

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC MEETING

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BEFORE: GREGORY C. FAJT, CHAIRMAN
Raymond S. Angeli, Jeffrey W. Coy, James B.
Ginty, Kenneth T. McCabe, Sanford Rivers,
and Gary A. Sojka, Members
David Barasch, ex-officio designee
representing Revenue Secretary Stephen
Stetler

HEARING: Wednesday, June 3, 2009
10:02 a.m.

LOCATION: State Museum Auditorium
300 North Street
Harrisburg, PA 17120

WITNESSES: Frank T. Donaghue, Kevin O'Toole, Claire
Yantis, Doug Sherman, Troy Beaverson,
Marsha A. Sajer, Michael Sklar, Susan
Hensel, Cyrus Pitre, Dr. Anthony Ceddia,
Steve Cook, Melissa Powers, Katie Higgins

Reporter: Cynthia Piro-Simpson

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CHAIRMAN FAJT:

Good morning, everybody. If I could have you take your seats, please. Thank you. My name is Greg Fajt. I'm the Chairman of the Pennsylvania Gaming Control Board. Just a little matter of housekeeping, I'd like to ask everybody to turn off their cell phones, Blackberries, other electronic devices. They tend to interfere with our communication system here in the State Museum. Thank you.

A quorum of the Board is present. This meeting is called to order. I'd like to ask everybody to stand for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN FAJT:

I'd now like to ask my good friend, Justice Max Baer, to come up for swearing in. Justice?

JUSTICE BAER:

Congratulations. I'm going to be very brief, but anybody that knows a judge knows that you can never keep them quiet, and that's especially true in my case, according to my colleagues on the Supreme

1 Court. So just a couple words, wholly unprepared.

2 Greg and I have known each other for 24
3 or 25 years, and he's watched my career and helped in
4 it when appropriate and vice a versa, although I've
5 been able to help less because of the constraints of
6 judicial ethics. I think it's a real, real tribute
7 that through all of it, you've maintained universally,
8 among your legion of acquaintances, complete integrity
9 and collegiality. And I am not aware of political
10 enemies. I'm aware of some political adversaries, but
11 they nevertheless refer to you as friend and
12 colleague, and they give you, I think, the highest
13 compliment that can come to one that has run for
14 office, served in office, was the spokesperson for our
15 Governor, which is a tough task, and he knows that as
16 well as all of us, and that is that you were always
17 honest and always above board and always accessible.

18 So I think that it's wonderful that
19 you've come to this point. Now, I have to tell you, I
20 think you have a very difficult job ahead of you. I
21 think all of Pennsylvania is reliant upon you and your
22 colleagues here. I understand that Gaming is going to
23 pay for everything from real property taxes to socks
24 for abused and neglected children, and that all of
25 Pennsylvania sort of looks at this as one of the

1 lynchpins to fiscally save the Commonwealth in this
2 economic time. I'm not sure that that's so, but I
3 think that you have to push forward amid nothing but
4 controversy and difficulties that I think come with
5 the birth of all new entities from Philadelphia to
6 Pittsburgh and from the south to the north. So we
7 wish you well.

8 And I have to tell you that when I
9 complete swearing in, I'm going to leave, because your
10 docket today will be our docket in about two years and
11 I don't want to be here to listen. And I'm already
12 going to have to disclose the fact that I did the
13 swearing in, but at least I didn't stay to listen to
14 the deliberations that form the issues. So as I was
15 coming up here, apropos that your legion of admirers
16 that I happened to speak with in the car --- I save my
17 phone calls for the car. Marie Lolligreen (phonetic)
18 sends her very, very best, people in Mt. Lebanon, who
19 you probably don't remember, but all know you and
20 speak well of you, of course my wife and my two boys
21 and so many others say congratulations to you and we
22 hope that you prosper and you continue to grow in your
23 career, and you and your colleagues bring nothing but
24 success to Pennsylvania Gaming, our very important new
25 industry as we move forward.

1 So if you'd put your hand on the Bible,
2 it's my great pleasure, it's my honor to swear you in.

3 JUSTICE BAER ADMINISTERS OATH TO GREGORY C. FAJT

4 JUSTICE BAER:

5 I want everybody to know that you do not
6 dare change that oath, because it is in our
7 Constitution and apropos the Chief Justice of the
8 United States and the President of the United States,
9 I didn't want any mistakes.

10 CHAIRMAN FAJT:

11 Thank you very much, Justice Baer. And
12 before he leaves or as he's leaving, I just want to
13 again personally thank him. As Max said, he and I
14 have known each other for a quarter of a century. One
15 of the most honest, hardworking public servants, and
16 he didn't get to where he is without a lot of hard
17 work and recognition of his work for --- mainly for
18 children in Pennsylvania. Max started out in the
19 Allegheny County Court of Common Pleas, really
20 revolutionalized the juvenile court system there and
21 is a recognized leader in that area of the law, so I
22 am very, very proud and pleased to have him here
23 today. And again, Max, thank you very, very much for
24 taking time out of your busy schedule to be here.

25 To my fellow Board members, thank you so

1 much for making me feel at home. I feel like I've
2 come back home, starting with the Gaming Board back in
3 2004 as an ex-officio member, and I've got to know
4 virtually all of you in a prior life, and I really,
5 really look forward to working with you.

6 To the staff of the Gaming Control Board,
7 as I said to you earlier, I guess last week when we
8 spoke, what you have been able to accomplish with the
9 Board is nothing short of amazing. When you think of
10 what you've done over the last four years to provide
11 \$1.5 billion of property tax relief for
12 Pennsylvanians, to create 7,000 permanent, life and
13 family-sustaining jobs for Pennsylvania residents,
14 another 7,000 jobs in the construction industry, to
15 save the horseracing industry and revitalize that, to
16 provide financial assistance to the host
17 municipalities and the counties where our facilities
18 are located, when you think of that and starting
19 literally from an agency that had no paper clips, had
20 no office, had no cell phones, had no computers, it
21 really is amazing. You should all be very proud of
22 yourselves, along with the Board, of what you've been
23 able to accomplish over the last four years. I just
24 hope I don't screw it up, so ---.

25 It's great to be sworn in. And let's get

1 started with our business of the day. Now, by way of
2 announcement, the Board held an executive session
3 yesterday, June 2nd, 2009, in accordance with the
4 Sunshine Act. The purpose of the executive session
5 was to discuss personnel-related issues, litigation
6 matters and conduct quasi-judicial deliberations
7 relating to matters pending before the Board.

8 Our first item of business is approval of
9 the minutes and transcripts of the Board's April 8th
10 and April 22nd meetings. May I have a motion to
11 approve the minutes and the transcripts?

12 COMMISSIONER ANGELI:

13 Mr. Chairman, I move the Board approve
14 the minutes and transcripts of the April 8th and April
15 22nd, 2009 meetings.

16 COMMISSIONER COY:

17 Second.

18 CHAIRMAN FAJT:

19 All in favor?

20 AYES RESPOND

21 CHAIRMAN FAJT:

22 Any opposed?

23 NO RESPONSE

24 CHAIRMAN FAJT:

25 The motion carries. Moving on to new

1 business, I'd like to have Frank Donaghue and Kevin
2 O'Toole provide the Executive Director's report.

3 ATTORNEY DONAGHUE:

4 Good morning, Chairman Fajt and Board
5 members. First, it has been a privilege to serve as
6 your acting Executive Director for the last year. I
7 want to thank each Board member for their commitment,
8 energy and cooperation over what has been a very busy
9 and successful time for the Pennsylvania Gaming
10 Control Board. The opening of three new facilities,
11 the creation of thousands of new jobs and the
12 continued evolution of a regulatory structure that is
13 making Pennsylvania one of the premier regulatory
14 jurisdictions in the nation. I would also like to
15 thank the Gaming Control Board's staff, who are
16 committed to the objective of protecting the public
17 through the strict regulation of gaming in
18 Pennsylvania.

19 Next, it gives me great pleasure to
20 introduce Mr. Kevin O'Toole to his first public Board
21 meeting as your new Executive Director. But before I
22 introduce Kevin, I would like to take just a moment to
23 share some of his background. Just prior to accepting
24 the Executive Director position with the Gaming
25 Control Board, Kevin served as the Commissioner of the

1 Oneida Indian Nation of New York. He also served as a
2 Chief Regulatory Officer since February of 2007 after
3 serving as its Executive Director for ten years.

4 The Oneida Indian Gaming Commission is
5 the premier regulator and primary regulator of the
6 Turning Stone Resort and Casino in Verona, New York, a
7 700 room hotel, convention and gaming facility with
8 over 3,600 employees, offering more than 2,000 gaming
9 machines, 80 table games and five golf courses.

10 Prior to his leadership in New York,
11 Kevin worked for the New Jersey Division of Gaming
12 Enforcement for 16 years, including Deputy Attorney
13 General and Supervisor of the Casino Investigation
14 Section. In his role, he oversaw 30 attorneys or
15 investigative agents and was responsible for
16 prosecuting complex civil litigation. In addition,
17 his work in New Jersey included the drafting of
18 proposed legislation to amend the Casino Control Act,
19 involvement in the opening of new casinos to ensure
20 readiness to meet regulatory standards and acting as a
21 liaison with the New Jersey Council on Compulsive
22 Gaming.

23 Kevin earned his Bachelor of Science
24 degree in Economics from the University of
25 Pennsylvania Wharton School of Finance and Commerce

1 and his J.D. from the Rutgers University School of Law
2 in Camden. And with that, I'll turn it over to Kevin.

3 ATTORNEY O'TOOLE:

4 Thank you, Frank. Good morning. As
5 terrific a resort Turning Stone Casino is, I encourage
6 all attendees today to patronize the Pennsylvania slot
7 casinos. But thanks for those very nice words. On
8 behalf of the staff and myself personally, I would
9 like to congratulate Chairman Fajt on his appointment
10 as Chairman of the Pennsylvania Gaming Control Board.

11 It is a pleasure to make my first
12 appearance before the Board. I'm very appreciative of
13 the opportunity that the Board is giving me to serve
14 the citizens of Pennsylvania in a very important
15 mission to ensure the integrity of gaming operations
16 in the Commonwealth. I am truly excited to be here,
17 and I assure you that I will work diligently to lead
18 the Agency in accomplishing the mandates of the Gaming
19 Act.

20 At this time also, I would like to
21 express the Board's appreciation, the staff's
22 appreciation of Frank Donaghue for his willingness to
23 assume the responsibilities of the Executive Director
24 position over the past year. Frank has done an
25 outstanding job, and the Board has benefited from his

1 leadership.

2 With respect to the Executive Director's
3 report today, from an operational standpoint, the
4 significant event that has occurred since the Board's
5 last meeting has been the opening of the Sands Casino
6 Resort Bethlehem on May the 22nd. I only started this
7 week, so I did not attend the test nights or the
8 opening of the Sands. However, staff has provided me
9 with information detailing the cooperative effort to
10 bring that property to a very successful and a very
11 impressive opening. On May 22nd, Sands Casino Resort
12 Bethlehem opened with their new facility, a 103,000
13 square foot casino with 3,000 slot machines, and they
14 expect to expand that by the end of the year to
15 132,000 square feet and 5,000 slot machines. The
16 newest casino in the Commonwealth employs over 900
17 individuals, most of them Pennsylvania residents. And
18 one of their unique features is that you can dine at
19 restaurants that literally overlook the gaming floor.

20 From the Gaming Control Board's
21 standpoint, this was an extremely successful opening,
22 thanks in large part to the very experienced and
23 qualified opening team, a group that includes
24 representatives from Gaming Operations, the Gaming
25 Lab, Casino Compliance, Licensing, Information

1 Technology and Legal Counsel. And their efforts could
2 only be successful with a high level of cooperation
3 from the Sands staff.

4 We would also like to thank and commend
5 Commissioners Coy, Sojka and Ginty for their oversight
6 during the test nights in the opening. It's also very
7 important to recognize the role and the cooperation
8 and assistance of the Pennsylvania State Police, the
9 Department of Revenue and the staff from G-Tech. All
10 of these entities contributed significantly to the
11 very successful opening of the Sands.

12 I'd also like to note that the Sands
13 Bethlehem had the largest opening day revenue of any
14 casino in Pennsylvania with over \$1.6 million in gross
15 terminal revenue on their initial day, almost \$700,000
16 more than the next closest opening day.

17 And I'd like to conclude the Executive
18 Director's report with a positive report on revenue in
19 the just completed month of May. The revenue numbers
20 continue to be strong with Pennsylvania slot machines,
21 generating \$178 million in gross terminal revenues
22 last month, a 17.9 percent increase over revenues
23 generated by gaming in May of last year. The ten days
24 of operation of the new Sands facility certainly
25 contributed significantly to that increase. However,

1 it's important to note that even if you take out those
2 ten days of revenue from the Sands, the seven existing
3 slot casinos in Pennsylvania that operated both in May
4 of 2008 and May of 2009 performed and experienced
5 gross terminal revenues that would have --- that
6 increased by 10.8 percent.

7 So again, I would like to thank the Board
8 for the opportunity to be a part of this process, and
9 I look forward to working with all of you. Thank you.

10 CHAIRMAN FAJT:

11 Thank you, Kevin and Frank. Kevin, I'd
12 just like to welcome you on behalf of the Board, and
13 other Board members can feel free to chime in, but
14 your reputation for professionalism and competence,
15 both during your time in New Jersey and also New York,
16 preceded you. I was not involved in the hiring
17 process, but I know my colleagues up here were, and
18 all of them, to a person, had spoken glowingly about
19 your reputation and the results that you've obtained
20 in your prior life. So welcome to the Pennsylvania
21 Gaming Control Board as Executive Director, and we all
22 look forward to working with you.

23 Frank, before you --- and Frank's halfway
24 out of his chair, but I'm going to embarrass you just
25 for a minute. You know, you and I have known each

1 other for a long time, you know, from your days in the
 2 Attorney General's Office and mine as Secretary of
 3 Revenue, and your professionalism and your ethical
 4 backbone has always been your calling card. And you
 5 are a tremendous person. We are lucky to have you at
 6 the Gaming Control Board. We appreciate what you did
 7 for us to sit in as interim Executive Director, and we
 8 look forward to continue working with you. So thank
 9 you for stepping in when we needed you. Any other
 10 comments from Board members? Okay. Thank you, guys.

11 Next up is David Rhen for our regular
 12 financial report.

13 OFF RECORD DISCUSSION

14 CHAIRMAN FAJT:

15 All right. Next up is Claire Yantis for
 16 our Human Resources. Claire?

17 MRS. YANTIS:

18 Good morning, Chairman, Board members.
 19 We ask you today to consider a motion to hire four
 20 individuals. First, Jennifer Courtney King is being
 21 recommended for hire as a Casino Compliance
 22 Representative at the Meadows Racetrack and Casino.
 23 Ms. King has completed the PGCB interview process and
 24 is being recommended for hire by Director of Casino
 25 Compliance, Tom Sturgeon.

