

RECEIVED

AUG 04 2008

LAW OFFICES
BALLARD SPAHR ANDREWS & INGERSOLL, LLP
1735 MARKET STREET, 51ST FLOOR
PHILADELPHIA, PENNSYLVANIA 19103-7599
215-666-8500
FAX: 215-664-8999
WWW.BALLARDSPAHR.COM

BALTIMORE, MD
BETHESDA, MD
DENVER, CO
LAS VEGAS, NV
LOS ANGELES, CA
PHOENIX, AZ
SALT LAKE CITY, UT
VOORHEES, NJ
WASHINGTON, DC
WILMINGTON, DE

ROBERT P. KRAUSS
DIRECT DIAL: (215) 864-8202
PERSONAL FAX: (215) 864-9478
E-MAIL: KRAUSSR@BALLARDSPAHR.COM

August 1, 2008

Via E-mail and U.S. Mail

Richard M. Sandusky
Director of Regulatory Review
Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060

Re: Proposed Regulation # 125-82: Independent Audit Committee

Dear Mr. Sandusky:

Thank you very much for giving me the opportunity, again, to comment on this Proposed Regulation. I note that many of the comments that I suggested in my letter to the Board dated March 28 have been incorporated in this Revised Proposal.

Please consider the following comments on the Revised Proposal:

1. Proposed Section 441a.24(a)(1)--with all due respect, the general purpose of any audit committee is to report to the Board of Directors of the slot machine licensee.
2. Proposed Section 441a.24(a)(2)(iii)--please consider adding, after the word attendance in the second line the following for clarity: "(in person or by conference telephone)".
3. Proposed Section 441a.24(2)(v)--will the audit committee require a separate code of conduct or may the code of conduct pertaining to the Board of Directors also apply to the audit committee?

Richard M. Sandusky
August 1, 2008
Page 2

4. Proposed Section 441a.24(a)(4)--the second and third sentences, as revised, are duplicative. If audit committee members are required to file an application for a principal license, what is accomplished by having them also file a petition under Section 493a.4?


5. Proposed Section 441a.24(7)--you should make it clear that an audit committee member may be a member of the Board of Directors. Most audit committees have a mix of members of the board as well as individuals who are not members of the board. In that regard, Subsection (i) should permit an independent audit committee member to receive compensation as a member of the Board of Directors.

6. Proposed Section 441a.24(12)--it is certainly unconventional for surveillance to report to the audit committee. The function of the surveillance department is quite distinct from the audit function. Audit committee members would require a completely separate qualifications to be able to review and oversee the operations of the surveillance department (more of a police function, rather than an accounting function).

7. Proposed Section 441a.24(15)--while this proposed subsection would permit a Category 3 licensee to petition the board for relief, would it not be more efficient to exclude Category 3 licensees from this proposed regulation and deal with the appropriate level of audit committee function as part of the licensing process. I am suggesting that a condition to opening would be the establishment of an audit committee protocol approved by the staff and the maintenance of that audit committee would be a requirement for renewal.

I would be please to clarify any of the foregoing at your request.

Very truly yours,



Robert P. Krauss

RPK/er

cc: Douglas Sherman
Barbara Evans
Adrian King