

PENNSYLVANIA GAMING CONTROL BOARD

KEYSTONE BUILDING
PUC HEARING ROOM 1, 2ND FLOOR
HARRISBURG, PENNSYLVANIA

WEDNESDAY, OCTOBER 17, 2007, 1:23 P.M.

BEFORE:

MARY DiGIACOMO COLINS, CHAIRMAN
RAYMOND S. ANGELI
JEFFREY W. COY
JAMES B. GINTY
KENNETH T. McCABE
SANFORD RIVERS
GARY SOJKA
KEITH WELKS, EX-OFFICIO DESIGNEE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DiGIACOMO COLINS: All right.
2 Good afternoon, everyone. I'm Mary Colins. I'm the
3 Chairman of the Pennsylvania Gaming Control Board. I
4 want to welcome all of you.

5 Even though we have been in session all
6 morning in hearings on Category 3, we're now
7 convening a new public meeting.

8 A quorum of the Board is present. This
9 meetings is called to order. We have Keith Welks
10 with us, who is attending on behalf of State
11 Treasurer Robin Wiessmann.

12 Thank you.

13 All right. Now, we will begin with regular
14 housekeeping matters, which the first thing is to
15 turn off your cell phones and blackberries and other
16 electronic devices.

17 And now, we will have the Pledge the
18 Allegiance.

19 (Pledge of Allegiance.)

20 CHAIRMAN DiGIACOMO COLINS: All right.
21 Thank you. Now, some announcements by way of --
22 first of all, is there any old business to conduct?

23 Let's go to the announcements. All right.
24 The Board held an Executive Session on Tuesday,
25 October 16th, in accordance with the Sunshine Act, to

1 discuss personnel issues, privileged agency business,
2 and to consult with counsel, and other professional
3 advisors to the Board, concerning current litigation
4 or matters in which complaints are expected to be
5 filed.

6 As a reminder, I would like to, again,
7 announce that the application period for the last
8 Category 1 license will be open through November
9 19th.

10 Moving on to new business. Now, I would
11 like to ask our Executive Director, Anne Neeb, to
12 provide us with new business.

13 MS. LaCOUR NEEB: Good afternoon, Chairman
14 Colins, members of the Board. I have with me here
15 today our Director of Operations, Kevin Hayes, who is
16 going to give us the update, literally, of Mount Airy
17 Casino to let you know what the pre-opening status is
18 on that facility.

19 MR. HAYES: Thank you, Anne.

20 Madam Chairman, members of the Board, good
21 afternoon. As Anne said, I would like to provide you
22 with an update of the opening team's pre-opening
23 inspection of the licensed facility owned and
24 operated by Mount Airy, No. 1, LLC.

25 As you know, the opening team has been

1 working on-site at Mount Airy since Monday, September
2 24th. So, this week marks our fourth week at the
3 facility.

4 With that said, I can say with confidence
5 that neither the detail or quality of our inspection
6 has been sacrificed in any way for speed.

7 Several months ago, Mount Airy notified the
8 Bureau of Licensing that it would need 322 gaming and
9 350 non-gaming employees to be licensed by the Board
10 in order to operate the casino on a 24-hour,
11 7-days-a-week basis.

12 To their credit, the Bureau of Licensing,
13 in collaboration with the Pennsylvania State Police
14 and the Board's Bureau of Investigation and
15 Enforcement, has completed the background
16 investigations and approved the licensing of 322
17 gaming and 407 non-gaming employees for Mount Airy.

18 I would like to thank the Pennsylvania
19 State Police for their hard work and cooperation in
20 helping the Board reach this targeted number.

21 I am pleased to report that the Board's
22 gaming laboratory staff has completed a thorough
23 inspection of the gaming floor to ensure, No. 1, that
24 all 2,523 slot machines are fully communicating with
25 the Central Control Computer System and the

1 operator's in-house slot accounting system.

2 Secondly, that all of the slot machines and
3 associated equipment contain software, which has been
4 tested and approved by our gaming lab.

5 Lastly, that all slot machines are set at
6 the minimum payout percentage of 85 percent or
7 higher.

8 The results of these tests are very
9 favorable, with having found that only four slot
10 machines contain rejected software.

11 These four slots are manufactured by the
12 same company, and we believe this issue should be
13 resolved very shortly as the manufacturer was
14 scheduled to ship the conforming software to Mount
15 Airy today.

16 The opening team has also determined that
17 no more than 50 percent of the slot machines placed
18 on the gaming floor are produced by one manufacturer,
19 as this is a requirement under the Act.

20 With regard to Mount Airy surveillance
21 system, all but 4 of the 2,523 machines have complete
22 camera coverage.

23 Mount Airy is curing this issue, as we
24 speak, with the installation of one additional PTZ
25 camera above the gaming floor.

1 Additionally, the opening team has
2 determined that Mount Airy has adequate camera
3 coverage over all secured areas including the cashier
4 cage, count room, vault, slot storage area, and
5 Armored Car bay.

6 With regard to security, the opening team
7 has tested all of the key controls for the slot
8 machines, ticket redemption units, and all secured
9 areas, and determined that the licensees procedures
10 conform to our stringent requirements.

