

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: US PLAYING CARDS PETITION FOR WAIVER OF THE  
PRINCIPAL LICENSURE REQUIREMENT FOR M. GROSS, D.

HUEMMP, AND R. WOOD

\* \* \* \* \*

PUBLIC HEARING

BEFORE: Gregory C. Fajt, Chairman  
Raymond S. Angeli, James B. Ginty,  
Keith R. McCall, Anthony C. Moscato,  
Gary A. Sojka, Kenneth I. Trujillo; Members  
Christopher Craig, Representing Robert M.  
McCord, State Treasurer  
Daniel Tufano, representing Acting  
Secretary of Agriculture, George Greig  
Robert Coyne, representing Acting Secretary  
of Revenue, Daniel Meuser

HEARING: Wednesday, March 23, 2011  
9:30 a.m.

LOCATION: Public Utility Commission  
Keystone Building  
400 North Street, Hearing Room 1  
Harrisburg, PA 17120

Reporter: Cynthia Piro Simpson

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CHAIRMAN:

Good morning, everybody. My name's Greg Fajt. I'm Chairman of the Gaming Control Board, and as a matter of housekeeping, I'd just like to ask everybody to please turn off your cell phones and Blackberries, as they tend to interfere with our communication system.

Joining us today is Christopher Craig, representing State Treasurer Rob McCord; Bob Coyne representing Acting Secretary of Revenue Dan Meuser; and Dan Tufano, representing George Greig, who is the Acting Secretary of Agriculture. Welcome to all of you. Four of its members are present today, and I would like to call today's meeting to order. As a first order of business, please join me in pledging allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

We have three items before the Board today by way of public hearings, which will take place prior to our public meeting. First public hearing pertains to US Playing Cards' Petition for Waiver of the Principal Licensing Requirement for certain

1 individuals.

2                   Immediately following our first hearing,  
3 Harrah's Chester Downs Management Company, LP will  
4 give two unrelated presentations regarding first its  
5 Beverage on Demand system, associated with slot  
6 machines, and second its request to have a World  
7 Series of Poker event at its facility, but outside of  
8 the recognized game floor. At the conclusion of these  
9 hearings and presentations, we'll take a recess to  
10 conduct quasi-judicial deliberations before returning  
11 to our regularly scheduled meeting.

12                   I see that US Playing Cards is at the  
13 table. And prior to your presentation, if there are  
14 any witnesses who may be testifying today, Counsel,  
15 who are not lawyers, could you have them stand for  
16 swearing in?

17 -----

18 WITNESSES SWORN EN MASSE

19 -----

20                   CHAIRMAN:

21                   Thank you very much. And again, this is  
22 a matter of housekeeping. Counsel, I know you've been  
23 here before. Before anybody begins speaking today,  
24 could you please state and spell your name clearly for  
25 our stenographer? And with that, US Playing Cards may

1 begin.

2 ATTORNEY STEWART:

3 Thank you, Mr. Chairman. Mark Stewart,  
4 M-A-R-K S-T-E-W-A-R-T. May it please the Board ---?  
5 And good morning, Commissioners and Mr. Chairman. My  
6 name's Mark Stewart with Eckert Seamans on behalf of  
7 the United States Playing Card Company. With me today  
8 is Phil Dolci, president and CEO of USPC, as well as  
9 John Capps, the Executive Vice-president and general  
10 counsel of the secretary of USPC's parent company,  
11 Jarden Corporation, and Stephanie Krummert, the  
12 Manager of Key Accounts and Regulatory at USPC.

13 We're before you this morning in relation  
14 to a corporate restructuring that is going on at the  
15 Jarden or ultimate parent company level involving  
16 USPC. Jarden is, I believe, a very unique Licensee  
17 before you. It is not a gaming company. It is in  
18 fact a consumer products company. It does some \$6  
19 billion in sales a year. It has 200-some subsidiaries  
20 of which one has a portion of its business that is in  
21 the gaming space.

22 As you'll here today, USPC's business  
23 does not rise to the materiality level where it is  
24 dealt with frequently or much at all by the Jarden  
25 Board of Directors. Yet, significant time and effort

1 is spent by the outside directors of Jarden in dealing  
2 with regulatory compliance and applications and  
3 whatnot. And that level is not in proportion with  
4 USPC's status within the company's portfolio.

5           Therefore, they've undertaken this effort  
6 on a nationwide basis. Our request is not limited to  
7 Pennsylvania. The restructuring that's being proposed  
8 today is the culmination of several steps and any  
9 meetings and conversations with various regulators  
10 across the country. The goal is to isolate control  
11 and oversight of the USPC subsidiary below the Jarden  
12 level. And ultimately, the relief we're requesting  
13 today is narrowly tailored.

14           The Board already does not require  
15 licensure of the majority of Jarden's outside  
16 directors. It only requires licensure from the audit  
17 committee members, and our relief is limited to ---  
18 our request of relief is limited to those three  
19 members on a case-specific basis. And with that, I  
20 will turn it over to Mr. Dolci and Mr. Capps to  
21 discuss the companies and their restructuring.

22           MR. DOLCI:

23           Good morning, Commissioners, Mr.  
24 Chairman. Thank you for your time this morning. I'm  
25 Phil Dolci, P-H-I-L D-O-L-C-I. I go by Dolci instead



1 of Dolcimascolo to make it easier. And so, I  
2 appreciate your time this morning. I'm going to give  
3 you a brief overview of US Playing Cards and how it  
4 fits within the world of Jarden.

5           US Playing Cards, USPC, we're a Delaware  
6 Corporation. We have licenses in hundreds of  
7 jurisdictions, you know? The company, as well as  
8 myself, understand the need for licensing and  
9 regulatory oversight and respect it. But what we want  
10 to talk about today is the reality and the  
11 practicality of the current situation.

12           The Board members in total, especially  
13 the outside Board members, have zero influence on and  
14 zero involvement in the business day to day. As a way  
15 to demonstrate that, in the almost four years I've  
16 been with the company, I've seen these individuals  
17 three times, and never once have we spoken about  
18 gaming matters. So from a practical standpoint, US  
19 Playing Cards in total, and then specifically, the  
20 gaming portion of US Playing Cards, we operate very  
21 autonomously and the outside directors have no  
22 influence on the business.

23           MR. CAPPS:

24           Good morning. My name is John Capps,  
25 J-O-H-N C-A-P-P-S, and representing Jarden

1 Corporation. I'm not sure how much you know about  
2 Jarden and I don't want to bore everyone with details.

3 CHAIRMAN:

4 Speak up a little bit, if you could.

5 MR. CAPPS:

6 Sorry. I don't want to rehash what you  
7 already know, so please feel free to tell me to move  
8 on if you already know more about our company. Jarden  
9 is the ultimate parent of United States Playing Cards.  
10 We're a publicly held New York Stock Exchange listed  
11 company, Fortune 500 size.

