

PENNSYLVANIA GAMING CONTROL BOARD

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

MAY 4, 2006, 10:10 A.M.

BEFORE:

THOMAS DECKER, CHAIRMAN
RAYMOND ANGELI
MARY DiGIACOMO COLINS, (via telephone)
JEFFREY W. COY
JOSEPH W. MARSHALL, III, (via telephone)
KENNETH W. MCCABE
SANFORD RIVERS
ROBERT P. CASEY, JR., STATE TREASURER
GREGORY C. FAJT, SECRETARY OF REVENUE
DENNIS WOLFF, SECRETARY OF AGRICULTURE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning. I'm Tad
2 Decker, Chairman of the Pennsylvania Gaming Control
3 Board. I would like to welcome you all to the
4 meeting.

5 A quorum of the voting members are present,
6 but let me make sure of that because I want to make
7 sure Mary Colins and Chip Marshall are joining us on
8 the phone.

9 Mary and Chip?

10 COMMISSIONER DiGIACOMO COLINS: Yes, I'm
11 here, Tad. Thank you.

12 COMMISSIONER MARSHALL: I'm here, Tad.

13 CHAIRMAN DECKER: Great. Thank you for
14 joining us by phone. I know you have some other
15 things on the schedule today so thank you very much.

16 As always, let me ask everyone to turn off
17 their cell phones and blackberries, etc. We'll start
18 as usual with the Pledge of Allegiance. Please join
19 us.

20 (Pledge of Allegiance.)

21 CHAIRMAN DECKER: Thank you very much. Our
22 next order of business is the swearing in of Raymond
23 S. Angeli.

24 All of you know that this is the first
25 public meeting that we have had since Bill Conaboy

1 resigned from the Board at the end of March.

2 Today, Ray will be sworn in to fill the
3 vacancy created when Commissioner Conaboy resigned;
4 but before we turn to the swearing in, I want to take
5 a moment to thank Former Commissioner Conaboy on
6 behalf of the Board and the citizens of this
7 Commonwealth for his service to the Board and the
8 people of the Commonwealth.

9 Bill served with honesty and integrity and
10 worked diligently to help bring gaming to
11 Pennsylvania. We will all miss him.

12 Now, let's turn to the swearing in. In the
13 audience today is Kenneth Rapp, who is the Deputy
14 Secretary for regulatory programs for the
15 Pennsylvania Department of State. Along with us is
16 Commissioner Designate Angeli.

17 Ray, if you come forward with me and the
18 Deputy Secretary for the oath of office. Thank you.

19 DEPUTY SECRETARY RAPP: Please raise your
20 right hand and repeat after me. I, Raymond S.
21 Angeli --

22 COMMISSIONER DESIGNATE ANGELI: I, Raymond
23 S. Angeli --

24 DEPUTY SECRETARY RAPP: -- do solemnly
25 swear --

1 COMMISSIONER DESIGNATE ANGELI: -- and do
2 solemnly swear --

3 DEPUTY SECRETARY RAPP: -- that I will
4 support, obey, and defend --

5 COMMISSIONER DESIGNATE ANGELI: -- that I
6 will support, obey, and defend --

7 DEPUTY SECRETARY RAPP: -- the Constitution
8 of the United States --

9 COMMISSIONER DESIGNATE ANGELI: -- the
10 Constitution of the United States --

11 DEPUTY SECRETARY RAPP: -- and the
12 Constitution of the Commonwealth of Pennsylvania --

13 COMMISSIONER DESIGNATE ANGELI: -- and the
14 Constitution of the Commonwealth of Pennsylvania --

15 DEPUTY SECRETARY RAPP: -- and that I will
16 discharge the duties of my office with fidelity.

17 COMMISSIONER DESIGNATE ANGELI: -- and that
18 I will discharge the duties of my office with
19 fidelity.

20 DEPUTY SECRETARY RAPP: Congratulations.

21 (Applause.)

22 CHAIRMAN DECKER: Ray, I want to welcome
23 you officially now and unofficially. We've met with
24 Ray a few times.

25 We're delighted to have you as a member of

1 this Board. We know you bring a lot to the table in
2 light of your vast experience. Let me go over some
3 of it.

4 Many of you should be familiar with the
5 Commissioner, because he's been around Harrisburg for
6 a long time.

7 During the Casey Administration, he served
8 as Secretary of Community Affairs and drew great
9 reviews for that.

10 Before that, he was Deputy Secretary for
11 Programs and he was a director of the Department's
12 Northeast Regional Office.

13 Currently, he serves as president of
14 Lackawanna College in Scranton. Before he came into
15 Government service, Ray was a career officer in the
16 US Army, retiring with a rank of Lieutenant Colonel.

17 He served two combat tours in Southeast
18 Asia. He earned the Meritorious Service Medal,
19 Purple Heart, Bronze Star, Air Medal and the
21 degrees from the University of Nebraska, University
22 of Scranton, and Penn State.

23 Once again, Ray, welcome to the Board.
24 We're delighted to have you as a member. We know
25 you're going to add greatly to what we're trying to

1 accomplish today.

2 COMMISSIONER ANGELI: Thank you very much,
3 Mr. Chairman. I'm looking forward to my time here.
4 Thank you.

5 CHAIRMAN DECKER: Moving on to some
6 announcements and some housekeeping things. We held
7 an executive session today prior to the meeting to
8 deal primarily with personnel matters. No business
9 was conducted at this meeting.

10 Let's move on to the transcript of our last
11 meeting on March 16th, 2006. May I have a motion to
12 approve the transcript and post it on our website?

13 COMMISSIONER MARSHALL: So moved.

14 CHAIRMAN DECKER: Second?

15 COMMISSIONER COY: Second.

16 CHAIRMAN DECKER: Thank you.

17 Any discussion?

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

20 COMMISSIONERS: Aye.

21 CHAIRMAN DECKER: Any opposed?

22 Motion carries. Thank you.

23 Moving on to new business. Let me discuss
24 briefly the public forums we had. We were delighted
25 with the turnout we had from the public forums. I

1 know I speak for the other Commissioners and our
2 staff members that we received a lot of really very
3 useful information, first from the applicants as to
4 what their plans are in various phases, you know,
5 from Phase 1 up to Phase 4, very interesting.

6 We received reports from various
7 governmental groups, the counties, the townships, the
8 local elected officials, the state elected officials,
9 had a lot of good input for us.

10 Then we also got comment from community
11 groups and then individuals. When you see all of
12 that, you can sort of see a picture of things. There
13 isn't much here that is out there that you're not
14 going to hear as a result of the public forum. It
15 turned out to be a really great experience for us.

16 Now, the other thing I would like to
17 mention is that no other states have done this in
18 fairness. We took some heat because of the
19 methodology we were using. I think it turned out
20 very well in the end at least in terms of the
21 information we got.

22 Secondly, we did something that was fairly
23 unique in terms of the extensity and number of public
24 forums. We're real happy that we did it and we're
25 real happy with the input we got.

1 The next thing I would like to talk about a
2 little bit is the criteria. We keep hearing about
3 other criteria that we are allegedly considering.

4 Let me, if I can be brief, just mention
5 that we start with a couple of key factors when we're
6 going to do our reviews of these applications.

7 We're already doing that with the
8 manufacturers, and we will be doing it with the
9 suppliers; and clearly, with the applicants for the
10 casino licenses, the operators' licenses, if you
11 will.

12 The first is background suitability. I
13 think everyone knows what that is. The second thing
14 is financial suitability. There are two parts to
15 that.

16 We're going to examine and consider their
17 revenue projections, which are important for a lot of
18 things, not only for tax purposes but they're
19 important for their overall financial suitability.
20 In other words, will their revenues support their
21 capital structure and their debt in particular.

22 The third piece that someone absolutely has
23 to have is operating capabilities, solid operating
24 capabilities. If they don't have that, then we think
25 we would not be doing our duty in protecting the

1 citizens of Pennsylvania by exposing the people who
2 didn't know what they were doing. That's a key
3 component.

4 After that, then you get to the other
5 things that are very important and contained in the
6 statute. You can look at those. I forget the
7 section right now. I can't recall it.

8 You have the financial impact. That's
9 primarily the tax revenues. Then after that is what
10 other economic impact is there going to be on the
11 community in general, economic impact.

12 Then we have the other crucial things,
13 which are the diversity plans and the plans for --
14 I'm sorry -- problem gaming. These things are all at
15 the same level. Those four things are crucial, and
16 we will consider those.

17 Now, we've received some questions. I've
18 gotten a number of them about things like zoning, and
19 most recently Riparian Rights. They're not things
20 we're going to consider right now. We're moving
21 forward.

22 We don't know. We assume that all of those
23 things will get worked out at the end of the day, and
24 our job is to make decisions based on the
25 applications.

1 The Riparian Rights issue will be dealt
2 with, we presume, in a reasonable way by the owners
3 of the Riparian Rights, which is in some cases the
4 State of Pennsylvania and the individual applicants.

5 So we're moving on with the criteria that I
6 discussed, and the Board has talked about that on
7 many, many occasions.

8 Now, different people on the Board may
9 weigh different things because there is a certain
10 amount of subjectivity to these things. We will be
11 looking at those criteria. I hope I made that clear.

12 It's not going to be someone's connections.
13 It's not going to be, you know, whether their mother
14 was born on a certain starry night in a certain way.
15 We're doing this in a very objective way and I hope
16 people understand that.

17 Okay. Moving on. The first issue we have
18 today before us, we're going to have a series of
19 reports from our staff. The first will be Mike
20 Walsh, Director of Administration.

21 Mike?

22 MR. WALSH: Thank you, Chairman Decker.

23 I am joined today by Joe Bott from our
24 Office of Human Resources and by Kevin Hayes from the
25 Office of Chief Counsel.

1 As you know, our HR director, Wendy Chan,
2 recently gave birth to a healthy boy. She's on
3 maternity leave. Joe has been an instrumental part
4 in helping put together many of the policies that we
5 will be discussing today along with Kim and Chelsea
6 in the office. They've been working to move things
7 forward there.

8 I have three agenda items to discuss. The
9 first is for the Board to consider candidates who are
10 recommended for hire.

11 Second, we would like to review the
12 employee handbook, supporting policies, and request
13 the Board's official adoption of these documents.

14 Finally, the Bureau of Administration has
15 been working on the compensation and classification
16 proposal, which we will submit for your review and
17 possible adoption.

18 We will begin with the 14 candidates who
19 are before the Board and who have been recommended by
20 the executive director and various Bureau directors
21 for your consideration.

