics Code.

16 We promised that we would come back, continue working

17 on it by taking comments, etc. We're grateful for

18 the really significant and worthwhile input that we

19 received.

20 Recently, we have been working on a series

21 of drafts. We are almost completed. Unfortunately,

22 I had to do one more last night with just a few

23 changes. As a result of that, a number of the Board

24 Members did not have an opportunity to read it.

25 That's the reason we're going to have the meeting

1 next week.

2 The policy is fairly substantial. The
3 draft is fairly substantial. It talks about the
4 various things that we're to avoid. It talks about
5 our qualifications and restrictions on things we can
6 do. Some of those things are in the Statute already.

7 It has a conflict of interest section,
8 which goes along with the continuing obligations to
9 update and keep in effect our various obligations.

10 There is disclosure and divestiture
11 provision, which, again, is consistent with the
12 Statute about not having interest in gaming.

13 There are exceptions to that with respect
14 to publically traded mutual funds that are not
15 predominantly gaming related.

16 We have a recusal section, which each
17 member will be obligated to consider prior to voting
18 in our role as a quasi-judicial function --
19 particularly in our quasi-judicial function --
20 specifically in our quasi-judicial function when
21 we're acting on licenses, applications, revocations,
22 etc.

23 There's also a provision for how we will
24 handle challenges on that recusal built into it.
25 Again, we'll have more details on that later.

1 The provision also contains our obligations
2 with respect to post employment obligations. It has
3 a gift provision, which basically says no gifts but
4 there are exceptions. There are exceptions to it.
5 For example, when you're dealing with banks, hotels,
6 other -- car dealers, as long as you're getting the
7 usual discount, not something in excess of normal.

8 Awards you might get of the community
9 nature when -- of a very, very nominal value.
10 Plaques or mementos for being a speaker at a seminar,
11 those types of things are excluded. They're kind of
12 typical. We appreciate the advice we got from
13 Treasurer Casey on that point.

14 Restricted activities. It would include a
15 restriction on political activity, non-profit, but
16 there are exceptions in the non-profit for people who
17 are involved on Boards and are involved as officers
18 or are involved as employees.

19 Gaming activities. Obviously, we can't do
20 that, and that's clear. There's an ex parte
21 provision, very similar to the one we published and,
22 frankly, didn't get enough credit for the last time
23 around.

24 Pending proceedings. That's in terms of
25 our expression -- as a Judge would. We're not

1 allowed -- won't be allowed to discuss things we're
2 going to act upon as a quasi-judicial nature. Again,
3 the hearings, etc.

4 There's a provision as to what independent
5 contractors can do. There's also a confirmation of
6 our obligations and employees' obligations of
7 confidentiality, and there will be an annual
8 certification that we're living up to the terms of
9 our obligations under the code.

10 Again, a couple tweaks, nothing major.
11 We'll have anything out, we believe, by the end of
12 next week.

13 TREASURER CASEY: This is Bob Casey.

14 CHAIRMAN DECKER: Treasurer, welcome. I'm
15 sorry we were late.

16 TREASURER CASEY: It's all right.

17 CHAIRMAN DECKER: I was just going over the
18 Ethics Policy. I sent you a copy of the draft last
19 night.

20 TREASURER CASEY: Yes.

21 CHAIRMAN DECKER: Okay. If you want to
22 give me a call with any questions you might have,
23 that will be fine. Okay?

24 TREASURER CASEY: Okay.

25 CHAIRMAN DECKER: In fact, it would be more

1 than fine, I would appreciate it.

2 TREASURER CASEY: Okay.

3 CHAIRMAN DECKER: That's all I have to
4 report on the ethics. We will be voting on that next
5 week or the latest, the very beginning of the next
6 week, the week after.

7 COMMISSIONER McCABE: Mr. Chairman?

8 CHAIRMAN DECKER: Yes, please. Go ahead.
9 I was going to say, are there any comments from the
10 Board?

11 COMMISSIONER McCABE: I would like to thank
12 you, everybody, all of the Commissioners for the hard
13 work that everybody is putting on the Ethics Policy.

14 I'm happy and pleased the way it's been
15 going. I think we're getting really close to a good
16 policy. I just want everyone to know that, that we
17 have been working hard on this. I think it's very
18 important that we get this passed pretty quickly
19 here.

20 CHAIRMAN DECKER: The other thing I should
21 mention, we've worked with a firm, an outside law
22 firm that we've utilized on some of our many pieces
23 of litigation, the Hoyle Morris law firm, to help.

24 We have also utilized through them the
25 services of Professor Geoffrey Hazard from the

1 University of Pennsylvania Law School, who is one of
2 the renowned experts in the country on the conflicts
3 of interest, codes of ethics, codes of conduct and
4 recusals and ex parte and everything else that goes
5 with it.

6 Mike, we're going to skip you for a moment,
7 if that's okay, maybe more than a minute. Let's go
8 right to the Executive Director's report.

9 Anne, could you come up, please?

10 Anne will be telling us, in part, about a
11 proposal to adopt application fees. Please note that
12 these are not the license fees for operators that
13 already are addressed in the Gaming Act.

14 MS. LaCOUR NEEB: Good morning, Chairman
15 Decker and members of the Board. I'm going to go
16 ahead and just give you an overview in operations and
17 then we'll get into the fee schedules.

18 Basically, what has been going on the past
19 couple of weeks, BIE has been gearing up. Most of
20 those who were approved for employment have come on
21 board.

22 They are participating in a very extensive
23 training session as we speak and intend to graduate
24 this group of approximately 50 investigators from the
25 program this Friday.

1 So we're very happy about that. It's very
2 intensive. It's been all day, every day, and
3 covering every topic imaginable that you can even
4 think of in background investigations and financial
5 investigations. So we're real happy about that.

6 In the Bureau of Licensing, we continue to
7 drudge through the many volumes of paperwork. We
8 anticipate that the suitability reports on the
9 manufacturers will be most likely completed
10 mid-February so that maybe those could be considered
11 soon, the manufacturers.

12 That's coming along very well, because we
13 can give alternative licensing standards for those
14 operations.

15 In the Gaming Lab, Richard Williamson and
16 G-Tech and the people in the Department of Revenue
17 have been working very hard and very diligently,
18 almost on a daily basis, trying to gear up for making
19 sure all of the details are in place for the Central
20 Control System.

21 We have today -- also, the Hearing Office,
22 just to give you a quick update, they are just about
23 finished finalizing the plan for the public forum
24 hearings.

25 We would encourage anybody that has any

1 questions to either contact the office and they can
2 speak with Mickey or get on the website and get more
3 information about that because those are important.

4 We have today a schedule, which would be in
5 your packet, which is a request to adopt the fee
6 structures for vendors, junkets, employees, and
7 management companies.

8 If you would like, at the chart that was
9 provided, you'll see that these are basically fees
10 that are ongoing licensing and certification fees for
11 those individuals who do business with and who work
12 for gaming enterprises.

13 You'll see today, we're looking at the
14 management companies for the C-I and II with their
15 fees set forth as a first time -- one time
16 application of 500,000 and management companies for
17 C-III, the Category III operators at 50,000.

18 Junket first time application fees would be
19 3,500. Then we have vendor certification and
20 registration.

21 Those fees will be good for a period of
22 four years, because these are companies that do
23 business, goods, and services to casinos.

24 Anyway, the fee schedule is analyzed in
25 lieu of what other jurisdictions do to try to keep in

1 line so it's fair. This is what we do propose.

2 So if you have any questions, we would
3 request approval of this fee schedule.

4 CHAIRMAN DECKER: Are there any questions
5 of Anne, for Anne?

6 COMMISSIONER McCABE: I have a question.
7 These fees, comparable to what other jurisdictions
8 are charging?

9 MS. LaCOUR NEEB: Yes, they are. Yes. We
10 researched other jurisdictions that had similarly
11 situated parties. These are very in line with what
12 all of the other major jurisdictions do for companies
13 and individuals.

14 CHAIRMAN DECKER: Any other questions?

15 COMMISSIONER COY: Mr. Chairman?

16 CHAIRMAN DECKER: Please.

17 COMMISSIONER COY: Maybe a brief outline,
18 Anne or Nan, about the difference in employees and
19 categories if you would, please.

20 MS. HORNER: Very good. Yes. The fee
21 schedule set before you has not only license fees but
22 it also has application investigation deposits.

23 As far as entities are concerned, the
24 manufacturer, suppliers, operators, management
25 companies, junkets, and vendors, they will have not

1 only a license fee attached to their license but also
2 the application investigation fees.

3 So when we're talking about employees,
4 we're speaking of the application investigation
5 deposits.

6 For the manufacturer supplier Category I,
7 II, and III, the application fees, investigation
8 deposits that you adopted in the past will remain the
9 same.