12 We operate in three primary segments.  
13 Our largest is Outdoor Solutions, which has Coleman  
14 camping gear, HECs, Rawlings Sporting Goods, a lot of  
15 fishing equipment, things like that. Our second  
16 largest is Consumer Solutions, which has appliances  
17 such as Sunbeam, Oster, Mr. Coffee.

18 Our smallest segment is a branded  
19 consumable segment, which has a range of diverse  
20 products, like First Alert fire alarms and smoke  
21 alarms. It has Ball canning jars. And the United  
22 States Playing Card Company is one component of that  
23 segment. We have, as it says here, over 100 active  
24 brands, 24 brands in continuous use for over 100  
25 years. So we have products in most of your

1 households.

2           I won't bore you with our org chart, but  
3 as I said, we have 200 subsidiaries and more. The US  
4 Playing Card Company is an indirect subsidiary.

5           This is sort of rehashing. I think that  
6 the crux of the situation here is our only subsidiary  
7 involved in the gaming business at all is United  
8 States Playing Card Company, which represents about  
9 1.5 percent of our net sales. And the casino-related  
10 business of USPC is less than 3/10 of 1 percent of our  
11 sales.

12           However, because of that connection, we  
13 do have gaming licenses in 120 jurisdictions, which  
14 creates a pretty extensive burden on our outside  
15 directors who aren't involved, which gets to the crux  
16 of our situation here and the reason that I'm here  
17 today. It's hard enough these days to get directors  
18 to serve and to make the time commitment, given all  
19 the additional burdens in the past years, legal and  
20 otherwise, on their time.

21           The kinds of directors that we try to  
22 get, and especially in the audit committee, tend to be  
23 very accomplished professional business people with a  
24 lot demands on their time, very complicated business  
25 and financial lives. And we get a fraction of their

1 time, it's a substantial time commitment.

2           A large fraction of that time is spent on  
3 gaming compliance. As you know, the directors oversee  
4 management. Management runs the company, so the  
5 directors necessarily act on a very high level of  
6 materiality with respect to the company. This is a  
7 business that never rises to the level of materiality  
8 that our directors see, so they don't spend any time  
9 on it.

10           I attend all the Board meetings and audit  
11 meetings, and in six years, I don't ever recall a  
12 casino-related business or gaming business being  
13 discussed, except in the context of compliance review.  
14 So, it becomes an issue for us when they spend  
15 probably more time on their gaming compliance-related  
16 matters than any other aspect of Jarden, even though  
17 they have nothing to do with the business. So this is  
18 our situation, and trying to get people to meet that  
19 burden.

20           Yeah. I mean so this is why, for the  
21 past few years, we've taken various actions to try to  
22 alleviate this. We removed the gaming related  
23 business from oversight of the parent company, changed  
24 the bylaws in 2005. And now we're going further,  
25 trying to remove any control of USPC from the

1 directors in order to sort of sever the connection we  
2 have with them.

3           So our proposal is a voting agreement. I  
4 think you probably got the details already, which  
5 gives a proxy to a shareholder representative to both  
6 Jarden shares. And the parent company of USPC and all  
7 the subsidiary companies and a separate audit  
8 committee at the Bicycle Holding level to be  
9 responsible for the preparation and oversight of  
10 financial statements and financial reporting. This is  
11 intended to sever the connection between Jarden  
12 Corporation and Bicycle Holding.

13           As a public company, it's a scary  
14 prospect. But we think that it's worth it if we can  
15 somehow maintain the economic interest but sever the  
16 control and thereby get the outside directors out of  
17 some of the compliance purviews.

18           I don't know if you want me to go into  
19 all of the details of the voting agreement, but we  
20 have secured --- established a shareholder  
21 representative. He will not be related to Jarden in  
22 any way, as an officer or shareholder. He'll have  
23 exclusive authority to vote the shares, and that will  
24 include responsibility for all the gaming and  
25 non-gaming related activities. It will be a

1 three-year agreement with one-year automatic renewals,  
2 limited termination rights for extraordinary  
3 circumstances. As I said, it's designed to separate  
4 economic and control interest.

5           And the shareholder representative would  
6 be required to comply with all the gaming  
7 requirements, be licensed, be in good standing. It's  
8 currently expected that Phil Dolci, CEO from USPC,  
9 would be the shareholder representative and there  
10 would be an alternate that would be found acceptable  
11 to all the gaming authorities, as well.

12           The audit and financial reporting  
13 committee would be responsible for oversight of  
14 financial statements and financial reporting of USPC.  
15 USPC would continue to be consolidated within Jarden's  
16 consolidated financials, but this committee would be  
17 responsible for working with the external auditors,  
18 overseeing and training the receipt of financial  
19 statements.

20           As I said, USPC doesn't reach a level of  
21 materiality to factor much in the external audit or  
22 discussions of the audit committee. But in the  
23 interaction with our external auditors, we envision  
24 we'd be free to submit, and certainly vision that  
25 Jarden's CFO, Ian Ashken, and our Chief Accounting

1 Officer, Rich Sansone, would be on the committee. And  
2 they are both --- their applications would be found  
3 suitable in the gaming authority, and they would  
4 continue to do so.

5 ATTORNEY STEWART:

6 So what are we asking of you today?  
7 Essentially, we're asking a Waiver for the principal  
8 licensure requirement for the audit committee members  
9 of Jarden Corporation. As I mentioned, a majority of  
10 the outside directors, four of the seven, are already  
11 not required to be licensed.

12 We will continue --- Jarden, of course,  
13 will continue to be licensed, so it will continue to  
14 provide information in its application about the  
15 identity of all the directors and certain background  
16 information that could enable the Board to conduct  
17 some initial criminal background checks. And of  
18 course the Board --- I don't need to tell you --- you  
19 always retain the authority to make us file complete  
20 applications on any person associated with applicants  
21 and the licensees.

22 We're not requesting a Waiver for Jarden  
23 as an entity or of the Chairman of the Board of  
24 Directors of Jarden. And ultimately, the results of  
25 this is that all persons with actual control and

1 oversight over USPC will be licensed, and that will  
2 not change.

3           There were a few points made by the  
4 Office of Enforcement Counsel (OEC) in their answer  
5 that we hope to address. And one of which was just  
6 that Jarden, as the parent, will continue to have  
7 inherent control, that it won't be able to escape.  
8 And I guess we have a couple thoughts in response to  
9 that. One, we don't really think it's correct.

10           Currently, as was mentioned, for a gaming  
11 business as per the bylaws, those decisions are vested  
12 with the management of USPC. They do not require  
13 shareholder approval at the parent level for any  
14 decisions involving the gaming business. Moving  
15 forward, if you grant our relief, there will not be  
16 control as the voting agreement will step in. The  
17 shareholder representative has the irrevocable proxy  
18 and has exclusive discretion to exercise that control.

19           Ultimately, even if the premise is  
20 arguably correct, Jarden and Jarden's officers and the  
21 chairman of Jarden's board continue to be licensed.  
22 So the integrity of gaming and the concerns that are  
23 embedded within the Gaming Act will still be  
24 satisfied. OEC also asserted that Jarden will  
25 continue to maintain control.



