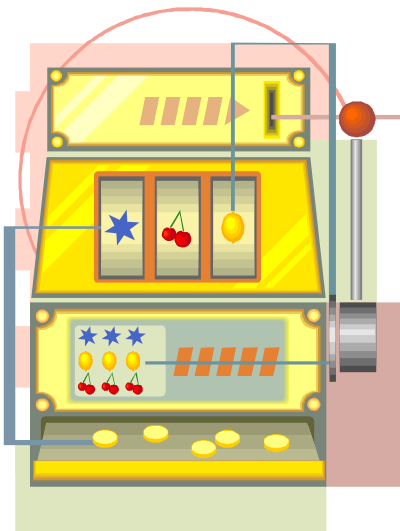


Pennsylvania Racehorse Development and Gaming Act

-4 Pa.C.S. §1101 et seq.

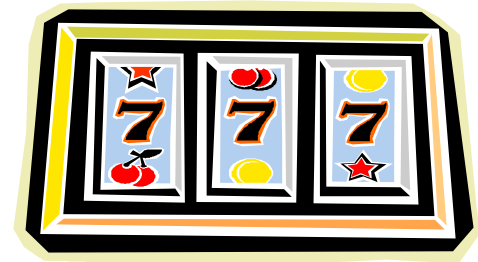


“the Gaming Act”

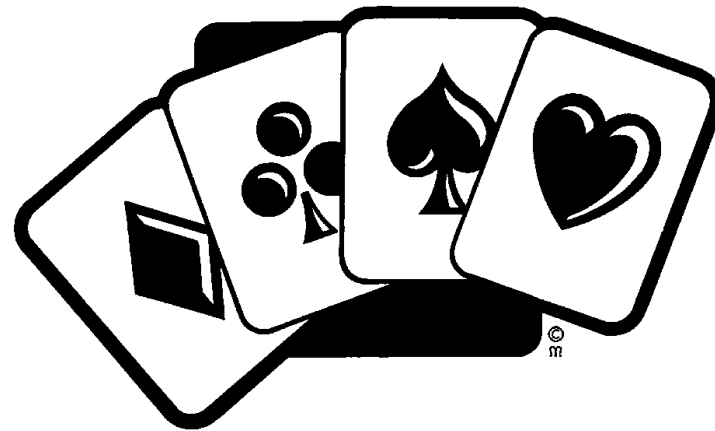
Ira C. Gubernick, Esquire
Brian F. Vrabel, Esquire
January 2010

Today's Discussion

- n Background of the Gaming Act
- n Recent Developments – “Table Games” Amendment
- n Regulatory Oversight
- n Pennsylvania Casinos
- n Licensing
- n Revenues from Gaming
- n Special Provisions



Background of the Gaming Act



History of the Gaming Act

- n The Gaming Act started as HB 2330, introduced on February 3, 2003, entitled: "An Act Providing for the Duties of the Pennsylvania State Police Regarding Criminal History Background Reports for Persons Participating in Harness or Horse Racing."
- n Original bill was one page in length.
- n After three considerations in the House and two in the Senate, the bill was amended and the title was changed. Finalized on Thursday, July 1, 2004, the bill was 145 pages including seven chapters and 86 sections.
- n The bill was signed into law on Monday, July 5, 2004 as the Gaming Act by Governor Rendell.
- n The Gaming Act was amended on November 1, 2006.
- n An amendment to the Gaming Act was recently signed into law on January 7, 2010 permitting table games among other revisions.

Purpose of the Gaming Act

- n The primary objective of the Gaming Act to which all other objectives and purposes are secondary is to protect the public through the regulation and policing of all activities involving gaming.
- n Provide a significant source of new revenue to support property tax relief, wage tax reduction, economic development opportunities and other similar initiatives.
- n Enhance the further development of the tourism market throughout this Commonwealth.

Contents of the Gaming Act

- n Key Contents of the Gaming Act:
 - n Creation of the Pennsylvania Gaming Control Board;
 - n Issuance of gaming licenses;
 - n Authorization of 3 categories of slot machine casinos;
 - n SB 711: Addition of table game certificates for slot casino licensees;
 - n Guidance on generation and distribution of revenues from gaming;
 - n Creation of Gaming Fund, PA Horse Race Fund, Gaming Economic Development and Tourism Fund, Property Tax Relief Fund and the Compulsive and Problem Gambling Treatment Fund;
 - n Establishment of an Administrative and Enforcement arm; and
 - n Providing exclusive jurisdiction in the PA Supreme Court for disputes over issuance and denial of licenses, awards of table games certificates and challenges to the Gaming Act. (1204)

Status of Gaming In Pennsylvania

- n Current Status of Gaming in PA
 - n 9 out of 14 casinos are up and running
 - n 3 additional casino licenses awarded, not opened
 - n One Category 1 License Pending; One Category 3 License open application process
 - n Over 8,000 full-time jobs have been created
 - n Over 25,000 slot machines in operation
 - n \$2 billion in annual gross terminal revenue (wagers less payouts)
- n Revenues and state tax benefits from gaming are increasing
- n Recently passed amendment to the Gaming Act which allows table games

