

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: SHUFFLEMASTER

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PUBLIC HEARING

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BEFORE: MARY DIGIACOMO COLINS, CHAIRMAN
Raymond S. Angeli, Jeffrey W. Coy, James B.
Ginty, Kenneth T. McCabe, Sanford Rivers,
and Gary A. Sojka, Members
Keith Welks, Ex-officio Designee

HEARING: Thursday, December 18, 2008
1:03 p.m.

LOCATION: North Office Building
Commonwealth and North Street
Hearing Room One
400 North Street, West
Harrisburg, PA 17105

WITNESSES: Terry O'Halloran, Philip Smith, Michael
Cruz

Reporter: Cynthia Piro-Simpson
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CHAIRMAN COLINS:

Good afternoon, everyone. I'm Mary Colins, Chairman of the Pennsylvania Gaming Control Board. I'll ask now, since we're about to start, to turn your cell phones and Blackberries off. And I'll welcome Keith Welks, representing the State Treasurer, Stacie Amsler, the Secretary of Revenue, and Frank Jurbala, representing Secretary Wolff of Agriculture. Welcome everyone.

Now, we have two matters that are before the Board today before we start a public meeting, and they will be addressed. The first matter is Shuffle Master, Inc.'s Petition, which is seeking approval of Vegas Star Roulette Slot Machine for Operation in the Commonwealth.

We'll begin now with the Shuffle Master matter. And those parties who will be testifying as witnesses, I would ask them please to rise so that they could be sworn.

WITNESSES SWORN EN MASSE:

CHAIRMAN COLINS:

1 All right. Thank you. Now, Mr. Downey.

2 ATTORNEY DOWNEY:

3 Thank you, Madam Chairman.

4 CHAIRMAN COLINS:

5 Identify yourself for the record, if you
6 would.

7 ATTORNEY DOWNEY:

8 Good afternoon, Madam Chair, Members of
9 the Board. My name is Bill Downey. I'm an attorney
10 with Fox Rothschild, LLP, and I'm before you this
11 afternoon on behalf of Shuffle Master, Inc. in
12 connection with Shuffle Master's Petition Seeking
13 Approval of this Board of its Vegas Star Roulette Slot
14 Machine for Operation in the Commonwealth of
15 Pennsylvania.

16 Shuffle Master is the holder of a
17 Manufacturer License issued by this Board, License
18 Number M, as in Mary, 1078. With me today are several
19 representatives from Shuffle Master, including Claire
20 Svejkovsky, who is the Executive Director of
21 Compliance.

22 MS. SVEJKOVSKY:

23 Good afternoon.

24 ATTORNEY DOWNEY:

25 Sheri Johnson, who is Product Compliance

1 Supervisor, Terry O'Halloran, who is Product Manager,
 2 and Philip Smith, who is Director of Engineering.
 3 Each of Mr. O'Halloran and Mr. Smith will offer
 4 testimony today. They have been sworn, so with your
 5 blessing, I'd like to just jump in with Mr.
 6 O'Halloran.

7 -----

8 TERRY O'HALLORAN, HAVING BEEN PREVIOUSLY SWORN,
 9 TESTIFIED AS FOLLOWS:

10 -----

11 EXAMINATION

12 BY ATTORNEY DOWNEY:

13 Q. Mr. O'Halloran, would you please state and spell
 14 your name for the record?

15 A. Last name is O-H-A-L-L-O-R-A-N.

16 Q. And Mr. O'Halloran, what is your position with
 17 Shuffle Master?

18 A. I'm the Product Manager for the Vegas Star line.

19 Q. And how long have you been with Shuffle Master?

20 A. Two years.

21 Q. And for how long have you been in the computer
 22 electronics gaming industry, generally?

23 A. Twelve (12) years.

24 ATTORNEY DOWNEY:

25 Madam Chair, I'm now going to ask Mr.

1 O'Halloran to present a short video demonstrating the
2 basic game play and graphics of the Vegas Star
3 Roulette Machine. He is going to then jump
4 immediately into a PowerPoint presentation, and he'll
5 just run free form over both of those components.

6 VIDEO PRESENTATION BEGINS

7 MR. O'HALLORAN:

8 Good afternoon, Madam Chair, Members of
9 the Board. This presentation we have actually on the
10 screen here is a video representation of a
11 presentation we did to the New York State Lottery. It
12 actually shows the interface of the product. You can
13 get a feel for what the hardware is of the product,
14 how the players interface with it, and how the product
15 is actually --- and how the game is displayed to the
16 players at the venue.

17 This product has been in existence since
18 2002, in North America since 2004. The product itself
19 is all electronic, 100 percent random number
20 determinated (sic). It uses a central screen, display
21 screen with animating results. In this case, of
22 Roulette it shows the player --- it shows the dealer
23 and a spinning ball, a wheel, all animated. Each
24 player has their own display terminal. They can place
25 bets, as you can see here. It uses a touch screen

1 interface. On the screen, they'll actually have a
2 ledger of their balance, the bets they placed and the
3 win in any resulting game. There's only one player
4 per terminal. All the credits on their screen
5 actually are theirs. The decisions that the player
6 makes affects no outcome of other players or the game
7 itself.

8 Roulette has two types of variations.
9 There is a single zero Roulette and a double zero
10 Roulette. The more zeros you have, the greater the
11 return to the house. So most places elect to use the
12 double zero Roulette, which means a 5.3 percent return
13 favor to the house.