1 BRIEF INTERRUPTION

2 ATTORNEY STEWART:

3 Jarden will maintain control over USPC,  
4 because it gets to appoint the shareholder  
5 representative --- was another point that was made.  
6 But we would submit that the power to appoint is not  
7 the power to control. The proxy is irrevocable, and  
8 as it was noted, the shareholder representative cannot  
9 be terminated based on the content of any action or  
10 vote or steps that he or she would make. There's four  
11 narrow grounds for termination. They are all within  
12 the control of the shareholder representative. As  
13 long as he or she maintains compliance with the gaming  
14 laws, does not breach the voting agreement, remains an  
15 officer of USPC or does not become an officer of  
16 Jarden, that person will continue to be the  
17 shareholder representative.

18 Finally, it was commented that, well,  
19 Jarden's Board of Directors will still appoint the BHI  
20 Board of Directors, which still appoints the BHI audit  
21 committee, so there's a control element there.  
22 Factually, we would note that going forward would be  
23 the shareholder representative that appoints all  
24 directors to the BHI, Bicycle Holding, Incorporated,  
25 entity. Therefore, the premise is not accurate.

1           But again, even so, Jarden's officers,  
2 the entity, the Chairman of the Board continue to be  
3 licensed. All of the members of the Board of  
4 Directors of BHI will continue to be licensed.  
5 Anybody actually exercising control and making  
6 decisions in this construct will continue to be  
7 licensed.

8           Finally, what responses have we had to  
9 the proposal from other jurisdictions? I'd like to  
10 point out initially that there are several  
11 jurisdictions that do not require any of the outside  
12 directors, including the audit committee members, to  
13 be licensed. Those jurisdictions would include Iowa,  
14 Illinois, Florida, Delaware and virtually all of the  
15 Native American jurisdictions where USPC is licensed.

16           Of those that have regulated in the past  
17 and continue to, outside directors to some varying  
18 degree, we have received favorable responses to our  
19 proposal from the jurisdictions that are listed on the  
20 slide, Arizona; Michigan; Mississippi; Washington;  
21 Nova Scotia, Canada and Ontario. And I would note  
22 that the Board has recognized Mississippi and Ontario  
23 as comparable jurisdictions that are similar to  
24 Pennsylvania in their thoroughness of regulation.

25           Finally, we continue to work with several

1 jurisdictions where the matter is still pending. None  
2 of those jurisdictions, or for that matter, no  
3 jurisdictions, denied this request, and we continue to  
4 work with those jurisdictions and hope to achieve  
5 approval from them, as well.

6           In conclusion, we've tried to balance  
7 this petition, and we've really worked hard to come up  
8 with a structure that embraces the core issue in the  
9 Gaming Act of protecting the integrity of Gaming while  
10 trying to strike some reasonable balance. We believe  
11 that there is a unique set of circumstances and facts  
12 here and that the relief that we're requesting is  
13 case-specific.

14           And we are and will remain and have  
15 remained open to any suggestions that the Board has.  
16 We've met the staff on multiple occasions regarding  
17 this proposal since July. We've tried to work through  
18 different compromises or ideas with them, and we're  
19 open to those suggestions as long as we can achieve,  
20 you know, the purpose and the goal of the proposed  
21 restructuring. And with that, we turn it over to the  
22 Chairman. Thank you.

23                           CHAIRMAN:

24           Thank you, Mr. Stewart. Does OEC have  
25 any questions for any of the witnesses?

1                   ATTORNEY ROLAND:

2                   Yes, Mr. Chairman. Mr. Chairman, I  
3 represent the Board. Mike Roland, R-O-L-A-N-D with  
4 the OEC. Good morning. Mr. Stewart, why don't you go  
5 back to page 13 of your presentation if we can?

6                   And this goes to your voting agreement.  
7 And I have a specific question about the shareholder  
8 representative. I believe you said you've already  
9 made a determination it would be Mr. Dolci who would  
10 be filling this position or that's what you  
11 anticipate. But who actually made that determination?  
12 Who would've appointed Mr. Dolci to that position?

13                   MR. CAPPS:

14                   I think he would have to agree to be in  
15 that position. I think he has. It was a discussion,  
16 I think, with our management and Mr. Dolci.

17                   ATTORNEY ROLAND:

18                   Okay. Let me come at it from the other  
19 angle, then. There's four criteria that possibly  
20 could have him removed from that position, and I  
21 believe Mr. Stewart said it really is in the  
22 shareholder representative's control whether or not  
23 those four criteria are violated, but who would make  
24 the determination outside of the representative that  
25 those have been violated?

1 I mean there has to be some type of  
2 watchdog in this, is why I'm asking. Who's in the  
3 position of authority to say, this person has stepped  
4 outside the bounds of the four enumerated ---?

5 MR. CAPPS:

6 Well, I think the ---. First of all,  
7 that person can always resign. They're no longer with  
8 the company. So that's inherent in the role.

9 OFF RECORD DISCUSSION

10 MR. CAPPS:

11 I'm sorry. In one of the criteria, a  
12 person has to continue to be an officer of USPC. They  
13 acknowledge the assignment is in their control.  
14 Another one is they comply with the gaming laws, and I  
15 think that's up to the 120 jurisdictions filed. And  
16 then the other's a material breach of the voting  
17 agreement. There are a few things in there that are,  
18 you know, required of the proxy, and that, I think, is  
19 in their control, as well. If, for example, one of  
20 the provisions in the agreement is they can't pledge  
21 their sale of any assets or the stock of the company,  
22 because that would create a violation of our credit  
23 agreement. And I think that's a very objective, you  
24 know, determination. So I think they're all within  
25 the control of the proxy, I believe.

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ATTORNEY STEWART:

I mean obviously the voting agreement speaks for itself, obviously. The other party of it is Jarden Corporation. So to the extent that that is the focus of your question, clearly, you know, Jarden as a corporate entity is the other party to the agreement. Jarden continues to be licensed, as does its officers, and the Board already does not require licensure of the majority of its outside directors.

ATTORNEY ROLAND:

The last point you have on page number 13, importantly, they cannot be removed based on the specific actions or votes of the shareholder representative. I'm not saying this would happen, but would you agree with me that the shareholder representative could be removed for other reasons, like, for instance, promotion. And there certainly is the possibility that ---. Again, I'm not saying this would happen, but someone could be removed from a vote, but it could be done under the light of something else.

Maybe a vote didn't go down in favor with the powers that be, and the person has been voted out. Again, I'm not saying that would happen, but it certainly is a possibility. Someone can be removed

1 for a reason other than --- or for at least these four  
2 other reasons or a promotion to get them out of that  
3 position without identifying it as a specific vote.  
4 Am I making that question clear?

5 MR. CAPPS:

6 I think I understand your point. I'm not  
7 sure I agree with the premise, though. The scary  
8 thing for us as a public company is that we are, I  
9 think, giving up that right to remove this person.  
10 And one development in having Mr. Dolci in the role is  
11 he is already the head of the company. I'm not sure  
12 where you'd go from there, and the CEO of Jarden is  
13 already taken, so ---. I think it's an unlikely  
14 scenario.

