

PENNSYLVANIA GAMING CONTROL BOARD

FORUM BUILDING
AUDITORIUM
HARRISBURG, PENNSYLVANIA

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BEFORE:

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

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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 to our public
4 meeting this morning.

5 Please note that Treasurer Bob Casey is
6 participating by telephone today. Treasurer, can you
7 hear us?

8 TREASURER CASEY: Thank you, sir.

9 CHAIRMAN DECKER: Thank you.

10 A quorum of the Board being present, this
11 meeting is called to order. As always, let me ask
12 everyone to please turn off, including me, their cell
13 phones and blackberries, etc., because it can
14 interfere with the sound system.

15 Let's begin with the Pledge of Allegiance.

16 (Pledge of Allegiance.)

17 CHAIRMAN DECKER: By way of old business,
18 as you know, we expect to vote on applications for
19 Conditional Category I gaming licenses towards the
20 end of this meeting.

21 We also have a lot of regular business to
22 transact today. So we will get started with the
23 announcements.

24 First, the Board held Executive Sessions on
25 September 20th and September 26th, 2006 to discuss

1 personnel matters. No business was conducted at the
2 sessions.

3 Second, at the last meeting, I mentioned
4 that the deemed complete date was approaching for the
5 applicants for operator licenses. Since there has
6 been some confusion, I would like to clarify these
7 dates.

8 The applications for Category I licenses
9 will be deemed complete today. This does not apply
10 to permanent licenses.

11 Today, I would also like to announce the
12 deemed complete date for other categories. The
13 applications for the permanent Category I, Category
14 II, and Category III licenses will be deemed complete
15 on November 14th, 2006.

16 The November 14th date will begin the
17 12-month period during which the Board is required to
18 approve, condition, or deny all permit applications.

19 Now that the Board has completed all six of
20 the Category I suitability hearings, we will be
21 releasing estimated gross terminal revenue estimates
22 compiled by the Financial Suitability Task Force.

23 We will also be posting this report on our
24 website report today, though Doug Harbach of our
25 Communications Department has copies for anyone in

1 the press or the public who would like a hard copy.

2 I know this has been widely reported in the
3 press, but I want to reiterate something again today.
4 Act 71 prohibits the Board from releasing portions of
5 reports which are confidential, which involve private
6 proprietary business information of an applicant,
7 particularly business -- for example, the business
8 plans, competitive analysis, financial analysis, all
9 marketing reports, etc. are all confidential and
10 cannot be disclosed by us.

11 At the same time, we do wish to provide the
12 public with some idea of how our Financial
13 Suitability Task Force projections stacked up against
14 those estimates provided to the Board by individual
15 applicants.

16 Finally, let me strongly note that the use
17 of the Task Force estimates cannot be used -- let me
18 repeat it again -- cannot be accurately used to
19 predict overall total gross terminal revenue from
20 gaming in Pennsylvania.

21 Our focus has been on each applicant and
22 their respective financial suitability. To compile
23 estimated projections for each applicant, the Task
24 Force had to include any potential competition for
25 that applicant.

1 This means possible revenues from
2 applicants that may not be ultimately awarded a
3 license and go into operation are still used to
4 evaluate potential competition as to the individual
5 applicant.

6 This results essentially in more
7 competition and more operators than what actually
8 occur statewide or be permitted under Act 71.

9 So simply adding those figures together
10 would produce incorrect assumptions of the total
11 statewide gaming revenue.

12 Okay. Moving onto new business. Let's go
13 with the Executive Director's report. Anne.

14 MS. LaCOUR NEEB: Good morning, Chairman
15 Decker, members of the Board. The Board has
16 frequently discussed the issue of additional and
17 different types of criminal activity in the
18 Commonwealth due to the advent of gaming.

19 To assist the Board and the public to have
20 a better understanding in this area, I'm very pleased
21 to introduce Mr. Jeremy Margolis, partner in
22 Sonnenschein's litigation and business regulation
23 group and Co-Chair of Sonnenschein's white collar
24 defense practice.

25 Mr. Margolis has served as an Assistant

1 United States Attorney in Chicago for 11 years. Most
2 importantly, Mr. Margolis wrote an extensive report
3 entitled *Casinos and Crime; an Analysis of the*
4 *Evidence.*

5 With that background, we asked Mr. Margolis
6 if he would come today before the Board and provide
7 some insight into the issue of increased crime and
8 enforcement when gaming is introduced into a new
9 jurisdiction. So we're pleased to have him here
10 today.

11 CHAIRMAN DECKER: Mr. Margolis, before you
12 start, I just want to thank you for coming in today.
13 We have seen reports, other reports. We've seen lots
14 of kind of hyperbole, if you will, on the subject of
15 gaming.

16 We've even had a report before a hearing of
17 one of our legislative groups, which stated that
18 gaming crime has already increased before we even had
19 a casino up and running, which I find hard to
20 believe, before employees were even there.

21 So we're delighted that you would come in
22 and address this very, very important issue for the
23 citizens of Pennsylvania.

24 MR. MARGOLIS: Mr. Chairman, thank you very
25 much. Members of the Board, Executive Director, and

1 professional staff of the Pennsylvania Gaming Board,
2 I'm delighted and honored to be here.

3 I would like to add one thing about my
4 background before I talk about crime, if I might. I
5 did spend, as the Executive Director says, 11 years
6 as an Assistant US Attorney in Chicago from 1973 to
7 1984.

8 I handled every kind of case, and a great
9 deal of it dealt with organized crime and organized
10 crime gambling.

11 From 1984 to 1987, I served as Illinois'
12 Inspector General, a post that oversaw all licensing,
13 regulatory activities of all state agencies.

14 From 1987 to 1991, I -- it was my great
15 honor to serve as director of the Illinois State
16 Police, what I regard as one of the finest law
17 enforcement agencies and engines in the world, 3,500
18 brave and dedicated men and women.

19 I served from '87 to '91 in that capacity.
20 In 1989, Governor Jim Thompson saw the passing of the
21 Illinois Gaming Act, which authorized ten licenses,
22 ten riverboats in Illinois just on the heels of the
23 expansion of gaming in our sister state Iowa. That
24 Bill was signed into law and into effect in January
25 of 1991.

1 While the Director of State Police, I
2 assigned the officers and agents who undertook the
3 task of doing what these fine men and women behind me
4 do in this state and men and women like them do
5 across the country, and that is to absolutely rock
6 solid guarantee the suitability and the propriety of
7 the licensees to participate in regulated gaming in
8 our state.

9 The history of this, what I call the crime
10 issue is an interesting one. I serve at your
11 pleasure and I speak at your pleasure. If I could
12 talk a bit about the overview and then I'll attempt
13 to answer whatever questions anyone might have.

14 When riverboat gaming, the new expansion of
15 gaming in the United States, took place first in Iowa
16 and then Illinois and it was followed by small
17 expansions in South Dakota and Colorado, it was done
18 without fanfare.

19 The crime issue was really no issue.
20 Frankly, people didn't take this seriously. People
21 viewed it as sort of like the tourist industry, the
22 tour ship cruising industry with gaming as an
23 advertising sale.

24 The first time crime became a serious issue
25 and I don't mean real crime, I should say the crime

1 issue became a serious issue was in 1992 when Circus,
2 Hilton, and Caesars combined in a strategic
3 consortium in an effort to secure authorization to
4 build a \$2 billion, 100 acre land-based gaming
5 complex in downtown Chicago.

6 It was done with our current Mayor Richard
7 Daley's extraordinary support. It floundered for
8 political reasons, but it was in the context of the
9 debate over the \$2 billion, 100 acre downtown Chicago
10 land-based massive complex that the crime issue
11 became topical.

12 Since then as gaming expanded in a variety
13 of jurisdictions both fixed as well as riverboat
14 gaming throughout the country, for maybe six or seven
15 years or so this was a very hot issue; and as
16 jurisdictions became emerging gaming jurisdictions,
17 they saw a parade of people arguing pro or con.

18 Much of the arguments was anecdotal -- I
19 should say many of the arguments were anecdotal, much
20 of it was rhetorical, much of it had to do with
21 personal beliefs; be they religious, philosophical,
22 governmental, whatever.

23 The gaming issue -- the crime issue and
24 some other issues got wrapped up with a great deal of
25 heat, very little light.

1 What occurred, I would say, between 1992
2 and maybe 1998 or so was a more focused, more precise
3 analysis of the facts and the rhetoric began to be
4 set aside. Facts began to be reviewed.

5 What emerged when people took a cold, hard,
6 objective view of what was really occurring as
7 opposed to what was being predicted, it was learned
8 that the crime was really not an issue.

9 Virtually, every chief or Sheriff who
10 polices a riverboat or gaming town will tell you they
11 get more calls for assistance from the local Wal-Mart
12 or K-mart than they do from the gaming facility.

13 If you objectively and analytically look at
14 the FBI Uniform Crime Reports, crime reports by the
15 way which never mentioned gaming, they talk about the
16 13 demographic factors which caused more or less
17 crime that has got to do with people and sociology
18 and transportation and weather and poverty, family
19 history, respect for the police, the quality of the
20 police. Gaming is not mentioned. They are the other
21 contributing states that add their data to become the
22 Uniform Crime Reports.

23 What became clear in those six or seven
24 years as people analyzed the numbers and saw what was
25 really happening is that this issue really was a

1 bogeyman. It was not a real issue.

2 There were some theories that you could
3 actually plot the increase in gaming-related crime by
4 looking at the number of hotel and motel receipts.

5 You can plot it by looking at the numbers
6 of tourists who appear. You can plot it by looking
7 at the take of the gaming institutions in the
8 jurisdiction.

9 But if you actually took those numbers and
10 plotted them against the FBI's Uniform Crime Reports
11 for the indexed crimes, you see the exact opposite
12 was true.

13 Almost unbelievably, the advance of
14 economic well being, particularly in towns that
15 needed this as an economic shot in the arm, served
16 the opposite result, crime actually decreased.

17 When those people who really looked at this
18 with a very focused and objective eye began to look
19 beyond just the numbers on the superficial level and
20 began to think about the huge increase in average
21 daily population, which, of course, is the way you
22 computed the crime, you take the incidents and you
23 plot them against the population of the community to
24 determine the crime rate.

25 If you look at Atlantic City, which had

1 37,000 residents, and on top of it just like that you
2 dump 130,000 people a day, is there more crime?

3 Well, sure. There's more heart attacks and more
4 traffic jams and more straws on the street and more
5 of everything that happens when people are there.

6 The study I prepared in 1997 has some
7 charts that really take this apart and express it
8 better than I can orally. If you actually look at
9 the movement of crime over time and look at the
10 increase in revenue, increased economic performance
11 over time, you see exactly the opposite is the case.

12 As economies grow, as people go to work,
13 crime goes down. With respect to the organized crime
14 issue, and this was a tough one to put to bed,
15 especially coming from Chicago -- if I travel
16 overseas, where are you from? Chicago. I get an Al
17 Capone and a rad-a-tat-tat sound. I mean, these
18 things die hard.

19 Fueled by the reality of Bugsy Segal and
20 Las Vegas in the early days, fueled by movies and the
21 media as recently as just last year, there is this
22 conception that the mob is out there lurking.

23 The reality is when Howard Hughes sold TWA
24 and purchased 25 percent of the Las Vegas strip, he
25 began to bring respectability.

1 It was the advent of public companies owned
2 by the people out there and teacher pension funds and
3 retirement funds and the intrusive incredibly
4 calculating regulation and inspection of both IRS and
5 SEC, as well as the citizen oversight that is
6 presented by Gaming Boards like this across the
7 country, the organized crime issue really became just
8 a specious issue.