11 With regard to the internal controls, Mount
12 Airy has proven thus far to our satisfaction that
13 their operations are, in fact, reflective of what was
14 provided in their internal controls that were
15 approved by the Board.

16 We have interviewed each of the department
17 heads to ensure that they have the requisite
18 experience and knowledge to perform their important
19 duties.

20 We are more than satisfied with the
21 competency and experience level of Mount Airy
22 department heads.

23 Over the past three and one half weeks, the
24 opening team has observed the training of each
25 department, which included several mock casinos.

1 Mount Airy has provided the opening team
2 with documentation, which verifies the receipt of a
3 permanent occupancy permit and a liquor license.

4 Mount Airy has paid all of the necessary
5 fees, including the \$50 million licensing fee, the \$1
6 million dollar bond, and the \$5 million dollar
7 deposit into their Section 1401 account.

8 They have also provided documentation which
9 demonstrates their ability and commitment to fulfill
10 the special requirements to their slot machine
11 license, including compliance with the traffic
12 recommendations from PennDOT and Mt. Pocono Borough
13 regarding road improvements, the development
14 agreement between Mount Airy and Paradise Township
15 concerning Woodland Road, the traffic safety
16 agreement with Pocono Mountain School District, the
17 establishment of the Mount Airy Charitable
18 Foundation, and the construction of a new EMS
19 building for Paradise Township.

20 Lastly, Mount Airy has fulfilled their
21 statutory and regulatory requirements with regard to
22 providing adequate on-site facilities for the
23 Pennsylvania State Police and the Board's casino
24 enforcement agents to perform their important duties
25 at the casino.

1 From an operational standpoint, the opening
2 team does not foresee Mount Airy having any problem
3 with hosting their first test night later this week.

4 As you know, the test nights provide the
5 opening team with the opportunity to observe all
6 casino operations in a live simulation.

7 Any issues we observe will be immediately
8 reported to the licensee, who must correct those
9 problems prior to the second test period and opening.

10 Before concluding my presentation, I would
11 like to take this opportunity to recognize the
12 members of the opening team, including Jay
13 Berthelson, Gerry Stoll, Jeanne Ort-Motto, Michael
14 Cruz, Heather Dill, Nimish Pirhouit, Carl Dixon,
15 Chris Karbochic, Jim Mansuetti, Salim Jackson, Karen
16 Duncan and Jack Francis, all of whom, have, once
17 again, performed exemplary in fulfilling our
18 important regulatory duties, and many of whom who
19 have been working around the clock and through the
20 weekends to ensure that no stone is left unturned.

21 Also, I would like to thank the members of
22 the Pennsylvania State Police and the Department of
23 Revenue, as well as the staff of GTECH, who have
24 taken part in this opening and for their corporation.
25 This has truly been a team effort.

1 This concludes my presentation and I would
2 be glad to field any questions you may have.

3 CHAIRMAN DiGIACOMO COLINS: Thank you,
4 Kevin.

5 Any questions?

6 COMMISSIONER GINTY: Kevin, how has this
7 pre-inspection gone compared to others that you and
8 your team have done?

9 MR. HAYES: Commissioner Ginty, I would say
10 this compares very favorably to the four other --
11 three other casino openings, which I headed. I think
12 the keys to that are having an experienced staff
13 there part of Mount Airy and having a strong system
14 of internal controls. It has moved very smoothly.

15 With that said, the delay that Mount Airy
16 had in their opening was not in any way the Board's
17 fault or actually Mount Airy's.

18 It was that a lot of the supplies and
19 vendor-related equipment had not been delivered and
20 it would have been impossible for them to have the
21 first test period last week.

22 COMMISSIONER GINTY: Okay. I guess one
23 last question. The 600 plus licensees, those are all
24 new jobs?

25 MR. HAYES: Those are all new jobs. I

1 think, at this time, Mount Airy is employing
2 approximately 800 employees. So, there are certain
3 employees, who obviously don't need to be licensed.

4 In addition, one figure I heard is that 750
5 construction workers were working on-site at Mount
6 Airy. At this time, I think it was roughly 750
7 employees or construction workers on-site.

8 COMMISSIONER SOJKA: Can I ask a question?

9 CHAIRMAN DiGIACOMO COLINS: Commissioner
10 Sojka.

11 COMMISSIONER SOJKA: Could I ask the
12 charities that would benefit from the test night?

13 MR. HAYES: Sure. Mount Airy has
14 identified four charities, who will be the recipients
15 of the proceeds of the test night net tax.

16 There are two from Monroe County, that
17 being the United Way of Monroe County and the Villa
18 of Our Lady, which is a facility immediately adjacent
19 to the casino.

20 The two from Lackawanna County are Little
21 Sisters of the Poor and St. Josephs Center. They
22 will receive the proceeds from the test night.

23 COMMISSIONER SOJKA: Thank you.

24 CHAIRMAN DiGIACOMO COLINS: Commissioner
25 Rivers?

1 COMMISSIONER RIVERS: No questions.

2 CHAIRMAN DiGIACOMO COLINS: Commissioner
3 McCabe?

4 COMMISSIONER McCABE: I just want to
5 publicly thank you, Kevin, and your team having
6 worked with you now for a while and we have opened
7 six casinos.