22 They are in the office of chief counsel,
23 Mozelle Daniels for a position of senior counsel;
24 Pamela Lubold as special assistant to the chief
25 counsel; Tara Ottenburg as administrative assistant;

1 Alta Drayton Brown, as an administrative assistant
2 and Bobbie-Sue Doyle-Hazzard as an intern; in the
3 office of communications, Douglas Harbeck as a deputy
4 director of communications; in our Bureau, Sherry
5 Megonnel as an administrative assistant to Jim Buck,
6 our director of IT; in the Bureau of Corporate
7 Compliance and Internal Controls, Brynn Thompson as
8 an auditor analyst; Angela Harper as an auditor
9 analyst; Jeff Kowalski as an auditor analyst; Jan
10 Ort-Motto as an auditor analyst; and Cedrick Hudson
11 as an auditor analyst; finally, in the Bureau of
12 Investigations and Enforcement, Elizabeth Felker as
13 administrative assistant; and in the office of chief
14 enforcement counsel under BIE, Glen Stuart as an
15 assistant enforcement counsel.

16 CHAIRMAN DECKER: Are there any questions
17 for Mike about the individual candidates?

18 MR. WALSH: As always, these hires would be
19 contingent upon the successful completion of a
20 background check.

21 CHAIRMAN DECKER: Right. Right. Maybe we
22 should talk about that for one second. The Board as
23 a policy matter has taken the position that we're not
24 going to have anyone physically join us, be on board,
25 and starting to get paid until we have -- you're

1 going to talk about this in the next minute but a
2 prescreening drug test, No. 1; and No. 2, the
3 completion of a background investigation.

4 All right. So I just want to make that
5 clear. It will be subject to both of those. It will
6 be the completion this time as opposed to the
7 eventual.

8 MR. WALSH: Okay.

9 CHAIRMAN DECKER: All right. May I have a
10 motion?

11 COMMISSIONER RIVERS: Based on the
12 recommendation of the Director of Administration and
13 the comments made by the Chairman pertaining to the
14 background and drug testing, I would like to make a
15 motion that we accept the following individuals for
16 employment within the organization of the
17 Pennsylvania Gaming Control Board.

18 COMMISSIONER MARSHALL: Second.

19 CHAIRMAN DECKER: Thank you, Chip.

20 Any questions for Mike or any of the staff?

21 Hearing none, all of those in favor, please
22 indicate by saying aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN DECKER: Any opposed?

25 Motion carries unanimously. Thank you,

1 Michael. Your next item.

2 MR. WALSH: Next, we would like to --

3 CHAIRMAN DECKER: Thank you, Kevin and Joe,
4 too.

5 MR. WALSH: We would now like to review the
6 employee handbook and those related policies with
7 you.

8 As we discussed at our first meeting in
9 December of 2004, the work of creating a new state
10 agency requires that we build a framework of policies
11 and procedures that assist with our operational and
12 organizational management.

13 At that first meeting of the Board, for
14 example, the members adopted a work schedule, elected
15 to be part of the Pennsylvania Employees Benefit
16 Trust Fund for healthcare benefits, and also
17 determined to be part of the Commonwealth's
18 enterprise resource planning system known as SAP.

19 From that month until today, we've been
20 working on creating numerous policies and procedures
21 that have helped us, as we grew from an agency which
22 had no staff at that December meeting to one today
23 which has more than 170 employees and offices located
24 in Harrisburg, Pittsburgh, and Philadelphia.

25 The employee handbook at about 50 pages

1 gives the employee an overview of the PGCB policies
2 and procedures. It is meant to serve as a quick
3 reference manual for them during their service with
4 the Board.

5 Supporting the handbook is the PGCB policy
6 manual. Each policy statement set forth in the
7 handbook is backed up by administrative directive
8 that is contained in this manual.

9 This policy manual will be available in the
10 human resources office at all times should an
11 employee wish to see the supporting documentation.

12 I know that each of you has seen a copy of
13 the handbook but for the information of those
14 present, I will provide a quick overview of the
15 contents.

16 The handbook consists of 8 chapters that
17 cover almost 70 subject areas. The chapters deal
18 with work hours and work schedules, employee conduct,
19 including the Official Code of Conduct and
20 progressive disciplinary process, classification and
21 compensation, employee benefits, the types of leave
22 that we have, employee rights, and travel and
23 procurement.

24 As I mentioned, some of the policies in the
25 handbook, such as work hours, were adopted by the

1 Board at the very first meeting.

2 Some other policies, such as the Code of
3 Conduct outlined in Chapter 3, were previously
4 adopted by the Board at public meetings.

5 Several of the policies contained in the
6 handbook will be formally adopted today with the
7 adoption of this document as a whole, and I would
8 like to review some of those with you.

9 The first is the drug screening policy,
10 which contains two key provisions, and Kevin Hayes is
11 up here as he and Lamont Williams have been working
12 on this vigorously.

13 The first section of that drug screen
14 policy is a preemployment drug screening, which would
15 make it a condition of employment that an applicant
16 for a position with the PGCB undergo and pass a drug
17 screening.

18 Second is reasonable suspicion drug and
19 alcohol screening, which takes effect once an
20 employee is hired.

21 Should a supervisor have a reasonable
22 suspicion, a drug screening would be ordered with the
23 approval of the executive director. We are currently
24 working with a state-approved vendor to implement
25 this program once it is adopted by the Board.

1 The second policy I would like to mention
2 is a nepotism policy. This policy has three parts.
3 It's very straightforward and very simple to
4 understand.

5 First is an employee cannot supervise a
6 family member or be the supervisor to someone who
7 supervises a family member.

8 CHAIRMAN DECKER: That's two levels now?

9 MR. WALSH: Two levels. That's correct.
10 Second, an employee cannot be part of the selection
11 process should a family member be under consideration
12 for employment.

13 Third, Board members are prohibited from
14 hiring family members. It should be noted that this
15 policy is more restrictive than anything in place in
16 the Commonwealth, as it prohibits the hiring of
17 family members for Board members and goes up two
18 levels, as Chairman Decker just mentioned.

19 Before we move on to the compensation
20 classification discussion, I would be happy to take
21 any questions you have on the employee handbook.

22 CHAIRMAN DECKER: Any questions from --
23 when you talk about family members, how do you define
24 family members, just to make it clear for the record
25 if we can pronounce the words?

1 MR. WALSH: Right. I'll try. It's a legal
2 definition. It's the three degree of consanguinity
3 and it's -- there's a chart, which Joe Bott has,
4 which shows the relationship by blood to the person,
5 and that's how you would legally describe a family
6 member. We add to include that third degree of
7 consanguinity through adoption or marriage.

8 CHAIRMAN DECKER: Thank you.

9 COMMISSIONER DIGIACOMO COLINS: Mike, may I
10 ask you a question? If you could make a comparison
11 in your experience of our employee handbook and our
12 policies contained in it with other state agencies
13 and/or the Governor's office, what would you say with
14 respect to a comparison?

15 MR. WALSH: Sure. I would say in most
16 areas it's very comparable. In some areas, we go
17 above and beyond what other handbooks do to be more
18 definitive to the employee.

19 Really, given, Commissioner Colins, that
20 we're a new state agency and there isn't years of
21 precedent before us, so we go a little extra in
22 explaining to employees the way things are done.

23 COMMISSIONER DIGIACOMO COLINS: Thank you.

24 COMMISSIONER RIVERS: Mike, I have a
25 question regarding the drug and alcohol policy. Talk

1 to us about the standards that one would use to
2 determine how would you deal with an employee, who a
3 particular director or supervisor might perceive has
4 a drug or alcohol problem.

5 MR. HAYES: Commissioner Rivers, I would be
6 happy to answer that. Reasonable suspicion drug
7 testing is allowed when there's a clearly defined
8 criteria for implementing that policy.

9 If I could read and put in the record what
10 we have in our policy. A Pennsylvania Gaming Control
11 Board employee shall be required to undergo a drug or
12 alcohol test based on a belief that he or she has
13 violated the drug and alcohol prohibitions
14 established in this policy.

15 Before an employee can be compelled to
16 undergo a drug or alcohol test, a supervisor or
17 manager who has been trained in identifying drug and
18 alcohol misuse must have made specific
19 contemporaneous articulable observations concerning
20 the appearance, behavior, speech, or body odor of the
21 employee.

22 So we will have to identify our supervisors
23 and managers who will be responsible for implementing
24 this plan. They will be trained most likely by an
25 outside vendor in identifying the symptoms or

1 indications that someone is under the influence of
2 control or drugs.

3 CHAIRMAN DECKER: While on duty?

4 MR. HAYES: While on duty.

5 COMMISSIONER DiGIACOMO COLINS: Along those
6 lines, could I ask a question? Is the Bureau of
7 Administration undertaking or looking into any type
8 of ongoing education program for the present
9 employees, with respect to alcohol and drug abuse or
10 use?

11 MR. WALSH: The answer is yes. There are a
12 number of trainings that we will implement with the
13 adoption of this handbook.

14 Some are mandated within the state. For
15 example, sexual harassment training is something that
16 every state agency provides to its employees.

17 With this drug and alcohol screening
18 program, we will have not only sessions that are
19 assisted to us by the State Employee Assistance
20 Program, but we will also, as Kevin mentioned, help
21 to train our supervisors and managers in identifying
22 those types of characteristics and employees that
23 could be under the influence.

24 There's a number of other trainings, I
25 might add, that we're going to undergo. For example,

1 we just had all of our managers and supervisors
2 undergo leadership and management training, two-day
3 course. So we're doing a number of trainings
4 throughout the agency.

5 COMMISSIONER DiGIACOMO COLINS: Thank you.

6 CHAIRMAN DECKER: Treasurer, please. Go
7 ahead.

8 TREASURER CASEY: Mike, one question with
9 regard to new employees in terms of their familiarity
10 with the handbook.

11 Is there any procedure or process in place
12 now that -- you may have answered this previously,
13 but is there any procedure or process in place now
14 where they are required to certify or sign something
15 to indicate that they've reviewed and understood the
16 handbook?

17 MR. WALSH: Sure. On the final page of the
18 handbook, if you would look at that --

19 TREASURER CASEY: Certification?

20 MR. WALSH: Yeah. There is an
21 acknowledgment page where the employee after
22 undergoing that orientation would sign a document
23 acknowledging receipt of the handbook, acknowledging
24 that they will familiarize themselves with the
25 policies and procedures contained therein, as well as

1 their understanding that the handbook is not a
2 contract or a surety of employment and that these
3 policies and procedures, which is something we'll
4 talk about, can be updated at any time by the Board
5 and the executive director.