9 For those that say otherwise, I've asked
10 the simple question, okay, please name me the gaming
11 entity that is influenced by organized crime. You'll
12 wait a long time.

13 The likelihood that some outfit person is
14 going to get past their scrutiny and your review and
15 the transparency that attends these proceedings and
16 these hearings is as close to zero as is humanly
17 possible.

18 I'm not saying that people who argue the
19 other side didn't in some instances believe what they
20 say. Some, I think, were just misled and some were
21 saying what they hope would be the case; but an
22 objective review of the empirical data and
23 conversations with those people who are sworn to
24 serve and protect the people and the property and the
25 communities that have gaming across the country will

1 tell you, it just ain't so.

2 Mr. Chairman, I would be delighted to
3 answer any question you or any member of the Board
4 might have. If I don't have the answer on the tip of
5 my tongue, I will have you an answer orally in
6 writing very promptly at your pleasure.

7 CHAIRMAN DECKER: Questions?

8 Ken?

9 COMMISSIONER McCABE: Thank you,
10 Mr. Margolis, for being here. I have a few
11 questions. I've looked at a lot of different
12 reports.

13 These statistics, does crime go up, does
14 crime not go up. I think looking at all of these
15 different reports, I've found those that say yes and
16 those that say no.

17 What makes your report any different and
18 your conclusions different than some of these other
19 reports?

20 MR. MARGOLIS: You know, given your
21 background to follow the facts, my response would be
22 to -- don't give any great credence to my opinions or
23 my views. They are what they are. I've been right.
24 I've been wrong in my life.

25 And don't give great credence to the

1 opinions or views of others that may have some agenda
2 or may simply be wrong.

3 What I tell people who ask that question is
4 look at the facts. The charts, which I laid out in
5 my report, aren't my figures. They're the figures
6 contributed by some 16,000 law enforcement agencies
7 across this country, very carefully tabulated,
8 reviewed, and calculated by the FBI.

9 I didn't make up the relative positions. I
10 didn't make up the amounts of revenue that coincide,
11 increasing amounts of revenue coinciding with
12 decreasing amounts of crime.

13 My response is don't necessarily listen to
14 my opinion. I don't want to say I'm the more honest
15 or I'm the smarter or the more knowledgeable person
16 than someone else; but if you actually look at the
17 numbers, if you actually talk to, as I did, the
18 chiefs and Sheriffs in those communities, one comes
19 to the same conclusion, not because Jeremy says it's
20 so, because the numbers show it and the reality on
21 the street shows it.

22 COMMISSIONER McCABE: Did you know going
23 into this study -- did you go in looking at it to
24 support a conclusion that you already had or were you
25 just following the facts and evidence to then

1 determine where this led you?

2 MR. MARGOLIS: When I was asked to do the
3 study, I said you are taking a gamble asking me to do
4 this because these chips will fall where they may. I
5 came into this with no preconceived notion.

6 My objective was to gather the facts,
7 present the facts. Obviously, I drew conclusions.
8 But the most important thing about my report is not
9 what Jeremy says it means. It's what the facts
10 generated by the report, which are unsalable,
11 actually say.

12 So my response to that question is I had no
13 preconceived notions. I gathered as much data as I
14 could, whether it was recorded statistical data or
15 the laying out the literature of everything pro, con,
16 down the middle for the reader, the observer, the
17 regulator to read, to review, and to come to his or
18 her own conclusion. I think the conclusions are
19 inescapable if one comes to this with an objective,
20 open mind.

21 COMMISSIONER McCABE: One last question.
22 In the reports that I've looked at and reviewed, I
23 think almost all of them agree that at the beginning,
24 crime doesn't go up in the first year or so. Many
25 different reasons for that, the increase of police

1 hiring because of new casino awareness, but then as
2 you get into the stabilized years and after, some
3 numbers do go up.

4 Then there's different interpretations of
5 why those numbers go up. What is your conclusion,
6 based on your study, about why these numbers go up in
7 the stabilized years and after?

8 MR. MARGOLIS: I answer this question with
9 the greatest due respect. I don't accept the
10 underlying factual predicate. I'm aware of one
11 study, and I can't understand it.

12 It's based upon regressive analysis. It
13 uses the terminology that is way beyond my ability to
14 comprehend. I'll give you -- it's not -- I
15 highlighted it because I read it last night
16 anticipating this question.

17 This is -- I don't want to demean people in
18 public. Here is the language. Where C is the crime
19 rate, α is the constant, β is the vector of
20 estimated coefficient on the county level fixed
21 effects, the control for unobserved characteristics
22 across counties. The time effect T controls for
23 natural crime rate trends.

24 Our base specification of L is a vector of
25 the casino opening dummy variable that includes two

1 leads and five lags of the opening variable and
2 captures the important intertemporal effects outlined
3 earlier. Then it talks about dummy variables.

4 I have no idea what that means. I mean,
5 I'm not the smartest person in this room. I did
6 pretty well in college and pretty well in law school
7 and I'm doing okay in the practice of law. I don't
8 understand this. I really don't.

9 I think the predicate is simply incorrect.
10 I think what you'll see in some jurisdictions and
11 Atlantic City was the classic one, substantially more
12 of everything that what one would expect when 120,000
13 people show up on the doorstep of a 37,000 person
14 community all over the place, truly did happen.

15 Then over time, as the facilities of
16 government and the social engine got used to it, they
17 got it right. They got it fixed. Now, you can't
18 change the number of heart attacks; but you can keep
19 people from littering straws and drinking cups in the
20 streets and you sure as heck can control crime if you
21 just don't tolerate it and that's what happened in
22 Atlantic City.

23 You see as the number of casinos went from
24 1 to 13 and the revenues went through the roof and
25 they got a handle on it a couple of years, crime

1 dissipated and no longer became a problem.

2 In some jurisdictions, the smaller
3 jurisdictions, Deadwood, Colorado -- Deadwood, South
4 Dakota, Cripple Creek, Colorado and at least in my
5 state that I police, the Illinois riverboat towns, we
6 haven't seen increase. It just doesn't happen.

7 I think one of the reasons it doesn't
8 happen, in fact, the opposite tends to be true is as
9 you observed, you have more police in the area. You
10 have better lighting. You have something that is
11 also magic as numbers of people sometimes increases
12 social problems and issues, numbers of people
13 decreases some and numbers of people in some context
14 decrease crime because if you're walking alone down
15 an unlit street, you're more at risk than if you're
16 walking with a dozen of friends, laughing and having
17 a nice night on your way to you car to head on home.

18 In most communities, you really do not see
19 that increase unless there's a massive influx of
20 people, you're likely to before they get a handle on
21 it.

22 COMMISSIONER McCABE: Thank you.

23 COMMISSIONER DiGIACOMO COLINS: Yes,
24 Mr. Chairman.

25 CHAIRMAN DECKER: Please.

1 COMMISSIONER DiGIACOMO COLINS: Yes.
2 Mr. Margolis, your analysis and study was published
3 in December of 1997?

4 MR. MARGOLIS: Yes, ma'am.

5 COMMISSIONER DiGIACOMO COLINS: And you
6 continue to do work in this area and to study this
7 area of casinos and crime up to the present; is that
8 correct?

9 MR. MARGOLIS: Not really. I did the study
10 in 1997. In about '97 or '98, as I indicated in my
11 opening remarks, the issue just sort of died of it's
12 own inertia and I have not done a great deal of study
13 since.

14 When I was contacted and asked to appear
15 today, I did a crash course over the weekend and I
16 read about a bunch of data. I pulled down the latest
17 FBI Uniform Crime Reports, which I explained to our
18 Board Member from the Bureau, now for the first time
19 in history is not in paper. It's only on-line, which
20 makes it actually a little tougher to work with.

21 I read what I could find is the most recent
22 studies and the one that Mr. McCabe refers to is
23 actually a very recent study based upon data from the
24 '90s. The data period is the same data that I looked
25 at and I use this for --

1 COMMISSIONER DiGIACOMO COLINS: My next
2 question is then, as a result of the reading that you
3 have done and the data that is available, you still
4 today stand by the conclusion of your study.

5 MR. MARGOLIS: Yeah. Let me add to it,
6 ma'am. I talked to a variety of my brothers and
7 sisters in law enforcement, including someone that
8 I'm sure Dave Kwait knows, Jim Wagner, who was the
9 organized crime chief in Chicago for FBI, 30-year FBI
10 veteran, who then went to the Illinois Gaming Board
11 as its chief investigator, is now the Executive
12 Director of the Illinois Crime Commission, is as
13 tough and hardboiled and cynical a man as I ever met
14 but also among the most fair.

15 I caught myself up through his eyes. I
16 caught myself up through the eyes of chiefs who now
17 police the towns that I looked at in 1997 when I did
18 the study.

19 I talked to my colleagues at the Illinois
20 State Police just to make sure. I talked to
21 additional people at the Illinois Gaming Board and
22 other places to verify for myself that what I had
23 seen then is really unchanged except for the
24 maturation of the industry, the maturation of the
25 regulatory process I think has probably settled

1 things down even more than it had settled when I
2 completed my study in 1997. It's just not an issue.

3 COMMISSIONER DIGIACOMO COLINS: Thank you.

4 CHAIRMAN DECKER: Any other questions? I
5 can't thank you enough for coming.

6 MR. MARGOLIS: My pleasure, Mr. Chairman.
7 Thank you so much.

8 TREASURER CASEY: Mr. Chairman.

9 CHAIRMAN DECKER: I'm sorry, Bob. I
10 couldn't hear you, Treasurer.

11 TREASURER CASEY: Thank you, Mr. Chairman.

12 Just a brief question for Mr. Margolis.
13 First of all, I, like other Board Members, want to
14 thank you for your -- not just your testimony and
15 your work but your public service.

16 The question may be off the point somewhat
17 and it pertains to not the question of crime per se,
18 but we know from or at least we've seen reports over
19 the years of the increase of other problems with
20 gaming, what I might call in a non-expert way, social
21 pathology, suicide rates going up, abuse, divorce,
22 alcoholism, whatever it is.

23 A -- I guess it's a two-part question. A,
24 do you think those assertions are accurate or
25 reliable; and B, do you think there's a potential

1 impact on crime when those pathologies, if they do
2 increase, if that increases or creates a predicate
3 for crime? What is your -- just based upon your
4 experience on that question.

5 MR. MARGOLIS: Let me beg the question
6 slightly at the outset by saying, I don't claim to be
7 an expert on crime, although I know a bunch about it.

8 I'm surely not an expert on compulsive or
9 pathological behavior, but I have been exposed to it
10 in various aspects of my life.

11 I think that there truly is an issue that
12 needs to be reckoned with respect to compulsive
13 behavior. That's true for eating disorders and
14 drinking disorders and is true for gambling
15 disorders.

16 And what I have seen just as an observer in
17 states throughout this country and I believe it's
18 true here and I know it's true in my home state,
19 there has been a very focused and responsible
20 response by government and a recognition that this
21 issue is out there.

22 We have programs in my state that addresses
23 it. We have responsible business leaders in this
24 industry who would really rather not have problem
25 people at their facilities than have them.

1 They cause far more problems than they're
2 worth. It's just not good for the industry. It's
3 not good for business.

4 There's a bunch of academic literature out
5 there which suggests ways that these unfortunate
6 human behaviors, whether it's gaming problems or
7 others, can be controlled but people are cured and
8 made more productive.

9 With respect to the crime aspect of your
10 question, I think there clearly must be some
11 extremely difficult to measure increase in criminal
12 behavior from that narrow little sliver of people,
13 who for whatever reason are dysfunctional.