1 Second, Michael Cruz, Director of Gaming
 2 Laboratory Operations, conducted interviews for two
 3 positions within the Gaming Lab, one for an
 4 Electronics Engineer position and one for a
 5 Statistician position. At this time, Mr. Cruz is
 6 recommending the hire of Mark Dinse to fill the
 7 Electronics Engineer and Matthew Belella to fill the
 8 Statistician position. Finally, it's recommended that
 9 Katherine Smith be hired as an Executive Secretary to
 10 the Chairman.

11 Insomuch as all four individuals have
 12 completed the PGCB background investigation and drug
 13 screening, we ask the Board to consider a motion to
 14 hire these individuals as indicated.

15 CHAIRMAN FAJT:

16 Thank you. Any questions or comments
 17 from the Board? Can I have a motion?

18 COMMISSIONER COY:

19 Mr. Chairman, I move the Board approve
 20 the hiring of the Agency staff as proposed on a
 21 condition that all employees have completed the
 22 necessary background investigation and drug testing.

23 COMMISSIONER GINTY:

24 Second.

25 CHAIRMAN FAJT:

1 All in favor?

2 AYES RESPOND

3 CHAIRMAN FAJT:

4 Anybody opposed?

5 NO RESPOSNE

6 CHAIRMAN FAJT:

7 Motion passes. Thank you very much,
8 Claire. Next up is our Office of Chief Counsel (OCC),
9 Doug Sherman. And Troy Beaverson is joining Doug.
10 Good morning.

11 ATTORNEY SHERMAN:

12 Good morning, Chairman Fajt and members
13 of the Board. Our first two agenda items relate to a
14 proposed regulation and a Final-form regulation, which
15 Assistant Chief Counsel Troy Beaverson will address.

16 ATTORNEY BEAVERSON:

17 Good morning, Mr. Chairman, members of
18 the Board. First up we have Proposed Regulation
19 Number 125-104. This proposed rulemaking makes minor
20 revisions to provisions related to employees to
21 improve the clarity and effectiveness of the Board's
22 regulations. More specifically, in this rulemaking,
23 this rulemaking does the following.

24 The definition of gaming employee has
25 been amended to include employees of certified vendors

1 that must have access to the gaming floor or other
2 restricted areas. This change makes the definition
3 consistent with the existing requirement that these
4 employees receive occupational permits from the Board.

5 New language has been added to Section
6 435a.1, which requires slot machine licensees to
7 contact the Bureau of Licensing (BOL) to verify the
8 status of a license or permit of any potential
9 employee who is already licensed by the Board.

10 Finally, transfers to Category 1
11 licensees from the Racehorse Development Fund will be
12 payable to the appropriate recipients by the close of
13 the next business day. If there are no questions, I
14 would ask for a motion to adopt Proposed Regulation
15 Number 125-104.

16 CHAIRMAN FAJT:

17 Any questions or comments from the Board?
18 Can I have a motion?

19 COMMISSIONER GINTY:

20 Mr. Chairman, I move that the Board adopt
21 Proposed Regulation 125-104, that the Board establish
22 a public comment period of 30 days and that the
23 proposed regulation be posted on the Board's website.

24 COMMISSIONER MCCABE:

25 Second.

1 CHAIRMAN FAJT:

2 All in favor?

3 AYES RESPOND

4 CHAIRMAN FAJT:

5 Opposed?

6 NO RESPONSE

7 CHAIRMAN FAJT:

8 Motion passes.

9 ATTORNEY BEAVERSON:

10 For your next consideration, we have
11 Final-form Regulation Number 125-96. The Board
12 adopted these changes as a Proposed Regulation on
13 December 18th, 2008, and they were first published in
14 the Pennsylvania Bulletin on January 24th, 2009.
15 Public comments were due on February 23rd, 2009. This
16 Final-form Rulemaking contains a variety of amendments
17 which correct errors in the existing regulations,
18 clarify a number of requirements and delete, revise or
19 add new requirements that reflect current practices.
20 The most significant changes include changes to ---
21 Sections 461a.24 and 465a.30 are being revised to
22 clarify that Request For Waivers of Internal Control
23 Regulations are to be submitted to the Board as a
24 formal petition and that the waiver must be approved
25 by the Board.

1 Revisions have been made to streamline a
2 review process for merchandise jackpots. These
3 jackpots will now be approved by the Executive
4 Director after review by the Office of Gaming
5 Operations. Section 465a.12 has been totally
6 rewritten to clarify the licensee's duties to develop
7 an access control employee badge system and eliminate
8 any confusion between that system and the emergency
9 and temporary credentials that may be issued by the
10 Board.

11 Most of the comments received from the
12 public concern the regulations prescribing the access
13 control employee badge system. It was suggested that
14 the Board allow individuals other than those
15 designated in the proposed regulation to be
16 responsible for assigning access levels and for
17 maintaining the system's database. The Board agreed,
18 and a proposed regulation was amended to require the
19 slot machine licensee to designate the individuals who
20 will be responsible for these functions in their
21 internal controls.

22 If there are no questions, I would ask
23 for a motion to adopt Final-form Rulemaking Number
24 125-96.

25 CHAIRMAN FAJT:

1 Any questions or comments from the Board?

2 May I have a motion?

3 COMMISSIONER MCCABE:

4 Mr. Chair, I move that the Board adopt
5 Final-form Regulation 125-96, and that the Final-form
6 Regulation be posted on the Board's website.

7 COMMISSIONER RIVERS:

8 Second.

9 CHAIRMAN FAJT:

10 All in favor?

11 AYES RESPOND

12 CHAIRMAN FAJT:

13 Any opposed?

14 NO RESPONSE

15 CHAIRMAN FAJT:

16 The motion passes. Thank you, Troy.
17 Doug, you'll continue on with your report?

18 ATTORNEY SHERMAN:

19 Yes. Today the Board has four petitions
20 before it for consideration. These petitions are all
21 scheduled to be considered upon the documentary
22 record. In each case, the Board has been provided
23 with the petition, the responsive pleading of
24 Enforcement Counsel, any additional pleadings, as well
25 as all supporting evidentiary materials. In addition,

1 all parties have been notified that their petitions
2 will be considered today and that they have the right
3 to be present to address the Board with respect to any
4 aspect of the petition or otherwise to answer any
5 questions.

6 I'll briefly summarize each petition
7 before asking for a motion. First, on the Board's
8 agenda for consideration, is Autovalet System, LLC's
9 Petition to be Removed from the Prohibited Vendor
10 List. Autovalet manufactures a computer controlled
11 system that permits employees of licensees to store
12 and retrieve uniforms and personal items from an
13 automated carousel. Autovalet systems are in use at
14 Hollywood Casino, at Penn National and Harrah's
15 Chester Downs.

16 On December 18th, 2008, Autovalet was
17 placed on the Prohibited Vendor List for failing to
18 provide a complete Private Holding Company Form for
19 its parent company, Autovalet Systems International.
20 About three weeks later Autovalet corrected that
21 omission and filed the missing Private Holding Company
22 Form with the Board, as well as a Petition seeking
23 Removal from the Prohibited Vendor List.

24 The Office of Enforcement Counsel (OEC)
25 objected to the petition, arguing that the required

1 holding company application for a company holding a 32
2 percent stake in Autovalet's parent company was not
3 included in the filing. Autovalet argued that the
4 holding company at issue, which is Woodbourne Trustees
5 Limited, is based in Bermuda, and under that law,
6 under the law of Bermuda, a disclosure of certain
7 information required by the Board and the licensing
8 process would be prohibited.

9 Subsequently, Autovalet submitted a plan
10 to the BOL proposing a reorganization of the business
11 enterprise to avoid the disclosure issue raised by
12 Woodbourne's ownership interest. Autovalet has now
13 provided the BOL with all documents necessary
14 regarding its sale to its new owner, Kirkwell,
15 Limited, and as a result, Autovalet's application is
16 now considered complete by the BOL.

17 Now, in the past, in relation to
18 Petitions to Remove an entity from the Prohibited
19 Vendor List, the Board has imposed a sanction or an
20 assessment of \$1,500 in connection with that activity.

21 That matter is up to the Board's discretion. And I
22 believe that Counsel in this case may want to address
23 that issue as well as any others --- or answer any
24 questions the Board may have.

25 ATTORNEY SAJER:

1 Good morning, Chairman Fajt and members
2 of the Board. I'm Marsha Sajer, Counsel with
3 Kirkpatrick & Lockhart here in Harrisburg. I
4 represent the Vendor, Autovalet Systems, LLC. As Doug
5 Sherman has described, Autovalet has worked diligently
6 and cooperatively with the BOL to overcome not only
7 the original deficiency that got it placed on the
8 Prohibited Vendors List, but also to satisfy the Board
9 in absolutely completing the application.

10 Autovalet will accept any fine imposed by
11 the Board, but did not want to waive its opportunity
12 to address the fine issue. Autovalet was informed
13 just this Monday that it would be facing a fine. And
14 we have three points that we just want to briefly
15 raise and bring to your attention, particularly to
16 Chairman Fajt, as the new leader of the Gaming Control
17 Board.

18 We believe the Board lacks the authority
19 to impose a fine on this particular vendor. We
20 believe also that the imposition of a fine of which
21 Autovalet was given notice only on Monday offends
22 due-process. And finally, we believe that any fine
23 that might be recommended against Autovalet Systems
24 should be waived under the circumstances of this case.

25 We believe that the Board, first, lacks

1 authority to impose a fine against this vendor. The
2 regulations dealing with placement of a vendor on the
3 Prohibited Vendors List specifically state the process
4 by which a vendor can seek removal, and that is by
5 filing a petition showing good cause for the removal,
6 and more importantly, showing the deficiency that
7 caused it to be placed on the Prohibited Vendors List
8 has been corrected. Autovalet has done that. There
9 is nothing in those provisions of the Board's
10 regulations that authorizes imposition of a fine or
11 gives notice to Autovalet that a fine would be
12 imposed.

13 Moreover, although the OEC clearly has
14 the authority to file a complaint against a vendor or
15 any other entity seeking licensing in which the
16 complaint can set forth penalties, including a fine,
17 the OEC has never done so to this moment when it
18 announced to the Board its recommendation for a fine.

19 Posting a fine without adequate notice
20 and an opportunity to be heard clearly offends due-
21 process. Autovalet had no notice of this fine until
22 Monday. There is nothing set forth in this Board's
23 regulations that indicates that a fine would be part
24 of the removal. There is nothing on the Board's
25 website that posts the fines or indicates that they

1 would be part of the removal.

2 We're advised instead that Autovalet
3 Systems, LLC should have been monitoring the Board's
4 previous proceedings in order to become aware of the
5 fact that this Board, has in the past, imposed fines
6 on vendors seeking removal from the Prohibited Vendors
7 List. That is --- that's not the proper, adequate
8 notice to a vendor seeking removal.

9 The vendor is a small business, as are
10 many vendors participating in Pennsylvania gaming.
11 Autovalet will absolutely acquiesce in the imposition
12 of this fine, because it cannot afford to do
13 otherwise. It cannot afford to continue to pay
14 attorney's fees to appeal, nor can it afford the
15 delay, because we have been advised that Autovalet
16 would not be removed from the Prohibited Vendors List
17 until it has paid the fine, so we will do so.

18 Moreover, Autovalet Systems is licensed
19 in many other gaming jurisdictions in this country,
20 and by remaining on the Prohibited Vendors List, casts
21 doubt on its good standing in those other licensing
22 jurisdictions.

23 As Mr. Sherman indicated, Autovalet went
24 through a substantial corporate, in effect,
25 restructuring. It had to divest itself of a Bermuda

1 trust that has no interest in the kind of work being
2 done by Autovalet Systems in any of these gaming
3 matters. Autovalet is only a step away from being a
4 supplier. It installs the equipment in the pre-gaming
5 phase of gaming operations, and goes back only a
6 couple of times a year to service machinery that is in
7 no way connected with the gaming floor.

8 Autovalet was penalized by being placed
9 on the Prohibited Vendors List for its deficit in
10 filing proper documents. There should be no further
11 penalty. It has now made good on what it needed to do
12 to be restored and have its application ready to move
13 forward for investigation. A further penalty is
14 simply not appropriate.

15 I have here Fred Mullinax of Autovalet
16 Systems if any of the Board members have any specific,
17 factual questions that he might be able to respond to.

18 CHAIRMAN FAJT:

19 Thank you, Marsha. Questions from the
20 Board?

21 COMMISSIONER RIVERS:

22 Yes. My question would be to Doug
23 Sherman. Doug, you've heard the concerns that Counsel
24 has brought forth. What are your responses to the
25 issues that she's raised?

1 ATTORNEY SHERMAN:

2 Really, I think we have two issues here.
3 One is to the extent Autovalet asserts that they did
4 not have notice or an opportunity to respond, I think
5 we have to go back to the original basis for the
6 imposition of a sanction, and that is typically a
7 vendor gets placed on the Prohibited Vendor List
8 because of the failure to comply with licensing
9 requirements. That has been explained here. I guess
10 the question really becomes whether that was a willful
11 failure on the part of Autovalet, whether they
12 knowingly did not comply with the regulations, and
13 that would go, obviously, to the Board's consideration
14 of whether or not there should be a fine, and if so,
15 what extent.

16 So to the extent that Autovalet is asking
17 for notice and an opportunity to be heard, to contest
18 whether the fine is appropriate or the amount of it, I
19 think in that case, the appropriate remedy of the
20 Board would be to remand the matter to the Office of
21 Hearings and Appeals (OHA) and develop a record on
22 those very issues. On the other hand, it certainly
23 would be within the purview of the Board to ask
24 Autovalet if they would waive that claim and consent
25 to the imposition of the fine to resolve the matter

1 today.

2 COMMISSIONER MCCABE:

3 You bring up a good point, because I have
4 a concern about their due-process. First, we've
5 initiated a civil fine on other companies; correct?

6 ATTORNEY SHERMAN:

7 That's correct.

8 COMMISSIONER MCCABE:

9 But what I'm concerned about is the
10 due-process and just being notified on Monday, but
11 what I think I heard from you was that they do not
12 want to go into the expense of us tabling this,
13 remanding it back to OHA to have hearings, because
14 initially, that's what I was leaning towards as well,
15 let's just remand this back, but I think I heard you
16 say they really don't want to go through that whole
17 process, and that they're going to waive it; is that
18 correct?

19 ATTORNEY SAJER:

20 You are absolutely correct. We will
21 waive any objections to a fine, but we did not want to
22 waive our opportunity to raise these issues, because
23 this would be our sole opportunity to respond.