14 The way this product's configured, you
15 can have between 2 and 32 players. It has meters as
16 it complies to a slot machine. You can order previous
17 game history if any player has a dispute. It will
18 show you with the dolly what number actually came up.
19 You can review previous games, go into the amount ---
20 money that was bet, the way they were placed.

21 The chips you see there on screen can be
22 selectable. They can go as low as a quarter, like a
23 quarter, 50 cent, \$1, so for low stake players as
24 well. It offers the bets that would normally be on a
25 live Roulette table, whether that's a straight-up

1 number bet or bets like red and black.

2 VIDEO PRESENTATION ENDS

3 MR. O'HALLORAN:

4 So that was just some visuals of what the
5 product looks like. I believe in front of you, a
6 presentation folder has been put with a brief
7 PowerPoint presentation that will address some of the
8 issues in the Petition. Also in that is a "How to
9 Play Card". This card is generally put on the
10 machines to help players understand what they do to
11 make the game function and what the pay table is as
12 well.

13 So the presentation we have for you ---
14 some of the issues we'll go through, I'll go through a
15 brief company overview of Shuffle Master, a Vegas Star
16 Roulette overview, some visuals on what the cabinet
17 actually looks like, the box, and some including
18 (phonetic) points.

19 Shuffle Master, we are a publicly-traded
20 company on the NASDAQ. We have been in existence
21 since 1983. Our current market cap is \$250 million.
22 We hold major licenses in state-based jurisdictions,
23 including Pennsylvania here, Nevada, New Jersey and
24 Mississippi, as well as a host of tribal licenses in
25 North America and over the world --- and across the

1 globe.

2 We manufacture Vegas Star Roulette, and
3 we have over 600 employees worldwide. The product
4 itself that we're bringing before you today, it's a
5 multiplayer slot device with a Roulette theme. It's
6 approved and currently functioning in the markets you
7 see there, all tribal. We are currently pending
8 approval in Delaware and Nevada. They're going
9 through technical testing at the present. The product
10 is over 2,206 worldwide, predominantly in Australia
11 and in Asia.

12 With regards to some of the issues raised
13 in the Petition, the Roulette operates as a Roulette-
14 themed slot machine. It's compliant with the
15 technical requirements and the conditions of the Act
16 and regulations, as published in the Petition Number
17 16 and 17. It communicates with the central computer
18 system that the venues have to communicate with the
19 state. It meets all the guidelines for the
20 theoretical payout percentages. It meets the
21 guidelines for the random number generator. It passes
22 the TriSquare test and meets the 95-percent confidence
23 interval that it's required to.

24 Up here is some of the meters that I
25 discussed briefly in the video presentation that is

1 available to the venue and to anyone --- any of the
2 authorized people that may wish to view it. The
3 metering information has all the slot information as
4 would be required. You can reset periodic meters.
5 You can actually view things like the last ten bank
6 notes, so if someone said they put in a \$10 note, but
7 there's only a \$5, you can actually check that.

8 Down further, you can actually look at
9 the current win of the machine, how much money it's
10 made in a certain period of time. Some of the
11 security items are that you can actually completely
12 clear the memory there. You can see how many games
13 have been played since that.

14 On top of that, if there's a player
15 dispute, you can actually wheel that back up to --- up
16 to 35 games. So you can actually --- if a player
17 disputes that they had a winning result, you can
18 actually show what they bet on, how much they bet and
19 what the winning result was for that game.

20 We submitted a prototype of the product
21 to the Gaming Lab Operations in here with supporting
22 documentation. Again, just a visual of what the
23 player actually has in front of him. On the top row,
24 you'll see the credits, how much money they have in
25 the machine, what they bet and what they win after a

1 particular game. There's a countdown up there. It's
2 got the --- where the number 20 is at the countdown,
3 it lets them know how long they have until the bet
4 runs out, and down at the bottom, help screen will
5 provide pay table information on the game. Collect
6 will actually allow them to press the button and get a
7 ticket printed out.

8 A visual of what the product looks like,
9 this a rendered drawing. We have a smaller venue, a
10 smaller option where every player has their own small
11 screen, but they're all still playing the same game.

12 In conclusion, we satisfied the objective
13 elements of the definition of the slot machine, and we
14 complied with the Act and the regulations. We believe
15 it offers an exciting new slot machine experience in
16 this market which it currently doesn't have. Thank
17 you.

18 CHAIRMAN COLINS:

19 Thank you.

20 ATTORNEY DOWNEY:

21 Madam Chair, I would like to call Phil
22 Smith, who is our Director of Engineering.

23 -----
24 PHILIP SMITH, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
25 AS FOLLOWS:

1 -----

2 EXAMINATION

3 BY ATTORNEY DOWNEY:

4 Q. Mr. Smith, would you please state your name and
5 spell your name for the record?

6 A. Philip Smith, P-H-I-L-I-P, Smith, S-M-I-T-H.

7 Q. And what is your position with Shuffle Master?

8 A. I'm the Director of Engineering for Shuffle
9 Master.

10 Q. And how long have you been with Shuffle Master?

11 A. I've been with Shuffle Master for five years, five
12 and a half years.

13 Q. How long have you been in the computer and gaming
14 industry, generally?

15 A. In general, about 26 years.

16 Q. And have you had any specialty schooling or
17 training in your field?

18 A. Yes. I started off going to Control Data
19 Institute, which is a technical school, to learn
20 Computer Programming.

