

**PENNSYLVANIA GAMING CONTROL BOARD
RULES IN THE FORM OF PROPOSED REGULATIONS**

CHAPTER 431. SUPPLIER LICENSES

§ 431.1. Supplier license requirements.

(a) In determining whether an applicant will be licensed as a supplier under this section, the Board will consider whether the applicant satisfies the criteria listed in this section and whether the applicant sells, leases, offers or otherwise provides, distributes or services slot machines or associated equipment at a licensed gaming facility which meet one or more of the following criteria:

- (1) Are specifically designed for use in the operation of a slot machine.
- (2) Are needed to conduct an authorized game.
- (3) Have the capacity to affect the outcome of the play of a game.
- (4) Have the capacity to affect the calculation, storage, collection or control of gross terminal revenue.

(b) An applicant for or holder of a supplier license shall have a continuing duty to promptly:

- (1) Notify the Board of a material change in the information, materials, and documents submitted in the license application or renewal application submitted by the

applicant or licensee or a change in circumstances that may render the applicant or licensee ineligible, unqualified or unsuitable to hold the license under the licensing standards and requirements of the act.

(2) Provide information requested by the Board or the Bureau relating to licensing or regulation; cooperate with the Board and the Bureau in investigations, hearings, and enforcement and disciplinary actions; and comply with all conditions, restrictions, requirements, orders, and rulings of the Board in accordance with the act.

(c) In accordance with section 1317 of the act (relating to supplier and manufacturer licenses application), neither an applicant for or the holder of a manufacturer license or slot machine license nor any of the applicant's or holder's affiliates, intermediaries, subsidiaries or holding companies, is eligible to apply for or hold a supplier license.

(d) Computerized casino management systems, player tracking systems, including slot machine interface boards, card readers and displays, wide-area progressive systems and slot monitoring systems, including gaming voucher systems, bonusing systems and electronic transfer promotional credit systems are excluded from a requirement that they be provided through a licensed supplier as set

forth in this part. Persons or entities providing these excluded systems to slot machine licensees, including manufacturers, may employ individuals with occupation permits issued under section 435.4 (relating to occupation permits) to service and repair such excluded systems.

§ 431.2. Supplier licensing standards and application.

(a) The standards and requirements for qualification for a supplier license are set forth below and in section 1317 of the act (relating to supplier and manufacturer licenses application). The applicant shall submit:

(1) A nonrefundable application processing fee.

(2) An original and seven copies of the Manufacturer/Supplier Application and Disclosure Information Form for the applicant that has applied for the license under this part.

(3) A diversity plan as set forth in section 1325(b) of the act (relating to license or permit issuance) and Chapter 481 which shall be signed by the chief executive officer of the applicant.

(4) An application from every key employee and key employee qualifier as specified by the Supplier Application and Disclosure Information Form or as determined by the Board, which shall consist of the following:

(i) An original and seven copy of the Multi Jurisdictional Personal History Disclosure Information Form with a nonrefundable deposit to be set by the Board and provided in a fee schedule for each key employee and key employee qualifier.

(ii) The applicant may be subject to additional fees based on the actual expenses incurred by the Board in conducting the background investigation.

(5) If applicable, copies of all filings required by the United States Securities and Exchange Commission during the 2 immediately preceding fiscal years, including all annual reports filed under sections 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.A. 78a), quarterly reports filed under sections 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.A. § 78m and 78o-6), current reports filed under sections 13 or 15(d) of the Securities Exchange Act of 1934, and proxy statements issued by the applicant.

(6) Properly executed forms for consents to inspections, searches and seizures; waivers of liability for disclosures of information and consents to examination of accounts and records in forms as prescribed by the Board.

(7) The applicant shall affirm that neither it nor any of its affiliates, subsidiaries, intermediaries and holding companies holds any direct or indirect ownership interest in any applicant for or holder of manufacturer license or slot machine licensee, or employs, directly or indirectly, any person who satisfies the definition of a key employee qualifier or key employee of a manufacturer or slot machine applicant or licensee. In applying this provision to an applicant for a supplier license, the Board shall not include interests that are held by individuals in any of the following manners:

(i) In mutual funds where the value of the interest owned does not exceed one percent of the total fair market value of the applicant or licensee and provided that such mutual fund is not a nondiversified fund invested primarily in entities operating in, or connected with, the gaming industry.

(ii) Through defined benefit pension plans.

(iii) Through deferred compensation plans organized and operated pursuant to section 457 of the Internal Revenue Code of 1986 (26 U.S.C.A. § 457).

(iv) In blind trusts over which the holder may not exercise any managerial control or receive income

during the time period the holder is subject to these provisions.

(v) Through tuition account plans organized and operated pursuant to section 529 of the Internal Revenue Code (26 U.S.C.A. § 529).