10 We are proposing that the management
11 companies have application fees, investigation
12 deposits that are the same as what you have adopted.

13 However, when it comes to junkets, vendor
14 certifications, and vendor registrations, the
15 application fees that attach to the people involved
16 with these entities will be lower than that which is
17 set for the manufacturers, suppliers, and operators.

18 So if you're speaking of a non-gaming
19 registrant, someone who will be working on the casino
20 floor but not involved in the gaming, the application
21 fee will be \$60.

22 If you're speaking of a gaming employee,
23 somebody who is involved in gaming, there will be a
24 \$350 application fee.

25 COMMISSIONER COY: Thank you.

1 COMMISSIONER DiGIACOMO COLINS: Would you
2 like a motion?

3 CHAIRMAN DECKER: Yes, please. I was just
4 going to ask for one, Mary.

5 COMMISSIONER DiGIACOMO COLINS: All right.
6 I move that we adopt the schedule of fees as
7 proposed.

8 COMMISSIONER MARSHALL: Second.

9 CHAIRMAN DECKER: I have a second. Are
10 there any further questions?

11 Hearing none, all of those in favor, please
12 indicate by saying aye.

13 COMMISSIONERS: Aye.

14 CHAIRMAN DECKER: Any opposed?

15 Motion carries.

16 Thank you, Anne and Nan.

17 MS. LaCOUR NEEB: What do you want to do
18 next?

19 CHAIRMAN DECKER: We're going to go with
20 Susan Hensel.

21 MS. LaCOUR NEEB: Okay. I'm just going to
22 stay here.

23 CHAIRMAN DECKER: Susan is going to give us
24 the latest -- an update from the Bureau of Licensing.
25 Anne is going to stay at the table.

1 Right, Anne?

2 MS. LaCOUR NEEB: Yes, I am.

3 CHAIRMAN DECKER: All right. To field any
4 additional questions.

5 MS. LaCOUR NEEB: If there are any
6 additional questions.

7 CHAIRMAN DECKER: Thank you.

8 MS. HENSEL: Good morning, Chairman Decker
9 and members of the Board. The first item that I have
10 to bring before the Board this morning is the status
11 of three application submissions that the Bureau of
12 Licensing has received and has determined are
13 statutorily ineligible to be applications that could
14 be considered by the Board.

15 With respect to these submissions, I will
16 provide you with a summary of the steps that the
17 Bureau of Licensing has taken to assess and meet the
18 requirements of the Pennsylvania Racehorse
19 Development and Gaming Act and the regulations
20 promulgated thereunder regarding statutory
21 deficiencies in application submissions.

22 The first submission is for Trum
23 Construction Company, which submitted a Category II
24 application. The Trum Construction Company Category
25 II application submission is a document for which a

1 filing fee is required to be charged -- to be paid
2 pursuant to 4 Pa.C.S., Section 1208(1).

3 The Trum Construction Company submission
4 was received on January 2006 -- January 3rd, 2006
5 with a postmark date of December 27th, 2005.

6 Pursuant to 58 PA Code, Section 471.1(b),
7 well received, this application has not been deemed
8 filed because no filing fee has been paid.

9 In addition to failing to provide the Board
10 with required filing fees, the application submission
11 also lacked the statutorily required letter of credit
12 or bond demonstrating the ability of the applicant to
13 pay the \$50 million license fee under 4 Pa.C.S.,
14 Section 1313(c), which relates to slot machine
15 license application financial fitness requirements.

16 On January 9th, 2006, as the Director of
17 Licensing, I sent a letter notifying Trum
18 Construction Company of the insufficiency of the
19 submission and providing ten business days within
20 which to cure the deficiencies in the submission.

21 Trum Construction Company has failed to
22 provide the statutorily required filing fee and
23 letter of credit or bond after being given an
24 opportunity to cure these insufficiencies.

25 On January 25th, 2006, the day following

1 the deadline to cure the deficiencies, as Director of
2 Licensing, I sent another letter notifying Trum
3 Construction Company that the Bureau of Licensing
4 would be making a recommendation regarding its
5 submission at the Board's February 2nd, 2006 meeting.

6 The Trum Construction Company Category II
7 submission was insufficient and has not been deemed
8 filed. Therefore, the Category II submission of Trum
9 Construction Company was not filed by the December
10 28th, 2005 deadline, which was set by the Board as
11 the filing deadline.

12 In addition, the Trum Construction Company
13 submission does not meet the statutorily imposed
14 threshold requirements for consideration as an
15 application and is, therefore, ineligible for
16 consideration by the Board.

17 The Bureau of Licensing recommends that the
18 Board issue the following proposed order regarding
19 this submission.

20 The proposed order is this: Pursuant to
21 the request of the Bureau of Licensing, the
22 Pennsylvania Gaming Control Board orders and decrees
23 that the submission of Trum Construction Company
24 failed to satisfy the requirements of 4 Pa.C.S.,
25 Section 1308 as follows:

1 That Trum Construction Company failed to
2 submit the required filing fee pursuant to 4 Pa.C.S.,
3 Section 1208(1); and letter of credit or payment bond
4 pursuant to 4 Pa.C.S., Section 1313(c).

5 That Trum Construction Company was provided
6 notice of the submissions insufficiencies and
7 provided an opportunity to cure.

8 That Trum Construction Company failed to
9 cure the insufficiencies in the manner and time
10 requested by the Board.

11 That the Board considers this to be an
12 insufficient submission, not rising to the level of
13 an application.

14 That a submission, which fails to satisfy
15 the aforementioned statutory requirements, is
16 pursuant to 4 Pa.C.S., Section 1308, statutorily
17 ineligible to be considered by the Board.

18 Therefore, the Board orders that the Bureau
19 of Licensing return the insufficient submission to
20 Trum Construction Company.

21 Be it further decreed that pursuant to 4
22 Pa.C.S., Section 1306, the Board voted on September
23 8th, 2005 to adopt a schedule for the receipt of slot
24 machine operator license applications for which the
25 period closed in December 2005.

1 That pursuant to 4 Pa.C.S., Section
2 1202(a), the Board has jurisdiction over every aspect
3 of the authorization and operation of slot machines.

4 And therefore, Trum Construction Company by
5 this order is precluded from making further slot
6 machine operator license application submissions to
7 this Board relative to the application period that
8 closed in December 2005.

9 It is hereby ordered that no further action
10 be taken with regard to this submission, this the 2nd
11 of February, 2006. That is the proposed order.

12 COMMISSIONER MARSHALL: Mr. Chairman, I
13 would move it.

14 CHAIRMAN DECKER: May I have a second?

15 COMMISSIONER DiGIACOMO COLINS: Second.

16 CHAIRMAN DECKER: Are there any questions?

17 COMMISSIONER McCABE: Yes.

18 CHAIRMAN DECKER: Yes, please.

19 COMMISSIONER McCABE: I have a couple
20 questions. Susan, do we know, did the Trum Company
21 receive your correspondence?

22 MS. HENSEL: Yes. I know my correspondence
23 was received because I did receive correspondence in
24 response to it. I also do have --

25 COMMISSIONER McCABE: He acknowledged

1 receipt of your letters?

2 MS. HENSEL: Yes. We used certified mail,
3 return receipt requested, and overnight mail, which
4 we tracked.

5 COMMISSIONER McCABE: Okay. And he
6 responded to that?

7 MS. HENSEL: Yes, in both cases.

8 COMMISSIONER DiGIACOMO COLINS: Susan, was
9 the correspondence sent to the address provided by
10 Trum Company?

11 MS. HENSEL: Yes. It was sent to the
12 contact that was provided in the application.

13 COMMISSIONER DiGIACOMO COLINS: Thank you.

14 CHAIRMAN DECKER: Are there any questions
15 of Susan on this? Anymore questions of Susan and
16 Anne?

17 COMMISSIONER MARSHALL: I just have --

18 CHAIRMAN DECKER: Please, go ahead.

19 COMMISSIONER MARSHALL: So in your mind,
20 Susan or Anne or minds, we take this order since it's
21 our first, we provide this company with the order and
22 an opportunity for reconsideration?

23 CHAIRMAN DECKER: We're going to talk about
24 that in a minute.

25 MS. LaCOUR NEEB: First, the Board would

1 have to consider the order and then make a
2 determination as to what remedies are still available
3 to these individuals.

4 CHAIRMAN DECKER: We're talking about Trum
5 now?

6 MS. HENSEL: Trum Construction Company,
7 correct.

8 CHAIRMAN DECKER: And what we will do -- we
9 can deal with it individually and I'll repeat it
10 again later, that depending on what action we take,
11 they will be given a ten-day period within which to
12 request in writing that the Board reconsider its
13 order and submit proof that its application was filed
14 correctly. All right.