24 COMMISSIONER MCCABE:

25 Okay. Thank you.

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COMMISSIONER RIVERS:

My next question relates to the issue of authority. Counsel's questioning the Board's authority to impose a fine, what is our position on that?

ATTORNEY BEAVERSON:

Mr. Chairman, members of the Board, it's my role from the OCC --- Ms. Sajer discusses the regulations, but the OEC believes the authority lies in the statute itself under Section 1202(b)(19). That section specifically says that the Board has the authority to levy fines or other sanctions against an applicant, licensed entity or other licensee, permittee or employee of the Board. It goes on from there.

I believe our past practice has been --- and there's been approximately seven petitioners to come off the Prohibited Vendors List. Three of those have been granted and have paid the fine. One of those has paid the fine in advance of being granted. But we believe we've turned to that section in every one of those situations to address authority.

COMMISSIONER RIVERS:

And then my question would be to Counsel. What part of that are you challenging our ability to impose a fine?

1 ATTORNEY SAJER:

2 I'm challenging it as a basis
3 predominantly of due-process. We believe that the
4 Board can establish regulations under which the Board
5 can impose fines, but to take pure statutory authority
6 to issue fines without any further promulgation and
7 regulations that makes them applicable to vendors,
8 particularly a vendor who has been sanctioned by the
9 penalty of being placed on a prohibited list to now
10 have an additional penalty placed without any kind of
11 regulatory notice offends due-process.

12 COMMISSIONER GINTY:

13 But you're precluding us from curing any
14 due-process issues here by virtue of the fact that you
15 don't want this delayed any further. So if we wanted
16 to cure it, that would not be acceptable to you; is
17 that true?

18 ATTORNEY SAJER:

19 Well, we believe that perhaps a systemic
20 cure might be appropriate, even if our client does not
21 get the benefit of it.

22 COMMISSIONER GINTY:

23 Systemic? Okay.

24 CHAIRMAN FAJT:

25 Other questions? Commissioner Sojka, you

1 look like you're contemplating.

2 COMMISSIONER SOJKA:

3 I'm a bit puzzled by that terminology.
4 Could you again please tell me what you mean by a
5 systemic cure? You want ---?

6 ATTORNEY SAJER:

7 We would suggest that it would be
8 appropriate for this Board, particularly under new
9 leadership, to revisit some of the vendor regulations
10 to perhaps set forth in greater detail what a vendor
11 should expect, to set forth the fines that a vendor
12 might encounter, to specifically advise a vendor who's
13 been placed on the Prohibited Vendors List that it
14 will require more than correction of deficiencies in
15 order to come off the list. I think some regulatory
16 fixes would provide a little bit more notice than
17 Autovalet has had. But, all that said, Autovalet
18 cannot live with further delay and further expense.
19 It's lost business opportunity already.

20 COMMISSIONER SOJKA:

21 Thank you.

22 CHAIRMAN FAJT:

23 Let me ask a quick question trying to get
24 to the nub of the issue. As I understand it,
25 Autovalet was put on the Prohibited Vendors List

1 because of this company that either was their parent
2 company or was an affiliate in Bermuda. You had asked
3 for information from this company. Bermuda Law
4 prevents them from giving you this information. You
5 brought it to the attention of Autovalet. They then
6 restructured whatever it was that they needed to
7 restructure to get you that information; is that an
8 accurate statement of the facts?

9 ATTORNEY BEAVERSON:

10 That's exactly correct, Mr. Chairman.

11 CHAIRMAN FAJT:

12 Okay. And how long did that process take
13 from when you notified Autovalet of this quirk in the
14 law or the interpretation of the law of Bermuda until
15 when they changed their corporate structure to get you
16 that information?

17 COMMISSIONER MCCABE:

18 Could I just add this? I thought they
19 didn't change their structure until they were placed
20 on the Prohibited Vendor List, that they didn't do
21 that before.

22 ATTORNEY BEAVERSON:

23 That's true. That is true. I mean,
24 being placed ---.

25 COMMISSIONER MCCABE:

1 So the only reason they changed was
2 because we put them on the Prohibited Vendor List and
3 they were not longer allowed to do business in
4 Pennsylvania. Then that forced them to restructure.
5 Up until that time, they were not going to
6 restructure?

7 ATTORNEY BEAVERSON:

8 I think that's probably true, yes.

9 CHAIRMAN FAJT:

10 I mean, that's the point. And I think
11 that the Board --- well, I shouldn't speak for the
12 Board. My mind is, you know, if they were, you know,
13 of the mind to say we are who we are, we're a Bermuda
14 company, you know, go pound sand, we're not going to
15 give you that information. And then because of that
16 attitude, we had to put him on the Prohibited Vendors
17 List, then you know what? I'm okay with the fine.
18 But if it was merely informing them that, you know,
19 because of this Bermuda Law that we had to put them on
20 the Prohibited Vendors List and they immediately
21 weren't aware of the intricacies of the Bermuda Law
22 and immediately changed their corporate structure to
23 give us that information, I'm less inclined. So I
24 think --- I'd like to know that answer.

25 ATTORNEY BEAVERSON:

1 Mr. Chairman, I believe there was a
2 failure to cooperate or a failure to supply the
3 information which led to Autovalet being placed on the
4 Prohibited Vendors List. Once on that list, I'd be
5 hard pressed to say they didn't make attempts to
6 comply. I believe from January of 2009 until March
7 31st or early April, they had supplied all the
8 documents required by Licensing and the investigators.
9 So certainly they were able to bring everything to the
10 table, but you know, arguably it was under the
11 pressure of being placed on that list, which really
12 set the events in motion.

13 CHAIRMAN FAJT:

14 And your response to that, Counsel?

15 ATTORNEY SAJER:

16 Chairman Fajt, Autovalet believed that it
17 had corrected the deficiency by filing one form that
18 had been requested. Because the BOL had the authority
19 to retain Autovalet's systems on the Prohibited
20 Vendors List, Autovalet continued to work and work and
21 work, not to correct the deficiency, but in order to
22 absolutely have a complete, clear, acceptable
23 application.

24 COMMISSIONER GINTY:

25 Wait. Are our regulations clear that an

1 entity with a 32 percent interest in Autovalet has to
2 disclose ownership?

3 ATTORNEY BEAVERSON:

4 Yes, Mr. Commissioner. I believe it's
5 anyone that has a five percent ownership in an entity
6 has to turn over documentation.

7 COMMISSIONER GINTY:

8 Okay. So when Autovalet filed their
9 application, they were on notice that it was deficient
10 from the start. Am I missing something?

11 ATTORNEY SAJER:

12 Chairman Ginty, you raise a good point,
13 and I'm not entirely sure why the vendor system has to
14 be so complicated that a man of good education,
15 training and business experience was unable to figure
16 that out. Let me say a few things on Autovalet
17 Systems' defense. There was a certain disconnect
18 between the American subsidiary and the UK parent that
19 caused the ball to be dropped and the original form
20 not to be filed.

21 But with respect to this fairly fine
22 technical point of law, yes, attorneys as
23 practitioners and certainly the Board understands that
24 if you trace the regulatory provisions, you'll get to
25 the point of saying well, yes, if you're more than a

1 certain percent ownership, then you should know that
2 you need to do this.

3 Autovalet at that point was not
4 represented. They thought they could do it by
5 themselves because they had done so successfully in a
6 number of other licensing jurisdictions. Pennsylvania
7 does things a little differently but does not do so in
8 a very clear, transparent way. And I think you're
9 going to see increasing numbers in vendors show up
10 before this Board because they have had missteps due
11 to their lack of understanding of the process.

12 COMMISSIONER GINTY:

13 Well, you know, quite frankly, you know,
14 perhaps we should take a look at our regulations, but
15 it's clear to me that a failure to disclose a
16 one-third owner of a company is not a technical issue.
17 I mean, one-third is a pretty significant ownership
18 interest.

19 ATTORNEY SAJER:

20 Well, it's one-third of the parent. I
21 mean, we're a few steps removed from the Autovalet
22 Systems that does work here in Pennsylvania.

23 COMMISSIONER RIVERS:

24 I don't want to prolong this, but I guess
25 I'd like to have a timeline or hear the timeline from

1 our individuals in terms of when the application was
2 submitted, when the Notice of Deficiency was filed and
3 just what happened in between.

4 ATTORNEY BEAVERSON:

5 Well, I can say that from my notes here,
6 I know they were placed on a Prohibited Vendors List
7 in December of 2008. I know Autovalet filed a
8 Petition to be Removed from that list on January 12th
9 of 2009. The time frame between January 12th of '09
10 and March 31st of '09 is really a dialogue that has
11 occurred between our BOL and the Petitioner in which I
12 believe a part of the problem is as information is
13 turned over, it tends to open up or uncover other
14 layers where additional information may then need to
15 be obtained to clarify what was first turned over in
16 the initial request.

17 All of that dialogue back and forth takes
18 place between Licensing and the Petitioner, so I can't
19 in good faith stand before you or sit here before you
20 today and say I know exactly how many times Licensing
21 contacted Autovalet. I can't say by what means they
22 contacted Autovalet. But I know for a fact that
23 letters were sent to the parent company. I know there
24 were e-mail correspondences. I know there were
25 telephone conversations in attempt to obtain this

1 information. As it's been related to the OEC, it was
2 just a failure of the United Kingdom company, who is
3 removed from the continental United States, wanting to
4 cooperate, and then Bermudian trust issue surfaced,
5 which became another hurdle to clear.

6 So how much notice they actually had, I
7 honestly can't vouch for. I'm very well aware that
8 there was notice. I know that there was open dialogue
9 between both parties. It was pretty clear what was
10 trying to be obtained at first. I will admit that as
11 the initial documentation was turned over, that then
12 opened lower layers and additional clarification had
13 to be provided, but I don't know if that's responsive
14 to your question. I'm sorry.

15 CHAIRMAN FAJT:

16 Commissioner Sojka?

17 COMMISSIONER SOJKA:

18 Just one quick question that can take a
19 yes or no answer. We have had people placed on the
20 Prohibited Vendor List. We've had them come off. In
21 each and every one of those instances, has there been
22 this sort of civil fine levied as they come off? Have
23 there been any exceptions?

24 ATTORNEY BEAVERSON:

25 I'm sorry, say that ---.

1 COMMISSIONER SOJKA:

2 The question is, we've had people on ---
3 entities on this prohibited list. They have come off
4 in the past. In every single instance without
5 exception, has there been a civil fine levied?

6 ATTORNEY BEAVERSON:

7 Yes, Commissioner. It has been of
8 varying degrees. I mean, the minimum amount is
9 \$1,500. There have been fines that have been beyond
10 that, but it seems from prior practice of this Board,
11 the minimum amount is \$1,500.

12 COMMISSIONER SOJKA:

13 Thank you.

14 CHAIRMAN FAJT:

15 Other questions? Can I have a motion?

16 COMMISSIONER RIVERS:

17 Yes. Mr. Chairman, I move that the Board
18 approve the Petition to Remove Autovalet Systems, LLC
19 from the Prohibited Vendors List as described by the
20 OCC. However, prior to any such removal, Autovalet
21 shall pay a civil penalty in the amount of \$1,500.

22 COMMISSIONER ANGELI:

23 Second.

24 CHAIRMAN FAJT:

25 All in favor?

1 AYES RESPOND

2 CHAIRMAN FAJT:

3 Any opposed?

4 NO RESPONSE

5 CHAIRMAN FAJT:

6 Motion carries. Thank you, Marsha.

7 Thank you, guys. Continue on.

8 ATTORNEY SHERMAN:

9 The second petition before the Board
10 today is Downs Racing's Petition for Approval of
11 Service Level Agreement with Mohegan Tribal Gaming
12 Authority. Mohegan Tribal Gaming Authority is a
13 parent company to both Downs Racing and Mohegan Sun
14 Connecticut. The Service Level Agreement will allow
15 Mohegan Tribal Gaming Authority to provide IT support
16 to Downs Racing for traditional IT services, including
17 help desk support, network and application support,
18 project management, system analysis and data center
19 services. Essentially, the Service Level Agreement
20 will allow the Mohegan Tribal Gaming Authority to
21 integrate certain IT functions for both facilities and
22 avoid duplication of services. All gaming operations,
23 security and surveillance functions would remain fully
24 provided by and controlled at the Downs Racing
25 Pennsylvania facility, as is required by the Board's

1 regulations.

2 Downs Racing and the OEC have entered
3 into a Stipulation regarding this matter whereby the
4 OEC does not object to the approval of the Service
5 Level Agreement but requests that the Board condition
6 the granting of relief to assure that, one, Downs
7 Racing maintains an IT department in Pennsylvania
8 supervised by an IT Director, who will be responsible
9 for the quality, reliability and accuracy of all of
10 Downs Racing's slot machine computer systems. Two,
11 that Downs Racing maintains records of all services
12 provided under the Service Level Agreement and
13 provides Board staff with quarterly reports of that
14 activity. And three, that the BOL is notified prior
15 to any subcontracts being entered into to perform
16 services under the agreement.

17 Unless there's any further questions by
18 the Board, that matter is ripe for the Board's
19 consideration.

20 CHAIRMAN FAJT:

21 Any questions or comments from the Board?
22 May I have a motion?

23 COMMISSIONER GINTY:

24 Yes, Mr. Chairman. I move that the Board
25 approve the Petition submitted by Downs Racing as just

1 described by the OCC.

2 COMMISSIONER ANGELI:

3 Second.

4 CHAIRMAN FAJT:

5 All in favor?

6 AYES RESPOND

7 CHAIRMAN FAJT:

8 Opposed?

9 NO RESPONSE

10 CHAIRMAN FAJT:

11 Motion passes. Thank you.

12 ATTORNEY SHERMAN:

13 Next for the Board's consideration is
14 Mount Airy #1, LLC's Petition requesting that the
15 Board vacate its February 5th, 2008 Order suspending
16 Louis DeNaples' Principal License.

17 By way of background, on January 23rd,
18 2008, the Fourth Dauphin County Investigating Grand
19 Jury recommended that criminal charges be filed
20 against Mr. DeNaples and the Mount Airy facility. On
21 January 30th, 2008, criminal complaints were filed
22 against both Mr. DeNaples and Mount Airy, charging
23 each with four counts of perjury relating to testimony
24 provided to the Board. As a result of those charges,
25 Mr. DeNaples' Principal License was suspended by the

1 Executive Director and subsequently upheld by this
2 Board.

3 On April 15th, 2009, an Agreement for the
4 Withdrawal of Charges was entered into between Mr.
5 DeNaples and the Dauphin County Office of District
6 Attorney. Pursuant to the agreement, the District
7 Attorney agreed, in part, to nolle prosequi all
8 charges in exchange for an agreement that Mr. DeNaples
9 would irrevocably transfer his ownership interest into
10 trusts on behalf of, initially, his daughter, Lisa
11 DeNaples, that Mr. DeNaples would not exercise legal
12 control or dominion over Mount Airy, except as
13 required pursuant to his financial covenants, and that
14 Mr. DeNaples' agreement --- or agree that he would not
15 serve as the director, officer, manager of Mount Airy
16 or exercise similar authority for Mount Airy.