21 Q. Mr. Smith, in your position with Shuffle Master,
22 have you had the opportunity to work with and become
23 familiar with the Vegas Star Platform generally and
24 Vegas Star Roulette specifically?

25 A. Yes, I have.

1 Q. And have you reviewed and are you familiar with
2 all of the technical aspects of the Vegas Star
3 Roulette product?

4 A. Yes, I am.

5 Q. And have you reviewed and are you familiar with
6 the Petition filed by Shuffle Master, seeking approval
7 of Vegas Star Roulette as a slot machine eligible for
8 operation in Pennsylvania?

9 A. Yes, I am.

10 Q. Have you reviewed and are you familiar with the
11 materials, including all hardware, software and
12 documentation submitted to the Gaming Lab in support
13 of Shuffle Master's request for approval of Vegas Star
14 Roulette as a slot machine eligible for operation in
15 Pennsylvania?

16 A. Yes, I am.

17 Q. Is, in your opinion, the Vegas Star Roulette
18 product described in Shuffle Master's Petition,
19 submitted to the Gaming Lab and detailed in Shuffle
20 Master's testimony representative of Vegas Star --- of
21 the Vegas Star Roulette product, as produced by
22 Shuffle Master and as proposed for approval in
23 Pennsylvania?

24 A. Yes.

25 Q. Have you reviewed and are you familiar with the

1 definition of a slot machine under Section 1103 of the
2 Pennsylvania Racehorse Development and Gaming Act?

3 A. Yes, I have.

4 Q. And have you reviewed and are you familiar with
5 the Gaming Control Board's regulations relating to
6 slot machines generally, and in particular, the
7 technical regs?

8 A. Yes, I am.

9 Q. Having reviewed all the materials we just
10 outlined, in your opinion, does the Vegas Star
11 Roulette product, as submitted to the Gaming Lab and
12 as proposed by Shuffle Master for approval, comply
13 with all applicable technical regs of the Gaming
14 Control Board?

15 A. I believe it does.

16 Q. And for the sake of clarity, finally, but for this
17 Board's approval, in your opinion, does the Vegas Star
18 Roulette otherwise satisfy the definition of slot
19 machine and meet the technical requirements
20 established by the Board and under the Pennsylvania
21 Gaming --- Pennsylvania Racehorse Development and
22 Gaming Act?

23 A. Yes, it does.

24 ATTORNEY DOWNEY:

25 Madam Chair, that will conclude our

1 questions at this point. I guess we would offer to
2 Mr. Creany any Cross opportunity.

3 CHAIRMAN COLINS:

4 Thank you. Chief Enforcement Counsel?

5 ATTORNEY CREANY:

6 Barry Creany for the Office of
7 Enforcement Counsel (OEC). First, Mr. Smith, with
8 respect to the Vegas Star Roulette, are you able to
9 attest that this product, prior to submission to the
10 Laboratory of the Gaming Control Board, was completely
11 and properly tested?

12 A. Yes.

13 ATTORNEY CREANY:

14 And are you able to certify today to this
15 Board that the Vegas Star Roulette complies with the
16 Act, including all the requirements related to the
17 central control computer?

18 A. Yes, I believe it does.

19 ATTORNEY CREANY:

20 With respect to the submission of this
21 device in other jurisdictions, has it undergone
22 similar testing?

23 A. Yes, it has.

24 ATTORNEY CREANY:

25 I believe that that's all the questions I

1 have of this witness, but I would like to ask for Mr.
2 O'Halloran to return to the table for a couple
3 follow-ups on his.

4 Thank you, Mr. O'Halloran. From your
5 testimony, I understand that the product has been in
6 existence since 2002, and you particularly mention, I
7 believe, in 2004 it was introduced in the United
8 States.

9 MR. O'HALLORAN:

10 Correct.

11 ATTORNEY CREANY:

12 How many years have you been the product
13 manager for the Vegas Star Roulette?

14 MR. O'HALLORAN:

15 For two years I've been --- I've been
16 involved with it since the inception, 2002.

17 ATTORNEY CREANY:

18 And are you familiar, during that period
19 of time, with respect to any of the testing and review
20 that's been done in any of the jurisdictions, whether
21 these --- Shuffle Master has had to do any
22 modifications of a material nature to address any
23 deficiencies in the Vegas Star Roulette game?

24 MR. O'HALLORAN:

25 No.

1 ATTORNEY CREANY:

2 What is the status of the review of that
3 device in the State of Delaware?

4 MR. O'HALLORAN:

5 They issued a public RFP. The product
6 was approved and passed the RFP process, along with
7 three other manufacturers. The venues there decided
8 to go with a single manufacturer. We were not that
9 manufacturer.

10 ATTORNEY CREANY:

11 And when you were talking about this
12 device, it's a little bit different than some of the
13 conventional machines that we see in the casinos in
14 Pennsylvania. You mention it has the capability of
15 having anywhere between 2 and 32 positions, or
16 stations. In the --- I believe the first video we
17 don't see it, but in the PowerPoint you display two
18 different types, the classic and the mojo, that have
19 two configurations. What do you see as a potential if
20 this Board is to approve this device as a slot machine
21 in Pennsylvania? What kind of configuration would we
22 be likely to see?

23 MR. O'HALLORAN:

24 There was a five-seat called the
25 classic, which had five terminals in it, in a

1 semi-circle around one tower. The general --- if the
2 venues are big enough, they'll put ten --- they'll put
3 five seats on one side, five seats on the other.

4 It's not uncommon in Australia to
5 actually have 32 where they have three or four rows
6 like an amphitheatre. So it's quite flexible.