Recent Developments – “Table Games” Amendment



Senate Bill No. 711
“SB 711”

Table Games Amendment

- n On January 6, 2010 the PA Legislature passed a bill to permit table games including poker, blackjack, baccarat, roulette, craps, etc.
- n On January 7, 2010, the Governor signed the legislation into law
- n Bill estimated to generate hundreds of millions in annual revenue and assist in balancing the state's budget
- n Multiple earmarks for local communities surrounding gaming facilities

Table Games Amendment – New Terms

- n "Table game operation certificate" - a certificate awarded by the PGCB that authorizes a slot machine licensee to conduct table games
- n "Table Game" - any banking or non-banking game approved by the PGCB; includes roulette, baccarat, blackjack, poker, craps, etc. (excludes lottery games, bingo, horse race betting, small games of chance and slot machines)
- n "Banking Game" - any table game in which a player competes against a certificate holder rather than against another player; includes blackjack, craps, etc.
- n "Nonbanking game" - any table game in which a player competes against another player and in which the certificate holder collects a rake; includes poker
- n "Electronic Gaming Table" - a gaming table approved by the PGCB that is a mechanical, electrical or computerized contrivance, terminal, machine or other device which, upon insertion or placement of cash or cash equivalents, or upon a wager or payment of any consideration whatsoever, is available for play or operation by one or more players as a table game
- n "Gross Terminal Revenue" - cash played less cash or prizes paid out; includes entry fees, buy-ins, administrative fee, rake (does not include travel, food, refreshments or lodging)
- n "Contest" - a table game competition among players for cash, cash equivalents or prizes
- n "Rake" - a set fee or percentage assessed by a casino for providing any nonbanking game

Table Games Amendment - Overview

- n Category 1 and 2 licensees who obtain a table game certificate may initially petition to operate up to 250 table games
 - n No more than 30% may be non-banking games
 - n After 6 months of commencement of operations, the Gaming Board may increase the number of table games
- n Category 3 licensees who obtain a table game certificate may operate 50 table games (and then may increase to 600 slot machines)
 - n No more than 30% may be non-banking games
 - n Exception: for tournaments the number of table games may be increased temporarily
- n An additional Category 3 license has been created and may be issued after July 20, 2017 if both other Category 3 facilities are operational
- n Non-banking gaming tables may not exceed 10 players
- n Suppliers and manufacturers of table game equipment must obtain a license
- n State tax of 14% is assessed on daily gross table games revenue for the first two years of operation and thereafter decreases to 12%
- n Additional local share assessment of 2% on daily gross table games revenue
- n Local share assessment is estimated to be \$14 million in 2010/2011 and \$15.6 million in 2011/2012
- n Provides for new misdemeanor and felonies related to gaming and increased fines for summary offenses
- n If Licensee is required as a condition to license to enter into an agreement with a municipality or municipal agency, Licensee must do so within 30 days of amendment or the issuance of the new license (1214)
- n Portability and relocation of slot machine license (1329)

Regulatory Oversight



PA Gaming Control Board

- n Administrative agency created from scratch to oversee gaming in PA
- n First new agency in PA in over 30 years
- n Established in 2004

PA Gaming Control Board

- n Board composition (Section 1201)
 - n Voting members:
 - Three appointed by the Governor
 - One appointed by each of:
 - President pro tempore of the Senate
 - Minority Leader of the Senate
 - Speaker of the House of Reps
 - Minority Leader of the House of Reps
 - n Ex officio non-voting members:
 - Secretary of Revenue
 - Secretary of Agriculture
 - State Treasurer
- n Key Provision: Licensing award decisions (1201(f)):
 - n Approval and Issuance of slot casino licenses - A “Qualified Majority” vote consisting of at least one gubernatorial appointee and the four legislative appointees
 - n SB 711: If a legislative appointee recuses himself, then a “Qualified Majority” vote consists of all remaining legislative appointees and at least two gubernatorial appointees (1202.1)