17 The agreement with the District Attorney
18 does contemplate that Mr. DeNaples will make
19 application for reinstatement of his Principal License
20 before the Board given his ongoing role as Mount
21 Airy's sponsor, lender, mortgager and guarantor of
22 financing.

23 The Petition presently before the Board
24 seeks dissolution of the Order suspending Mr.
25 DeNaples' Principal License, and requests termination

1 of the Board appointed Trustee.

2 The OEC has responded to the petition,
3 agreeing in part to the requested relief. They're
4 requesting that the Trustee remain in place to attend
5 Audit Committee meetings and meet with management and
6 provide the Board with periodic updates pending
7 completion of any further contemplated proceedings.
8 Both Enforcement Counsel and Counsel for Mr. DeNaples
9 are present to address the Board.

10 CHAIRMAN FAJT:

11 Please proceed.

12 ATTORNEY SKLAR:

13 Good morning, Chairman Fajt, members of
14 the Board. Michael Sklar on behalf of Mount Airy #1,
15 LLC. This is Mount Airy's Petition to Vacate the
16 Board's February 5th, 2008 Order, suspending the
17 Principal License of Louis DeNaples.

18 Just a brief history. On February 26th,
19 2007, Louis DeNaples was issued a Principal License as
20 the sole owner of Mount Airy #1, LLC. He underwent a
21 thorough investigation and was fully vetted by the
22 Gaming Board. On January 23, 2008, a presentment was
23 issued by the Fourth Dauphin County Grand Jury for
24 Louis DeNaples and Mount Airy #1, LLC, and complaints
25 were issued by the Dauphin County DA on January 30,

1 2008.

2 Also on January 30, 2008, the OEC filed a
3 request for the suspension of Mr. DeNaples' Principal
4 License on the sole basis that the District Attorney
5 filed charges against Mr. DeNaples. On January 30,
6 2008, the Gaming Board issued a Temporary Emergency
7 Order suspending Mr. DeNaples' Principal License. On
8 February 5th, 2008, again, based solely on the
9 issuance of the Dauphin County complaint, the Board
10 suspended Mr. DeNaples' Principal License. On April
11 17th, 2009, the District Attorney formally withdrew
12 all charges against both Mr. DeNaples and Mount Airy.

13 As the Board is fully aware, from the day
14 that the charges were filed, Mr. DeNaples has
15 maintained his innocence. He has also maintained that
16 the charges were meritless and he has maintained that
17 he was innocent of any wrongdoing. Nevertheless, Mr.
18 DeNaples fully complied with the Board's February 5th
19 Suspension Order. He complied to the letter of that
20 Order. This, I think, speaks volumes about Mr.
21 DeNaples' integrity and character. Despite his
22 maintaining his innocence, he nonetheless accepted the
23 Board's authority and the Board's Order and fully
24 complied. The dismissal of all charges certainly
25 vindicates Mr. DeNaples and Mount Airy.

1 This has been a long, difficult and
2 costly process for Mr. DeNaples. And since the sole
3 basis for the February 5th Suspension Order was the
4 filing of the charges, since they have now been
5 withdrawn, it is appropriate at this time to lift the
6 suspension and vacate the February 5th Order.

7 CHAIRMAN FAJT:

8 Thank you, Michael. Cyrus?

9 ATTORNEY PITRE:

10 Cyrus Pitre, Chief Enforcement Counsel.
11 The underlying basis for the suspension of Mr.
12 DeNaples' Principal License and the conditions that
13 were placed upon Mount Airy #1, LLC was the issuance
14 of the Dauphin County Grand Jury presentment dated
15 January 23rd, 2008 and a subsequent filing of a
16 criminal complaint on January 30th of 2008 against Mr.
17 DeNaples and Mount Airy #1, LLC.

18 Since his suspension, Mr. DeNaples has,
19 to my knowledge, fully complied with the Board's Order
20 and has complied with all requests made of him by the
21 Board, the Trustee and the various Board Bureaus.
22 Additionally, during the period of his suspension, Mr.
23 DeNaples filed Renewal Applications with the Board on
24 December 26th, 2007 and April 9th, 2009. However, so
25 as not to interfere with or impede the Dauphin County

1 District Attorney's criminal prosecution, and so as
2 not to undermine Mr. DeNaples' Fifth Amendment
3 privileges under the United States Constitution, and
4 in the interest of justice, it was determined that the
5 public interest would not be injured, but in fact, the
6 public would be served through the Board Order
7 Suspension and Trustee appointment pending the final
8 resolution of the criminal charges. In keeping with
9 this determination, the processing and review of Mr.
10 DeNaples' Renewal Applications and the background
11 investigation that would be attached to those of Mr.
12 DeNaples were postponed pending the final resolution
13 of the criminal charges.

14 As a result of the entry by the Dauphin
15 County District Attorney and the subsequent agreement
16 with Mr. DeNaples --- between Mr. DeNaples and the
17 District Attorney's office, it is the recommendation
18 of Enforcement Counsel that the Board lift the
19 suspension of Mr. DeNaples' Principal License and
20 dissolves all the prohibitive conditions placed upon
21 Mr. DeNaples by the Board. But in keeping with the
22 Dauphin --- his agreement with the Dauphin County DA's
23 office. However, because Mr. DeNaples has two pending
24 Renewal Applications that have yet to be vetted by
25 Bureau of Investigation and Enforcement (BIE) and

1 because there's a pending petition to restructure the
2 ownership of the Mount Airy Casino, which also
3 requires a complete vetting by BIE, and because a
4 potential restructuring will require additional
5 application and document filings with the BOL, it is
6 the recommendation of the Enforcement Counsel that the
7 Board Order be modified with respect to the Trustee.

8 In this respect, Enforcement Counsel
9 recommends that the Trustee remain in place pending a
10 final Order of the Board regarding either Mount Airy's
11 Petition to Restructure and/or regarding Mr. DeNaples'
12 pending Renewal Applications for a Principal License.
13 Additionally, it's recommended that the modified Board
14 Order limit the Trustee's responsibilities, powers and
15 duties to his attendance at meetings held by Mount
16 Airy #1, LLC's Independent Audit Committee and to
17 conduct monthly meetings to be updated by Mount Airy
18 #1, LLC's management team.

19 In this regard, the Trustee will serve as
20 a failsafe mechanism for the Board during the pending
21 business restructuring and/or Principal Renewal
22 Application investigation and will be kept apprised of
23 the facility operations. The modified Trustee
24 appointment will ensure that no matter the result of
25 the renewal investigation or business restructuring,

1 the Mount Airy Casino will continue to operate, its
2 employees will continue to work and the Commonwealth
3 will continue to receive its share of slot revenue
4 from the licensed facility.

5 CHAIRMAN FAJT:

6 Thank you. What I'd like to do is allow
7 the Board to ask the panelists that are before us
8 questions and get the answers, and then we'll call the
9 Trustee of Mount Airy, Tony Ceddia, to the dais for
10 additional questions, so ---.

11 COMMISSIONER COY:

12 Mr. Chairman?

13 CHAIRMAN FAJT:

14 Yes, Commissioner Coy?

15 COMMISSIONER COY:

16 Cyrus, let me just try to clarify where
17 --- what I just heard you say with respect to the
18 Trustee would have us. Is it fair to say that the
19 work of the Trustee would now turn from more of a
20 management role, which he has been in, to more of a
21 transitional role in transitioning to returning the
22 management of the casino to another source?

23 ATTORNEY PITRE:

24 That's correct. The Trustee's role will
25 be strictly to monitor and to speak with the

1 management team and be there during that transition as
2 we move towards the eventual restructuring of the
3 business.

4 COMMISSIONER COY:

5 So the Trustee would be there as a
6 licensed entity from the Board to simply continue to
7 make sure that the transition occurs and that it
8 occurs in a smooth nature?

9 ATTORNEY PITRE:

10 That's correct.

11 COMMISSIONER COY:

12 One more question, Mr. Pitre. And that
13 is, do you believe in your discussions with the Office
14 of the District Attorney and other law enforcement
15 entities that you may have spoken to, do you believe
16 there is anything that should preclude this Board from
17 lifting the suspension and moving forward as the Order
18 provides?

19 ATTORNEY PITRE:

20 Based on my discussions and based upon
21 the agreement that was entered into between Mr.
22 DeNaples and the District Attorney's Office, the
23 District Attorney's Office contemplates through this
24 agreement that Mr. DeNaples will be seeking the
25 suspension to be lifted and that Mr. DeNaples will

1 continue to be licensed as a principal even after the
2 restructuring is complete.

3 COMMISSIONER COY:

4 And has any law enforcement agency or
5 entity objected to you to the reinstatement of this
6 license?

7 ATTORNEY PITRE:

8 There has been no objection.

9 COMMISSIONER COY:

10 Thank you, Mr. Chairman.

11 COMMISSIONER MCCABE:

12 Mr. Chairman?

13 CHAIRMAN FAJT:

14 Yes, Commissioner.

15 COMMISSIONER MCCABE:

16 I see this --- and to follow up a little
17 bit of what Commissioner Coy's theme was, is this ---
18 the way I understand the way you explained it, it's
19 almost a three step process. We're today going to be
20 possibly amending our Order removing him from the
21 casino. That is going to be the first step. And then
22 the next step is his petition --- we're going to be
23 hearing his Petition to Transfer the ownership over to
24 Lisa and to the trust, and then while that's all going
25 on, we're still doing a --- for his renewal, there

1 will be that investigation going on, and then we'll
2 take up the issue of his renewal; is that correct?

3 ATTORNEY PITRE:

4 My goal is, and it might be a little
5 ambitious on my part, but my goal is for the renewal
6 investigation and the restructuring to meet at a
7 point. We're operating on two different tracks with
8 the renewal investigation and the restructuring, and
9 my goal is to --- for both of those to meet at one
10 point at the same time so the Board can take those
11 matters all together so we can have a renewal of the
12 license, a restructuring, a proper transfer, and then
13 have --- if so be it, then Mr. DeNaples will still
14 have to serve as a principal --- as a guarantor for
15 the loans.

16 COMMISSIONER MCCABE:

17 And how long a period are we talking?

18 ATTORNEY PITRE:

19 I can't put a time period on the renewal
20 investigation. The restructuring, we're still
21 awaiting documents, loan documents that need to be
22 analyzed and reviewed. There are still some filings
23 that need to be made with regard to the trust. I
24 would think six months would be adequate time. Four
25 months --- three to four months would be very

1 ambitious, but I don't expect it to last longer than
2 six months.

3 COMMISSIONER MCCABE:

4 And then it's your opinion that we should
5 maintain some sort of relationship with the Trustee to
6 oversee the conditions that we put on him, put on the
7 Order and to see this transition period?

8 ATTORNEY PITRE:

9 Yeah. Well, the Trustee has been put in
10 place, as you well know, for over a year now. He has
11 intimate knowledge of the operations of Mount Airy.
12 He has intimate knowledge with regard to the previous
13 restructurings that have occurred, with regard to the
14 loan documents. So even if we did the restructuring
15 today and everything was contemplated today, I think a
16 Trustee would have to be in place for some time to
17 ensure a smooth transition.

18 However, based on the amount of work that
19 we still need to do to vet both the restructuring of
20 the business and with regard to Mr. DeNaples' Renewal
21 Applications, I contemplate that the Trustee will be
22 there to ensure, as we move forward, a smooth
23 transition and also to monitor --- to keep in touch
24 with the management team with regard to the
25 operations.

1 COMMISSIONER MCCABE:

2 Thank you.

3 ATTORNEY SKLAR:

4 I'm sorry, can I just add one thing?

5 With respect to the Trustee, Mount Airy agrees that it
6 would be in the best interests of the company, the
7 Gaming Board, the employees at Mount Airy for Dr.
8 Ceddia to remain in place in the limited capacity that
9 Cyrus laid out, of attending Audit Committee meetings
10 and to get periodic updates from management. And the
11 reason for that is Dr. Ceddia has been in place for 16
12 months now, and in order to ensure a smooth
13 transition, I think it is important for Dr. Ceddia to
14 remain in place to advise and consult, to make sure
15 that this transition is orderly.

16 COMMISSIONER GINTY:

17 I'd like to follow up and kind of better
18 understand the different roles here. Mr. Sklar, under
19 your petition, as I understand it, we would, with
20 respect to Mr. DeNaples, simply vacate the suspension,
21 which would then put him in control and exercising
22 legal dominion over Mount Airy. Is that your
23 position?

24 ATTORNEY SKLAR:

25 That's correct.

1 COMMISSIONER GINTY:

2 And you think that's consistent with the
3 agreement that Mr. DeNaples has reached with the
4 District Attorney?

5 ATTORNEY SKLAR:

6 It is --- let me address that in a couple
7 ways. First, when we're talking about the legal
8 control and dominion over Mount Airy #1, LLC, Mr.
9 DeNaples has maintained from the beginning that we're
10 not talking --- he's not exercising day-to-day
11 management. What we're talking about is at the parent
12 level where strategic-type decisions, financing, you
13 know, acquisition, major acquisitions of assets, those
14 are the kind of decisions that Mr. DeNaples would be
15 involved with.

16 But to directly answer your question with
17 the DA agreement, what was contemplated when that
18 agreement was entered into was that there was going to
19 be a simultaneous --- simultaneously the Gaming Board
20 was going to act on the transfer to Lisa the trust of
21 100 percent of the Mount Airy interest, and at the
22 same time, Louis' Principal License, the suspension
23 would be lifted. So that's what was contemplated.

24 There was discussion that, well, what
25 happens if the Gaming Board doesn't do it in this

1 simultaneous fashion? And the agreement --- there was
2 a provision that was added, and it's paragraph 16 of
3 the agreement, which contemplates that all the
4 parties, Louis, Mount Airy and the District Attorney
5 recognized that the Gaming Board is in control here,
6 that the Gaming Board is the supreme body that
7 controls everything with respect to gaming and the
8 licenses. So that provision states that whatever the
9 Gaming Board does, whatever they --- in their
10 discretion, they feel is appropriate, the Dismissal
11 Agreement with the District Attorney would be modified
12 accordingly.

13 COMMISSIONER GINTY:

14 I want to get back to this. I want to
15 know who's in control, who's exercising legal dominion
16 over the period while the change of control is taking
17 place. Whether that's two months, six months or a
18 year, whatever it is, somebody has to be in charge. I
19 mean, somebody has to sign documents on behalf of
20 Mount Airy and so forth. And the question is, is that
21 going to be Mr. DeNaples or --- I guess in my opinion,
22 we should amend the Suspension Order consistent with
23 the agreement that he has reached with the District
24 Attorney which would prohibit Mr. DeNaples from
25 exercising legal dominion over Mount Airy. But, you

1 know, somebody has to be in charge.