15 ATTORNEY ROLAND:

16 Okay. And then moving to page number 15  
17 of your presentation ---?

18 ATTORNEY STEWART:

19 If I can just supplement one additional  
20 point on that. I mean the other thing to keep in mind  
21 is the scope that we talked about and the materiality.  
22 I don't think that the folks at Jarden are going to be  
23 sitting around, you know, trying to scheme and plan  
24 ways to remove the shareholder or the representative  
25 for a company that is one and a half percent of their

1 total sales. It's just not a ---. You know, I  
2 understand the theory of the question. But it's just  
3 not a practical reality.

4 MR. CAPPS:

5 If I can just reiterate one other point.  
6 Just concerned about decisions related to gaming, that  
7 business is less than 0.3 percent of the sales, and I  
8 can't imagine anyone at Jarden even knowing about  
9 those decisions.

10 ATTORNEY ROLAND:

11 Okay. Page 15 of the presentation.  
12 Specific questions regarding the BHI audit, the  
13 financial reporting committee or the two members ---.  
14 I'm getting to a point. And I'm assuming that's going  
15 to be very, very similar to the representative  
16 discussed on page 13. They're going to be appointed  
17 the same way. They're going to be bound by the same  
18 restrictions. If I asked any of the questions that I  
19 have already gone through with the representative, you  
20 would have similar answers, I would assume?

21 ATTORNEY STEWART:

22 I don't believe so. They're appointed by  
23 the BHI Board of Directors, so they're not appointed  
24 by Jarden. As I mentioned, the BHI Board of Directors  
25 would be appointed going forward by the shareholder



1 representative. Obviously, the present Board, I  
2 guess, came from --- you know, was selected by Jarden.  
3 But the answers would not necessarily be the same. It  
4 would be a BHI Board that would have those types of  
5 decisions.

6 MR. CAPPS:

7 Right. And we have to come up with  
8 somebody, the initial members, but they can change.  
9 It's just they have to be found suitable by the Gaming  
10 Board.

11 ATTORNEY ROLAND:

12 And this is really a question more of  
13 curiosity. I'm going to page number 23 where you have  
14 identified some of the jurisdictions where you've  
15 already been successful with this request. You've  
16 already identified there are some jurisdictions that  
17 don't require licensure. Would you be able to  
18 guesstimate how many jurisdictions you may be seeking  
19 this type of relief in?

20 ATTORNEY STEWART:

21 I believe it is ---. Perhaps Stephanie  
22 has the exact answer, but I believe it's about 15.

23 MS. KRUMMERT:

24 Twelve (12).

25 ATTORNEY STEWART

1 Twelve (12).

2 ATTORNEY ROLAND:

3 And that includes, I'm assuming, at the  
4 bottom of that page, Louisiana, New Jersey and New  
5 York. Those have already been initiated so that  
6 that's part of the 12?

7 MS. KRUMMERT:

8 Correct; that's the last --- on all the  
9 other ones that are listed individually, we've already  
10 gotten relief from those.

11 ATTORNEY STEWART:

12 There's not, you know, petitions pending  
13 in each of those jurisdictions. They're in varying  
14 degrees of communications and discussion, so they ---.  
15 I don't think that this type of formal process has  
16 been initiated with the pleading and whatnot in other  
17 jurisdictions. But the proposals have been submitted.  
18 The voting agreements have been submitted. There's  
19 ongoing pending discussions with the regulators.

20 ATTORNEY ROLAND:

21 I think that's all I have, Mr. Chairman.  
22 Thank you.

23 CHAIRMAN:

24 Thank you. Does OEC have a presentation?

25 ATTORNEY ROLAND:

1           We do not have a presentation. We would  
2 like to call Mr. Sean Hannon for some testimony,  
3 however.

4           CHAIRMAN:

5           Please proceed, and I'd note for the  
6 record Mr. Hannon was previously sworn in.

7           ATTORNEY ROLAND:

8           Mr. Hannon, for the record, could you  
9 simply state your name and spell it, please?

10          MR. HANNON:

11          Sean Hannon, S-E-A-N, Hannon,  
12 H-A-N-N-O-N.

13          ATTORNEY ROLAND:

14          And where are you employed, Mr. Hannon,  
15 and how long?

16          MR. HANNON:

17          I am the Enterprise Licensing Manager in  
18 the Bureau of Licensing, and I've been there for over  
19 five years now.

20          ATTORNEY ROLAND:

21          And what does the Enterprise Licensing  
22 Manager do for the Gaming Control Board?

23          MR. HANNON:

24          The Enterprise Licensing Manager oversees  
25 the licensing of the casino operators, the

1 manufacturers, the suppliers, their owners, officers,  
2 directors, the key employees that work with those  
3 companies and the entities affiliated with those  
4 companies, as well.

5 ATTORNEY ROLAND:

6 And are you familiar with the Petition  
7 that we've been discussing today that's been filed by  
8 United States Playing Cards for a Waiver of certain  
9 licensing requirements?

10 MR. HANNON:

11 Yes, I've reviewed the Petition.

12 ATTORNEY ROLAND:

13 Could you summarize it?

14 MR. HANNON:

15 United States Playing Card Company is  
16 requesting relief from our Board regulation, Section  
17 433a.2(b), which requires audit committee members of a  
18 publicly traded company to be required to file its  
19 Principals.

20 ATTORNEY ROLAND:

21 Okay. Now, there's three persons in  
22 question here. What actual positions do they hold?

23 MR. HANNON:

24 They are all members of the audit  
25 committee, and the Bureau of Licensing has received

1 application from all three members.

2 ATTORNEY ROLAND:

3 Okay. What type of directors are they, I  
4 guess, more specifically?

5 MR. HANNON:

6 They are outside directors.

7 ATTORNEY ROLAND:

8 And this may seem like a simple question,  
9 but what is an outside director?

10 MR. HANNON:

11 An outside director is not an employee of  
12 the company. They're not an officer of the company,  
13 so they have some level of independence.

14 ATTORNEY ROLAND:

15 So when you look at section 433a.2, that  
16 provides guidance regarding directors and officers who  
17 now seek licenses. How do you use the outside  
18 directors today?

19 MR. HANNON:

20 An outside audit committee is very  
21 effective on a publicly trading company, because there  
22 is this level of independence that officers inside a  
23 company would not have. So it's very effective. FCC  
24 requires an audit committee, so --- in order to have  
25 financial oversight, so it's very effective for us to

1 get these people licensed so that we have oversight  
2 over the people that have the financial oversight of  
3 the company.

4 ATTORNEY ROLAND:

5 I guess what I'm asking, more  
6 specifically, is under 433 are --- these three  
7 individuals are actually required to be licensed?

8 MR. HANNON:

9 Absolutely, and the Bureau of Licensing  
10 and the Board has never granted a Waiver to any  
11 publicly traded audit committee member.

