

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: GAMING PARTNERS INTERNATIONAL USA, INC. and GPI
MEXICANA S.A. de C.V.'s JOINT PETITION FOR RELIEF

* * * * *

ORAL ARGUMENT

BEFORE: DAVID M. BARASCH, CHAIRMAN
Gregory C. Fajt; Richard G. Jewell; Keith
R. McCall; Anthony C. Moscato; William
H. Ryan, Jr.; David W. Woods, Members
Jennifer Langan, representing Timothy
Reese, State Treasurer; Frederick
Strathmeyer, representing Russell Redding,
Secretary of Agriculture; Robert Coyne,
representing Eileen H. McNulty, Secretary
of Revenue

HEARING: Wednesday, July 13, 2016, 12:53 p.m.

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Strawberry Square Complex
Second Floor
Harrisburg, PA 17101

Reporter: Danielle Obert

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A P P E A R A N C E S (Cont.)

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CHAIRMAN BARASCH:

Would counsel come forward, please?
Counsel, before you begin your arguments please state
and spell your names for the court reporter.

ATTORNEY WINKOFSKY:

Sure. Chairman Barasch, members of the
Board, my name is Ed Winkofsky. Last name is,
W-I-N-K-O-F-S-K-Y. It should spell wink of sky. I'm
with the law firm of Greenberg Traurig and with me is
Laura McAllister-Cox. Laura, do you want to ---?

ATTORNEY MCALLISTER-COX:

I think I can spell my name, thanks.
Laura McAllister-Cox. And that's,
M-C-A-L-L-I-S-T-E-R. Cox, C-O-X. Good morning,
Chairman, Commissioners. I'm sort of wearing two hats
here today, and I beg your indulgence. Currently I
serve as vice president of regulatory compliance for
Rush Street Gaming. Previously I was as partner at
Greenberg Traurig and prior to that I was general
counsel for Gaming Partners International.

So, as this matter has been pending for
a while, this is something that I was part of early
on. And I'm going to be able to answer any questions

1 you have today on the matter.

2 CHAIRMAN:

3 Thank you. Office of Enforcement
4 Counsel (OEC), if you'd begin.

5 ATTORNEY ROLAND:

6 Morning, Mr. Chairman, members of the
7 Board. Michael Roland, R-O-L-A-N-D, assistant
8 enforcement counsel with the OEC.

9 CHAIRMAN:

10 Oh, I'm sorry. That's right. And GPI
11 can now proceed.

12 ATTORNEY WINKOFSKY:

13 Great. Well, if I may, I just want to
14 thank the Board and their staff for working through
15 this issue with us for a long period of time. And I
16 particularly want to thank Laura for her
17 professionalism and her experience, she definitely has
18 the breadth of knowledge. And if I may, I'm going to
19 turn this over to her for a little bit. And her and I
20 will just work back and forth here a bit and keep it
21 brief, and make sure that we answer any questions that
22 the Board may have.

23 CHAIRMAN:

24 Thank you.

25 ATTORNEY MCALLISTER-COX:

1 So, this is a truly unique and, we'll
2 call it, foreign situation that we have before you
3 concerning the ownership of Gaming Partners
4 International USA and GPI Mexicana, the two Licensees,
5 and ultimate ownership by a French family. You have
6 in front of you a wealth of information, and I'm, you
7 know, very grateful to Enforcement Counsel for working
8 with us in coming up with the Stipulation of Facts
9 that I think lays out a good road map for you as to
10 what the situation is with these two daughters, these
11 two sisters, whose mother essentially controls the
12 family ownership that flows down to Gaming Partners
13 International.

14 Under the Act, there is a rebuttable
15 presumption which goes with the percentage of
16 ownership calculation. So, there's no question that
17 the direct ownership that these two ladies --- or the
18 beneficial ownership that these two ladies have
19 exceeds the five percent threshold. But the Act
20 permits the Commission to look at the circumstances
21 and determine whether there is control such that these
22 people are, indeed, Principals as defined under the
23 Act. And GPI's position is that this is a great
24 situation for that provision to be utilized.

25 Neither of these ladies are an officer,

1 director or employee of the company. They have no
2 ability to elect any directors, not only of the two
3 Licensees but the public company that owns them. The
4 holding company that the French family has or the
5 holding companies above that. Neither daughter has
6 any opportunity to elect any directors or make any
7 decisions, because the mother has the complete power.
8 And this is a unique estate planning instrument under
9 French law so that at the point that Mrs. Carrette,
10 (phonetic), the mother, passes away that the interest
11 that she holds in the various company holdings will
12 pass to the daughters. A simple estate planning tool,
13 but a bit different than what we have here in the U.S.