2 ATTORNEY SKLAR:

3 Mr. DeNaples --- under what we're
4 suggesting, Mr. DeNaples would be exercising legal
5 control. That would not be violative of the Dismissal
6 Agreement with the District Attorney. Again, what was
7 contemplated was there was not going to be a gap
8 period where the suspension would be lifted, Louis,
9 his Principal License would become active again, and
10 then there would be a period of time after that,
11 subsequent where the transfer would take place. So it
12 was never contemplated with the District Attorney that
13 there was going to be a gap period where Dr. Ceddia or
14 a third party would be exercising legal control. It
15 was always contemplated that it was going to be Louis
16 and then it was going to be Lisa.

17 COMMISSIONER GINTY:

18 And if it were only that simple that we
19 could do it all in one ruling. An alternative,
20 obviously, would be to amend Dr. Ceddia's
21 responsibilities as Trustee in such a way that he can
22 exercise whatever legal dominion has to be done during
23 this interim period.

24 ATTORNEY SKLAR:

25 The only thing I can tell you is that

1 that was not the intent of the District Attorney
2 agreement. And the reason why --- and the way that
3 the parties thought that this issue or any issue that
4 came up subsequently when the Gaming Board was going
5 to act was this paragraph 16, which recognized that
6 it's the Gaming Board who is going to make the call on
7 how this is going to proceed. And the parties will
8 abide and conform the agreement to that decision.

9 ATTORNEY PITRE:

10 Well, perhaps it might be proper to allow
11 Dr. Ceddia to exercise that control until we receive a
12 modified agreement between Mr. DeNaples and the DA's
13 Office that that was not what was contemplated.

14 COMMISSIONER GINTY:

15 Well, I think Mr. Sklar is correct in
16 that --- you know, as I read the documents, I thought
17 this was going to be a fairly simple process that we
18 --- again, could take place in one day with one
19 combined ruling, but that's not going to be the case.
20 For some interim period, Mr. DeNaples will still be
21 100 percent owner of Mount Airy, and I'm concerned
22 during that period that what happens is fully
23 consistent with the ideas that the District Attorney
24 has. I'm not sure whether we've reached an agreement
25 on this or not.

1 ATTORNEY SKLAR:

2 Again, if the --- as Cyrus said, if the
3 Board issues an Order or makes a decision that Mr.
4 DeNaples --- the suspension would be lifted, and
5 during this period of time until the transfer took
6 place and Louis would be in control, we could
7 certainly have this agreement amended. I mean, that's
8 specifically why this provision was added. We did
9 discuss changing some of the language in the Dismissal
10 Agreement itself, but we couldn't anticipate what the
11 Board was going to do.

12 So the idea was, well, let's just put a
13 catch-all at the end, because everyone --- it was
14 clear as a bell that everyone recognized that the
15 Gaming Board was going to make the decision on how
16 this was going to proceed from a licensing point of
17 view. So if the Board makes the decision, then that's
18 exactly what was contemplated by the agreement. We
19 would modify the Dismissal Agreement.

20 COMMISSIONER GINTY:

21 Doug, do you have any thoughts on this?

22 ATTORNEY SHERMAN:

23 Certainly, it's --- I mean, whatever Mr.
24 DeNaples and the District Attorney's, you know,
25 Counsel has all agreed to. Michael is correct that

1 it's ultimately for the Board's determination of what
2 to do and what conditions to impose, how the Trustee
3 would be further utilized, if at all, and what powers
4 are granted or not granted. It probably would be good
5 to get some input from the Trustee on this very issue
6 so that the Board can form an opinion on what
7 direction you want to go.

8 CHAIRMAN FAJT:

9 Commissioner Angeli?

10 COMMISSIONER ANGELI:

11 Yeah, just a couple questions. First of
12 all, Mr. Pitre, is the Restructuring Petition in to us
13 now?

14 ATTORNEY PITRE:

15 The petition is in and a response has
16 been filed. This is akin to --- well, we haven't
17 decided yet, a change of ownership, a change of
18 control. I mean, we're faced with similar but not on
19 the same scale nature of financial work that we did in
20 the PITG matter. So there's still documents that are
21 being reviewed. The petition, in our opinion, right
22 now is premature, because we don't have all the
23 information and we're not ready to move forward yet.

24 COMMISSIONER ANGELI:

25 Okay. I'm sorry.

1 ATTORNEY SKLAR:

2 If I could just jump in for a second.
3 What's contemplated with the Restructuring Petition is
4 that Mr. DeNaples would transfer his 100 percent
5 interest to a newly created trust, as it was created a
6 month ago. Lisa DeNaples established the trust. She
7 is the sole beneficiary, the sole Trustee. Lisa
8 DeNaples currently is licensed as a Key Employee at
9 the property. She's currently the Chief Operating
10 Officer.

11 The transfer documents --- it's a very
12 simple transfer. We sent drafts to the Gaming Board
13 staff. And the only thing that we were waiting for
14 was comments from the lenders, from JPMorgan, and we
15 have --- this is --- unofficially, they have told us
16 that they don't have --- they don't object to the
17 transfer. There's going to be a modification to the
18 Credit Agreement with JPMorgan. It's going to be a
19 very simple modification because Louis is going to
20 stay on as guarantor. It's just going to simply
21 reaffirm that Louis is still on place with the
22 guarantees, and Lisa's trust is now going to be the
23 owner, and that's --- it's really not a complicated
24 transaction, at least the way we view it. And this
25 week, we're going to provide final drafts of the

1 transaction documents to staff.

2 COMMISSIONER ANGELI:

3 Is there a transfer of dollars in this
4 trust between Mr. DeNaples and the new entity?

5 ATTORNEY SKLAR:

6 The way it's going to happen is ---
7 what's contemplated is there's going to be an
8 appraisal, and the --- whatever that appraisal comes
9 out at, that's going to be the purchase price. And
10 the Lisa trust will give a note back to Mr. DeNaples,
11 which will be repaid from the cash flow from the
12 facility.

13 COMMISSIONER ANGELI:

14 Lisa DeNaples currently is licensed as a
15 Key Employee?

16 ATTORNEY SKLAR:

17 Correct.

18 COMMISSIONER ANGELI:

19 She would now be licensed as a Principal
20 Employee?

21 ATTORNEY SKLAR:

22 Correct.

23 COMMISSIONER ANGELI:

24 And the applications are very similar
25 with one exception. I believe this is the financial

1 difference. Since she's going to have a dollar value,
2 and the question in the principal investigation is
3 going to be where did Mrs. DeNaples get the money to
4 buy Mr. DeNaples' portion of this?

5 ATTORNEY SKLAR:

6 On, I think it was May 20th, we sent in a
7 letter to Licensing requesting an upgrade of Lisa's
8 status, licensing status from Key Employee to
9 Principal. But to answer your question, it would be
10 solely payable with the proceeds from the facility.
11 To the extent there was a shortfall, the payments will
12 just accrue.

13 COMMISSIONER ANGELI:

14 Going back to the Renewal Application,
15 Mr. Pitre, will the --- because we have to do the ---
16 because Mr. DeNaples is included in the financial
17 structure of this organization, he will have to be
18 licensed as a Principal even after the trust has been
19 transferred unless there's some other reorganization
20 that financially takes him out of this. Would the ---
21 I hate to use the term investigation, but would the
22 renewal process be any --- would that any way affect
23 the transfer of this agreement, that is, the petition
24 that's in now?

25 ATTORNEY PITRE:

1 As far as the renewal process is
2 concerned, no matter what, Mrs. DeNaples has to be
3 licensed as a Principal. Therefore, it's going to
4 come down as to whether or not he has maintained his
5 suitability or not. That's dependent upon the
6 background investigation.

7 So with regard to the restructuring, the
8 restructuring could possibly occur prior to that
9 renewal investigation being done. I mean, if we
10 finish doing everything that we have to do with regard
11 to the restructuring in 30 days and we're not done
12 with the renewal investigation, the renewal
13 investigation still has to continue until it's ended.
14 I don't contemplate holding up the restructuring just
15 because the renewal investigation is not complete,
16 because either way, he has to be licensed as a
17 Principal, and it's going to be dependent upon the
18 renewal investigation, but either --- it's not going
19 to affect the overall restructuring, because
20 basically, it's all going to lie with that background
21 investigation.

22 COMMISSIONER ANGELI:

23 When the Board put the Order in place
24 suspending the license, we placed Mr. Ceddia actually,
25 and correct me if have this wrong, but he actually was

1 in Mr. DeNaples' place during this time frame, making
2 all of the strategic and operational decisions for
3 Mount Airy during that time period?

4 ATTORNEY PITRE:

5 That's correct.

6 COMMISSIONER ANGELI:

7 So if we vacate the Order now, between
8 now and the time that you --- that the transfer
9 occurs, how do we envision the operational decisions?
10 If Mr. DeNaples is in an overseeing position, who
11 signs the documents? Who reports back to the Board
12 during this transition period?

13 ATTORNEY PITRE:

14 If the Trustee is no longer in place,
15 then that would be Mr. DeNaples.

16 COMMISSIONER ANGELI:

17 Okay. But if we keep the Trustee in
18 place for a limited role, still the decisions would be
19 made by Mr. DeNaples?

20 ATTORNEY PITRE:

21 Those overall --- Mr. DeNaples is the
22 Principal, sole Principal at Mount Airy, and it would
23 be Mr. DeNaples or whoever he designates to do that in
24 his place.

25 COMMISSIONER ANGELI:

1 Thank you.

2 CHAIRMAN FAJT:

3 Commissioner Sojka?

4 COMMISSIONER SOJKA:

5 May I make a proposal, Mr. Chairman? And
6 that is we are now, I think, focused on the real
7 business at hand, and I have a couple questions that I
8 would like to ask that relate to this two step process
9 that might be valuable before we completely adjourn,
10 but I'd like to hold those questions until we can stay
11 on this thread, resolve this issue. And then before
12 we let everyone go, could I ask a couple questions?

13 CHAIRMAN FAJT:

14 Certainly.

15 COMMISSIONER SOJKA:

16 Thank you.

17 CHAIRMAN FAJT:

18 Any other questions for the panelists
19 that we have here? And what I'm going to do, Michael,
20 I'm going to have you remove yourself, and we'll have
21 Trustee --- Dr. Ceddia come up and take your seat.
22 Cyrus, why don't you stay where you are? Doug, stay
23 where you are. Anybody else have any questions before
24 we do that?

25 COMMISSIONER GINTY:

1 While we're waiting for Dr. Ceddia, just
2 to be clear, and I think you've answered this, you
3 have been working with the District Attorney and his
4 people, and I assume they have full background of the
5 Grand Jury investigation; would that be a correct
6 assumption?

7 ATTORNEY PITRE:

8 I have been in --- I have had some
9 conversations with the DA's Office. I have met with
10 the DA's Office. And the DA's Office does have access
11 to the Grand Jury information.

12 COMMISSIONER GINTY:

13 And they have expressed no reservations
14 on our re-licensing Mr. DeNaples as a Principal in
15 this case?

16 ATTORNEY PITRE:

17 It's contemplated through the agreement
18 with the District Attorney's Office, and Mr. DeNaples,
19 that he will be licensed as a Principal.

20 COMMISSIONER GINTY:

21 Okay.

22 CHAIRMAN FAJT:

23 Dr. Ceddia, thank you for joining us.
24 Why don't you make any comments that you want and then
25 we'll open up the question period for the Board?

1 DR. CEDDIA:

2 Thank you, Mr. Chairman. Just briefly,
3 it's been discussed already that the Trusteeship has
4 been in place for a number of months, actually 16
5 months. During that period, I'm pleased to report, as
6 I have in the past, to this Board, and again today to
7 stress it, that the Trustee has had excellent
8 cooperation from the Gaming Board, from the Gaming
9 Board staff, from the Mount Airy group itself at the
10 casino, and also Mr. DeNaples.

11 It's been reported by Attorney Sklar that
12 Mr. DeNaples has paid very close attention to the
13 Board's Order of February 5th, and as I have attested
14 before this Board several times in my monthly reports,
15 Mr. DeNaples has scrupulously met all of the
16 obligations of that Order and has allowed me, as
17 Trustee, to work in a very smooth and harmonious way
18 with all the parties concerned. So I would reinforce
19 the fact that Mr. DeNaples has consistently showed a
20 great deal of concern and interest in meeting the
21 commitments that were established by this Board on
22 February 5th.

23 I also want to just conclude by saying
24 that during the 16 to 18 months, the LLC itself has
25 been through a number of significant changes. This

1 Board is fully aware of the fact that we wedded and
2 navigated through two significant refinancings and
3 that we have also restructured the entire Executive
4 Management Team. And I'm pleased to again report to
5 this Board that that new management team is doing an
6 excellent job and has made extensive efforts, not only
7 in the areas of compliance and fiscal management, but
8 also to reduce the facility's operating overhead.

9 I would just caution yet again that there
10 still may be some turbulent economic times ahead for
11 the facility with the opening of the Sands. We've
12 seen some diminution of our database, but we have
13 planned for that. We are confident that we'll
14 continue to improve in that direction, but it is still
15 possible that the facility could have some economic
16 challenges in the third and fourth quarter of this
17 fiscal year.

18 CHAIRMAN FAJT:

19 Thank you. Questions from the Board.

20 COMMISSIONER RIVERS:

21 Yes. You made reference to the fact that
22 there are some outstanding issues that you see in the
23 future. Do you feel that the staff that's onboard
24 right now have the technical wherewithal to weather
25 that particular storm?

1 DR. CEDDIA:

2 I think, Mr. Commissioner, we have a
3 group on the management team today that really has not
4 only significant gaming experience, particularly in
5 Mr. George Toth, who's the CEO of the facility, but
6 coupled with Lisa DeNaples as the Chief Operating
7 Officer --- and I might add parenthetically that
8 during the last 18 months that I've been associated
9 with the property, she has grown tremendously in her
10 professional understanding and operational knowledge
11 of gaming.

12 In fact, one of the things that occurred
13 during this period was a revolving internship where
14 she spent considerable time in areas where she was not
15 as versed as, perhaps, she is now, in finance, in
16 information technology and food and beverage. And
17 beyond that, we've added a new CFO, Mr. Grancy, who
18 brings to us some previous experience in gaming as a
19 CFO. So I'm very, very confident that the group now
20 onboard is in a better position to not only lead the
21 facility, but also adapt to the ongoing challenges
22 that any gaming facility would experience in its daily
23 and monthly and yearly operations.