(vi) Through plans described in section 401(k) of the Internal Revenue Code (26 U.S.C.A. § 401(k)).

(vii) An interest held by a spouse if an action seeking a divorce and dissolution of marital status has been initiated in any jurisdiction by either party to the marriage.

(8) Whether the supplier is minority- or women-owned and controlled and the supplier's enterprise certification number, if any, as required by section 481.3 (relating to diversity participation).

(9) Other information or documentation as may be requested by the Board.

(b) Each application for a supplier license shall include the production of copies of financial books, records, information, documentation and assurances to satisfy the Board of the following:

(1) The financial fitness, good character, honesty, integrity and responsibility of the applicant.

(2) That all key employee qualifiers individually qualify under the standards of section 1317 of the act (relating to supplier and manufacturer licenses application).

(3) The integrity of all financial backers.

(4) The suitability of the applicant and all key employee qualifiers of the applicant based on the satisfactory results of:

(i) A background investigation of all owners, officers, members of the board of directors and key employees or their equivalent in other jurisdictions.

(ii) A current tax clearance and lien review performed by the Department.

(iii) A current Unemployment Compensation Tax clearance review and a Workers Compensation Tax clearance review performed by the Department of Labor and Industry.

(c) A sworn or affirmed statement that the applicant has developed and implemented internal safeguards and policies to prevent a violation of section 1513 of the act (relating to political influence).

§ 431.3. Supplier requirements and prohibitions.

(a) Supplier licensees shall be the sole and exclusive authorized sources of slot machines or associated equipment, as provided in section 1317 of the Act (relating

to supplier and manufacturer licenses application), that are sold, leased, offered, installed or otherwise provided for use or play, distributed, serviced or repaired at licensed facilities.

(b) Nothing in the forgoing shall be construed to prohibit a licensed gaming entity from servicing or repairing slot machines or associated equipment, pursuant to a written agreement between the supplier licensee and the licensed gaming entity, that have been provided by a supplier licensee for use or play at the licensed facility.

(c) Nothing in the forgoing shall be construed to prohibit a licensed gaming entity from performing routine maintenance directly related to the availability of slot machines for play, customer service or a clean and gracious playing environment. Such routine maintenance shall include installation or replacement of the following: batteries, hardware, including hinges, screws, bolts and custom handles, light bulbs, locks on slot machines and slot cash storage boxes, including the re-keying of such locks, printers, exclusive of printer software, and paper stock. Routine maintenance shall also include the clearing of paper, bill and coin jams which do not require removal or dismantling of the mechanisms and external cleaning.

(d) Every supplier licensee shall be subject to the following requirements:

(1) Within 1 year of the Board's issuance of the supplier license, a supplier must establish and maintain a principal place of business in the Commonwealth.

(2) Pursuant to section 1306 of the act the Board shall license a sufficient number of suppliers to adequately meet the installation, service and repair needs of the licensed facilities.

(3) Nothing in these regulations shall be construed to require that a manufacturer and a supplier enter into either an exclusive or non-exclusive contractual agreement.

(4) A supplier shall only employ technicians that have been trained and issued a certification according to procedures or policies established by licensed manufacturers whose equipment that supplier will service, install or repair.

(5) A supplier shall maintain at all times equipment and a physical facility in the Commonwealth approved by the Board adequate to house necessary inventory of replacement parts and supplies for slot machine operation and support, equipment necessary for transporting and delivering inventory, and equipment for the servicing,

repairing and installing of all slot machines and associated equipment.

(6) At the time of licensure, a supplier shall have assets or available lines of credit to support the sale, financing, servicing and repair of all slot machines to be placed in service by the supplier. The assets and available lines of credit shall be from a source independent of slot machine manufacturers and licensed gaming entities. Notwithstanding the forgoing, a licensed manufacturer may extend financing or payment terms to a licensed supplier, at prevailing market rates and terms, for the acquisition or leasing of slot machines, to be secured by the slot machines sold, leased or transferred.

(8) Upon request of the Board, a supplier shall submit to the Board for review any agreements with a licensed manufacturer or with a licensed gaming entity and detailed business plans. The Board's review may include, but not be limited to, all financing arrangements, inventory requirements, warehouse requirements, warehouse space, technical competency, compensative agreements and other terms or conditions to ensure the financial independence of the licensed supplier from the licensed manufacturer and licensed gaming entity.

(9) In order to facilitate the orderly installation of initial slot machines at a newly licensed facility, a manufacturer may employ individuals to directly provide initial installation services pursuant to an agreement with a supplier licensee at a newly licensed facility for a period of 2 years immediately following the issuance of the facility's slot machine license.

(10) Nothing in this chapter shall be construed as creating a franchise for the purposes of any franchise statutes, rules or regulations.