PA Gaming Control Board

n Voting members

- n Gregory C. Fajt, Chairman, appointed by Governor Rendell (May 2009)
 - Replaced outgoing Chair, Mary DiGiacomo Colins, who replaced Tad Decker in August 2007
 - Prior to appointment was Chief of Staff to Governor Rendell
- n Raymond S. Angeli, Commissioner, reappointed for an additional two year term by Robert J. Mellow, Senate Leader (January 2009)
 - Originally appointed by Robert J. Mellow, Senate Minority Leader to replace William Conaboy (May 2006)
- n Jeffrey W. Coy, Commissioner, reappointed for an additional two year term by Keith McCall, Speaker of the House (January 2009)
 - Previously appointed by Min. Leader of the House H. William DeWeese (D) (2004)
- n James B. Ginty, Commissioner, appointed by Gov. Rendell, to replace Mary Colins' seat (September 2007)
- n Kenneth T. McCabe, Commissioner, reappointed for an additional two year term by President Pro Tempore, Senator Joseph B. Scarnati, III (January 2009)
 - Originally appointed by President pro tempore of the Senate Robert C. Jubelirer (R) (2004)
- n Gary A. Sojka, Commissioner, reappointed for an additional two year term (January 2009)
 - Originally appointed by Min. Leader of the House Sam Smith (R) (January 2007)
- n Kenneth I. Trujillio, Commissioner, appointed by Gov. Rendell (December 2009) to replace original Board member Sanford Rivers

n Nonvoting members

- n Dennis Wolff, Secretary of Agriculture
- n Robert M. McCord, State Treasurer
- n Russell C. Redding, Secretary of Revenue

- n Term limits: 2 three year term for governor appointee or 3 two year term for legislative appointee

PA Gaming Control Board

- n Board powers
 - n Maintain general and sole regulatory authority over the conduct of gaming (1202)
 - Oversee the operation and authorization of slot machines.
 - Issue licenses to operators, suppliers, manufacturers, key personnel and employees
 - n Establish the structure of the agency to oversee and administer duties under the Gaming Act (1202)
 - n Hire employees
 - n Establish regulations for the prompt implementation of the Gaming Act's mandates (1203)
 - n Adopt a Code of Conduct (1202.1)
 - n Levy and collect fees and fines (1208)
- n No former Board member may appear before the Board "or participate in any other activity on behalf of any applicant, licensed entity, ...or any other licensee" for a period of two years after termination from office (1201(h))
- n SB 711: No Board member may engage in other employment for which he or she receives compensation in excess of 15% of such member's gross annual salary on the Board (excludes: passive income, health benefits, amounts from family controlled business and directors fees) (1201(h))
- n For the duration on PGCB and for two years thereafter, neither a Board member nor a family member may acquire an interest in an applicant or licensee or licensed entity (1201(h))