7 ATTORNEY CREANY:

8 And within the U.S. jurisdictions, what
9 are the more common kind of configurations we're
10 seeing?

11 MR. O'HALLORAN:

12 Ten seats.

13 ATTORNEY CREANY:

14 I noticed on one of the displays in the
15 PowerPoint when it shot --- has a shot of the table,
16 it has a little notation down in the right corner
17 that's not legible in the print, but it was up on the
18 screen, something to the effect that malfunctions will
19 void all played. What --- to that extent, what type
20 of experience have you seen with the machine having
21 malfunctions?

22 MR. O'HALLORAN:

23 On occasions software is capable of
24 essentially a short circuit. You can actually get a
25 false result put up on the screen that will give an

1 immoderate amount of money.

2 ATTORNEY CREANY:

3 And is that any different than what you
4 see in other products that Shuffle Master ---?

5 MR. O'HALLORAN:

6 No. It's actually a technical
7 requirement to have that statement.

8 ATTORNEY CREANY:

9 Okay. I have no further questions.

10 CHAIRMAN COLINS:

11 I have a question. Regarding the screens
12 that you showed, where --- the metering measurements
13 on the machine, are those metering measurements, are
14 they provided in other slot machine products, or is
15 that something that is common only to this product?

16 MR. O'HALLORAN:

17 No. They're provided in other slot
18 product, correct. In other slot product, yes.

19 CHAIRMAN COLINS:

20 And in your more traditional-looking slot
21 machine, are there metering specifications similar ---
22 that's my question, ---

23 MR. O'HALLORAN:

24 Correct.

25 CHAIRMAN COLINS:

1 --- similar to what we've seen on this
2 product?

3 MR. O'HALLORAN:

4 Yes.

5 CHAIRMAN COLINS:

6 Okay. I do have another question, too.
7 You mentioned there was a 5.3 percent return to the
8 house ---

9 MR. O'HALLORAN:

10 Correct.

11 CHAIRMAN COLINS:

12 --- with the double zero model?

13 MR. O'HALLORAN:

14 Yes.

15 CHAIRMAN COLINS:

16 Okay. And how does that 5.3 percent
17 return to the house relate to the statutory mandatory
18 minimum payout requirement in Pennsylvania? How do
19 you translate that in terms of what our statute
20 requires?

21 MR. O'HALLORAN:

22 The theoretical return is higher than the
23 minimum required.

24 CHAIRMAN COLINS:

25 Is there an equivalent? Is it a 90

1 percent return, or ---? It's just higher than 85?
2 Maybe that's something that our lab ---.

3 MR. O'HALLORAN:

4 Oh, okay. 94.7 percent.

5 CHAIRMAN COLINS:

6 So with the double --- with the double
7 zero, which is the most favorable return to the house
8 on this machine, that equates to a 94. ---

9 MR. O'HALLORAN:

10 Seven percent.

11 CHAIRMAN COLINS:

12 --- 7 percent minimum payout?

13 MR. O'HALLORAN:

14 Correct.

15 CHAIRMAN COLINS:

16 Theoretical minimum payout.

17 MR. O'HALLORAN:

18 Correct.

19 CHAIRMAN COLINS:

20 Okay. Thank you.

21 COMMISSIONER SOJKA:

22 Could I follow-up on those questions,
23 Mary?

24 CHAIRMAN COLINS:

25 Of course you can. Of course.

1 COMMISSIONER SOJKA:

2 Because I have --- and it's a --- this is
3 a layman's question, so please forgive me in advance.
4 This is slightly different, again, in some of the
5 other devices we look at, because the player makes a
6 choice, doesn't just push a button to spin wheels or
7 pull a lever, and I'm concerned about the improbable
8 colossally unlucky group of people, who simply choose
9 wrong over, and over, and over, and over again. How
10 do we then know that we would reach our minimum
11 payout?

12 MR. O'HALLORAN:

13 The game of Roulette is like a slot
14 machine, insomuch is that the players --- the original
15 player's skill level, whatever bet they make, whether
16 it's red, black, or put a dollar on number one, has
17 the same theoretical return. A slot player can play
18 20 games without winning. You can play Roulette 20
19 games without winning. You may bet red and black
20 together and still get the green number coming.

21 COMMISSIONER SOJKA:

22 Okay.

23 MR. O'HALLORAN:

24 It's plausible, but the game actually has
25 no level of skill. It's not like other games, which

1 the choice can affect what the outcome is.

2 COMMISSIONER SOJKA:

3 Okay. And you're in agreement with that,
4 too, Mr. Cruz?

5 MR. CRUZ:

6 Yes.

7 COMMISSIONER SOJKA:

8 Thank you.

9 COMMISSIONER RIVERS:

10 Question, Madam Chair. You've listed the
11 jurisdictions in which you received a positive
12 response. Can you talk about some of the
13 jurisdictions that have basically turned you down?

14 MR. O'HALLORAN:

15 The only --- the product has actually
16 never been turned down. We have competitive forces
17 where they may elect to take a similar product by
18 another manufacturer. That's not uncommon. A perfect
19 example was Delaware. The company that was selected
20 was Spilo. Spilo had a very close relationship with
21 the Delaware State Lottery. We, along with IGT, got
22 kicked to the curb as it were. So we didn't make the
23 game in that. Their close relationship forged the
24 deal. We accept that. But technically, we've never
25 been turned down.

