

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: GAMING LABORATORIES, INC. (GLI)
PETITION TO POSSESS SLOT MACHINES FOR PURPOSES OF
OPERATING A PERMANENT GAMING TESTING AND CERTIFICATION
LABORATORY IN THE COMMONWEALTH

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PUBLIC HEARING

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
James B. Ginty, Keith R. McCall,
Gary A. Sojka, Gregory C. Fajt,
Anthony C. Moscato, Annmarie Kaiser;
Members
Jennifer Langdon, representing
Robert McCord, State Treasurer
Robert Coyne, representing
Daniel Meuser, Secretary of Revenue
Jorge Augusto, representing George Greig,
Secretary of Agriculture

LOCATION: PA Gaming Control Board
Strawberry Square, Second Floor
Harrisburg, PA 17101

Reporter: Jennifer T. Alves
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HEARING: Tuesday, November 20, 2012

10:17 a.m.

WITNESSES: James R. Maida

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CHAIRMAN:

Next will be the Petition of Gaming Laboratories, Inc. I would ask all parties to come forward and same request is made as before the prior --- before you speak state your name, spell your last name for the record. Anybody who is not an attorney must be sworn. Counselor?

ATTORNEY SCHRIER:

Thank you, Mr. Chairman and members of the Board. Stephen D. Schrier, S-C-H-R-I-E-R, of Blank Rome on behalf of Gaming Laboratories International, the Petitioner. And with me today is James Maida who is President and CEO of Gaming Laboratories International and I think Mr. Maida would like to be sworn.

CHAIRMAN:

Okay. Stand, sir, if you will.

JAMES R. MAIDA, HAVING FIRST BEEN DULY SWORN,
TESTIFIED AS FOLLOWS:

CHAIRMAN:

Mr. Schrier.

1 ATTORNEY SCHRIER:

2 Thank you, Mr. Chairman. We're here
3 today on a petition on behalf of Gaming Laboratories
4 under the Board's regulations, which seeks the
5 approval of the Board to establish a permanent testing
6 and certification facility for gaming equipment,
7 particularly slot machines, in the Commonwealth on
8 behalf of Gaming Laboratories. And Mr. Maida will
9 explain in greater detail what Gaming Laboratories
10 does and what it is and why it intends and wishes to
11 participate in that activity here in Pennsylvania, but
12 effectively it is the world's largest testing and
13 certification laboratory of gaming equipment.

14 So under the Board's regulations it is
15 permitted for companies to possess slot machines under
16 certain conditions as long as those slot machines are
17 not used for gambling purposes and as long as those
18 slot machines and the facility where those slot
19 machines are held fulfill certain conditions under the
20 Board's regulations. So, I submit to you that GLI's
21 application does so and I'll ask Mr. Maida if he would
22 provide you with an overview of the company and its
23 intentions in Pennsylvania.

24 CHAIRMAN:

25 Okay. Thank you. Mr. Maida.

1 DIRECT EXAMINATION

2 BY ATTORNEY SCHRIER:

3 Q. Mr. Maida, could you state your full name, please?

4 A. James R. Maida.

5 Q. And what is your title?

6 A. I'm the President and CEO and co-founder of Gaming
7 Laboratories International.

8 Q. Could you describe for the Board today what Gaming
9 Laboratories does?

10 A. Mr. Chairman and Members of the Commission, as I
11 said, my name is James Maida. I'm the founder and the
12 CEO of Gaming Labs. I have produced a PowerPoint,
13 which I believe you all have copies and I'll be using
14 that for my presentation today. Our company was
15 established in 1989. As Mr. Schrier said, we're the
16 world's leader in independent testing and
17 certification and forensics and training on testing
18 gambling equipment. We not only do slot machines, but
19 we do lotteries, horse racing, all of the equipment
20 that you might see in any place where it's legal to
21 gamble, including bingo.

22 People ask me --- and the shorthand way of
23 comparing what we do, we are like Underwriters
24 Laboratories but for slot machines. UL does
25 electrical safety testing and things like that before

1 you buy appliances for your home. We do that on a
2 private basis for those states and lotteries and
3 places that allowable that.

4 We have expertise in providing functional and
5 compliance evaluations in gaming systems. We test for
6 about 455 jurisdictions worldwide including nearly
7 every U.S. State and we do lotteries and again
8 charitable gaming. We also work and have worked for
9 your Pennsylvania lottery testing equipment before the
10 lottery uses it here in Pennsylvania. We hold gaming
11 licenses throughout the world in numerous states and
12 also in foreign jurisdictions.

13 Currently we have approximately 750 employees in
14 20 lab locations. Our profile is that we are about
15 500 employees worldwide and 250 employees in 2005, and
16 we've doubled our space, number of employees since the
17 end of 2005. 130 jurisdictions use us exclusively and
18 we produce about 100,000 certifications annually.
19 We're ISO accredited. Our accreditations are on your
20 slides and basically that is an international quality
21 body located in Switzerland who certifies ISO
22 companies and we have those following accreditation as
23 we're required. Our growth plan is to have 650
24 domestic U.S. employees, so gain about 150 employees
25 in the next 18 months and that is what we're trying to

1 achieve currently.