14 There's no question but that someone who is
15 dysfunctional is more likely to bust a check or take
16 something that is not theirs or lie or cheat or
17 steal. That's human nature.

18 I suppose you would see some incremental,
19 very difficult to calculate increase in criminal
20 behavior because of the presence of people who have
21 serious social or medical problems.

22 My belief is and my observation from the
23 data and what I get from the chiefs and Sheriffs
24 whose people respond to the calls for assistance and
25 the prosecutors who prosecute the crime is that it's

1 far, far offset by the reduction on crime that comes
2 from the kind of economic revival in demographic
3 changes that follow the entrance and the advance from
4 this industry in a town.

5 I'll give one quick example. Juliet,
6 Illinois, which was just a dying rust belt town, I
7 mean, really in trouble with a soaring crime rate, a
8 gang problem, high unemployment, drugs, alcoholism,
9 and illegal gambling, it was a bad place.

10 They had a riverfront plan that the city
11 manager -- and I suggest that someone call him. I
12 can give you the number if you're interested. His
13 name is John Mazarri. He's been there for 15 years.
14 He's just an extraordinary American hero.

15 He prepared a plan for the riverfront
16 redevelopment, and all they needed was an economic
17 engine to make it work.

18 Out of the blue came Illinois gaming
19 legislation. In a couple of years, there were four
20 boats sharing two licenses in Juliet and the city was
21 transformed.

22 It was an economic shot in the arm, which
23 had a corresponding, extraordinarily positive impact
24 on the quality of life in the inner City of Juliet.
25 It brought life and vitality back to downtown Juliet.

1 The place was remodeled, rehabbed, old
2 buildings were spiffed up, new buildings were built.
3 Crime was down. It sounds like a nirvana but if you
4 talk to the people who run the city, talk to Art
5 Schultz, the mayor, who was the former police chief
6 of Juliet and is tough a guy as you'll ever find,
7 they can't believe they're living a dream.

8 The unfunded, redevelopment plan has
9 flourished and now attracted a minor league baseball
10 team and a huge 100,000 capacity Nascar track and
11 it's a different community than what it was; and just
12 as the employment jumped and the quality of life
13 jumped, the kind of negative concerns that we're
14 speaking about here really just washed away.

15 TREASURER CASEY: Thank you very much.

16 CHAIRMAN DECKER: Thank you.

17 COMMISSIONER COY: Thank you, Mr. Chairman.

18 Mr. Margolis, I don't know whether you're
19 familiar enough with our Act to know that the Act
20 creates both by entitlement and grants to local host
21 municipalities and consequently local law enforcement
22 agencies and other sorts of local government services
23 grants and entitlements, some of which, of course,
24 would be for local law enforcement efforts.

25 Do you have an opinion as to whether those

1 grants are well placed or would be well placed in the
2 hands of local governments, and are they prepared or
3 would this help them to be prepared in the areas of
4 increases of any types of crime that they might
5 encounter?

6 MR. MARGOLIS: I've got a two-part answer
7 to that question -- actually, three-part. The first
8 is the efficiency effectiveness and honesty with
9 which a local grant is met just depends upon the
10 nature of the government entities involved.

11 I mean, good people do good things and not
12 so good people don't do such good things. That's
13 just what we learned as we grew up.

14 COMMISSIONER COY: That was the easy
15 response. Now, let's --

16 MR. MARGOLIS: The harder response, and
17 it's really kind of easy as well because I'm basing
18 this on track record, is that at least in Illinois,
19 I'll give you the one I know the best, forget about
20 my research and let me tell you what my eyes saw.

21 We really didn't need in Illinois in these
22 riverboat towns a whole lot of increased funding for
23 police, for fire, for first responders. They got a
24 bunch, but basically towns got new fire trucks better

25 than the old fire trucks, but it wasn't necessarily

29

1 they needed the new fire trucks to go down to the
2 riverboat but they got it. They're happy for it and
3 it made the fire department a more effective fire
4 department. It made the firefighters happier guys
5 and gals.

6 What we've really seen with the local fund
7 split and Illinois is huge, I'll send you a copy of
8 the latest Illinois Gaming Board report, which shows
9 what the local host communities received.

10 The funds have been used not to offset the
11 social costs of gaming. The funds have been used to
12 fund and fuel Juliet's downtown redevelopment and the
13 same is true for communities across our state.

14 If you spend the funds wisely, it becomes
15 the economic engine that drives the redevelopment
16 revitalization plan that I think sits on the dusty
17 shelf of virtually every small community that has
18 financial need.

19 If they don't have a plan like that, well,
20 they have more of whatever they want to have. But
21 it's not really in my observation in these ten
22 riverboat towns, nine licenses active now, that the
23 money was needed to offset increased police or fire
24 or first responder or social services.

25

It added to the budgets of local

30

1 governments and best as I could tell, they pretty
2 much put it to darn good use and the governments and
3 the people are happy for it.

4 COMMISSIONER COY: Well, there's no end to
5 good causes in local government uses because it's
6 when the rubber hits the road often.

7 How about in terms of your experience in
8 terms of dollars for, like, more judges or more
9 prosecution -- prosecutors? Has there been -- have
10 you seen increase in that area?

11 MR. MARGOLIS: No need. Not an issue.
12 It's not an issue.

13 COMMISSIONER COY: Thank you very much.

14 CHAIRMAN DECKER: Any other questions for
15 Mr. Margolis?

16 Mr. Margolis, we can't thank you enough for
17 coming in and sharing your study with us and also
18 sharing your observations over many years as a
19 prosecutor and also as, again, a person who has
20 looked at this in a very deep way.

21 MR. MARGOLIS: Mr. Chairman, I thank you
22 for having me. It's been a pleasure. I wish you
23 well.

24 CHAIRMAN DECKER: Thank you.

25 Anne, is there anything else on your side

31

1 of the report?

2 MS. LaCOUR NEEB: No. That's it.

3 CHAIRMAN DECKER: Okay. Let's move on.

4 Our next item is administration. Michael Walsh, who
5 just got a new office, will present today's new
6 hires.

7 MR. WALSH: Thank you, Mr. Chairman.

8 Thanks for your help with the office, too.

9 Members of the Board, at a meeting earlier
10 this month, our Director of Information Technology,
11 Jim Buck, made a presentation to update the Board and
12 the public on the implementation of the SLOTS LINK
13 System.

14 Because I was unable to attend this meeting
15 and couldn't introduce Jim, I just wanted to take a
16 moment this morning to thank Jim and his team for
17 their ongoing work in the development of this
18 landmark system.

19 I think, as you can tell from the
20 presentation, SLOTS LINK is a functional and
21 efficient system aimed at streamlining the employment
22 process for future gaming employees and integrating
23 all the necessary components on the regulatory side
24 of the business.

25

I want to thank the IT staff, and the

32

1 licensing staff, who are working on this. I know
2 they look forward to providing you with future
3 updates on this system.

4 One other item before we do the employment,
5 an update to the Board on our increasing our presence
6 across Pennsylvania with our office space.

7 The Conshohocken office first phase was
8 opened yesterday and the second phase will be open
9 the second week of October. And Pittsburgh, in the
10 third week of October, we will be out there.

11 For our Harrisburg operations, as you know,
12 we need additional space. We've been in lease
13 negotiations with Verizon and that lease is now in
14 their hands. So we hope to have the tenth floor of
15 our office building occupied in the near future.

16 I would also like to thank George Semarge
17 and Ben Williams of our IT staff, who have been
18 helping lead the office relocation and transition
19 planning in Conshohocken, Pittsburgh, and Harrisburg.
20 They have worked hard to ensure that the IT needs of
21 the agency have been met. We appreciate their
22 efforts.

23 This morning we have eight candidates who
24 are recommended for positions within the agency and

25 that we present for your consideration.

33

1 In the Bureau of Investigations and
2 Enforcement in the western region, there are three
3 investigators; David Bryga, Christopher Bertugli and
4 Stephen Tedrick.

5 In the central region, Lee Torbin as an
6 investigator and Tina Jefferson as a clerical support
7 specialist.

8 In the Bureau of Licensing, Wesley
9 Davenport as a licensing analyst, Salim Jackson as a
10 licensing analyst, and Celest Petrina as a licensing
11 analyst.

12 In accordance with agency policy, all
13 candidates have successfully completed a background
14 investigation, including a drug screening, the
15 results of which have been reviewed and approved by
16 the Executive Director and Chief Counsel and the
17 Board. I would request a motion to hire them at this
18 time.

19 CHAIRMAN DECKER: May I have a motion?

20 COMMISSIONER RIVERS: Mr. Chairman, based
21 on the recommendation of the Director of
22 Administration, I would like to make a motion that we
23 hire the eight people that he made reference to at
24 this time.

25

COMMISSIONER MARSHALL: Second.

34

1

CHAIRMAN DECKER: Thank you.

2

Any questions or comments for Mike?

3

COMMISSIONER RIVERS: Mr. Chairman, I have

4

a question.

5

Mike, we've been moving along at break-neck

6

speed. Can you talk to us very specifically about

7

our complement, the creation of the complement and

8

what you think the ultimate end number might be,

9

within reason?

10

MR. WALSH: Sure. The last part of your

11

question first. The end number we've been talking

12

about is 245 to 255 as the range.

13

With the 8 that we hired today, our

14

complement would be at 189. So we're continuing to

15

move closer to that number.

16

As investigators -- the investigative staff

17

grows with the presence at the casinos and licensing

18

staff grows as gaming employees at the casinos need

19

to be licensed, those are the two continuing areas of

20

growth.

21

COMMISSIONER RIVERS: Can you give us a

22

breakdown of our diversity issue?

23

MR. WALSH: Diversity issue? As an agency

24

as a whole in regards to diversity, we are a little

25 greater than 16 percent minority, a little greater

35

1 than 46 percent total female.

2 Then broken down by area, in the executive
3 management area, we're a little greater than 14
4 percent minority.

5 In the professional complement, the largest
6 area of our agency, we're a little greater than 15
7 percent. In support complement, we're a little
8 greater than 14 percent in regards to minority staff.

9 CHAIRMAN DECKER: How does that compare to
10 the other agencies in the state, Michael? Do you
11 know?

12 MR. WALSH: Compared to other agencies, we
13 compare ourselves to similar size agencies, you know,
14 the 250 and under. We're happy that we exceed the
15 numbers.

16 We also exceed the Commonwealth averages
17 which come out in the Annual Workforce Report of the
18 Governor. We exceed all of those numbers as well.

19 CHAIRMAN DECKER: Thank you.

20 Any other questions or comments for
21 Michael?

22 All of those in favor of the motion for
23 hiring?

24 COMMISSIONERS: Aye.

25

CHAIRMAN DECKER: Any opposed?

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1 Motion carries.

2 Thank you very much, Michael. I appreciate
3 it very much.

4 Next up is the topic of regulations. With
5 us today, again, is Frank Donaghue, our Chief
6 Counsel, and Rich Sandusky, who is heading up the
7 area on regulations for us.

8 MR. DONAGHUE: Good morning, Mr. Chairman
9 and Board members. The Office of Chief Counsel is
10 presenting another proposed rule making package that
11 will convert temporary regulations to permanent
12 regulations.

13 After Board adoption, this proposal will be
14 sent to the Office of Budget for a fiscal note and be
15 submitted to the Legislative Reference Bureau for
16 publication in the Pennsylvania Bulletin.

17 At the same time, the regulations will be
18 submitted to the standing committees in the House and
19 the Senate and to the Regulatory Review Commission to
20 start the first phase of the regulatory review
21 process.