8 The experience that your team has gotten
9 from opening five others have helped make this a lot
10 smoother operation, and is going to help the
11 Commonwealth and the Board open the remaining casinos
12 in the future.

13 I know how hard you guys work. I know how
14 long hours you and your team worked that are behind
15 the scenes that a lot of people don't realize how
16 hard and the pressure you're under. I just want to
17 thank you on behalf of the Board.

18 MR. HAYES: Thank you for your kind words.
19 We do appreciate all of the support that we receive
20 from the agency. It is truly a team effort with all
21 divisions of the agency chipping in in some way.

22 CHAIRMAN DiGIACOMO COLINS: We all send you
23 kudos.

24 MR. HAYES: Thank you.

25 CHAIRMAN DiGIACOMO COLINS: Commissioner

1 Coy?

2 COMMISSIONER COY: No questions.

3 CHAIRMAN DiGIACOMO COLINS: Commissioner
4 Angeli?

5 COMMISSIONER ANGELI: No question.

6 CHAIRMAN DiGIACOMO COLINS: Thank you very
7 much, Kevin.

8 MS. LaCOUR NEEB: The next matter on our
9 agenda will be a report from our Chief Financial
10 Officer, Eileen McNulty.

11 MS. McNULTY: Thank you, Anne.

12 Good afternoon, Chairman Colins and members
13 of the Board. My report today will cover both
14 spending and revenue generated by the Pennsylvania
15 Gaming Control Board during the first fiscal quarter.

16 Spending recorded during this period
17 totaled \$4,896,995, of which \$4,149,501 was recorded
18 for payroll expense. That figure includes payrolls
19 covering the period after July 17th, 2007, the date
20 when the '07-'08 budget was enacted, as well as funds
21 for payrolls covering the period July 1st through
22 July 17th, which were transferred by our comptroller
23 from '06-'07 to be recorded against the current
24 year's appropriation.

25 We believe that the specific language of

1 Act 135 requires that only payroll expense occurring
2 after enactment of the budget should be recorded as a
3 fiscal '07-'08 expense.

4 Thus, we believe that additional payroll of
5 \$672,524 that has been transferred to '07-'08 should
6 be reinstated as a fiscal year '06-'07 expense,
7 leaving us with payroll costs of \$3,476,977 against
8 our '07-'08 appropriation. Our Chief Counsel has
9 requested a review of this matter from the Office of
10 the Budget.

11 Operating expenses recorded for the first
12 quarter totaled \$747,494. The largest operating
13 expense comprising 49.6 percent of the category was
14 real estate leases, which totaled \$370,922.

15 Telecommunication services of \$139,036
16 accounted for 18.6 percent of the operating expense
17 category.

18 Services costing \$106,326, which included
19 \$101,771 in charges for ChoicePoint background checks
20 were the third largest operating expense.

21 Together, these three categories explained
22 82.4 percent of the first quarter's operating
23 expense.

24 Resolution of the year in which the
25 transferred payroll expenses should be reflected will

1 affect the amount of revenue carried over from
2 '06-'07 to '07-'08.

3 We had estimated the carry over to be \$2.8
4 million. This amount was incorporated in the
5 \$7,409,000 that was appropriated from our restricted
6 revenue account by Act 9A of 2007.

7 If payroll from July 1st to July 17th is
8 reported as an '06-'07 expense, the carryover amount,
9 which had been estimated at 2.8 million, will be
10 \$2,780,025.

11 If this payroll remains as an '07-'08
12 expense, the carryover amount will increase to
13 \$3,649,974.

14 Other restricted revenues totaling
15 \$1,007,164 have been earned so far this fiscal year.
16 These revenues include \$638,369 in investigative
17 costs reimbursements, \$239,520 in fees from
18 applicants, and \$125,000 in licensed renewal fees.
19 These revenues are in line with budget forecasts.
20 Thank you.

21 CHAIRMAN DiGIACOMO COLINS: Thank you very
22 much.

23 Now, you have anything further at this
24 point, Anne?

25 MS. LaCOUR NEEB: No.

1 CHAIRMAN DiGIACOMO COLINS: Now, we will
2 hear from Mike Walsh, please, regarding
3 administration.

4 MR. WALSH: Good afternoon, Madam Chair,
5 members of the Board.

6 The Bureau of Administration has one item
7 for the Board to consider. That is the hiring
8 Elizabeth Burch as administrative assistant in the
9 Board offices.

10 As is customary, Elizabeth has gone through
11 a background investigation conducted by the Office of
12 Professional Responsibility, the results of which
13 have been approved, and that background investigation
14 concludes a drug screening.

15 We would respectfully request a motion by
16 the Board to hire Elizabeth Burch today.

17 CHAIRMAN DiGIACOMO COLINS: Thank you. May
18 I have a motion to approve the hiring of Elizabeth
19 Burch.

20 COMMISSIONER RIVERS: Yes. Madam Chairman,
21 I move that the Board approve the candidate as
22 described by the Director of Administration with the
23 knowledge that the applicant has successfully
24 completed the required background investigation and
25 drug screening.