24 CHAIRMAN FAJT:

25 Thank you, Dr. Ceddia. Other questions?

1 COMMISSIONER RIVERS:

2 Not at this point.

3 CHAIRMAN FAJT:

4 Commissioner Coy?

5 COMMISSIONER COY:

6 Yeah. Dr. Ceddia, you've had a chance
7 with your Counsel, I think, to look at the proposed
8 Order and agreement; is that true?

9 DR. CEDDIA:

10 Yes.

11 COMMISSIONER COY:

12 Do you believe, given your past 16 months
13 experience and what you would anticipate in the next
14 several months, that this agreement is workable?

15 DR. CEDDIA:

16 Yes, I believe it is. I believe it does
17 provide an orderly transition. It does provide for
18 not only the role of the Trustee to continue to work
19 with the facility, but also to protect the interests
20 of the Commonwealth.

21 One of the primary responsibilities this
22 Board imparted on me on February 5th was in addition
23 to protecting the asset, the LLC, was also to protect
24 the interests of the Commonwealth as it pertained to
25 compliance, and in addition to that, the obligation of

1 the owner to meet the expectations of the February 5th
2 Order. I believe we've been able to do that. I
3 believe that we would be in a position, if this Board
4 determined it, to help assist in a transition period
5 over the next few months as both the license renewal
6 for Mr. DeNaples were completed and the change of
7 ownership were to be finalized.

8 I would add also, too, that again, we've
9 been able to create a good communication network with
10 all the interested parties, including Mr. DeNaples,
11 who I had frequent contact with via telephone and also
12 in personal meetings during the past 16 months to
13 ensure that we were all basically on the same page.
14 And again, I'll stress he made no decisions. I made
15 the decisions. I informed him of issues and concerns.
16 The decisions he made were strictly focused and
17 limited to his obligation as the personal financial
18 guarantor of the facility. Beyond that, our working
19 relationship continued to be very, very positive and
20 meaningful.

21 COMMISSIONER COY:

22 Thank you.

23 COMMISSIONER SOJKA:

24 Could I --- I should ask this one
25 question, I guess, before we finish up, because it's

1 just bothering me, and I don't want to distract us,
2 but it just popped up again. And I have been troubled
3 since January 30th, 2008 about the fact that the
4 charges in this case were twofold. They were against
5 Mr. DeNaples, and it was perjury, then it was against
6 Mount Airy #1, LLC, which I think I was not alone in
7 having difficulty in understanding. But now we
8 realize that this non pros tender that was offered to
9 Mr. DeNaples covers both sets of charges. But the
10 part that bothers me is, did somebody need to speak
11 for the LLC in that arrangement, and if so, was that
12 you or is that entirely within the purview of the
13 District Attorney?

14 DR. CEDDIA:

15 We, as the team --- when I say we, the
16 Trustee team, scrupulously avoided any involvement in
17 the pending criminal matter. What we did, however,
18 when asked by one of Mr. DeNaples' attorneys who was
19 seeking to have the LLC absolved from the original
20 indictment, provided information regarding the
21 significant economic contribution that the facility
22 was providing to Mount Pocono and beyond.

23 One of the things that clearly hit me
24 when I first got on the site after being appointed by
25 the Board, in talking with the rank and file

1 membership of the Mount Airy cadre of employees, and
2 also having some conversations with some of the local
3 vendors and merchants and small businesses in the
4 area, was the incredible economic engine that this
5 facility was providing for that whole area. And as
6 several of the employees reported to me, these were
7 the first ever jobs that they ever had in that area
8 where health benefits were part of --- or a retirement
9 plan was part of their employment.

10 This is the kind of information we
11 reported to one of Mr. DeNaples' attorneys, who, for
12 various legal reasons, was seeking, as you suggest,
13 the removal of the LLC from the indictment.

14 COMMISSIONER SOJKA:

15 Okay. Thank you.

16 CHAIRMAN FAJT:

17 Commissioner McCabe.

18 COMMISSIONER MCCABE:

19 I don't have a question. I have a
20 comment. Dr. Ceddia, this isn't --- the action we're
21 probably going to take today is not going to sever our
22 relationship with you, but I think we may end up
23 taking a big weight off of your shoulders. And I just
24 want to publicly thank you and your team for what an
25 outstanding job you have done during this time period,

1 looking out for the Commonwealth of the people, the
2 interest of all of us, and in addition to how you have
3 helped Mount Airy, I think, become a better and a
4 stronger institution. I just want to thank you and
5 let you know we really appreciate it.

6 DR. CEDDIA:

7 Thank you. I appreciate your comments
8 and I accept them on behalf of my entire team and
9 candidly on behalf of everybody who's helped the
10 Trusteeship. I also want to tell you that it's been a
11 privilege to me, as a retired state employee and
12 former University President, for the first time, to be
13 able to contribute back to the General Fund as opposed
14 to drawing from the General Fund. And I'm very proud
15 of the fact that during our tenure, almost \$135
16 million to \$137 million have been provided to the
17 General Fund for the operation of the Commonwealth.
18 And we're all, as a team, and I believe Mount Airy as
19 an entity, very pleased with that.

20 CHAIRMAN FAJT:

21 Thank you, Dr. Ceddia.

22 DR. CEDDIA:

23 Thank you.

24 CHAIRMAN FAJT:

25 Any other questions before we take a

1 15 minute break to talk among ourselves? I'd just
2 like to ask everybody involved with this specific
3 issue to please stay in the auditorium. We will be
4 back in 15 minutes. Thank you.

5 SHORT BREAK TAKEN

6 CHAIRMAN FAJT:

7 Thank you, everybody. I'd like to
8 reconvene our meeting and ask Doug Sherman to read the
9 motion before the Board.

10 ATTORNEY SHERMAN:

11 Yes. Members of the Board, based upon
12 the documentary record that's been presented to you,
13 along with the arguments and positions advanced by
14 Counsel, as well as the statements by Dr. Ceddia, the
15 Board has had the opportunity to engage in
16 quasi-judicial deliberations. The OCC does have a
17 Proposed Order, which Deputy Chief Counsel Steve Cook
18 will read, after which it would be appropriate for the
19 Board to entertain a motion with respect to that
20 Order.

21 ATTORNEY COOK:

22 Mr. Chairman, members of the Board, and
23 now this third day of June 2009, upon consideration of
24 the Petition of Mount Airy #1, LLC to vacate the
25 Board's February 5th, 2008 Order, which is based on

1 the nolle prosequi entered on April 17th, 2009 by the
2 Dauphin County District Attorney in the matter of The
3 Commonwealth of Pennsylvania v. Louis A. DeNaples and
4 The Commonwealth of Pennsylvania v. Mount Airy #1,
5 LLC, it is hereby ordered that the Board's Order of
6 February 5th, 2008, which suspended the Principal
7 License of Louis DeNaples and which installed the
8 Trustee to oversee operations of Mount Airy #1, LLC,
9 shall be amended pending the Board's consideration of
10 the Amended Petition of Mount Airy #1, LLC for
11 approval of a corporate restructuring as follows.

12 The suspension of the Principal License
13 of Louis A. DeNaples is lifted. Paragraphs number
14 three, five and six of the Board's prior Order are
15 vacated. Paragraph number four of the Board's prior
16 Order shall remain in effect, except that it shall not
17 be construed to prohibit any transfer of ownership or
18 change of control of Mount Airy #1, LLC approved by
19 the Board.

20 Louis A. DeNaples shall not exercise any
21 legal control or dominion over Mount Airy #1, LLC
22 unless a particular act or endorsement is required by
23 a bank or other lending institution which act or
24 endorsement is approved by the Board. This condition
25 shall not be construed to prohibit any transfer of

1 ownership or changing of control of Mount Airy #1, LLC
2 approved by the Board.

3 Louis A. DeNaples shall not serve as a
4 director, officer or manager of Mount Airy #1, LLC,
5 nor exercise the authority vested in the directors,
6 officers or managers of Mount Airy #1, LLC. This
7 condition shall not be construed to prohibit the
8 provision of advice and consultation by Louis A.
9 DeNaples in his capacity as founder and financial
10 guarantor to the officers, directors, managers and
11 other persons responsible for the security, operation
12 and performance of Mount Airy #1, LLC.

13 To the extent that Louis A. DeNaples is
14 or becomes liable for any loan, mortgage, debt or
15 other financing commitment or undertaking related to
16 the business or property of Mount Airy #1, LLC or has
17 rights related to the same or is entitled to receive
18 payments there under or thereto related, this Order is
19 not intended to limit or impair the security for or
20 obligations related to any provision whatsoever in any
21 such loan, mortgage, debt or other financing
22 commitment or undertaking.

23 Louis A. DeNaples shall submit himself to
24 a full background and suitability investigation and
25 agrees to cooperate fully with the BIE and the OEC

1 during any suitability investigation and/or background
2 investigation in connection with his Principal License
3 Renewal Application. Louis DeNaples shall provide all
4 information and assistance in gathering all
5 information requested by the Board, the BIE and the
6 OEC in connection with his Principal License Renewal
7 Application.

8 Due to the conditions placed on Louis A.
9 DeNaples by the Order, the Trusteeship shall remain in
10 place until further order of the Board. However,
11 paragraphs 10 and 12 of the Board's prior Order are
12 hereby vacated. The Trustee shall have the duty and
13 authority to attend meetings of Mount Airy #1, LLC's
14 Independent Audit Committee, meet with Mount Airy #1,
15 LLC's management no less than twice a month and to
16 provide the Board with periodic updates on the
17 management of the facility as to be directed by the
18 Board.

19 Provide the Board with a written monthly
20 report on any material matters concerning the findings
21 and actions of the Independent Audit Committee and
22 management of Mount Airy #1, LLC and the compliance
23 with this Order. Consult with the Trustee's Forensic
24 Auditor and Legal Counsel as reasonable and necessary
25 to carry out the Trustee's duties. To exercise all

1 rights and obligations of Louis A. DeNaples under the
2 operating agreement of Mount Airy #1, LLC as
3 reasonably necessary and to perform any additional
4 duties as ordered by the Board.

5 While this Order remains in effect, the
6 Trustee shall be compensated at a rate of \$15,000 per
7 month for the performance of all of his duties. The
8 Trustee's legal and forensic accounting advisors shall
9 be compensated at customary and reasonable hourly
10 rates as approved by the Board for time expended on
11 behalf of the Trustee.

12 This Order is not intended to impair,
13 limit, terminate or otherwise negate any insurance
14 coverage provided to the Trustee and as applicable,
15 his professional advisors and agents, including
16 coverage under Mount Airy #1, LLC's existing blanket
17 crime policy or any standalone professional liability
18 policies. This Order is not intended in any way to
19 alter, impair, limit, terminate or otherwise negate
20 either the obligations of Mount Airy #1, LLC under the
21 express superseding indemnification and hold harmless
22 agreement or the obligations of Louis A. DeNaples
23 under the express superseding hold harmless agreement.

24 Upon completion and approval of a
25 corporate restructuring, as presently contemplated,

1 the Board will consider dissolving the Trusteeship
2 presently provided for in a manner to assure
3 transition of function which will not impair Mount
4 Airy #1, LLC's operations.

5 CHAIRMAN FAJT:

6 Thank you. Doug, just for the purpose of
7 the record and also anybody else in the audience who's
8 not a lawyer, can you try to put that in laymen's
9 terms for us, please?

10 ATTORNEY SHERMAN:

11 Sure. The laymen's interpretation is
12 essentially the Order would lift the suspension of the
13 Principal License of Mr. DeNaples, which in turn
14 allows him to accept --- have access to the Mount Airy
15 facility. It also permits his giving of advice or
16 consultation with the management team of Mount Airy.

17 Essentially, what the Order does is it
18 implements the agreement of Mr. DeNaples, which he has
19 previously expressed relative to the --- his ongoing
20 involvement or the restrictions on his ongoing
21 involvement and the intent to transfer ownership of
22 the facility to the trust on behalf of his children.
23 While doing this, the Order continues the Trustee, Dr.
24 Ceddia, in his duties in somewhat of a more limited
25 than previously engaged. And that would, obviously,

1 be through the transitional phase, which the Board
2 will consider at some point in the future.

3 And finally, the Order continues the BIE
4 review process through the renewal of the Principal
5 License of Mr. DeNaples.

6 CHAIRMAN FAJT:

7 And this Order is reflective of Mr.
8 DeNaples' agreement with the Dauphin County District
9 Attorney?

10 ATTORNEY SHERMAN:

11 Yes. It fully implements the major
12 aspects of that agreement.

13 CHAIRMAN FAJT:

14 Thank you. Any other questions before we
15 call for a vote? Can I have a motion?

16 COMMISSIONER COY:

17 Mr. Chairman, I move the Board approve
18 the Mount Airy Petition in part and modify the Board's
19 February 5, 2008 Order as described by the OCC.

20 COMMISSIONER GINTY:

21 Second.

22 CHAIRMAN FAJT:

23 All in favor?

24 AYES RESPOND

25 CHAIRMAN FAJT:

1 Opposed?

2 NO RESPONSE

3 CHAIRMAN FAJT:

4 Motion passes.

5 ATTORNEY SHERMAN:

6 Next for the Board's consideration is
7 Mountainview's Petition for Approval of Additional
8 Slot Machines on its gaming floor. Mountainview is
9 Penn National's Hollywood Casino. They seek to
10 increase the number of slot machines by 200. That
11 would take it from 2,315 machines to 2,515. The 200
12 additional machines would include ten electronic table
13 games. 104 of the 200 machines will be in the smoking
14 area, 96 machines placed in the non-smoking area. And
15 the gaming floor boundaries will remain the same at
16 94,301 square feet.

17 The OEC does not oppose the relief
18 requested, subject to the ten conditions listed in its
19 Answer. Those conditions have been provided to the
20 Board and essentially require the Licensee to submit
21 internal controls, amendments necessitated by the
22 expansion, as well as to assure the requirements of
23 the Bureau's Gaming Laboratory Operations, the
24 Department of Revenue, the Bureau of Gaming
25 Operations, Bureau of Casino Compliance and the Office

1 of Compulsive and Problem Gambling.

2 Based upon the documentary record
3 presented, it would be appropriate for the Board to
4 now entertain a motion to grant that request.

5 CHAIRMAN FAJT:

6 Before we do that, any questions or
7 comments from the Board? May I have a motion?

8 COMMISSIONER GINTY:

9 Mr. Chairman, I move that the Board
10 approve the Mountainview Thoroughbred Association's
11 Petition for additional slot machines on the gaming
12 floor as described by the OCC.

