



PGCB GMS-1

APR 25 2005

April 19, 2005

Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

Dear Sir:

On behalf of Bulova Technologies L.L.C., a Pennsylvania based small business manufacturer, the following comments on the temporary regulations drafted by The Pennsylvania Gaming Control Board pursuant to Section 1202 of the Pennsylvania Race Horse Development and Gaming Act of 2004 are respectfully submitted.

Please direct any questions or comment to the undersigned.

Very truly yours,

Craig Schnee
Senior Vice President
and General Counsel

DRAFT REGULATIONS COMMENT FORM

Please complete all of the fields below before printing:

DATE	<input type="text" value="4/20/05"/>	ADDRESS 1	<input type="text"/>
SECTION # OR SUBJECT	<input type="text" value="435.3 (c)"/>	ADDRESS 2	<input type="text"/>
FIRST NAME	<input type="text" value="Craig"/>	CITY	<input type="text"/>
LAST NAME	<input type="text" value="Schnee"/>	STATE	<input type="text"/>
ORGANIZATION NAME	<input type="text" value="Bulova Technologies L.L.C."/>	ZIP CODE	<input type="text"/>
EMAIL ADDRESS	<input type="text"/>	COUNTY	<input type="text" value="Lancaster"/>
		TELEPHONE	<input type="text"/>

COMMENTS

See Attachment

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Section 435.3 (c) Law enforcement agencies typically do not give "letters of reference". Perhaps the Board would be satisfied with a letter setting forth the applicant's record of arrests/conviction or a statement that no such record exists.

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DATE	<input type="text" value="4/20/05"/>	ADDRESS 1	<input type="text"/>
SECTION # OR SUBJECT	<input type="text" value="401.4 Definitions"/>	ADDRESS 2	<input type="text"/>
FIRST NAME	<input type="text" value="Craig"/>	CITY	<input type="text"/>
LAST NAME	<input type="text" value="Schnee"/>	STATE	<input type="text"/>
ORGANIZATION NAME	<input type="text" value="Bulova Technologies L.L.C."/>	ZIP CODE	<input type="text"/>
EMAIL ADDRESS	<input type="text"/>	COUNTY	<input type="text" value="Lancaster"/>
		TELEPHONE	<input type="text"/>

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Section 401.4 Definitions

“Controlling Interest” – The first full sentence beginning at line seven (7) states, “A person who is a holder of securities of a privately held domestic or foreign corporation, partnership, limited liability company or other form of legal entity shall be deemed to possess a controlling interest unless the presumption of control is rebutted by clear and convincing evidence”.

This definition is very broad and should be narrowed to “a holder of a majority of the securities”. Otherwise, even a 1-2% holder of securities will be left with the burden of convincing the Board that he/she/it does not have a controlling interest.

“Key Employee Qualifier” – This definition is so broad as to include employees of a manufacturer who will never have a connection with or decision making power in connection with the manufacturer of slot machines. For example, in our small organization of 140 employees, more than 25 are described as “supervisors”, “managers” or “directors”, including the head of Human Resources, the supervisors of union assembly workers, several in the Purchasing Department, and so forth. The first sentence should be modified to read, “An individual employed by a person who is a slot machine licensee, manufacturer license or a supplier licensee who holds a senior management position or who controls the operations of the licensee”.

Use of the second sentence in the section which begins, “The term includes ...” does not clearly limit the broad scope of the first sentence, assuming the intent was to do so.

Also, in line nine (9) “Board” should be used with a lower case “b”, and in line fourteen (14) the word “otherwise” should be added to the end of the line to make clearer that the regulations intend that this is to be the case only where the Board has a special interest in a particular individual (I assume this is the case as the sentence otherwise vitiates all of the preceding definition).

Licensed gaming entity or slot machine licensee – The word “that” should be “who”:

Licensed racetrack or racetrack – In line five (5) the word “respectively” should be both preceded and followed by a comma.

Slot machine – This definition is overly broad and would include skeeball, pinball machines, toy cranes which pick up stuffed animals, etc. Someone needs to walk through the arcades at Hershey Park, and any mall or the PA Turnpike rest stops to see how overly broad this definition is.

Slot machine licensee – The word “that” should be “who”.

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Please complete all of the fields below before printing:

DATE	<input type="text" value="4/20/05"/>	ADDRESS 1	<input type="text"/>
SECTION # OR SUBJECT	<input type="text" value="427.2(b)and (b)(4)(ii)"/>	ADDRESS 2	<input type="text"/>
FIRST NAME	<input type="text" value="Craig"/>	CITY	<input type="text"/>
LAST NAME	<input type="text" value="Schnee"/>	STATE	<input type="text"/>
ORGANIZATION NAME	<input type="text" value="Bulova Technologies L.L.C."/>	ZIP CODE	<input type="text"/>
EMAIL ADDRESS	<input type="text"/>	COUNTY	<input type="text" value="Lancaster"/>
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Section 427.2 (b) Insert the words “copies of” between the words “of” and “financial” in the second line.

(b) (4) (ii). OK, but Pennsylvania is notorious for taking the longest time to accomplish these tax clearances.

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DATE	4/20/05	ADDRESS 1	
SECTION # OR SUBJECT	427.2 (a)(4)(i) and (a)(6)	ADDRESS 2	
FIRST NAME	Craig	CITY	
LAST NAME	Schnee	STATE	
ORGANIZATION NAME	Bulova Technologies L.L.C.	ZIP CODE	
EMAIL ADDRESS		COUNTY	Lancaster
		TELEPHONE	

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Section 427.2 (a) (4)(i) and (a)(6).

As a result of the overly broad definition of “key employee qualifier” presently set out in Section 401.4, this requirement will preclude most small businesses in Pennsylvania from participating as manufacturers. Our company of 140 employees, for example, has approximately 25 individuals who would meet the definition of “key employee qualifier”, necessitating licensing application fees of \$75,000 for those individuals plus, of course, the entity application fee and licensing fee, and the fees for truly relevant individuals such as directors, officers and major stockholders.

(a) 6. Delete “searches and seizures”. The Board is not investigating a crime.

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DATE	<input type="text" value="4/20/05"/>	ADDRESS 1	<input type="text"/>
SECTION # OR SUBJECT	<input type="text" value="471.3"/>	ADDRESS 2	<input type="text"/>
FIRST NAME	<input type="text" value="Craig"/>	CITY	<input type="text"/>
LAST NAME	<input type="text" value="Schnee"/>	STATE	<input type="text"/>
ORGANIZATION NAME	<input type="text" value="Bulova Technologies L.L.C."/>	ZIP CODE	<input type="text"/>
EMAIL ADDRESS	<input type="text"/>	COUNTY	<input type="text" value="Lancaster"/>
		TELEPHONE	<input type="text"/>

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Section 471.3. No small business in Pennsylvania can afford to pay these fees as exacerbated by the overly broad definition of "key employee qualifier". These fees could be construed as an intent to limit participation by small businesses and disadvantaged firms, notwithstanding subpart F.

APR 26 2005

DRAFT REGULATIONS COMMENT FORM

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DATE 4/23/05 ADDRESS 1 _____

SECTION # OR SUBJECT Rules & Regs & Gaming Control Board ADDRESS 2 _____

FIRST NAME Carolyn Carver CITY _____

LAST NAME CARVER STATE []

ORGANIZATION NAME _____ ZIP CODE []

EMAIL ADDRESS _____ COUNTY Montgomery

TELEPHONE _____

COMMENTS

Who appointed the Gaming Control Board? No member family members of the government should be allowed to be on the Board

Section 401.4 - Central control computer - what about machine malfunctions

Confidential information ① what is an example of information of unwarranted invasion of personal property?

Gross Terminal Revenue Sect iii - what is an example of personal property?

CHAPTER 403 - 403.1c - Why would a member have an "interest" should have NO financial interest

431.3(a) Define "principal place of business"

SECTION 481.3 - Just how is the list of minority & women's interests selected. Open door for nepotism. They're graft of people can select people for list. How will qualifications government legislators for job be determined?

Comments may be submitted to the Board by U.S. Mail at the following address:

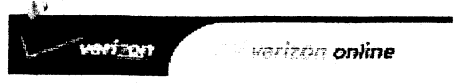
Pennsylvania Gaming Control Board
 P.O. Box 69060
 Harrisburg, PA 17106-9060
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OVER

Would like copy of Sections 1402, 1403, 1405, 1407, 1324

I have enclosed a copy of an
article about Indians + the government +
the Casinos. Be careful

Please Read this



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I. Nelson Rose GAMING GURUS

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- It's Not Just About Voting
- Washington State Debates Level Playing Field, Again
- Are New York's Slots and VLTs Constitutional?

When Tribes Buy Racinos By I. Nelson Rose 3 February 2005

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Startling changes are sweeping the world of legal gambling. Gaming tribes that for decades lived in abject poverty now have a new problem: finding ways to diversify their enormous wealth.

Meanwhile, states have the opposite difficulty. The Islamist attacks of 9/11, coming at the time of the burst of the Internet stock market bubble, drove most state budgets so far into the red that there is no easy way for governors and legislatures to dig their way out. As often happens, lawmakers turn to legal gambling as a painless tax.

Naturally, at some point the two trends had to come together.

The Mohegan Sun casino in Connecticut reported revenue of \$1.1 billion for the fiscal year ending in September 2004. With that kind of money, it was easy for the Mohegans to buy Pocono Downs in Wilkes-Barre, Pennsylvania, for \$280 million. The tribe can finance the purchase out of its cash flow.

There is no market today for racetracks, especially those that have to compete against nearby casinos. New York is having trouble finding any bidders for its last track license, now that it looks like its racino law is unconstitutional.

But Pocono Downs will be one of only 14 locations in the

I. Nelson Rose Professor I. Nels internationally kr public speaker a recognized as or leading authoritie law. A 1979 grac Law School, he i Professor at Whi in Costa Mesa, C he teaches one c school classes o

Website: www.gamblingar

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- The Day Congress Outlawed Sports Betting and Violated the U.S. Constitution

populous state of Pennsylvania to have a share of the newly authorized 61,000 slot machines. Anyone with a calculator can figure out how much that is worth, given that even on the saturated Las Vegas Strip, 25-cent slot machines make more than \$100/day. A near-monopoly in a good location can make \$500 per slot per day, or more.

The Mohegans also want to invest hundreds of millions in proposed tribal casinos in Wisconsin and Washington state. In November 2004, voters in Kenosha approved a non-binding referendum for an \$800 million casino-resort an hour north of Chicago that technically will be owned by the Menominee Tribe, but financed and run by the Mohegans.

In Oklahoma, two of the state's four racetracks are owned by tribes. In November 2004, that state's voters approved Class III gaming devices for these and one other track. Although "slot machines" are still illegal, these games will be fast-action linked bingo machines and video pull-tabs with video slot machine displays, as well as video poker. Oklahoma's tribe-owned, off-reservation racinos will be very close to true casinos, with non-house-banked table card games, including poker, pai gow poker and blackjack.

There have been other serious efforts by tribes to own off-reservation casinos, not subject to the Indian Gaming Regulatory Act ("IGRA"), in places such as Detroit, Michigan; West Warwick, Rhode Island; and Bridgeport, Connecticut.

What happens when a tribe becomes the financier and operator of an off-reservation casino? No one knows the answer - yet. But we can make some educated guesses.

First, it is important to note that we are not talking about the more common and controversial issue of "reservation shopping," where a tribe obtains new land, nearer a city, and has it put into trust as part of its reservation. The law here is fairly well established. If a tribe can get the necessary federal and state approvals -- a difficult process -- it can open a casino under the terms of the IGRA.