15 COMMISSIONER DiGIACOMO COLINS: Well,
16 reconsideration also should consider new or
17 additional evidence not already provided to the
18 Board. That's the whole point of reconsideration.

19 CHAIRMAN DECKER: Right. Thank you. But
20 one other thing, we're not going to take -- we're not
21 going to accept a bond and the license fees at this
22 point because we've passed the deadlines.

23 MS. HENSEL: Correct.

24 COMMISSIONER McCABE: That's what I was
25 going to ask. Are we going to accept evidence that

1 it was complete as of December -- as of the deadline?

2 CHAIRMAN DECKER: As of December 28th.

3 COMMISSIONER McCABE: Not that they submit
4 something new as of today?

5 MS. HENSEL: Correct. The deadline has
6 passed and the opportunity to cure has also expired.

7 CHAIRMAN DECKER: So any evidence has to go
8 to the fact that they complied with the requirements
9 of our application process and actually did file an
10 application on or before December 28th, 2005.

11 MS. HENSEL: Correct.

12 CHAIRMAN DECKER: So that's what the
13 re-hearing, if they want it, will be about.

14 COMMISSIONER DiGIACOMO COLINS: So to be
15 clear, reconsideration is not an extension of the
16 opportunity to cure, correct?

17 MS. HENSEL: Correct.

18 CHAIRMAN DECKER: Absolutely not.

19 MS. LaCOUR NEEB: And that's statutorily
20 determined because of the time lines.

21 CHAIRMAN DECKER: Based on that, are there
22 anymore questions for Anne or Susan?

23 Do we have a motion before us? Am I
24 correct on that?

25 COMMISSIONER DiGIACOMO COLINS: Yes. Time

1 to vote.

2 CHAIRMAN DECKER: All right. All of those
3 in favor, please indicate by seeing aye.

4 COMMISSIONERS: Aye.

5 CHAIRMAN DECKER: Opposed?

6 The order and the period of reconsideration
7 are approved.

8 Susan?

9 MS. HENSEL: Okay. The second submission
10 is for Pennsylvania Gaming Group, LLP, which
11 submitted a Category II application.

12 The Pennsylvania Gaming Group, LLP failed
13 to provide with its submission the letter of credit
14 or bond as required by 4 Pa.C.S., Section 1313(c)
15 relating to slot machine license application
16 financial fitness requirements.

17 In its application, which was received on
18 December 28th, 2005, the Pennsylvania Gaming Group,
19 LLP failed to tender an original executed payment
20 bond.

21 In lieu of that, the application contained
22 a copy of a fax of an unexecuted payment bond, which
23 failed to name a surety company.

24 On January 9th, 2006, as Director of
25 Licensing, I sent a letter notifying Pennsylvania

1 Gaming Group, LLP of the deficiencies in its
2 application and provided ten business days to cure
3 the deficiencies.

4 On January 23rd, 2006, the Pennsylvania
5 Gaming Group LLP had faxed and hand delivered to the
6 Board another unexecuted payment bond. This payment
7 bond named a specific surety company but was
8 unexecuted by that surety company and was stamped
9 copy.

10 It was accompanied by a cover letter from
11 the prospective surety company that stated, and I
12 quote, a release of said bond is pending receipt of
13 an irrevocable letter of credit.

14 On January 25th, 2006, the day following
15 the deadline to cure the deficiencies, as Director of
16 Licensing, I sent another letter notifying
17 Pennsylvania Gaming Group, LLP that the Bureau of
18 Licensing would be making a recommendation regarding
19 its submission at the Board's February 2nd, 2006
20 meeting.

21 The Pennsylvania Gaming Group, LLP has
22 failed to provide the statutorily required letter of
23 credit or bond after being given an opportunity to
24 cure the deficiency.

25 On January 31st, 2006, the PGCP received a

1 letter from an attorney representing the Pennsylvania
2 Gaming Group, LLP requesting withdrawal of the
3 application.

4 On February 1st, 2006, the PGCB received a
5 fax transmission from the attorney stating that the
6 Pennsylvania Gaming Group, LLP has decided to rescind
7 its petition for withdrawal.

8 The Pennsylvania Gaming Group, LLP Category
9 II submission does not meet the statutorily imposed
10 threshold requirements for consideration as an
11 application and is, therefore, statutorily ineligible
12 for consideration by the Board.

13 Although pursuant to Section 471.2(b) of
14 the regulations, applications, filing fees are not
15 refundable. This submission did not rise to the
16 level of an application statutorily eligible to be
17 considered by the Board. It is the Bureau of
18 Licensing's recommendation that the fees be refunded.

19 The Bureau of Licensing recommends that the
20 Board issue the following proposed order regarding
21 this submission.

22 The language of the proposed order is this:

23 Pursuant to the request of the Bureau of
24 Licensing, the Pennsylvania Gaming Control Board
25 orders and decrees that the submission of

1 Pennsylvania Gaming Group, LLP failed to satisfy the
2 requirements of 4 Pa.C.S., Section 1308 as follows:

3 That Pennsylvania Gaming Group, LLP failed
4 to submit the required letter of credit or payment
5 bond pursuant to 4 Pa.C.S., Section 1313(c).

6 That Pennsylvania Gaming Group, LLP was
7 provided notice of the submission deficiencies and
8 provided an opportunity to cure.

9 That Pennsylvania Gaming Group, LLP failed
10 to cure the deficiencies in the manner and time
11 requested by the Board.

12 That the Board considers this to be a
13 deficient submission, not rising to the level of an
14 application.

15 That a submission which fails to satisfy
16 the aforementioned statutory requirement is pursuant
17 to 4 Pa.C.S., Section 1308, statutory ineligible to
18 be considered by the Board.

19 Therefore, the Board orders that the Bureau
20 of Licensing return the deficient submission with the
21 submission of its key employee qualifier to
22 Pennsylvania Gaming Group, LLP along with any
23 application fees tendered.

24 Be it further decreed that pursuant to 4
25 Pa.C.S., Section 1306, the Board voted on September

1 8th, 2005 to adopt a schedule for the receipt of slot
2 machine operator licensure applications for which the
3 period closed in December of 2005.

4 That pursuant to 4 Pa.C.S., Section
5 1202(a), the Board has jurisdiction over every aspect
6 of the authorization and operation of slot machines.

7 And therefore, Pennsylvania Gaming Group,
8 LLP and its key employee qualifier by this order are
9 precluded from making further slot machine operator
10 license application submissions to this Board
11 relative to the application period that closed in
12 December 2005.

13 It is hereby ordered that no further action
14 be taken with regard to this submission, this the 2nd
15 day of February 2006. That is the proposed language.

16 COMMISSIONER MARSHALL: Move the order.

17 COMMISSIONER DIGIACOMO COLINS: Second.

18 CHAIRMAN DECKER: Thank you. Can I start
19 the questions on this?

20 Susan, the deficiency in this application,
21 as I understand it and as the Board understands it,
22 too, relates to the fact that a bond accompanied the
23 application but it was unsigned by any bond company;
24 is that correct?

25 MS. HENSEL: That's correct, kind of like

1 an unsigned check.

2 CHAIRMAN DECKER: Like an unsigned check.

3 Okay.

4 COMMISSIONER MARSHALL: I'll have to try

5 that.

6 CHAIRMAN DECKER: Does that work?

7 COMMISSIONER MARSHALL: Sometimes.

8 CHAIRMAN DECKER: Secondly, there was

9 another deficiency in it as well, as I understand it,

10 the bond was conditioned upon the receipt, the

11 obtaining, if you will, of a letter of credit for \$50

12 million.

13 MS. HENSEL: That's my understanding.

14 CHAIRMAN DECKER: So even if it were

15 signed, that had a condition which would not have

16 been fulfilled in the proper way?

17 MS. HENSEL: According to the cover letter

18 that accompanied the unexecuted bond, yes.

19 CHAIRMAN DECKER: Okay. Ken, please.

20 COMMISSIONER McCABE: I think you kind of

21 hit a little bit of what I was still unclear of, the

22 difference between an unexecuted bond. Is an

23 executed bond one that is just signed?

24 MS. HENSEL: An executed bond is a valid

25 bond that the surety company would stand behind that

1 would guarantee that the \$50 million licensing fee is
2 actually available.

3 CHAIRMAN DECKER: It has to be signed by an
4 authorized representative of a surety company.

5 MS. HENSEL: Correct.

6 CHAIRMAN DECKER: I guess, right?

7 MS. HENSEL: Correct.

8 COMMISSIONER McCABE: And this bond was not
9 signed by anybody?

10 MS. HENSEL: It was not signed by the
11 surety company. We have seen a couple versions of
12 the bond, and none of them have been signed by the
13 surety company.