13 COMMISSIONER MCCABE:

14 Second.

15 CHAIRMAN FAJT:

16 Any questions or comments from the OEC?

17 ATTORNEY POWERS:

18 No comments, no questions.

19 CHAIRMAN FAJT:

20 Thank you. All in favor of the motion?

21 AYES RESPOND

22 CHAIRMAN FAJT:

23 Opposed?

24 NO RESPONSE

25 CHAIRMAN FAJT:

1 The motion passes.

2 ATTORNEY SHERMAN:

3 Next on the agenda are Withdrawals by
4 Principals and Key Employees presented by Deputy Chief
5 Counsel Steve Cook.

6 CHAIRMAN FAJT:

7 Thank you, Doug. And Steve, before you
8 start, a little housekeeping matter. I see Dave
9 Barasch in the audience. Dave, thank you for being
10 here on behalf of our ex-officio member, Secretary
11 Steve Stetler. Any other ex-officio members or
12 representatives in the audience? Okay. Steve?

13 ATTORNEY COOK:

14 The Board has received nine unopposed
15 Petitions to Withdraw Key Employee Applications,
16 Principal Applications or Personal History Disclosure
17 Statements. The individuals subject to these
18 Petitions are as follows: Chris Anderson, Mark Hoppe,
19 Albert Keyack, Gina Ladocsi, John Lorenty, Chad
20 Mummert, Ryuichi Nakata, Markus Stenzer and Joel
21 TePastte.

22 The OEC has no objections to these
23 withdrawals. As such, the OCC submits these
24 withdrawals to the Board for consideration of a motion
25 to grant the same without prejudice.

1 CHAIRMAN FAJT:

2 Any questions or comments from the Board?

3 May I have a motion?

4 COMMISSIONER MCCABE:

5 Mr. Chairman, I move that the Board issue
6 Orders to approve the Withdrawals or Surrenders as
7 described by the OCC.

8 COMMISSIONER RIVERS:

9 Second.

10 CHAIRMAN FAJT:

11 All in favor?

12 AYES RESPOND

13 CHAIRMAN FAJT:

14 Opposed?

15 NO RESPONSE

16 CHAIRMAN FAJT:

17 Motion passes.

18 ATTORNEY COOK:

19 Next before the Board, and I believe the
20 last thing before the Board for the OCC is
21 consideration of one Report and Recommendation
22 received from the OHA relative to TriState HVAC
23 Equipment, LLP.

24 The Report and Recommendation, along with
25 the evidentiary record, has been provided to the Board

1 in advance of this meeting. Additionally, the
2 applicant has been notified that the Board is
3 considering the Report and Recommendation and that
4 they have the right to be present to address the
5 Board. If any individual is present on behalf of
6 TriState HVAC Equipment, they could please --- if they
7 could please come forward.

8 TriState HVAC is a heating, ventilation
9 and cooling provider which has installed central
10 utility plants in Mohegan Sun at Pocono Downs and the
11 Hollywood Casino at Penn National. As a result, on
12 January 30th, 2008, TriState submitted a Certified
13 Vendor Application with the BOL. Subsequently, the
14 application was forwarded by the BOL to the BIE for
15 the purpose of conducting a suitability investigation.

16 On May 12th, 2008, the BIE requested
17 additional information from TriState as well as
18 requesting that certain of its principals be
19 fingerprinted. For the ensuing seven months, there
20 were numerous communications between the parties.
21 However, BIE alleges that it still did not receive all
22 of the requested information. As a result, the OEC
23 sent a Notice of Recommendation of Denial on January
24 29th, 2009. As a result of that Notice, a hearing
25 before the Board's OHA was conducted on March 12th,

1 2009, and subsequently a Report and Recommendation was
2 issued by the OHA, and that is now before the Board.

3 It is this report and --- excuse me, I'm
4 sorry. The Report and Recommendation briefly makes
5 the recommendation that the Board return the matter to
6 the BIE to permit TriState one final opportunity to
7 supply the requested information within a very limited
8 time period. The Hearing Officer further indicates
9 that if TriState fails to comply with providing this
10 information in the limited time period, that its
11 application be denied. On the contrary, if TriState
12 does provide the information, that BIE complete and
13 conclude its investigation.

14 This matter is now ripe for the Board's
15 consideration. Should the Board choose to adopt the
16 Hearing Officer's recommendation, the OCC believes it
17 would be appropriate to set a ten day time limit by
18 which TriState could submit this information.
19 Additionally, the OCC believes that this applicant
20 should remain on the intent to deny status, unable to
21 perform any services or do any business with our slot
22 machine licensees until all of the information is
23 submitted.

24 CHAIRMAN FAJT:

25 Any comments from Counsel for TriState?

1 MR. GREENER:

2 I'm not counsel, but I'm a managing
3 partner of TriState HVAC, Tony Greener. Yeah. My
4 comments are the application delays resulted totally
5 from a situation outside our control. I had a partner
6 looking to leave my company. He did not want any part
7 of this process. And it just perpetuated through the
8 entire year of 2008.

9 Short of that, there were delays.
10 Nobody's denying them. But I think the recommendation
11 from the hearing was appropriate except that, you
12 know, we'd look for maybe 15 to 20 days to make sure
13 that we can comply properly and get this over with.
14 There's been no criminal intent found through the
15 processes that have happened so far, so they're ---
16 basically, we have nothing to do with the casino
17 floor. We're just supplying air conditioning to the
18 casino. So that's my comments.

19 CHAIRMAN FAJT:

20 Thank you. OEC, your comments?

21 ATTORNEY BEAVERSON:

22 Thank you, Mr. Chairman. In Mr.
23 Greener's defense, he has probably been the most
24 cooperative of the three members that make up TriState
25 HVAC. I will admit that he had some difficulty with

1 his other two partners, one being Joseph M. Callahan,
2 the other being Samuel J. Long, and I think even at
3 the hearing before the OHA, he admitted that he could
4 not get them to comply.

5 As we currently sit here before you
6 today, the letter that was sent out by the agent, Mark
7 Paluck, on May the 12th of 2008, which by bullet point
8 identified all the materials that would be required,
9 that's still outstanding. It still hasn't been
10 satisfied, and every item on that list will still be
11 required. I have that list. I'd be willing to read
12 it into the record. It is somewhat extensive.

13 If the Board has a copy of the exhibits
14 that were entered during the course of the hearing, it
15 is OEC Exhibit Number Two and Number Three. Number
16 Two is for the corporation and the documents that they
17 would have to provide. Number Three goes to the
18 specific individuals, Mr. Greener, Mr. Long, Mr.
19 Callahan, and the documentation that they would have
20 to provide. As of this date, Mr. Greener, is the only
21 one who has really made an attempt to give anything to
22 Agent Paluck to satisfy those requests.

23 One last outstanding issue has to do with
24 Mr. Long's involvement with TriState HVAC. I believe
25 it was in June of 2008 there was some discussion from

1 TriState that Mr. Long would no longer be a partner,
2 and essentially his need to continue through the
3 process was going to dissolve. That has not really
4 happened.

5 Mr. Greener's informed us through the
6 course of the hearing that in December of 2008, Mr.
7 Long --- that process has come to a conclusion.
8 Unfortunately, when the Board looks at its records, no
9 official Motion or Petition has been filed by Mr. Long
10 removing him as one of the controlling partners. So
11 as we currently stand, we're still expecting
12 documentation from Mr. Long. So until that's updated,
13 we still have three outstanding individuals who need
14 to supply information, and then the corporation itself
15 has to supply the information.

16 I honestly don't know if ten days will be
17 enough. And it's because it's so extensive. And at
18 this point, the information requested is dated. We
19 were asking in some situations for two or three years
20 worth of information, and that was back in May of
21 2008. I think if that information is provided now,
22 it's stale. So I think the two or three year time
23 frame would have to start from this point forward or
24 this point back, I guess.

25 CHAIRMAN FAJT:

1 Mr. Greener, if we were to grant a 10 day
2 --- or 20 day extension as opposed to 10, do you think
3 you'll get the information in by then that's required?
4 It sounds like it's a little more involved than I
5 initially thought.

6 MR. GREENER:

7 Not quite. Or it's not that quite
8 involved. The information --- the post-dated
9 information is available now. It's been ready.
10 Updating it, we would need to discuss, you know, what
11 time frames they want to see, but you know, 2008 tax
12 returns, et cetera, are all available, ready to go.
13 And we're aware of his extensive list.

14 CHAIRMAN FAJT:

15 Unfortunately, Counsel, movement from 10
16 days to 20 days, any issue from your standpoint on
17 that?

18 ATTORNEY BEAVERSON:

19 There's no issue that we would have. We
20 just don't want to set up a process that essentially
21 is going to put Mr. Greener and his corporation in the
22 path of failure, and I honestly --- given the
23 correspondences that have taken place up to this
24 point, which have been almost 20, and promises that
25 have been broken, I just don't know if 10 days would

1 be sufficient, and I'm just trying to be cautious.

2 CHAIRMAN FAJT:

3 Sure. Any questions from the Board? Any
4 objection from the Board? I don't want to, you know,
5 assume that all of you are okay with moving from 10 to
6 20 days.

7 COMMISSIONER GINTY:

8 Is Mr. Callahan onboard now?

9 MR. GREENER:

10 Yes, he is.

11 COMMISSIONER GINTY:

12 Okay. And so it's just the two of you as
13 partners?

14 MR. GREENER:

15 That's correct. The only thing that I
16 would ask is if I can get a formal recommendation of
17 how we subtract Mr. Long from the process. I'm not
18 aware of the process.

19 COMMISSIONER MCCABE:

20 I'm concerned there may not be enough
21 time, because aren't they going to have to first file
22 a Petition to Remove Mr. Long ---

23 ATTORNEY BEAVERSON:

24 That's correct.

25 COMMISSIONER MCCABE:

1 --- and then --- how's that going to play
2 into this 10, 20 day period? They may need more time.

3 ATTORNEY COOK:

4 If I could, Commissioner. I believe they
5 could file the Petition to Withdraw and the missing
6 documents, and in the pendency of the Withdrawal
7 Petition, they still could operate as a Certified
8 Vendor.

9 COMMISSIONER MCCABE:

10 From what it sounds like, we need to be
11 able to be in communication with each other. There's
12 been a breakdown.

13 ATTORNEY COOK:

14 I think the BOL contemplates those types
15 of situations and we'll be able to deal with them.

16 MR. GREENER:

17 If I may ask one item? We supply some
18 extremely critical processes to the casinos from the
19 air conditioning side, which we're currently involved
20 in both of those casinos. To not be allowed to do
21 that process could cause a major a breakdown of those
22 casinos. So I submit that we could provide the
23 paperwork almost immediately within a couple days and
24 get that into the process, but we need to be allowed
25 to still do what we do for those casinos.

1 ATTORNEY COOK:

2 I think that was the relief that we were
3 suggesting. The relief that I had recommended was
4 that when all the documents are submitted, that they
5 get interim certification and be able to go back to
6 work pending the completion of the investigation.

7 CHAIRMAN FAJT:

8 Thank you. Any other questions from the
9 Board? May I have a motion?

10 COMMISSIONER RIVERS:

11 Yes. Mr. Chairman, first of all, I'd
12 like to put in a 30 day time period as opposed to a 20
13 day time period, because it sounds like you are at
14 least attempting to do all the right things, and at
15 least our Counsel is agreeing with you. So we're
16 going to give you a 30 day period.

17 Now, the motion is I move that the Board
18 issue an Order to adopt the Report and Recommendation
19 of the OHA related to the TriState HVAC Equipment, LLP
20 with the modifications described by the OCC.

21 COMMISSIONER SOJKA:

22 I'll second that.

23 CHAIRMAN FAJT:

24 All in favor?

25 AYES RESPOND

1 CHAIRMAN FAJT:

2 Opposed?

3 NO RESPONSE

4 CHAIRMAN FAJT:

5 Motion passes. Thank you, gentlemen.

6 ATTORNEY SHERMAN:

7 That concludes the business of the OCC.

8 Thanks.

9 COMMISSIONER RIVERS:

10 And stay in contact with them so if there
11 are any issues, that you're aware of them.

12 CHAIRMAN FAJT:

13 Next we have our Director of Licensing,
14 Susan Hensel. Good morning, Susan.

15 MS. HENSEL:

16 Thank you, Chairman Fajt and members of
17 the Board. I have a number of licensing matters to
18 bring before you today. First we have two
19 Manufacturer Licenses, IGT and Spielo Manufacturing,
20 ULC, and a Supplier License, KGM Gaming, LLC that are
21 up for their second renewals. In each case the BIE
22 has completed its investigation, and the BOL has
23 provided you with a renewal background investigation
24 and suitability report.

25 No issues were identified by either the

1 BIE or Licensing that would preclude licensure. I
2 have provided you with draft Orders for each of these
3 renewal licenses and ask that the Board consider the
4 Orders beginning with IGT.

5 CHAIRMAN FAJT:

6 Enforcement Counsel, any issues on your
7 end?

8 ATTORNEY PITRE:

9 In each instance we've reviewed each
10 investigation, and we do not object to the renewal of
11 these licenses.

12 CHAIRMAN FAJT:

13 Thank you, Cyrus. Questions or comments
14 from the Board? Can I have a motion?

15 COMMISSIONER SOJKA:

16 Mr. Chairman, I move that the Board
17 approve the Order renewing the Manufacturer License of
18 IGT as described by the BOL.

19 COMMISSIONER ANGELI:

20 Second.

21 CHAIRMAN FAJT:

22 All in favor?

23 AYES RESPOND

24 CHAIRMAN FAJT:

25 Opposed?

1 NO RESPONSE

2 CHAIRMAN FAJT:

3 Motion passes. Next?

4 COMMISSIONER ANGELI:

5 Mr. Chairman, I move the Board approve
6 the Order renewing the Manufacturer's License of
7 Spielo Manufacturing, ULC as described by the BOL.

8 COMMISSIONER COY:

9 Second.

10 CHAIRMAN FAJT:

11 All in favor?

12 AYES RESPOND

13 CHAIRMAN FAJT:

14 Opposed?

15 NO RESPONSE

16 CHAIRMAN FAJT:

17 Motion passes.

18 COMMISSIONER COY:

19 Mr. Chairman, I move the Board approve
20 the Order renewing the Supplier License of KGM Gaming
21 as described by the BOL.

22 COMMISSIONER GINTY:

23 Second.

24 CHAIRMAN FAJT:

25 Any questions or comments from the Board?

1 All in favor?

2 AYES RESPOND

3 CHAIRMAN FAJT:

4 Opposed?

5 NO RESPONSE

6 CHAIRMAN FAJT:

7 Motion passes. Next?

8 COMMISSIONER GINTY:

9 Mr. Chairman, I move that the Board issue
10 an Order to approve the issuance of Temporary Key
11 Employee Licenses as described by the BOL.

12 CHAIRMAN FAJT:

13 Any questions or comments from the Board?

14 COMMISSIONER MCCABE:

15 Second.

16 CHAIRMAN FAJT:

17 All in favor?

18 AYES RESPOND

19 CHAIRMAN FAJT:

20 Opposed?

21 NO RESPONSE

22 CHAIRMAN FAJT:

23 Motion passes.

24 MS. HENSEL:

25 Next are Gaming and Non-gaming Permits

1 and Registrations. Prior to this meeting the BOL
2 provided you with a list of 521 individuals, including
3 307 initial and 214 renewals who the Bureau has
4 granted Occupation Permits to, and 692 individuals who
5 the Bureau has granted Registrations to under the
6 authority delegated to the BOL. I ask that the Board
7 adopt a motion approving the Order.