1 COMMISSIONER RIVERS:

2 And have you applied for a permit from
3 New Jersey?

4 MR. O'HALLORAN:

5 We will be doing that in time. We are
6 tackling Nevada at the moment. We believe we're about
7 three to four months off completing that, the
8 technical passing, and then we will go for New Jersey.

9 COMMISSIONER RIVERS:

10 And Louisiana?

11 MR. O'HALLORAN:

12 Louisiana, I believe, comes with the New
13 Jersey approval. We have grand plans. A lot of
14 markets are on our radar, but at this stage our
15 technical limitations mean we really have to go one
16 market at a time.

17 COMMISSIONER RIVERS:

18 Thank you.

19 COMMISSIONER MCCABE:

20 I have a couple questions on the
21 configuration. When you have the pop-up screen with
22 ten stations and a big screen, the outcome --- the
23 same outcome is on every one of the terminals;
24 correct?

25 MR. O'HALLORAN:

1 Correct.

2 COMMISSIONER MCCABE:

3 If red comes up, they all have to win
4 red. Now, when you have the other configuration in a
5 cabinet, what you have there is you have --- you know,
6 where you showed three ---.

7 MR. O'HALLORAN:

8 A smaller cabinet, yes.

9 COMMISSIONER MCCABE:

10 Is each machine, then, independent of the
11 other machine, or ---?

12 MR. O'HALLORAN:

13 No. They actually --- they all get the
14 same --- they all are given the same result and the
15 same animation. That configuration is really used for
16 small venues who don't have the space to put in the
17 larger venue, to put in larger cabinets.

18 COMMISSIONER MCCABE:

19 So the same number would come up on all
20 six screens?

21 MR. O'HALLORAN:

22 Correct.

23 COMMISSIONER MCCABE:

24 Why isn't this a table game? I know it
25 meets the definition. It has random number generator

1 and all these technical things. But it looks like a
2 regular Roulette wheel.

3 MR. O'HALLORAN:

4 It was designed as a slot machine. It
5 complies with a slot machine along the lines that it
6 has meters. It has a random number generator. It
7 spits out tickets. It has backup house systems. It's
8 a slot machine. That's how it was designed.

9 COMMISSIONER RIVERS:

10 You may be 100 percent correct in saying
11 that it's a slot machine, but to the individual ---
12 the typical person, they --- they're looking at this
13 as being no different than a human being taking the
14 ball and spinning the ball. I mean, how do we
15 effectively communicate with that group of people who
16 ask the question what is the difference other than the
17 random number generator?

18 MR. O'HALLORAN:

19 Human interaction that Roulette has a lot
20 of variables within the game that can't be --- that
21 are what they are, variable. You have a wheel, which
22 has a mechanism which has friction on it. You have a
23 ball that interacts with humans which can have human
24 sweat. You have a dealer who has different
25 propensities to throw the ball in a different way.

1 You have bias in the wheel. None of this would
2 actually --- is a variable if you would take an
3 econometric model in a video implementation of
4 Roulette.

5 COMMISSIONER RIVERS:

6 So if I were to take the issues that you
7 just put forth, it would be a lot easier to, and I
8 hate to use this word, cheat if it was a dealer
9 spinning a ball versus the random number generating
10 the number?

11 MR. O'HALLORAN:

12 Instances of cheating with Roulette are
13 common. Las Vegas history has shown a lot of
14 different ways to cheat the live Roulette table,
15 whether it be through the dealer or through a betting
16 mechanism that can't be performed on a video product.

17 COMMISSIONER RIVERS:

18 But the probability is a lot less if we
19 use a random number generator; correct?

20 MR. O'HALLORAN:

21 Correct.

22 COMMISSIONER RIVERS:

23 Your machine?

24 MR. O'HALLORAN:

25 Correct.

1 COMMISSIONER RIVERS:

2 Thank you.

3 COMMISSIONER SOJKA:

4 Could I ask one more, Madam Chair?

5 CHAIRMAN COLINS:

6 Of course.

7 COMMISSIONER SOJKA:

8 Again, I think if you look at what we've
9 sometimes called shared experience, slot machines,
10 Shuffle Master has made some and it's --- I think I've
11 gotten my head around why those are slot machines and
12 why they're different from the actual, for example,
13 Blackjack game. But the fact that this one so closely
14 resembles in its entirety the actual game, is that, in
15 fact, more a function of the fact that Roulette is
16 very much like a slot machine rather than this is that
17 much more like Roulette? Because Roulette is like a
18 slot machine; isn't it? It's a number generator ---?

19 MR. O'HALLORAN:

20 It's a manual number generator. The
21 randomness comes from the fact that there's a wheel
22 with equal components where the ball can land. And to
23 answer your question, that would be an opinion-based
24 answer, and I suppose I couldn't give that.

25 COMMISSIONER MCCABE:

1 I have one more question for the Director
2 of our Laboratory. Have you determined that this
3 meets the definition of a slot machine and is a slot
4 machine?

5 ATTORNEY CREANY:

6 Commissioner, we are going to call him as
7 a witness once the Petitioner's case is closed.

8 ATTORNEY DOWNEY:

9 Madam Chair, if you would, I'd --- if
10 there are no further questions, I would like to
11 Redirect for one moment, if I could.