1 CHAIRMAN DiGIACOMO COLINS: May I have a
2 second?

3 COMMISSIONER COY: Second.

4 CHAIRMAN DiGIACOMO COLINS: Any questions
5 or comments?

6 All of those in favor?

7 COMMISSIONERS: Aye.

8 CHAIRMAN DiGIACOMO COLINS: Opposed?

9 Motion carries.

10 Thank you very much.

11 MR. WALSH: Thank you.

12 CHAIRMAN DiGIACOMO COLINS: Next is Frank
13 Donaghue, Office of Chief Counsel. Frank has two
14 matters for us.

15 MR. DONAGHUE: Thank you, Chairman Colins.

16 The Office of Chief Counsel has two matters
17 which will be presented by Deputy Chief Counsel
18 Sherman regarding the possible revocation of
19 non-gaming employee registrations.

20 MR. SHERMAN: Good afternoon.

21 The Board has received a request from the
22 Office of Enforcement Counsel to revoke the
23 non-gaming employee registration of Monica Abbate.

24 Abbate had been employed as a waitress at
25 Presque Isle Downs and registered as a non-gaming

1 employee.

2 Miss Abbate was arrested by the State
3 Police and charged with seven violations of the
4 Crimes Code resulting from a theft and unauthorized
5 use of a credit card that she obtained from a patron
6 at Presque Isle Downs.

7 Miss Abbate pled guilty to two charges. I
8 note that she failed to inform the board of her
9 arrest which is a statement of her registration.
10 Presque Isle Downs had terminated Miss Abbate from
11 their employment.

12 The Office of Enforcement Counsel filed a
13 complaint against Miss Abbate and served that
14 complaint upon her.

15 She did not respond; and therefore, the
16 facts alleged are deemed admitted as a matter of
17 operation of our regulations.

18 Given her arrest, and the underlying facts,
19 which have the direct effect of undermining both her
20 character and honesty, as well as the integrity of
21 gaming, the Office of Enforcement Counsel has asked
22 this Board to revoke the non-gaming of registration
23 and provide that they may not reapply for a license,
24 permit, or registration for a period of five years
25 from this date.

1 Based upon the undisputed facts of record,
2 which have been provided to the Board, it would be
3 appropriate for this Board to entertain a motion to
4 consider and grant the relief requested.

5 CHAIRMAN DiGIACOMO COLINS: May I have a
6 motion?

7 COMMISSIONER SOJKA: Yes. Madam Chairman,
8 I move that the Board grant the revocation of the
9 non-gaming employee registration as described by the
10 Office of Chief Counsel.

11 CHAIRMAN DiGIACOMO COLINS: Second?

12 COMMISSIONER McCABE: Second.

13 CHAIRMAN DiGIACOMO COLINS: All right. Any
14 questions or comments?

15 All those in favor?

16 COMMISSIONERS: Aye.

17 CHAIRMAN DiGIACOMO COLINS: Opposed?

18 Motion carried.

19 Thank you.

20 Next matter?

21 MR. SHERMAN: Yes. We have a second
22 revocation request that is of Christopher Cote. Mr.
23 Cote was a non-gaming employee, again, at Presque
24 Isle Downs. He was arrested by the Pennsylvania
25 State Police and charged with ten violations of the

1 Pennsylvania Crimes Code, including seven felonies.

2 Mr. Cote failed to inform the Board of his
3 arrest, which, again, was a statement of the
4 conditions of his registration. He also was
5 terminated by Presque Isle Downs upon his arrest.

6 The Office of Enforcement counsel filed a
7 complaint against Mr. Cote and served that complaint
8 upon him. He did not respond to the complaint and
9 again, the facts under operation of our regulations
10 are conclusively established.

11 Given Mr. Cote's arrest and his failure to
12 report the arrest contrary to his obligations of
13 licensure, his actions have the direct effect of
14 undermining his good character and honesty, as well
15 as the integrity, of gaming in the Commonwealth.

16 The Office of Enforcement counsel requests
17 that this Board revoke the non-gaming employee
18 registration and provide that he not be able to
19 reapply for a period of five years after this date.

20 Again, based upon the record, which has
21 been provided to the Board, it would be appropriate
22 for this Board to entertain a motion to consider the
23 request of relief.

24 COMMISSIONER RIVERS: We'll be with you in
25 a moment.

1 CHAIRMAN DiGIACOMO COLINS: I'm sorry.

2 Okay. Very good. Excuse me.

3 COMMISSIONER McCABE: Madam Chair?

4 CHAIRMAN DiGIACOMO COLINS: If you're going
5 to make the motion, I would appreciate it.

6 COMMISSIONER McCABE: I move that the Board
7 grant the revocation of the non-gaming employee
8 registration as described by the Office of Chief
9 Counsel.

10 COMMISSIONER COY: Second.

11 CHAIRMAN DiGIACOMO COLINS: Okay. Very
12 good.

13 Any questions?

14 All in favor?

15 COMMISSIONERS: Aye.

16 CHAIRMAN DiGIACOMO COLINS: Opposed?

17 Motion carries.

18 Thank you very much.

19 All right. Now, I'll ask Lisa McClain, who
20 is the Deputy Chief Counsel for licensing, to come
21 forward.

22 She'll be presenting these licensing
23 matters. Susan Hensel could not be present today.

24 CHAIRMAN DiGIACOMO COLINS: Great. Good
25 afternoon, Lisa.

1 MS. McCLAIN: Good afternoon, Chairman
2 Colins.

3 CHAIRMAN DiGIACOMO COLINS: How are you?

4 MS. McCLAIN: Good. Thank you.

5 CHAIRMAN DiGIACOMO COLINS: All right.

6 I'll ask you to proceed now.

7 MS. McCLAIN: On behalf of the Bureau of
8 Licensing, I'm here to discuss the proposed Mount
9 Airy, No. 1, LLC's Independent Audit Committee
10 Charter and the proposed members for the Mount Airy
11 Independent Audit Committee.