12 ATTORNEY ROLAND:

13 Okay. Aside from the regulatory section,  
14 433, are there any other reasons that the Bureau of  
15 Licensing would object to a waiver in this case?

16 MR. HANNON:

17 The Bureau of Licensing is not persuaded  
18 that a publicly traded company can put in place a  
19 mechanism to transfer complete financial oversight  
20 from a parent to a subsidiary. We'd want to have  
21 oversight as to the people who would have the ultimate  
22 oversight and want to be able to hold these people  
23 accountable.

24 In addition, we don't want to set a  
25 precedent that allows someone who is --- for whatever

1 reason is not interested in going through the  
2 licensing process to be able to shield themselves away  
3 from licensure and through the creation of an  
4 agreement or otherwise. And I think if the Board were  
5 to grant a Waiver, every publicly traded company would  
6 --- may seek Waiver of this requirement. And then the  
7 Board would be put in a position to be a litmus test  
8 on each one to see if the level of how much gaming  
9 operations in that company is significant enough to  
10 require licensure.

11 ATTORNEY ROLAND:

12 Okay. And I think you've already  
13 reviewed this, Mr. Hannon. In your position as  
14 Enterprise Licensing Manager, how many other  
15 Manufacturer applications have you actually dealt with  
16 or reviewed?

17 MR. HANNON:

18 I've been involved with the licensure of  
19 every single manufacturer to-date.

20 ATTORNEY ROLAND:

21 And has there ever been a Waiver similar  
22 to the one requested today?

23 MR. HANNON:

24 There's never been one granted by the  
25 Board.

1                   ATTORNEY ROLAND:

2                   I believe that's all the questions we  
3 have, Mr. Chairman. There may be one additional  
4 question I would have, Mr. Stewart and his folks,  
5 however. If you would permit that now, I would  
6 appreciate it.

7                   CHAIRMAN:

8                   Please proceed with your question.

9                   ATTORNEY ROLAND:

10                  The question I have is for the two  
11 members on the audit committee. Since that is an even  
12 number, supposed they are locked in a vote. Who would  
13 break that vote? Who would be the deciding vote if  
14 you want to have due diligence?

15                  MR. CAPPS:

16                  I'd have to say I never encountered that  
17 situation. I don't have a ready answer, but I don't  
18 think there's any magic two people in, I guess, the  
19 structure that I think we're proposing.

20                  ATTORNEY ROLAND:

21                  Okay. That's all we have, Mr. Chairman.  
22 Thank you.

23                  CHAIRMAN:

24                  Us Playing Card have any questions for  
25 any of the OEC witnesses?



1                   ATTORNEY STEWART:

2                   Not a question, Mr. Chairman. Just a  
3 comment, if I may.

4                   CHAIRMAN:

5                   Sure, and then we'll entertain the Board  
6 questions.

7                   ATTORNEY STEWART:

8                   Thank you. And I guess it just goes to  
9 the concept of setting a precedent. You know, we  
10 would submit that to some degree, our request, at  
11 least in terms of the voting agreement, is actually  
12 supported by Board precedent. There have been other  
13 instances where the Board has approved the use of a  
14 voting agreement to separate the economic interest  
15 from the voting interest. It was in regard in  
16 particular to a slot machine Licensee.

17                   In that instance, the entity was not a  
18 publicly traded company, so the Board didn't have to  
19 address this issue with the audit committee. So, we  
20 recognize that that is, essentially, a new request  
21 that we're making of you.

22                   And you know, we believe that based on  
23 the specific facts of this incidence, the size of  
24 Jarden, the role and scope and nonmaterial size of  
25 USPC within its portfolio, as well as going and taking

1 the extra step of creating a new audit committee to  
2 try and have a new level of financial oversight, that  
3 there's enough unique case-specific basis here for the  
4 Board to enter to approving it without creating a  
5 precedent. Thank you.

6 CHAIRMAN:

7 Questions of the Board? Commissioner  
8 Trujillo?

9 MR. TRUJILLO:

10 Well, and let me just state the first  
11 context. I'm a member of a couple audit committees  
12 and chaired one, and so I can understand the desire to  
13 make it more attractive to potential candidates, so I  
14 appreciate that. And I appreciate, also, the context  
15 in terms of the size of your business vis-à-vis the  
16 rest of Jarden.

17 Now, but I have, I think, a lot of the  
18 same concerns that OEC has, and so I guess I'd like to  
19 get them underway. First, my read of the appointment  
20 of a new audit committee, that that panel doesn't  
21 exist now, a subsidiary level does not appear to be in  
22 compliance. It appears to be a company executive; am  
23 I correct there?

24 MR. CAPPS:

25 That's correct. It technically wouldn't

1 apply to this.

2 MR. TRUJILLO:

3 I understand that it doesn't apply, but  
4 what I'm saying is that the audit committee --- it  
5 does not appear to be comprised of independent Board  
6 members. It appears to be the representatives of  
7 company executives.

8 MR. CAPPS:

9 And that's correct. That's what we're  
10 currently proposing; correct.

11 MR. TRUJILLO:

12 So the audit function, whether downstream  
13 or at the parent company level, I take it your  
14 upstream --- the Jarden audit committee undoubtedly is  
15 compliant; am I correct?

16 MR. CAPPS:

17 Correct.

18 MR. TRUJILLO:

19 And I assume --- well, I haven't seen the  
20 financials, but I assume that the financials of the  
21 subsidiary ultimately do consolidate with the parent  
22 financials?

23 MR. CAPPS:

24 That's correct. USPC is consolidated.

25 MR. TRUJILLO:

1           So at the end of the day, what I see,  
2 then, is an audit committee --- and this is exactly  
3 the OEC's point --- which is not independent but  
4 rather controlled both at the subsidiary level and the  
5 parent level by the company executives; am I correct?

6           MR. CAPPS:

7           I think that depends on who ultimately is  
8 sitting on the committee, which would be determined by  
9 the shareholder representative or at the subsidiary  
10 level going forward.

11          MR. TRUJILLO:

12          But the shareholder representative is  
13 appointed by the company, as well, is it not?

14          MR. CAPPS:

15          The shareholder representative initially  
16 --- we're proposing Phil Dolci by mutual agreement of  
17 the company and USPC.

18          MR. TRUJILLO:

19          Right. So again, it's all internal to  
20 the company, so you do not have independent directors  
21 either making the appointment of either the audit  
22 committee members or of the shareholder  
23 representative; am I correct?

24          MR. CAPPS:

25          That's correct.

1                   MR. TRUJILLO:

2                   And coming back to, I guess, what we've  
3 talked a little about reality. Mr. Stewart said, you  
4 got to understand, but I guess what I don't  
5 understand, big picture ---. I mean those are  
6 specific things that trouble me.