14 And as I've learned over the years
15 representing the French ownership of this company,
16 it's important to understand that just because their
17 laws are different or they do things different, it
18 doesn't make it wrong. So, these ladies have no
19 control, no ability to do anything, and GPI is
20 licensed in over 150 jurisdictions around the country.
21 No jurisdiction has required either of the daughters
22 to file. There had been discussions about them filing
23 in other jurisdictions. In fact, several years ago in
24 Michigan we got an official request, as we did here,
25 that they file. And as a result a very detailed

1 explanation in writing and a conference call with
2 staff, a very lengthy one going through the situation,
3 the Michigan Gaming Control Board withdrew the request
4 that the daughters file.

5 GPI reveals this ownership in its
6 applications around the country, and it has not been
7 an issue anywhere else. The mother files everywhere.
8 She has been interviewed by every gaming jurisdiction.
9 She is very cooperative and happy to explain holdings
10 of the family. This has satisfied everyone else, so
11 this is a situation where it is unique, this type of
12 ownership review for you. I venture to guess that
13 nothing even quite close to this has come before you
14 before, and probably won't again.

15 The other fact that isn't in the papers
16 but can certainly be seen, is that this petition's
17 been pending for two-and-a-half years. And in two-
18 and-a-half years there's certainly been no activity by
19 either daughter to disprove any of the facts here. I
20 can tell you personally, the 14, 15 years that I've
21 represented this company, although I've certainly met
22 the mother countless times, I've never met the
23 daughters. They are just not involved at all.

24 So, our request here is that the
25 interpretation of Section 1103 permits you to consider

1 that these ladies do not have control under the
2 standards in the Act such that their ownership would
3 put them at the level of a principal. And we'd
4 appreciate your consideration of that.

5 CHAIRMAN:

6 Enforcement Counsel?

7 ATTORNEY ROLAND:

8 Good morning again, Mr. Chairman and
9 members of the Board. Mike Roland, R-O-L-A-N-D, OEC.
10 I think maybe the best way to approach this is I'm
11 going to present to you three arguments that we feel
12 are important to consider as to why they should be
13 licensed. And maybe at the end throw in something
14 that's not necessarily an argument in and of itself,
15 but something that probably should be considered.

16 I'm going to try to go through this as
17 quickly as I can, because I know you're familiar with
18 it. But you know GPI USA and Mexicana are the ones
19 that are licensed with us. You know they've been with
20 the Board and in Pennsylvania since 2010. They
21 provide all kinds of hardware, chips, software, the
22 whole nine yards. They've been with us, they're very
23 integrated in our Gaming system here in Pennsylvania.
24 They are owned by the umbrella corporation, GPI Corp.
25 100 percent, and then you have Holdings Wilson

1 underneath them, who is the majority holder of GPI,
2 Corp. And then Holding Wilson is where we break off
3 into these two separate companies. I'm probably going
4 to slaughter the names, I apologize. But Hacia and
5 Exalis (phonetic). And each daughter has one company
6 and shares ownership with the mother in that company.
7 The mother's ownership is approximately 72 percent, a
8 little bit more. Daughters' ownership in each of the
9 company is 27.9, in that ballpark there. As joint
10 petitioners have said, they're seeking from you today
11 determination that they really shouldn't be considered
12 Principals, the two daughters, and they should be
13 relieved from any type of filing applications that BOL
14 has asked for. This request came in in January of
15 2014.

16 Why do we think it's required? First,
17 when you look at our regulations, and I'm specifically
18 focusing on 433a.3(b)(2), it states that an individual
19 shall notify the Board and submit a complete
20 application. And I'm paraphrasing here a little bit.

21 If they have one percent or greater indirect
22 ownership interests in a licensed manufacturer, which
23 GPI is. Now, that can't be looked at just by itself,
24 it has to be looked at in combination with Subsection
25 E, which says, notwithstanding the other sections, if

1 it's a publicly traded company that threshold then
2 becomes five. So, as Ms. Cox pointed out, we are
3 looking at the five percent threshold here.