12 CHAIRMAN COLINS:

13 Sorry. Sir, could you speak up? What
14 did you say?

15 ATTORNEY DOWNEY:

16 If there are no further questions from
17 the Board, I'd like to Redirect for one moment, if I
18 could.

19 CHAIRMAN COLINS:

20 Yes. You may Redirect.

21 ATTORNEY DOWNEY:

22 Just to Commissioner Sojka's question. I
23 just want to make sure we're clear. Mr. O'Halloran,
24 is it the case that by virtue of smart play, someone
25 could affect the return to --- could a player affect

1 the return to itself by playing smart?

2 MR. O'HALLORAN:

3 On Roulette?

4 ATTORNEY DOWNEY:

5 On this game, on this ---.

6 MR. O'HALLORAN:

7 On this game, no.

8 ATTORNEY DOWNEY:

9 Thank you.

10 CHAIRMAN COLINS:

11 Is that it?

12 ATTORNEY DOWNEY:

13 Madam Chair, yeah, we're closed.

14 CHAIRMAN COLINS:

15 Do you have any further testimony?

16 ATTORNEY DOWNEY:

17 We do not. We will ask at the conclusion
18 that we enter certain items into the record, but we do
19 not at this time. Thank you.

20 CHAIRMAN COLINS:

21 Okay. Thank you. Mr. Creany?

22 ATTORNEY CREANY:

23 Madam Chair, OEC would like to call as
24 its witness Michael Cruz.

25 -----

1 MICHAEL CRUZ, HAVING BEEN PREVIOUSLY SWORN, TESTIFIES
2 AS FOLLOWS:

3 -----

4 EXAMINATION

5 BY ATTORNEY CREANY:

6 Q. Mr. Cruz, will you please identify yourself for
7 the record and your title?

8 A. Michael Cruz. I'm the Director of the Bureau of
9 Gaming Laboratory Operations.

10 Q. And please, again for the record briefly explain
11 your educational background and your professional
12 experience.

13 A. I have a Bachelor of Science from Rutgers
14 University with a degree in Electrical and Computer
15 Engineering. I worked for a little over two and a
16 half years at the New Jersey Division of Gaming
17 Enforcement as an Engineer testing slot machines
18 there. I was hired in 2006 to be the Manager of Slot
19 Certification at the Pennsylvania Gaming Control Board
20 in the Laboratory. And I believe in January of 2008 I
21 was named the Director of Gaming Laboratory Operations
22 here in Pennsylvania.

23 Q. Mr. Cruz, as the Director of our Gaming Lab, could
24 you explain for the record what the functions served
25 by the Gaming Lab are and your role within those

1 functions?

2 A. The main function of the Bureau of Gaming
3 Laboratory Operations is to test devices that have
4 been submitted by licensed manufacturers for their
5 compliance with the definition of a slot machine in
6 the Act as well as our technical specifications in our
7 regulations. In addition, we also monitor the
8 operation of slot machines when they do get approved
9 by the Board and are installed in the field. And my
10 role is to manage and direct the incoming products,
11 the approvals and the operation of those products in
12 the field.

13 Q. The Act itself and our Gaming Control Board
14 Regulations require that a device, either mechanical
15 or electric, or any machine become a slot under the
16 definition only when it's approved by this Board.
17 Could you give us a short summary of the process by
18 which a machine or device becomes submitted and what
19 it undergoes, just generally, in the Laboratory?

20 A. All right. Well, when a manufacturer is licensed
21 and they wish to sell a game in Pennsylvania, they
22 will engage the Lab. They will submit to us their
23 product. It would be a prototype of the device as
24 well as all the supporting documents.

25 The first thing we do is either the product

1 manager, the engineer of the manufacturer will come to
2 our Lab. They will train myself and my staff in the
3 general operation of that product. This gives us the
4 beginning feel of what type of game this is and how we
5 will proceed with the testing.

6 The first thing that we test on every product is
7 the random number generator. If the random number
8 generator does not pass that, then the product fails
9 immediately. In the case of the Vegas Star ---
10 Shuffle Master Vegas Star product, we analyzed the
11 data from the random number generator. We pulled
12 about 2.7 million data points and analyzed that for
13 its randomness. The conclusion of that report is that
14 it has been determined to be random based on our
15 standards.

16 Once we have determined that the random number
17 generator has passed our standards, we then do the
18 numerical analysis. We verify the theoretical payback
19 percentage of the game. And as --- they stated that
20 there was two separate pay tables in this game, a
21 single zero and a double zero, and we have tested the
22 theoretical payback percentage to be 94.7 and 97.297
23 payback percentage.

24 Once we have calculated that separately from the
25 documents that Shuffle Master provided, we then set

1 the game up and test its operation in the Lab. And
2 that is obviously a myriad of things, but in general
3 it's testing for game play, that every single
4 combination pays out correctly, every number is called
5 out and certain error events that we test for. If
6 that game play --- if the actual game play matches the
7 theoretical that we calculated separately, then the
8 next step we would do is to hook up the machine to our
9 accounting systems. They're the internal slot
10 accounting systems that each slot machine licensee
11 runs for their vouchers and also for the internal
12 accounting as well as the statewide Central Control
13 Computer System.

14 We hook it up to both of those systems and we run
15 through a myriad of tests that at this point we're
16 testing for its accounting capability and its security
17 features, because in the security, it has to connect
18 to the Central System and be remotely verified to be
19 software that has been approved by the Lab and not
20 tampered with in the field. And for accounting, an
21 example of the test that we do is we do game play. We
22 create vouchers. We insert them back and we monitor
23 that. We write that down. And then when we're
24 finished with that test, we will then get a report
25 from the Slot Accounting System. We will get a report

1 from the Central Control Computer System that we have
2 in our lab and we also read the meters from the
3 machine similar to the screens that Terry showed you
4 in the slide. And all four of those numbers have to
5 equal to the penny in order for us to give an okay on
6 the accounting and communication side of that testing.