12 As you know, as a condition of licensure,
13 Mount Airy agreed to a number of conditions,
14 including a condition requiring it to form and
15 empower an Independent Audit Committee with the
16 authority and responsibility to monitor and report on
17 the operations and financial control of the facility
18 to the Pennsylvania Gaming Control Board.

19 On October 2nd, 2007, the Board adopted an
20 Independent Audit Committee Criteria Policy, which
21 sets forth the requirements where any Independent
22 Audit Committee required as a condition of a
23 facility's licensure.

24 The criteria states that the Board must
25 approve the Charter for the Independent Audit

1 Committee, and the Board must approve each proposed
2 independent member of the Audit Committee.

3 The independence of the Audit Committee and
4 each individual member of that committee is a very
5 important aspect of the approval of licensure for an
6 Audit Committee member. I will discuss that in a
7 little bit more detail later.

8 As previously stated, Mount Airy submitted
9 a Charter for the Independent Audit Committee for the
10 Board's approval.

11 The Charter has been evaluated in light of
12 the Board's adopted Audit Committee Criteria Policy.
13 The Mount Airy Independent Audit Committee proposed
14 Charter includes the Board's requirements for an
15 Independent Audit Committee including that it must
16 have a financial expert and that it appoint a
17 nationally recognized and respected independent
18 Certified Public Accountant with gaming expertise and
19 oversee internal controls.

20 The Bureau of Licensing and the Office of
21 Chief Counsel have reviewed the Charter. Mount Airy
22 has made required revisions to the Charter language
23 so that it complies with the Board's criteria set
24 forth in its October 2nd, 2007 order.

25 The Board has been presented with a

1 suitability report detailing the Charter. As such, I
2 ask the Board to consider the proposed order for the
3 Mount Airy, No. 1, LLC Independent Audit Committee
4 Charter.

5 CHAIRMAN DiGIACOMO COLINS: Very good. May
6 I have a motion now to approve the Independent Audit
7 Committee Charter?

8 COMMISSIONER GINTY: Madam Chairman, I move
9 that the Board adopt an order creating the
10 Independent Audit Committee Charter described by the
11 Office of Chief Counsel and the Office of Licensing.

12 CHAIRMAN DiGIACOMO COLINS: May I have a
13 second?

14 COMMISSIONER SOJKA: Second.

15 CHAIRMAN DiGIACOMO COLINS: Any questions
16 or comments from the Board?

17 All terms and conditions of this proposed
18 Charter that we are about to vote on have been
19 reviewed with the licensee and they are in complete
20 agreement with all of those terms and conditions; is
21 that correct?

22 MS. McCLAIN: Yes, it is.

23 CHAIRMAN DiGIACOMO COLINS: Thank you.

24 All of those in favor?

25 COMMISSIONERS: Aye.

1 CHAIRMAN DiGIACOMO COLINS: All opposed?

2 Motion carries.

3 Thank you.

4 Next matter.

5 MS. McCLAIN: Now, I turn to a discussion
6 about the proposed members of the Mount Airy
7 Independent Audit Committee.

8 As I said, Independent standards are a part
9 of the Board's adopted Audit Committee member
10 criteria as set forth in the Board's order.

11 The following are the standards required of
12 each member of the Audit Committee to be considered
13 independent.

14 An independent member shall be independent
15 in character and judgment. There may be no
16 relationships or circumstances, which could effect or
17 might appear to effect the member's independent
18 judgment.

19 In addition, no member of the Audit
20 Committee may have a material relationship with a
21 licensee, or any of its principals, beyond his or her
22 membership on the Audit Committee.

23 A member who has a material relationship
24 with the licensee or a principal if any of the
25 following: The member receives any compensation from

1 the licensee or any of its principals other than that
2 received as compensation for serving as a member of
3 the Audit Committee.

4 Or if the member has received compensation
5 from the licensee or any of its principals in an
6 amount exceeding \$100,000 within any 12-month period
7 during the 3 years prior becoming a member.

8 Or if the member is, or has been within the
9 last three years, been employed by the licensee or
10 any of its principals or any company affiliated with
11 the licensee or any of the principals.

12 Or if the member is, or has within the last
13 three years, served as an executive officer in any
14 firm or business engaged by the licensee or any of
15 its principals to perform any external or internal
16 auditing functions.

17 Or if the member is, or has within the last
18 three years, been employed by any company that has
19 made payments to or received payments from the
20 licensee or any of its principals exceeding \$1
21 million in any of the last three years.

22 The Board was given a proposed order for
23 the individuals applying to be members of Mount
24 Airy's Audit Committee.