4 I'm terrible at math, so thankfully I
5 had someone from Licensing help me out. But as you
6 look at the ownership percentage and you divide it, as
7 we go down through the layers of companies and
8 affiliates, the two daughters are left with
9 approximately 7.14 percent ownership interest overall.
10 So, they exceed that five percent. The argument, I
11 believe, the joint petitioners are making is, hey
12 look, under French law these girls have no control
13 whatsoever. Mom, because she has the approximately 72
14 percent, no matter what mom votes, mom's ultimately
15 going to get because she holds a larger share. That's
16 true. Two things I'll point out. One, French law is
17 neither binding nor persuasive here. And secondly,
18 the ownership is to her death. So, eventually down
19 the road this may have to be addressed. This is
20 something that's going to have to come again before
21 this Board.

22 So, our first reason is under Section
23 433. If you look to the regulations again, you
24 actually don't have to get very deep into them before
25 you find there's another argument. And I'm looking

1 specifically just at the definition section. When you
2 look at our definitions 401a.3 you have the definition
3 of principal and there are several different sublayers
4 of principal that requires someone to be licensed as a
5 principal, but subset three of principal says, a
6 person who directly holds a beneficial interest in or
7 ownership of the securities of an Applicant or
8 Licensee. So, the key term there is what's really a
9 beneficial interest and I can tell you after talking
10 with Licensing, Licensing has historically always
11 considered a financial component as beneficial
12 interest. It's something where people are concerned
13 about, people worry about money. So, they have always
14 considered financial beneficial interest. There might
15 be other types of beneficial interest.

16 Why is that important? Well, it's
17 important because in July of 2010 both of the
18 daughters received through dividends from each of
19 their respective companies approximately €535,210.
20 Now, I did a little work and I realize that back in
21 July of 2010 the Federal government has told us that
22 the exchange rate was approximately \$1.28, which means
23 that's greater than \$685,000 each. That happened
24 again in July of 2012, and that time they had €56,868.
25 The Federal government again tells me the exchange

1 rate on average in July was \$1.23, which means they
2 came in somewhere around \$70,000 that time. That was
3 2012. I'm not saying it has occurred since then
4 because I don't have proof, but it's likely. I think
5 with that kind of money they certainly would have some
6 type of beneficial interest and certainly a financial
7 one. That's not a small amount of change. So, that's
8 our second argument, they're a principal because they
9 have a beneficial interest, a financial one.

10 The third --- and maybe this is the most
11 significant and it really is going to depend upon how
12 you feel this is all structured. When we look --- and
13 I'm looking at the Act now at 1325.d(1). It says, no
14 trust or similar business entity shall be eligible to
15 hold any beneficial interest in a licensed entity
16 under this part, unless each trustee, grantor and
17 beneficiary of the trust, including minor children,
18 qualifies for and is granted a license as a principal.
19 So, that's a trust or similar business entity.

20 Now, the Board does have some discretion
21 here, and they can waive the compliance requirement
22 under the Act, but that can only be done if the
23 trustee is a banking or lending institution. To the
24 best of my knowledge, neither of these daughters have
25 put forth that they are lending anything to the

1 structure. So, I would offer to you that any type of
2 waiver that might be available under the Act isn't
3 present in this case.

4 So, the question comes down under our
5 third argument as to whether or not this Board thinks
6 that the way the structure is set up this is similar
7 to a trust or is a trust. And I'd offer to you that
8 as the paperwork has come in and you've seen it all,
9 there's a lot there. The Joint Petitioners have held
10 out on their own, they've actually used the terms.
11 This is trust-like when you look at French law. This
12 is the equivalent to a U.S. trust. This is a life
13 estate. Not great with estate work, but I know life
14 estates flow from trusts. They're part of trusts.
15 This is a trust/estate mechanism. They've actually
16 almost labeled them it themselves.

17 So, they're the three arguments that
18 we'd ask you to consider. We believe all of them are
19 compelling. The little afterthought for
20 consideration, and this is something I toyed with and
21 I wasn't sure if I was going to mention it, but Ms.
22 Cox did bring it up, and that has to do with what
23 happens to this whole thing when that larger portion,
24 that 72 percent of both companies that the daughters
25 are part of, gets removed from the equation for

1 whatever reason, for whatever reason. And I'm not
2 saying anything negative or bad would happen, but
3 let's just pretend that section is gone or that
4 portion of stock is gone. So, the two daughters now
5 are the 100 percent owners of their respective
6 companies. They split 50/50 Holdings Wilson, which
7 makes them together the 100 percent owners of Holding
8 Wilson, and Holding Wilson is the majority shareholder
9 of the corporate umbrella of our Licensees. That puts
10 them in a pretty powerful position.