14 COMMISSIONER McCABE: Which would then give
15 us the impression that there is nothing behind this?

16 MS. HENSEL: It doesn't meet the
17 requirement of the Statute.

18 CHAIRMAN DECKER: Please, Greg.

19 SECRETARY FAJT: Mr. Chairman, thank you.

20 Susan, could you for the public and the
21 people in the audience, where were the facilities
22 located for both the -- proposed facilities located
23 for both Trum and Pennsylvania Gaming?

24 MS. HENSEL: Trum Construction Company
25 submitted its submission for Western Pennsylvania.

1 The Pennsylvania Gaming Group is the Lancaster
2 submission.

3 CHAIRMAN DECKER: Thank you.

4 Any other questions for Susan?

5 COMMISSIONER COY: Mr. Chairman?

6 CHAIRMAN DECKER: Yes, please.

7 COMMISSIONER COY: Your recommendation in
8 the previous one and in this one was to return all
9 fees.

10 MS. HENSEL: Actually, there were no fees
11 paid with the first submission. So that
12 recommendation only applies to this second
13 submission.

14 COMMISSIONER COY: Okay.

15 COMMISSIONER RIVERS: Susan, this is
16 Sanford. A question, what is the basis for returning
17 the monies that they forwarded for their application
18 to be reviewed?

19 MS. HENSEL: The basis is because the
20 Bureau of Licensing has made the determination that
21 this is not an application, this submission did not
22 reach the level of an application for which
23 non-refundable fees would be applied.

24 COMMISSIONER COY: I just want to make sure
25 the No. 1 Steelers fan was done there. We'll give

1 you a chance at the end here.

2 CHAIRMAN DECKER: Fortunately, he's not
3 reffing the game this week.

4 SECRETARY FAJT: I take offense to that,
5 Mr. Coy.

6 COMMISSIONER COY: I'm sorry. You're the
7 No. 1 fan. Everyone is now.

8 I guess my concern is, and I'm not sure
9 we're ready to suggest anything today, but I would
10 like to ask our staff to look into the possibility of
11 some fee being attached even to an application that
12 is rejected.

13 There has been considerable work done by
14 employees of the Board, considerable effort put
15 forth, and I think in our attempt to recover costs to
16 the Commonwealth in this regard, we should consider
17 something. I'm not sure what something is.

18 CHAIRMAN DECKER: I agree with you.

19 COMMISSIONER COY: I think we need to
20 establish some sort of fee that is not refundable,
21 even in the case of rejection now or later.

22 MS. LaCOUR NEEB: Might I suggest what we
23 could do is go back into the file and do a
24 compilation of time spent and try to determine an
25 assessment that would be fair and make that proposal

1 at the next Board meeting.

2 CHAIRMAN DECKER: Let's take a look at what
3 the authorization is for that, too.

4 MS. LaCOUR NEEB: We can do that.

5 CHAIRMAN DECKER: I'm not sure what is in
6 the Act about it, and there may not be anything in
7 the Act about it. I think it's worthwhile looking
8 at.

9 Thank you, Mr. Chairman.

10 MS. HENSEL: And once a submission is
11 determined to be an application, all fees are
12 non-refundable.

13 COMMISSIONER DiGIACOMO COLINS: Could I
14 just make a comment on that issue of whether or not
15 it's refundable?

16 Perhaps that's a matter procedurally that
17 could be taken up in the event that there's some sort
18 of request for reconsideration. That way the Act
19 we're taking today is, in fact, a final order that is
20 subject to the reconsideration ten-day time period;
21 and if during that ten-day reconsideration period
22 it's raised and we think it's appropriate, then we
23 can incorporate that process. That's my suggestion.

24 CHAIRMAN DECKER: Bill.

25 COMMISSIONER CONABOY: The only comment I

1 was going to make, and it goes to the point that Jeff
2 and Sandy have raised, is I think it's very important
3 that we know this is not a denial of this
4 application.

5 What we're saying here is that this has not
6 even risen to the level of a proper submission,
7 proper application.

8 MS. HENSEL: Correct.

9 COMMISSIONER CONABOY: So we're not denying
10 these applications. We're saying that no application
11 was ever submitted.

12 MS. HENSEL: That is correct. We're not
13 denying. We're returning.

14 COMMISSIONER CONABOY: We're returning.

15 MS. LaCOUR NEEB: It was pointed out to me
16 by Miss Horner under Section 1208 in the collection
17 of fines and fees, Section 3 discusses the fact that
18 each application for a slot machine license must be
19 accompanied by the non-refundable fee; and the
20 comment at the end of that paragraph, the reasonable
21 and necessary cost and expense is incurred and any
22 background investigation or other investigation or
23 proceeding concerning any applicant, licensee, or
24 permittee shall be reimbursed to the Board by those
25 persons.

1 So I believe there would be authority and
2 we can, again, review that to make an assessment. If
3 there's a request for reconsideration, we could
4 probably take that matter up at that point.

5 CHAIRMAN DECKER: Thank you. Any other
6 comments or questions?

7 Hearing none, all of those in favor, please
8 indicate by saying aye.

9 COMMISSIONERS: Aye.

10 CHAIRMAN DECKER: Any opposed?

11 Sandy, I couldn't hear you. Were you an
12 aye on that?

13 COMMISSIONER RIVERS: I'm an aye.

14 CHAIRMAN DECKER: Thank you.

15 Motion passes unanimously.

16 Let me just add for the record that
17 Pennsylvania Gaming Group will be given a ten-day
18 period within which to request in writing that the
19 Board reconsider its order and to provide proof that
20 the statutory required fees and letter of credit or
21 bond were submitted and valid on December 28th, 2005.

22 All right. Anything else on that point?

23 Susan?

24 MS. HENSEL: The third and final submission
25 is for North Shore Gaming, LP, which submitted a

1 Category II application for Pittsburgh.

2 North Shore Gaming, LP failed to provide
3 with its submission the letter of credit or bond as
4 required by 4 Pa.C.S., Section 1313(c), relating to
5 slot machine license application financial fitness
6 requirements.

7 On January 9th, 2006, as Director of
8 Licensing, I sent a letter notifying North Shore
9 Gaming, LP of the deficiency in its application and
10 provided ten business days to cure the deficiency.

11 On January 24th, 2006, North Shore Gaming,
12 LP petitioned the Board for withdrawal of its
13 application submission.

14 North Shore Gaming, LP has failed to
15 provide the statutorily required letter of credit or
16 bond after being given an opportunity to cure the
17 deficiency.

18 The North Shore Gaming, LP Category II
19 submission does not meet the statutorily imposed
20 threshold requirements for consideration as an
21 application and they are statutorily ineligible for
22 consideration by the Board.

23 Although pursuant to 58 PA Code, Section
24 471.2(b) of the regulation, application filing fees
25 are not refundable, this submission did not rise to

1 the level of being an application statutorily
2 eligible to be considered by the Board, and the issue
3 of the fees will be reassessed in accordance with the
4 last submission, the comments regarding the last
5 submission.

6 The Bureau of Licensing recommends that the
7 Board issues the following proposed order regarding
8 this submission. The language of the proposed order
9 is as follows:

10 Pursuant to the request of the Bureau of
11 Licensing, the Pennsylvania Gaming Control Board
12 orders and decrees that the submission of North Shore
13 Gaming, LP failed to satisfy the requirements of 4
14 Pa.C.S., Section 1308 as follows:

15 That North Shore Gaming, LP failed to
16 submit the required letter of credit or payment bond
17 pursuant to 4 Pa.C.S., Section 1313(c).

18 That North Shore Gaming, LP was provided
19 notice of the submission deficiencies and provided an
20 opportunity to cure.

21 That North Shore Gaming, LP failed to cure
22 the deficiency in the manner and time requested by
23 the Board.

24 That the Board considers this to be a
25 deficient submission, not rising to the level of an

1 application.

2 That a submission, which fails to satisfy
3 the aforementioned statutory requirement, is pursuant
4 to 4 Pa.C.S., Section 1308, statutorily ineligible to
5 be considered by the Board.

6 Therefore, the Board orders that the Bureau
7 of Licensing return the deficient submission with the
8 submission of its affiliates and key employee
9 qualifiers to North Shore Gaming, LP.

10 Be it further decreed that pursuant to 4
11 Pa.C.S., Section 1306, the Board voted on September
12 8th, 2005 to adopt a schedule for the receipt of slot
13 machine operator license applications for which the
14 period closed in December 2005.

15 That pursuant to 4 Pa.C.S., Section
16 1202(a), the Board has jurisdiction over every aspect
17 of the authorization and operation of slot machines.

18 Therefore, North Shore Gaming, LP and its
19 affiliates and key employee qualifiers by this order
20 are precluded from making further slot machine
21 operator license application submissions to this
22 Board relative to the application period that closed
23 in December 2005.