2 The next slide shows you where our offices are
3 around the world, our test labs. And I'm not going to
4 go through them, but as you can see they're around the
5 world in various locations where we do testing and you
6 can see we have six locations in Europe, two in Asia,
7 three in Australia, some in South and Central America
8 and in the Caribbean and we have locations here in the
9 United States. Our general Counsel, Kevin O'Malley,
10 is based in Kansas City. We don't consider that an
11 office because we don't do any sort of testing or
12 certification in that office.

13 The next slide just kind of tells you sort of more
14 than what we do, more than just slot machines and you
15 can see the list there. And I won't go through them,
16 but it's basically just about every type of gambling
17 equipment used anywhere in the world for any purpose,
18 not --- very much outside of casino gaming. You can
19 see we do VLTs and wireless and electronic table
20 games. We also do Tote systems for horse tracks,
21 lottery equipment for lotteries, Bingo equipment for
22 charitables and so forth. That's sort of the
23 discussion about who we are.

24 Q. Why is the company interested in developing a
25 facility in Pennsylvania?

1 A. So right now we had an expansion plan that ended
2 in October of this year where we challenged ourselves
3 to add 160 jobs in 18 months. We actually
4 overachieved, I think we hired about 175 people in
5 those last 18 months coming up to here in October and
6 we are literally out of space. We have no more
7 parking in any of our offices not in New Jersey, not
8 in Nevada, not in Colorado. We've actually had to
9 resort to nightshifts where we have people now come in
10 at 7:00 in the morning and work 'til 4:30 and from
11 4:30 to 2:00 a.m. because we have to --- we've
12 instituted something called desk sharing where we make
13 people share desks because we don't have enough floor
14 space to do the testing. So without any desk space
15 and with only nightshift available we have --- we've
16 now been looking at where we do we have to put a
17 shovel in the ground? Where do we have to lease the
18 space? How can we expand our facilities? Because
19 it's an untenable situation to where we are. And so
20 we're looking at Pennsylvania.

21 A few things from a personal perspective. I live
22 in Titusville, New Jersey. You know that would be
23 across the river from Washington Crossing,
24 Pennsylvania. I live just on this side of the river
25 and I drive an hour and 15 minutes each day to work

1 and, you know, it'd be great to drive five minutes.
2 We also have a lot of our senior executives who live
3 in Western New Jersey. We have trouble recruiting
4 from Philadelphia schools, Lehigh Lafayette, Temple,
5 Drexel, those kinds of places because we are requiring
6 people to move essentially to the Jersey shore to
7 work. It's hard to have people out in North Jersey to
8 move down Ocean County. Interstate 95 is the road
9 that goes right by where we are. It's great access to
10 Philadelphia's airport, turnpike and whatnot.

11 Great bedroom community in Newtown, Yardley what
12 we're looking at. The cost of business --- in doing
13 business in New Jersey is --- in Pennsylvania it's
14 significantly less than doing business in New Jersey
15 and the tax rates in Pennsylvania are better. And
16 overall our team has identified Pennsylvania as being
17 a better business environment and positive business
18 environment in terms of alternatives that we were
19 looking at. So, our number one location, our number
20 one desire is to do it in Pennsylvania, to expand
21 there in the process of allowing us to get more floor
22 space and more parking and add more employees.

23 So, our goal is to expand --- come to Pennsylvania
24 to expand our facilities in the region. We would be
25 testing gaming devices there for jurisdictions other

1 than Pennsylvania. We recognize that you do have your
2 own lab. But we would serve clients outside of New
3 Jersey. However, we would work closely with
4 Pennsylvania Gaming Control Board if requested. You
5 know, if we had anything that you would need we would,
6 obviously, be a good citizen and --- like we currently
7 are in New Jersey, but being in Pennsylvania we would
8 be --- we would provide any assistance or assistance
9 to staff as necessary.

10 Ultimately we want to create 100 jobs in Bucks
11 County, in that surrounding area. The average income
12 for Bucks County is just under \$36,000. Our average
13 annual income for GLI employees is almost \$59,000 and
14 most of our --- all of our employees are full time
15 employees. We do allow people to work 25 --- from 40
16 to 25 hours, but as a personal goal I require that
17 even if you work 25 hours you get full healthcare
18 because I just don't think you should be trying to cut
19 somebody to 24 hours or 29 hours, or what the magic
20 number is. So, we provide everybody Blue Cross/Blue
21 Shield, Horizon, what not.

22 Here's our recruitment plan. We are recruiting
23 currently from these universities, but these
24 universities --- it's very difficult to get people to
25 move, again, to Ocean County. It's sort of not north,

1 it's not south and it's not west, it's sort of ---
2 it's great to go to the beach, but hard to get younger
3 people that's in our technical. But we do recruit
4 from these universities, not in this order. I think
5 it's an alphabetical slide. I'm actually a graduate
6 of Lehigh University, so I would have put that first,
7 but nonetheless it's alphabetical.