25 But before I ask the Board to consider the

1 proposed Audit Committee members, Dave Kwait, the
2 Director of the Bureau of Investigations and
3 Enforcement will talk about the background
4 investigation of the proposed Independent Audit
5 Committee members.

6 CHAIRMAN DiGIACOMO COLINS: Thank you.

7 MR. KWAIT: Good afternoon, Madam Chairman,
8 and Commissioners. I've been asked to briefly go
9 through a synopsis of some of the investigative steps
10 that we have taken in this matter. I want to point
11 out, again, this is a synopsis and not complete by
12 any means.

13 First of all, each member was fingerprinted
14 by the Pennsylvania State Police; and these
15 fingerprints were checked through the FBI Criminal
16 History for wants and warrants. NCIC-CLEAN records
17 were also checked.

18 We conducted personal interviews of each of
19 the applicants. During the interview process, the
20 investigators reviewed and confirmed all information
21 on the multi-jurisdictional personal history
22 disclosure form.

23 Financial background checks via ChoicePoint
24 and reviews of the TransUnion Credit Reports were
25 accomplished.

1 Local law enforcement checks were made.
2 Background checks via ChoicePoint, Accurint, and
3 Lexis-Nexis were accomplished.

4 IRS checks were completed to verify if
5 there were any acts, issues, or audits. References
6 were contacted. Neighbor investigations were
7 contacted.

8 Out-of-state gaming jurisdictions were
9 contacted in reference to previous or current
10 licensed issues.

11 The Pennsylvania Department of State was
12 conducted to verify political contributions.
13 Previous civil litigation involving the applicants
14 was reviewed.

15 PA tax clearances by the Department of
16 Revenue were reviewed. Applicants were questioned
17 regarding drug habits, alcohol usage, illegal gaming
18 and those sort of personal issues.

19 As part of the investigation of this
20 particular Audit Committee, agents of the BIE
21 personally interviewed the applicant.

22 During the interview, BIE agents reviewed
23 each of the individuals or statements using the most
24 current information available.

25 The documents included most current bank

1 statements, brokerage account statements, pension and
2 life insurance statements, real estate assessments,
3 and all statements and documentation of debt.

4 These were prepared to credit reports that
5 were previously obtained. Tax returns for the past
6 five years were reviewed and a forensic accountant
7 was used for reasonableness and relationship to the
8 net worth statements.

9 The net worth statements were reviewed by
10 the forensic accountants. All of the applicants were
11 asked a series of prepared questions, which relate to
12 their respective independence.

13 I would like to go through those questions.
14 These are the questions that the agents asked each of
15 the Audit Committee applicants.

16 Number 1, who contacted you about an
17 appointment to the Audit Committee?

18 How were you approached? Phone? Letter?
19 Personal contact?

20 Did that person of contact you on behalf of
21 another person?

22 What is the time frame?

23 Do you know Louis DeNaples or any of his
24 relatives? If so, explain the nature of the
25 relationship.

1 To the best of your knowledge, have you or
2 any of your companies conducted any business with
3 Louis DeNaples and/or any of these companies? If so,
4 the amount of compensation involved and the time
5 period.

6 Do you owe money to Louis DeNaples, or any
7 company associated directly or indirectly with Louis
8 DeNaples?

9 Have you ever been employed in any capacity
10 by any company owned either directly or indirectly by
11 Louis DeNaples including Mount Airy?

12 Do you have, or have you ever had, a
13 personal or professional relationship with any key
14 employee of Mount Airy?

15 Have you ever conducted any business either
16 directly or indirectly with any key employees of
17 Mount Airy?

18 Have you ever been employed in any capacity
19 or received compensation or paid compensation to any
20 vendors of Mount Airy?

21 Is there anything in your background with
22 respect to relationships or circumstances which could
23 affect or appear to affect your independence as a
24 member of the Audit Committee?

25 Is there anything in your background with

1 respect to relationships, circumstances, which could
2 affect your independent judgment with respect to the
3 Audit Committee?

4 Commissioners, these are the questions and
5 some of the criteria we used in this background
6 investigation.

7 CHAIRMAN DiGIACOMO COLINS: Just one
8 moment, please.

9 COMMISSIONER COY: Madam Chair.

10 CHAIRMAN DiGIACOMO COLINS: Yes. I'm
11 sorry. Pardon me for the disturbance. Are there any
12 questions?

13 COMMISSIONER COY: Yes.

14 CHAIRMAN DiGIACOMO COLINS: Thank you.
15 Sorry, Commissioner Coy.

16 COMMISSIONER COY: Thank you very much,
17 Madam Chairman.

18 Mr. Kwait, I just want to ask a couple of
19 general questions so that the Board, and consequently
20 others involved both by observation and
21 participation, can be assured of the independent
22 nature of those folks who have been recommended.

23 You read a long list of questions and
24 tests, which have been put to these applicants for
25 consideration for this Committee.

1 Is there anything else in your history of
2 investigation and so on, is there anything else that
3 your employees, our employees, could do to assure the
4 independent nature of this Committee?

5 MR. KWAIT: You know, Commissioner, I think
6 that the standards of independence were established
7 and they are very broad and very thorough.

8 In addition to the self disclosure part
9 involved in the questioning of the applicant, this
10 information was thoroughly vetted and verified by the
11 investigators.