6 TREASURER CASEY: Page 52.

7 MR. WALSH: Page 52, that's correct. Thank
8 you.

9 CHAIRMAN DECKER: Thanks, Treasurer, for
10 pointing that out. It's an important point.

11 COMMISSIONER COY: Mr. Chairman?

12 CHAIRMAN DECKER: Please.

13 COMMISSIONER COY: I move that the Board
14 adopt the employee handbook with the policies
15 contained therein, including the policy on nepotism
16 and drug and alcohol testing.

17 COMMISSIONER MARSHALL: Second.

18 CHAIRMAN DECKER: All right. Any other
19 questions?

20 Sandy, did you have one?

21 COMMISSIONER RIVERS: No.

22 CHAIRMAN DECKER: Okay. Well, hearing
23 none, all of those in favor, please indicate by
24 saying aye.

25 COMMISSIONERS: Aye.

1 CHAIRMAN DECKER: Anyone opposed?

2 The motion carries. Thank you.

3 Was there a third item, Michael?

4 MR. WALSH: There is. Thank you. That is

5 dealing with compensation and classification.

6 Section 1202 of Act 71 specifically exempts the

7 Pennsylvania Gaming Control Board from the

8 Administrative Code of 1929 as it relates to

9 classification and compensation.

10 By exempting us from those provisions, the

11 legislature gives us the ability to not only move

12 forward at the outset to find good people,

13 competitive market salaries --

14 CHAIRMAN DECKER: Mike, one second. You're

15 talking about the staff, not the Board?

16 MR. WALSH: Right.

17 CHAIRMAN DECKER: Just make sure everybody

18 understands that.

19 MR. WALSH: Yeah. A higher power was

20 called for you guys. We're just dealing with the 171

21 of us, right?

22 So it gave us that opportunity to find good

23 staff. We also were provided the opportunity to

24 create a new system of our own that would meet our

25 own agency's needs.

1 The specifics of the plan have been
2 provided for you and I will go over them. The first
3 part of the proposal is the development of
4 classifications for all positions at the Pennsylvania
5 Gaming Control Board and the assignment of pay ranges
6 for each position.

7 Assigning pay bands or ranges allows for
8 employees to know where they currently are within the
9 agency structure and assist with the development of
10 subsequent policies on creating positions, filling
11 vacancies, and approving lateral moves or promotions.

12 In reviewing how to set up a pay band
13 structure, we reviewed the series of classification
14 systems, including those from other gaming
15 jurisdictions.

16 We had numerous discussions with staff from
17 other state agencies, both independent and those
18 under the Governor's jurisdiction, and the result of
19 the 11 band system that we are presenting today.

20 From the discussions on classification, we
21 move to the sometimes more challenging piece and
22 that's compensation.

23 The proposal before you today is a
24 performance based compensation plan that provides
25 employees with the opportunity to be rewarded for

1 meeting the goals and expectations that are expected
2 of them in their position.

3 Under this approach, supervisors and
4 employees must work together to establish goals and
5 objectives. In doing so, employees know what is
6 expected of them and managers are required to manage.

7 Taking effect in July of 2007, next July,
8 the performance based compensation plan would utilize
9 the annual employee preference review as the tool to
10 measure an employee's performance.

11 The EPR is already familiar to many of our
12 staff, who previously worked in other state agencies
14 supervisory staff with an easy to use system.

15 The EPR allows for the supervisor and the
16 employee to discuss performance in seven subject
17 areas, which result in an overall performance grade.

18 The EPR is then reviewed by the reviewing
19 officer, who is the person the supervisor reports to.
20 It must be approved by them as well.

21 During this whole process, the employee has
22 the opportunity to discuss any issues with the
23 reviewing officer, which we feel is an important part
24 of ensuring a system that is fair and accountable.

25 The final part of the process is the

1 compensation increase, which will be determined with
2 the results of the EPR. The results of an increase
3 will vary from year to year, but they will be uniform
4 for that particular year based on whether a person
5 received a satisfactory, commendable, or outstanding
6 review.

7 The reviewing period is expected to take
8 place between May and June of each year with
9 compensation increases taking effect in July.

10 We decided to wait until next July on the
11 implementation for several reasons. Employees need
12 to understand the system and understand what is
13 expected of them.

14 Supervisors need the time to work with
15 employees to develop position descriptions that
16 clearly define the work that is expected, and each
17 Bureau and office will need to develop their own
18 goals and objectives.

19 Each, ultimately a piece of our larger goal
20 to implement legalized gaming in the Commonwealth in
21 a manner that upholds the highest standards of
22 integrity for the people of Pennsylvania.

23 This proposal is a result of many months of
24 discussion on how best to structure a compensation
25 plan that can be fairly applied, accountable, and

1 will reward workplace performance. Taking part in
2 the discussions and helping us put together this
3 policy were, of course, Wendy Chan and Joe and Kim
4 from our Office of Human Resources, and really
5 numerous other employees from throughout the agency
6 who met and took part in organized discussions.

7 Finally, Commissioners Coy and Rivers
8 provided constant direction and always challenged us
9 to think outside the box. It wasn't as easy as it
10 sounds, but I want to thank them for their continued
11 help and their continued guidance.

12 CHAIRMAN DECKER: Are there any questions
13 from the Board members about this?

14 COMMISSIONER RIVERS: Mike, you made
15 reference to the fact that an employee, if they were
16 dissatisfied, so to speak, could discuss this.

17 Are we talking about appealing the issue or
18 discussing the issue, because I think there's a
19 decisive difference between appeal versus discuss?

20 MR. WALSH: Right. Our intention is one
21 that should for any reason an employee perhaps have
22 had an incident with their own immediate supervisor
23 and thought they were going to be maligned or biased
24 in their review, they could go to the next higher
25 level.

1 I think I phrased it here have a
2 discussion, but it would be up to the reviewer to
3 sign the document. There's a line underneath the
4 immediate supervisor's signature where the reviewer
5 has taken the time to review the results of the
6 employee performance review and based -- you know,
7 given that the compensation will be based on this,
8 training, like I mentioned, is a big part of this to
9 ensure that both the immediate supervisor and the
10 reviewer understand their roles during this process.

11 COMMISSIONER RIVERS: My reason for asking
12 the question was just so that the employees recognize
13 that it's not a final decision, it's not complete.
14 They have the opportunity to challenge the decision.

15 MR. WALSH: Right.

16 COMMISSIONER RIVERS: I think that's
17 important.

18 MR. WALSH: Right. And --

19 COMMISSIONER RIVERS: Because I know when
20 Jeff -- my conversations with Commissioner Coy, that
21 was one of the things we insisted upon was that that
22 provision be there.

23 MR. WALSH: Right.

24 CHAIRMAN DECKER: Commissioner Coy?

25 COMMISSIONER COY: I move that we adopt,

1 Mr. Chairman, the proposal on employee compensation.

2 CHAIRMAN DECKER: Any other questions or
3 comments?

4 Second?

5 COMMISSIONER RIVERS: Second.

6 CHAIRMAN DECKER: All of those in favor,
7 please indicate by saying aye.

8 COMMISSIONERS: Aye.

9 CHAIRMAN DECKER: Any opposed?

10 Motion carries.

11 Thank you, Michael, Joe, and Kevin. Thank
12 you very much.

13 Okay. Now we're going to hear from our
14 Executive Director, Anne Neeb, who will be joined at
15 the podium, I believe, by our Director of
16 Investigations and Enforcement, David Kwait; Director
17 of Licensing, Susan Hensel; and Chief Counsel, Frank
18 Donaghue. They're going to give us an update about
19 where we stand on the licensing process.

20 Anne?

21 MS. LaCOUR NEEB: Thank you, Mr. Chairman,
22 members of the Board; and welcome, again,
23 Commissioner Angeli to the Board.

24 I was going to start just by giving you a
25 very short note. The Chairman mentioned something

1 about the public impact hearings. The only thing I
2 wanted to add to that was that the Board had
3 requested an additional five days of hearings be
4 added to the original schedule of in Philadelphia,
5 Pittsburgh, Allentown, and Gettysburg because of the
6 number of people that registered. We had 1,100
7 people testify thus far, which I think is an enormous
8 outpouring.

9 We're 75 percent through, you know -- of
10 the way through the whole public input process and --

11 CHAIRMAN DECKER: Can I add one thing,
12 Anne, to remind people they have until June 2nd to
13 file written --

14 MS. LaCOUR NEEB: I have that.

15 CHAIRMAN DECKER: You have it already? I'm
16 sorry.

17 MS. LaCOUR NEEB: It's okay. And that
18 we're 75 percent of the way through the public input
19 process. We've been very pleased with the response.

20 You do have until June the 2nd. People
21 that have not registered to speak do have still until
22 June 2nd an opportunity to submit their written
23 comments.

24 There's a form on the website. It's
25 actually two pages. One is the written form and one

1 is a verification that you have to sign.

2 If you do that and you send it in by mail,
3 it can become a part of the official transcript of
4 record. It's considered part of the evidentiary
5 record.

6 It's really important people follow that
7 procedure so that we can take the additional comments
8 all the way up until June the 2nd.

9 If you have any questions about that,
10 please go to the website and please call our office
11 and we'll be happy to facilitate your request.

12 Shifting gears from the public input
13 hearings, I would like to report that the Bureau of
14 Licensing has transferred their supplier and
15 manufacturer applications to the Bureau of
16 Investigation and Enforcement.

17 Beginning tomorrow, licensing will start
18 transferring Category II and III applications that
19 have not yet been moved to BIE.

20 In addition, the Bureau has been working to
21 develop a system to accept the gaming employee
22 application on-line. This would expedite -- it's a
23 coordinated effort with the employer and our office.

24 We're working with our tech people to be
25 able to accept these applications by employees

1 on-line. Susan Hensel is overseeing that with all of
2 her tech people to try to make sure that happens.

3 This will save an enormous amount of time
4 and also create a database. We've also -- the Bureau
5 of Licensing has been communicating with applicants
6 and trying to identify and cure defects in the
7 application and continue to refine their training
8 manuals for the employees.

9 At this time, David Kwait is here with me
10 to give you an update on the status of supplier
11 investigations.

12 CHAIRMAN DECKER: Whatever you want to do
13 is fine.

14 MS. LaCOUR NEEB: Or if you all have any
15 questions about the status of the investigations.

16 CHAIRMAN DECKER: That's fine. David, you
17 want to tell us where we are in the investigations?

18 MR. KWAIT: Good morning, Mr. Chairman,
19 Commissioners.

20 CHAIRMAN DECKER: Good morning.

21 MR. KWAIT: We have received the Category
22 II applications from licensing. We've looked at the
23 resources of the office, not just BIE; and in order
24 to be efficient and effective and the way we
25 approached these, we formed a financial task force

1 consisting of accountants from the Office of
2 Compliance, as well as BIE staff.