But what if the casino or racetrack is not part of the tribe's reservation? It might be on land never taken into trust, or even on land owned by another tribe. If the Mohegans succeed in financing and operating a casino on the Menominee Tribe's reservation in Kenosha, Wisconsin, the land won't somehow become part of the Mohegans' reservation. A tribe may own, finance or manage legal gambling on privately owned land to the same extent as anyone else.

But tribes are not sole proprietorships, partnerships nor corporations. They are not just business entities: They are not governments, even when they act like privately-owned businesses.

— The legal differences are enormous.

— The United States Supreme Court has made it clear that a tribe

cannot be sued for any reason, including breach of contract, unless the tribe or Congress consents. This tribal sovereign immunity extends not only to the tribe itself but also to its wholly owned business entities. And the tribe has complete immunity even if the business is off-reservation and has nothing to do with the tribe's governmental functions.

The case that made it to the Supreme Court shows how far this doctrine extends. The Kiowa tribe was involved in a business deal having nothing to do with its governmental activities. The tribe defaulted on a promissory note that was executed off-reservation.

The high Court held the tribe did not have to pay if it did not want to.



Suppliers and even state licensing bodies probably do not realize that, with tribes, they are dealing with governmental bodies that must consent to be sued.

Even if a tribe has waived its sovereign immunity, some courts have held that any dispute must first be heard in the tribe's own tribal court, unless the tribe has agreed to another forum.

Tribes have additional legal advantages not shared by their competitors. It is often said that shareholders of public companies are doubly taxed on their dividends. With gaming, they pay triple: The corporation pays gaming taxes on its gross or net gaming revenue, it then pays state and federal income taxes on its earnings, and its taxpayers then pay income taxes when those earnings are distributed as dividends.

A tribe that obtains an operator's license would have to pay the same gaming taxes. But that is where the comparison ends. Tribes are governments, so they do not pay federal or state taxes. Distributions to tribal members are not always subject to taxation. Tribal members who live on the reservation are often exempt. In any case, it is relatively easy for a tribe to pass on benefits, such as houses, cars and college scholarships, without the tribe member having to pay any taxes.

Tribes, as governments, can do things that for-profit corporations cannot. For example, they can issue tax-free bonds, allowing them to borrow at greatly reduced rates. One tribe in California bought a bank and was then in a position to lend itself money, again at most favorable rates.

Tribes are the only sovereign governments that can contribute to federal, state and local political campaigns. Lawmakers and voters are often called upon to decide whether competing gambling should be made legal. Canada and Ontario did not like proposals for casinos in Detroit, but they could not contribute money to defeat them. Congress and the Federal Elections Commission have put no limits on the size of tribal campaign budgets, and tribes do not have to disclose their sources.

It is not even clear if tribes have to report campaign donations: Courts in California have split on whether state election laws

apply to tribes.

Tribes do have one distinct disadvantage, which is more psychological than legal. The IGRA makes it clear that, when it comes to Class III gaming on their own reservation, tribes are equal to the states. And with Class II gaming, tribes do not even have to talk to states.

But when a tribe operates a track or casino outside its reservation, it is subjecting itself for the first time to the regulations and whims of state and even local governments. Will tribes willingly turn over confidential financial information?

Licensing will be probably be the most difficult area. What will happen when a tribal official, used to issuing gaming licenses, is himself denied a license?

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MAY 09 2005

BRADFORD S. SMITH, ESQ.

INTERNATIONAL GAMING CONSULTANT SERVICES

May 6, 2005

The Pennsylvania Gaming Control Board
Office of Communications
P.O. Box 69060
Harrisburg, PA 17106-9060

Attn.: Public Comment

Re: Rules and Regulations for title 58, Recreation

Dear Members of the Board:

I have been retained by Betson Coin-Op Distributing Company, Inc., a wholly owned subsidiary of H. Betti Industries, Inc., to provide written comments regarding the April 12, 2005 proposed Rules and Regulations for Title 58, Recreation, and the proposed Regional Supplier Amendments by the Pennsylvania Gaming Control Board. My comments are limited to the following sections concerning Supplier Licenses.

FIRST COMMENT: SECTION 431.1 (d)

Section 431.1 (d) provides:

(d) Slot monitoring computer systems, casino management computer systems, player tracking computer systems, slot accounting computer systems, ticket-in/ticket-out computer systems, bonusing computer systems, wide-area progressive computer systems, and all computer systems and associated computer system equipment are excluded from a requirement that they be provided through a licensed supplier as set forth in this part. Persons or entities providing these computer systems to slot machine licensees, including manufacturers, may employ individuals to service and repair computer systems and associated computer system equipment.

It is apparent that this section seeks to permit entities other than supplier licensees to provide, service and repair the designated computer systems. This is appropriate as such systems are external to the slot machine, are often manufactured by companies other than slot machine manufacturers and involve computer systems linking multiple machines which may be produced by different slot machine manufacturing companies. However, the term "associated computer system equipment" is not clearly defined and raises the possibility of the proposition that this term includes the slot machine itself and therefore any slot machines connected to such computer system could be provided, serviced and repaired by entities other than supplier licensees. Such an interpretation would clearly be contrary to the intent and purpose of Section 1317(A) of the legislation which differentiates areas of responsibility between suppliers and manufacturers.

In order to clarify the intent of Section 431.1(d) and to avoid any confusion I respectfully suggest inserting the language "external to the slot machine" and the word "such" so that the provision would read as follows:

(d) Slot monitoring computer systems, casino management computer systems, player tracking computer systems, slot accounting computer systems, ticket-in/ticket-out computer systems, bonusing computer systems, wide-area progressive computer systems, and all computer systems and associated computer system equipment **external to the slot machine** are excluded from a requirement that they be provided through a licensed supplier as set forth in this part. Persons or entities providing these computer systems to slot machine licensees, including manufacturers, may employ individuals to service and repair **such** computer systems and associated computer system equipment.

SECOND COMMENT: SECTION 431.3

This section sets forth requirements and prohibitions for supplier licensees relating to their position and function in the industry as established by Section 1317 of the enabling legislation. While the language used appears to be all encompassing with respect to the suppliers function of selling, leasing or otherwise providing slot machines and associated equipment to slot machine licensees, it is respectfully submitted that it could be clarified by adding language to specifically refer to the installation of such equipment as being a supplier function. This may be

accomplished by adding the word "installed" as follows:

A licensed supplier shall be the sole and exclusive authorized source of slot machines or associated equipment...that are sold, leased, offered, **installed** or otherwise provided for use or play, distributed, serviced or repaired at a licensed gaming entity.

THIRD COMMENT: SECTION 431.2(a)(11)

The proposed Regional Supplier Amendment Section 431.2 (a)(11) requires that the applicant submit:

(11) a notarized statement, attesting that the applicant is qualified to be issued a comparable license in any jurisdiction in the United States that licenses gaming and gaming related activities. The statement shall be subject to review, investigation and verification by the Board. Inability to meet the qualifications for issuance of a comparable license in any jurisdiction in the United States shall disqualify the applicant from receiving a supplier license.

It is respectfully submitted that this requirement is overburdensome and unnecessary. In order to properly comply with this provision the applicant would be obliged to review the gaming regulations of every gaming jurisdiction in the United States to determine which jurisdictions, in the applicant's opinion, would require a comparable license. Once that was determined, the applicant would have to review the specific licensing requirements for each of the identified jurisdictions and determine if, in its opinion, it would meet their qualifications for issuance. In addition this would have to be done each time the applicant sought to renew its Pennsylvania license. Assuming the applicant diligently pursued this process, it could be disqualified for a license in Pennsylvania for reasons not relevant to its ability to meet Pennsylvania suitability standards. For example, the other jurisdiction may require a local, in state, business office. If the applicant did not have an office in that jurisdiction, it would not qualify for a license there and would consequently be disqualified for a license in Pennsylvania. This would surely be an unintended result.

The State of Pennsylvania can assure the suitability of the licensees through application of its own high gaming license standards without relying on gaming laws in other jurisdictions

which may concern requirements that are irrelevant to Pennsylvania. Since license qualifications are ongoing and always subject to review, the Pennsylvania Gaming Control Board could investigate the cause for any denial, penalty or revocation of a Pennsylvania applicant/licensee that occurs in another gaming jurisdiction and take appropriate action. In fact, gaming licensing authorities often cooperate in sharing such information. For all of the above reasons, it is respectfully submitted that the proposed Section 431.2(a) (11) should not be adopted.

FOURTH COMMENT: SECTION 431.3(h) through (l)

The Proposed Regional Supplier Amendments, Section 431.3, subsections (h) through (l) appear to require that the Board establish five separate supplier regions in Pennsylvania where a minimum of five suppliers per region would be permitted to provide services. There could be no more than ten suppliers per region and the number of supplier licenses per region would be predetermined by the Board based on demographic and market information.

Theoretically, such a system could see as many as fifty different suppliers (five regions times ten different suppliers in each region) or as few as five (the same five suppliers in each of the five regions). Presumably the purpose is to foster the creation of new business. While the goal is admirable, the method is problematic and raises many unanswered questions such as where and how will the regions be designated; what is an acceptable level of service for a region and exactly how will that be determined; how is the impact on financial viability to be measured, etc. In short, it places the Board in the very difficult position of applying illusive standards in a fair and reasonable manner. It requires the Board to predict market demand and service needs in an industry that changes almost daily with advances in technology. It is respectfully submitted that left alone, market forces of supply and demand will naturally determine the need and number of suppliers in each region. No minimum or maximum number needs to be fixed. The burden of proving market need, level of service, impact on financial viability, etc. should be upon the applicant.

If the Board wishes to establish regions it may be appropriate to consider fewer than five in light of the limited number of slot machine licenses available. A requirement that suppliers establish a local office in each region would seem reasonable to help spread new business provided that exceptions could be made if circumstances warrant.

FIFTH COMMENT: SECTION 431.3(m)

Section 431.3(m) of the Proposed Regional Supplier Amendments speaks to agreements between manufacturer and supplier licensees. Subsection (ii) prohibits such agreements from extending “beyond the term of the supplier license in effect on the date the agreement is entered into or one year, whichever is longer.” Since supplier licenses are to be valid for a term of one year under Section 433.1(a), this proposal effectively limits manufacture/supplier agreements to a maximum of one year. It is respectfully submitted that this provision is overly restrictive and serves no material regulatory purpose.

Any entity that wishes to become a supplier in the Pennsylvania slot machine industry will, of necessity, have to make a substantial investment of time and money in personnel, training, physical facilities, supplies, etc. in order to be licensed and be able to provide the quality services the Pennsylvania gaming industry deserves and will expect. In order to justify such an investment suppliers will want to seek long term contracts with manufacturers. Any such contract would, I am sure, incorporate high standards of service requirements which the supplier would have to meet or be in breach and subject to termination. The highly competitive nature of the slot machine industry would assure slot machine licensees of first rate service by suppliers.

If the proposed regulation is designed to give regulators leverage over supplier licenses I suggest that can be accomplished without imposing the investment risk of a one year contract limitation. The Commission could accomplish this by requiring that all manufacturer/supplier agreements, however long, be conditioned upon the supplier maintaining a valid supplier license. This would permit long term agreements between manufacturers and suppliers and reduce the

overall investment risk of suppliers entering the Pennsylvania slot machine industry. To accomplish this, subsection (ii) could be changed to read as follows:

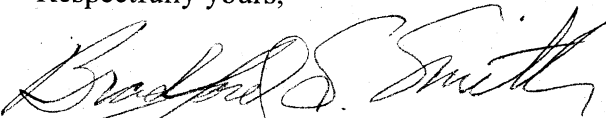
(ii) shall be conditioned upon the supplier maintaining a valid supplier license.