24 It is hereby ordered that no further action
25 be taken with regard to this submission, this the 2nd

1 day of February 2006. That is the proposed language.

2 COMMISSIONER MARSHALL: Move the order.

3 CHAIRMAN DECKER: Do I have a second?

4 COMMISSIONER DIGIACOMO COLINS: Second.

5 CHAIRMAN DECKER: Susan, they withdrew
6 their application; am I correct?

7 MS. HENSEL: They requested to withdraw
8 their application but we're not considering it an
9 application. So a withdraw is inapplicable.

10 CHAIRMAN DECKER: They withdrew their
11 submission.

12 COMMISSIONER RIVERS: Susan, this is
13 Sanford again.

14 MS. HENSEL: Yes.

15 COMMISSIONER RIVERS: Anywhere is there a
16 definition that talks about an application versus a
17 completed application?

18 MS. HENSEL: Yes. The Statute provides for
19 what constitutes a complete application, and the
20 definition includes that the application must be
21 provided in the manner set forth by the Board.

22 It also states that the application must be
23 accompanied by a letter of credit or bond. That is
24 required to demonstrate that should a license be
25 awarded, this is a viable candidate to pay the \$50

1 million.

2 COMMISSIONER RIVERS: So it states that all
3 applications must be?

4 MS. HENSEL: Yes. There is a section in
5 the Statute that talks about complete --it's Section
6 1308.

7 COMMISSIONER RIVERS: Okay.

8 CHAIRMAN DECKER: Thank you.

9 Do we have a second? I can't remember.

10 COMMISSIONER DiGIACOMO COLINS: Yes, we do.

11 CHAIRMAN DECKER: I'm sorry. Okay. And
12 any other questions for Susan or Anne on this
13 submission?

14 MS. LaCOUR NEEB: I just have one
15 housekeeping matter. We have prepared orders for the
16 signature of the Chairman. I would ask that the
17 Board entertain a motion authorizing the Chairman to
18 sign the order on behalf of the Board.

19 CHAIRMAN DECKER: Okay. We have to approve
20 this order first.

21 MS. LaCOUR NEEB: Okay.

22 CHAIRMAN DECKER: If there are no other
23 questions, all of those in favor of the request by
24 Susan, please indicate by saying aye.

25 COMMISSIONERS: Aye.

1 CHAIRMAN DECKER: Any opposed?

2 The motion carries.

3 Anne, did you want to cover something else,
4 too, on this? Can we make a motion on --

5 MS. LaCOUR NEEB: A motion on authorizing
6 the Chairman to sign the order on behalf of the
7 Board. We have a prepared order.

8 COMMISSIONER CONABOY: Second.

9 COMMISSIONER DIGIACOMO COLINS: And that it
10 have retroactive effect.

11 MS. LaCOUR NEEB: Okay.

12 COMMISSIONER DIGIACOMO COLINS: Second.

13 MS. LaCOUR NEEB: We'll tender those orders
14 right now.

15 CHAIRMAN DECKER: Thank you.

16 All those in favor?

17 COMMISSIONERS: Aye.

18 CHAIRMAN DECKER: Any opposed?

19 Thank you.

20 TREASURER CASEY: Mr. Chairman?

21 CHAIRMAN DECKER: Yes, please.

22 TREASURER CASEY: Bob Casey.

23 CHAIRMAN DECKER: Treasurer.

24 TREASURER CASEY: Just one comment, which I
25 think is appropriate to this point. I think the

1 actions taken today on all of these motions in my
2 opinion is a very important moment in the life of
3 this Board, because I think it sends a very clear
4 signal that the Board and the staff is not only going
5 to talk about enforcing the law but it is taking
6 decisive steps to do that.

7 So I think it's a very important moment,
8 and I think it's important for people to know that
9 this law is going to be enforced.

10 I think it's -- I want to commend the
11 Board's action. I want to commend the work of the
12 staff, Anne and Susan and everyone for a lot of hard
13 work. I know they try to do it, not just according
14 to the law, but with the due respect for due process.

15 I think it's very important, and I think it
16 sends a very clear and unambiguous signal to people
17 out there that this is serious business and the law
18 is going to be enforced.

19 CHAIRMAN DECKER: Thank you very much,
20 Treasurer. We appreciate those remarks.

21 MS. HENSEL: Thank you.

22 MS. LaCOUR NEEB: Thank you.

23 CHAIRMAN DECKER: I think we're moving on
24 to the part of the licensing presentation; am I
25 right?

1 MS. HENSEL: Yes. I have more.

2 CHAIRMAN DECKER: I want to -- I would like
3 to summarize a little bit of what we have been doing.
4 I'm going to echo what Treasurer Casey said.

5 I think we took the proper actions today.
6 We'll see whether we get a letter request for
7 reconsideration.

8 We have received 25 applications so far.
9 Am I right on that number, Susan?

10 MS. HENSEL: Correct.

11 CHAIRMAN DECKER: So now we're down to
12 22 -- 22 have complied with the requirements. So we
13 have 22 applications for the various categories.

14 Given the competitive nature of this
15 process, for us to have taken the other actions --
16 taken any action other than the ones we took today,
17 would have been inconsistent with our obligations
18 under our Statute, under our Regs, and would have
19 created an unfair and unequitable result for those
20 that did comply with the Statute.

21 Before we move on, because of our
22 quasi-judicial roles, the Board is not going to be
23 commenting on the actions today.

24 If you have any questions, you can direct
25 those to Nick Hays, our communications director.

1 With that said, Susan and Anne, could you
2 start with the rest.

3 MS. HENSEL: Okay. I'm actually going to
4 ask Richard Williamson to join me. We're going to
5 talk about manufacturer applications. Richard is, of
6 course, the head of our Gaming Laboratory.

7 CHAIRMAN DECKER: Okay.

8 MS. HENSEL: As you recall at the last
9 meeting, I suggested that the Board may want to
10 reconsider opening the window for acceptance of
11 manufacturer applications.

12 The Board requested input at that time from
13 potential manufacturers and slot facility applicants
14 and tabled any action on that recommendation until
15 this meeting.

16 The Bureau of Licensing has since received
17 several letters from potential operators expressing
18 their interest in manufacturer products that are not
19 available through the existing manufacturer
20 applicants.

21 We have not received any letters in
22 opposition to the request for input on reopening the
23 application period. All of the letters we have
24 received have been provided to you.

25 I have asked Richard Williamson to discuss

1 the type of equipment the potential operators are
2 interested in acquiring and also perhaps some further
3 information on the letters.

4 MR. WILLIAMSON: Good morning, Chairman
5 Decker and Commissioners all. As Director Hensel has
6 indicated, the staff is proposing that the Board
7 approve reopening a period in which companies can
8 apply for a manufacturer license.

9 The letters in the material before you are
10 from casino license applicants here in the
11 Commonwealth.

12 All of the letters are in favor of
13 reopening the application period and all address one
14 company in particular, Progressive Gaming
15 International, doing business as Mikohn Gaming
16 Corporation.

17 I have reviewed these letters and I concur
18 that gaming products offered by this company are
19 necessary for casino operators in the Commonwealth to
20 be competitive with the surrounding jurisdictions.

21 In particular, Mikohn Gaming Corporation
22 offers a nonproprietary jackpot, progressive bonus
23 technology, commonly referred to as a progressive
24 controller for all slot machines.

25 This product will enable Pennsylvania

1 casino operators to market slot machines in a manner
2 in which players have come to expect in every first
3 class gaming jurisdiction.

4 Further, in preparing for this meeting
5 today, I discovered that the list of manufacturers
6 who have submitted for licensure thus far does not
7 include companies which produce equipment, which I
8 view as critical to the proper and efficient
9 operation of casinos.

10 In particular, I noted the absence of
11 currency counting equipment manufacturers. This
12 equipment is essential to the accurate counting and
13 recording of cash retrieved from the slot machines.

14 Reopening the period for manufacturer
15 submissions would allow the prospective operators to
16 review their proposed gaming related equipment
17 requirements and determine the availability of the
18 products they expect to purchase, and would ensure
19 that we do not proceed along a path which renders our
20 operators unable to obtain critical equipment.

21 CHAIRMAN DECKER: Anything else on that
22 point?

23 MS. HENSEL: Based on the letters received
24 from the potential operators and the lack of
25 opposition that was in those letters and based on

1 Richard's insight, I would like to recommend to the
2 Board that you consider a motion to reopen the
3 application period for manufacturer applicants
4 requiring them to submit their applications by
5 February 28th, 2006.