3 I would like to point out that our BIE
4 staff in our three regions consist of investigators
5 who are former attorneys, accountants. We have IRS
6 investigators, FBI investigators, people who work for
7 the Department of State in Washington, D.C., and
8 abroad.

9 We have agents with previous gaming
10 experience. We also have many former law enforcement
11 types from all levels of service, chiefs of police
12 down to rank and file officers.

13 We have people from the public service,
14 people who have been involved in banking, people who
15 have been involved in investments, even a newspaper
16 reporter. We are well --

17 CHAIRMAN DECKER: How did that happen?

18 MR. KWAIT: We have a vast array of
19 experienced folks who are assigned right now and
20 deeply involved in these Category II background
21 investigations.

22 We are doing the financial suitability, as
23 well as the overall suitability of each and every
24 applicant or key employee and key employee
25 qualifiers.

1 In fact, I'm happy to report that some of
2 the Category IIs are already finished and in the
3 process of being prepared to send over to licensing
4 for the financial report.

5 CHAIRMAN DECKER: Category IIs?

6 MR. KWAIT: Yes, sir. Category IIs.

7 CHAIRMAN DECKER: Okay. That's great. I
8 thought we were really ahead.

9 MR. KWAIT: No. The turnover of the IIs
10 will be tomorrow and into next week.

11 CHAIRMAN DECKER: So where do we stand on
12 all of this starting with suppliers, manufacturers?
13 I mean, our timetable to remind everyone is to get
14 the Category Is issued around Labor Day, if we can,
15 and to the issue Category IIs and IIIs and permanent
16 Is, Category Is by the end of the year, mid-December
17 is our goal. Where do we stand on moving that ball
18 forward?

19 MR. KWAIT: As you know, the manufacturing
20 applications were outsourced to two specific
21 companies. Six of those have already been licensed.

22 We have reports, preliminary reports from
23 the outsource companies; and we're prepared to
24 present them at the next meeting for your
25 consideration.

1 CHAIRMAN DECKER: For the remainder of the
2 manufacturers?

3 MR. KWAIT: Yes, sir.

4 CHAIRMAN DECKER: Okay. Where do we stand
5 on suppliers?

6 MR. KWAIT: The suppliers have been given
7 to the Pennsylvania State Police as previously
8 agreed. On 3/20/06, we furnished a package of
9 supplier background investigations to the State
10 Police in a formal turnover in the office between
11 licensing, BIE, and the State Police. On 3/28, we
12 did the same thing.

13 CHAIRMAN DECKER: Where are they?

14 MR. KWAIT: We haven't received much
15 information back from the State Police yet. I did
16 receive assurances from Captain Allue as late as
17 yesterday assuring me by the end of the month, they
18 would have 33 supplier investigations complete.

19 CHAIRMAN DECKER: I thought we were going
20 to originally make reports to this, to us on those,
21 all 23, by the beginning or middle of May. Am I
22 missing something here?

23 MR. KWAIT: They have reported that they
24 don't have them complete yet.

25 CHAIRMAN DECKER: So we're behind on that?

1 MR. KWAIT: Yes.

2 CHAIRMAN DECKER: Okay. Let me count
3 backwards, if I might, because we've talked about
4 suppliers for a long, long time in the sense of that
5 90-day provision, cannot license operators until a
6 period of time of 90 days have passed from the acting
7 upon the applications for manufacturers and suppliers
8 all, not a piece, not 2 or 3, not 20, all 23. Am I
9 missing something here?

10 MR. KWAIT: No. They've been -- State
11 Police are keenly aware of that 90-day window.

13 Board that it's going to happen by the end of month?
14 Do you have some assurances on that?

15 MR. KWAIT: Assurances from Captain Allue.

16 CHAIRMAN DECKER: We have an agreement, I
17 think, an interagency agreement, which says certain
18 things will be done on certain time frames. Where do
19 we stand on that? Is the end of the month within the
20 time frame we talked about or is this an amendment to
21 that?

22 MR. KWAIT: The suppliers, we originally
23 asked for reports, preliminary reports to be in the
24 office by May 1st.

25 CHAIRMAN DECKER: So we're amending that by

1 30 days?

2 MR. KWAIT: Yes.

3 CHAIRMAN DECKER: Okay. But you're
4 reasonably -- you have some assurance that it's going
5 to get done by the end of the month?

6 MR. KWAIT: Yes, I do.

7 CHAIRMAN DECKER: Because if not, we need
8 to take some of that stuff back and get it done at
9 whatever people at the State Police need to get this
10 done, whatever help they need, either from our BIE,
11 which wasn't the original game plan, we wanted you
12 focused on the Category Is and then IIs, or from
13 outside vendors.

14 We don't care which. We're indifferent.
15 The point is to get this done accurately,
16 efficiently, and in a timely manner.

17 MR. KWAIT: That's exactly right.

18 CHAIRMAN DECKER: Okay. All right. What
19 else?

20 MR. KWAIT: Well, the State Police --

21 CHAIRMAN DECKER: Let me just come back to
22 this again, David, if we can't have this, you're
23 going to have notify us by the middle of this month
24 or sooner, we can have another Board meeting before
25 the 19th if necessary. We need to know this is on

1 track, Anne and David.

2 MS. LaCOUR NEEB: Yes.

3 CHAIRMAN DECKER: If it isn't, we have to
4 do something about it. It's not pin the tail on the
5 donkey of the State Police. It's to say, if they
6 don't have the manpower to do this, then we need to
7 get them some help. That's all I'm saying.

8 COMMISSIONER McCABE: What kind of
9 safeguards do you have in place to ensure that these
10 are going to be done by the 30th?

11 MR. KWAIT: Well, Captain Allue has already
12 sent us a preliminary list of at least ten that he
13 said are finished, and they're preparing the reports
14 on those ten.

15 It's not like we're going to get 23 at the
16 end of the month and then pass them to Susan and
17 expect her to prepare 23 reports in a day or two
18 before the next Board meeting.

19 Actually, I hope we start getting these
20 sooner, by the end of this week and into next week.

21 COMMISSIONER McCABE: What I'm suggesting
22 is putting some sort of milestones, have meetings
23 either weekly --

24 COMMISSIONER DiGIACOMO COLINS: I agree,
25 Ken. I was going to bring that up also, almost a

1 daily oversight of this so we make sure it is done.

2 I agree with you.

3 CHAIRMAN DECKER: How long did it take for
4 the manufacturer licenses to get done, I mean, the
5 time frame? Some more complicated than others, I
6 realize.

7 MR. KWAIT: We were receiving preliminary
8 reports from the outsource companies within four to
9 six weeks.

10 CHAIRMAN DECKER: Any other questions on
11 that? If not, I want you to continue your report.
12 If you don't, we could ask you some more questions.

13 COMMISSIONER DIGIACOMO COLINS: Well, I
14 have a question about the suppliers. Are we going to
15 get them all at once on the 30th or will we be given
16 the packet as they're completed? Do you know what I
17 mean? Do we get all 23 on the 30th or the 13 or
18 however many have been completed, can we get them
19 now? Then as they progress and complete, they can
20 just turn them over? What is the game plan there?

21 MS. LaCOUR NEEB: Commissioner Colins, this
22 is Anne. I can probably address that. What our plan
23 is at this point is we have verbal assurances that
24 those reports will be sent to us.

25 I am going to follow up in writing after

1 today's meeting to get the time line in writing for
2 when we receive reports.

3 CHAIRMAN DECKER: It doesn't help to get
4 all 23 on the 30th if they're done.

5 COMMISSIONER DiGIACOMO COLINS: That's my
6 point.

7 MS. LaCOUR NEEB: Right, and we will ask
8 that they turn in the reports as completed on each
9 particular supplier.

10 COMMISSIONER DiGIACOMO COLINS: I think
11 that would be helpful.

12 SECRETARY FAJT: Mr. Chairman, if I could
13 just follow-up on that so I understand the time line.
14 We get the reports at the end of May. They then,
15 Susan will prepare a one-page, five-page summary to
16 the Board members, ten pages, whatever.

17 Then subsequent to that report, we will
18 adopt or license formally, you will license formally
19 those suppliers and manufacturers at a Board meeting?

20 CHAIRMAN DECKER: We will do that. We will
21 consider and act upon, which will be either -- you
22 know, either approve or deny.

23 SECRETARY FAJT: Okay. So that will happen
24 at some point in June?

25 CHAIRMAN DECKER: I think our meeting is

1 the beginning of June, I think June 15th, but we can
2 have a special meeting, if necessary.

3 SECRETARY FAJT: And that starts the 90-day
4 period?

5 MS. LaCOUR NEEB: That's correct.

6 CHAIRMAN DECKER: Okay. Again, just
7 following, we hope to do this next week. Okay?

8 SECRETARY FAJT: Okay.

9 MS. LaCOUR NEEB: It's a very time
10 sensitive event.

11 SECRETARY FAJT: But following this to the
12 logical conclusion then, if we do this according to
13 that time frame of June 15th, then the earliest
14 licenses could be issued to Category Is would be
15 September 15th.

16 MS. LaCOUR NEEB: Yes, after the Board acts
17 on the supplier licenses.

18 COMMISSIONER DiGIACOMO COLINS: And if I
19 could just add that, you know, from the public input
20 hearings we've been to, it's apparent that some of
21 these Category I operators are prepared and would
22 love to get going and open the doors and start the
23 stream of revenue flowing to Pennsylvania. So that's
24 a very good reason for us to keep within our time
25 schedule.

1 CHAIRMAN DECKER: Right. Mary makes a very
2 good point. People -- it didn't happen last night,
3 but the legislature has been working into the night
4 on this for a very long time.

5 We would hope when they come back in June,
6
7 the benefits to the citizens of Pennsylvania of tax
8 relief by not getting this stuff done including, you
9 know, the stuff that BIE is going to be doing in
10 connection with both suppliers and Category Is and
11 IIs and IIIs.

12 This is crucial to the people in
13 Pennsylvania doing the right way but still crucial.
14 The right way doesn't have to be four months.

15 MS. LaCOUR NEEB: Right. We've
16 communicated this to the State Police, and we're
17 trying to work with them to get this accomplished
18 within the timelines.

19 COMMISSIONER DiGIACOMO COLINS: Again, I'll
20 go back to the public input hearings and then I'll
21 shut up so you can continue.

22 We did learn that from the presentations
23 from not just the applicants but the public at large,
24 that there's an anxiousness to make this a reality.
25 It is a very significant stream of revenue that will

1 result from this infusion of many dollars and
2 economic opportunity to Pennsylvania.