8 Our workforce and diversity. I should say that
9 Mr. Schrier's firm also represents us on our HR basis,
10 but we have --- the 409 is a mistyping on the slide.
11 This slide was used last year. We are at now 520
12 employees in North America and our diversity is about
13 60 percent from underrepresented groups. And you can
14 see our statement. That's in all of our employments
15 about our commitment to equal opportunity.

16 We're highly secured labs and we've already talked
17 about we're based on the ISO standards, but everywhere
18 we operate around the world we have restrictions on
19 how we can operate. So we have camera coverage on the
20 buildings, general building security, personnel
21 visitor security, corporate and customer assets
22 security. And we also do information ISS audits on
23 our own equipment to make sure that we can't be hacked
24 into or broken into and we do that on an annual basis.

25 We have a two tiered approach. We have physical

1 security and then we also have a cyber security group
2 within our company that make sure that people can't,
3 again, attack our systems and attack us. We do due
4 diligence on employees, vendors, contractors and
5 clients. Not because it's required, but because it's
6 good business. And we have strict protocol addressing
7 data security, confidential information. I must say
8 no GLI employee can gamble anywhere in the world
9 whether or not we're working for that client or not.
10 Very strict controls on who can own what stock and how
11 we audit and how we control that.

12 The timeline quickly to finish up because I know I
13 don't have unlimited time here. If the petition is
14 granted GLI will narrow its existing search to
15 identify the appropriate site. We have identified the
16 intersection of I-95 in Newtown, Pennsylvania. It's a
17 bunch of buildings that there is lease space there.
18 If you know where that is, just past the first exit
19 which is Yardley exit. The next exit is I think Route
20 532. You would know it. It's Yardley, Newtown exit.
21 We would be finding a facility in one of those
22 facilities. We would not buy the whole building.
23 It's a lot of space. We would communicate with the
24 Pennsylvania Gaming Control Board staff about the
25 locations and characteristics of the site, and working

1 with you as we identify the site and identify the area
2 before we enter a long term lease agreement because we
3 wouldn't want to do that and then be denied. It would
4 cost a lot of money. And a determinate from a
5 business perspective viability, you know, all the
6 conditions which we have worked with --- I guess my
7 Counsel has worked with your Counsel on the conditions
8 and we would know those conditions ahead of time so we
9 would be able to pick the right site. So, we wouldn't
10 be picking a site that wouldn't conform to your
11 conditions. And that's the gist of my general
12 discussion this morning. Sorry about that. That's a
13 little longer than I thought.

14 ATTORNEY SCHRIER:

15 Thank you. So for members of the Board I
16 would just like to highlight that, as Mr. Maida has
17 said, there were conditions that we've talked about
18 with Deputy Chief Counsel Miller that we understand
19 have been worked through with the Bureau of Gaming
20 Operations and the Bureau of Gaming Compliance. And
21 we reviewed those conditions. We've worked through
22 those and I would just ask Mr. Maida if he's had an
23 opportunity to review those conditions carefully.

24 A. I have.

25 BY ATTORNEY SCHRIER:

1 Q. And if those conditions are approved by the Board
2 is Gaming Laboratories willing to abide by them?

3 A. Absolutely.

4 ATTORNEY SCHRIER:

5 Okay. So just in conclusion from our
6 perspective, the regulation that the Board has permits
7 a facility to possess slot machines as long as the
8 activities conducted there and the reasons for it are
9 not contrary to the goals of the Gaming Act. And I
10 think if they're it's certainly not contrary to goals
11 of the Gaming Act and in this instance I think they
12 add significantly to economic development
13 opportunities that the Gaming Act was created to
14 provide. They're jobs, they're good jobs, they're
15 high wage jobs and they are related to the gaming
16 industry, which, as you all have accomplished here in
17 Pennsylvania, is a very significant and active
18 industry. So, with that, I would suggest that we've
19 met the criteria, willing to abide by the conditions
20 and stand ready to answer any questions that the Board
21 or Counsel may have.

22 CHAIRMAN:

23 Thank you both. Does the Office of
24 Enforcement Counsel (OEC) have any comments or any
25 questions?

1 ATTORNEY MILLER:

2 We do, Mr. Chairman. And for the record
3 I'm Dale Miller, Deputy Chief Enforcement Counsel for
4 the Eastern region for the OEC. It's M-I-L-L-E-R.
5 And good morning, Chairman, members of the Board.
6 Good morning, Mr. Schrier and Mr. Maida.

7 CROSS EXAMINATION

8 BY ATTORNEY MILLER:

9 Q. Mr. Maida, I would ask you first. GLI is a
10 laboratory that tests slot machines and other games;
11 is that not right?

12 A. That is correct.

13 Q. And you are aware that the Pennsylvania Gaming
14 Control Board has its own testing laboratories?

15 A. I am aware of that.

16 Q. Okay. Is it GLI's intent in any way to infringe
17 upon or take over that testing responsibility of our
18 Pennsylvania Gaming Control Board's testing
19 laboratory?