PGCB – Executive Staff

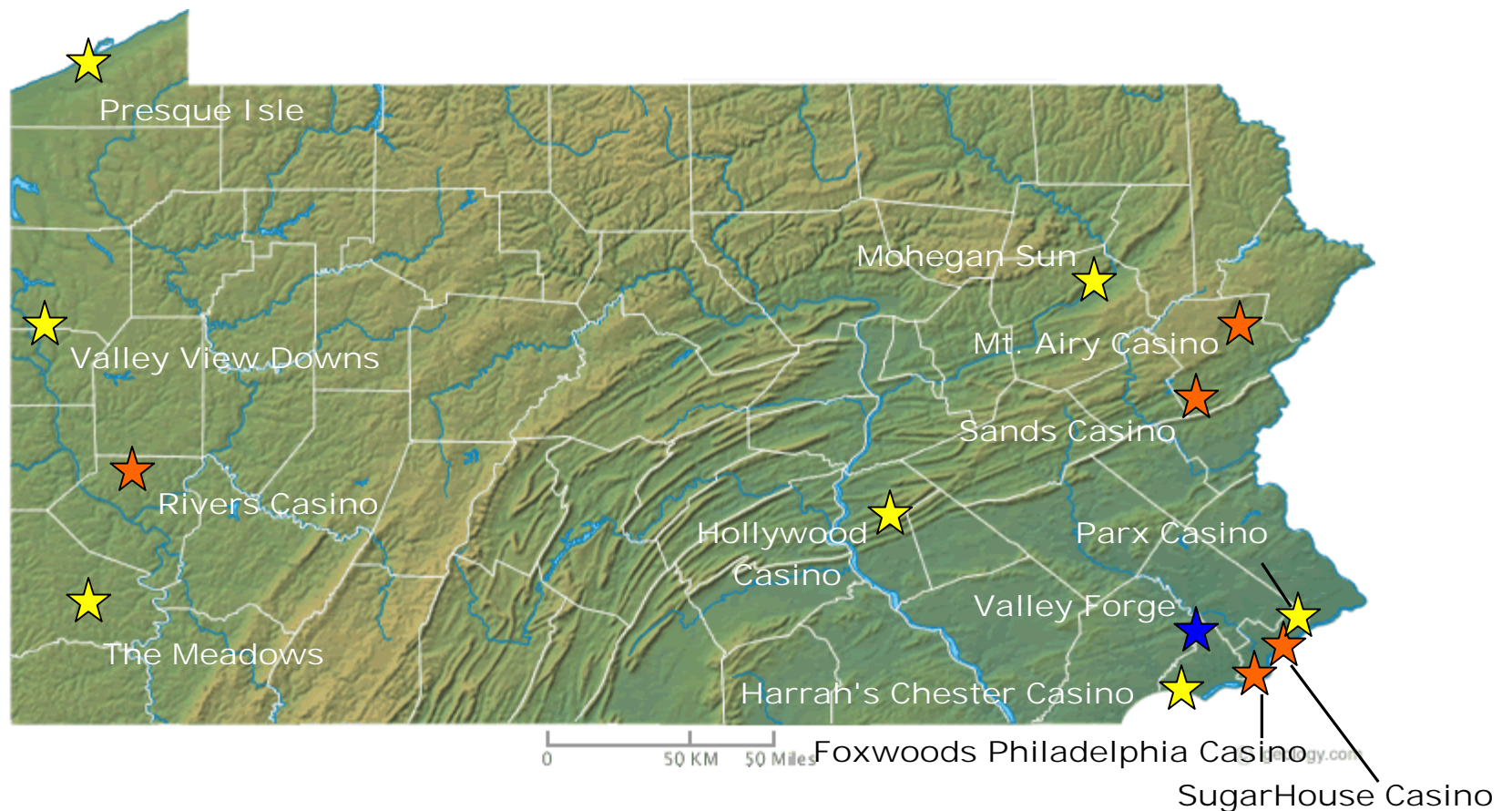
n Executive Staff

- | | |
|---|---|
| n Kevin F. O’Toole | Executive Director |
| • Was appointed as the second Executive Director in April 2009, replacing Anne LaCour Neeb | |
| • Previously was an Executive Director of the Oneida Indian Nation Gaming Commission since July 1997 and was appointed as a Commissioner in February 2007 | |
| n Frank T. Donaghue | Interim Deputy Executive Director |
| • Appoint as Acting Executive Director in May 2008 | |
| • Appointed to his current position in May 2009 | |
| • Formerly Chief Counsel | |
| n R. Douglas Sherman | Chief Counsel |
| n Cyrus Pitre | Chief Enforcement Counsel |
| n Michael Cruz | Director of Gaming Laboratory Operations |
| n Mozelle E. Daniels | Director of Diversity & Special Counsel to the Executive Director |
| n Doug Harbach | Director of Communications |
| n Susan Hensel | Director of Licensing |
| n Nanette L. Horner | Director of the Office of Compulsive and Problem Gambling |
| n Linda Lloyd | Director of Hearings and Appeals |
| n Paul Resch | Director of Gaming Operations |
| n Thomas K. Sturgeon | Director of Casino Compliance |
| n Melinda Tucker | Director of Racetrack Gaming |

Political Limitations – Board Members

- n Restrictions on board members (1202.1(c))
 - n May not accept any discount, gift, gratuity, compensation, or other thing of value, directly or indirectly, from any applicant; licensed entity; affiliate, subsidiary, or intermediary of an applicant or a licensed entity; permittee; registrant; or licensed entity representative thereof
 - (SB 711: additions underlined)
 - n May not hold or campaign for political office
 - n May not contribute to or solicit for political campaigns or parties
 - n May not meet or discuss with any applicant or licensee unless on Board property and properly documented
 - n SB 711: Certain exparte communications are prohibited
 - n May not directly or indirectly solicit, request, suggest or recommend to any applicant, licensed entity, or an affiliate appointment or employment of any person in any capacity by the applicant, licensed entity, or an affiliate for a period of two years after leaving office (1201(h))
 - n May not accept employment with or appear before the Board on behalf of an applicant, licensed entity or affiliate for two years after leaving office (1201(h))

Pennsylvania Casinos



★ Category 1 Facility ★ Category 2 Facility ★ Category 3 Facility

PA Casinos - Overview

- n Three distinct classifications for gaming entities (1301)
 - n Category 1 Slot Machines (1302)
 - Permits a person to operate slot machines at a licensed racetrack facility
 - No more than 7 licensed facilities (1307)
 - May issue additional licenses as Category 2 if less than 7 Category 1 licenses are applied for within 5 years of the Gaming Act's passage
 - Application pending for Valley View Downs as of 12/31/09
 - n Category 2 Slot Machines (1304)
 - Permits a person to operate slot machines in a designated city or tourist location (stand-alone casino)
 - No more than 5 licensed facilities (unless increased because less than 7 Category 1 licenses are issued) (1307)
 - n Category 3 Slot Machines (1305)
 - Permits a person to operate slot machines in an established resort hotel
 - No more than 2 licensed facilities
 - SB 711: 3rd Category 3 facility may be permitted in 2017

PA Casinos – Distance Req.