SIXTH COMMENT: OTHER AREAS

Important regulatory concerns are the integrity and security of slot machine equipment from the time it leaves the manufacturer until the time it is installed on the floor of the slot machine licensee's facility. Measures should be taken to prevent losses of machines through theft or changes to them through tampering or by damage. It is therefore respectfully submitted that the Board consider developing minimum standards to address these concerns while the equipment is in transit and while at the suppliers facilities. This could include strict requirements for documentation and inspection, for the type and quality of transportation, for the location and quality of storage facilities, for alarm systems, environmental controls etc. These areas are as important to the manufactures and suppliers as they are to the state because any negative consequences from loss, tampering or damage could harm their business and profits and may even endanger their license to operate.

Thank you for the opportunity of providing these comments.

Respectfully yours,



Bradford S. Smith

BSS: a

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DATE	<input type="text" value="5/05/05"/>	ADDRESS 1	<input type="text"/>
SECTION # OR SUBJECT	<input type="text"/>	ADDRESS 2	<input type="text"/>
FIRST NAME	<input type="text" value="Bradford"/>	CITY	<input type="text"/>
LAST NAME	<input type="text" value="Smith"/>	STATE	<input type="text"/>
ORGANIZATION NAME	<input type="text" value="Betson Coin-Op Distributing Company, Inc."/>	ZIP CODE	<input type="text"/>
EMAIL ADDRESS	<input type="text"/>	COUNTY	<input type="text" value="Burlington"/>
		TELEPHONE	<input type="text"/>

COMMENTS

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MAY 09 2005

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DATE	05/05/2005	ADDRESS 1
SECTION # OR SUBJECT	Sections 401.4 & 427.1	ADDRESS 2
FIRST NAME	Thomas	CITY
LAST NAME	Brogan	STATE
ORGANIZATION NAME	Klett Rooney Lieber & Schorling	ZIP CODE
EMAIL ADDRESS		COUNTY Dauphin
		TELEPHONE

COMMENTS
Klett Rooney Lieber & Schorling submits the attached comments to the Pennsylvania Gaming Control Board's draft Rules and Regulations on behalf of our client, JCM American Corporation.

KLETT ROONEY LIEBER & SCHORLING

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

May 5, 2005

PGCB
P.O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

Dear PGCB:

Klett Rooney Lieber & Schorling submits the following comments to the Pennsylvania Gaming Control Board's ("Board") draft Rules and Regulations¹ on behalf of our client, JCM American Corporation. JCM American Corporation is headquartered in Las Vegas, Nevada and is a manufacturer of the associated equipment known as the bill validator. The bill validator (a.k.a. bill acceptor, bill changer or currency acceptor) is a device by which paper currency and/or tickets are inserted into and either accepted or rejected as payment by a slot machine.

We believe Act 71² ("the Act") requires manufacturers of "associated equipment"³ to be licensed as a "manufacturer"⁴ and we further assert that this requirement should be supported and further defined by the Board's regulations. The Board, the Commonwealth and the gaming public would be well-served to specify further the types of equipment, contrivances and components to be defined as "associated equipment," and to require the manufacturers of such equipment to be licensed as a "manufacturer".

Consistent with the above, we propose that the Board incorporate a specific definition for "bill validator" in its regulations, and further define "associated equipment" as follows:⁵

Section 401.4 – Definitions. "Associated equipment" is further defined:⁶

¹ Title 58, Part VII, Rules and Regulations, Gaming Control Board, Commonwealth of Pennsylvania.

² Act 71 of 2004, The PA Race Horse Development and Gaming Act.

³ This is a defined term in the Act.

⁴ Id.

⁵ Bolded type indicates additional language added to the draft regulations.

KLETT ROONEY LIEBER & SCHORLING

Pennsylvania Gaming Control Board

May 05, 2005

Page 2

Associated equipment – Equipment or mechanical, electromechanical or electronic contrivance, component or machine used in connection with gaming, including linking devices which connect to progressive slot machines or slot machines, replacement parts, equipment which affects the proper reporting of gross revenue, computerized systems for controlling and monitoring slot machines, including but not limited to, the central control computer and devices for weighing or counting money, **or any other equipment for which the Board determines that approval as associated equipment is required in order to protect the integrity of gaming and ensure compliance with the Act and these rules.**

Within Section 401.4, the Board should also adopt a definition for a “bill validator” as follows:

Bill validator - An electromechanical device attached either on or into a slot machine for the purpose of assessing cash or cash equivalency. The bill validator shall analyze the legitimacy of United States currency or cash equivalency inserted by the player. If the bill validator determines that the cash or cash equivalency is legitimate, and a credit is issued by the slot machine, then the player shall have the option of taking the entire amount of credits in cash, tokens or utilizing any portion of the registered credits to activate the slot machine as a wager. For purposes of the Act, bill validators are associated equipment. Additionally, manufacturers of bill validators shall be licensed pursuant to Section 1317 the Act.

In an effort to further clarify the regulations as drafted, we propose the Board provide for the following clarification in Section 427.1 (a) –

In determining whether an applicant shall be licensed as a manufacturer under this section, the Board will consider whether the person satisfies one or more of the criteria listed in this section, whether the applicant manufactures devices, **slot machines, or associated equipment**, which are or have one of the following...⁷

⁶ Section 401.4. Title 58, Part VII, Rules and Regulations, Gaming Control Board, Commonwealth of Pennsylvania, pp 4-5.

⁷ Section 427.1 (a). Title 58, Part VII, Rules and Regulations, Gaming Control Board, Commonwealth of Pennsylvania, page 36.

KLETT ROONEY LIEBER & SCHORLING

Pennsylvania Gaming Control Board

May 05, 2005

Page 3

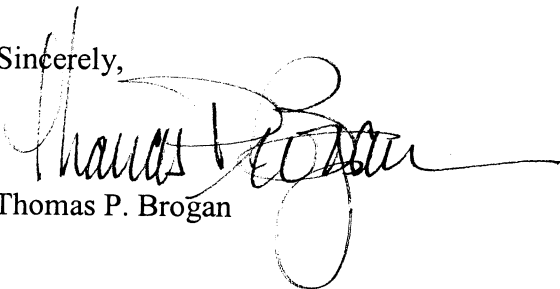
Regulating the manufacturers of bill validators is essential for security purposes, ensuring the integrity of the process, and ultimately maximizing revenues to the Commonwealth. It is the bill validator that protects the Commonwealth against the slot cheat who attempts to use counterfeit currency or otherwise trick the slot machine into thinking that legitimate paper currency has been inserted into the slot machine. As such, the bill validator is one of the most significant components for the Commonwealth to regulate in order to ensure that the Commonwealth maximizes this new source of revenue as the Act intends.

It is the bill validator that determines the legitimacy of the currency inserted into a slot machine, and whether the paper currency inserted into the device is legal tender. It is the bill validator that ultimately indicates to the slot machine the legitimacy of the currency or rejects the currency. By design, the bill validator incorporates sophisticated technology in order to perform these critical functions. For example, the bill validator includes a cash box or drop box where the currency is deposited upon being accepted as valid currency. Additionally, more advanced bill validators include cash boxes that record all activity associated with bill validator/cash box activity, including counting the number and denomination of all bills that are deposited, thereby providing casino operators and regulators with specific information such as when the box was installed, when the box was removed and how much cash, and in what denominations, is in the box.

The manufacturers of bill validators are currently licensed in other gaming jurisdictions as prescribed by their respective regulations. As the Commonwealth begins the process of developing the regulations to implement the provisions of the Act, we believe the Commonwealth would be well-served by setting the regulatory bar high by requiring the licensure of the manufacturers of all bill validators.

Should you have any questions with regard to the above comments, please do not hesitate to contact me by phone, fax or e-mail.

Sincerely,


Thomas P. Brogan

cc: JCM American Corporation



MAY 09 2005

Thursday, May 05, 2005

Re: Response to Regulations as Proposed – Addressing (3) Issues

Ladies and/or Gentlemen of the Pennsylvania Gaming Control Board:

Issue 1 – Supplier Licensing Process:

As a new and small Women's Business Enterprise in Norristown, Pennsylvania, establishing distribution agreements with manufacturers per Board requirements is an intricate operation prior to licensing. Although small business owners are encouraged to enter the Pennsylvania Gaming Industry, the very rules set forth to obtain supplier licensing may actually discourage the start-up and/or success of operating as a smaller entity. Simply, under the current proposed regulations, my company PennSlot, Inc. (and others like me) cannot obtain a license without first establishing manufacturer distribution agreements. Yet manufacturers are unwilling and unlikely to negotiate distribution agreements when an actual license is "in progress". Hence ... it's a classic "the chicken or the egg" dilemma. A still "unlicensed" potential supplier is not an attractive or negotiable entrant into manufacturer boardrooms.

More specifically, according to the Draft Regulations, (Section 431.3 subsection (e)), paraphrasing – "a supplier needs to have an agreement with a manufacturer or Licensed gaming entity before a supplier can receive a License." This proposed regulation severely hinders the ability of the smaller potential supplier seeking licensing, like PennSlot, to build a business and form distribution relationships with the manufacturers. As a solution, if PennSlot is first licensed prior to the relationship-building requirement, then the scale tips in the licensed entity's favor and manufacturers are more likely to conduct business with the supplier. When only a "potential or future" license comes into play, discussions tend to halt. The license, frankly, signifies legitimization in the eyes of the manufacturers. Manufacturers are uninterested and unwilling to work through or wait on a licensing process ... it is not good business for them and is unnecessary for them to deal with when other larger entities can obtain licensing easier due to prior relationships in other and/or similar industries.

It's a critical question – which must come first, the license or the distributor agreement with a manufacturer? How can this be controlled or conducted to better benefit the development of small businesses without inadvertently suppressing their potential? As a small business owner it is imperative the license be granted first in order to create small business growth, produce family supporting wage jobs and spur entrepreneurialism within Pennsylvania's new industry. It is important to note that having small regional suppliers is good for Pennsylvanians. Act 71 encourages new business and job growth for Pennsylvanians. Small business owners are the heart of job growth and economic prosperity in our State and nationwide.

Issue 2 - Cost of Slot Equipment and Sale Price:

To best serve the interests of all Suppliers, Manufacturers, Gaming Entities and the public, how can the Board set a fair and universal standard for equipment mark-up (for resale and distribution) so smaller parties are not competitively weakened by the volume purchasing power and price undercutting created by larger, more capitally-robust entities?

Issue 3 - Supplier Responsibilities:

These should include: Marketing, sales, distribution, transportation, installation, repair, upgrading, technical support, customer support, on-site service, new product generation concepts, training, maintenance, as well as the removal and disposal of outdated equipment.

We thank you for your time and consideration.

Very Truly,

Shawna A. Rondeau, President
Victor G. Rondeau, Vice-President



House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

PGCB GMS-6

RECEIVED

MAY 09 2005

May 5, 2005

PA Gaming Control Board
PO Box 69060
Harrisburg, PA 17106-9060

Attention: Public Comment

Dear Sir/Madam,

I want to express my opinion on the issue of the suppliers and distributors who will be given the licenses to distribute 61,000 slot machines across Pennsylvania.

It is my understanding that every state having slot machines has developed an open-door policy -- meaning suppliers and distributors from outside the state have the opportunity to participate in the selection process. Using a regional concept for distribution of these slot machines will only make the public more cynical of the State's gambling law that already is perceived as favoring the rich, the powerful and the connected.

Under these circumstances, providing for free market competition is the proper procedure for designating slot machine suppliers.

Sincerely,

A handwritten signature in cursive script that reads "Paul".