11 Now, they can offer to us that should
12 anything like that happen they'd be more than happy to
13 file applications at that point in time. And I think
14 we've even discussed that. We've never required this,
15 which is why I'm not saying it's an argument standing
16 on itself, this is something to consider. When
17 somebody files for an application, we all know that
18 doesn't happen quickly, that takes months. There's
19 investigations, there's answers that have to be filled
20 out on applications, sometimes there's international
21 travel that's involved. We could potentially put
22 ourselves in a situation where you have the majority
23 shareholder through their corporate umbrella for two
24 of our Licensees really, GPI USA and Mexicana, this
25 combined, who have no license with us and may not be

1 licensed with us for five, six, seven months.

2 Not in and of itself BOL, the Board has
3 never required anyone to gain licensure, at least to
4 my knowledge to gain licensure, kind of as the backup,
5 the safety net. I don't think that's the way we do
6 it, but it's probably something that's worth
7 consideration when we're looking at maybe what's a
8 first-time consideration being placed before this
9 Board.

10 So, with that three arguments, I ask you
11 to take those into consideration and find that both of
12 the daughters, in fact, would be required to file an
13 application as requested by BOL, and we're here for
14 any questions you might have.

15 CHAIRMAN:

16 Before I ask my fellow Commissioners if
17 they have any questions I just have one factual thing
18 I'd like to clarify. How old is the mother, how old
19 are the children?

20 ATTORNEY MCALLISTER-COX:

21 The mother is well into her 70s.

22 ATTORNEY ROLAND:

23 I can tell you the mom is going to be 72
24 in December. I do not know about the children.

25 ATTORNEY MCALLISTER-COX:

1 The daughters are in their 40s.

2 ATTORNEY ROLAND:

3 In their 40s.

4 CHAIRMAN:

5 In their 40s. Okay. Thank you.

6 Questions or comments from the Board?

7 MR. RYAN:

8 Yes.

9 ATTORNEY WINKOFSKY:

10 Excuse me, Chairman. If I may, can ---
11 may I offer just three quick points in response to
12 Counsel?

13 CHAIRMAN:

14 I'd like to wait.

15 ATTORNEY MCALLISTER-COX:

16 Okay.

17 CHAIRMAN:

18 I'd want to get the Board --- get their
19 questions.

20 MR. RYAN:

21 I think I'd like to hear from ---.

22 CHAIRMAN:

23 Oh, you'd like to hear it first?

24 MR. RYAN:

25 Yeah, first.

1 CHAIRMAN:

2 Okay.

3 MR. RYAN:

4 Maybe that will clear up some of our
5 questions, Mr. Chairman.

6 ATTORNEY WINKOFSKY:

7 Okay. And I'll be very brief and then
8 please any questions you have. Just first on the
9 example of when Ms. Carrette were to pass away and
10 this interest would vest with her daughters. Laura,
11 in talking about this ahead of time, gave a very good
12 example of the same situation for Ms. Carrette when
13 her husband was alive. Her husband was licensed in
14 all of the jurisdictions where GPI did business. Ms.
15 Carrette had a very similar interest. The daughters,
16 again, with the use structure and occasionally a
17 Commission would ask about Ms. Carrette at that time,
18 and she never came forward. And then at the time of
19 her husband's passing she now is licensed in all of
20 the jurisdictions where GPI does business, the full
21 process from start to finish. So, that's a good
22 example of the company sort of going through this
23 process before with success.

24 The second one, about the distributions,
25 I think that's a very good point and we've raised this

1 in conversations throughout this process that, you
2 know, the company would be willing to consider
3 restrictions on distributions that they would receive,
4 signing affidavits with respect to control. If
5 there's a creative solution here that helps the Board
6 get comfortable with demonstrating the reality that
7 exists in their ownership, then we're willing to be
8 creative and work with you to get that to you.