- n Distance Requirement for Facilities
 - n Category 1 facility must not be located within 20 linear miles of another Category 1 Facility (1302)
 - n Category 2 facility within in a Class 1 City may not be within 10 linear miles of a Category 1 facility (1304)
 - n Except for Category 2 facility in a Class 1 or 2 City, facility may not be located within 30 linear miles of a Category 1 facility conducting over 200 racing days a year and not within 20 miles of a Category 1 facility (1304)
 - n Except for a Category 2 facility located in a Class 1 City, no facility shall be located within 20 linear miles of another Category 2 facility (1304)
 - n Category 3 facility must not be located within 15 linear miles of another licensed facility (1305)
 - n SB 711: Additional Category 3 license established on or after July 20, 2017, must not be located within 30 linear miles of another licensed facility

PA Casinos – Category 1

- n Category 1 slot machines
 - n Requirements (1302)
 - License may only be issued to the particular racetrack facility identified in the application (1302)
 - Applicant must meet one of the following:
 - Licensed racetrack entity must have conducted live horseracing for not less than two years preceding effective date
 - Racing must occur at least 100 days a year
 - Licensed racetrack entity must not have conducted live horseracing but will conduct a minimum of 150 days beginning in second year following issuance of license
 - Licensee may operate 5,000 slot machines at existing horse racing facility (not less than 1,500 (1207))
 - n **SB 711**: Up to 250 table games permitted upon issuance of table game operation certification (1311A)

PA Casinos – Category 1

Category 1 licenses granted:

Facility	Ownership	Licensing Date	Opening Date
Valley View Downs Casino and Racing Complex	Valley View Downs LP (Lawrence County)	Pending	TBD
Hollywood Casino at Penn National	Mountainview Thoroughbred Racing Association (Dauphin County)	9/27/2006	2/12/2008
The Meadows Racetrack & Casino	Washington Trotting Association, Inc. (Washington County)	9/27/2006	6/11/2007
Presque Isle Downs & Casino	Presque Isle Downs, Inc. (Erie County)	10/25/2006	2/28/2007
Harrah's Chester Casino & Racetrack	Chester Downs and Marina, LLC (Delaware County)	9/27/2006	1/22/2007
Parx Casino and Racetrack	Greenwood Gaming and Entertainment Inc. (Bucks County)	9/27/2006	12/19/2006
Mohegan Sun and Pocono Downs	Downs Racing, LP (Luzerne County)	9/27/2006	11/14/2006

PA Casinos – Category 2

- n Category 2 (1304)
 - n Applicant, its affiliate or subsidiary is not otherwise eligible for a Category 1 license
 - n Person is seeking to locate facility in Class 1 City, Class 2 City or Tourism-enhanced location
 - Class 1 City – Philadelphia
 - Class 2 City – Pittsburgh
 - Class 3 City – Others
 - n Two Category 2 licensed facilities and no more shall be located in a Class 1 City
 - n One Category 2 licensed facility and no more shall be located in a Class 2 City
 - n In December 2005, there were 17 applicants for the 5 Category 2 licenses
 - n Requirement to waive exemptions, deductions and abatements if facility located in a Keystone Opportunity Zone (added in 2006 Amendment)
 - n Licensee may operate 5,000 slot machines at a stand alone slots facility (not less than 1,500 (1207))
- n **SB 711**: Up to 250 table games permitted upon issuance of table game operation certification (1311A)

PA Casinos – Category 2

Category 2 licenses granted:

Facility	Ownership	Licensing Date	Opening Date
Foxwoods Philadelphia Casino	Philadelphia Entertainment & Development Partners, LP (Philadelphia)	12/20/2006	TBD: must open on or before 12/31/2012
SugarHouse Casino	SugarHouse HSP Gaming, LP (Philadelphia)	12/20/2006	Late 2010
Rivers Casino	Holdings Acquisition Co., LP, formerly PITG Gaming, LLC (Pittsburgh)	12/20/2006	8/2/2009
Sands Casino Resort	Sands Bethworks Gaming, LLC (Northampton County)	12/20/2006	5/22/2009
Mount Airy Casino Resort	Mount Airy #1, LLC (Monroe County)	12/20/2006	10/22/2007

PA Casinos – Category 3

- n Two Category 3 licenses have been previously authorized and one has been granted (Valley Forge Convention Center Partners)
 - n SB 711: Application period for the remaining Category 3 license has been re-opened until April 7, 2010. Prior applications need not be filed again.
- n SB 711: Board is authorized to issue one additional Category 3 facility if two Category 3 facilities are operational by July 20, 2017; third facility may not be within 30 linear miles of another licensed facility
- n Applicant has not applied for or been approved or issued a Category 1 or 2 license
- n Facility located in a “well-established resort hotel”
 - n Well Established Resort Hotel is defined as a resort hotel having no fewer than 275 rooms under common ownership and having substantial year round recreational guest amenities. (58 Pa. Code § 443.5(a))
 - n “Substantial Year-Round Recreational Guest Amenities” means an applicant offering on its premises three or more of the following amenities: (i) sports and recreational activities and facilities such as a golf course or golf driving range, (ii) tennis courts or swimming pool, (iii) health spa, (iv) meeting and banquet facilities, (v) entertainment facilities, (vi) restaurant facilities, (vii) downhill or cross-country skiing facilities and (viii) bowling lanes. (§ 443.5(a))