22 After the regulations are published in the
23 Pennsylvania Bulletin, the public will then have 30
24 days to submit comments. Following the close of the

25 public comment period, the Independent Regulatory

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1 Review Commission has had an additional 30 days to
2 submit its comments. The standing committees may
3 submit comments at any time.

4 I will now ask Richard to give us a brief
5 summary for the chapters contained in this particular
6 package here today.

7 MR. SANDUSKY: Thank you, Frank.

8 Good morning, Mr. Chairman and Board
9 members. What we have for the Board's consideration
10 today are proposed permanent regulations that will
11 replace the temporary Chapters 461 and 463.

12 Chapter 461 contains provisions that
13 provide technical specifications for slot machines.
14 These include things such as what meters are
15 required, what the minimum and maximum payout
16 percentages would be and connectivity requirements
17 with the Central Control Computer System.

18 The regulations also set forth other
19 related equipment system standards, including items
20 such as gaming vouchers, coupons, automated gaming
21 voucher and coupon redemption machines, progressive
22 slot machines, and wide area progressive systems.

23 Chapter 461 also addresses systems that
24 will interface with the slot machines, including

25 systems such as slot monitoring systems, casino

38

1 management systems, player tracking systems, and
2 external bonusing systems.

3 This chapter also addresses some of the
4 newer technology that is emerging in the industry,
5 including items such as cashless funds transfer
6 systems, and server supported and server based slot
7 machine systems and automated jackpot payout
8 machines.

9 This chapter closes with a general waiver
10 provision that will allow the Board to waive any of
11 the standards in the chapter if it determines that
12 the slot machine or associated equipment will still
13 meet the operational integrity requirements of the
14 Act and the Board's regulations and technical
15 standards.

16 This waiver provision is essential to allow
17 the Board to respond to changes in technology in a
18 timely fashion.

19 The changes proposed in this chapter from
20 the temporary regulations are largely editorial.
21 There are a few technical standard changes that have
22 been made as a result of the review of equipment that
23 has been submitted to the Slots Lab; but by and

24 large, it does mirror the temporary regulations.

25 Chapter 463 deals with the possession of

39

1 slot machines. What this chapter lays out is who in
2 the Commonwealth is authorized to have slot machines.

3 It also outlines the procedures and
4 reporting requirements associated with the
5 transportation of slot machines within the
6 Commonwealth, into the Commonwealth, or out of the
7 Commonwealth.

8 Finally, it contains monthly reporting
9 requirements imposed upon anyone who has slot
10 machines in their possession, which will allow the
11 Board to track the exact location of every slot
12 machine in this Commonwealth at all times.

13 Again, the revisions in this chapter are
14 mainly editorial, designed to clarify some of the
15 requirements, and bring the language into greater
16 conformity with the Legislative Reference Bureau
17 Style Manual.

18 At this point, we would be happy to answer
19 any questions the Commissioners may have on these
20 chapters. Following any questions, we would ask for
21 a motion to adopt this proposed rulemaking.

22 CHAIRMAN DECKER: Thank you, Richard.

23 Are there any questions or -- first, may I

24 have a motion to approve the proposed regs as
25 outlined by Richard and Frank today?

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1 COMMISSIONER ANGELI: Mr. Chairman, I move
2 that the Board adopt the proposed regulation 125-48
3 pertaining to Chapters 461 and 463, and that the
4 Board establish a public comment period for 30 days,
5 and that the Board post this proposed regulation on
6 the Board's website.

7 COMMISSIONER McCABE: Second.

8 CHAIRMAN DECKER: Thank you.

9 Any questions or comments for Richard or
10 Frank?

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

13 COMMISSIONERS: Aye.

14 CHAIRMAN DECKER: Any opposed? Motion
15 carries. Thank you very much, again.

16 Our next topic is investigations and
17 enforcement, and I believe Michael Schwoyer, our
18 Chief Enforcement Counsel, will now discuss a consent
19 agreement that the Board is being asked to consider.

20 Michael?

21 MR. SCHWOYER: Mr. Chairman and members of
22 the Board, as discussed earlier this morning during
23 the reopened Suitability Hearing of Mountainview

24 Thoroughbred Racing Association, two key employee
25 qualifiers of Mountainview made political

41

1 contributions prohibited by Section 1513 of the
2 Gaming Act.

3 A brief background of the facts is as
4 follows: Mountainview Thoroughbred Racing
5 Association applied to the Pennsylvania Gaming
6 Control Board seeking a Category I -- Conditional
7 Category I slot machine license.

8 Their application was post-marked December
9 22nd, 2005. Mountainview Thoroughbred Racing
10 Association is a wholly owned, private subsidiary of
11 Penn National Gaming Incorporated.

12 Penn National, by and through its
13 affiliates, intermediaries and subsidiaries, holds
14 several gaming licenses in other jurisdictions, which
15 are similar to the slot machine licenses, which the
16 Board is authorized to issue pursuant to the
17 Pennsylvania Racehorse and Development Gaming Act.

18 In addition, Mountainview Thoroughbred
19 Racing Association has held a horse racing license in
20 Pennsylvania since 1972. Pennsylvania National Turf
21 Club, Inc. is another subsidiary of Penn National
22 Gaming, which holds a horse racing license in
23 Pennsylvania.

24 The two key employee qualifiers who made
25 the political contributions at issue are both outside

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1 directors of Penn National Gaming Incorporated and
2 serve on its Audit Committee.

3 One of these directors holds gaming or
4 racing licenses in Mississippi, which was approved in
5 2000; Louisiana, which was approved in 2000,
6 Colorado, which was approved in 2001; and West
7 Virginia approved in 1996; and Ontario, Canada
8 approved in 2001.

9 This director made the following political
10 contributions prohibited by Section 1513. On October
11 14th, 2004, a contribution in the amount of \$250 was
12 made to a political committee organized in support of
13 a candidate for election as a member of the
14 Pennsylvania House of Representatives.

15 On March 4th, 2005, a contribution in the
16 amount of \$250 was made to a political committee
17 organized in support of a candidate seeking
18 nomination as a candidate for election as a judge on
19 the Philadelphia Municipal court.

20 On March 16th, 2005, another contribution
21 was made in the amount of \$250 to the same political
22 committee organized in support of the candidate
23 seeking nomination to be a candidate for election as

24 a judge on the Philadelphia Municipal Court.

25 On April 30th, 2005, a contribution in the

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1 amount of \$500 was made to a political committee
2 organized in support of a candidate seeking
3 nomination as a candidate for election to the
4 position of District Attorney in this Commonwealth.

5 The other director holds similar gaming
6 and/or racing licenses in Colorado, which was
7 approved in 2002; Louisiana, approved in 2001; and
8 Ontario, Canada, approved in 2002.

9 This director made an in-kind contribution
10 having a cash value of \$1,653 on October 12th, 2004
11 to a political committee organized in support of a
12 candidate for election of a member of the
13 Pennsylvania House of Representatives.

14 Pursuant to a consent agreement entered
15 into by and between the Office of Enforcement
16 Counsel, Mountainview Thoroughbred Racing Association
17 and these two directors, Mountainview Thoroughbred
18 Racing Association has agreed to pay a fine in the
19 amount of \$50,000.

20 Each director has agreed to pay a fine in
21 the amount of twice their respective prohibited
22 political contributions; in the case of the first
23 director, \$2,500, and in the case of the second

24 director, \$3,306.

25 Additionally, pursuant to the consent

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1 agreement, Mountainview Thoroughbred Racing
2 Association will be required to conduct queries of
3 the Pennsylvania Department of State Campaign Finance
4 records to monitor whether any of its officers,
5 directors, or key employees or any of its holding
6 companies, affiliates, intermediaries or subsidiaries
7 and their officers, directors, or key employees
8 associated with the operation of Grantville makes any
9 political contributions prohibited by Act 71.

10 These queries will be conducted quarterly
11 through the end of next year and annually through and
12 including the 2011 calendar year or for so long as
13 the Board retains jurisdiction over Mountainview as
14 an applicant or in the future as a potential
15 licensee.

16 The results of these queries must be
17 reported to the Bureau of Investigations and
18 Enforcement.

19 Mountainview Thoroughbred Racing
20 Association has also agreed to cause each of its
21 officers, directors, and key employees and each of
22 its parent companies, officers, directors, and key
23 employees to file under oath a certification with the

24 Pennsylvania Gaming Control Board, Bureau of
25 Licensing indicating whether they have contributed

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1 any money or made any in-kind contribution to any
2 candidate for a nomination or election, which would
3 violate Section 1513.

4 A more detailed account of the facts and
5 the conditions and terms of the consent agreement are
6 set forth in the consent agreement. A copy has been
7 provided to the Board for its consideration, and I
8 have the original executed copies here together with
9 a proposed order of the Board adopting the consent
10 agreement.

11 The parties to the agreement respectfully
12 request that the Board accept and approve the terms
13 and conditions as set forth therein in full
14 satisfaction and resolution of the matters raised.

15 CHAIRMAN DECKER: Thank you, Michael.

16 May I have a motion to approve the consent
17 agreement between the Board and Mountainview as
18 described by Michael?

19 COMMISSIONER DiGIACOMO COLINS: Yes.

20 Mr. Chairman, I move that the Board approve the
21 consent agreement entered into between the Bureau of
22 Investigations and Enforcement and the Category I
23 slot machine applicant, Mountainview Thoroughbred

24 Racing Association, Inc., and the two key employees
25 as referenced in the consent agreement referred to by

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1 Chief Enforcement Counsel.

2 COMMISSIONER MARSHALL: Second.

3 CHAIRMAN DECKER: Thank you.

4 Any questions for Michael about the consent
5 agreement?

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

8 COMMISSIONERS: Aye.

9 CHAIRMAN DECKER: Any opposed?
10 Motion carries.

11 Again, thank you, Michael.

12 MR. SCHWOYER: That's all I have,
13 Mr. Chairman. Thank you.

14 CHAIRMAN DECKER: Let's move on to hearing
15 and appeals then. We have Michael Edmiston, Director
16 of Hearings and Appeals, and Mickey Kane, Clerk to
17 the Board, will make a presentation to us.

18 MR. EDMISTON: Good morning,
19 Mr. Chairman --

20 CHAIRMAN DECKER: Good morning. Thank you.

21 MR. EDMISTON: -- members of the Board.
22 Bureau of Hearings and Appeals has for presentment
23 for you today 15 withdraw motions, 8 of them as to

24 key employee qualifiers, 2 as to permittees, 3 as to
25 affiliates, 1 supplier application inclusive of

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1 related applications and waivers and one applicant
2 for a Category II license.

3 The latter is to be subject to the
4 conditions set forth in the order of the Board, which
5 I expect the Board will be considering at a later
6 point in this meeting.

7 The key employee qualifiers, permittees,
8 affiliates withdrawal motions are without prejudice,
9 not objected to by Chief Enforcement Counsel and
10 there are no outstanding issues relative to
11 investigations.

12 CHAIRMAN DECKER: We have those here --

13 MR. EDMISTON: You have those there. I
14 believe the names of the individual withdrawals are
15 set forth in the motion, which customarily has been
16 read by --

17 CHAIRMAN DECKER: Thank you. May I have a
18 motion?

19 COMMISSIONER COY: Mr. Chairman --

20 CHAIRMAN DECKER: Please.

21 COMMISSIONER COY: -- I move the Board
22 approve the orders granting withdrawal of the
23 applications of Madelyn Elizabeth Backus-Wojdak,

24 Stephen Nicholas Backus-Wojdak, Krista Brown, Joseph
25 A. Fusco, Craig Keyser, Timothy Lyda, Seamus McGill,

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1 Petersburg Holdings, Petersburg Trust, Joseph
2 Polisano, Michael Sicuro, Shannon Denise Williams,
3 Union Street Holdings, the supplier application of
4 RDA Casino Supply and all applications and waiver
5 requested submitted therewith; and the Category II
6 application of Boyd Pennsylvania Partners, LP and all
7 applications and waiver requests submitted therewith
8 subject to the conditions set forth in the order.