6 COMMISSIONER COY: So moved.

7 CHAIRMAN DECKER: Is there a second?

8 COMMISSIONER McCABE: Second.

9 CHAIRMAN DECKER: Please.

10 COMMISSIONER MARSHALL: Jeff, were you the
11 movant?

12 COMMISSIONER COY: Yes.

13 COMMISSIONER MARSHALL: I wonder if you
14 would entertain an amendment to your motion that says
15 in light of the fact that we offer the opportunity
16 for those applicants who filed within the deadline to
17 comment and oppose this, and further in light of the
18 fact though no one chose to oppose that on that
19 basis, you would make the motion.

20 COMMISSIONER COY: Fine.

21 CHAIRMAN DECKER: That's -- we have a new
22 preamble, which I think is right.

23 COMMISSIONER MARSHALL: And I think the
24 point is --

25 CHAIRMAN DECKER: It's important.

1 COMMISSIONER MARSHALL: I don't -- as you
2 know, I was the one who objected to it the last time.
3 I don't think we want to willy nilly set a precedent
4 that our deadlines don't mean anything.

5 I think in light of the need that Richard
6 and Susan have said, and the fact that we offered the
7 people the chance to object and nobody chose to, I
8 think that would be the basis.

9 I think extending licensing deadlines
10 should be done carefully in a very narrowly,
11 prescribed period.

12 CHAIRMAN DECKER: I agree with Chip on that
13 point. We discussed that -- I discussed that with a
14 lot of the directors. There was some concern about
15 this.

16 Do we know that they're going to apply this
17 time around? Are we fairly certain that they will
18 apply this time around?

19 MR. WILLIAMSON: I'm fairly -- yes. As far
20 as the other companies --

21 CHAIRMAN DECKER: We are going to have to
22 move on because of the 90-day requirement that
23 manufacturers -- so we're going to have close the
24 period and then move on with the conditionals and
25 others. So this is the last window for this.

1 MS. HENSEL: That is the reason we were
2 requiring a very short time frame ending at the end
3 of this month, because we do have that requirement in
4 the Statute that those 90 days pass.

5 That's really the only reason it's being
6 recommended to the Board that we even impose
7 deadlines is because of that 90-day rule in the
8 Statute.

9 CHAIRMAN DECKER: Right. After that is
10 done, we can open it up.

11 COMMISSIONER DiGIACOMO COLINS: Also, I
12 would just like to state that I think Richard
13 Williamson sets forth the compelling reasons to take
14 this unusual step, and that is to allow for
15 Pennsylvania to have a competitive position in the
16 gaming market once we're up and running. So I think
17 that's a very good point that you made. Thank you.

18 CHAIRMAN DECKER: Mary, thank you.

19 Please.

20 SECRETARY FAJT: Thank you, Mr. Chairman.

21 Just to be clear that this opening of the
22 period applies to any and all other manufacturers who
23 choose to opt in at this time. It's not just the
24 entity that you mentioned, Richard, correct?

25 MR. WILLIAMSON: That is correct.

1 MS. HENSEL: This is the second chance.

2 MR. WILLIAMSON: And a first chance for
3 other manufacturers that didn't know they needed to
4 apply for a license.

5 MS. HENSEL: Right.

6 CHAIRMAN DECKER: And have licenses in
7 other jurisdictions for manufacturers?

8 MR. WILLIAMSON: I don't know that's a
9 common element for a counting equipment company.

10 CHAIRMAN DECKER: Any other questions?

11 COMMISSIONER DiGIACOMO COLINS: Do we need
12 a second as to the motion as amended? If so, I offer
13 it.

14 COMMISSIONER McCABE: I seconded it.

15 CHAIRMAN DECKER: So we have a second. All
16 right. Thank you for that.

17 Any other questions?

18 Hearing none, all those in favor -- did you
19 want to say something, Susan?

20 MS. HENSEL: Go ahead.

21 CHAIRMAN DECKER: All of those in favor,
22 please indicate by saying aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN DECKER: Any opposed?

25 Motion carries.

1 Susan?

2 MS. HENSEL: Now, I would like to say
3 something. I just wanted to point out to any of the
4 potential applicants that the application has changed
5 significantly from the original posting last summer.
6 We will be posting the new application on the website
7 for access by those who would like to fill it out.

8 CHAIRMAN DECKER: When will that take place
9 since we have a deadline?

10 MS. HENSEL: By tomorrow. We will have it
11 out there by Friday.

12 CHAIRMAN DECKER: Thank you, Susan.

13 Thank you, Richard, very much.

14 Today, under the heading of regulation, we
15 are going to entertain four motions. Then we're
16 going to resume a discussion that began at the last
17 meeting on a proposal to amend the definition of
18 stock in our regulations. We will not vote on that
19 issue today, but we will discuss the issue.

20 The first motion we will consider would
21 adopt the public comments and the proposed responses
22 to the draft temporary regulations governing internal
23 controls for casino operators.

24 Second, we will consider a motion adopting
25 those regulations. Third, we will consider several

1 editorial changes to existing regulations.

2 Finally, we will consider a set of proposed
3 technical standards pursuant to the internal control
4 regulations. Then we will have the discussion on
5 stock.

6 As usual, I have asked Commissioner Colins
7 to lead us through this discussion, and Maureen
8 Williamson, one of our Deputy Chief Counsels, will be
9 helping here today.

10 Maureen, welcome.

11 MS. WILLIAMSON: Good morning.

12 COMMISSIONER DIGIACOMO COLINS: I'm just
13 going to turn it over to the people who did all of
14 the work on it.

15 MS. WILLIAMSON: Okay. Thank you.

16 Good morning, Chairman Decker, members of
17 the Board. As you correctly stated, before you for
18 consideration this morning is adoption of the Board's
19 response to the public comments received with regard
20 to our regulations on accounting and internal
21 controls as set forth so far, and our technical
22 standards on digital and video recording format.

23 The month long comment period expired on
24 January 6th for these regulations. During that
25 period, comments were received from a variety of

1 sources within State Government, from the
2 Pennsylvania Institute of Certified Public
3 Accountants and a variety of potentially regulated
4 operators.

5 Many of the suggestions were very helpful
6 and were incorporated into the regulations. A number
7 were stylistic or were suggestions that would have
8 been contrary to our overall regulatory scheme, and
9 on that basis were declined, and still others sought
10 relief as to proposed regulatory requirements dealing
11 without output from slot monitoring systems and
12 override capabilities on surveillance systems, which
13 are premature at this time.

14 So the recommendation there as to a
15 response is to represent that, in fact, when we're
16 doing the actual reviews of the slot monitoring
17 systems and the surveillance systems, that if the
18 regulatory requirements prove technologically
19 problematic or overly burdensome that we will revisit
20 those procedures and requirements at that time.

21 Due to the shear volume of the comments,
22 I'm only going to touch on a few things that were
23 most significant.

24 Some of them in particular that were
25 suggestions that we did incorporate were those

1 involving Sections 465.3 and 465.6 involving the type
2 of reports that the Board -- that will be provided to
3 the Board from the slot operators' Certified Public
4 Accountants.

5 In these cases, the regulatory proposal was
6 revised to use more technically appropriate language
7 and to more clearly and succinctly state the Board's
8 expectations in this area.

9 I would like to thank in particular Allison
10 Henry of the Pennsylvania Institute of Certified
11 Public Accountants. She was really most helpful in
12 working with me on this particular section. I do
13 thank her very much for the input.

14 With regard to job compendiums, we did some
15 streamlining. We eliminated some filing requirements
16 with regard to non-gaming registrants, such as food
17 and beverage employees who will be on the floor but
18 are not involved in gaming. We elongated some filing
19 requirements, provided mandatory departments were not
20 involved.

21 Another significant incorporation that we
22 did do at the behest of the Pennsylvania State Police
23 was to revise the record retention requirement for
24 surveillance recordings to 30 days; but I would say
25 that in doing this when we're reviewing the actual

1 systems, we'll be looking at the methodologies
2 available for that retention in order to preserve
3 system storage capacity for the operators.

4 With regard to amendments which were
5 declined, they specifically related to record
6 retention. We are very, very committed to a broad,
7 five-year record retention requirement, which is
8 standard practice in the industry.

9 Any limitations on that would be
10 problematic at this point. What we have incorporated
11 into the regulation is an opportunity for the Board
12 to examine a particular request for relief from those
13 provisions.

14 This would allow us to, in a very quick and
15 timely manner, look for document destruction outside
16 that five-year period and determine if there are any
17 evidentiary, investigative, or audit needs for that
18 document.

19 A number of comments were concerned about
20 the level of involvement with -- of the Board's
21 Bureau of Investigation and Enforcement in the
22 initial review of a surveillance system or in
23 subsequent changes in camera locations, camera
24 specifications, lighting, and things that go to the
25 quality of the system; and in view of the importance

1 of the surveillance function to the overall integrity
2 of the property, these comments were declined.