7                   Big picture, however, if a company --- if  
8 a subsidiary represents 0.3 percent of the sales of a  
9 company and so then doesn't even reach the materiality  
10 threshold, I wonder if it's really not worth that much  
11 trouble, you know, why does Jarden maintain this  
12 business line and why does it go to the extent that it  
13 was going to in order to avoid the regulatory  
14 requirements? So, me being a suspicious lawyer, I  
15 start to think, well, gee, there probably is some sort  
16 of a strategic look into the future as to what Jarden  
17 or USPCS may be doing down the road.

18                   I don't know that, and I'm not going to  
19 ask you to tell me what your strategic plans are, but  
20 it does raise unanswered questions to me that,  
21 frankly, I'm not satisfied by what we have in front of  
22 us. There are too many things in my view that are  
23 unknown, too much of the control in appointment power  
24 at the company level and not in the hands of  
25 independent directors. And so those are the issues

1 that trouble me. And if you respond to that, Mr.  
2 Stewart, that'd be great.

3 ATTORNEY STEWART:

4 Sure.

5 MR. CAPPS:

6 Could I just respond to one of your  
7 points, which I'm thinking is the question ---.

8 ATTORNEY ROLAND:

9 I'm sorry, I can't hear.

10 MR. CAPPS:

11 I'm sorry. I do want to respond to one  
12 of your points, which is a very good point, as to why  
13 we would go through all of this trouble for such a  
14 small business. Initially, I would say we are not in  
15 the business of selling businesses. We like our  
16 brands, and it can be destabilizing to a company to  
17 discontinue businesses, sell them.

18 So we're not in that business, so we're  
19 going to a lot of extraordinary things to try to avoid  
20 that. And this is what we've come up with. We're  
21 hoping this is successful.

22 ATTORNEY STEWART:

23 And I think Mr. Capps can speak to the  
24 fact that actually, Jarden acquired USPC because of  
25 its non-gaming. It was in spite of its gaming

1 portfolio. It was the Bicycle products that you see  
2 in Wal-Mart, not necessarily the B products that you  
3 see at the casinos that fit so well within its brand  
4 of consumables.

5 To your point about independence, you  
6 know, one thing I note is that the voting agreement,  
7 which includes Mr. Dolci's initial appointment, is in  
8 fact approved by the Board of Directors at Jarden,  
9 which includes the outside directors, again, the  
10 majority of which are not required to be licensed,  
11 anyway.

12 MR. TRUJILLO:

13 And I understand that, Mr. Stewart. I  
14 just --- I am not allergic to what you're trying to  
15 accomplish. And I understand from a business  
16 standpoint what you're trying to accomplish, and I  
17 think I understand why. But I guess what I'm saying  
18 is, as it's currently structured, I don't think it  
19 accomplishes ---. I don't think you have the  
20 independence that I view as being required, if in fact  
21 you do want to fully insulate the audit committee.

22 And so I'm not quibbling at all with  
23 either business. And again, it's none of my business.  
24 And I'm not suggesting to you that you're trying to do  
25 the bad thing. But the concern I end up having is I

1 just don't think you have any kind of --- the  
2 independence I see the regulation as seeking doesn't  
3 seem to be created by the structure that you created.  
4 So at any rate, that doesn't call for a response.  
5 That's just my opinion. That's all, Mr. Chairman.

6 CHAIRMAN:

7 Thank you. Other questions?

8 MR. CAPPS:

9 Could I ---

10 CHAIRMAN:

11 Yes, please.

12 MR. CAPPS:

13 --- have one more response to that? And  
14 obviously, you all have the authority to make whatever  
15 decision you want and do whatever you want. From my  
16 perspective, having an independent audit committee,  
17 which we currently have, which has nothing to do with  
18 this business and doesn't see any financials at this  
19 business, I'm not sure what that gets you. And we're  
20 just trying to propose a more practical solution.

21 MR. TRUJILLO:

22 I understand. And I'm sorry, Mr.  
23 Chairman. Can I ask just one more question?

24 CHAIRMAN:

25 Sure.



1                   MR. TRUJILLO:

2                   Would you mind just ---? And I think you  
3 probably have your files in front of me, but would you  
4 just tell me a little bit about the current audit  
5 committee members, in the sense of who they are, kind  
6 of a background?

7                   MR. CAPPS:

8                   Right. So we have one who is an  
9 investment banker who has a background with financial  
10 firms and also acquiring other companies. We have one  
11 who is a former CEO, a retired CEO of a manufacturing  
12 company and ---.

13                   CHAIRMAN:

14                   They're Gross, Huemm and Wood, are the  
15 three individuals.

16                   MR. CAPPS:

17                   Oh, Gross, Huemm and Wood are --- he's a  
18 retired CEO of a manufacturing operation and Wood is  
19 another CEO.

20                   MR. TRUJILLO:

21                   Okay. Thank you.

22                   CHAIRMAN:

23                   Mr. Ginty.

24                   MR. GINTY:

25                   I have a few questions for him. You

1 mentioned that there is a certain burden upon the  
2 outside directors and complying with these  
3 jurisdictions. Can you explain what that burden is,  
4 what the extent of it is?

5 MR. CAPPS:

6 And I might not be the best person to  
7 speak to this. It involves in however many  
8 applications that they have to go through, providing  
9 extensive information on all of their property that  
10 they hold, their financial investments, their bank  
11 accounts, financial transactions, their network,  
12 information on their families. Various jurisdictions  
13 require interviews that probe into elements of their  
14 personal life.

15 And generally, I think it is  
16 administratively ---. It's easy for me to provide my  
17 financial statements. They're pretty simple, you  
18 know, kind of austere. For some of these other  
19 people, and I'm certainly not asking you to feel sorry  
20 for them, but it is actually a tremendous task, I  
21 think, to provide all the information.

22 MR. GINTY:

23 Do you think that this discourages, you  
24 know, otherwise qualified people from joining the  
25 Board of Directors?

1                   MR. CAPPS:

2                   I know it does. That's been our  
3 experience. There have been people whose names we  
4 recognize who are unwilling to take on that additional  
5 burden.

6                   MR. GINTY:

7                   A couple of other things. Now, I notice  
8 that Nevada is not on the list of jurisdiction. Why  
9 is that?

10                  ATTORNEY STEWART:

11                  Nevada doesn't require any licensure at  
12 all of the playing card manufacturing, and dice.

13                  MR. GINTY:

14                  What about over the issue that you're  
15 subject to the FCC regulation? You're subject to the  
16 New York Stock Exchange. You're subject to New York  
17 Stock Exchange rules. I assume you would have to have  
18 audited financials every quarter.

19                  And there was a statement made earlier  
20 that we need to have some jurisdiction over the  
21 ultimate oversee of the financials. Now, I don't have  
22 the experience that my colleague Mr. Trujillo has, but  
23 my recollection is that the CEO and CIO of Jarden have  
24 to sign off on financial statements.

25                  MR. CAPPS:

1           That's correct; and they also are now and  
2 will continue to be subject to all the licensing  
3 requirements.