9 COMMISSIONER MARSHALL: Second.

10 CHAIRMAN DECKER: Thank you.

11 Any questions? Any additional questions
12 for Michael on that subject?

13 All of those in favor, please indicate by
14 saying aye.

15 COMMISSIONERS: Aye.

16 CHAIRMAN DECKER: Motion carries.

17 Thank you.

18 Mickey?

19 MS. KANE: Mr. Chairman and members of the
20 Board, you have before you for disposition today a
21 motion requesting an attorney licensed in New Jersey
22 be granted permission to appear before the
23 Pennsylvania Gaming Control Board for the purpose of

24 representing a specific individual or entity that has
25 business before the Board.

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1 The status of this attorney was reviewed by
2 the Office of Chief Counsel, which has expressed no
3 objection.

4 COMMISSIONER MARSHALL: Mr. Chairman, I
5 move that the Board approve the order granting the
6 motion for admission pro hac vice of Nicholas
7 Casiello, Jr. as co-counsel representing Crossroads
8 Gaming Resort and Spa, LP.

9 CHAIRMAN DECKER: Thank you.

10 Can I have a second?

11 COMMISSIONER DiGIACOMO COLINS: Second.

12 CHAIRMAN DECKER: Any additional questions
13 for Mickey?

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

16 COMMISSIONERS: Aye.

17 CHAIRMAN DECKER: Any opposed?

18 Motion carries.

19 Thank you, Mickey and, again, thank you,
20 Michael.

21 Okay. We're going to move on to the gaming
22 laboratory operations. I believe Richard Williamson
23 is going to make a series of presentations to us. It

24 sounds long, but it will be short, right, Richard?

25 MR. WILLIAMSON: Yes, sir.

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1 CHAIRMAN DECKER: Thank you.

2 MR. WILLIAMSON: Good morning, Mr. Chairman
3 and members of the Board.

4 CHAIRMAN DECKER: Thanks for being with us
5 today.

6 MR. WILLIAMSON: My pleasure. As the Board
7 is aware, Section 1320 of the Act provides the Board
8 may evaluate the testing and certification standards
9 of other US gaming jurisdictions and, where it
10 determines a jurisdiction's slot machine testing
11 standards and rules to be comprehensive and thorough
12 and to provide adequate safeguards to those required
13 under the Act, our regulations and technical
14 standards, may designate jurisdictions as ones that
15 may be relied upon for the purposes of our
16 abbreviated slot machine testing process. Pursuant
17 to this section, this process is only available to
18 the Board through July 5th, 2007.

19 After careful consideration of applicable
20 regulatory requirements, I would, as Director of the
21 Gaming Laboratory Operations, request that the Board
22 permit the Lab to rely upon approvals by Nevada and

23 New Jersey for the purposes of implementing the
24 abbreviated testing process for slot machines.

25 I am conversant in the testing standards of

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1 both states, having been the lab director of New
2 Jersey for more than 20 years, and worked
3 collaboratively during the same period with Nevada
4 gaming lab directors, Ed Allen, Mark McDermot, and
5 their successors, and feel comfortable that their
6 procedures are sufficiently compatible with our
7 regulatory scheme.

8 Please bear in mind that these
9 jurisdictions that approve the program that will be
10 before the Board for consideration today are the ones
11 on which we want to rely, but there will be other
12 jurisdictions on which we may be coming to the Board
13 to request consideration for approval.

14 I request that a motion that the Board
15 permit reliance on Nevada and New Jersey in
16 implementing the Board's abbreviated test and
17 certification procedures and would ask the Board to
18 entertain that motion.

19 CHAIRMAN DECKER: Thank you.

20 COMMISSIONER McCABE: Mr. Chairman,
21 pursuant to Section 1320 of the Pennsylvania
22 Racehorse Development and Gaming Act and based upon

23 careful comparison of applicable regulatory
24 requirements, I would like to make a motion that the
25 Board determine that the slot machine and associated

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1 equipment testing standards of Nevada and New Jersey
2 are sufficiently comprehensive and thorough and
3 provide similar adequate safeguards to those required
4 under the Act, the regulations, and the technical
5 standards adopted by the Board, to permit the Board
6 to rely on approvals by those jurisdictions for the
7 purposes of implementing an abbreviated testing
8 process for slot machines and associated equipment
9 conducted pursuant to the Act and Chapter 461 of the
10 Pennsylvania Gaming Control Board's regulations.

11 CHAIRMAN DECKER: Thank you.

12 COMMISSIONER MARSHALL: Second.

13 CHAIRMAN DECKER: Thank you.

14 Are there any questions or comments for
15 Richard?

16 CHAIRMAN DECKER: Hearing none, all of
17 those in favor of the motion, please indicate by
18 seeing aye.

19 COMMISSIONERS: Aye.

20 CHAIRMAN DECKERS: Opposed?

21 Richard, thank you. You have one more.

22 MR. WILLIAMSON: Yes, sir. I have a couple

23 more.

24 CHAIRMAN DECKER: Oh, a couple more.

25 MR. WILLIAMSON: The next item is approval

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1 of programs pursuant to that abbreviated testing
2 process.

3 The Board has been receiving programs from
4 the manufacturers, primarily concentrating on
5 programs that our first three Category I applicants
6 desire to use.

7 And in that vein, we have before the Board
8 today a number of percentages. There's a total --
9 we're proposing a total of 2,290 programs to be
10 approved and 221 to be rejected, because they were
11 not up to the standards that this Board has adopted.

12 CHAIRMAN DECKER: How many to be approved
13 again, Richard?

14 MS. WILLIAMSON: There will be 2,290
15 approved and 221 to be rejected. These are from the
16 following companies; IGT, Bally, Aristocrat, Konami,
17 and WMS.

18 CHAIRMAN DECKER: And there will be some
19 others later, correct?

20 MR. WILLIAMSON: Yes, sir. There will be
21 several more.

22 CHAIRMAN DECKER: May I have a motion?

23 COMMISSIONER RIVERS: Mr. Chairman --
24 CHAIRMAN DECKER: Thank you.
25 COMMISSIONER RIVERS: -- I move to approve

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1 the Resolution 2006-28-GL to approve the slot machine
2 program as outlined.

3 CHAIRMAN DECKER: Thank you.

4 Second?

5 COMMISSIONER DiGIACOMO COLINS: Second.

6 CHAIRMAN DECKER: Thank you.

7 Any questions for Richard?

8 All of those -- otherwise, all of those in
9 favor, please indicate by saying aye.

10 COMMISSIONERS: Aye.

11 CHAIRMAN DECKER: Opposed?

12 Motion carries.

13 Richard?

14 MR. WILLIAMSON: I just want the Board to
15 be aware also that these programs were not accepted
16 cart blanche. There was an in-depth review of all of
17 these programs to assure that they meet all of the
18 standards of the Board.

19 CHAIRMAN DECKER: Richard, just a status
20 report, if you mind, before you leave -- are you
21 finished or one more thing?

22 MR. WILLIAMSON: It's another topic.

23 CHAIRMAN DECKER: I'll hold my question
24 until the end. Go ahead.

25 MR. WILLIAMSON: Okay. The next topics are

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1 permission to possess slot machines, Downs Racing
2 requests permission to possess slot machines. This
3 is for them to receive them and place them right on
4 the proposed casino floor.

5 It has been inspected, and we have attached
6 to the resolution conditions, security for these
7 devices that to which they will adhere. I propose
8 that the Board approve this request.

9 COMMISSIONER ANGELI: Mr. Chairman, I move
10 to approve Resolution 2006-29, possession of slot
11 machines by Downs Racing.

12 COMMISSIONER COY: Second.

13 CHAIRMAN DECKER: Thank you.

14 Any questions?

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

17 COMMISSIONERS: Aye.

18 CHAIRMAN DECKER: Any opposed?

19 Motion carries.

20 Richard?

21 MR. WILLIAMSON: The next item is from

22 Greenwood Gaming Entertainment, a request to receive
23 slot machines directly onto their casino floor when
24 it is ready, and attached to that resolution are also
25 conditions for the securities of those devices upon

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1 receipt.

2 CHAIRMAN DECKER: Again, may I have a
3 motion?

4 COMMISSIONER DiGIACOMO COLINS: Yes.
5 Mr. Chairman, I move to approve Resolution
6 2006-30-GL, possession of slot machines of Greenwood
7 Gaming and Entertainment, Inc.

8 CHAIRMAN DECKER: Second, please.

9 COMMISSIONER McCABE: Second.

10 CHAIRMAN DECKER: Thank you.

11 All of those in favor, please indicate by
12 saying aye.

13 COMMISSIONERS: Aye.

14 CHAIRMAN DECKER: Any opposed?

15 Motion carries. Thank you.

16 Richard?

17 MR. WILLIAMSON: Mr. Chairman and members,
18 the next item is from Chester Downs and Marina, LLC,
19 a request to receive slot machines and place them in
20 a staged area within their facility in Chester.

21 It's a 4,000 square foot area on the main

22 floor of the building. This area has been inspected.
23 They're aware of the security requirements to receive
24 and hold these. I request that this motion be
25 approved.

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1 COMMISSIONER COY: Mr. Chairman, I move
2 that the Resolution 2006-31, possession of slot
3 machines by Chester Downs and Marina, LLC, be
4 approved.

5 CHAIRMAN DECKER: Thank you.

6 COMMISSIONER RIVERS: Second.

7 CHAIRMAN DECKER: Thank you.

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

10 COMMISSIONERS: Aye.

11 CHAIRMAN DECKER: Any opposed?

12 The motion carries.

13 MR. WILLIAMSON: And the last item is for a
14 request from AC Coin & Slot Service Company, a
15 manufacturer not licensed with this Commonwealth, who
16 has requested to have a slot machine present on
17 November 15th, 2006 at an exciting meeting of the
18 Association of Government Accountants in
19 Philadelphia.

20 They want to have this game there just for
21 one day for demonstration purposes. It will be

22 secured and removed the same day.

23 CHAIRMAN DECKER: And no money will change
24 hands, I assume?

25 MR. WILLIAMSON: Correct.

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1 CHAIRMAN DECKER: Thank you.

2 COMMISSIONER MARSHALL: But taxes will be
3 paid.

4 CHAIRMAN DECKER: Any taxes paid? No.

5 COMMISSIONER MARSHALL: Mr. Chairman, I
6 move that the Board approve Resolution 2006-32-GL,
7 possession of slot machines by AC Coin & Slot.

8 CHAIRMAN DECKER: Is there a second?

9 COMMISSIONER McCABE: Second.

10 CHAIRMAN DECKER: Any questions for
11 Richard?

12 All of those in favor, please indicate by
13 saying aye.

14 COMMISSIONERS: Aye.

15 CHAIRMAN DECKER: Any opposed?

16 Motion carries.

17 Richard, thank you. One other thing, we're
18 on track to get all of this done inside the casinos
19 for the opening?

20 MR. WILLIAMSON: I just left a meeting with
21 Curt Haines and his company over at Department of

22 Revenue. We're on track to have all of these games
23 in place, approved, and verified prior to the opening
24 of the first property.