PAUL I. CLYMER
State Representative
145th Legislative District

PIC/nia

DRAFT REGULATIONS COMMENT FORM

PGCB GMS-7
RECEIVED

MAY 12 2005

Please complete all of the fields below before printing:

DATE 05/05/2005 ADDRESS 1
SECTION # OR SUBJECT Section 431 Suppliers ADDRESS 2
FIRST NAME Donald CITY
LAST NAME Bailey STATE
ORGANIZATION NAME Atlantis Internet Group Corporation ZIP CODE
EMAIL ADDRESS COUNTY Dauphin
TELEPHONE

COMMENTS

Dear Members of the Pennsylvania Gaming Control Board:

My name is Donald L. Bailey, President of Atlantis Internet Group (ATIG), a public Nevada Gaming Corporation with offices in Nevada, Pennsylvania, California, Curacao, Netherlands Antilles and Moscow, Russia. Our corporation specializes in the development and supplying of gaming related products, goods and services for the gaming industry. ATIG plans to apply for a Slot Distribution License in Pennsylvania. Our corporation's Advisory Board has licensed Gaming Executives with casino management, slot distribution and slot route operations experience. Our executives have all been through mandatory background checks as required by the Nevada Gaming Commission to service the gaming industry in Nevada.

COMMENTS: Section 431 Suppliers License

In review of the draft Rules & Regulations it appears that section 431.3 (d) does not allow for terms or credit by the manufacturer to the supplier...for example, IGT might provide certain financing to a qualified supplier for machines or parts. Additionally, lets say for example a supplier arranged to sell machines on a contract or off balance sheet lease, IGT, Bally, etc. may be involved in that financing and hold a security interest in the equipment. As a small notation...section 431.2 (7) may need clarification as to the % of any direct or indirect ownership...as to public companies for example (most are, IGT, WMS, Bally), does this mean that you may not own stock individually or through a mutual fund?

SUGGESTIONS: Below are several suggestions to assure the generation of jobs within the Commonwealth and the participation of minorities and women within the gaming industry in Pennsylvania:

1. There should be five regions for Slot Distributors within Pennsylvania to expand oportunites.
 2. Each manufacture can have their own independently owned Slot Distributor in Pennsylvania.
 3. No manufacture should be allowed to supply no more than 25% of the slots in a region.
 4. Slot Distributor Licenses granted should be awarded to 10-50% of qualified minority/women applicants.
 5. Each Slot Distributor should have a minimum of 10-25% minority/women ownership.
 6. Each Slot Distributor should be a PA corporation for a period of one year prior and during the licensed period.
- Thank you for the opportunity to participate in Gaming in PA and to respond to the public comment period.



May 11, 2005

PGCB GMS-8
RECEIVED

MAY 12 2005

Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

To all members of the board:

Enclosed please find our comments submitted with respect to the draft regulations published by the board. If you would like to contact me, I can be reached at the telephone number or e-mail address provided below.

Sincerely Yours

A handwritten signature in black ink that reads 'Philip D. Wesel'. The signature is written in a cursive, flowing style.

Philip D. Wesel
Global Gaming Marketing Manager

MEI

DRAFT REGULATIONS COMMENT FORM

Please complete all of the fields below before printing:

DATE	05/10/2005	ADDRESS 1	
SECTION # OR SUBJECT	All	ADDRESS 2	
FIRST NAME	Philip	CITY	
LAST NAME	Wesel	STATE	
ORGANIZATION NAME	MEI, a division of Mars Inc.	ZIP CODE	
EMAIL ADDRESS		COUNTY	Chester County
		TELEPHONE	

Re: topic of regulating manufacturers and suppliers of gaming equipment and/or general administration

MEI - Pennsylvania Gaming Licensure Statement

MEI, a division of Mars Inc. is appreciative of the time and opportunity the Pennsylvania Gaming Control Board has afforded for public commentary on the draft regulations. Currently MEI is a supplier of currency validation equipment to nearly all major slot equipment manufacturers in eleven (11) casino gaming states/jurisdictions and approximately twenty-nine (29) indian casino jurisdictions. In each of these other jurisdictions, MEI is not required to obtain licensure because we offer our devices through the major gaming slot equipment manufacturers and when required we supply spare parts and service via suppliers or distributors licensed within the jurisdiction of interest. MEI would be more than willing to meet with the Pennsylvania Gaming Control Board at any time to discuss our situation in other gaming states and to work out an amenable resolution should the board feel so inclined.

MEI, a division of Mars Inc. has been located in the same facility just outside of West Chester, Pennsylvania since 1988. During those seventeen years, MEI has produced various products including payment systems for the vending, gaming, and transportation industries throughout the United States and globally as well.

If you purchase a product using a dollar bill from a vending machine, it's about a 50% probability that the bill acceptor in the machine was made by MEI. If you purchase a ticket to travel on a transit company like the New York Transit Authority or Washington Metro, it is again about a 50% probability that it's supported by an MEI bill acceptor. Finally if you purchase credits on a major manufacturer's slot machine, it's about a 10% probability that MEI provided the solution.

MEI and it's associated Mars companies have employed approximately 400 people at the MEI- West Chester site. The value of taxes paid by employed individuals in the form of income, school, and local taxes is well over \$2.5 million annually and in some cases as high as \$4 million per annum. We entered the gaming currency validation market in 1998. We would like the opportunity to continue to sell our

MEI Cashflow SC currency validators to slot machine manufacturers in support of the PA Gaming Initiative.

To briefly recap, licensure has not been required in any of the jurisdictions MEI's products are currently used in. The Gaming Control Boards of the various jurisdictions have approved of our sales without licensure provided we followed strict rules of engagement with the game equipment manufacturers and the casinos within their jurisdictions. Please see the attached letter from Michigan attorneys, Dickinson & Wright in response to our products' usage in the Michigan Gaming Control Board (MGCB) area of jurisdiction. The MGCB felt in 2004 that provided we limited our product sales to slot equipment manufacturers and to licensed suppliers of goods and services i.e. licensed distributors, MEI would not be required to obtain licensure in Michigan.

Ostensible purposes of both PA Gaming Act & Regulations as promulgated by the PGCB:

Among the multiple purposes of the PA Gaming Legislation were the desires of the legislature and, in turn, the Gaming Control Board to foster economic surety for various Pennsylvania based stakeholders. MEI believes the regulatory aims of the PGCB could best be accomplished by the accomplishment of three objectives. First, the PGCB would protect the public interest in both the administration and outcomes of gaming in the state. Secondly, the PGCB should ensure the integrity of all parties to gaming within the state. Finally the PGCB should promote a modest level of accomodation (no greater than any other jurisdiction has offered) for PA based suppliers of equipment which is utilized by slot equipment manufacturers.

Some of the primary drivers for the legislation and the regulations are the creation of jobs/opportunities at the casino level and throughout the broader economy for the provision of goods and services to the newly formed casinos and racinos. MEI believes that it would not be unreasonable to establish purchase requirements within the final regulations for a certain percentage of the goods and services from PA based businesses that were located in Pennsylvania prior to the enactment of the legislation or businesses that develop a significant presence in PA. It would also be desirable that PA based businesses either presently employ or have subsequently developed a significant employment base here. This proposed purchase requirement would apply to manufacturer licensees, supplier licensees, and gaming slot licensees. We do not seek barriers to goods and service providers entry into the Pennsylvania marketplace merely a recognition of the long term ties of companies like MEI to the Pennsylvania community.

Attachments to this statement include commentary on various sections of the act. We have honorably tried to assist the PGCB in accomplishing the three objectives of protecting the public interest, ensuring the integrity of all parties to gaming, and promoting a modest level of accommodation in the attached comments/amendments.

DRAFT REGULATIONS COMMENT FORM

Please complete all of the fields below before printing:

DATE	05/10/2005	ADDRESS 1	
SECTION # OR SUBJECT	All	ADDRESS 2	
FIRST NAME	Philip	CITY	
LAST NAME	Wesel	STATE	
ORGANIZATION NAME	MEI, a division of Mars Inc.	ZIP CODE	
EMAIL ADDRESS		COUNTY	Chester County
		TELEPHONE	

COMMENTS

Section 401.4 Definitions - general comments. MEI would encourage review in some respects of the Michigan Gaming Control Board (MGCB) regulations. The definitions of the MGCB statute seem complete, especially the definition of "Associated Equipment". More definitions could be added in anticipation of the PGCB's future work.

In anticipation of the Pennsylvania Gaming Control Board (PGCB) future general requirements, a definition of cash equivalents should be considered. The MGCB regulations provides an excellent definition of this item. The definition of cash equivalents should also incorporate Automated Clearing House (ACH) transfers from any form of banking or financial institutions.

MEI would encourage the PGCB to consider rules of construction as defined by the MGCB with especial attention to the ways in which rules will be interpreted by the board to provide a greater assurance of integrity in the regulation of public gaming and to heighten public confidence in the same. (see R432.1201 & R 432.1202 of MGBC general provisions.)

The Pennsylvania Gaming Control Board (PGCB) might consider requirements from MGCB section R432.1212 regarding weapons in a gaming area. This would both anticipate the need for such a gaming control regulation and promote public confidence in the safety and security of those visiting PA gaming establishments.

PGCB should define how confidential information will be secured. The process of a confidential folder and a non confidential "folder" does not seem administratively adequate.

Section 421.1 section e appears to contain a typo. The word "or" is used in place of the word "of" toward the end of the last sentence

Section 427.1 section c also contains a typo "shall is"

Some portion of the Michigan regulations "R432.1224 Applicant's obligation to report certain events" should be considered for all those whom either hold any type of license or permit, or whom have applied for a license.

Comments may be submitted to the Board by U.S. Mail at the following address:

Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

DRAFT REGULATIONS COMMENT FORM

Please complete all of the fields below before printing:

DATE	05/10/2005	ADDRESS 1	
SECTION # OR SUBJECT	All	ADDRESS 2	
FIRST NAME	Philip	CITY	
LAST NAME	Wesel	STATE	
ORGANIZATION NAME	MEI, a division of Mars Inc.	ZIP CODE	
EMAIL ADDRESS		COUNTY	Chester County
		TELEPHONE	

COMMENTS

Section 431.1 Supplier License Requirements section (d)

We recommend that "currency validation computer systems/devices" be added to the list which begins ("Slot monitoring systems, player tracking computer systems, slot accounting computer systems, ...") and that ticket-in/ticket-out computer systems be amended to specify "ticket-in/ticket-out computer systems/devices" as excluded from the requirement that they be provided through a licensed supplier as set forth in this part.

Regardless of the exclusion provided under part 431.1, we recommend that Pennsylvania's Gaming Control Board consider requiring occupational licenses from all individuals actually present within a casino for the purpose of servicing and repairing computer systems and associated computer system equipment which is connected to the slot monitoring, casino management, slot accounting, player tracking, slot bonusing, slot progressive, slot ticketing, currency validation systems or slot data systems. Ultimately the security of the data incorporated within these devices is equally important to the security of the slot devices themselves and to the state of Pennsylvania from a revenue control perspective.

Section 435.4 Occupation permit section (a)

We recommend the addition of language as follows... An individual employed by a slot machine licensee, "a manufacturer licensee", a supplier licensee, or a gaming employee as defined under section 1103 of the act and section 401.4 (relating to Definitions) must apply for and receive an occupation permit from the board. "Business entities which are excluded under section 431.1 who employ individuals that would otherwise meet the definitional requirements of a gaming employee must also apply for and receive an occupational permit from the Board in order for their employees to be physically present at any time within a board regulated property for business purposes."