9 And then the last point on the trust, I --- if
10 you read that in the record I --- just preparing for
11 this and going through the record, again, I didn't ---
12 describing the usufruct as a trust doesn't jump off
13 the page to me. It seems more like an interest that
14 is granted to someone in their will, so if I were to
15 leave my children an interest and that was in my will
16 it's --- there's actually a Pennsylvania case that
17 distinguishes the usufruct from trust in that it's not
18 an entity. And the section cited by counsel is ---
19 relies on this entity structure. So I just --- I feel
20 like that's a bit of a --- that gets away from the
21 central issue that we're talking about today. And I
22 think the interest is a little different. And that's
23 it.

24 CHAIRMAN:

25 Okay. Are there questions?

1 MR. RYAN:

2 If I can, Mr. Chairman. Ms. Cox, you
3 stated that the statute does provide for the Board to
4 use its discretion and determine that these two
5 daughters are not principals; correct, ma'am?

6 ATTORNEY MCALLISTER-COX:

7 Correct.

8 MR. RYAN:

9 Could you restate that for me?

10 ATTORNEY MCALLISTER-COX:

11 Sure. So Section 1103 of the Act
12 defines controlling interest for a publicly traded
13 domestic or foreign corporation. A controlling
14 interest is an interest in a legal entity, Applicant
15 or Licensee. If a person's sole voting rights under
16 state law corporate articles or bylaws entitle the
17 person to elect or appoint one or more of the members
18 of the Board of Directors or other governing Board or
19 the ownership or beneficial holding of five percent or
20 more of the securities the publicly traded
21 corporation, partnership, limited liability company
22 and other foreign or publicly traded entity. And this
23 is the key language, Commissioner. Unless the
24 presumption of control or ability to elect is rebutted
25 by clear and convincing evidence.

1 MR. RYAN:

2 Mike, the regulation seems pretty clear
3 here that above five percent licensing is required.

4 MR. ROLAND:

5 Agreed.

6 MR. RYAN:

7 What about that statute? Does that
8 statute give this Board, in your opinion and the
9 opinion of OEC, the ability to make that distinction?

10 MR. ROLAND:

11 Oh, I think the Board absolutely has the
12 ability to make that distinction. When I mentioned
13 before the area we get into where the Board really
14 loses its discretion is if the 13 --- I believe it's
15 1325.d Section applies where you already consider them
16 a trust. Then, the only time you can waive them is if
17 they're a banking or lending institution. But I think
18 outside of that small component, the Board has almost
19 always --- has sole discretion to do whatever it so
20 chooses.

21 MR. RYAN:

22 Despite the fact that our regulation
23 does not contain that language in it, and it seems to
24 be much more tightly drawn than the statute as to the
25 five percent. It seems to be saying to me, I guess,

1 five percent is it, our regulation. If you're above
2 five percent that's the end of the argument. If you
3 look at the regulation strictly, that's what it seems
4 to be saying to me. But what you're saying is you're
5 agreeing, I would take it, with Ms. Cox that we can
6 also use the statute to apply discretion here.

7 MR. ROLAND:

8 I think you can use both of them. I
9 think Mr. Pitre's probably going to make a comment,
10 but obviously you have available for you as tools as
11 both the regulation and the statute.

12 MR. RYAN:

13 Cyrus?

14 MR. PITRE:

15 Yeah, you would have to waive the
16 regulation as it applies for this Licensee. The Board
17 has the ability to waive its regulations or it has the
18 ability to redraft its regulations. The only thing
19 that's required for the Board to do this, in this
20 instance, is not to consider the usufruct a trust-like
21 or something akin to a trust under the Act. And
22 usufruct, I mean, it's commonly used in civil law.
23 Okay? So, I mean, it would be for the Board to make
24 that determination in this regard. Now, with that
25 said, be aware that once this happens you're going to

1 probably have a little influx of other entities
2 wanting to do the same thing, and we'll have to
3 revisit this over and over again. So, it's a little
4 precedent setting.

5 MR. RYAN:

6 Okay.

7 ATTORNEY WINKOFSKY:

8 For what it's worth, we agree with
9 everything there except that I would stress the
10 uniqueness of this ownership.

11 MR. RYAN:

12 I understand. Thank you, Mr. Chairman.

13 CHAIRMAN:

14 Thank you. Other Board members? Dave?

15 MR. WOODS:

16 Not a legal question, but the burden of
17 this interviewing process, the burden of being
18 investigated, is that the sole reason that these two
19 women have chosen to spend quite a bit of time or the
20 mother has spent quite a bit of time trying to avoid
21 this? Is it just a burden or ---?