25 CHAIRMAN DECKER: Thank you very much.

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1 Okay. We're now going to adjourn. No.
2 It's a joke. It's a joke. That's a joke.

3 Our next piece of business or actually our
4 first licensing business today is a series of votes
5 on applications for Conditional I gaming licenses in
6 Pennsylvania.

7 I would ask that -- I think they're coming
8 up now, Susan Hensel, Director of Licensing, Michael
9 Schwoyer, our Chief Enforcement Counsel, and Denyse
10 Miskin, Director of Compliance, present the
11 applicants for consideration.

12 MS. HENSEL: Thank you, Chairman Decker,
13 and good afternoon, members of the Board. Mike
14 Schwoyer, Denyse Miskin, and I are here to present to
15 you applications for Conditional Category I license
16 approval.

17 The applicants who will be before you today
18 have all had their suitability hearings. You have
19 had an opportunity to review the record including the
20 suitability reports.

21 While you will consider licensure approval

22 for each applicant individually, there are a number
23 of provisions that will be applicable to any approved
24 applicants.

25 We would like to briefly review some of

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1 those items with you. First, as you know, there is a
2 distinction between license approval, license
3 issuance, and authorization to conduct operations.

4 Prior to license issuance, each approved
5 applicant would be required to complete the
6 following:

7 Pay any outstanding fees other than the \$50
8 million licensing fee, sign a statement of
9 conditions, and pay the one time \$50 million slot
10 machine license fee required by the Racehorse
11 Development and Gaming Act. This payment must be
12 made no later than four months from the date of
13 approval of the license or ten business days prior to
14 the beginning of the test period necessary to
15 commence slot machine operations, whichever would
16 occur first. In addition, the 30-day appeal period
17 would have have to had expired.

18 With respect to the commencement of slot
19 machine operations, the Board's approval of a license
20 would include a delegation of authority to a
21 designated Board member.

22 This delegation of authority would allow
23 that Board member to permit the approved licensee to
24 commence a test period pursuant to the Board's
25 regulations.

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1 The test period would commence on such date
2 and time and continue for such duration as determined
3 by the designated Board member in consultation with
4 the Executive Director.

5 The authority delegated would include the
6 right to order the approved licensee to take whatever
7 action is necessary to preserve the policies of the
8 Act.

9 The delegation would also include in
10 consultation with the Executive Director, the ability
11 for the designated Board member to determine the
12 successful completion of the test period and to
13 authorize the effective date and time at which slot
14 operations may commence.

15 As was true with our manufacturer and
16 supplier licensees, those approved for conditional
17 Category I licenses would also be subject to a
18 statement of conditions, containing general and some
19 cases, applicant specific conditions.

20 The conditions were drafted with input from
21 throughout the Pennsylvania Gaming Control Board,

22 including the Office of Chief Counsel, the Bureau of
23 Corporate Compliance and Internal Controls, the
24 Bureau of Investigations and Enforcement, the Office
25 of Racetrack Gaming, and the Bureau of Licensing.

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1 Mike Schwoyer will briefly discuss with you
2 some of the general conditions, as well as address
3 those applicants who will be subject to specific
4 conditions.

5 MR. SCHWOYER: Thank you, Susan.

6 As with the case of manufacturer and
7 supplier approvals, these licenses issuances will be
8 subject to a statement of conditions.

9 All Conditional Category I licenses will be
10 subject to a bunch of general conditions that are the
11 same amongst all approved applicants and, in
12 addition, there are some specific conditions.

13 The general conditions include complying
14 with the provisions of the Pennsylvania Racehorse
15 Development and Gaming Act at all times, providing
16 true and correct information to the Board,
17 implementing a diversity plan and compulsive and
18 problem gaming plan; creating, adopting, and
19 maintaining internal safeguards to ensure that a
20 violation of Section 1513 of the Act concerning
21 political influence does not occur; ensuring that all

22 slot machines and associated equipment has been
23 tested by the Bureau of Gaming Laboratory Operations
24 and approved by the Board; and ensuring that the
25 applicants and their affiliates, intermediaries,

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1 subsidiaries, holding companies, management
2 companies, key employee qualifiers, key employees,
3 permittees, registrants, junket enterprises, etc.
4 maintain the suitability requirements of the Act,
5 included but not limited to those relating to good
6 character, honesty, integrity, and financial fitness.

7 In addition to the general conditions, as I
8 said, some applicants will be subject to specific
9 conditions.

10 For example, I'm sure if the Board approved
11 the application of Chester Downs and Marina, LLC, the
12 Board would first have to approve the terms of the
13 management agreement between Chester Downs and
14 Harrah's Chester Downs Management Company, LLC prior
15 to the commencement of slot operations.

16 There's a condition with respect to the
17 management company obtaining a management company
18 license from the Board prior to that contract or
19 agreement becoming final and enforced.

20 Downs Racing, LP, as a condition, that they
21 submit a comprehensive status report to the Board

22 regarding this proposed second phase of development,
23 detailing the financial and land development
24 prerequisites to proceeding with the second phase
25 substantially similar in all material respects to

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1 that proposed in its application to the Board and
2 presented at the September 11th, 2006 Suitability
3 Hearing.

4 There are also specific conditions for
5 Greenwood Gaming, which include that they submit for
6 the Board's approval any design, construction
7 schedule, or financing modifications of the permanent
8 facility that are proposed in its application to the
9 Board submitted at its September 12th, 2006
10 Suitability Hearing.

11 There's a similar condition with respect to
12 design, construction schedule, and financing
13 modifications for the permanent facility for
14 Mountainview Thoroughbred Racing Association should
15 the Board approve their application.

16 With respect to Washington Trotting
17 Association, there are some special conditions with
18 respect to their management agreement similar to
19 those I discussed with Harrah's; and I believe Denyse
20 Miskin, Director of the Bureau of Corporate
21 Compliance and Internal Controls, will explain some

22 additional special conditions for WTA later during
23 this meeting.

24 That's all that I have on the conditions.

25 The exact language of the conditions will be

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1 presented to the Board as part of the orders and
2 published, I believe, with the orders and the
3 adjudications.

4 CHAIRMAN DECKER: Thank you.

5 MS. HENSEL: Does the Board have any
6 questions at this point? If not, we are ready to
7 move on to the first application.

8 CHAIRMAN DECKER: Any questions, please?

9 COMMISSIONER MARSHALL: Mr. Chairman?

10 CHAIRMAN DECKER: Yes, please.

11 COMMISSIONER MARSHALL: After considering
12 all of the information in the evidentiary record
13 concerning the application of Downs Racing, I make
14 the motion to approve Downs Racing for a Conditional
15 Category I slot machine license under Section 1315 of
16 the Pennsylvania Racehorse Development and Gaming Act
17 and award appropriate licenses to its key
18 employee/qualifiers to whom the Bureau of
19 Investigations and Enforcement and Bureau of
20 Licensing have no objection.

21 CHAIRMAN DECKER: Second, please?

22 COMMISSIONER COY: Second.
23 CHAIRMAN DECKER: Thank you.
24 Any questions?
25 Did we get ahead of ourselves a little bit?

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1 MS. HENSEL: No. That's fine.
2 CHAIRMAN DECKER: Mary?
3 MS. LaCOUR NEEB: Do you want to take a
4 roll?
5 CHAIRMAN DECKER: Before we vote, please.
6 MR. RESCH: Angeli?
7 COMMISSIONER ANGELI: Yes.
8 MR. RESCH: Colins?
9 COMMISSIONER DiGIACOMO COLINS: Yes.
10 MR. RESCH: Coy?
11 COMMISSIONER COY: Yes.
12 MR. RESCH: Marshall?
13 COMMISSIONER MARSHALL: Yes.
14 MR. RESCH: McCabe?
15 COMMISSIONER McCABE: Yes.
16 MR. RESCH: Rivers?
17 COMMISSIONER RIVERS: Yes.
18 MR. RESCH: Decker?
19 CHAIRMAN DECKER: Yes.
20 MS. HENSEL: Mr. Chairman, the second

21 application for the Board is Greenwood Gaming
22 Entertainment, Inc. As has been stated in the
23 record, the Bureau of Investigation and Enforcement,
24 and the Bureau of Licensing and the Bureau of
25 Corporate Compliance are not aware of any issues

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1 which would preclude licensure, and no information
2 has been added to the record to change that
3 assessment.

4 CHAIRMAN DECKER: Thank you.

5 May I have a motion?

6 COMMISSIONER RIVERS: Mr. Chairman, after
7 considering all of the information in the evidentiary
8 record concerning the application of Greenwood Gaming
9 and Entertainment, I move to approve Greenwood Gaming
10 and Entertainment for a Conditional Category I slot
11 machine license under Section 1315 of the
12 Pennsylvania Racehorse Development and Gaming Act and
13 approve the awarding of the appropriate license to
14 its key employee/qualifiers to whom the Bureau of
15 Investigation and Enforcement and the Bureau of
16 Licensing has no objections.

17 COMMISSIONER MARSHALL: Second.

18 CHAIRMAN DECKER: Thank you.

19 Any questions?

20 Paul, can you call the roll, please?

21 MR. RESCH: Colins?
22 COMMISSIONER DiGIACOMO COLINS: Yes.
23 MR. RESCH: Coy?
24 COMMISSIONER COY: Yes.
25 MR. RESCH: Marshall?

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1 COMMISSIONER MARSHALL: Yes.
2 MR. RESCH: Rivers?
3 COMMISSIONER RIVERS: Yes.
4 MR. RESCH: Angeli.
5 COMMISSIONER ANGELI: Yes.
6 MR. RESCH: Decker?
7 CHAIRMAN DECKER: Yes.
8 Susan?
9 MS. HENSEL: The next application before
10 the Board for approval is Chester Downs and Marina,
11 LLC. As has been stated in the record, the Bureau of
12 Investigations and Enforcement, the Bureau of
13 Licensing, and the Bureau of Corporate Compliance and
14 Internal Controls are not aware of any issues which
15 would preclude licensure, and no information has been
16 added to the record that would change that
17 assessment.
18 CHAIRMAN DECKER: May I have a motion?
19 COMMISSIONER ANGELI: Mr. Chairman, after
20 considering all of the information in the evidentiary

21 record concerning the application of Chester Downs
22 and Marina, I move to approve Chester Downs and
23 Marina for the Conditional Category I slots machine
24 license under Section 1315 of the Pennsylvania
25 Racehorse Development and Gaming Act and approve the

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1 awarding of the appropriate license to its key
2 employee/qualifiers to whom the Bureau of
3 Investigation and Enforcement and the Bureau of
4 Licensing has no objections.

5 CHAIRMAN DECKER: Thank you.

6 COMMISSIONER RIVERS: Second.

7 CHAIRMAN DECKER: Thank you.

8 Any questions?

9 Paul, can you please call the roll?

10 MR. RESCH: Coy?

11 COMMISSIONER COY: Yes.

12 MR. RESCH: Marshall?

13 COMMISSIONER MARSHALL: Yes.

14 MR. RESCH: McCabe?

15 COMMISSIONER McCABE: Yes.

16 MR. RESCH: Rivers?

17 COMMISSIONER RIVERS: Yes.

18 MR. RESCH: Angeli?

19 COMMISSIONER ANGELI: Yes.

20 MR. RESCH: Rivers.

21 COMMISSIONER RIVERS: Yes.
22 MR. RESCH: Colins?
23 COMMISSIONER DiGIACOMO COLINS: Yes.
24 MR. RESCH: Decker?
25 CHAIRMAN DECKER: Yes.