Comments may be submitted to the Board by U.S. Mail at the following address:

Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

February 11, 2004

Via Email and U.S. Mail

Mr. James Gabriele
Mars Electronics International

Re: Michigan Gaming Control Board

Dear Mr. Gabriele:

Confirming our recent telephone conversation, this past week I met with Carol Flores and other Michigan Gaming Control Board staff in the licensing division to discuss the Board staff's previously expressed position that MARS Electronics must obtain a gaming related supplier license from the Board. I am pleased to report that the Board staff is rethinking their prior position. While this decision is not yet official, the Board staff is leaning towards taking the position that so long as MARS Electronics does not deal directly with any of the three Detroit casinos regulated by the Board (Greektown, MGM Grand and MotorCity Casino) but rather supplies its products directly to the slot machine manufacturer and deals only with the slot machine manufacturer, then in that event MARS Electronics will not be required to obtain a gaming related supplier license from the Board.

In furtherance of confirming this position with the Board, please confirm in writing to me that MARS Electronics will be dealing solely with slot machine manufacturers in connection with its bill acceptor and any other slot machine equipment products and will not be dealing directly with the three Detroit casinos in any manner whatsoever. This includes not installing MARS Electronics devices on site at the casinos and not providing warranty or other service related services on site at the three casinos. With this confirmation letter in hand, I will again visit with the Board staff to confirm that MARS Electronics will not be required to apply for a gaming related supplier license.

If you have any questions concerning this matter, please contact me at your earliest convenience.

Very truly yours,

DICKINSON WRIGHT PLLC



Robert W. Stocker II

cc: Marie Jiapello Jones



House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES

APPROPRIATIONS
HEALTH & HUMAN SERVICES
DEMOCRATIC SUBCOMMITTEE CHAIR ON HEALTH
URBAN AFFAIRS
DEMOCRATIC SECRETARY

CAUCUSES

PA LEGISLATIVE BLACK CAUCUS

MEMBER

ALLEGHENY COUNTY DELEGATION

May 12, 2005

PGCB GMS-9

RECEIVED

MAY 12 2005

The Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060

To the Members of the Board:

With respect to the draft temporary Rules and Regulations and the proposed Regional Supplier Amendment to govern the manufacturers and suppliers of slot machines and associated equipment in the Commonwealth of Pennsylvania, which are open for public comment, I respectfully submit the following comments for consideration by the Gaming Control Board.

I am in favor of and support the creation of a regional supplier network. It is my belief that a regional supplier network similar to or as proposed in the Regional Supplier Amendment reflects a primary legislative intent inherent in the Race Horse Development and Gaming Act. Specifically, to enhance economic development by facilitating the "representation of diverse groups in the ownership, participation, and operation of licensed entities and licensed facilities in this Commonwealth, through the ownership, participation and operation of business enterprises associated with or utilized by licensed entities and licensed facilities, and through the provision of goods and services utilized by slot machine licensees under the Act."¹

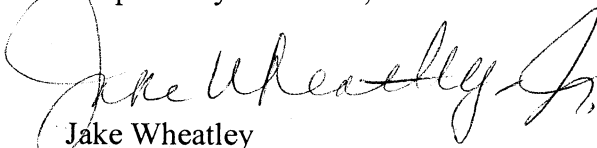
I respectfully submit that a regional supplier network will provide the opportunity for minority and women owned business enterprises to participate in a very important segment of slot machine gaming in this Commonwealth. The regional supplier system creates an opportunity for more individuals to apply for a supplier license and for successful applicants and holders of supplier licenses to develop valuable and successful businesses in different regions of this Commonwealth. More importantly, and of immense concern to this writer, a regional supplier network assures that the Gaming Control Board will have greater authority and a legitimate approach to encouraging minority and women owned business participation in slot machine related business enterprises, including, supply and distribution. A network of regional suppliers will further guarantee that supplier operations and the jobs and businesses, which will emanate for such operations, will be located geographically throughout Pennsylvania.

¹ Pennsylvania Race Horse Development and Gaming Act (July 5, 2004 P.L.572, No.72, 4 Pa.C.S. § 1212(a).

A specific power of the Gaming Control Board prescribed in Act 72 directs the Board to “promulgate rules and regulations the board deems necessary to carry out the policy and purposes of this part and to enhance the credibility and the integrity of the licensed operation of slot machines and associated equipment in this Commonwealth.”² I submit that the creation of a network of regional suppliers will not only facilitate minority and women business participation in an emerging industry, it will foster credibility and integrity by depicting that the slot machine industry will not be business as usual, that it will be an open opportunity for women and people of color to participate fully in the supply and distribution segment of an emerging industry. Adoption of the regional supplier network will assure that the diversity goals of the General Assembly will be achieved in the supply of slot machines and associated equipment in this Commonwealth.

In conclusion, I submit that the requirement for minority and women business participation is envisioned by the General Assembly in all segments of the slot machine industry. Act 71 is not silent on this most important issue. I respectfully submit that in the case of suppliers of slot machines and associated equipment, the establishment of a regional supplier network is the best approach for achieving diversity in participation in this segment of the industry.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Jake Wheatley".

Jake Wheatley
State Legislator

² 4 Pa.C.S. § 1202(b)(14).

PGCB GMS-10
RECEIVED

MAY 13 2005

Alan C. Kohler

May 11, 2005

Pennsylvania Gaming Control Board
P. O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

Dear Sir:

On behalf of Alliance Gaming Corporation the following comments on the temporary regulations drafted by The Pennsylvania Gaming Control Board pursuant to Section 1202 of the Pennsylvania Race Horse Development and Gaming Act of 2004 are respectfully submitted.

Please direct any questions or comments to the undersigned.

Respectfully submitted,



Alan C. Kohler

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

ACK/cll
Enclosure

HAR:59001.1/ALL105-222155

DRAFT REGULATION COMMENT FORM

Please complete all of the fields below before printing:

DATE	05/11/2005	ADDRESS 1	
SECTION # OR SUBJECT	Regulating manufacturers and suppliers of gaming equipment or general administration	ADDRESS 2	
FIRST NAME	Alan	CITY	
LAST NAME	Kohler	STATE	
ORGANIZATION NAME	Wolf, Block, Schorr and Solis-Cohen LLP	ZIP CODE	
EMAIL ADDRESS	_____	COUNTY	Dauphin
		TELEPHONE	

COMMENTS

See attached comments submitted on behalf of Alliance Gaming Corporation.

Comments may be submitted to the Board by U.S. Mail at the following address:

Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060
Attn: Public Comment

**BEFORE THE
PENNSYLVANIA GAMING CONTROL BOARD**

Promulgation of Regulations Pertaining to
Manufacturers and Suppliers under Title 58
of the Pennsylvania Code

:
:
:
:
:
:

**ALLIANCE GAMING CORPORATION'S
COMMENTS TO DRAFT REGULATIONS**

Alliance Gaming Corporation ("Alliance") submits these comments to the Board's first publication of draft regulations on April 12, 2005. The Board is drafting and publishing its regulations implementing the Pennsylvania Race Horse Development and Gaming Act ("Act"), 4 Pa.C.S. § 1101 *et seq.*, in batches based on the sequence of its obligations to implement and administer the Act. This first batch of draft regulations for which the Board seeks public comment covers general administration and, of particular interest to Alliance, regulatory requirements pertaining to manufacturers and suppliers of slot machines.

As an initial matter, the Board, a newly created administrative agency charged with creating and regulating a new industry in Pennsylvania, is faced with quite a daunting task. Alliance, as a long term veteran of gaming regulation which holds licenses in approximately 240 gaming jurisdictions worldwide, welcomes the opportunity to comment on these regulations and to work with the Board to make gaming in the Commonwealth a resounding success.

A. BACKGROUND

Alliance, through its subsidiary Bally Gaming, Inc., doing business as Bally Gaming and Systems ("Bally"), is one of the oldest, largest and most successful manufacturers of slot machines, including progressive slot machine systems and slot accounting/player tracking systems, in the world. In fact, it was a Bally's predecessor that designed the first slot machine in

the late 1930's (Bally Baby), the first three-reel electromechanical slot machine in 1963 (Money Honey), the first touch-screen video slot machine in 1994 (Game Maker), an advanced wide area linked progressive jackpot system in 1998 (Trillions) and most recently, an advanced interactive video slot machine platform (Evo).

As indicated previously Alliance/Bally is licensed to manufacture and distribute slot machines and accounting/player tracking systems in approximately 240 gaming jurisdictions. Alliance/Bally has manufactured, sold and distributed approximately \$200 million in slot machines and parts, including almost 15,000 new slot machines over the last year, as well as over a \$100 million in slot machine systems sales.

With this background and experience, it is with great interest that Alliance observes the introduction and development of the newest gaming jurisdiction, the Commonwealth of Pennsylvania, with the potential for creating a large market for Alliance/Bally products and services. However, this market will only reach its full potential and, in doing so, deliver the expected benefits to the Commonwealth's property owners and its horse racing industry, if the Board is prudent in the development of its regulations and requirements governing market participation.

Inclusion of unnecessary regulatory requirements and inefficiencies into the Pennsylvania gaming market will inevitably distort the marketplace, create unnecessary costs, adversely affect investment and job creation and ultimately decrease the Commonwealth's tax base. Accordingly, it is the vast potential of the Pennsylvania gaming market which attracts Alliance and it is the desire to maintain and expand this attractiveness through strict, yet prudent and efficient, regulation which provides the motive for these Comments and Alliance's future input to the Board.

B. THE ACT

The Act contains a number of provisions addressing manufacturers and suppliers of slot machines which confine the Board's promulgation of regulations in the manufacturers/suppliers area. Manufacturers and suppliers are established under 4 Pa.C.S. §§ 1103 and 1307 as distinct business entities. In essence, manufacturers can not be suppliers and suppliers cannot be manufacturers. Under Section 1317, the holders of slot machine licenses which will own and operate the 14 slot machine sites around the Commonwealth may not purchase or lease from or contract directly with a slot machine manufacturer for slot machines, parts or associated equipment, but instead must conduct these transactions through a licensed supplier which (within one year) must have its principal place of business in Pennsylvania. With this said, there are very important exceptions to the required transactions which must be conducted through a supplier. Under Section 1317, "slot monitoring systems, casino management systems, player tracking systems and wide area progressive systems are excluded from any requirements that they be provided through a licensed supplier as set forth in this part."

The Act's mandatory requirement which precludes manufacturers from conducting many transactions directly with licensed gaming entities and requiring that those transactions be conducted through a supplier/middleman inserts a layer of inefficiency into Pennsylvania's gaming market – inefficiency that will create costs which will be passed on to licensed gaming entities and ultimately gaming consumers. Alliance fully appreciates the General Assembly's motive that Pennsylvania businesses participate in a meaningful way in transactions between manufacturers, which operations are generally out-of-state and the 14 licensed gaming entities. While this may be a worthy policy objective, at a minimum, the statutory requirements will create additional business costs which must be recovered, and will inevitably insert some delay in getting new slot machine products to gaming facilities. These statutory inefficiencies alone

may create a competitive disadvantage for the Commonwealth with nearby gaming jurisdictions like New Jersey, West Virginia and Delaware which do not have a mandatory supplier exclusivity requirement.

In order to maintain the benefits to the Pennsylvania supplier businesses which the General Assembly apparently intended to create and, at the same time, maintain a relatively efficient, competitive and viable business environment in Pennsylvania, it is imperative that the Board stop at the statutory requirements and refrain from extending supplier requirements in a manner which will increase inefficiency and create competitive disadvantage beyond that which is embedded in the statute. The thrust of these Comments is to focus the Board on the areas in which it is clear to Alliance that the draft regulations run astray and respectfully request the Board to eliminate unnecessary regulatory requirements which skew the statutory balance between supplier exclusivity and market efficiency and will adversely impact the development of the infant gaming industry in the Commonwealth.