20 A. It's not our intention to interfere with it in any
21 way or become involved in any way in Pennsylvania's
22 --- anything to do with testing in Pennsylvania or
23 giving opinion on whether something should be approved
24 or not in Pennsylvania. Our view would be we would
25 operate completely independent for clients outside of

1 Pennsylvania, but be available if the Pennsylvania
2 Gaming Control Board should have any request of us.

3 Q. And as your Counsel said, you've reviewed the
4 recommended conditions; have you not?

5 A. I have.

6 Q. And one of those conditions requires that you not
7 interfere in any way with the gaming laboratory here
8 in Pennsylvania and that you wouldn't provide any test
9 results that offer an opinion regarding standards in
10 Pennsylvania. Can you live with that condition?

11 A. Absolutely.

12 Q. What if, for example, someone requested that you
13 act as an expert on some slot machine, you tested that
14 slot machine and your opinion of the slot machine was
15 different than the testing laboratory in Pennsylvania?
16 What would you do?

17 A. Well, we undertake a rigorous conflict check
18 process and we do not ever actively give opinions
19 against any regulator that regulates against us. So,
20 in that case we would, A, not give an opinion. B,
21 contact the Gaming Board in all transparency and tell
22 them what we've been requested. And if the Gaming
23 Board said, we don't feel comfortable with you doing
24 that, we wouldn't be doing it because it would be a
25 conflict. So, we take a very conservative conflict

1 view and basically if the regulator tells us not to do
2 something, we don't do it.

3 Q. And you would inform us before conducting any
4 testing and that sort of thing?

5 A. Absolutely.

6 Q. Okay. Now, you also have reviewed the conditions
7 and note that the Gaming Board --- if the Gaming Board
8 permits you to operate a facility here we're going to
9 be permitted to inspect that facility. You're okay
10 with that?

11 A. I am. That's a license requirement of having all
12 the jurisdictions where we actually house machines.

13 Q. Now, you understand that the conditions that we
14 discussed with you are only recommended conditions,
15 you understand that the Board, the Gaming Board, has
16 the final say in any condition if they were to permit
17 you to operate this facility; do you understand?

18 A. I understand that the Gaming Board has the final
19 say in any conditions that would be imposed upon us.

20 Q. Okay. Now, although in our discussions and in our
21 response to your petition we, the OEC, have stated
22 that we don't believe that you're required to be
23 licensed in Pennsylvania. Do you understand that the
24 Board can require anyone that they wish to be licensed
25 to, in fact, apply for a license? Are you aware of

1 that?

2 A. I'm aware of that and we're licensed all over the
3 world.

4 Q. And if the Board required you to become licensed
5 would you be willing to submit an application and
6 undergo the rigorous and thorough investigation
7 required?

8 A. Absolutely.

9 ATTORNEY MILLER:

10 Thank you. I have no further questions.
11 We have no scheduled witnesses, but we do have Mr.
12 Cruse (phonetic) present here if the Board would like
13 to ask a few questions, but he's not scheduled as a
14 witness.

15 CHAIRMAN:

16 Thank you, Dale.

17 ATTORNEY MILLER:

18 We'll have a final comment after the
19 Board asks their questions.

20 CHAIRMAN:

21 Thank you. Any questions, comments from
22 the Board?

23 MR. SOJKA:

24 For Mr. Maida, given the current state of
25 sophistication of electronics in slot machines, and

1 that's the thing we're primarily interested in, you
2 need to be here today because you're actually asking
3 for physical slot machines to be involved in your
4 testing. Could you not actually perform the tasks you
5 need to perform to certify various games without
6 actually having physical slot machines?

7 A. No.

8 MR. SOJKA:

9 You have to have them?

10 A. We have to have them because virtually all slot
11 machine testing --- just staying with slot machine
12 testing, requires that the technician who's testing
13 having physical access to the game whether it's
14 setting up the relevant pays, because you have to test
15 each pay or whether it to be able to view the help
16 screen, or be able to work with the ticket printer or
17 the hopper, the wireless connections, the card
18 readers. You can't just look at documents and say,
19 I'm going to prove something or not. It requires
20 hands-on testing and that's why all of the people who
21 test our machines are computer science engineers,
22 computer engineers, electrical engineers, engineering
23 type people that are graduated from a two or four year
24 institution.

25 MR. SOJKA:

1 So you really need the mechanics as well
2 as the electronics and statistics.

3 A. Regulations throughout the world require that we
4 actually have physical custody of the machine because
5 we have to have it in our custody to make sure that
6 the game isn't changed from when we start testing it
7 to when we do it.

8 MR. SOJKA:

9 Thank you.

10 MR. MCCALL:

11 Just one question.

12 CHAIRMAN:

13 Keith.

14 MR. MCCALL:

15 Point of clarification. On your
16 PowerPoint are you expanding as well your Lakewood,
17 New Jersey facility? Are you going to maintain that
18 or are you transferring all of those jobs to
19 Pennsylvania?