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1 MS. HENSEL: The next application before
2 the Board for approval is Mountainview Thoroughbred
3 Racing Association. As has been stated in the
4 record, the Bureau of Investigations and Enforcement,
5 the Bureau of Licensing, the Bureau of Corporate
6 Compliance and Internal Controls are not aware of any
7 information that would preclude licensure, and no
8 information has been added to the record that would
9 change that assessment.

10 CHAIRMAN DECKER: Thank you.

11 COMMISSIONER COY: Mr. Chairman?

12 CHAIRMAN DECKER: Please.

13 COMMISSIONER COY: Mr. Chairman, after
14 considering all of the information and the
15 evidentiary record concerning the application of
16 Mountainview Thoroughbred Racing Association, I move
17 to approve Mountainview Thoroughbred Racing
18 Association for Conditional Category I slot machine
19 license under Section 1315 of the Pennsylvania
20 Racehorse Development and Gaming Act and approve the

21 awarding of the appropriate license to its key
22 employee/qualifiers to whom the Bureau of
23 Investigation and Enforcement and the Bureau of
24 Licensing has no objections.

25 CHAIRMAN DECKER: Thank you.

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1 Is there a second?

2 COMMISSIONER MARSHALL: Second.

3 CHAIRMAN DECKER: Any questions or comments
4 from the Board?

5 Paul, could you please read the roll.

6 MR. RESCH: Marshall?

7 COMMISSIONER MARSHALL: Yes.

8 MR. RESCH: McCabe?

9 COMMISSIONER McCABE: Yes.

10 MR. RESCH: Rivers?

11 COMMISSIONER RIVERS: Yes.

12 MR. RESCH: Angeli.

13 COMMISSIONER ANGELI: Yes.

14 MR. RESCH: Colins?

15 COMMISSIONER DiGIACOMO COLINS: Yes.

16 MR. RESCH: Coy.

17 COMMISSIONER COY: Yes.

18 MR. RESCH: Decker?

19 CHAIRMAN DECKER: Yes.

20 MS. HENSEL: The next application before

21 the Board for approval is Washington Trotting
22 Association, Inc. As stated on the record, the
23 Bureau of Investigation and Enforcement and the
24 Bureau of Licensing are not aware of any information
25 that would preclude licensure, and no information has

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1 been added to the record to change that assessment.

2 Denyse Misikin will now speak on behalf of
3 the Bureau of Corporate Compliance and Internal
4 Controls, including discussing specific licensing
5 conditions with respect to this applicant.

6 MS. MISKIN: After additional review and
7 additional information submitted by the applicant and
8 specific conditions that will be added to their
9 licensure with regards to WTA being required to
10 obtain financing for the permanent facility, as well
11 as the condition regarding regular reporting of their
12 financial position so we can monitor their revenue
13 and their expenses, the Bureau of Corporate
14 Compliance and Internal Controls sees nothing that
15 would preclude licensure.

16 CHAIRMAN DECKER: May I have a motion?

17 COMMISSIONER DiGIACOMO COLINS: Yes.

18 Mr. Chairman, after considering all of the
19 information in the evidentiary record, I make the

20 motion to approve Washington Trotting Association for
21 a Conditional Category I slot machine license under
22 Section 1315 of the Pennsylvania Racehorse
23 Development and Gaming Act and the award of
24 appropriate licenses to its key employee/qualifiers
25 to whom the Bureau of Investigations and Enforcement

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1 and the Bureau of Licensing have expressed no
2 objection.

3 COMMISSIONER MARSHALL: Second.

4 CHAIRMAN DECKER: Thank you. Are there any
5 questions?

6 Paul, could you please call the roll?

7 MR. RESCH: McCabe?

8 COMMISSIONER McCABE: Yes.

9 MR. RESCH: Rivers?

10 COMMISSIONER RIVERS: Yes.

11 MR. RESCH: Angeli?

12 COMMISSIONER ANGELI: Ye.

13 MR. RESCH: Colins?

14 COMMISSIONER DiGIACOMO COLINS: Yes.

15 MR. RESCH: Coy?

16 COMMISSIONER COY: Yes.

17 MR. RESCH: Marshall?

18 COMMISSIONER MARSHALL: Yes.

19 MR. RESCH: Decker?

20 CHAIRMAN DECKER: Yes.

21 Thank you, everyone.

22 Susan, you have some things you want to
23 cover?

24 MS. HENSEL: I do have a couple of other
25 issues.

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1 CHAIRMAN DECKER: Let me just say a couple
2 of things. The Board has voted to approve
3 Conditional Category I licenses for Downs Racing,
4 Mountainview Thoroughbred Racing Association,
5 Greenwood Gaming and Entertainment, Chester Downs and
6 Marina, and Washington Trotting Association.

7 The Board will be issuing written orders
8 and adjudications complete with findings of fact and
9 conclusions of law as expeditiously as we can.

10 Because of the need to review and consider
11 the application of Presque Isle Downs, whose hearing
12 was held this morning -- whose Suitability Hearing
13 was held this morning, the Board has not yet voted on
14 that application.

15 The Board is committed to vote on that
16 remaining application for the Conditional Category I
17 license as soon as possible and hopefully on -- at
18 our next meeting on October 25th of this year.

19 COMMISSIONER ANGELI: Mr. Chairman?

20 CHAIRMAN DECKER: Yes, please.

21 COMMISSIONER ANGELI: Just as a point of
22 order, Susan, on Downs Racing --

23 MS. HENSEL: Yes.

24 COMMISSIONER ANGELI: -- you had a
25 statement you made before each one. We didn't get

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1 that statement on Downs. Could you --

2 MS. HENSEL: I will be happy to read that
3 statement for you.

4 CHAIRMAN DECKER: Thank you.

5 MS. HENSEL: With respect to Downs Racing
6 as has been stated in the record, the Bureau of
7 Investigation and Enforcement, the Bureau of
8 Licensing and the Bureau of Corporate Compliance and
9 Internal Controls are not aware of any information
10 that would preclude licensure, and no information has
11 been added to the record to change that assessment.

12 COMMISSIONER ANGELI: Thank you very much.

13 COMMISSIONER MARSHALL: Mr. Chairman, if I
14 might, I think it's important that we celebrate
15 success.

16 I think it's interesting, today marks a
17 real milestone; and while we have a long way to go,
18 if you think back to just about 14 months ago, when

19 the Supreme Court issued its decision and sort of set
20 us free, I think it's a real testament to the staff
21 and the agency that they have been able to bring us
22 to this day.

23 I know as we have discussed on many
24 occasions and you have stated, this wasn't a process
25 that just took place.

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1 We didn't rely on other jurisdictions, and
2 I think it's important that the people of the
3 Commonwealth know that these licenses that were
4 awarded today were awarded after a process probably
5 matched nowhere else in the country in terms of its
6 depth and breadth and that they should feel confident
7 as these operators go forward and we continue on into
8 the Category II and III.

9 I guess as the longest serving member of
10 this Board, I want to thank all of you for your
11 tireless efforts and, more importantly, high quality.
12 Thank you.

13 CHAIRMAN DECKER: Thank you.

14 COMMISSIONER RIVERS: Mr. Chairman?

15 CHAIRMAN DECKER: Please.

16 COMMISSIONER RIVERS: I don't necessarily
17 have a statement, but I would just like to add my
18 endorsement to Chip's comments to the staff and to

19 all of the people of Pennsylvania.

20 CHAIRMAN DECKER: Are there any other Board
21 members --

22 COMMISSIONER McCABE: I also -- and there's
23 most of them are sitting out there, thank you very
24 much.

25 COMMISSIONER DiGIACOMO COLINS: Yes.

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1 Mr. Chairman, I would like to concur and also extend
2 my congratulations to my fellow Board members for
3 their hard work, their efforts, and the integrity
4 that they have brought to this process.

5 CHAIRMAN DECKER: Commissioner Coy?

6 COMMISSIONER COY: Thank you, Mr. Chairman.
7 I certainly concur with the comments concerning the
8 staff and the fellow Commissioners.

9 I have a little statement, however, and if
10 you'll indulge me, I think it's important to read it
11 into the record.

12 While we have voted favorably today to
13 approve several conditional licenses, I want the
14 record to reflect my strong belief and commitment to
15 diversity within Pennsylvania's gaming industry and
16 our joint commitment to ensuring that the statutory
17 intent of creating quality, living wage jobs in the
18 Commonwealth is realized.

19 The level of review that we will undertake
20 for the approval of permanent licenses, I hope will
21 be even more stringent than a level required for
22 conditional licenses.

23 I intend to look very closely at each
24 applicant's diversity plan and each applicant's
25 relationship with its labor force as we move forward

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1 in the approval process for permanent licenses.

2 Act 71 and Section 1327 specifically
3 provides that the Board have substantial discretion
4 in determining whether applicants will advance the
5 intent and the purposes of the Act.

6 The Statute is clear that there is no
7 entitlement for license. Section 1325 gives the
8 Board explicit authority to consider the types of
9 issues that I've described like diversity.

10 In addition, it provides us with the
11 authority to consider and agree to which an applicant
12 will create quality living wage jobs and full-time
13 employment.

14 I happen to believe that agreements between
15 licenses and labor organizations provide strong
16 evidence that the types of jobs the Act envisioned
17 will, in fact, be created.

18 Also of considerable importance and concern

19 is the initial and the continual compliance with the
20 diversity requirements of Act 71.

21 Section 1212 makes clear that one of the
22 primary goals of the Act is to promote and ensure
23 diversity in all aspects of gaming.

24 Moreover, Section 1325(b) expressly imposes
25 a duty on this Board to not grant or renew a license

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1 until it finds that the applicant has developed and
2 implemented a diversity plan, assuring equality of
3 opportunity in employment and contracting.

4 We have required diversity plans for all of
5 the applications that we voted on today. Some of the
6 plans are pretty good. Some have room to grow.
7 Nevertheless, it's my intent and I hope it's the
8 intent of my colleagues and the Board that the goal
9 of the Statute be achieved.

10 With the issuance of these conditional
11 licenses, the process has not stopped. The
12 recipients will have time to implement the diversity
13 plans and should remember the compliance with the
14 diversity provisions of the Statute will be a key
15 issue in determining whether they are placed into
16 permanent licenses. There's no ambiguity regarding
17 the Board's responsibility in this regard.

18 Thank you, Mr. Chairman.

19 CHAIRMAN DECKER: Thank you, Commissioner
20 Coy.

21 As we all have heard today, this is a
22 historic event and moment for Pennsylvania and the
23 residents.

24 Just over two years ago, the legislature
25 approved and the Governor signed Act 71, the

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1 Pennsylvania Racehorse Development and Gaming Act.
2 The purpose of the Act is threefold; to provide
3 property tax relief to all Pennsylvanians, to revive
4 our horse racing industry, and to preserve and create
5 jobs, new jobs, as Commissioner Coy said, hopefully,
6 very well-paying jobs.

7 The means to these ends were
8 straightforward enough to lay the groundwork for
9 creation and regulation of Pennsylvania's gaming
10 industry, all while protecting the citizens of
11 Pennsylvania as required by Act 71. That has been
12 the mission of the Board since it first met in
13 December of 2004.

14 I have been thinking recently about how far
15 we have come since that first meeting. From scratch,
16 we have built an agency that now is more than 180
17 people and including some of the best gaming
18 regulators in the country, top notch law enforcement

19 officials and people who know and understand State
20 Government, all of the things that we talked about at
21 our first meeting in terms of the workforce that we
22 wanted.

23 Drawing on the best practices of the gaming
24 industry across the country, we have created a
25 comprehensive body of regulations to help us meet our

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1 statutory mandates.

2 We have conducted a thorough licensing
3 process for manufacturers of gaming equipment,
4 suppliers of gaming equipment, and gaming facility
5 operators.