3 CHAIRMAN DECKER: Okay. Any other
4 questions on this point?

5 Okay. David, any other parts of your -- I
6 have one thing I want to bring up that the Board has
7 talked about at the executive session today, but go
8 ahead.

9 MR. KWAIT: Well, I would like to get into
10 our background investigation.

11 CHAIRMAN DECKER: Yeah. I wanted to ask
12 you what the status was. We remain concerned that
13 there are quite a few people that haven't been
14 backgrounded yet.

15 MR. KWAIT: That's right. We've submitted
16 146 applications for review in background and we
17 received 50 back.

18 CHAIRMAN DECKER: I'm sorry. Say that
19 again. Maybe I didn't hear you right.

20 MR. KWAIT: We submitted 146 and 50 have
21 been submitted back to us.

22 CHAIRMAN DECKER: Somebody do the math.
23 How many are still out there?

24 MR. KWAIT: We have 96.

25 MS. LaCOUR NEEB: 96, that's employees.

1 COMMISSIONER DiGIACOMO COLINS: Can I just
2 make a comment about that then? We've had employees
3 who have actually left their previous employment and
4 come on board with us and have been with us for a
5 number of months now and they do not yet have
6 assurance of permanent employment; is that correct?

7 MR. KWAIT: That's correct.

8 CHAIRMAN DECKER: Sorry, Mary. Go ahead.

9 COMMISSIONER DiGIACOMO COLINS: That's all.
10 I wanted to highlight that we have employees who have
11 actually left many secure positions to come with us,
12 and it's been months from what I'm hearing since
13 they've received notification that they have
14 permanent secure employment.

15 CHAIRMAN DECKER: What is the time period
16 on this? Can you go over the numbers per month or
17 where do we stand, you know, how many out 30 days, 60
18 days, I hope not too much longer.

19 MR. KWAIT: To be honest, 7 came in within
20 the 60-day limit or a little bit under. We have 20
21 outstanding that are 60 to 90 days. We have 7 that
22 are 90 to 120 days and 15 that are 120 to 150 days
23 overdue.

24 COMMISSIONER McCABE: Have we agreed upon a
25 certain time period for which these investigations

1 have been conducted in?

2 MR. KWAIT: We have an interagency
3 agreement. In the agreement, it calls for completion
4 of an employee background investigation in 60 days.

5 CHAIRMAN DECKER: I get asked constantly,
6 you know, whenever something happens here, did you
7 finish background investigation?

8 Let me ask you. What is the response on
9 this? Where the heck are we on this issue?

10 MS. LaCOUR NEEB: We met with Captain Allue
11 and Lieutenant Periandi in connection with this
12 matter earlier in the week. The biggest problem
13 seems to be manpower and that basically we were told
14 that they have stopped doing our background
15 investigations because they don't have the people if
16 they are doing supplier investigations.

17 CHAIRMAN DECKER: When did you give the
18 supplier investigations? I agree with that.
19 Suppliers take precedent.

20 MS. LaCOUR NEEB: March, end of March.

21 CHAIRMAN DECKER: I can speak for the Board
22 on that. What happened to the -- we haven't hired
23 anybody since March 15th. It's the last time we had
24 a meeting, I think.

25 MS. LaCOUR NEEB: That's right.

1 CHAIRMAN DECKER: What happened to the ones
2 before that?

3 MS. LaCOUR NEEB: They just are on hold.

4 CHAIRMAN DECKER: Is there a reason for why
5 they didn't get done before? I can understand some.

6 MS. LaCOUR NEEB: The only reason that was
7 given was that it was lack of manpower and --

8 CHAIRMAN DECKER: Didn't we authorize or
9 suggest or agree -- I remember writing something that
10 supposedly went to the Governor's office authorizing

12 MS. LaCOUR NEEB: Well, yes.

13 CHAIRMAN DECKER: That was in December?

14 MS. LaCOUR NEEB: There was a request for
15 more troopers to be made available. What I believe
16 they're trying to accomplish is have experienced
17 troopers placed in the gaming enforcement unit. So
18 if they're going to take those troopers out, they
19 need to replace those officers with new people.

20 My understanding from what we were told is
21 that it's about a one-year process to get someone, an
22 applicant, as a new trooper to go through the
23 academy, into training and where they have to be.
24 We did authorize additional hirings, but it's not
25 automatic from what I can understand.

1 CHAIRMAN DECKER: I mean, the troopers that
2 were supposed to do this have been assigned to
3 criminal enforcement activities, which I certainly
4 think we can all understand, if that's the case.

5 MS. LaCOUR NEEB: Right. The problem is
6 they want to be able to replace the people that are,
7 I guess, in criminal investigations with new police
8 officers, state troopers.

9 CHAIRMAN DECKER: That doesn't -- back in
10 December, I thought we had agreed that it was going
11 to be 60 days. Am I missing something here?

12 MS. LaCOUR NEEB: We did agree to that.

13 CHAIRMAN DECKER: Did anybody tell you that
14 wasn't the case or that was changed or did we agree
15 to something that I don't know about or we don't know
16 about on the Board?

17 MS. LaCOUR NEEB: Not that I'm aware of.

18 CHAIRMAN DECKER: I don't mind that they
19 can't be done but notify us and we can go in another
20 direction. We need to get these dam things done.

21 I'm sure my Board members will concur with
22 this, we don't want to be in the position of
23 licensing casino operators without the people doing
24 the licensing, checking, backgrounding, and paperwork
25 having been backgrounded.

1 MS. LaCOUR NEEB: Right. That's correct.

2 COMMISSIONER COY: Mr. Chairman?

3 CHAIRMAN DECKER: Please, go ahead.

4 COMMISSIONER COY: Just trying to move
5 things along. I think what I would like to see and
6 suggest is for our staff to come up with some
7 contingency plans.

8 We need to move the process along, and I
9 think we should ask them to come up with some plans
10 whereby the investigations could be completed one way
11 or the other, either by the present assignments as
12 understood by the memorandum of understanding or
13 another way that would get them done and get them in
14 our hands.

15 I truly believe that it's necessary for our
16 employees to know, as Judge Colins indicated earlier,
17 many of them left jobs and came with us.

18 I think it's important for them to know
19 that these investigations on their behalf are going
20 to be done in somewhat of a timely manner so that
21 they know that their future is secure here at the
22 Gaming Board.

23 So I would encourage our staff to come up
24 with some contingency plan so that these can be
25 accomplished.

1 MS. LaCOUR NEEB: What we could do is at
2 the next Board meeting, we could prepare a report to
3 the Board. I'll get with chief counsel. We'll see
4 about how we could work through this to get this done
5 in a more timely manner.

6 CHAIRMAN DECKER: Timely manner is in the
7 next four to six weeks.

8 MS. LaCOUR NEEB: Right. We'll have that
9 report for that at the next Board meeting.

10 CHAIRMAN DECKER: Thank you. Any other
11 questions on this?

12 David, before you leave, and Anne, I don't
13 know if you're going to have some other
14 presentations --

15 MS. LaCOUR NEEB: I have some others.

16 CHAIRMAN DECKER: Now, you have triggered
17 something in my head. When you go back to the MOU,
18 my understanding was there was going to be a protocol
19 used both for the investigation and, more
20 particularly, the reports you're going to receive
21 both from the State Police and our own agency so
22 we're having some compatibility; is that correct?

23 MR. KWAIT: That's correct.

24 CHAIRMAN DECKER: All right. Consistency
25 is probably a better word.

1 MR. KWAIT: Yes.

2 CHAIRMAN DECKER: We're on track for that?

3 MR. KWAIT: I believe so.

4 CHAIRMAN DECKER: You'll let us know if
5 something goes wrong with that, if we're going off in
6 a different direction?

7 MR. KWAIT: Yes.

8 CHAIRMAN DECKER: Any other questions on
9 this particular -- David, do you have anything else
10 or did I cut you off?

11 MR. KWAIT: No, sir.

12 CHAIRMAN DECKER: I apologize if I did.

13 MR. KWAIT: Quite all right.

14 CHAIRMAN DECKER: Anne?

15 MS. LaCOUR NEEB: Nothing else on those two
16 issues.

18 MS. LaCOUR NEEB: I just wanted to give you
19 all an update on the gaming laboratory operations.
20 They have been working with the Category I license
21 applicants who are currently physically under
22 consideration with their facilities. They're all
23 hoping to be open sometime in late 2006.

24 Our labs anticipating first machines, slot
25 machines be delivered by June 1st of the product.

1 They'll be delivered to our lab for testing, review,
2 compliance, and all of the technical things.

3 These will include the voucher systems, the
4 slot monitoring systems, kiosks, ancillary software,
5 gaming equipment, and progressive slot equipment.

6 So Richard Williamson and Maureen
7 Williamson are working to prepare the staff on the
8 preopening, which is a very big event, the preopening
9 evaluations for each property so that when they do go
10 to open that, all of the kinks have been worked out,
11 so they can go on-line without any problems.

12 So this is a mammoth understanding. I want
13 to make the Board aware that they are on top of it
14 and moving along.

15 CHAIRMAN DECKER: We'll be delighted when
16 we get to that point.

17 MS. LaCOUR NEEB: Yes, we will.

18 CHAIRMAN DECKER: And I hope we all get
19 invited, including everyone in the room.

20 MS. LaCOUR NEEB: That's all I have.
21 Unless the Board has any questions.

22 CHAIRMAN DECKER: Anything from Frank and
23 Susan?

24 MR. DONAGHUE: I have regulations for the
25 Board.

1 CHAIRMAN DECKER: Okay. Frank, we're going
2 to cover -- I think you have four items today for you
3 and your team, your regulatory team.

4 MR. DONAGHUE: That's correct.

5 CHAIRMAN DECKER: Actually, we miss Mary
6 doing this, Frank.

7 COMMISSIONER DiGIACOMO COLINS: Yeah, I'm
8 sure you all do.

9 MR. DONAGHUE: Okay. Thank you very much.
10 We have a number of regulations to consider today,
11 both to place out there for a ten-day comment period,
12 as well as the final adoption of one regulation as
13 well as some amendments.

14 Joining me first is going to be Maureen
15 Williamson who is going to discuss some regulations
16 as they pertain to slot machines.

17 MS. WILLIAMSON: Good morning, Chairman
18 Decker, members of the Board. Before you for
19 consideration this morning is the opening of a
20 ten-day public comment period on a number of
21 regulatory proposals dealing with slot machines
22 operations. And really distilled to their essence,
23 these regulatory requirements are designed to either
24 ensure the integrity of the slot machine, the system
25 to which they are interfaced, and they are also

1 designed to ensure the overall fairness of the slot
2 product that is offered to the gaming public on our
3 slot floors in Pennsylvania.