20 A. Currently we are expanding. There are active
21 discussions with respect to --- there are many
22 employees in our New Jersey facility that have
23 expressed interest in moving to our Pennsylvania
24 facility; one of the reasons why that has been chosen
25 as a site. Over the short term there will be a

1 hundred new hires is what we're projecting. There
2 will be some that will move from Lakewood and then we
3 will --- what we always do is we evaluate the business
4 environment and it could very well be that there's
5 migration from Lakewood to Newtown, Pennsylvania.

6 MR. MCCALL:

7 So the hundred new jobs created more than
8 likely would be Pennsylvania new jobs?

9 A. That's correct.

10 MR. MCCALL:

11 What would the total employment of the
12 facility be?

13 A. Well, we would start out with about a hundred
14 jobs. We gauge in a sophisticated way of getting
15 office space and what we always do is look for
16 adjoining office space that's empty.

17 MR. MCCALL:

18 But you would bring ---.

19 A. As we get more people we expand into adjoining
20 office areas, but that's what we've done all over the
21 world.

22 MR. MCCALL:

23 Right. And so it would be your executive
24 or your management staff that would come be it 10, 25,
25 I don't know, whatever that number is, that would

1 manage the 100 new employees?

2 A. Right. We would have some management. Some
3 management would remain in Lakewood. Those that live
4 in Lakewood, obviously, we wouldn't make them move,
5 but most will be new jobs and there'll be a sufficient
6 amount of management to manage them. And also
7 depending on who we hire there we promote --- most of
8 our managers are promoted from within. We rarely
9 bring somebody in from our outside. We do a lot of
10 from the ground up promoting. So, we would hope that
11 we would find good people that will be able to grow
12 with our company. We have a saying at GLI, if you've
13 been with us five years, you'll be with us 15 years.
14 So, it's all about management training and management
15 promotion and that kind of idea.

16 MR. MCCALL:

17 Very good. Thank you.

18 MR. GINTY:

19 You mentioned that one of the benefits of
20 establishing a Pennsylvania office would be your
21 commute. I think you also mentioned some of your
22 management colleagues would be closer. Is there any
23 intent to move the headquarters to Pennsylvania?

24 A. As I said to a previous question, we've identified
25 Pennsylvania's the leading, most logical place to

1 establish the facility. We believe that we'll be
2 hiring people absolutely from Pennsylvania. We're
3 looking at giving those in New Jersey that want to
4 move to Pennsylvania the option to move. We're not
5 going to close our facility next month or in a year
6 and make everybody sell their homes or lose their
7 jobs, but we believe that given the environment in
8 Pennsylvania whether it's state income tax, whether
9 it's a whole bunch of different other environments, we
10 believe there will be a logical migration. Eventually
11 one day we believe that if it goes well in this
12 facility and the business environment holds up as good
13 as it is today we would continue to see a migration.
14 Whether I can commit today that we will close our New
15 Jersey facility in two years or three years that would
16 be difficult ---.

17 MR. GINTY:

18 You don't have to close the facility to
19 move your headquarters.

20 A. Right. Again, if most of the senior management
21 team moves to Pennsylvania then it would be our
22 headquarters.

23 MR. GINTY:

24 I just have one other --- you have an
25 expansion, a recruitment plan here and you name a

1 number of highly regarded academic institutions in
2 Pennsylvania including Lafayette College and Lehigh.
3 My colleague was probably --- I don't want to raise
4 the issue, but did you leave Bucknell out of this for
5 any reason?

6 A. I would say that my HR department puts together
7 the slides. We recruit all the universities that we
8 can. The ones that are listed on the slides are the
9 most prevalent ones that we get from Pennsylvania. I
10 think that we've talked to people at Pitt, for
11 instance, and Bucknell. Not a lot of them want to
12 move to Ocean County, so those I think that we have
13 are actually people we've hired in the past. We also
14 recruit from New Jersey institutions as well, but
15 those are the ones that we have had the best luck that
16 are listed on that slide. But I will send them to
17 Bucknell whoever's the alma mater ---. They're going
18 out next week.

19 MR. GINTY:

20 Not Alma mater, former president of
21 Bucknell.

22 CHAIRMAN:

23 Gary?

24 MR. SOJKA:

25 I'm going back to that same hobby horse

1 that I was on before. I'm really not pressing you for
2 going to Bucknell. I'm looking at basically 16 areas
3 in which you do testing and I tried to mark the ones
4 that looked to me like they again need physical slot
5 machines. That would be certainly slot devices, slot
6 systems regulated, I gaming, progressives, peripherals
7 and network gaming probably, but, for example, bingo
8 and well, electronic --- no, electronic table games
9 would not require slots. So, when you look at your
10 map, your worldwide map, and you have offices
11 everywhere, is every one of those offices a completely
12 full service office where you check all of these
13 things or do you have some specialization? Some do
14 more slots and others be more bingo and lotteries or
15 is everybody --- is every office able to do
16 everything?