3 That said, we intend BIE's involvement in
4 ensuring the functionality of these systems to be
5 very efficient, to allow for expedited changes or
6 modifications in the systems, and to really be
7 minimally intrusive for our operators.

8 Finally, there were a number of suggestions
9 that involved a suggestion that we limit video
10 recording format to digital only. We declined to do
11 this. The choice between analogue and digital will
12 be left to the operator.

13 So that gives you kind of an overview of
14 the type of things we were dealing with. I would ask
15 that the Board make a motion to accept the responses
16 as proposed, and that the Board further make a motion
17 to adopt the accounting and internal control, Section
18 465.1 through 11 as revised.

19 COMMISSIONER MARSHALL: So moved.

20 CHAIRMAN DECKER: Second?

21 COMMISSIONER CONABOY: Second.

22 CHAIRMAN DECKER: Thank you.

23 Any questions or comments?

24 COMMISSIONER DiGIACOMO COLINS: Could I
25 just ask that we clarify that the first motion as one

1 to adopt the responses to the public comments and to
2 publish those responses on the website?

3 CHAIRMAN DECKER: Okay. Is that an
4 amendment?

5 COMMISSIONER DiGIACOMO COLINS: That would
6 be an amendment.

7 CHAIRMAN DECKER: Can somebody -- Chip,
8 will you accept that?

9 COMMISSIONER MARSHALL: Oh, sure.

10 CHAIRMAN DECKER: We have a second for
11 that?

12 COMMISSIONER CONABOY: Second.

13 CHAIRMAN DECKER: Thank you, Mary.

14 All right. Any other questions?

15 All of those in favor, please indicate by
16 saying aye.

17 COMMISSIONERS: Aye.

18 CHAIRMAN DECKER: Any opposed?

19 The motion carries.

20 Thank you very much, Maureen.

21 COMMISSIONER DiGIACOMO COLINS: And the --

22 CHAIRMAN DECKER: The next one?

23 COMMISSIONER DiGIACOMO COLINS: Then could
24 I offer the second motion, which would be to adopt --
25 for the Board to adopt the temporary regulations

1 relating to internal controls and adopt it in the
2 form of a resolution since we have adopted --

3 COMMISSIONER MARSHALL: Second.

4 CHAIRMAN DECKER: Any questions?

5 All of those in favor, please indicate by
6 saying aye.

7 COMMISSIONERS: Aye.

8 CHAIRMAN DECKER: Any opposed?

9 Motion carries.

10 All right. Michelle?

11 MS. AFRAGOLA: I just have a few amendments
12 to the regulations today. These were based on
13 suggestions from our legal staff. They are to
14 Sections 401.4, 421.2, 437.9, and 441.6.

15 In 401.4 entitled Definitions, we amended
16 the definition of clerk to assign this position
17 specifically to the Office of Hearings and Appeals.
18 So the clerk will be assigned to that office.

19 In Section 421.2 entitled Licenses,
20 Registrations, Certifications, and Permits, we've
21 added management companies to the list of licenses
22 that the Board may issue.

23 In Section 437.9 entitled Exemption from
24 Vendor Registration or Certification Requirements, we
25 have added architects and engineers to the list of

1 professionally licensed persons who are exempted from
2 the vendor requirement.

3 Because these occupations are subject to
4 professional licensure, we feel that they provide
5 similarly comprehensive licensing so they don't have
6 to be certified as vendors.

7 In 441.6 entitled -- this pertains to the
8 slot machine license applicant character
9 requirements, we amended the language of the notice
10 of civil judgments to clarify the scope of antitrust
11 and security violations that the applicant must
12 submit to the Board.

13 Finally, in 441.18 entitled Change in
14 Ownership or Control of Slot Machine Licensee and
15 Multiple Slot Machine License Prohibition, we have
16 changed the word their to the word its. That's all.

17 COMMISSIONER MARSHALL: So moved.

18 COMMISSIONER CONABOY: Second.

19 CHAIRMAN DECKER: Okay. Any questions for
20 Michelle?

21 All of those in favor, please say aye.

22 COMMISSIONERS: Aye.

23 CHAIRMAN DECKER: Any opposed?

24 Motion carries.

25 Thank you.

1 Mary?

2 COMMISSIONER DIGIACOMO COLINS: Back to
3 Maureen.

4 CHAIRMAN DECKER: Back to Maureen. I just
5 wanted to make sure.

6 MS. WILLIAMSON: We have one more quick
7 one. As I stated earlier, our regulations allow use
8 of either an analogue or a digital recording format.

9 465.11 of our regulations provides that any
10 digital video recording system utilized by a slot
11 machine licensee must be in compliance with any
12 technical standards promulgated by the Board by rule
13 or order.

14 Before you this morning for consideration
15 is our first technical standard. This has to do with
16 digital video recording formats.

17 All of its provisions were actually
18 included in the first proposal on accounting and
19 internal controls and was subject to the full public
20 comment period.

21 But due to the highly technical nature of
22 this particular subject matter, this is dealing with
23 frames per second, it's dealing with pixel
24 specifications on the visual resolution.

25 We thought it more appropriate to break

1 this material out as a technical standard pursuant to
2 which the Board can give guidance to those entities
3 that are contemplating use of a digital system as to
4 what standards the Board would like to see with those
5 systems.

6 So I would ask you to make a motion to
7 adopt our first technical standard.

8 CHAIRMAN DECKER: Thank you.

9 Do we have a motion?

10 COMMISSIONER MARSHALL: So moved.

11 CHAIRMAN DECKER: Second?

12 COMMISSIONER CONABOY: Second.

13 CHAIRMAN DECKER: Thank you.

14 Any comments or questions?

15 Michael, do you understand these terms?

16 MR. WALSH: I do.

17 CHAIRMAN DECKER: Thank you. Okay. Then
18 we'll be okay.

19 All of those in favor, please indicate by
20 saying aye.

21 COMMISSIONERS: Aye.

22 CHAIRMAN DECKER: Motion passes. Thank you
23 very much.

24 MS. WILLIAMSON: Thank you.

25 CHAIRMAN DECKER: We have one more item on

1 the reg side. I want to ask Mary to start that
2 discussion. It's on this definition of stock that we
3 talked about a bit.

4 COMMISSIONER DIGIACOMO COLINS: All right.
5 Thank you very much.

6 Last week or at the last meeting, we
7 touched upon a proposed amendment to the regs by
8 offering a definition of stock. I'm going to read
9 the definition. Then I'm going to refer to the
10 Statute.

11 Just open it up for a little conversation
12 and then ask that we, again, request public comment.
13 We've received no public comment as yet.

14 I would like to ask for ten more days so
15 that we can get input on this issue because I think
16 it's a very significant one. Hopefully, you'll see
17 why when I get through it.

18 The definition we're going to propose for a
19 vote in the future is that stock is any equity
20 security that is listed or authorized for listing on
21 the New York Stock Exchange or the American Stock
22 Exchange or listed on the National Market System of
23 the NASDAQ stock market, or any equity security that
24 is exempt from state regulation pursuant to Section
25 18(b)(1)(b) of the Securities Act of 1993 as amended.

1 The reason for my proposing the definition
2 is supported by the language in the Statute, which I
3 think leaves a very significant loophole that the
4 Board should look at and address with respect to what
5 a financial interest is and how much ownership a
6 public official may have in a gaming entity.

7 1512 is entitled Public Official Financial
8 Interest. I'm going to read the relevant sections of
9 this.

10 A, general rule; except as may be provided
11 by rule or order of the Pennsylvania Supreme Court,
12 no executive level state employee, public official,
13 party officer, or immediate family member thereof
14 shall have, at or following the effective date of
15 this part, a financial interest in or be employed
16 directly or indirectly by any licensed racing entity
17 or licensed gaming entity or any holding affiliate
18 intermediary or subsidiary company thereof or any
19 such applicant nor solicitor accept directly or
20 indirectly any complimentary service or discount from
21 any licensed racing entity or licensed gaming entity,
22 which he or she knows or has reason to know is other
23 than a service or discount that is offered to members
24 of the general public.

25 The relevant portion of this provision that

1 deals with the definition of stock is the financial
2 interest portion that I just read covering a public
3 official.

4 Now, further on in Section 1512(b) is the
5 definition of a financial interest. Owning or
6 holding securities exceeding 1 percent of the equity
7 or fair market value of the licensed racing entity or
8 licensed gaming entity, its holding company,
9 affiliate, intermediary, or subsidiary business.

10 A financial interest shall not include any
11 such stock that is held in a blind trust over which
12 the executive level state employee, public official,
13 party officer, or immediate family member thereof may
14 not exercise any managerial control or receive income
15 during the tenure of office and the period under
16 Subsection A.