4           MR. GINTY:

5           And so they are the ultimate?

6           MR. CAPPS:

7           Correct.

8           MR. GINTY:

9           You know, quite frankly, I was ---. I  
10 don't want to ---. I think the Commission did a good  
11 job of going through the construct you've put  
12 together. I am more persuaded on a de minimus nature  
13 and the disproportionate burden that it puts on  
14 getting good Board members on publicly held companies.  
15 That's the statement, so ---. I think that's all.

16           CHAIRMAN:

17           Thank you. Commissioner Sojka?

18           MR. SOJKA:

19           Thank you, Mr. Chairman. We're in an  
20 interesting position. I think we've heard a clear  
21 presentation, and the purpose behind the presentation  
22 is quite understandable. I think we've also heard a  
23 clear statement of the objection, and I believe we've  
24 been privileged to have two commissioners focus in on  
25 the real issue.

1           And for me there is simply one point  
2 left, because I don't believe we wish to be unduly  
3 bureaucratic, but at the same time, I think we do  
4 understand the import. This is a new jurisdiction.  
5 Precedent is critical. We are essentially defining  
6 our law by doing these things with great care, and I'm  
7 delighted that our OEC is working as carefully as they  
8 are to preserve the principals behind this.

9           So you've indicated that you would be  
10 open to suggestion. I'm going to ask Mr. Hannon, is  
11 there any response these persons could make to satisfy  
12 your concerns and potentially the concerns of  
13 Commissioner Trujillo and allow these persons to  
14 accomplish what they want, or have we simply reached  
15 an impasse based on the statute?

16                   MR. HANNON:

17           I believe we've reached an impasse. The  
18 principle regulations have been in place since the  
19 very beginning, obviously, and they've been amended.  
20 When we amended them, these particular requirements of  
21 audit committee members withstood any challenge at all  
22 regarding their licensure requirement. So if they  
23 proposed any structure for a publicly traded company  
24 with an audit committee, of course, we would object to  
25 --- I personally would object to it.

1                   MR. SOJKA:

2                   And that would include even if the issue  
3 of independence, as laid out so clearly by  
4 Commissioner Trujillo, could somehow be established?

5                   MR. HANNON:

6                   I believe the Bureau of Licensing has to  
7 go by the rules set forth by this Board, and this  
8 Board has approved this regulation as it is. So as  
9 long as this regulation is in place, I would object.

10                  MR. SOJKA:

11                  Thank you.

12                  ATTORNEY STEWART:

13                  If I may just add one thing.

14                  CHAIRMAN:

15                  Yes, Mr. Stewart.

16                  ATTORNEY STEWART:

17                  Hearing, Board, we obviously don't know  
18 who those people would be, but we would be willing to  
19 modify the proposal so that the BHI audit committee  
20 members would be non-Jarden officers. We don't have  
21 those independent people today in hand to tell you who  
22 they would be. And then we'd obviously have to find  
23 people who would be licensed. But if that is a  
24 paramount concern of the Board, that is a condition  
25 that we could adjust.

1                   CHAIRMAN:

2                   Thank you. I have a couple of questions.  
3 Could we go to the organization chart and I forget  
4 what page that was on. Page 12, I believe. Yeah.  
5 Can you walk me through who on the left side --- and  
6 I'm looking at my left side and it's in all green ---  
7 who in that organization chart is licensed currently?  
8 Let's just start out with Jarden. I understood you to  
9 say that none of the directors of Jarden are currently  
10 licensed.

11                   ATTORNEY STEWART:

12                   Only the audit committee members.

13                   CHAIRMAN:

14                   But they're not licensed ---

15                   ATTORNEY STEWART:

16                   Of the outside ---.

17                   CHAIRMAN:

18                   --- is your objection to that?

19                   ATTORNEY STEWART:

20                   They're not licensed yet.

21                   CHAIRMAN:

22                   Correct.

23                   ATTORNEY STEWART:

24                   And well, actually, I guess they had ---  
25 we have a conditional license, so some degree of

1 background check has been done on all of the directors  
2 of Jarden, including the three audit committee  
3 members.

4 CHAIRMAN:

5 Again, so, the proposal, as we sit here  
6 today, is that the three outside audit directors of  
7 Jarden be licensed?

8 ATTORNEY STEWART:

9 Currently, the three ---. There's seven  
10 outside directors, four of which do not need to be  
11 licensed under the Board's regulations.

12 CHAIRMAN:

13 Three audit committee members?

14 ATTORNEY STEWART:

15 Three audit committee members do. The  
16 Chairman of the Board is licensed. The entity is  
17 licensed. All of its officers, as that term is  
18 defined in the regulations, are licensed.

19 CHAIRMAN:

20 Thank you. Drop down one, Bicycle.  
21 Who's licensed in that level?

22 ATTORNEY STEWART:

23 All of the directors of Bicycle are  
24 licensed, as well as officers, to the extent there are  
25 officers.



1                   CHAIRMAN:

2                   Next level, USPC.

3                   ATTORNEY STEWART:

4                   The same. Officers and directors and the  
5 entity. And then the ultimate applicant, obviously  
6 its officers, directors, other principles, including,  
7 you know, institutional investors and the like. If  
8 they pass the thresholds --- key employees, you know,  
9 the whole nine yards.

10                  CHAIRMAN:

11                  Okay. And a question for OEC. If we  
12 were to grant this Waiver, we still --- the Board  
13 still has the right to license anybody at any level of  
14 any company if we so choose; correct?

15                  ATTORNEY ROLAND:

16                  That's correct, Mr. Chairman.  
17 Absolutely.

18                  CHAIRMAN:

19                  OEC, another question for you. Mr.  
20 Hannon, I believe you had, you know, said that the law  
21 is the law and that we have not waived this rule for  
22 any other entity. Are there any other similarly  
23 situated companies to USPC, Jarden? And again, I'm  
24 not asking you to know every individual publicly held  
25 company that we licensed and their ownership interest

1 in their game-related subsidiaries.

2                   But the fact that this is a 0.3 percent  
3 business relationship between the ultimate parent and  
4 Jarden and USPC and Bicycle, is there any other entity  
5 that you're aware of that we've required licensure  
6 with that amount of an investment? And I'll call it a  
7 de minimus investment.

8                   MR. HANNON:

9                   Certainly, most of our manufacturers are  
10 in the gaming industry. I'm just trying to recall if  
11 there's any similarly situated.

12                   CHAIRMAN:

13                   Well, you can think about that. And I  
14 have one more question. And this may go to you, too,  
15 Mr. Hannon.

16                   Looking at the practical impact of this  
17 ---. I, you know, looked at the brand names that USPC  
18 has and Jarden, and obviously, you know, they're the  
19 card names that I'm most familiar with. I'm not an  
20 aficionado of business, but I think that that probably  
21 represents, you know, pretty much the full card  
22 business; if not 100 percent, pretty close to it. If  
23 we don't allow this Waiver, and USPC and Jarden say,  
24 you know, we're not going to do business in  
25 Pennsylvania, what is the practical impact of that?