17 A. Ninety-five (95) percent of everything can be done
18 in every office. For instance, an AWP machine, that
19 first thing you see, is a British game and it's a
20 European game and frankly we would test it there.
21 Some regulatory bodies that we work for require that
22 the game be tested in the United States, so if it's
23 not tested in the United States they won't take the
24 result. Bingo is electronic bingo. In some places it
25 looks like a slot machine other people --- so when we

1 talk about bingo we do need the physical device for
2 bingo. Internet gaming regulated. We actually do
3 that over the internet, so we actually don't need the
4 internet server in our office because we can build a
5 secure connection. Slot machines, slot systems, Tote
6 systems, we do need a Tote system shipped in. It's
7 too difficult to just go out to someone's site for
8 three days and work on it. It takes months to do, so
9 most of those are shipped into one of our offices.
10 Certain of our offices are skewed toward --- the video
11 lottery terminals are done mostly in New Jersey.
12 Electronic table games are mostly done in New Jersey
13 and Las Vegas because they really require a lot of
14 room. Our Denver facility can't really fit a lot of
15 those electronic table games, but we have the know how
16 and the ability to test everything at every location.
17 It's whether we have the skill set --- a large set of
18 skills or the large footprint that we need.

19 MR. SOJKA:

20 Right. Well, you can see where I'm going
21 with this and that is that if you would structure the
22 proposed Pennsylvania office, for example, to do
23 everything you do except have physical slot machines
24 you wouldn't need to be here; right? We would have no
25 jurisdiction at all.

1 A. And while that might be preferable the problem is
2 we would not be able to hire the hundred people in
3 that area. So, if that was --- well, test everything
4 but slot machines then I would say maybe you're right.
5 I don't have to be here. I'll let that up to the
6 Board, but then I would say it would look more like an
7 administrative office and maybe we hire administrative
8 people. And that might not be engineers. It might be
9 20 to 30 people and maybe that average salary might be
10 \$42,000 and not \$59,000. And we can work around that
11 because I don't need a slot machine to do my job. An
12 engineer does slot machines, but then we would have a
13 lot of people commuting from Pennsylvania to the New
14 Jersey office and that would be the wrong way to
15 commute and that would be very clunky to use a word.

16 MR. SOJKA:

17 That's a very straightforward answer.
18 Thank you. Appreciate that.

19 CHAIRMAN:

20 Tony? Any questions from the ex officio
21 members? I'm sorry.

22 ATTORNEY LANAGHAN:

23 I do have one question. Are you licensed
24 in other --- you don't have to be licensed in
25 Pennsylvania to possess slot machines, I mean, they

1 have to authorize you to, but are you licensed in
2 other states? Because what I'm looking at is if we
3 don't license you, your employees --- while you say
4 you do due diligence checks, they don't have to have
5 criminal background checks. Which makes me a little
6 nervous, but if you're licensed in other states you
7 probably have to undergo criminal background checks.

8 A. Right. We're licensed to --- I'll have to get the
9 exact number for you, but we're licensed by the State
10 of New Jersey. We're licensed by the State of Nevada.
11 We're licensed by the government of Singapore. Very
12 rigorous licensing. I undergo more than 150 personal
13 backgrounds a year and my --- so do my key management
14 team. So, we are licensed throughout the world. The
15 number would be between 100 and 200 formal licenses.
16 But I don't have --- I'm not prepared today to tell
17 you exactly what that number would be.

18 ATTORNEY LANAGHAN:

19 That's fine. I was just trying to make
20 sure because obviously in the employment law community
21 the movement is away from criminal background checks
22 --- when you're possessing slot machines I get a
23 little nervous about it.

24 A. We have a database, special database, that we
25 would access to do criminal backgrounds, but it's not

1 the NCIC computer, only law enforcement can do that,
2 but we do everything up to the NCIC computer. But
3 then we ask our regulatory bodies that license us
4 would you mind running our employees through. That's
5 how we handle that if we're concerned.

6 CHAIRMAN:

7 Okay. Dale?

8 ATTORNEY MILLER:

9 Thank you, Mr. Chairman, members of the
10 Board. This is a matter of first impression in front
11 of the Board. It's pretty obvious. The Board has
12 allowed other businesses to possess slot machines, but
13 those are basically schools and facilities that were
14 not testing laboratories or conducting a real business
15 with these machines. So, whether or not to grant this
16 petition is strictly up to the Board. The licensing
17 of GLI, if the Board was to grant this, is always up
18 to the Board, although we have researched the issue
19 and have determined, as you can see in our response
20 that technically there is no requirement in
21 Pennsylvania for GLI to be licensed. The Board can
22 require licensing of GLI if they wish and we certainly
23 would not object to that. We have consulted with
24 staff on that. We've researched the issue and that's
25 what we've come up with as far as the licensing is

1 concerned.