22 ATTORNEY MCALLISTER-COX:

23 Well, yes and a little more. As we all
24 know, it's very --- it's intrusive. There's no
25 question that when the mother dies the daughters ---

1 MR. WOODS:

2 Right.

3 ATTORNEY MCALLISTER-COX:

4 --- continue in ownership. They are
5 going to have to go through this, and they know.
6 Their licensed in over 150 jurisdictions. This has
7 not been an issue anywhere else. There is obviously
8 concern that if this is an issue here that other
9 jurisdictions also are going to revisit this. And as
10 we have been successful in the past explaining the
11 situation and attaining a favorable result, they had
12 asked us to pursue the same avenues here, once we
13 looked at the law and saw that that opportunity is
14 there for the Commission to waive these requirements.

15 MR. JEWELL:

16 So both sides are making the floodgates
17 argument, if I'm listening to this correctly.

18 MR. WINKOFSKY:

19 That's right.

20 ATTORNEY MCALLISTER-COX:

21 I want to jump out here and say, I'm
22 willing to bet that before you read this petition the
23 word usufruct had never crossed your minds. It is a
24 very unique situation, and although I think there is
25 some existence of the concept in Louisiana, nowhere

1 else in the U.S. is this is an issue.

2 I was actually somewhat delighted to see
3 that there was a Pennsylvania State Court case that
4 cited the concept of usufruct and the concept of
5 distinguishing it from a trust, that a usufruct is a
6 right. It is not an entity. A trust is an entity.
7 You can license a trust, you can't license a usufruct.
8 And as Ed has aptly put it, this is more like a
9 beneficiary under a will.

10 And I just want to jump also to Mr.
11 Roland's final point, which sounded like preemptive
12 requirement of licensing. I think that opens
13 floodgates for the Board that maybe you want to think
14 about, because how would this differ from seeking the
15 beneficiaries under people's wills? So, I think ---.

16 MR. WOODS:

17 Just a follow-up question. If the
18 daughters and the mother end up in a dispute, what
19 legal right do the daughters have under French law to
20 talk about ownership to, in any way, try to overcome
21 the mother legally for --- in not handling the company
22 properly or in some fashion, you know, violating what
23 would be an interest for them by making poor
24 decisions. Is there any French law that covers that
25 type of circumstance?

1 ATTORNEY MCALLISTER-COX:

2 I must be honest, I do not know.

3 ATTORNEY WINKOFSKY:

4 Laura, you're not an expert on French
5 law?

6 ATTORNEY MCALLISTER-COX:

7 No, at least not this part.

8 ATTORNEY WINKOFSKY:

9 The way it's been explained to us is
10 that they would have no standing, no right, no ability
11 to do that. But Laura is correct, we can't be in a
12 position where we're holding ourselves out to be
13 authorities.

14 MR. PITRE:

15 I would like to disagree with that.
16 Based on the Napoleonic Code, a usufruct and
17 usufructee can engage, and there's numerous cases in
18 Louisiana where usufructees have sued the usufruct
19 over the use or the right to use, or over the benefits
20 that flow from that usufruct. So, there are numerous
21 cases in Louisiana on this. And my Louisiana law is
22 rusty, I've been gone from there for about 20 years
23 now. So what I'm saying is that this is not just, you
24 know, some simple open and shut thing. Now going
25 back, like I said, the Board has the authority to

1 determine whether or not this is trust or trust-like.
2 If the Board does determine that this is not trust-
3 like, we're done. They can waive the --- you can
4 waive the regulation and we're all done. If the Board
5 determines it's trust-like, well then they have a
6 decision to make as to whether or not they're going to
7 stay in business in Pennsylvania.

8 ATTORNEY WINKOFSKY:

9 Merci.

10 CHAIRMAN:

11 We now know why your background in
12 Louisiana has --- because as soon as you said
13 Napoleonic Code I knew we were on to something.
14 Commissioner Fajt?

15 MR. FAJT:

16 Thank you, Mr. Chairman. Mr. Roland, I
17 am hanging my decision on this issue on the concept of
18 control. So, I understand that it's a two-prong test.
19 The five percent test may fail and the other issue is
20 unless control can be rebutted. Do you agree with
21 that?

22 MR. PITRE:

23 Uh-huh (yes). I do.

24 MR. FAJT:

25 Okay. I believe that the concept of

1 control is a subjective test. So, it's --- what I
2 deem control may not be what you deem control. Has
3 anybody looked at the corporate minutes or any bank
4 accounts or any of the type of corporate issues that
5 may be able to determine whether these daughters
6 participate in Board meetings, whether they show up at
7 Board meetings, whether they voice a concern on one
8 issue or another involving these corporations? Has
9 anybody looked at that?

