

**RULES AND REGULATIONS**

**PENNSYLVANIA GAMING CONTROL BOARD**

**[58 PA. CODE CH. 440]**

**Draft Temporary Regulations**

The Pennsylvania Gaming Control Board (Board), under authority in 4 Pa.C.S. § 1202 (relating to general and specific powers), has drafted temporary regulations to facilitate the prompt implementation of 4 Pa.C.S. Part II (relating to gaming), enacted by the act of July 5, 2005 (P.L. 572, No. 71)(Act 71). Included in this draft are regulations pertaining to management companies. Upon adoption of the regulations by the Board, the Board's temporary regulations will be added to Part VII (relating to Gaming Control Board). By publishing these regulations in draft form, the Board seeks public comment prior to the adoption of the regulations.

Contact Person

Interested persons are invited to submit written comments, suggestions or objections to the draft temporary regulations to the Pennsylvania Gaming Control Board, Office of Communications, P.O. Box 69060, Harrisburg, PA 17106-9060, ATTENTION: Public Comment. The public comment period will end on December 30, 2005.

THOMAS A. DECKER,

Chairperson

**TABLE OF CONTENTS**

**Title 58. Recreation**

**Part VII. Gaming Control Board**

**Subpart A. GENERAL PROVISIONS**

**CHAPTER 401. PRELIMINARY PROVISIONS**

§ 401.4. Definitions

**Subpart B. LICENSING, REGISTERING, CERTIFYING AND**

**PERMITTING**

**CHAPTER 440. MANAGEMENT COMPANIES**

§ 440.1. Management company license

§ 440.2. Management company as agent

§ 440.3. Management contracts generally

§ 440.4. Required provisions in management contract

**Subpart C. SLOT MACHINE LICENSING**

**CHAPTER 441. SLOT MACHINE LICENSES**

§ 441.3. Slot machine license requirements

**Subpart A. GENERAL PROVISIONS**

**CHAPTER 401. PRELIMINARY PROVISIONS**

**§ 401.4. Definitions.**

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**Collateral agreement** - Any contract that is related either directly or indirectly to a management contract or to any rights, duties, or obligations created between a management company and a slot machine licensee.

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**Management company** - Any person or legal entity which, through a Board-approved contract with a slot machine licensee, is responsible for the management of all or part of the operation of a licensed facility.

**Management contract** - Any contract, subcontract, or collateral agreement between a management company and a slot machine licensee if such contract provides for the management of all or part of a licensed facility.

**Subpart B. LICENSING, REGISTERING, CERTIFYING AND  
PERMITTING**

**CHAPTER 440. MANAGEMENT COMPANIES**

**§ 440.1. Management company license.**

(a) Each management company shall be required to obtain a management company license from the Board, and pay the required license fee, prior to providing to a slot machine licensee any service under this chapter.

(b) Each management company license applicant must complete the appropriate Conditional/Category 1, Category 2 or Category 3 application and disclosure information forms with the applicable appendices as if the management company license applicant were an affiliated entity of the slot machine licensee/applicant.

(c) Management company license application shall be submitted by a slot machine licensee or applicant with a nonrefundable application processing fee prescribed by the Board.

**§ 440.2. Management company as agent.**

(a) Notwithstanding any provision to the contrary in the management contract, a management company shall be deemed to be an agent of the slot machine licensee for purposes of imposing liability for any act or omission of the management company in violation of the act or this part.

(b) Notwithstanding any provision to the contrary in the management contract, each management company shall be jointly and severally liable for any act or omission by the slot machine licensee in violation of the act or this part, regardless of actual knowledge by the management company of such act or omission.

**§ 440.3. Management contracts generally.**

(a) A management contract between a slot machine licensee and management company licensee may not become effective until the Board has reviewed and approved the terms and conditions of the management contract, and any amendments thereto.

(b) The slot machine licensee shall notify the Board of any change or amendment to the management contract 30 days prior to the effective date of the proposed amendment.

(c) A management contract will not be approved by the Board unless the management company proves by clear and convincing evidence that the approval of such contracts would not create a monopoly on the control of licensed gaming facilities in this Commonwealth. A management company that seeks Board approval of a management contract shall disclose its financial interests in the slot machine licensee or applicant and, if applicable, proposed or contemplated change in ownership or control of a slot machine licensee

(d) Requests for approval of a management contract must include a business plan which sets forth the parties' goals and objectives for the term of the management contract.

(e) Any management contract submitted for Board review and approval must enumerate with specificity the responsibilities of the slot machine licensee and management company under the terms and conditions of the management contract. At a minimum, the terms should address whether, and to what extent, the management company is involved in the following:

(1) Operation of the following departments:  
information technology, internal audit, slot accounting, slot management, security and surveillance.

(2) Design, construction, improvement or maintenance, or both of the licensed facility.

(3) Provision of operating capital and financing for the development of the licensed facility.

(4) Payment of the slot machine license fee.

(5) Purchase or lease of slot machines or associated equipment.

(6) Design, implementation or amendment, or both of the system of internal controls required pursuant to section 1322 of the act (relating to slot machine accounting controls and audits) and this part including the financial reporting requirements.

(7) Hiring, terminating, training and promoting of employees and the employment practices attendant thereto.

(8) The payment of local, state and federal taxes and slot machine license deposit required pursuant to the act and this part and any penalties imposed by the Board for violations thereof.

(9) Advertising, player incentive or marketing programs.

(10) Compliance with section 1325(b)(1) of the act (relating to license or permit issuance).

(11) Obtaining and maintaining insurance coverage, including coverage of public liability and property loss or damage.

(12) Procurement of vendors and junkets.

(13) Selection of the licensed facility's independent auditor.

(f) Notwithstanding subsections (a) through (e), a slot machine licensee and licensed management company shall not contract for the delegation of any benefits, duties, or obligations specifically granted to or imposed upon the slot machine licensee by the act.

**§ 440.4. Required provisions in management contract.**

Each management contract, submitted to the Board for approval, shall contain the following:

(1) A provision that provides the grounds and mechanisms for modifying or terminating the contract.

(2) A provision that shall state that the contract shall not be effective unless and until it is approved by the Board.

(3) A provision that describes with particularity the method of compensating and reimbursing the management company.

(4) Provisions that contain a mechanism to resolve patron disputes and disputes between the slot machine licensee and the management company.

(5) A provision that indicates whether and to what extent contract assignments and subcontracting are permissible.

(6) A provision that specifies the duration of the management contract; provided, however, that no management contract shall contain a provision that provides for the automatic renewal of the management contract.

**Subpart C. SLOT MACHINE LICENSING**

**CHAPTER 441. SLOT MACHINE LICENSES**

**§ 441.3. Slot machine license requirements.**

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(d) Notwithstanding any provision to the contrary in the management contract, each slot machine licensee shall be jointly and severally liable for any act or omission by



the management company in violation of the act or this part, regardless of actual knowledge by the slot machine licensee of such act or omission.