1                   MR. HANNON:

2                   There are other table game manufacturers  
3 that make cards. And in addition, with the recent  
4 policy change regarding table game manufacturer fee,  
5 there certainly would be more card manufacturers that  
6 I've spoken to personally that would come into the  
7 game. Would be the possibility of a reduction in fee.

8                   CHAIRMAN:

9                   And what percentage of the current casino  
10 market do you --- would you guess ---? And I won't  
11 hold you to this, but again, just looking at the brand  
12 names, what current percentage of the Pennsylvania  
13 market --- I'll be more specific --- would you say  
14 that USPC supplies?

15                   MR. HANNON:

16                   Honestly, Chairman, with licensing we  
17 don't get into the gaming operations as much as  
18 certainly our gaming operations Bureau.

19                   CHAIRMAN:

20                   Uh-huh (yes).

21                   MR. HANNON:

22                   I think, hopefully, USPC could probably  
23 answer that very exactly.

24                   CHAIRMAN:

25                   But let me ask them. What percentage of

1 the Pennsylvania markets ---? We have ten casinos up  
2 in Reading right now. Do you play in all ten  
3 sandboxes?

4 MR. DOLCI:

5 Not as of yet. We play in --- all over  
6 the sandboxes in other jurisdictions. As we're going  
7 through the process right now, we're approximately 25  
8 percent, but the other major players in the state in  
9 the jurisdiction, we do the vast majority, 80 percent  
10 plus of their business in other jurisdictions. So as  
11 we move through this process, that would probably go  
12 to near more of the rest of the jurisdiction in the  
13 US.

14 CHAIRMAN:

15 So again, if I can put words in your  
16 mouth, you currently service about 25 percent of the  
17 PA market and ---

18 MR. DOLCI:

19 Yes.

20 CHAIRMAN:

21 --- when you look at other jurisdictions  
22 and people in PA and in other jurisdiction, it's about  
23 80 percent of that market?

24 MR. DOLCI:

25 That's correct.

1                   ATTORNEY STEWART:

2                   Mr. Chairman, ---

3                   CHAIRMAN:

4                   Yes, Mr. Stewart?

5                   ATTORNEY STEWART:

6                   --- by way of background, we were second  
7 in the door in terms of getting our conditional  
8 license. And as I recall, everybody was pretty much  
9 opening up tables at the same three-week, one-month  
10 period. And people had to make decisions initially,  
11 you know, to get cards in place and to get ready to  
12 go. So we're hopeful that that percentage will keep  
13 growing, but that's just some background.

14                  CHAIRMAN:

15                  Thank you. Other questions from the  
16 Board? Commissioner Angeli?

17                  MR. ANGELI:

18                  Are those audit committee members --- are  
19 they term limited?

20                  MR. CAPPS:

21                  On the proposed audit?

22                  MR. ANGELI:

23                  Yes.

24                  MR. CAPPS:

25                  We have not put a term on that, I don't

1 believe, on them. And I apologize. I can look it up.

2 MR. ANGELI:

3 That's all right. So if a Waiver were to  
4 be granted, then how do you keep track of who's on  
5 ---? How does this Board keep track of who you're  
6 putting on that audit committee if we're not going to  
7 vest them?

8 MR. CAPPS:

9 I think for one thing, you said they have  
10 to be called by --- in advance by the Gaming Board.

11 ATTORNEY STEWART:

12 And anybody who would be on the new audit  
13 committee, the little yellow box on the screen in  
14 front of you, has to be licensed, so you would know  
15 that. And the members of the Jarden audit committee  
16 would still be identified, as all the directors are,  
17 in Jarden's application. So you would have both  
18 information. You could preliminarily look at even in  
19 some of the Jarden audit --- any outside directors of  
20 Jarden, as the Chairman noted, ask for additional  
21 information or ask for licensure at any time.

22 MR. ANGELI:

23 Thank you.

24 CHAIRMAN:

25 Any other questions?

1                   MR. TRUJILLO:

2                   Yes.

3                   CHAIRMAN:

4                   Commissioner Trujillo?

5                   MR. TRUJILLO:

6                   I take it that the current construct ---.  
7 This is going to be USPC executives, so those --- at  
8 least as currently contemplated --- those would  
9 populate the audit committee. Consequently, they  
10 would be licensed; am I correct?

11                   ATTORNEY STEWART:

12                   The current proposed members are the  
13 Chief Accounting Officer and the Chief Financial  
14 Officer of Jarden.

15                   MR. TRUJILLO:

16                   Oh, Jarden.

17                   ATTORNEY STEWART:

18                   And they have submitted for licensure and  
19 have gone through the process and would continue to go  
20 through the process. All of the officers at Jarden  
21 would continue to be licensed. Actually, at the  
22 bottom, slide 12 there, there is a little --- you  
23 know, the color code tells you who all gets licensed.  
24 But inside directors and officers and the Chairman of  
25 the Board at Jarden will still be licensed.

1                   ATTORNEY TRUJILLO:

2                   Thank you.

3                   CHAIRMAN:

4                   Commissioner McCall?

5                   MR. MCCALL:

6                   I just wanted to follow up and maybe ask  
7 OEC this question, because OEC, your concern is that  
8 basically, Jarden will retain control over BHI, so  
9 it's really not independent in structure; correct?

10                  MR. HANNON:

11                  That's correct. What we control ---.

12                  MR. MCCALL:

13                  What about what Mr. Stewart proffered, in  
14 that Jarden would appoint an independent audit  
15 committee outside of the officers of Jarden, the  
16 company, the parent company? Does that satisfy your  
17 concern if they in fact appoint that audit committee  
18 as independent persons outside of the Jarden  
19 structure?

20                  MR. HANNON:

21                  It still wouldn't comply with the  
22 regulations, and that's what Licensing's opinion is  
23 based on.

24                  MR. MCCALL:

25                  But in fact if they do go outside of



1 Jarden and appoint independent persons, that still  
2 doesn't solve your issue with Jarden still retaining  
3 control?

4 MR. HANNON:

5 No.

6 ATTORNEY ROLAND:

7 I think we also have to look what the  
8 bylaws say specifically in order to draw a comfortable  
9 conclusion regarding that, but I would have to agree  
10 with Mr. Hannon. Still, because of the way the  
11 regulation is set up, it would still be a concern for  
12 us, as well.

13 MR. MCCALL:

14 Thank you.

15 CHAIRMAN:

16 Thank you. Any other questions? Okay.  
17 We'll conclude this hearing and we'll move to the  
18 second hearing.

19 \* \* \* \* \*

20 HEARING CONCLUDED AT 10:37 A.M.

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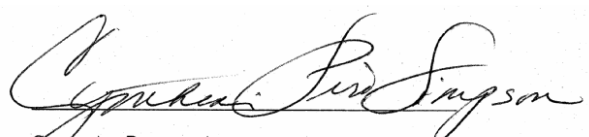
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I hereby certify that the foregoing proceedings, hearing held before the Pennsylvania Gaming Control Board, was reported by me on 03/23/2011 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Cynthia Piro Simpson  
Court Reporter