10 MR. PITRE:

11 I can tell --- no one's looked at that,
12 but I can tell you, Commissioner Fajt, that I've been
13 dealing with Laura and GPI since, geez, at least 2001,
14 2002. And Elizabeth Carrette has always been whatever
15 I say goes, and so she has always been the individual
16 since her husband passed that has ran things there.
17 So I'm not going to sit here and say, oh we go look at
18 this, we --- based on the history that I know of GPI,
19 she pretty much runs things.

20 MR. FAJT:

21 Ms. Cox, are you aware of any
22 involvement --- I heard you say earlier that you were
23 not, but I want to ask again. Are you aware that ---
24 of any involvement of the daughters at any corporate
25 meetings or guidance that they give their mother one

1 way or another regarding these corporations?

2 ATTORNEY MCALLISTER-COX:

3 No, I am not aware of any. I know
4 they've certainly never been involved in any of Gaming
5 Partners International Corporation Board meetings. At
6 the Holding Wilson level, the family holding company
7 level, there's a supervisory Board and an executive
8 Board. Elizabeth Carrette runs one, Alain Thieffry
9 runs the other. Alain also files, he's also the
10 Chairman of the Board of GPIC. And they make all the
11 decisions. Whenever I've had to go to them for
12 signatures on anything for Holding Wilson, it is
13 always Elizabeth or Alain who signs.

14 MR. FAJT:

15 I want to follow up on a question from
16 Commissioner Woods, and I want to be more specific.
17 As to the daughters, are you aware of any issues in
18 their background that would prevent them to be
19 licensed in Pennsylvania?

20 ATTORNEY MCALLISTER-COX:

21 No, not at all.

22 MR. FAJT:

23 Mr. Roland, back to you, and I'll finish
24 up. Ms. Cox defined the daughters' interest in the
25 trust for lack of a better term, the usufruct, as a

1 right. I happen to think that that's probably a good
2 definition. So, you convinced me this is not a trust.
3 It is not a trust. I don't care if they have used the
4 term, which you heard Counsel rebut and say that he
5 wasn't aware in the record that they used that term.
6 You know, maybe it's a like estate. But as the
7 regulations states, you know, I think the phrasing was
8 a trust or similar business entity, I think is the
9 term you used. I don't see it that way. I don't see
10 the fact that I can be a residual beneficiary of
11 something, a will, a bank account, whatever as a ---
12 either a trust, if it doesn't say it's a trust, and
13 there's a trust document and there's trustees and the
14 whole nine yards, or a business entity. So, convince
15 me as to how my right to get a residual interest in
16 something is a trust, when it's not designated a
17 trust, or is a business entity.

18 MR. PITRE:

19 Usufruct is a right to use. So because
20 of that right that flows from that usufruct, the
21 individuals are entitled to the benefits that flow
22 from that use. They are benefiting from the
23 operations of GPI. That's the only thing that we have
24 a leg to stand on, is that benefit that flows from
25 GPI, the operations of GPI, to them as beneficiaries

1 of that usufruct.

2 So, like I said, it would be the Board's
3 determination as to whether or not this is a similar
4 business entity. And we feel, based upon the regs and
5 based upon everything that we have in place, that it
6 is. It's not --- I'm not going to sit here and tell
7 you it's 100 percent solid. There's some discretion
8 for the Board, some discretion as to whether or not
9 the Board wants to consider this business entity
10 something akin to a trust and whether or not the Board
11 wants to waive its regulations.

12 MR. FAJT:

13 One last comment and I'll finish, Mr.
14 Chairman. Mr. Roland, you brought up the concept of,
15 you know, kind of the slippery slope and, you know, if
16 we do this then we will get other filings. I respect
17 that. I acknowledge that that may be true, but I do
18 believe that --- I personally have never been a
19 believer in the slippery slope. I think that people
20 are charged with the ability to make reasoned
21 decisions. And if we make a reasoned decision here in
22 one way and somebody says, oh, the Board just waived
23 the five percent rule, let's go, let's try to get in
24 there and get out of licensure, I trust myself, I
25 trust my fellow Commissioners to be able to say,

1 sorry, you don't meet that test. So, I understand
2 your concept of slippery slope, but I'm respectfully
3 not moved by it.