4 There's a tremendous volume of material.
5 You all received a summary. I thought this morning,
6 I would very quickly touch on a few highlights.

7 The first chapter before you for
8 consideration is Chapter 461. This is the chapter
9 that primarily addresses the mechanics of the review
10 and approval process that the Board will implement.

11 It further goes on to address minimum
12 design standards for the slot machines themselves and
13 for the slot computer systems that service them.

14 Due to the complexity of this particular
15 chapter, it will be supplemented by five technical
16 standards that will ensure that any instructions that
17 the Board provides to manufacturers and slot machine
18 licensees really reflect the latest technological
19 developments and best practices.

20 Of particular note, this section identifies
21 with specificity the slot machines and the types of
22 associated equipment that must be tested and approved
23 by the Board prior to the use.

24 It further articulates the actual mechanics
25 of that submission process. Although, it's highly

1 detailed in nature, I want the Board to understand
2 that this mission process is in keeping with existing
3 practices and first tier jurisdictions.

4 It's not expected to present any problems
5 or difficulties for existing manufacturers. It will
6 be an excellent tool for new companies and new
7 research and development companies coming into
8 Pennsylvania as to how to submit a product in a
9 well-regulated market.

10 Notably, it's in this section that we
11 reiterate the statutory requirement that it's the
12 manufacturer who provides to the Board any
13 hardware/software or other equipment, including
14 technical support and maintenance necessary to
15 conduct the testing contemplated by the Act.

16 This chapter, 461, also includes a very
17 comprehensive treatment of the slot machine itself.
18 It addresses slot machine volatility, how we ensure
19 that our 85 percent theoretical payout percentage is
20 achieved.

21 It talks about parameters for the pseudo
22 random number generator that it uses, the slot
23 machine utilizes bonus features, meter requirements,
24 a lot of technical considerations.

25 This is a section where we include and

1 discuss with specificity the regulatory requirements
2 applicable to the slot computer systems that are
3 ancillary to the slot machines.

4 These are all of the systems that really
5 drive today's cashless gaming environment. This is
6 where we pick up our regulatory requirements on
7 gaming voucher systems, coupon systems, where we have
8 our requirements as to the automated voucher and
9 coupon redemption kiosks, slot monitoring systems,
10 various types of electronic transfer systems, player
11 tracking systems, bonusing systems. This is also
12 where we're addressing progressives and a wide area
13 of progressive systems.

14 Finally, I think it's very note worthy,
15 Chapter 461 does address server supported slot
16 systems and the server based slot machines.

17 As the Board is aware, this is very
18 emerging technology. So we're not proposing
19 technical standards at this time but we are proposing
20 a basic regulatory framework. It's very important to
21 signal to this industry that Pennsylvania is open for
22 considering the responsible application of this new
23 technology. I think that was a very important
24 addition to the proposal.

25 The second regulatory proposal is much more

1 specific. It's Chapter 466. This deals with slot
2 computer systems. It defines them and defines
3 certain parameters for the physical location of these
4 systems and for any logical partitioning protocols
5 that are required if these systems are housed in
6 computers that service multiple functions.

7 Finally, I have a second installment of
8 Chapter 465. These are our accounting and internal
9 control requirements.

10 In this particular package, a number of
11 organizational structure issues are addressed, as
12 well as certain provisions regarding cage functions.
13 So again, this is the second installment on that very
14 comprehensive treatment of slot accounting function.

15 If the Board has questions, I would be
16 happy to answer them. Richard Williamson, our
17 director in the lab, is here if you want a more
18 technical discussion.

19 Otherwise, I would ask for a motion to open
20 the ten-day comment period.

21 COMMISSIONER DiGIACOMO COLINS: Maureen, I
22 have a question.

23 MS. WILLIAMSON: Yes, Mary.

24 COMMISSIONER DiGIACOMO COLINS: As we have
25 all learned, technology is basically king in the slot

1 machine game design world and in the gaming world
2 now.

3 The ability to have new technology seems to
4 me to be of the utmost importance for a jurisdiction
5 to be competitive in gaming.

6 This regulatory framework that you're
7 offering for us today, does this ensure for us that
8 Pennsylvania can -- once the revenue flows, keep it
9 flowing and remain competitive because we will have
10 the ability to remain updated with new technology?

11 MS. WILLIAMSON: Absolutely, Commissioner
12 Colins. The entire thrust of our regulatory format
13 as far as technical considerations recognizes that
14 access to the new technology is absolutely essential
15 to the competitiveness of our slot operators.

16 So the entire design and thrust of the
17 regulatory framework, which we're proposing, allows
18 for consideration of new technology. That's one of
19 the reasons why we are using the technical standard
20 format in some regard, to allow us the dexterity to
21 respond to new technology and take advantage of the
22 latest technological developments.

23 Our baseline requirement that the games
24 have system integrity, that they have physical
25 integrity, and that they offer fair game to the

1 citizens of Pennsylvania remains constant. How we
2 achieve that requires some flexibility in a technical
3 environment. That's exactly what this framework is
4 designed to achieve.

5 COMMISSIONER DIGIACOMO COLINS: Thank you.

6 COMMISSIONER McCABE: Mr. Chairman, I move
7 that the Board make available for public review and
8 comment the draft temporary regulations pertaining to
9 licensing hearings for slot machine licenses by
10 publishing the regulations on the Board's website,
11 and that the Board establish a public comment period
12 of ten days ending on May 15th, 2006.

13 COMMISSIONER MARSHALL: Second.

14 COMMISSIONER DIGIACOMO COLINS: Second.

15 CHAIRMAN DECKER: Thank you. Thank you.

16 Any questions -- anymore questions for Maureen or
17 Frank?

18 Hearing none, all of those in agreement,
19 please indicate by saying aye.

20 COMMISSIONERS: Aye.

21 CHAIRMAN DECKER: Any opposed?

22 Motion carries. Thank you very much.

23 Frank, you have a few more, correct?

24 MR. DONAGHUE: Yes, I do. Next, Doug
25 Sherman from the office is going to join me to

1 discuss a motion to begin a ten-day public comment
2 period on proposed licensing hearing regulations.
3 I'm going to go ahead and give an outline on that.

4 Today, I'm presenting to you for your
5 consideration a draft regulation pertaining to
6 licensing hearings for slot machine license
7 applicants.

8 This regulation is intended to permit slot
9 machine license applicants to present evidence to the
10 Board regarding their license application.

11 This hearing is an opportunity for the
12 applicant to appear before the Board and present
13 evidence of suitability and eligibility for
14 licensure.

15 Holding this type of hearing is consistent
16 with the practice of other gaming jurisdictions in
17 issuing licenses to facilities.

18 The licensing hearings will follow a
19 specific schedule and procedure pursuant to the
20 requirements in the regulation.

21 The Board will publish and schedule
22 licensing hearings for each category of licensure.
23 Applicants will be required to follow specific
24 procedures regarding notice and service of
25 evidentiary materials on the Board and on other

1 applicants prior to the hearing.

2 At the licensing hearing, the applicant's
3 presentation will consist of the following elements:

4 Suitability, evidence of suitability which
5 demonstrates good character, honesty, and integrity,
6 financial fitness, and operational viability.

7 Eligibility. Evidence of eligibility,
8 which demonstrates compliance with the threshold
9 applicant criteria listed in Sections 1302, 1303,
10 1304, and 1305 of the Act.

11 This includes items such as compliance with
12 the Act's specifications, Category 3 facility must be
13 a well-established resort hotel having no fewer than
14 275 guest rooms.

15 Section 1325, evidence of satisfaction of
16 the factors identified in Section 1325 of the Act
17 addressed to the exercise of the Board's direction in
18 granting licenses, including evidence which
19 demonstrates the quality of the proposed facility and
20 location, the potential for new job creation, the
21 applicant's diversity plan for hiring and
22 contracting, the history of the success of the
23 applicant, the history of the success of the
24 applicant, the record of the applicant in meeting its
25 commitment to local agencies, the potential adverse

1 effects that may result from the project and the
2 applicant's record of compliance with state and
3 federal employment laws.

4 We will also take into consideration
5 evidence to address areas of deficiency not
6 previously resolved during the application process.
7 Deficiency concerns raised by the Bureau of
8 Investigations and Enforcement that remain unresolved
9 may be raised at the licensing hearing by chief
10 enforcement counsel.

11 Comparison. Evidence comparing the
12 applicant to another applicant. If the applicant
13 plans to present evidence comparing itself to another
14 applicant, it must file a notice to the Board and
15 with the other applicants to whom the comparison will
16 be made.

17 The applicant, who is served with notice,
18 will have ten days to state whether it desires also
19 to present comparative evidence in its own licensing
20 hearing and notify the Board and the other applicant
21 of its response.

22 This regulation contains an intervention
23 provision that specifically relates to the licensing
24 hearing for slot machine license applicants.

25 This section of the regulation provides

1 that in the context of a licensing hearing, a person
2 may file a petition to intervene if the person has an
3 interest which is not adequately represented in a
4 licensing hearing.

5 Following the applicant's appearance before
6 the Board, the applicant will also be afforded the
7 opportunity to file briefs and make closing remarks.

8 The transcript and exhibits produced at
9 this hearing will become part of the evidentiary
10 record supporting the Board's decision with respect
11 to the issuance of licenses.

12 I would ask the Board to move to publish
13 this draft regulation public comment for a period of
14 ten days. I would be happy to take any questions.

15 CHAIRMAN DECKER: Were there any questions
16 of Frank?

17 COMMISSIONER DiGIACOMO COLINS: Frank, I
18 have a question for you.

19 MR. DONAGHUE: Yes, Mary.

20 COMMISSIONER DiGIACOMO COLINS: It's
21 Commissioner Colins. If you could explain very
22 briefly how this licensing hearing is different from
23 the public input forums that we've conducted.

24 MR. DONAGHUE: Well, probably the biggest
25 difference will be that the Board members themselves

1 will be able to actively participate and ask
2 questions of the applicants during this hearing
3 process.

4 Again, it will be the applicant's
5 responsibility to present evidence as to suitability,
6 eligibility, and to demonstrate further evidence on a
7 number of the factors that the Board can take into
8 consideration when awarding licensing.

9 COMMISSIONER DIGIACOMO COLINS: So in other
10 words, this is much more comprehensive and the
11 information from the public input forums are just one
12 element for consideration for the Board?

13 MR. DONAGHUE: That is correct. We're also
14 very careful to take into consideration all of the
15 due process requirements required under Pennsylvania
16 law.