C. COMMENTS

The Board has posted two sets of draft regulations on its website. One set includes draft regulations covering general administration and supplies and manufacturer requirements. ("Set I"). The second set, described as a proposal, would amend the Board's draft regulations to establish of a system of regional suppliers ("Set II"). Each set of draft regulations will be addressed individually below.

1. Set I -- Board's Draft Comments

(a) General Comments

Before addressing the specific content of the Board's draft regulations - Set I -- it is important to understand the market place for slot machines, slot machine parts and associated equipment. Manufacturers, like Alliance/Bally manufacture slot machines to comply with the

required specifications and to meet the demand of the manufacturer's licensed gaming entity customers in a given jurisdiction. Once the manufacturing of a slot machine(s) is completed at the manufacturer's plant, the machine(s) is ready for delivery to the gaming site. If at all possible, manufacturers attempt to avoid the cost and delay of warehousing products once they are manufactured. In all cases, direct delivery from the plant to the gaming site is the most efficient model for delivering product to market.

With this said, from review of the Board's draft regulations, it appears that there may be a misconception regarding the division of responsibility of various entities in the slot machine installation and repair process. Once slot machines are delivered to the gaming site, it is, generally speaking, the responsibility of the operator of the site, the licensed gaming entity, to install the machine and integrate the machine into the security, accounting and player tracking systems. In certain instances, a manufacturer (or other third party) may have an exterior role in the installation process if the process involves unusual installation requirements specific to a given slot machine game. However, generally speaking, only the licensed gaming entity's technicians are present when slot machines delivered from the manufacturer are installed.

The same is true pertaining to the repair of slot machines. Again, it is the licensed gaming entity and its technicians which bear primary responsibility for the repair of slot machines at the gaming site. While there are instances in which a manufacturer's (or other third party) technician may be called on site during the repair process, this is not the norm, and, generally speaking, the licensed gaming entity will maintain an extensive inventory of slot machine parts on site. In instances in which the parts required are not in the licensed gaming entity's inventory, the licensed gaming entity will typically need to order and receive delivery of the required parts on an extremely expedited basis.

Within this context, any regulatory requirements which interfere with this market model, will add unnecessary inefficiencies and costs which must be recovered from slot machine licensees and ultimately from gaming consumers. While the draft regulations do not impose any requirements on manufacturers which interfere with this market model, they do contain some implications for suppliers which could be read to impose requirements pertaining to warehousing and the presence of outside technicians in the delivery, installation and repair process. Any such requirements would have an extremely detrimental effect on the ability of licensed gaming entities to purchase, install and repair slot machines in a manner best suited to serve their customers. Furthermore, only by eliminating, or at least minimizing these inefficiencies will the Commonwealth maximize its tax base and tax receipts directed to property tax relief.

Section 1317 only requires that (with certain important exceptions) business transactions between slot machine licensees and slot machine manufacturers be conducted through a licensed supplier. This requirement inserts a Pennsylvania presence into these transactions which was presumably required by the General Assembly to assure credibility regarding what would otherwise be an out-of-state or interstate transaction. As indicated previously, even this requirement inserts inefficiency into the market of a magnitude of hundreds of dollars per machine. However, nothing in Section 1317 can be reasonably interpreted to impose additional requirements regarding activities like warehousing, technician responsibility, parts and machine delivery, machine repair and other physical activities required in the business.

Given the foregoing, the Board's regulations should only impose regulatory requirements which are clearly envisioned by the Act -- nothing more, nothing less. While clearly business transactions must be conducted through a Pennsylvania supplier, the regulations should provide flexibility to the market place to allow manufacturers to drop ship slot machines purchased by

slot machine licensees through a supplier directly to the gaming site. While parts must be purchased through a supplier, the business demands of gaming entities as well as market efficiency require that parts be permitted to be delivered directly from the factory to the gaming site. Furthermore, it is the licensed gaming entity's personnel, not the manufacturer's or other third party's personnel, which should be assigned primary and generally exclusive responsibility for installations and repair. Regulatory requirements which disturb this scenario by, for example, requiring suppliers to be directly involved in the physical delivery, installation and repair process will add millions of dollars in unnecessary costs, will go well beyond the statutory requirements, and will add no benefit to the operation of the slot machine business in the Commonwealth. Furthermore, the time and effort necessary to introduce a supplier system into Pennsylvania which could responsibly carry out the physical activities apparently envisioned in some of the draft regulation provisions would likely delay the start date for slot machines in Pennsylvania for a year or even more.

With this said, it may be that manufacturers find that in certain circumstances it is economical and prudent from a business perspective to utilize suppliers for physical activities like warehousing, installation and repair. Accordingly, the regulations should not prohibit such activities and should err on the side of flexibility. Overall, Alliance/Bally requests the Board to faithfully implement the statutory requirements as set forth in Section 1317, but to not go further and to rely on the market place for the specifics of other business operations.

(b) Specific Comments

Draft Section 431.3 establishes the requirements and prohibitions applicable to suppliers and includes provisions which Alliance/Bally believes go beyond the statutory scheme. Section 1317 focuses solely on business transactions and requires that "no slot machine licensee shall enter into any sale, lease, contract or any other type of agreement" providing slot machines,

parts and associated equipment (except associated equipment subject to the statutory exemptions). However, the draft regulations appear to go much further. For example, the preamble to Section 431.3, while referencing and apparently intending to reflect the requirements of Section 1317, requires that suppliers be the exclusive authorized source for slot machines or associated equipment that are "sold, leased, offered or otherwise provided for use or play, distributed or serviced or repaired at a licensed gaming entity." As addressed above, while Section 1317 focuses entirely on the requirement that business transactions be conducted through a supplier, the language in the preamble to Section 431.3 could be interpreted to go beyond business transactions and to impose supplier exclusivity requirements on physical activities like distribution and repair. The language should be clarified to remove any ambiguity and to closely track the statutory scheme.¹

Subsection 431.3(b) requires that suppliers only "employ technicians that have been approved by a licensed manufacturer". While to the extent a supplier employs technicians manufacturer approval is necessary, the language of the subsection should be clarified to provide that a supplier is not required to employ technicians at all if such employment is not necessary for the conduct of its business operations.²

Subsection 431.3(c) requires that suppliers "[m]aintain at all times an adequate inventory of replacement parts and supplies for slot machine operations and support". The subsection fails to recognize that it is the licensed gaming entity, not the supplier (or the manufacturer), who is primarily and ordinarily responsible for slot machine operations and support. Furthermore, to

¹ Attached to these Comments is a redline of the draft regulations addressed by these Comments which identifies Alliance/Bally's proposed modifications.

² The same drafting problems are inherent in Subsection 421.2(a) and (b) and Subsection 431.1(d) all of which should be modified to closely track Section 1317.

the extent a licensed gaming entity requires replacement parts or supplies which are not in the inventory, the entity would be required to transact with the supplier for the necessary materials, but should be permitted to receive the necessary materials directly from the manufacturer. The language should be clarified accordingly.

Subsection 431.3(d) properly requires that suppliers maintain assurance of financial viability to conduct its business operations, but improperly assures that suppliers will be involved in activities like financing, servicing, repair and installation. The language of the draft regulation should be modified to correct this problem.

Under subsection 431.3(c), there is again an implication that suppliers will be involved in financing, inventory, warehousing and technical assistance. While suppliers should be independent from manufacturers and licensed gaming entities, any implication that the supplier should be exclusively involved with the physical activities identified above departs significantly from the statutory scheme and should be modified accordingly.

Likewise, Section 431.1 appears to require prospective suppliers to address issues in the application which, while ambiguous, appear to pertain to the ability to conduct physical rather than transactional activities pertaining to slot machines. The regulation should be redrafted to remove any such appearance.

Finally, several sections of the regulations make reference to supplier exclusivity pertaining to the sale or lease of associated equipment, but fail to provide that most associated equipment – slot monitoring systems, casino management systems, player tracking systems and wide area progressive systems – and expressly exempted from the supplier exclusivity requirement under Section 1317.

Furthermore, while Section 431.1(d) expressly recognizes the statutory exemption addressed above, it also contains a provision which permits providers of the exempted equipment, including manufacturers, to employ individuals to service and repair equipment. To the extent this provision implies that manufacturers can not employ individuals to service and repair equipment, the provision should be eliminated. Again, while, on a transactional basis, parts and repair orders must be conducted between a licensed gaming entity and a supplier, nothing in Section 1317 suggests that the supplier could not contract with the manufacturer to purchase any required service and repair work. In any case, as explained previously, service and repair work is primarily the responsibility of the licensed gaming entity and not the manufacturer or supplier.

Section 427.3 properly makes available alternative manufacturing license standards, as required by 4 Pa.C.S. §1319, for manufacturers like Alliance that are licensed in other jurisdictions with similar licensing standards. However, sections 427.3(a)(5) and (6) restrict the availability of the alternative standard, based on the pendency of proceedings against the manufacturer in other jurisdictions. While review of the applicant's record in other jurisdictions is certainly appropriate, the Board should not take a "zero tolerance" approach to this issue. The fact of the matter is that for any manufacturer of significant size, like Alliance, which is licensed in hundreds of jurisdictions, there is invariably some relatively minor regulatory activity pending at any given point of time in its jurisdictions -- which activity is not material to the suitability issue. Subsection 427.3(a)(6) recognizes this by only excluding manufacturers subject to "ongoing investigations of possible **material** violations" (emphasis added). However, subsection 427.3(a)(5) is overly narrow and would require an applicant to have "no administrative or enforcement action pending in another jurisdiction." Such language would improperly exclude

applicants from the alternative standard that were the subject of routine administrative inquiries into, for example, certain accounting entries in one of its jurisdictions and would have the unintended consequence of excluding virtually every major manufacturer from the alternative process. Parallel to subsection 427.3(a)(6), the Board should modify 427.3(a)(5) to only exclude manufacturers from the alternative process which are the subject of **material** administrative or enforcement actions in other jurisdictions.³

Finally, Section 427.2(a)(4)(i) requires, within the manufacturer application process, a nonrefundable deposit of \$5000 per key employee to cover the administrative costs of conducting the background investigation. Furthermore, Section 427.2(a)(4)(ii) requires that the manufacturer be responsible for additional charges if the actual expenses incurred exceed the \$5000 per key employee. Essentially, if the \$5000 exceeds actual cost, the Board keeps the difference, however if actual cost exceeds the deposit, the applicant must make up the difference.

From Alliance's perspective the \$5000 deposit is high as compared to other jurisdictions. However, Alliance does not dispute that the Board should be able to recover its actual costs. With this said, equity dictates that if actual cost is less than the required deposit, the difference be returned to the applicant. Such an issue has significance, since the possibility of overrecovery may provide some applicants with incentive to narrowly construe the definition of "key employee" to the detriment of the regulatory scheme.

2. Set II – Regional Suppliers

³ To implement this standard, the Board could require disclosure and a summary of all pending administrative, enforcement and investigatory proceedings so that it can review whether any of the activity is material to suitability.

These proposed amendments to the Board's draft amendments which were introduced, but not acted on by the Board, would divide the Commonwealth into "five distinct supplier regions" and would then license 5-10 suppliers within each region. Although not completely clear, it appears that under the proposal a given supplier would only be licensed in one region and could provide supplier services only in that region. Overall, the regional supplier proposal is an ill-advised regulatory and economic model which should be outright rejected by the Board without further consideration.

The regional supplier proposal essentially takes the problems and inefficiencies embedded in the Board's draft regulations and multiplies the negative effects by five. First, even beyond the Board's draft regulations, the regional supplier proposal seems to presume that the role of suppliers will go beyond the supplier exclusivity requirement for business transactions included in Section 1317 and would assign supplier responsibility for physical activities like delivery, installation and repairs to suppliers -- requirements which not only are not included in Section 1317, but go well beyond the statutory scheme.