PA Casinos – Category 3

- n Requires that an individual not enter a gaming area of the licensee if the individual is not (i) a registered overnight guest of the resort hotel, (ii) a “patron of the amenities” provided by the resort hotel, or (iii) [SB 711](#) holder of a valid membership
 - n “Patron of the Amenities” means any individual who is a registered attendee of a convention, meeting or banquet event or a participant in a sport or recreational event or any other social, cultural or business event held at a resort hotel or who participates in one or more of the Amenities provided to registered guests of the resort hotel (1305(E) and 443.5(a))
 - n “Non-de minimis consideration” as discussed under “Amenities” consists of a payment of at least \$10 per patron (§ 441.1)
 - n [SB 711](#): Individual may obtain a seasonal or year-round membership that allows such person and a guest to use of one or more of the amenities provided by the well-established resort hotel holding a Category 3 slot machine license (1305)
- n No more than 500 slot machines at each facility
- n [SB 711](#): Category 3 slot machine licensee holding a table games operation certificate may operate up to 600 slot machines (not less than 250 (1207)) (1305)

PA Casinos – Category 3

- n Initial applicants on or before December 28, 2005:
 - n Seven Springs Farm, Inc. and Nemaquin Woodlands, LLC applied (both located in Western Pennsylvania)
 - n Both applicants withdrew from consideration in 2006
- n Applications reopened on April 27, 2007. New applications received by the Board for two available licenses:
 - n Bushkill Group, Inc., Fernwood Hotel & Resort (Monroe County); still pending
 - n Valley Forge Convention Center Partners, L.P. (Montgomery County)
 - n Vacation Charters, Ltd., The Resort at Split Rock (Carbon County); application subsequently withdrawn
 - n CE-Palace, LP, The Palace Inn (Allegheny County); application subsequently withdrawn
- n Valley Forge Convention Center Partners, L.P. granted a license on 5/8/09
- n Wyo Gaming, L.P. filed an application on July 7, 2009 for a proposed slots-only casino at the Crowne Plaza Reading Hotel located in Wyomissing, Berks County
 - n Application pending as of 12/31/09
- n SB 711: Application period reopened until April 7, 2010

PA Casinos – License / Certificate Fees

- n Licensing fees – Slot Casinos
 - n \$50 million for Category 1 and 2 (1209)
 - n \$5 million for Category 3 (1305)
 - n Payment of licensing fee due at the time of license issuance (1209)
- n Table Game Certificate Authorization Fee (1361A)
 - n Existing Category 1 & 2 licensed facilities must pay:
 - \$16.5 million on or before June 1, 2010;
 - \$24.75 million for petitions submitted after June 1, 2010;
 - Board may impose penalty and grant 6 month extension if not paid on time
 - n Existing Category 3 licensed facility must pay:
 - \$7.5 million on or before June 1, 2010;
 - \$11.25 million for petitions submitted after June 1, 2010;
 - Board may impose penalty and grant 6 month extension if not paid on time
 - n Holder of a Category 1 or 3 license awarded/issued after June 1, 2010 must pay \$16.5 million or \$7.5 million respectively
 - n Fees designed to bring in \$196.5 million in fiscal 2009/2010

Licensing



Licenses

- n Casino Owner
- n Principals
- n Gaming vendors (1317)
 - n Person seeking to provide non-gaming goods and services to licensee
 - n Licensed for 1 year with opportunity to renew
- n Suppliers (1317)
 - n Person seeking to provide slot machines or associated equipment to licensee
 - n Licensed for 1 year with opportunity to renew
- n Manufacturers of slot machines (1317.1)
 - n Person seeking to manufacture slot machines or associated equipment within Commonwealth
 - n Licensed for 1 year with opportunity to renew
- n Key Employees (1318)
 - n Person desiring to be a gaming employee and has a bona fide offer of employment from gaming entity
 - n SB 711: Adds dealers, pit supervisors and others associated with providing table games
- n Management Companies

Licensing – Principals

n Principals

n The following “Principals” must be licensed:

- An officer; director; person who directly holds a beneficial interest in or ownership of the securities of an applicant or licensee; person who has a controlling interest in an applicant or licensee, or has the ability to elect a majority of the board of directors of a licensee or to otherwise control a licensee; lender or other licensed financial institution of an applicant or licensee, other than a bank or lending institution which makes a loan or holds a mortgage or other lien acquired in the ordinary course of business; underwriter of an applicant or licensee; or other person or employee of an applicant, slot machine licensee, manufacturer licensee or supplier licensee
- An individual that has a 1% or greater indirect interest in an applicant or licensee shall be licensed as a principal (433a.3)