12 COMMISSIONER COY: And in your -- again, in
13 your history and in your previous employment, and
14 just general knowledge about this industry, indeed,
15 this industry of background checks and tests for
16 independence, do you believe that your agents,
17 employees of this Board did indeed a complete and
18 thorough job as far as asking questions, asking the
19 right questions, and attempting to get to the bottom
20 line of any possible -- any possible lack of
21 independence of these members?

22 MR. KWAIT: Commissioner Coy, I think that
23 these agents have done a very thorough -- as thorough
24 as possible job in reviewing the independence of
25 these particular candidates for the Audit Committee.

1 I want to point out that in all of our
2 background investigations, BIE, and I think some of
3 applicants themselves, either the entities or
4 manufacturers, will tell you that the thoroughness
5 that BIE has in its background investigations exceeds
6 other divisions, other gaming jurisdictions. I think
7 we're quickly developing a reputation in that regard.

8 COMMISSIONER COY: I think we realize,
9 especially those of us who were here when licenses
10 were issued, that with regard to this license, the
11 appointment and approval of this Independent
12 Committee was and continues to be crucial.

13 I want -- I just want you to be able to
14 make it clear to all of us, and indeed to the public,
15 that the appropriate amount of scrutiny has taken
16 place and that the individuals that you are asking
17 and the Licensing Bureau is asking the Board to
18 approve today are in your professional opinion and
19 those of the Bureau of Licensing truly independent
20 without any suspect on your part?

21 MR. KWAIT: In my professional experience
22 going back 40 years in law enforcement, I can assure
23 you that every possible investigative step has been
24 taken in this matter to assure independence.

25 COMMISSIONER COY: I want to thank you and

1 your Bureau for an appropriate amount of
2 investigative reports and credentials that you
3 brought to this process.

4 The Board relies heavily upon your opinion
5 and the opinion of those who work with you. We
6 appreciate your efforts in this regard.

7 MR. KWAIT: Thank you, Commissioner Coy.

8 CHAIRMAN DiGIACOMO COLINS: Thank you.

9 Yes. Commissioner Rivers?

10 COMMISSIONER RIVERS: Yes, I have a
11 question.

12 We have outlined the criteria for this
13 Audit Committee. Have we allowed some outside group
14 or independent agency to look at the requirements and
15 the whys and wherefores within this Audit Committee?
16 If so, have they reported back to us?

17 CHAIRMAN DiGIACOMO COLINS: Well, I can
18 respond to that because I have -- I have asked a
19 national accounting firm, Pricewaterhouse to take a
20 look at the standards that we developed.

21 And, having had them do that in review, I
22 was very comfortable with having our licensing and
23 counsel's office present those criteria to the Board
24 because they are standard, acceptable, independent
25 standards used by the Securities Exchange Commission

1 and Stock Exchange and various other agencies.

2 So, I was very comfortable after informally
3 reviewing these with outside sources to have us go
4 forward. Thank you.

5 COMMISSIONER RIVERS: Thank you.

6 CHAIRMAN DiGIACOMO COLINS: Anything
7 further before we continue?

8 All right. Very good.

9 Lisa, please.

10 MS. McCLAIN: Now, I will discuss the
11 individuals proposed for Mount Airy's Independent
12 Audit Committee. I ask that the Board consider each
13 of the motions separately.

14 The first person I would like to discuss is
15 Bradford Scott Smith. Mr. Smith is an attorney who
16 is currently a partner in the law firm of Smith and
17 Smith in New Jersey.

18 Mr. Smith was elected and served one term
19 as a New Jersey State Senator from 1992 to 1994. He
20 served as Chairman and CEO of the New Jersey Casino
21 Control Commission from 1994 to 1998.

22 He is currently CEO of a gaming consultant
23 business, which he founded after his service with the
24 New Jersey Casino Control Commission.

25 Each member was provided with the

1 suitability report and it included analysis of this
2 applicant's satisfaction of the Board-adopted
3 criteria. You were also presented with a proposed
4 order.

5 I ask that you now consider the proposed
6 order for Bradford Scott Smith as a member of Mount
7 Airy's Independent Audit Committee.

8 CHAIRMAN DiGIACOMO COLINS: Thank you.

9 May I have a motion, please?

10 COMMISSIONER RIVERS: Yes. Madam Chairman,
11 I move that the Board consider the order to license
12 Bradford Scott Smith as a principal and member of the
13 Mount Airy, No. 1, LLC, Independent Audit Committee.

14 COMMISSIONER McCABE: Second.

15 CHAIRMAN DiGIACOMO COLINS: Any questions
16 or comments?

17 All of those in favor?

18 COMMISSIONERS: Aye.

19 COMMISSIONER DiGIACOMO COLINS: Opposed?

20 Motion carries.

21 Next matter?

22 MS. McCLAIN: Next, I want to tell you
23 about Ms. Barbara A. Lang. Miss Lang is a Certified
24 Public Accountant. From 1981 until 1987, Miss Lang
25 was a senior accountant and operations analyst with

1 Bally's Park Place in Atlantic City, New Jersey.

2 In 1987, she founded Lang and Associates,
3 CPAs, LLC. Miss Lang also served as a member of the
4 Audit Committee for Great Bay Holdings, the operator
5 of the Sands Casino in Atlantic City, New Jersey from
6 '98 until 2001.