17 COMMISSIONER DIGIACOMO COLINS: Thank you
18 very much, Frank.

19 MR. DONAGHUE: Thank you, Commissioner.

20 CHAIRMAN DECKER: At the time of the
21 suitability hearings, we will have the background
22 suitability information, the report on financial
23 suitability as described before and the capabilities
24 of the applicant regarding operations?

25 MR. DONAGHUE: That is correct.

1 CHAIRMAN DECKER: We also have the
2 diversity plan?

3 MR. DONAGHUE: Yes.

4 CHAIRMAN DECKER: The problem gaming plan,
5 their projections for tax revenue, which obviously
6 we're going to put into our model?

7 MR. DONAGHUE: That's correct.

8 CHAIRMAN DECKER: Obviously, we're also
9 going to have the economic impact study and local
10 impact studies, which we've already gotten?

11 MR. DONAGHUE: That's correct.

12 CHAIRMAN DECKER: Okay. Then they're going
13 to be in a position to comment on each others.
14 They're going to do that through achieving -- they
15 can obtain the expert reports, I think you said that,
16 Frank, of each other, correct?

17 MR. DONAGHUE: That's right.

18 CHAIRMAN DECKER: That will all be
19 interchangeable from a notice comment and then there
20 will be a chance for briefs and chance for rebuttal?

21 MR. DONAGHUE: The key here is allowing for
22 review.

23 CHAIRMAN DECKER: And then a chance for
24 rebuttal. Throughout that, we'll be able to ask
25 questions?

1 MR. DONAGHUE: Right.

2 CHAIRMAN DECKER: About either suitability
3 or their presentations, correct?

4 MR. DONAGHUE: That's correct.

5 COMMISSIONER DiGIACOMO COLINS: Frank, one
6 further question. At these hearings, since basically
7 our primary consideration is providing due process in
8 our decision making process about these licenses, one
9 of the elements that we will consider in terms of
10 suitability of good character and honesty and
11 integrity.

12 At these hearings, will the applicants not
13 have to have information regarding that in advance?
14 For example, information from the criminal
15 backgrounds will have to be in so the applicants can
16 address those issues at this time, is that not true?

17 MR. DONAGHUE: That's right. They will
18 have to have it before the Board 30 days prior to the
19 hearings. They will have to have evidence of all of
20 that information.

21 COMMISSIONER DiGIACOMO COLINS: Thank you.

22 MR. DONAGHUE: Thank you, Commissioner.

23 CHAIRMAN DECKER: Any other questions for
24 Frank on the suitability hearing?

25 COMMISSIONER COY: Mr. Chairman?

1 CHAIRMAN DECKER: Please, Commissioner Coy.

2 COMMISSIONER COY: One of the things we've
3 learned, I think this far, in the public input
4 hearings with regard to the subject of traffic
5 studies.

6 CHAIRMAN DECKER: Yes.

7 COMMISSIONER COY: It's obvious that most
8 of the applicants have engaged their own traffic
9 engineer transportation study, people, whatever you
10 want to call it.

11 I think that's fine. I think it's good
12 that they went ahead with it. I've come to the
13 conclusion that I think the Board has a public
14 responsibility here for us to engage an independent
15 traffic study firm, if you will, to really provide
16 for all of us and for the public in general in each
17 case, in each case for each of the applicants.

18 So I would like to see us ask our staff to
19 come back with some responses at the next meeting
20 about which firms may be available, how we should go
21 about this, because I think the public and we need to
22 know that there have been transportation studies done
23 but done with no regard, no disregard whatsoever to
24 the applicants' studies. That's fine.

25 But I think there's been enough information

1 provided in both ways to ask questions that we ought
2 to have independent firms do them.

3 CHAIRMAN DECKER: I agree with you 100
4 percent. I think we all do. We have asked Paul
5 Resch, who is our secretary to the Board and has a
6 lot of background in community kinds of issues, to
7 head that up for us.

8 We're going to get some names.
9 Unfortunately, there are a lot of applicants and,
10 therefore, a lot of traffic experts who have already
11 been taken up. So we're going to take a look at that
12 and we're going to come back to the Board, the staff
13 will come back to the Board by the next meeting with
14 a report on that issue.

15 COMMISSIONER COY: Thank you.

16 CHAIRMAN DECKER: I think it's crucial. We
17 need to have some oversight. None of us are traffic
18 experts. We need to understand how this all works.
19 It is a competition to a great extent.

20 Please, Commissioner.

21 COMMISSIONER McCABE: Mr. Chairman, I just
22 realized, I made a mistake when I made a motion. I
23 think I made the motion --

24 CHAIRMAN DECKER: We didn't notice it.

25 COMMISSIONER McCABE: Where --

1 CHAIRMAN DECKER: You can do one for this
2 one, please.

3 COMMISSIONER McCABE: Well, that's -- when
4 I made the motion, it was to public comments on the
5 draft temporary regulations --

6 CHAIRMAN DECKER: Let's do both again and
7 pass them at the same time.

8 COMMISSIONER McCABE: And then make the
9 motion, what Maureen proposed was -- should be for
10 public review and comment, the draft temporary
11 regulations pertaining to slot machine testing, slot
12 computer testing and accounting and internal controls
13 by publishing the regulations on the Board's website
14 for a ten-day period ending May 15th.

15 CHAIRMAN DECKER: The other motion for your
16 resolutions.

17 Okay. Anymore comments or questions?

18 I hope that's perfectly clear.

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

21 COMMISSIONERS: Aye.

22 CHAIRMAN DECKER: Any opposed?

23 Both motions carry.

24 You have two more?

25 MR. DONAGHUE: A little bit more business.

1 On March 16th, 2006, staff presented the final
2 hearings and appeals regulation to the Board, which
3 were subsequently adopted by the Board and added to
4 Subpart H of the Board's regulations entitled
5 practice and procedure.

6 Today, I'm presenting to the Board for its
7 consideration a regulation pertaining to Intervention
8 Procedure, which will be added to the hearing and
9 appeals regulations previously adopted by the Board.

10 This regulation permits interested parties,
11 including individuals and entities, to petition for
12 the right to participate in the hearing of another
13 person before the Board.

14 All persons, including applicants, have the
15 right to file a petition to intervene, but the
16 granting of the intervention is within the sole
17 discretion of the Board.

18 This regulation provides guidelines for all
19 intervention matters, including procedures for the
20 following of an intervention petition.

21 This regulation is consistent with
22 intervention procedures used by administrative
23 agencies, and it is a necessary component of
24 Pennsylvania Administrative Agency Law.

25 I would request that the Board moves to

1 adopt this regulation and would be happy to answer
2 any questions.

3 COMMISSIONER DIGIACOMO COLINS: Since this
4 is an adoption at this point rather than a
5 publication, if there are no questions, I will move a
6 resolution before the Board to be seconded. May I do
7 that at this time?

8 CHAIRMAN DECKER: Yes. Well, we can do it
9 either way. Can I have a motion to Mary's point?
10 Was that a motion?

11 COMMISSIONER DIGIACOMO COLINS: What I
12 would do is read the resolution since it's an
13 adoption, actual adoption.

14 Whereas, on July 5th, 2004, the
15 Pennsylvania General Assembly enacted the
16 Pennsylvania Racehorse Development and Gaming Act
17 establishing the Pennsylvania Gaming Control Board as
18 the primary regulatory agency charged with the
19 responsibility of implementing and overseeing slot
20 machine gaming in the Commonwealth.

21 And whereas, the Act authorizes the Board
22 to adopt temporary regulations in order to facilitate
23 the prompt implementation of the Act during the two
24 years following the Act's effective date.

25 And whereas, the Board has developed draft

1 temporary regulations for the intervention process.

2 And whereas, the public has had an
3 opportunity to comment on the draft regulations.

4 And whereas, the Board's final temporary
5 regulations are designated at Title 58, recreation,
6 Part 7, Gaming Control Board, Subpart H, practice and
7 procedure, Chapter 493, pleadings, specifically
8 Section 493.13, intervention.

9 And whereas, the Board reserves the right
10 to amend the temporary regulations as it deems
11 necessary in accordance with the purpose of the Act
12 and in order to further the intent of the Act.

13 Be it resolved that the Board adopts the
14 draft regulations as its temporary regulations for
15 the intervention process.

16 So I move that we approve that resolution.

17 COMMISSIONER MARSHALL: Second.

18 CHAIRMAN DECKER: Thank you, Mary and Chip.

19 Any questions for Frank?

20 Hearing none, all those in favor, please
21 indicate by saying aye.

22 COMMISSIONERS: Aye.

23 CHAIRMAN DECKER: Any opposed?

24 The motion carries. Thank you.

25 MR. DONAGHUE: Finally, Mr. Chairman, just

1 a few technical changes to existing regulations.

2 Nan, do you want to come up here, please.

3 MS. HORNER: Good morning. I am presenting
4 for you today for your consideration proposed
5 amendments to regulations adopted by the Board on
6 June 16th, 2005.

7 In a resolution to adopt the regulations,
8 the Board preserved the right to make amendments to
9 the regulations as it deems necessary in accordance
10 with the purpose and in order to further the intent
11 of Act 71.

12 As we move forward in the regulatory
13 process, we are continually reviewing the existing
14 regulations.

15 Based on suggestions from the Bureau of
16 Licensing and Board members and based on Board
17 staffs' review of the regulations, we're offering
18 today some editorial changes and amended language to
19 some of the regulations.

20 Specifically, I will present to you changes
21 to Sections 401.4, 421.4, 435.2, and 435.3. For the
22 sake of clarity and continuity, I'm going to present
23 the changes and amendments in groupings that may not
24 be in numerical order.

25 Sections 435.2, entitled key employee

1 qualifier license; and 435.3, entitled key employee
2 license.

3 The first regulatory amendments that we are
4 proposing today adds language to Sections 435.2 and
5 435.3 regarding key employee qualifier licenses and
6 key employee licenses.

7 The additional language clarifies that key
8 employee qualifiers and key employees of all entities
9 that will be licensed, including slot machine
10 licensees, manufacturers, suppliers, junket
11 enterprises, and management companies, must obtain
12 licenses or waivers from being licensed.

13 We have deleted reference to vendors in
14 this section, because vendors will be registrants and
15 certificate holders so they will not be licensees.

16 We are addressing their key employee
17 qualifiers and key employees in the vendor section of
18 the regulations.

19 The second amendment in this section has
20 codified the concept that a key employee qualifier
21 license shall be valid only for the specific slot
22 machine licensee, manufacturer licensee, supplier
23 licensee, junket enterprise licensee, or management
24 company licensee for which it was granted.

25 The reason for the non-portability of a key

1 employee qualifier license is that the license
2 application and investigation of key employee
3 qualifier has two levels.