8 CHAIRMAN FAJT:

9 Any questions or comments from
10 Enforcement Counsel on those?

11 ATTORNEY PITRE:

12 There are no objections.

13 CHAIRMAN FAJT:

14 Any questions or comments from the Board?
15 Hearing none, may I have a motion?

16 COMMISSIONER MCCABE:

17 Mr. Chairman, I move that the Board issue
18 an Order to approve the issuance of Gaming Permits and
19 Non-gaming Registrations as described by the BOL.

20 COMMISSIONER RIVERS:

21 Second.

22 CHAIRMAN FAJT:

23 All in favor?

24 AYES RESPOND

25 CHAIRMAN FAJT:

1 Opposed?

2 NO RESPONSE

3 CHAIRMAN FAJT:

4 Motion passes.

5 MS. HENSEL:

6 In addition, we have recommendations of
7 denial for one Gaming and three Non-gaming employees.
8 Prior to this meeting, the BOL provided you with
9 Orders addressing these Applicants, who the BIE has
10 recommended for denial. In each case, the Applicant
11 failed to request a hearing within the specified time
12 period. I ask that the Board consider the Order
13 denying the Gaming and Non-gaming Applicants.

14 CHAIRMAN FAJT:

15 Any questions or comments from
16 Enforcement Counsel?

17 ATTORNEY PITRE:

18 We just ask that you confirm those
19 denials.

20 CHAIRMAN FAJT:

21 Any questions or comments from the Board?
22 May I have a motion?

23 COMMISSIONER RIVERS:

24 Yes. Mr. Chairman, I move that the Board
25 issue an Order to approve the denial of Gaming Permits

1 and Non-gaming Registrations as described by the BOL.

2 COMMISSIONER SOJKA:

3 Second.

4 CHAIRMAN FAJT:

5 All in favor?

6 AYES RESPOND

7 CHAIRMAN FAJT:

8 Opposed?

9 NO RESPONSE

10 CHAIRMAN FAJT:

11 Motion passes.

12 MS. HENSEL:

13 The BOL has also provided you with an
14 Order declaring, pursuant to Board Regulations, 71
15 Gaming and 143 Non-gaming Employee Applications as
16 abandoned. All of these applications have been
17 pending for six months or more and are still
18 incomplete because the Applicants failed to get
19 fingerprinted. Once an application has been declared
20 abandoned by the Board, the Applicant is eligible to
21 reapply at any time provided the Applicant meets the
22 appropriate eligibility requirements. I ask that the
23 Board consider the Abandonment Order.

24 CHAIRMAN FAJT:

25 Any questions or comments from

1 Enforcement Counsel?

2 ATTORNEY PITRE:

3 None.

4 CHAIRMAN FAJT:

5 Any questions or comments from the Board?

6 COMMISSIONER SOJKA:

7 Just a comment that this is, in my
8 opinion, a nice kind of housekeeping to clean things
9 up. I think it's very good.

10 CHAIRMAN FAJT:

11 Thank you. May I have a motion?

12 COMMISSIONER SOJKA:

13 You certainly may. Mr. Chairman, I move
14 that the Board issue an Order to approve the
15 Abandonment of Gaming Permits and Non-gaming
16 Registrations as described by the BOL.

17 COMMISSIONER ANGELI:

18 Second.

19 CHAIRMAN FAJT:

20 All in favor.

21 AYES RESPOND

22 CHAIRMAN FAJT:

23 Opposed?

24 NO RESPONSE

25 CHAIRMAN FAJT:

1 Motion passes.

2 MS. HENSEL:

3 In addition, we have four Orders
4 regarding vendors. The first is to certify the
5 following nine vendors: Abate Irwin, Inc., Bean, Inc.,
6 C. Abbonizio Contractors, Inc., Chispanic Enterprises,
7 Inc., Innovative Glazing Systems, Inc., Metz Concepts,
8 LLC, Multiscope, Inc., Prestige Packing, Inc. and
9 Rockland Bakery, Incorporated. I ask that the Board
10 consider the Order approving the vendors for
11 Certification.

12 CHAIRMAN FAJT:

13 Any questions or comments from
14 Enforcement Counsel?

15 ATTORNEY PITRE:

16 Enforcement Counsel supports the
17 approval.

18 CHAIRMAN FAJT:

19 Any questions or comments from the Board?
20 May I have a motion?

21 COMMISSIONER ANGELI:

22 Mr. Chairman, I move that the Board issue
23 an Order to approve the Applications for Vendor
24 Certification as described by the BOL.

25 COMMISSIONER COY:

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Second.

CHAIRMAN FAJT:

All in favor?

AYES RESPOND

CHAIRMAN FAJT:

Opposed?

NO RESPONSE

CHAIRMAN FAJT:

Motion passes. Next?

MS. HENSEL:

Next the BOL provided you with an Order and an attached list of 21 registered vendors. I ask that the Board adopt a motion approving the Order registering these vendors.

CHAIRMAN FAJT:

Any questions, comments from Enforcement Counsel?

ATTORNEY PITRE:

Enforcement Counsel supports approval.

CHAIRMAN FAJT:

Thanks. Questions, comments from the Board?

COMMISSIONER RIVERS:

So moved.

COMMISSIONER SOJKA:

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Second.

CHAIRMAN FAJT:

All in favor?

AYES RESPOND

CHAIRMAN FAJT:

Opposed?

NO RESPONSE

CHAIRMAN FAJT:

Motion passes.

MS. HENSEL:

The BOL also provided you with Orders, the approval of which would result in the following five vendors being added to the Prohibited Vendors List. A&H Equipment Company, OCE Imagistics, Inc., OP Ventures, Pyro-Stop and Reactor Watches, LP.

CHAIRMAN FAJT:

Any questions or comments from Cyrus?

ATTORNEY PITRE:

No comments.

CHAIRMAN FAJT:

Okay. Questions, comments from the Board?

COMMISSIONER RIVERS:

Yes. Susan, you heard earlier that we do not notify or give proper notification. I assume that

1 we will properly notify these individuals about the
2 repercussions of being on the Prohibited Vendors List?

3 MS. HENSEL:

4 Yes. Each of the vendors that we are
5 proposing to put on the Prohibited Vendors List has
6 received multiple notices from the BOL of the
7 consequences of being placed on that list and have
8 been given an option to cure the deficiencies in their
9 applications to avoid being placed on the list, and
10 they have failed to do so.

11 CHAIRMAN FAJT:

12 Including that they will be fined?

13 MS. HENSEL:

14 I don't believe that we have specified
15 that they would be fined, but that would be something
16 that would happen if they were trying to get off the
17 list, not get on the list.

18 CHAIRMAN FAJT:

19 We should make our notice specific that
20 if they attempt to come off the list, they could be
21 fined.

22 MS. HENSEL:

23 So noted.

24 CHAIRMAN FAJT:

25 Thank you. May I have a motion?

1 COMMISSIONER GINTY:

2 I move the Board issue an Order to
3 approve the addition of vendors to the Prohibited
4 Vendor List as described by the BOL.

5 COMMISSIONER MCCABE:

6 Second.

7 CHAIRMAN FAJT:

8 All in favor.

9 AYES RESPOND

10 CHAIRMAN FAJT:

11 Opposed?

12 NO RESPONSE

13 CHAIRMAN FAJT:

14 Motion passes.

15 MS. HENSEL:

16 Next is an Order denying a Vendor
17 Application. In this case, the vendor was notified
18 that its application would be recommended for denial
19 and was given an opportunity to request a hearing.
20 The vendor did not request a hearing within the
21 specified time frame. I ask that the Board consider
22 the Order denying the application for Dekolink
23 Americas, Inc., an applicant for Vendor Certification.

24 CHAIRMAN FAJT:

25 Cyrus, any questions or comments?

1 ATTORNEY PITRE:

2 Only that we would ask the Board confirm
3 that denial.

4 CHAIRMAN FAJT:

5 Thank you. Questions or comments from
6 the Board? May I have a motion?

7 COMMISSIONER MCCABE:

8 So moved.

9 COMMISSIONER SOJKA:

10 Second.

11 CHAIRMAN FAJT:

12 All in favor?

13 AYES RESPOND

14 CHAIRMAN FAJT:

15 Opposed?

16 NO RESPONSE

17 CHAIRMAN FAJT:

18 Motion passes. Thank you very much,
19 Susan.

20 MS. HENSEL:

21 Thank you.

22 CHAIRMAN FAJT:

23 Next up is Cyrus Pitre, our Chief
24 Enforcement Counsel.

25 ATTORNEY PITRE:

1 We have four matters for the Board's
2 consideration today. In each one of these matters,
3 Assistant Enforcement Counsel will be presenting these
4 matters for the Board. We're asking in each one of
5 these matters that the individuals are revoked. In
6 the first instance, we have a Revocation that we're
7 seeking of a Non-gaming Employee Registration of
8 Tiffanie Nelson. Melissa Powers is here on behalf of
9 OEC.

10 CHAIRMAN FAJT:

11 Welcome, Melissa.

12 ATTORNEY POWERS:

13 Thank you very much. On April 1st, 2009,
14 the OEC filed a complaint for Revocation against Ms.
15 Tiffanie Nelson for failure to comply with federal or
16 state laws and also failure to maintain suitability.
17 Ms. Nelson did not respond to the complaint within 20
18 days. Therefore, her right to a hearing has been
19 waived and the facts alleged in the complaint are
20 deemed admitted.

21 On May 5th, 2009, OEC filed a request for
22 default judgment. At this time, OEC would ask that
23 the Board revoke the Non-gaming Employee Registration
24 of Tiffanie Nelson.

25 CHAIRMAN FAJT:

1 Any questions or comments from the Board?

2 May I have a motion?

3 COMMISSIONER RIVERS:

4 So moved.

5 COMMISSIONER SOJKA:

6 Second.

7 CHAIRMAN FAJT:

8 All in favor?

9 AYES RESPOND

10 CHAIRMAN FAJT:

11 Opposed?

12 NO RESPONSE

13 CHAIRMAN FAJT:

14 Motion passes. Next?

15 ATTORNEY PITRE:

16 The next matter will be presented by Ms.

17 Katie Higgins.

18 CHAIRMAN FAJT:

19 Welcome, Katie.

20 ATTORNEY HIGGINS:

21 Thank you. The next matter is that of
22 Danielle Raub. On March 24th, 2009, the OEC filed a
23 complaint for Revocation of Ms. Raub's Non-gaming
24 Registration due to her failure to maintain
25 suitability. Ms. Raub did not respond to the

1 complaint within 20 days, and therefore, pursuant to
2 Board regulations, all facts alleged in the complaint
3 are deemed admitted.

4 The OEC filed a request for default
5 judgment on May 12th, 2009. And at this time the OEC
6 would ask that the Board revoke Danielle Raub's
7 Non-gaming Registration.

8 CHAIRMAN FAJT:

9 Any questions or comments from the Board?
10 May I have a motion?

11 COMMISSIONER SOJKA:

12 So moved.

13 COMMISSIONER COY:

14 Second.

15 CHAIRMAN FAJT:

16 All in favor?

17 AYES RESPOND

18 CHAIRMAN FAJT:

19 Opposed?

20 NO RESPONSE

21 CHAIRMAN FAJT:

22 Motion passes. Next?

23 ATTORNEY POWERS:

24 The next matter before you is that of
25 Adam Sundberg. On March 10th, 2009, OEC filed a

1 complaint for Revocation against Mr. Sundberg for
2 failure to maintain suitability. Mr. Sundberg did not
3 respond to the complaint within 20 days. Therefore,
4 his right to a hearing has been waived, and all facts
5 alleged in the complaint are deemed admitted.

6 On April 29th, 2009, OEC filed a request
7 for default judgment. At this time, OEC would ask
8 that the Board revoke the Non-gaming Employee
9 Registration of Adam Sundberg.

10 CHAIRMAN FAJT:

11 Any questions or comments? Motion?

12 COMMISSIONER ANGELI:

13 So moved.

14 COMMISSIONER COY:

15 Second.

16 CHAIRMAN FAJT:

17 All in favor?

18 AYES RESPOND

19 CHAIRMAN FAJT:

20 Opposed?

21 NO RESPONSE

22 CHAIRMAN FAJT:

23 Motion passes. Next?

24 ATTORNEY POWERS:

25 The final matter before you today is that

1 of Amanda Brooke Raymond. On March 16, 2009, OEC
2 filed a complaint for Revocation against Ms. Raymond
3 for failure to maintain suitability. Ms. Raymond did
4 not respond to the complaint within 20 days.
5 Therefore, her right to a hearing has been waived, and
6 the facts alleged in the complaint are deemed
7 admitted.

8 On April 29th, 2009, OEC filed a request
9 for default judgment. At this time, OEC would ask
10 that the Board revoke the Gaming Employee Permit of
11 Amanda Brooke Raymond.

12 CHAIRMAN FAJT:

13 Any questions or comments from the Board?
14 Motion?

15 COMMISSIONER COY:

16 So moved.

17 COMMISSIONER GINTY:

18 Second.

19 CHAIRMAN FAJT:

20 All in favor?

21 AYES RESPOND

22 CHAIRMAN FAJT:

23 Opposed?

24 NO RESPONSE

25 CHAIRMAN FAJT:

1 Motion passes. Just to do a little
2 housekeeping, that concludes our meeting, but looking
3 ahead, our next public meeting is Wednesday, June
4 17th, 2009 at 10:00 a.m. here in the State Museum
5 Auditorium in Harrisburg. Any final comments or
6 questions from the Board? May I have a motion to
7 adjourn?

8 COMMISSIONER RIVERS:

9 So moved.

10 COMMISSIONER MCCABE:

11 Second.

12 CHAIRMAN FAJT:

13 All in favor, say aye.

14 AYES RESPOND

15 CHAIRMAN FAJT:

16 Opposed?

17 NO RESPONSE

18 CHAIRMAN FAJT:

19 The meeting is adjourned. Thank you.

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21 MEETING CONCLUDED AT 12:35 P.M.

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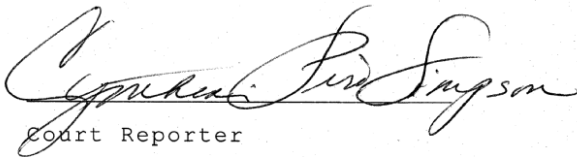
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I hereby certify that the foregoing proceedings, Public Meeting was reported by me on 06/03/2009 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Cynthia Piro Simpson
Court Reporter