7 If a product is to pass all those separate
8 independent tests cumulatively, then the Lab will then
9 issue a report summarizing all those with a
10 recommendation that the Lab, based on its technical
11 requirements, does not have an objection to its use in
12 the Commonwealth.

13 Q. Mr. Cruz, there's been talk about the random
14 number generator. And I just wanted to boil this down
15 to some of the requirements of the regulations talked
16 to having a finite set of numbers or --- I think it's
17 a finite set of numbers and there's independent play.
18 Can you explain to the Board whether the Vegas Star
19 Roulette meets the requirements with respect to
20 independent play when we have multiple stations?

21 A. Yes. There is a regulation that states that the
22 --- the cycle of one game ---. I can read it for you.
23 It'd probably be better. 461(a)(7)(a)(2) (sic) states
24 that the finite set of all possible combinations,
25 which shall be known as the cycle of the game, all

1 possible combinations in a slot machine cycle shall be
2 independent of each other and of all possible
3 combinations from cycles in other slot machines.

4 In essence what this requirement is, is that when
5 I'm at a slot machine, what I do on my slot machine
6 should not have any effect on the play of anybody
7 else. For example, the best way to describe this is
8 the --- a situation where it would fail. For example,
9 if a patron were to bet large on a specific number and
10 now the odds and the payout of that number have
11 decreased because of the fact that somebody has paid
12 out and, therefore, this is a dependence between the
13 cycle of one person's game and somebody else's game.

14 The product that Vegas Shuffle Master submitted to
15 us does not do that. Each player station is
16 independent, meaning that in the case of the double
17 zero version, there is a 1 in 38 chance of getting a
18 straight up correct number. Every single player has a
19 1 in 38 chance no matter who selected what. And also,
20 the payout for that is 35 to 1. So that means no
21 matter who selected that number, everybody will get
22 the same payout. So the combination of the odds being
23 identical for every single player and the payouts
24 being identical for every single player, therefore,
25 the cycles are independent of each other.

1 Q. Now, Mr. Cruz, in your description of the general
2 regimen of testing and the specifics with respect to
3 the Shuffle Master Vegas Star Roulette, you mentioned
4 the submission of paperwork and some training and then
5 the testing of the prototype. Has Shuffle Master
6 submitted all the required paperwork and undergone all
7 of the requirements relative to that Section 461, I
8 believe it's G, for the testing?

9 A. Yes. The Lab would not issue its report if it was
10 missing documentation or we felt that we did not have
11 proper training on the device.

12 Q. And as a result of the testing that is undergone,
13 have you prepared a written report summarizing the
14 matters that you've testified to here today?

15 A. Yes, I have.

16 Q. I'm going to provide for you a copy of the
17 memorandum that I'd like to have marked for the record
18 as the Respondent's Exhibit Number One. Is this
19 document familiar to you?

20 (Respondent's Exhibit One marked for
21 identification.)

22 A. Yes.

23 BY ATTORNEY CREANY:

24 Q. What is that?

25 A. This is basically, like I was saying, the summary

1 of all the testing that we have conducted in the Lab.
2 It goes through --- it describes how the machine
3 operates, different configurations. We also explain
4 several of the regulations that are pertinent to this
5 device and how it has complied to those regulations.

6 ATTORNEY CREANY:

7 Madam Chair, I wanted to --- for the
8 record, I've provided a copy of this report to the
9 court reporter and to Counsel Downey. I don't have
10 copies right now for the Board, but they would be
11 submitted with the record in this matter.

12 CHAIRMAN COLINS:

13 Okay. Thank you.

14 BY ATTORNEY CREANY:

15 Q. I wanted to ask you, Mr. Cruz, these devices look
16 different than the conventional types of slots that
17 people are familiar with in terms of having three
18 wheels and numbers and, you know, cherries or lemons
19 or whatever. Would you just tell us, if you strip
20 away the video monitors, the touch screens and you
21 take all of that away and we get behind those screens,
22 when you're looking in the internals of the software,
23 at all of those other devices that are those kind of
24 devices that you tested for with respect to the regs,
25 standards, the technical standards, what is the

1 difference between this device and those conventional
2 ones that are out there in the casinos right now?

3 A. From a computer programming and from a mathematics
4 standpoint, there is no difference between this device
5 and any other device that we have previously approved
6 from the Lab.

7 COMMISSIONER GINTY:

8 That would include the Blackjack games
9 that the Board has approved as well?

10 A. Yes. From a computer programming and a
11 mathematics standpoint.

12 BY ATTORNEY CREANY:

13 Q. And as a result of your testing, were there any
14 requirements that you made to Shuffle Master with
15 respect to changes that would make you feel more
16 comfortable with respect to the technical standards
17 being met?

18 A. No. There were no requirements that we forced
19 Shuffle Master to make changes to the program during
20 the testing.

21 ATTORNEY CREANY:

22 Madam Chair, I have no further questions,
23 but would like to move into evidence the Respondent's
24 Exhibit Number One.