4 The first level is the suitability
5 investigation and the second level is a review and
6 analysis of the relationship between the key employee
7 qualifier and the applicant, including review of the
8 underlying agreements that relate to that
9 relationship.

10 Please note, however, that because we have
11 regulation that provides for dual licensure, it's not
12 necessary for a key employee, who is also a key
13 employee qualifier, to have both of those licenses.

14 The key employee portion of the license is
15 portable. So a situation could arise where a person
16 is a key employee qualifier of an entity, leaves, is
17 no longer an owner of that entity and seeks to become
18 an employee of another licensee.

19 The key employee portion of that license
20 would go with the person, whereas the key employee
21 qualifier aspect of it ceases to exist when they are
22 no longer an owner of the first one.

23 The next amendment to Section 435.2
24 involves waivers. Several sections of the Gaming Act
25 allow the Board to waive the requirement that certain

1 entities and natural persons be found qualified.

2 Section 435.2(g) of the regulations
3 provides a vehicle by which such persons may seek a
4 waiver.

5 One of the types of waivers that is
6 available pursuant to our regulations is for an
7 outside director of an affiliated entity of a
8 licensee.

9 The proposed change that I will discuss
10 today will clarify that the waiver is not available
11 to an outside director of an entity who is a member
12 of the Audit Committee.

13 I propose requiring outside directors who
14 are members of Audit Committees to be fully licensed
15 as key employee qualifiers.

16 Audit Committees have oversight
17 responsibility for management's actions concerning
18 internal control environment, including the design
19 and implementation of anti-fraud programs and
20 controls.

21 Generally, an Audit Committee is appointed
22 by the Board of Directors to assist the Board in
23 monitoring internal control over financial reporting,
24 audit of the company's financial statements,
25 selection of independent auditor, performance of the

1 internal function and independent auditors and
2 compliance by the company with legal and regulatory
3 requirements.

4 Because the Audit Committee plays an
5 important role in the company and has a
6 responsibility for overseeing and reviewing internal
7 controls over financial reporting, material
8 weaknesses therein, and any fraud involving
9 management, Internal Audit Committee members have a
10 tremendous amount of authority.

11 We believe that such members should not be
12 waived from their requirement to be licensed in
13 Pennsylvania.

14 Also, please keep in mind that provisions
15 concerning waivers are merely for the purpose of
16 initial filings.

17 The Board always has the ability to require
18 a full filing for any individual who is involved in
19 any aspect of Pennsylvania gaming.

20 The fourth amendment to Section 435.2
21 clarifies which entities, based upon their financial
22 or managerial relationship with an applicant or
23 licensee, are required to file an affiliate's
24 application as if it were the applicant itself.

25 Such entities would include holding and

1 intermediary companies, general partners of limited
2 partnership applicants and licensees, and entities
3 that beneficially hold or own a controlling interest
4 in an applicant or licensee.

5 This reiterates Section 1311(b) of the
6 gaming act and codifies our current procedure by
7 requiring these entities to submit full applications.
8 The purpose is not only to receive a more
9 comprehensive disclosure from an entity, but the full
10 application requirement also enables the Board to
11 require licensure of key employee qualifiers of an
12 entity.

13 The next section I propose amendments to is
14 Section 421.4, entitled investigations and
15 supplementary information.

16 This section or portion of this section
17 allows an eligible applicant or licensee to request
18 investigation of a potential purchaser of the
19 eligible applicant or licensee.

20 The section allows the purchaser to submit
21 an application as if it were the eligible applicant
22 itself to allow the Board to begin a prepurchase
23 suitability inquiry and investigation.

24 The regulation, however, does not provide
25 that the Board issue anything at the conclusion of

1 this inquiry and investigation.

2 The proposed amendment would allow the
3 eligible applicant, so the applicant who is before us
4 to request that the Board -- to petition the Board
5 for a statement of investigation on behalf of the
6 purchaser.

7 The statement of investigation for the
8 purchaser would state whether the purchaser has or
9 has not met the requisite good character, honesty and
10 integrity, and financial fitness criteria imposed by
11 the Gaming Act.

12 A statement of investigation is
13 contemplated by Section 1328 of the Act which
14 concerns change in ownership or control of a slot

16 Section 401.4 entitled definitions, I would
17 like to propose in conjunction with the amendment
18 421.4, a definition for a statement of investigation.

19 The statement of investigation would be --
20 would specify the particular criteria satisfied by
21 the purchaser and that the statement of investigation
22 is applicable only as to the purchase of a specific
23 eligible applicant or licensee.

24 It will address the fitness of the
25 purchaser for a particular project and would be --

1 and would be the basis for allowing the purchaser to
2 step into the shoes of the eligible applicant.

3 One last amendment to the definitions that
4 we are proposing today involves the definition of key
5 employee qualifier.

6 The amendment would clarify the filing
7 requirements and ensure that significant entity --
8 I'm sorry -- significant equity holders of an
9 applicant or licensee are licensed.

10 We propose replacing the term securities
11 with the term -- with the term equity interest to
12 make it clear that individuals who have an equity
13 interest or an ownership interest in an applicant or
14 licensee, which has a substantial amount of debt will
15 not avoid having to be licensed.

16 The current term securities is very broad
17 and could lead an applicant or licensee to believe
18 that an equity interest owner's holdings are 5
19 percent based upon a calculation that would combine
20 debt and equity.

21 So by clarifying that an owner of equity as
22 opposed to a 5 percent owner of all securities must
23 be licensed reaches the intent of the Act and the
24 regulation of key employee qualifiers.

25 CHAIRMAN DECKER: Michael, you had

1 something on another piece of it?

2 MR. SCHWOYER: Good morning. I would like
3 to discuss four additional amendments to Chapter 405,
4 Bureau of Investigations and Enforcement; and two
5 amendments to 499.1 in Chapter 499 relating to
6 representation before the Board.

7 The first amendment is to Section 405.2
8 entitled information. This amendment adds a
9 Subsection B and renumbers or reletters the other
10 subsections contained in 405.2.

11 The purpose of this amendment is to grant
12 the authority to administer oaths and affirmations to
13 the director of the Bureau of Investigation and
14 Enforcement, the chief enforcement counsel, and their
15 designees for purpose of obtaining statements with
16 regard to matters and things that are properly under
17 the jurisdiction of the Board.

18 It also specifically references that any
19 person so designated shall have the power and
20 authority to obtain by subpoena the sworn statement
21 of a person deemed with information relevant to an
22 investigation.

23 I wanted to make it clear that the
24 subpoenas -- any subpoena to take a statement would
25 have to be obtained pursuant to the Board's

1 regulations and that requires a subpoena be issued by
2 a Hearing Officer or by the Board.

3 This simply gives the authority to
4 administer the oaths and affirmations in order to
5 obtain the statement, whether voluntary or pursuant
6 to a subpoena.

7 The proposed amendment to Section 405.3
8 entitled Office of Enforcement Counsel just makes it
9 clear that the Office of Enforcement Counsel can
10 initiate proceedings for violations of not only the
11 Act but also the Board's regulations.

12 Proposing amendments to Section 499.1 and
13 499.2 in Chapter 499, again, entitled Representation
14 for the Board.

15 The purposes of both of these amendments
16 are to clarify and reword the existing regulatory
17 language.

18 In essence, what the amendments will
19 provide is that individuals may always represent
20 themselves before the Board, but that a party to a
21 proceeding, except for in the case of individuals, a
22 party to a proceeding must be represented by an
23 attorney authorized to appear before the Board in
24 accordance with Section 499.2. 499.2 entitled
25 Appearance by Attorney would be amended, again, to

1 clarify that the process -- excuse me -- to clarify
2 that it's an attorney admitted to practice law in
3 Pennsylvania who can appear before the Board, an
4 attorney admitted to practice in the jurisdiction
5 which affords privileges to Pennsylvania attorneys to
6 appear before their courts and administrative
7 agencies or an attorney who has been granted pro hac
8 vice authorization from this Board, and then the
9 amendment sets forth the procedural process for
10 obtaining pro hac vice authorization.

11 CHAIRMAN DECKER: Are there any questions
12 concerning the proposed technical changes?

13 Hearing none, may I have a motion?

14 COMMISSIONER MARSHALL: So moved.

15 CHAIRMAN DECKER: Second?

16 COMMISSIONER RIVERS: Second.

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

19 COMMISSIONERS: Aye.

20 CHAIRMAN DECKER: Any opposed?

21 Motion carries unanimously. I want to
22 thank Frank -- Frank, there's no more, right?

23 MR. DONAGHUE: There's no more.

24 CHAIRMAN DECKER: We thank Frank, Maureen,
25 Doug, Nan, Michael, and Michelle who have spent a lot

1 of time on this. I hope I didn't miss anybody.

2 MR. DONAGHUE: Mr. Chairman, thank you for
3 your consideration.

4 CHAIRMAN DECKER: We have one more item. I
5 want to ask Greg, Greg Fajt, who is going to review
6 where things stand on some of the DORs cash flow
7 regulations that will -- this will appear on our
8 website at some point, right?

9 SECRETARY FAJT: Right. Thank you,
10 Mr. Chairman.

11 I just wanted to notify the public and
12 especially the operators and others that are
13 interested in the Department of Revenue cash flow
14 regs.

15 These will be regulations dealing with the
16 Department of Revenue collection of taxes from the
17 operators, who holds the money, how the -- what the
18 Department will do for non-payment of taxes, those
19 types of things. Generally, they're called the tax
20 flow regulations.

21 We are about 99 percent finished with them.
22 They will be in our website in the very near future.
23 It actually could be as early as tomorrow. Just stay
24 tuned.

25 There will be an icon on the Department of

1 Revenue website when they are up, and we will also
2 have a link from the Gaming Control Board website,
3 too. So in the very near future, Mr. Chairman.

4 CHAIRMAN DECKER: Thanks, Greg. We
5 appreciate it very much. Is there anything else to
6 come before the Board today from any of the
7 Commissioners?

8 I have a couple of items before we close.
9 Our next public meeting is on Friday, May 19th at
10 10:00 a.m. It will be held in the auditorium of the
11 State Museum on Third and North Streets here in
12 Harrisburg.

13 After that, our next public meeting, unless
14 something happens to the contrary, June 15th at 10:00
15 a.m., which is a Thursday, here. Again, anything
16 else to come before the Board?

17 I want to thank everyone for being here
18 today. I would certainly entertain a motion to
19 adjourn.

20 COMMISSIONER MARSHALL: So moved.

21 COMMISSIONER McCABE: Second.

22 CHAIRMAN DECKER: All in favor?

23 COMMISSIONERS: Aye.

24 CHAIRMAN DECKER: Thank you.

25 (The hearing concluded at 11:45 a.m.)

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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