6 We have undertaken more than 1,200
7 investigations of individuals and entities to date
8 and help us -- to help us ensure that we meet the
9 most important of these mandates, protecting the
10 people of Pennsylvania through the regulation of
11 gaming in this Commonwealth.

12 We have solicited public input to a degree
13 unprecedented in gaming in the US, more than 1,800
14 people participated in this process, either in person
15 or by providing written comments to help the Board
16 understand the potential impact of the proposed
17 gaming facilities on their communities.

18 We have completed a series of comprehensive

19 licensing hearings on the Conditional Category I
20 applications that we just approved today, and we will
21 continue to hold these hearings on the remaining
22 applications in October and November to keep us on
23 track to vote on permanent licenses for Categories I,
24 II, and III by December 20th of this year.

25 By meeting this timetable, we'll have moved

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1 to license these applicants in less than two years
2 from our initial meeting without compromising our
3 mission of requiring comprehensive background
4 investigation on all applicants.

5 No gaming jurisdiction in recent memory has
6 moved so quickly and so efficiently to complete such
7 a complex and demanding task as my fellow
8 Commissioners have just pointed out a few minutes
9 ago.

10 It would take me too long, of course, to
11 thank every single person on our staff and our Board
12 members for making this happen today; but as we have
13 said, we have a tremendously dedicated group of not
14 only Commissioners but staff members, leaders, and
15 others.

16 I would like all of our staff members to
17 stand up and receive the recognition that they truly
18 deserve as the hard working people of this community.

19 (Applause.)

20 CHAIRMAN DECKER: Pursuant to the Act, we
21 have now begun the process of achieving the three
22 goals that I mentioned earlier.

23 Again, we want to thank all of the staff
24 and we really do believe this is a historic day for
25 Pennsylvania. Thank you.

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1 COMMISSIONER MARSHALL: Mr. Chairman?

2 CHAIRMAN DECKER: Please.

3 COMMISSIONER MARSHALL: If I could, I think
4 we would be remiss if we didn't acknowledge and
5 commend you for your leadership in this process.

6 You have proven that it is indeed possible
7 to herd cats. It's been an enlightening journey, and
8 I think on behalf of the Board, we thank you.

9 CHAIRMAN DECKER: Thank you. I appreciate
10 that.

11 COMMISSIONER RIVERS: We have some new
12 business.

13 CHAIRMAN DECKER: We do. I'm not going to
14 let that go. So we thank you very much for your
15 comments. It hasn't been as difficult as people had
16 thought because of people on the Board.

17 Are there any comments -- did any of the
18 ex-officio members want to say anything?

19 SECRETARY FAJT: Believe it or not, Tad,
20 Dennis and I are not going to make a comment.

21 CHAIRMAN DECKER: Thank you. We appreciate
22 that.

23 Well, we have some other things to do and
24 supplier license in particular, in fact, two, if I'm
25 not mistaken.

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1 Susan, please?

2 MS. HENSEL: Correct. If I could next turn
3 the Board's attention to the supplier matters. Prior
4 to today's meeting, each of you was provided with a
5 background investigation and executive summary
6 suitability report for Power Gaming, LLC.

7 The application was put through our
8 standard licensing procedure, including investigation
9 by both the Bureau of Investigation and Enforcement
10 and the Bureau of Corporate Compliance and Internal
11 Controls.

12 Should the Board approve licensure of Power
13 Gaming, LLC, it would be subject to a series of
14 conditions. Mike Schwoyer can answer any questions
15 you might have about the specifics of those
16 conditions.

17 We present this application for you for
18 consideration and note that neither the Bureau of

19 Investigations and Enforcement or the Bureau of
20 Licensing or the Bureau of Corporate Compliance have
21 identified any issues that would preclude licensure.

22 CHAIRMAN DECKER: Thank you, Michael.

23 MR. SCHWOYER: I just wanted to add also as
24 a supplier applicant, the Pennsylvania State Police
25 conducted the background investigation and were a

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1 huge help to the Bureau of Investigations and
2 Enforcement in getting this application before the
3 Board.

4 CHAIRMAN DECKER: Right. Without the State
5 Police efforts, we would not have moved as quickly
6 with the supplier licenses. That is perfectly clear.

7 MR. SCHWOYER: Absolutely, sir.

8 CHAIRMAN DECKER: We thank them for their
9 help on this.

10 COMMISSIONER McCABE: I make a motion to
11 approve the order issuing a supplier license to Power
12 Gaming, LLC and its key employee qualifiers.

13 COMMISSIONER COY: Second.

14 CHAIRMAN DECKER: Thank you.

15 Any questions or comment?

16 Michael, are there any specific conditions
17 we should know about?

18 MR. SCHWOYER: Yes. There is a specific

19 condition with respect to this applicant concerning
20 a former key employee qualifier.

21 The applicant has consented to a condition,
22 similar to conditions the Board has adopted with
23 respect to other applicants when there has been a
24 withdrawal of an application and special conditions
25 with reference to that individual. So that language

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1 has been presented to the Board in your packets.

2 CHAIRMAN DECKER: Thank you.

3 Any other questions or comments?

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

6 COMMISSIONERS: Aye.

7 CHAIRMAN DECKER: Any opposed?

8 Motion carries.

9 Thank you.

10 Susan?

11 MS. HENSEL: The next matter before the
12 Board is an amended order for Liberty Gaming
13 Distributors, LP, which was approved for a supplier
14 license by order of the Board on July 20th, 2006.

15 Following this approval but prior to the
16 issuance of a license, Liberty Gaming Distributors,
17 LP filed petitions seeking to withdraw several key
18 employee qualifiers, both entities and individuals,

19 which the Board acted on earlier in this meeting.

20 The Bureau of Licensing is requesting that
21 the Board adopt an order, which would amend the July
22 20th, 2006 order to reflect the changes to the list
23 of key employee qualifiers in light of the withdrawal
24 petitions that were granted today.

25 Having been advised by the Bureau of

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1 Investigation and Enforcement and the Bureau of
2 Corporate Compliance, the Bureau of Licensing is
3 aware of no issues that would preclude the adoption
4 of this order.

5 CHAIRMAN DECKER: May I have a motion?

6 COMMISSIONER RIVERS: Yes. Mr. Chairman, I
7 move to amend the Board order approving a supplier
8 license for Liberty Gaming Distributors, LP as
9 stated.

10 CHAIRMAN DECKER: Thank you.

11 COMMISSIONER DiGIACOMO COLINS: Second.

12 CHAIRMAN DECKER: Thank you.

13 Any questions or comments?

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

16 COMMISSIONERS: Aye.

17 CHAIRMAN DECKER: Any opposed?

18 Motion carries.

19 COMMISSIONER DIGIACOMO COLINS:
20 Mr. Chairman, I have a question of Susan Hensel.
21 CHAIRMAN DECKER: Please.
22 COMMISSIONER DIGIACOMO COLINS: How many
23 suppliers have we licensed to this date?
24 CHAIRMAN DECKER: That's a good question.
25 MS. HENSEL: As of today, we have licensed

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1 18 with the motion that was made today. We have 18
2 suppliers licensed.
3 COMMISSIONER DIGIACOMO COLINS: Thank you.
4 CHAIRMAN DECKER: Thanks.
5 We still have some more licensing business,
6 right?
7 MS. HENSEL: One more. The final item from
8 the Bureau of Licensing is an order to delegate
9 authority to the Director of Licensing to issue
10 appropriate permits, registrations, and credentials
11 to gaming and non-gaming employees.
12 This delegation would only be exercised
13 upon the Bureau of Licensing's receipt of assurances
14 from the Director of Bureau of Investigations and
15 Enforcement that no reason exists for which to deny a
16 permit or registration.
17 The list of gaming and non-gaming employees
18 would be presented to the Board for subsequent

19 ratification at future Board meetings.

20 CHAIRMAN DECKER: Thank you, Susan.

21 Are there any questions?

22 COMMISSIONER DiGIACOMO COLINS: Yes, I have
23 a question.

24 CHAIRMAN DECKER: We probably should have a
25 motion first.

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1 COMMISSIONER DiGIACOMO COLINS: Very good.

2 CHAIRMAN DECKER: Do I have a motion?

3 COMMISSIONER McCABE: Mr. Chairman, I make
4 a motion to approve the order which delegates the
5 authority to issue appropriate credentials, permits,
6 and registrations to employees of slot machine
7 licensees, manufacturer licensees, supplier
8 licensees, and certified vender licensees and
9 applicants pursuant to Section 1318 of the Act and
10 any applicable regulations to the Bureau of
11 Licensing.

12 COMMISSIONER MARSHALL: Second.

13 CHAIRMAN DECKER: Go ahead, Mary.

14 COMMISSIONER DiGIACOMO COLINS: Susan, in
15 this, the category of employees covered by this
16 motion, once the Conditional Category I licenses are
17 actually issued, what number of employees -- what is
18 your estimate of how many gaming and non-gaming

19 employees will have to be licensed over the next,
20 say, six months or put a time frame on it, if you
21 can?

22 MS. HENSEL: We are talking in the
23 thousands. 17,000 -- at least 7,000 to begin with
24 and, of course, we have turnover rate that we have to
25 deal with. So we're talking about numbers that are

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1 well into the thousands.

2 COMMISSIONER DiGIACOMO COLINS: Thank you.

3 CHAIRMAN DECKER: Thank you.

4 Any other questions?

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

7 COMMISSIONERS: Aye.

8 CHAIRMAN DECKER: Any opposed?

9 Motion carries.

10 Susan, thank you.

11 MS. HENSEL: Thank you.

12 CHAIRMAN DECKER: And just before you
13 leave, one quick question, this is the same process
14 that is followed in other states?

15 MS. HENSEL: That is correct. It is
16 critical to being able to get the facilities open and
17 operational.

18 CHAIRMAN DECKER: I would like to also go

19 on the record of thanking the other states, before I
20 forget, for all of the great help we've gotten from
21 New Jersey, Nevada, Michigan, Mississippi,
22 Louisiana -- I'm going to leave some out -- Missouri,
23 etc.

24 They've been unbelievably helpful to us in
25 getting started, getting us to the point we are

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1 today. We now are in the position of helping them on
2 some things. It's working out very well. We are
3 now, I think, a respected member of that community.

4 CHAIRMAN DECKER: All right. I think we're
5 at the point where we entertain an adjournment,
6 unless the staff has something else they want to
7 bring to us.

8 Is that presentation on regulations going
9 to come --

10 MS. LaCOUR NEEB: I thought I would read
11 all of the new regulations. It's only about 7,000
12 pages. The next public meeting?

13 CHAIRMAN DECKER: Oh, yes. I'm sorry. I
14 should report on this. Just a quick scheduling note,
15 our next public meeting will be Wednesday, October
16 25th at 10:00 a.m.

17 It will be followed that afternoon by
18 licensing hearings -- thank you, Anne, for reminding

19 me -- on Category III applicants.

20 We will be back in the auditorium of the
21 State Museum for that meeting. Like all of our
22 meetings and this one, it will be a public meeting.
23 We look forward to hopefully seeing you all there.

24 Now, may I have a motion to adjourn?

25 COMMISSIONER MARSHALL: So moved.

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1 COMMISSIONER McCABE: Second.

2 CHAIRMAN DECKER: All of those in favor?

3 COMMISSIONERS: Aye.

4 CHAIRMAN DECKER: Any opposed?

5 We are adjourned. Thank you very much.

6 (The meeting concluded at 12:43 p.m.)

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

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Hillary M. Hazlett, Reporter
Notary Public

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