7 Miss Lang was licensed in 1983 and 1990 as
8 a casino key employee by the New Jersey Casino
9 Control Commission.

10 Each Board member was provided with a
11 suitability report and included analysis of
12 Miss Lang's satisfaction of the Board-adopted
13 criteria.

14 You were also provided with a proposed
15 order. I ask that you consider an order for
16 Miss Lang as a member of the Mount Airy Independent
17 Audit Committee.

18 CHAIRMAN DiGIACOMO COLINS: May I have a
19 motion to consider the order to license Barbara Lang
20 as a principal and member of the Mount Airy, No. 1,
21 LLC, Independent Audit Committee?

22 COMMISSIONER SOJKA: Yes, Madam Chairwoman.

23 I move that the Board consider the order to
24 license Barbara Lang as a principal and member of the
25 Mount Airy, No. 1, LLC, Independent Audit Committee.

1 CHAIRMAN DiGIACOMO COLINS: Is there a
2 second?

3 COMMISSIONER RIVERS: Second.

4 CHAIRMAN DiGIACOMO COLINS: Any questions
5 or comments?

6 All of those in favor?

7 COMMISSIONERS: Aye.

8 CHAIRMAN DiGIACOMO COLINS: All opposed?
9 Motion carries.

10 Next matter?

11 MS. McCLAIN: The next proposed member of
12 the Audit Committee is Robert D. Peloquin.
13 Mr. Peloquin's career started out in 1956 as a Deputy
14 Chief of the Security Education Section for the
15 National Security Agency in Washington, D.C.

16 In 1958, he became a special trial attorney
17 for the Organized Crime and Racketeering Section for
18 the United States Department of Justice.

19 In 1962, Mr. Peloquin became the special
20 assistant to the Assistant Attorney General for the
21 Organized Crime Special Strike Force.

22 Mr. Peloquin then left the Department of
23 Justice in 1970 and formed his own corporation known
24 as Internal. Internal provided security and
25 information to private corporations, including

1 Resorts International.

2 In 1985, Internel was bought by Pinkerton
3 Government Services. He then became the Executive
4 Vice President for Resorts International and was
5 promoted to Chairman of the Board in 1987 and served
6 in that capacity for two years.

7 He retired in 1990. Mr. Peloquin was
8 issued gaming licenses in New Jersey and in the
9 Bahamas.

10 Each Board member was provided with a
11 suitability report and included analysis with respect
12 to Mr. Peloquin.

13 I ask that you now consider a motion for
14 Robert D. Peloquin as a member of the Mount Airy, No.
15 1, LLC, Independent Audit Committee.

16 CHAIRMAN DiGIACOMO COLINS: May I have a
17 motion?

18 COMMISSIONER ANGELI: Madam Chairman, I
19 move that the Board consider the order to license
20 Robert Peloquin, Sr. as a principal and member of the
21 Mount Airy, No. 1, LLC Independent Audit Committee.

22 CHAIRMAN DiGIACOMO COLINS: May I have a
23 second?

24 COMMISSIONER SOJKA: Second.

25 CHAIRMAN DiGIACOMO COLINS: Any questions

1 or comments?

2 All those in favor?

3 COMMISSIONERS: Aye.

4 CHAIRMAN DiGIACOMO COLINS: Opposed?

5 Motion carries.

6 MR. DONNELLY: Madam Chairperson, may I be
7 heard?

8 CHAIRMAN DiGIACOMO COLINS: Yes. I
9 understand our counsel, Mr. Donaghue, advised me that
10 Mr. Donnelly, on behalf of Mount Airy, wanted to make
11 a statement regarding the Audit Committee at this
12 time.

13 MR. DONNELLY: Yes. Madam Chairwoman, we
14 appreciate the Board's action on this and see this as
15 another milestone to getting this facility open.

16 As you know, we had a fourth person's name
17 we had submitted. The investigation is extremely
18 intense. We needed three members of this Audit
19 Committee, and we needed a fail safe name for the
20 Audit Committee.

21 These are not highly coveted jobs. It's a
22 lot of work. People have to file applications and
23 open their entire life to examination, as you have
24 heard today.

25 Now that this Board has voted on three

1 people, which we greatly appreciate, and we meet the
2 criteria of the Act and the three persons, I will be
3 filing on behalf of Mount Airy an application to
4 withdrawal the fourth name shortly, tomorrow
5 probably. Therefore, I don't think it's necessary to
6 go forward beyond these three names.

7 CHAIRMAN DiGIACOMO COLINS: Well, we will
8 await then the official filing of your motion to
9 withdrawal. Thank you very much.

10 All right. Before we adjourn, our next
11 public meeting will be on October 30th. It will be
12 in the State Museum Auditorium at 1:00 p.m.

13 May have a motion to adjourn?

14 COMMISSIONERS RIVERS: So moved.

15 COMMISSIONER COY: Second?

16 COMMISSIONER McCABE: Second.

17 CHAIRMAN DiGIACOMO COLINS: We are
18 adjourned. Thank you very much.

19 (The meeting concluded at 2:09 p.m.)
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25

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

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Hillary M. Hazlett, Reporter
Notary Public

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