Licensing – Vendors / Suppliers

n Vendors

- n Vendors are persons providing non-gaming goods and services to a slot machine licensee or applicant and include:
 - suppliers of alcohol, vending machine providers, linen and uniform suppliers, janitorial and maintenance companies, tenant business located in a licensed facility, transportation service providers
- n Vendors must file a registration application if (125-100):
 - a vendor provides goods or services to one or more slot machine applicants or licensees worth \$100,000 to \$500,000 in a 12-month period
 - The employees of the vendor will be working on the gaming floor or in restricted areas unless certain conditions apply
- n Vendors must file a certification application if (125-100):
 - vendor provides goods or services worth more than \$500,000 in a 12-month period to one or more slot machine applicants or licensees
 - The vendor's employees will have access to restricted areas or the gaming floor
 - The Board notifies the vendor that certification is required, based upon the Board's analysis of the vendor's services, to ensure the integrity of gaming
- n Person who indirectly provides goods or services to a slot machine applicant or licensee must be registered or certified if the costs of goods and services exceed the monetary thresholds set forth above (125-100)
- n Vendors may apply for and be granted the right to provide goods and services while the Board is reviewing their application

n Suppliers

- n A person that sells, leases, offers or otherwise provides, distributes or services any slot machine or associated equipment for use or play of slot machines
- n Holder of a supplier license or any affiliates may not apply for or hold a slot machine license or a manufacturer license

Licensing – Manufacturers

- n Manufacturers (1317.1)
 - n A person seeking to manufacture slot machines and associated equipment for use in PA must apply to the Board for a manufacturer license
 - n A licensed manufacturer or its designee may supply or repair any slot machine or associated equipment manufactured by the licensed manufacturer
 - n A manufacturer may contract with a supplier to provide slot machines or associated equipment to a slot machine licensee
 - n No slot machine licensee may use slot machines unless they were manufactured by a licensed manufacturer

Licensing – Management Companies

- n Management company - A person or legal entity which, through a Board-approved management contract with a slot machine licensee, is responsible for the management of all or part of the operation of a licensed facility (401a.3)
- n Management company license is valid for 1 year (440a.3)
- n A management company may be jointly and severally liable for any act or omission by the slot machine licensee in violation of the act or this part regardless of actual knowledge by the management company of the act or omission (440a.4)

Licensing / Certificate - Fees

- n Manufacturer License (Slots or Table Games) (1208)
 - n \$50,000 fee upon issuance of license
 - n \$30,000 renewal fee
 - n SB 711: Renewal period will be every three years and fee will be \$90,000 (1317)
- n Supplier License (Slots or Table Games) (1208)
 - n \$25,000 fee upon issuance of license
 - n \$15,000 renewal fee
 - n SB 711: Renewal period will be every three years and fee will be \$45,000 (1317)
- n Vendors
 - n \$4,000 fee upon issuance of certification or registration
- n Management Company License
 - n \$500,000 for a C-1 or C-2 company upon issuance of license
 - n \$50,000 for a C-3 company upon issuance of license
- n Applicant for a license must pay fees associated with background investigations (1208)

Revenues from Gaming



Results of Operations

- n Fiscal Year 2008/2009 (July 1 – June 30)
 - n Wagers - \$22.5 billion
 - n Payouts - \$20.5 billion
 - n Total Gross Terminal Revenue - \$2 billion
 - n State Tax at 34% - \$596 million
 - n Local Share Assessment 4% - \$70 million
 - n Economic Development Fund 5% - \$88 million
 - n Pennsylvania Race Horse Fund 12% - \$210 million
 - n Active slot machines – 21,700
- n Fiscal Year 2009/2010 (ytd)
 - n Wagers - \$14.0 billion
 - n Payouts - \$12.9 billion
 - n Total Gross Terminal Revenue - \$1 billion
 - n State Tax at 34% - \$352 million
 - n Local Share Assessment 4% - \$41 million
 - n Economic Development Fund 5% - \$52 million
 - n Pennsylvania Race Horse Fund 12% - \$124 million
 - n Active slot machines - 25,500