25 CHAIRMAN COLINS:

1 Any objection?

2 ATTORNEY DOWNEY:

3 No objection.

4 CHAIRMAN COLINS:

5 Okay. It's accepted. You may question
6 him. Cross examine.

7 ATTORNEY DOWNEY:

8 Madam Chair, I think we're good. I don't
9 think we have any Cross Examination.

10 CHAIRMAN COLINS:

11 Okay. Thank you very much. Does the
12 Board have any questions?

13 COMMISSIONER COY:

14 Yes, Madam Chairman.

15 CHAIRMAN COLINS:

16 Go right ahead, Commissioner Coy.

17 COMMISSIONER COY:

18 I guess for one of you or whoever's
19 appropriate, the --- I think most of the Shuffle
20 Master Blackjack and Three Card Poker games in
21 Pennsylvania casinos are either \$5 or \$10 minimum
22 bets. What's the typical minimum bet on this Roulette
23 game in other jurisdictions? Do you know?

24 MR. O'HALLORAN:

25 Most markets set it up as a minimum bet

1 of --- a total bet of \$1. They're allowed to ---.

2 COMMISSIONER COY:

3 Of what? I'm sorry.

4 MR. O'HALLORAN:

5 \$1.

6 COMMISSIONER COY:

7 Okay.

8 MR. O'HALLORAN:

9 They can use a quarter. They have a
10 little quarter on the screen and they can just place
11 four 25 cent bets. So the minimum's generally a lot
12 lower because people are more prone to bet on more
13 areas. In Blackjack, there's only a single betting
14 area. So the minimum is generally \$1.

15 COMMISSIONER COY:

16 I'm not sure I understood that.

17 MR. O'HALLORAN:

18 The minimum total bet is \$1 is what it's
19 traditionally set at. If you give players an onscreen
20 betting chip that's worth 25 cents, it means they have
21 to bet four of them to be eligible for that game. So
22 we give them that option.

23 COMMISSIONER COY:

24 In other jurisdictions, have there been
25 problems with these games being connected to the back

1 of the house?

2 MR. O'HALLORAN:

3 No.

4 COMMISSIONER COY:

5 Not at all?

6 MR. O'HALLORAN:

7 A technical glitch in one particular
8 system was solved very quickly by our Engineering
9 Department, but as a matter of designing to the SAS
10 Protocol, then we have no issues, no.

11 COMMISSIONER COY:

12 Okay. Thank you.

13 CHAIRMAN COLINS:

14 Any other questions for Mr. Cruz? Let me
15 just recap something, ask you if this is accurate. So
16 in your testing and evaluation, Mr. Cruz, there are
17 basically three criteria that you tested and checked
18 for that you believe this product satisfies. Is the
19 first one the randomness of the play?

20 A. Yes.

21 CHAIRMAN COLINS:

22 Okay. And is the next a numerical
23 analysis testing as to whether or not the theoretical
24 payout is within the statutory limits?

25 A. Yes.

1 CHAIRMAN COLINS:

2 And is the third the independent nature
3 of the cycles or that the independence of each player
4 from one another in playing this machine?

5 A. Well, the independence part is pretty much proven
6 when we test the random number generator and the
7 numerical analysis. I would like to add that the
8 third part is --- of our testing is the communication
9 to the central systems and the accounting. So as
10 we're going through our test, the independence is
11 proven through part one and part two.

12 CHAIRMAN COLINS:

13 And then as a result of that testing and
14 your evaluation of the results in terms of whether or
15 not they meet the criteria, your recommendation is
16 that it does --- that this device does meet the
17 definition of a slot machine?

18 A. Yes. Based on the tests that the Lab did, we have
19 no objection to its use based on the technical
20 criteria and the definition of a slot machine in the
21 Statute.

22 CHAIRMAN COLINS:

23 Okay. Thank you. Anything else, Mr.
24 Creany?

25 BY ATTORNEY CREANY:

1 Q. Just to reiterate, and is that recommendation or
2 that finding with respect to meeting the Board's
3 technical standards within your report that you're
4 submitting as Respondent's Number One?

5 A. Yes. That recommendation is based upon the terms
6 of the technical standards that the Lab is in charge
7 of reviewing.

8 ATTORNEY CREANY:

9 No further questions.

10 CHAIRMAN COLINS:

11 Okay. Anything else?

12 ATTORNEY DOWNEY:

13 Madam Chair, I'd just ask that the Board
14 accept into the record --- obviously, our Petition is
15 in --- the PowerPoint that we provided today, which
16 we'll leave you both hard copy and electronic, and
17 then we're going to leave you with thumb drive with
18 the video as well.

19 CHAIRMAN COLINS:

20 All right. Any objections?

21 ATTORNEY CREANY:

22 No objections.

23 CHAIRMAN COLINS:

24 All right. We accept that into evidence.
25 What we're going to do is take the ---.

1 ATTORNEY DOWNEY:

2 Madam Chair, I'm sorry, one other
3 element.

4 CHAIRMAN COLINS:

5 Sure.

6 ATTORNEY DOWNEY:

7 We also ask that the submission package
8 that we sent into the Lab initially with all of our
9 technical detail also be included in the record as
10 well as the hardware submitted to the Lab.

11 CHAIRMAN COLINS:

12 Very good.

13 ATTORNEY CREANY:

14 No objections.

15 CHAIRMAN COLINS:

16 It's included. All right. What we're
17 going to do is accept --- take the memo and the other
18 documentary evidence that you've offered. We're going
19 to take the matter under advisement and we'll schedule
20 this for disposition for the next public meeting,
21 which is January 21st. Thank you very much.

22 ATTORNEY DOWNEY:

23 Thank you.

24 ATTORNEY CREANY:

25 Thank you.

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