To make matters worse, under the regional supplier proposal, it appears that manufacturers could be required to contract with and utilize a different supplier or suppliers in each of the designated five regions. Under this scenario combined with any requirements that suppliers engage in physical activities beyond the transactional activities addressed by Section 1317, manufacturers will be required to spend considerable time and resources training multiple suppliers on the manufacturer's product line and retraining multiple suppliers' staffs when employee turnover occurs. Additionally, investigating and ultimately licensing up to fifty suppliers in the Commonwealth will impose a tremendous burden on the Board financially and in terms of the Board's human resources required to process these supplier licenses. It is entirely

conceivable that in many cases the Board will not realize any benefit in licensing a supplier who ultimately do not do any business in the Commonwealth due to the disproportionately greater amount of supplier licenses available in relation to the smaller number of slot machine manufacturers in the industry. These additional inefficiencies will inevitably result in significant delay in getting new products to slot machine facilities and will place the Commonwealth's licensed gaming entities in a very significant competitive disadvantage as compared to surrounding gaming jurisdictions.

Furthermore, mandating regional suppliers may result in manufacturers deciding not to serve the Commonwealth at all or more likely only the two urban regions where there are multiple facilities which could justify incurrence of the significant costs that the regional supplier proposal would cause. The result is that several of the regions would likely be underserved by manufacturers resulting in a less competitive market, inferior products and higher prices. At the end of the day, implementation of such a proposal would have a dramatic negative impact on the sale and distribution of slot machines in the Commonwealth and would have a corresponding negative effect on the Pennsylvania gaming environment, the Commonwealth's tax base and the benefits that the Gaming Act intended to deliver.


Throughout these Comments, Alliance/Bally has raised concerns as to whether certain draft regulations and the regional supplier proposal are consistent with the Act and, in particular, section 1317. In finalizing these regulations which are so critical to Alliance/Bally's business interests in Pennsylvania, the Board should focus attention on remaining consistent with and not going beyond the constraints of its enabling statute.⁴ The policy choice to require supplier

⁴ An administrative agency only has those powers conferred to it by the General Assembly. As the Pennsylvania Supreme Court has held, when it comes to an "extra judicial administrative agency" like this Board "[t]he power and authority to be exercised...must be conferred by legislative language clear and unmistakable. A doubtful power does not

exclusivity for certain business transactions was made by the General Assembly through enactment of Section 1317. Correspondingly, the policy determination not to go beyond business transactions for supplier exclusivity was also made by the General Assembly. Accordingly, the Board should modify its draft regulations so that they are fully consistent with the requirements of 4 Pa.C.S. § 1317.

WHEREFORE, for all of the foregoing reasons, Alliance/Bally's respectfully requests that the Board modify its draft regulations consistent with the foregoing Comments.

Respectfully submitted



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exist." *Process Gas Consumers Group v. PUC*, 511 Pa. 88, 96, 511 A.2d. 1315, 1319 (1986). See also *Swathmore Borough v. Public Service Commission*, 277 Pa. 472, 121 A. 488 (1923).

APPENDIX

§ 421.1. General requirements.

(a) A license issuance, renewal, or other licensing approval issued by the Board is deemed a revocable privilege. No person holding a license, renewal, or other licensing approval is deemed to have any rights therein.

(b) An application submitted under the act constitutes the seeking of a privilege, and the burden of proving qualification is on the applicant.

(c) An application for license, renewal, or other licensing approval from the Board will constitute a request to the Board for a decision on the applicant's general suitability, financial suitability, character, integrity, and ability to engage in, or be associated with, gaming activity in this Commonwealth. By filing an application with the Board, the applicant specifically consents to investigation to the extent deemed appropriate by the Board. The investigation may include a background investigation of the applicant, employees of the applicant, all persons having a controlling interest in the applicant, and other persons as determined by the Board.

(d) By applying for a license, renewal, or other licensing approval from the Board, the applicant agrees to abide by all provisions of the act.

(e) An applicant shall waive liability as to the Board, its members, its employees, the Commonwealth and its 28 instrumentalities for damages resulting from disclosure or publication in any manner, other than a willfully unlawful disclosure or publication, or material or information acquired during an investigation of the individual.

(f) The applicant agrees to consent to executing all releases required by the Board.

§ 421.2. Licensed entities.

(a) Licenses that may be issued by the Board include, but are not limited to:

(1) Manufacturer's license, which authorizes the approved licensee to manufacture, build, rebuild, fabricate, assemble, produce, program, design or otherwise make modifications to slot machines or associated equipment for use or play of slot machines in this Commonwealth in accordance with the act and to deliver and participate in the installation and repair of slot machines as long as all business transactions pertaining to slot machines, parts or included associated equipment under Section 1317 are conducted between licensed gaming entities and licensed suppliers.

(2) Supplier's license, which authorizes the approved licensee to provide products or services related to slot machines or associated equipment to slot machine licensees. ~~sell, lease, offer or otherwise provide, distribute or service slot machines or associated equipment for use or play of slot machines in this Commonwealth in accordance with the act.~~

(3) Slot machine license, which authorizes the approved licensee to place and operate slot machines in this Commonwealth in accordance with the act.

(4) Key employee qualifier license, which authorizes the approved key employee qualifier, as defined in section 401.4 of the Act, to be employed in a designated position by an applicant or holder of a manufacturer license, a supplier license or a slot machine license.

(5) Key employee license, which authorizes the approved key employee, as defined in section 401.4 of the Act, to be employed in a designated position by an applicant or holder of a manufacturer license, supplier license or slot machine license.

§ 421.3. Disqualification criteria.

A manufacturer license, a supplier license or a slot machine license or a renewal thereof, may be denied, suspended or revoked to or from a person or applicant who has failed to provide to the satisfaction of the Board that the person or applicant or any of the persons required to be

qualified, are in fact qualified in accordance with the act and with this part, who has violated the act or this part, who is disqualified under the criteria set forth in the act, who has materially departed from representation made in the application for licensure, or who has failed to comply with applicable Federal or state laws or regulations. A suspension, non-renewal or denial of a license or license application may be made for a sufficient cause consistent with the act and the public interest.

§ 421.4. Investigations; supplementary information.

The Board may make an inquiry or investigation concerning an applicant, licensee or any person involved with an applicant or licensee as it may deem appropriate either at the time of the initial application and licensure or at any time thereafter. It shall be the continuing duty of all applicants and licensees to provide full cooperation to the Board in the conduct of the inquiry or investigation and to provide supplementary information requested by the Board.

CHAPTER 423. APPLICATIONS

§ 423.1. General requirements.

(a) Every application shall be submitted on forms supplied or approved by the Board and shall contain all information and documents as required by the Board.

(b) The applicant shall file with the application all supplemental forms provided by the Board. The forms require full disclosure of all details relative to the applicant's suitability to conduct business in this Commonwealth.

(c) Upon request of the Board, the applicant shall further supplement any information provided in the application. The applicant must provide all requested documents, records, supporting data, and other information within the time period specified in the request, or if no time is specified, within 30 days of the date of the request. If the applicant fails to provide the

requested information within the required time period as set forth in the request, the Board may deny the application.

(d) An applicant must submit evidence to the Board of the applicant's financial stability, integrity and responsibility. In determining an applicant's financial fitness, the Board's review will include, but not be limited to: the applicant's bank references, business and personal income and disbursement schedules, annual financial statements and tax returns, whether the applicant has adequate financing available to pay all current obligations, and whether the applicant is likely to be able to adequately cover all existing and foreseeable obligations in the future.

(e) All information provided to the Board shall be true and complete. If there is any change in the information provided to the Board, the applicant must promptly file a written amendment in a form prescribed by the Board.

(f) The application and any amendments or supplements must be sworn to or affirmed by the applicant before a notary public.

(g) The Board will automatically deny the application of any applicant that refuses to submit to a background investigation or provide requested information as required under the act.

(h) Neither the Commonwealth, the Board, Pennsylvania State Police, any agency or authorized designee or agent of the Board that the Board requests to conduct background investigations, nor the employees of any of the foregoing, may be held liable for any inaccurate or incomplete information obtained through an investigation.

(i) An applicant that submits a document which is in a language other than English to the Board with an application or in response to a request for information from the Board or the Board's agents shall also submit an English translation of the non-English language document.

The translation includes the signature, printed name, address and telephone number of the translator and a verification by the translator of the truth and accuracy of the translation.

§ 423.2. Application processing.

(a) Upon a determination that all prerequisites for filing have been met, the Board will:

(1) Accept the application for filing and cause it to be docketed.

(2) Notify the applicant or the applicant's attorney, if any, in writing of the fact that the application has been accepted for filing and docketed, the date of the acceptance for filing and the docket number assigned to the applicant. The Board will also notify the applicant that the acceptance for filing and docketing of the application will not constitute evidence that any requirement of the act has been satisfied.

(3) Obtain and evaluate information as may be necessary to determine the qualifications of the applicant and a matter relating to the application.

(4) Request the Bureau to promptly conduct an investigation and provide the information necessary to determine the qualifications of the applicant and a matter relating to the application.

(5) Request the Pennsylvania State Police to provide criminal history background investigations, determine employee eligibility consistent with section 435.1, conduct fingerprinting, receive handwriting exemplars, photograph applicants and perform duties as directed by the Board.

(6) Request the Department to promptly conduct a tax clearance review.

(7) Request the Department of Labor and Industry to perform an unemployment compensation tax clearance review and a workers compensation tax clearance review.

(8) Make requests of any agencies, entities or persons to conduct investigations or evaluations on behalf of the Board or the Bureau or to provide information, as deemed necessary by the Board.

(b) The Board will keep and maintain a list of all applicants for licenses under this part together with a record of all actions taken with respect to applicants.

§ 423.3. License issuance.

(a) In addition to criteria provided under the act, the Board will not issue or renew a license to an applicant or licensee unless the Board finds that the applicant has established it has met the following criteria:

(1) The applicant has developed and implemented or agreed to develop and implement a diversity plan to assure that all persons are accorded equality of opportunity in employment and contracting by the applicant, its contractors, subcontractors, assignees, lessees, agents, vendors and suppliers.

(2) The applicant has paid all required fees.

(3) The applicant has fulfilled any conditions required by the Board or provided by the act.

(4) The applicant in all other respects is found suitable consistent with the laws of the Commonwealth and is otherwise qualified to be issued a license or permit.

(b) Nothing contained in the act is intended or may be construed to create an entitlement to a license by any person.

(c) Renewal applications shall be filed 60 days prior to expiration of the manufacturer's license. A manufacturer's license for which a completed application and fee, if required has been

received by the Board will continue in effect unless and until the Board sends written notification to the manufacturer that the Board has denied renewal of the license.

§ 423.4. Incomplete applications.

(a) The Board will not consider an application that is incomplete. An application will be deemed incomplete if it fails to include one or more of the following requirements:

(1) Applicable fees paid.

(2) Information and accompanying documentation required by the Board.

(b) If an application is deemed incomplete, the Board will notify the applicant of the deficiencies in the application and permit the applicant to revise the application and resubmit the application to the Board within a time period prescribed by the Board.

(c) Refusal to provide information as requested by the Board, its designees or agents or the Pennsylvania State Police shall result in the immediate denial of a license or permit.

§ 423.5. Application withdrawal.

(a) Except as provided in (e) below, a written notice of withdrawal of application may be filed by an applicant at any time prior to the Board's final decision.

(b) No application shall be permitted to be withdrawn, however, unless the applicant shall have first established to the satisfaction of the Board that withdrawal of the application would be consistent with the public interest and the policies of the act.