2 We initially objected to this petition to
3 possess slot machines and that was a technical
4 objection because our regulations require anyone who
5 wants to possess slot machines to tell us how long
6 they're going to possess, the slot machine. For
7 instance, if a school wanted to possess a slot machine
8 to conduct a class they would probably say, we're
9 going to keep it from September to June and then we're
10 going to get rid of it. GLI cannot do that. It would
11 be very difficult for them to tell us how long they
12 wanted to keep the machine and therefore it's
13 difficult for them to meet their regulatory
14 requirement. If the Board is inclined to allow them
15 to possess these machines and either waive that
16 requirement or in some fashion not deal with it, we
17 have devised a recommended condition which requires
18 GLI to report to us with a matrix before they operate,
19 begin operations telling us what machines they have,
20 numbers and so forth and then update that when they
21 move the machines in and out. However, our objection
22 is there. It still stands and if the Board does not
23 wish to waive that regulation it's certainly within
24 their discretion to do.

25 Based on GLI's presentation today we

1 suggested the conditions and provided those to the
2 Board, but it's strictly up to the Board whether to
3 grant this petition. We have no objection to it
4 strictly on a legal basis. It is not in non-
5 conformance with the Act or the regulations, but as a
6 matter of first impression we take no position
7 otherwise.

8 The OEC really has nothing further. As a
9 matter of housekeeping we provided Counsel with a bill
10 for our time and expenses in this petition, submitted
11 that bill to Chief Counsel and ask that the Board
12 approve the amount requested. And otherwise we leave
13 it to the discretion of the Board to decide this
14 matter of first impression.

15 CHAIRMAN:

16 Mr. Schrier, any response to the
17 statements by Mr. Miller?

18 ATTORNEY SCHRIER:

19 Yes. Thank you, Chairman. Just two
20 things. Mr. Miller is correct. I think it is a
21 matter of first impression in some sense and that is
22 that there really is nothing in the Gaming Act that
23 permits a testing laboratory under the Pennsylvania
24 Act, which is a little bit different than most of the
25 other jurisdictions that exist and they operate. But

1 notwithstanding that it's certainly a gaming related
2 business, however, it does not derive and will not
3 derive any revenues whatsoever from any Pennsylvania
4 Licensees. So, effectively there is no criteria under
5 the regulations or the Act for a license, so to speak,
6 but I think the regulation that we're operating under
7 or that we're seeking approval of clearly anticipates
8 that there are opportunities that may exist that are
9 not contrary to the goals of the Act, that they do
10 promote the Pennsylvania economic environment in the
11 gaming industry and that can be reached along with the
12 conditions that are set forth.

13 And Dale and I had a little bit of a
14 discussion about the one condition he mentioned, and
15 that's my second point, how long will the machines be
16 here. When I asked Mr. Maida that question his answer
17 to me was, well, we test a machine as long as that
18 machine is supported on a gaming floor. And that will
19 really depend on the manufacturer. So, as long as a
20 casino in St Louis is still operating a particular
21 machine then they will keep that piece of equipment at
22 the location where it was in order to test it until it
23 becomes obsolete or isn't supported by the
24 manufacturer any longer. And what we've offered to do
25 is provide an ongoing master list of all the equipment

1 that's kept at the facility on whatever basis you
2 wish, whether that's annual, biannual, weekly or
3 whatever would be necessary. So, in my mind how long
4 --- the condition of how long will it be there is
5 it'll be there until there's no longer need to test it
6 because it's no longer supported. So, I think we have
7 answered the question. It's a bit of semantics.
8 We're not going to say it's two years, but we could
9 make it two years and then re-up it up every two
10 years. I think it's a condition that certainly could
11 be met and in my mind doesn't necessarily have to be
12 waived, but certainly we would request that you waive
13 it if you're interested in doing so.

14 CHAIRMAN:

15 Mr. Miller?

16 ATTORNEY MILLER:

17 Thank you, Mr. Chairman. I just have one
18 other comment in response to the concerns of one of
19 the ex officio member's relating to the licensing
20 investigation and all that. I might add for the
21 record that one of the conditions that GLI must agree
22 to as far as the OEC is concerned is they must agree
23 to be subject to the jurisdiction of the Board and the
24 Bureau of Investigations and Enforcement as it relates
25 to their activities in Pennsylvania. Therefore even

1 if the Board doesn't require them to get a license or
2 make an application, we will still be able to monitor
3 their situation. If they conduct business in a way we
4 don't like the Board will have the authority to fine
5 them, take action against them and do all those things
6 that Licensees are subject to. And they must agree to
7 that as far as we're concerned.

8 CHAIRMAN:

9 Okay. Any other questions from the
10 Board? Ex officio members?

11 MR. GINTY:

12 I just have one. We've granted a number
13 of --- I'm not even sure what you'd call it, but
14 permission for organizations to possess slot machines,
15 you mentioned some schools. We have not required them
16 to be licensed; have we?

17 ATTORNEY MILLER:

18 No.

19 MR. GINTY:

20 And what if we were to license them what
21 would we license them as?

22 ATTORNEY PITRE:

23 Well, the Board at its discretion can set
24 a whole new licensing standard for this if it likes.
25 It's well within ---.