17 It's my concern that without a definition
18 of stock as we are offering, that we have a situation
19 here where financial interest could -- what could be
20 excluded from the definition of financial interest
21 would be a large sum or a large quantity stock held
22 in a non-public company.

23 That could be placed in a blind trust,
24 which would just sit there for safekeeping
25 indefinitely while the public official continued in

1 his or her office, and that stock, because it is in a
2 privately held company, would not be as marketable or
3 an asset that could be easily alienated by the
4 trustee of the blind trust.

5 It's called a blind trust; but in fact, it
6 really doesn't do much other than hold this gaming
7 stock, if it exists, in safekeeping for the public
8 official.

9 So that seems to me something we have to
10 look at in terms of the intent of the act which is to
11 limit ownership to 1 percent. That's why I offer
12 this for discussion and for public comment. I would
13 like some input on it.

14 CHAIRMAN DECKER: Any comments from anyone
15 on the Board on this?

16 Mary, you're basically saying a public
17 official through a blind trust could own 100 percent
18 of one of our casino --

19 COMMISSIONER DIGIACOMO COLINS: Absolutely,
20 as long as it's a privately held company, not a
21 public company.

22 You know, another distinction too is this
23 blind trust, it's different from the situation where
24 the public official before becoming the public
25 official was on the board or held stock in Exxon or

1 some other company, and then went into public office
2 and that stock was placed in a blind trust. It's
3 different.

4 This is stock that would be in a company
5 form for the purpose of getting involved in this new
6 entity -- new business, gaming, this new licensed
7 business. Its a different scenario. That's why I
8 want to offer it for consideration.

9 CHAIRMAN DECKER: I can't imagine that's
10 what the framers of this, drafters of this, intended.

11 COMMISSIONER DiGIACOMO COLINS: No, nor I.
12 That's why I think we should address it.

13 CHAIRMAN DECKER: One thing we should
14 check, do we have the authority to do this or is this
15 something that has to be done by statutory amendment?

16 COMMISSIONER DiGIACOMO COLINS: I don't
17 know.

18 CHAIRMAN DECKER: Any questions or comments
19 from anybody from the Board?

20 COMMISSIONER MARSHALL: I suppose one
21 question that might interest us, when the classic
22 definition of a blind trust, what can be held in
23 that?

24 CHAIRMAN DECKER: I think anything.

25 COMMISSIONER DiGIACOMO COLINS: Anything.

1 CHAIRMAN DECKER: I think corporate-wise
2 anything can -- normally, anything could be it.
3 People put real estate interests in blind trusts for
4 various activities. You could put a stamp collection
5 in, from somebody that I checked with this. You can
6 put anything in it.

7 COMMISSIONER DiGIACOMO COLINS: And --

8 CHAIRMAN DECKER: Normally, I don't think
9 blind trusts have to be marketable, you know,
10 marketable in the sense that you can flip it in a day
11 through an exchange.

12 Okay. Are there any other comments or
13 questions?

14 Thank you, Mary, for bringing this to our
15 attention. I'm sure that --

16 COMMISSIONER MARSHALL: I move that we
17 extend the comment period another ten days.

18 CHAIRMAN DECKER: Yes, please. We would
19 like to see some comments on this. Also, if you're
20 going to comment, maybe you could comment on whether
21 you think we have the authority to do something on
22 it. Thank you very much.

23 Jeff, can I have a motion to adjourn? I'm
24 just teasing.

25 COMMISSIONER MARSHALL: We need to vote on

1 the extension.

2 CHAIRMAN DECKER: Yes, I know. I'll vote
3 on the extension. I'm sorry. I apologize.

4 COMMISSIONER MARSHALL: We need a second
5 and a vote.

6 CHAIRMAN DECKER: I need a second on Chip's
7 motion to extend the comment period on stock for
8 another ten days.

9 COMMISSIONER MARSHALL: Second.

10 CHAIRMAN DECKER: All of those in favor?

11 COMMISSIONERS: Aye.

12 CHAIRMAN DECKER: Any opposed?

13 Thank you.

14 We have one more item, administrative.
15 Mike Walsh, could you please come up. Thank you.

16 MR. WALSH: Thank you, Mr. Chairman. Has
17 it been a minute? I haven't kept track.

18 There are six -- I'm sorry -- seven
19 proposed hires for the Board to consider today.
20 Before we do that, I just want to provide one piece
21 of information for the members.

22 As you know, the 50-plus investigators are
23 out at training the past two weeks for the Bureau of
24 Investigation and Enforcement.

25 Monday, February 6th, they deploy to Philly

1 and Pittsburgh. We've been working to get temporary
2 offices up and running, which will be in place Monday
3 morning.

4 I wanted to thank our IT staff and our
5 office staff who have been working hard to get that
6 done. The bids -- the best and final proposals for
7 the permanent Philadelphia and Pittsburgh locations
8 came in yesterday. So we will be reviewing them and
9 be in touch with you and BIE to go over those
10 proposals.

11 CHAIRMAN DECKER: We're still in the
12 process of reviewing the best in finals in
13 Harrisburg; is that correct?

14 MR. WALSH: That's correct.

15 CHAIRMAN DECKER: Okay. Let me make a note
16 also that the BIE training included not only our
17 investigators but a number of investigators from the
18 State Police. We're hearing very good positive
19 responses about the session. Thank you.

20 MR. WALSH: Each of the directors here went
21 out and made presentations as well.

22 Okay. For the seven hires for today upon
23 the recommendation of Bureau directors and executive
24 director, we will put forth seven candidates.

25 The first is in the Bureau of Corporate

1 Compliance and Internal Controls, James Talerico as a
2 manager.

3 The next four are in the Bureau of
4 Licensing to assist with Susan Hensel's work. Three
5 licensing analysts, they are Mark Miller, Deanna
6 Williams, and Brenda Reece; and an administrative
7 assistant, Nikki Shearer.

8 The other candidate is working in the
9 office of the Executive Director as a special
10 assistant to the Executive Director and Acting
11 Secretary to the Board. That's Paul Resch.

12 CHAIRMAN DECKER: That's the seven?

13 MR. WALSH: Six.

14 CHAIRMAN DECKER: Let me announce the
15 seventh. We are proposing that Frank Donaghue, who
16 is currently the Chief Deputy Attorney General and
17 Director of the Bureau of Consumer Protection for the
18 Pennsylvania Office of Attorney General, be appointed
19 elected as our Chief Counsel.

20 I have his resume here. Frank is a
21 terrific guy. We have been interviewing him over the
22 course of the last month or so or longer. We are
23 very pleased to have Frank joining us.

24 Frank has worked in the Attorney General's
25 Office since 1996. He has risen to one of the most

1 important positions in the Attorney General's Office.
2 He has gotten rave reviews from everyone in a very,
3 very tough assignment.

4 He was a Supreme Court clerk for Justice
5 Castelle, prior to joining the Attorney General's
6 Office. We've heard nothing but positive references
7 about Frank and particularly in a very tough job that
8 he is in right now.

9 Can I have a motion?

10 COMMISSIONER MARSHALL: I would move the
11 hiring of all seven.

12 CHAIRMAN DECKER: Second?

13 COMMISSIONER McCABE: Second.

14 CHAIRMAN DECKER: Are there any questions
15 about any of the candidates?

16 Hearing none --

17 COMMISSIONER MARSHALL: All subject to
18 background.

19 CHAIRMAN DECKER: Thank you. All subject
20 to our background investigations.

21 Hearing that, all of those in favor, please
22 indicate by saying aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN DECKER: Any opposed?

25 Motion carries.

1 Thank you.

2 Michael, anything else?

3 MR. WALSH: That's it.

4 CHAIRMAN DECKER: Is there any other new
5 business to come before the Committee? We will be
6 having an Executive Session where we're going to look
7 at some additional personnel matters after the
8 meeting.

9 Sorry. Greg?

10 SECRETARY FAJT: One point, Mr. Chairman,
11 because I'm shameless in my support of our Pittsburgh
12 Steelers, I would like to --

13 CHAIRMAN DECKER: We didn't do this last
14 year?

15 SECRETARY FAJT: No, I know we didn't.
16 This is unprecedented. We're going to win, too. No
17 offense.

18 CHAIRMAN DECKER: Good. I hope so.

19 SECRETARY FAJT: I would like to enter the
20 support and the best wishes of the Gaming Board for
21 the Pittsburgh Steelers.

22 Mr. Rivers, are in you in agreement with
23 that?

24 COMMISSIONER RIVERS: Totally in agreement
25 with that.

1 COMMISSIONER McCABE: I third it.

2 CHAIRMAN DECKER: Did you ever ref any
3 Pittsburgh Steelers games, Sandy? Okay. We won't
4 answer that.

5 Thank you very much for attending. The
6 motion passes. We are adjourned.

7 (The hearing concluded at 11:46 a.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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