4 MR. MCCALL:

5 Good answer.

6 CHAIRMAN:

7 Okay. I have a final question that may
8 seem a little bit off the wall, but I'll just throw it
9 out. In listening to this and you operate in all
10 these different jurisdictions and some people have
11 questioned you, some people haven't. If the mother
12 has all this control, which apparently she does, and
13 you're facing this peculiar rule and law in
14 Pennsylvania, wasn't there a really simple solution
15 here inside the family, which is to reduce the
16 ownership level of the two daughters below five
17 percent in exchange for something and then deal with
18 it and not have to deal with Pennsylvania at all, as
19 opposed to this situation where we're in this
20 gymnastic --- mental gymnastics here when, if she has
21 all this control and it's not a trust and it's all the
22 rest of this, then she can adjust the percentages and
23 there's no issue here. Why wasn't that considered?
24 You're sitting here telling me this has been going on
25 for years.

1 ATTORNEY WINKOFSKY:

2 Laura, I can --- and if you want to
3 disagree, please do. But I just --- my understanding
4 is that if something were to happen to her, the estate
5 planning benefits of the way that it's structured
6 outweigh making a different ---.

7 CHAIRMAN:

8 4.9's not good, but 7.1 is?

9 ATTORNEY WINKOFSKY:

10 That's the benefit, as we understand it.

11 ATTORNEY MCALLISTER-COX:

12 Yeah. I'm not sure of the magic number.
13 What I do know --- and unfortunately over many years
14 representing this company we have had Principles pass
15 away in France, and I know that the tax implications
16 when you have wealthy people in France with estates
17 are extremely high. And that's why there are very
18 elaborate estate planning mechanisms that go into
19 place. So when this was put together, it was based on
20 their tax planning.

21 CHAIRMAN:

22 I'm not going to try to ---

23 ATTORNEY MCALLISTER-COX:

24 Yeah.

25 CHAIRMAN:

1 --- force words out of your mouth. But
2 you're not suggesting to me that you know that if an
3 adjustment was made here to bring their ownership
4 shares below five percent, and therefore avoid this
5 entire issue in Pennsylvania, that there are, in fact,
6 consequences to that? You're not telling me that,
7 you're just saying that perhaps might be?

8 ATTORNEY WINKOFSKY:

9 Right. That's right.

10 ATTORNEY MCALLISTER-COX:

11 Yes. Correct.

12 CHAIRMAN:

13 If there's no other questions I think
14 we'd like to take a --- let's take a ten-minute break
15 to consider this, and we'll come back to discuss our
16 ruling. I want to get to the Office of Chief
17 Counsel's part of the agenda. Thank you.

18 SHORT BREAK TAKEN

19 CHAIRMAN:

20 Having had some deliberations, I think a
21 motion is now in order on this GPI matter.

22 MR. FAJT:

23 Mr. Chairman, I move that the Board
24 issue an order to grant Gaming Partners International
25 USA, Inc. and GPI Mexicana S.A. de C.V.'s Joint

1 Petition for Relief, as described by the OCC and ---
2 well, I'll get a second.

3 MR. MCCALL:

4 Second.

5 MR. FAJT:

6 I would like to ask for a roll call, if
7 I might, Mr. Chairman.

8 BOARD SECRETARY:

9 Okay. Rollcall vote. Commissioner
10 Jewell?

11 MR. JEWELL:

12 Yep.

13 BOARD SECRETARY:

14 Commissioner Woods?

15 MR. WOODS:

16 Aye.

17 BOARD SECRETARY:

18 Commissioner McCall?

19 MR. MCCALL:

20 Aye.

21 BOARD SECRETARY:

22 Chairman Barasch?

23 CHAIRMAN:

24 No.

25 BOARD SECRETARY:

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Commissioner Fajt?

MR. FAJT:

Aye.

BOARD SECRETARY:

Commissioner Moscato?

MR. MOSCATO:

Aye.

BOARD SECRETARY:

Commissioner Fajt.

MR. FAJT:

Aye.

CHAIRMAN:

Legally we do not --- it doesn't appear that we have the qualified majority to approve the motion, so the motion fails.

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ORAL ARGUMENT CONCLUDED

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman Barasch was reported by me on 7/13/16 and that I, Danielle Obert, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.



Danielle Obert,

Court Reporter