1 MR. GINTY:

2 I mean, they're not vendors and that's
3 basically ---.

4 ATTORNEY PITRE:

5 But you can call them --- you can license
6 them ---. Give them a testing facility license or a
7 training facility license. You can create a whole new
8 licensing standard if you'd like. It's well within
9 the discretion of the Board.

10 MR. GINTY:

11 Even though they don't really conduct
12 business in Pennsylvania?

13 ATTORNEY PITRE:

14 Yeah. You can license anyone who
15 possesses slot machines, table games if you see fit.
16 You can set a new licensing standard. It's just a
17 matter of setting that standard so it's available to
18 the public that says, okay, if I test slot machines in
19 the State of Pennsylvania then I need to obtain this
20 license.

21 MR. GINTY:

22 And how would you distinguish, you know,
23 licensing them as opposed to not licensing schools and
24 so forth? What would be the ---?

25 ATTORNEY PITRE:

1 Well, you can license schools if you like
2 to also. The Board chose in the past not to do it.
3 If the schools conduct training we do inspect those
4 places. We do make --- put the same requirements that
5 we put on the schools that, you know, that we're
6 putting on GLI plus maybe additional requirements
7 because of the type of work that GLI does. So that's
8 well within the discretion of the Board. The Board
9 has broad discretion in these areas, so that's why
10 we're leaving that to you to see what path you want to
11 take on this.

12 MR. GINTY:

13 Do you have any concern that if we were
14 to require GLI to be licensed and not schools or ---
15 actually, we have some warehouses, as I understand it,
16 that possess slot machines and we didn't require those
17 entities to be licensed. Would there be some kind of
18 a discrimination issue requiring ---?

19 ATTORNEY PITRE:

20 I don't think Mr. Maida's going to bulk
21 at it.

22 MR. GINTY:

23 He's got a very aggressive lawyer
24 representing him.

25 ATTORNEY PITRE:

1 If this was a company that I wasn't
2 familiar with --- I mean, I've been dealing with GLI
3 since I first got into the gaming industry. They
4 tested slot machines for Louisiana. I did the
5 contract there, I renewed the contract, so I've been
6 dealing with GLI since 1996. They're not new to this.
7 They have a good reputation in Jersey. Okay? Never
8 had any problems with them, so --- and Jersey has its
9 own lab. So, it's just a matter of first impression
10 for this Board as to whether or not they want to allow
11 GLI's presence in the Commonwealth.

12 ATTORNEY MILLER:

13 And if I may, I think there is a slight
14 difference between GLI and a school in that GLI is
15 conducting business in Pennsylvania. I'm assuming
16 they're going to make a profit and they're probably
17 going to pay some taxes, but they are not conducting
18 Pennsylvania gaming related business. They are,
19 however, conducting gaming related business. They'll
20 be testing things for other jurisdictions, so
21 technically what they're doing is related to gaming
22 where a school it's not strictly related to gaming.
23 It's a teaching proposition and I think that's the
24 subtle difference here. Even though, you know, it may
25 not be possible to put them in a category of a vendor

1 or a GSP because their business is not related to
2 Pennsylvania gaming. However, it is related to gaming
3 and therefore I think the Board has the authority to
4 license them if they want to do so.

5 MR. GINTY:

6 Okay. I got more than what I wanted.

7 ATTORNEY MILLER:

8 I mean, you're asking lawyers questions.

9 MR. GINTY:

10 I know.

11 CHAIRMAN:

12 Annmarie?

13 MS. KAISER:

14 Quick question. You indicated there
15 would be oversight even if we chose not to license
16 them. Wouldn't there certainly be greater scrutiny
17 though if we did choose to license them? What would
18 be the distinguishing factors between not licensing
19 them and licensing them?

20 ATTORNEY PITRE:

21 The background checks. The background
22 checks would be that discernable difference. If
23 you're asking my preference I prefer them to be
24 licensed, but if you choose not to we're still going
25 to have oversight and it's one more thing that we have

1 to put on our plate to do. Obviously, if they're
2 licensed they'll come before the Board for renewals,
3 they'll go through those three year background checks
4 and they'll pay into --- pay for our expenses and
5 everything with regard to that. Here every time we
6 have something with GLI the Board is going --- we're
7 going to have to get a bill, put it before the Board
8 and have the Board approve that. So, I mean, those
9 are the discernable differences. The background
10 checks are the big thing.

11 MS. KAISER:

12 Thank you.

13 CHAIRMAN:

14 Anything else? Anybody? Okay. I want
15 to thank you all. This matter is now closed.

16 * * * * *

17 HEARING CONCLUDED AT 10:59 A.M.

18 * * * * *

19

20 CERTIFICATE

21 I hereby certify that the foregoing
22 proceedings, hearing held before Chairman Ryan was
23 reported by me on 11/20/2012 and that I Jennifer T.
24 Alves read this transcript and that I attest that this
25 transcript is a true and accurate record of the

1 proceeding.

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Jennifer T. Alvo
Court Reporter

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