(c) The Board shall have the authority to direct that any applicant so permitted to withdraw his application shall not be eligible to apply again for licensure, permit, or registration until a designated time as the Board determines.

(d) Unless the Board shall otherwise direct, no fee or other payment relating to any application shall become refundable by reason of withdrawal of the application.

(e) Where a hearing on an application has been requested by a party or directed by the Board, the Board shall not permit withdrawal of said application after:

(1) the application matter has been assigned to a hearing examiner authorized by law to hear a matter; or

(2) the Board has made a determination to hear the application matter directly.

CHAPTER 427. MANUFACTURER LICENSES

§ 427.1. Manufacturer license requirements.

(a) In determining whether an applicant shall be licensed as a manufacturer under this section, the Board will consider whether the person satisfies one or more of the criteria listed in this section, whether the applicant manufactures devices, machines, or equipment, which are or have one of the following:

(1) Specifically designed for use in the operation of a slot machine licensee.

(2) Needed to conduct an authorized game.

(3) The capacity to affect the outcome of the play of a game.

(4) The capacity to affect the calculation, storage, collection, or control of gross revenue.

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

(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 of this part.

(2) Provide any information requested by the Board or the Bureau relating to licensing or regulation; cooperate with the Board 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), a person, its affiliates, intermediary, subsidiary or holding companies, who has applied for or who is applying for or holds a manufacturer's license or a slot machine license shall is not eligible to apply for or hold a supplier license.

§ 427.2. Manufacturer licensing standards and application.

(a) The standards and requirements for qualification for a manufacturer license are set forth as follows and in section 1317 of the act (relating to Supplier and Manufacturer Licenses Applications). The applicant shall submit:

(1) A nonrefundable application 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 plan of the diversity goals in the ownership, participation and operation of licensed entities in this Commonwealth, as set forth in section 1212 of the act (relating to Diversity Goals of Board) and Chapter 481, signed by the chief executive officer of the applicant.

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

(i) An original and one copy of the Multi-Jurisdictional Personal History Disclosure Form with a ~~nonrefundable~~ deposit of \$5,000 per application for each key employee qualifier, as defined in section 401.4 (relating to Definitions).

(ii) The applicant may be subject to additional charges based on the actual expenses incurred by the Board in conducting the background investigation. If actual expenses for investigation of key employees are less than the deposit submitted by the applicant, the applicant shall be reimbursed the difference.

(5) Copies of all filings required by the Securities and Exchange Commission including all annual reports filed with the United States Securities Exchange Commission, under sections 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.A. 78a), quarterly reports filed with the United States Securities Exchange Commission, under sections 13 or 15(D) of the Securities Exchange Act of 1934 (15 U.S.C.A. § 78m and 780-6), current reports filed with the United States Securities Exchange Commission, under sections 13 or 15(D) of the Securities Exchange Act of 1934, proxy statements issued by the applicant during the 2 immediately preceding fiscal years.

(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, or its affiliate, intermediary, subsidiary or holding company shall affirm that it does not hold any direct or indirect ownership interest in any supplier applicant or licensee, or employs, directly or indirectly, an officer, director, supervisory or principal employee of a supplier applicant or licensee.

(8) Other information or documentation required by the Board.

(b) Each application for manufacturer's license will include the production of financial books, records, information, documentation and assurances to satisfy the Board of the following:

(1) The financial stability, 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 Applications).

(3) The integrity of all financial backers, investors, mortgagees, bondholders, and holders of indentures, notes or other evidences of indebtedness, either in effect or proposed, which bears any relationship to the applicant.

(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, Board of directors and key employees or their equivalent in other jurisdictions.

(ii) A current tax clearance 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) The applicant, licensee, holding affiliate, intermediary or subsidiary company thereof, or an officer, director or key employee thereof, is prohibited from making a contribution of money or in-kind contribution to a candidate for nomination or election to a public office in the Commonwealth or to a political committee or State party in this Commonwealth or to a group, committee or association organized in support of a candidate, political committee or State party, as set forth in section 1513 of the act (relating to Political Influence).

(d) Neither the applicant nor a person directly related to the applicant may be a party in an ongoing civil proceeding in which the applicant is seeking to overturn or otherwise challenge a decision or order of the Board or Commissions, pertaining to the approval, denial or conditioning of a license to conduct thoroughbred or harness horse race meetings respectively with pari-mutuel wagering, or to operate slot machines in this Commonwealth.

§ 427.3. Alternative manufacturer licensing standards.

(a) The Board may, upon written request of a manufacturer license applicant, issue a manufacturer license to an applicant who holds a similar license in another jurisdiction within the United States if:

(1) The Board determines, after investigation, that the licensing standards in a jurisdiction in which the applicant is licensed are similarly comprehensive, thorough and provide equal, if not greater, safeguards as provided in the act and that granting the petition is in the public interest.

(2) A completed application has been filed by the applicant.

(3) The applicant has otherwise met all statutory requirements for licensure.

(4) The applicant has provided current, updated information to the Board associated with a similar license in a jurisdiction related to its financial viability and suitability.

(5) The applicant has no material administrative or enforcement actions pending in another jurisdiction.

(6) There are no pending or ongoing investigations of possible material violations by the applicant in another jurisdiction.

(b) This section may not be construed to waive fees associated with obtaining a license through the application process in this Commonwealth.

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 person satisfies the criteria listed in this section in serving in the capacity of a licensed supplier as provided for under Section 1317 of the Act (relating to Supplier and Manufacturer Licenses Application). ~~whether the person sells, leases, offers or otherwise provides, distributes or services slot machines or associated equipment at a licensed gaming facility which:~~

- ~~_____ (1) Are specifically designed for use in the conduct of slot machine gaming.~~
- ~~_____ (2) Are needed to conduct slot machine gaming.~~
- ~~_____ (3) Have the capacity to affect the outcome of the play of a slot machine.~~
- ~~_____ (4) Have the capacity to affect the calculation, storage, collection or control of gross receipts.~~

(b) An applicant for or holder of a supplier license shall have a continuing duty to do all of the following:

(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 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), a person, its affiliates, intermediary, subsidiary or holding companies, who has applied for or who holds a manufacturer's license or a slot machine license is not eligible to apply for or hold a supplier license.

(d) Slot monitoring computer systems, casino management computer systems, player tracking computer systems, slot accounting computer systems, ticket-in/ticket-out computer systems, bonusing computer systems, wide-area progressive computer systems, and all computer systems and associated computer system equipment are excluded from a requirement that they be provided through a licensed supplier as set forth in this part. Persons or entities, including licensed manufacturers, providing these associated equipment ~~computer~~ systems to slot machine licensees may do so by transacting directly with slot machine licensees, including manufacturers, shall may-employ individuals, as necessary to fulfill all contractual obligations to slot machine licensees pertaining to delivery, installation, operation, repair and maintenance of the systems to ~~service and repair computer systems and associated computer system equipment.~~

§ 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 plan of the diversity goals in the ownership, participation and operation of licensed entities in the Commonwealth, as set forth in section 1212 of the act (relating to Diversity Goals of Board) and chapter 481, signed by the chief executive officer of the applicant.

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

(i) An original and one copy of the Multi-Jurisdictional Personal History Disclosure Form with a nonrefundable deposit of \$5,000 per application for each key employee qualifier, as defined in section 401.4 (relating to Definitions).

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

(5) Copies of all filings required by the Securities and Exchange Commission including all annual reports filed with the U.S. Securities Exchange Commission, under sections 13 or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. 78a, et seq., quarterly reports filed with the U.S. Securities Exchange Commission, under sections 13 or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. 78a, et seq., current reports filed with the U.S. Securities Exchange Commission, under sections 13 or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. 78a, et seq., proxy statements issued by the applicant during the 2 immediately preceding fiscal years.

(6) All 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, or its affiliate, intermediary, subsidiary or holding company must affirm that it does not hold a direct or indirect ownership interest in a manufacturer or slot machine license applicant or licensee, or employs, directly or indirectly, an officer, director, supervisory or principal employee of a manufacturer or slot machine license applicant or licensee.

(8) Other information or documentation required by the Board.

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

(1) The financial stability, 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, investors, mortgagees, bondholders, and holders of indentures, notes or other evidences of indebtedness, either in effect or proposed, which bears a relationship to the applicant and

(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, Board of directors and key employees or their equivalent in other jurisdictions.

(ii) A current tax clearance 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) The applicant, licensee, holding, affiliate, intermediary or subsidiary company thereof, or an officer, director or key employee thereof, is prohibited from making a contribution of money or in-kind contribution to a candidate for nomination or election to a public office in this Commonwealth or to a political committee or state party in the Commonwealth or to a group, committee or association organized in support of a candidate, political committee or state party, as set forth in section 1513 of the act.

(d) Neither the applicant nor a person directly related to the applicant may be a party in an ongoing civil proceeding in which the applicant is seeking to overturn or otherwise challenge a decision or order of the Board or Commissions, pertaining to the approval, denial or conditioning of a license to conduct thoroughbred or harness horse race meetings respectively with pari-mutuel wagering, or to operate slot machines in this Commonwealth.

§ 431.3. Supplier requirements and prohibitions.

A licensed supplier shall be the sole and exclusive authorized source for the sale, lease or contract or any other type of agreement providing slot machines, progressive slot machines, parts or associated equipment, except as exempted under Section 1317 of the Act (relating to Supplier and Manufacturer Licenses Application) for licensed gaming entities 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 or otherwise provided for use or play, distributed, serviced or repaired at a licensed gaming entity. Every licensed supplier shall:

(a) Establish a principal place of business in the Commonwealth within 1 year of the Board's approval of the supplier license and maintain a principal place of business throughout the period during which the license is held.

(b) To the extent technicians are necessary to the conduct of its business, Only employ technicians that have been approved by a licensed manufacturer.

(c) To the extent an inventory of replacement parts is necessary to the conduct of its business, Maintain at all times an adequate inventory of replacement parts and supplies for slot machine operation and support.

(d) At the time of licensure and thereafter, have assets or available lines of credit to support all of the activities to which the supplier has agreed to provide through contract with either a licensed gaming entity or a licensed manufacturer. the sale, financing, servicing and repair of all slot machines to be place in service by the supplier. The assets and available lines of credit shall be from a source or sources independent of slot machine manufacturers and licensed gaming entities.

(e) Upon request of the Board, submit to the Board for review an agreement with a licensed manufacturer or with a licensed gaming entity and detailed business plans. The Board may review the agreement to assure that the provisions of the contract are consistent with the requirements of Section 1317 of the Act (relating to Supplier and Manufacturer Licenses Application). ~~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 and~~ to ensure the financial independence of the licensed supplier from the licensed manufacturer and licensed gaming entity.

CHAPTER 433. LICENSE RENEWAL

§ 433.1. Renewal of manufacturer and supplier license.

(a) A license issued under this part shall be valid for a term of 1 year and for all subsequent renewals. An application for renewal shall be filed by a licensed entity, conducting

business on a regular or continuing basis, no later than 60 days prior to the expiration of the license.

(b) The licensed entity shall complete and file an original and 7 copies of a Manufacturer/Supplier License Renewal Application Form which shall, without limitation, disclose all changes in ownership of the licensed entity, and the new owner shall be required to submit an application for licensure and evidence that he is qualified for licensure.

(1) The licensed entity shall disclose all changes in personnel who are to be qualified by the Board.

(2) The licensed entity shall pay a license renewal fee when the Renewal Application Form is filed.

(3) Once a Renewal Application Form has been filed and the renewal fee has been paid, the original license shall remain in effect until the Board has determined that the licensed entity has complied with all conditions of licensure as originally provided by the Board, or the Board has determined that an adverse material change in a condition of the original license has occurred which shall result in the non-renewal of the license.