Results of Operations – Total Wagers

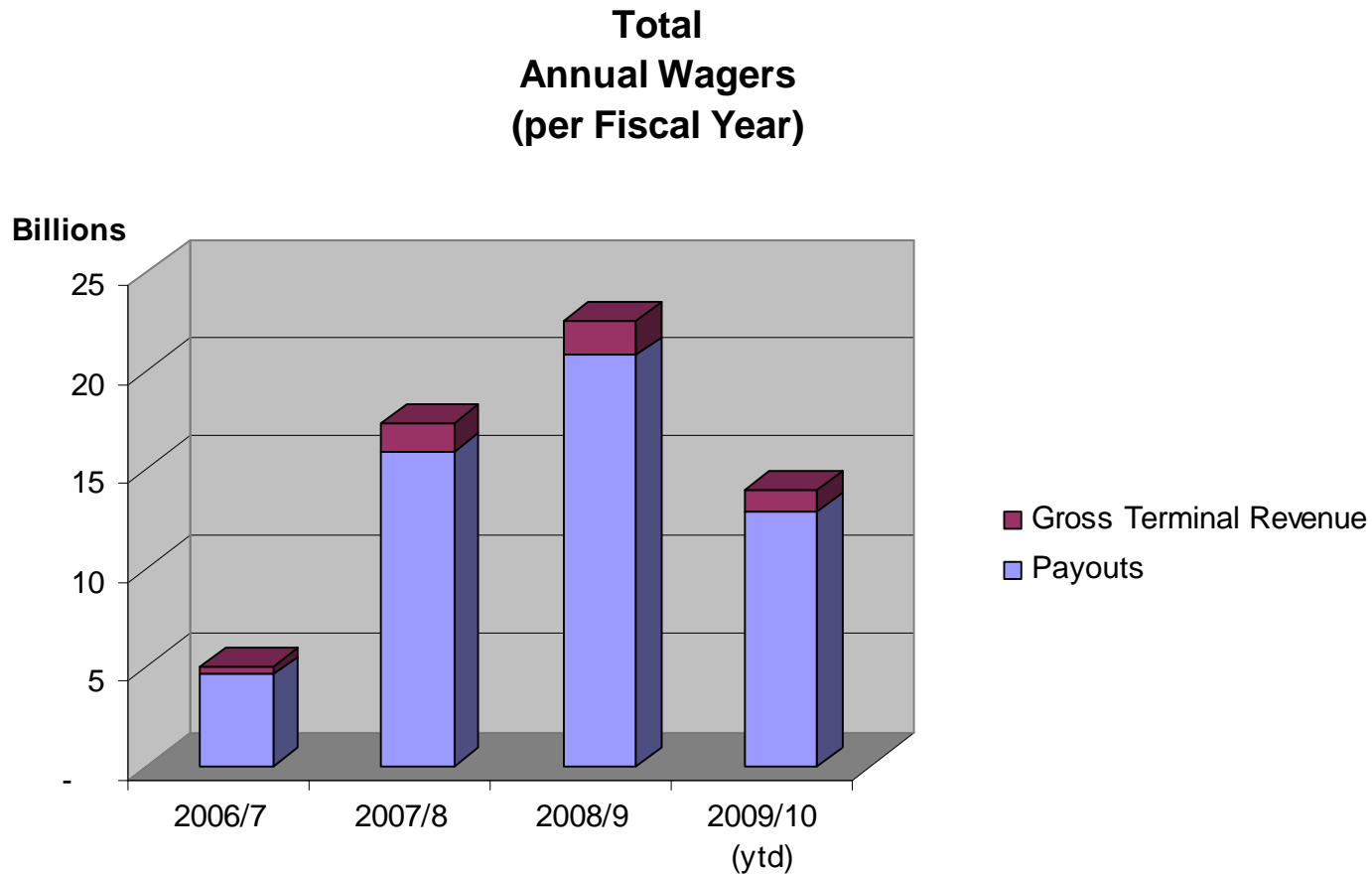


Chart derived from revenue reports obtained from PA Gaming Control Board website

Results of Operations

	<u>Number of Slot Machines</u>	<u>Win per Slot per Day (Nov 08)</u>	<u>Gross Terminal Revenue (FY 2008/2009) (millions)</u>
<u>Category 1 Facilities</u>			
Mohegan Sun at Pocono Downs	2,465	\$ 232.00	\$ 216
Parx Casino & Racetrack	2,911	\$ 313.00	\$ 356
Harrah's Chester Casino & Racetrack	2,836	\$ 292.00	\$ 320
Presque Isle Downs & Casino	1,999	\$ 190.00	\$ 168
The Meadows Racetrack & Casino	3,747	\$ 353.00	\$ 264
Hollywood Casino at Penn National	2,315	\$ 248.00	\$ 219
Total	16,273	\$ 1,628.00	\$ 1,543
<u>Category 2 Facilities</u>			
Mount Airy Casino Resort	2,498	\$ 191.00	\$ 180
Sands Bethlehem*	3,000	-	\$ 30
Rivers Casino	-	-	-
Total	5,498	\$ 191.00	\$ 210
Grand Total	21,771		\$ 1,753
Taxable wins per slot per day		\$ 260.00	

* May and June 2009 Only

Chart derived from revenue reports obtained from PA Gaming Control Board website

Results of Operations

	<u>Number of Slot Machines</u>	<u>Win per Slot per Day (Nov 09)</u>	<u>Gross Terminal Revenue (FY 2009/2010) (millions)</u>
<u>Category 1 Facilities</u>			
Mohegan Sun at Pocono Downs	2466	\$ 233.00	\$ 110
Parx Casino & Racetrack	2813	\$ 324.00	\$ 174
Harrah's Chester Casino & Racetrack	3000	\$ 269.00	\$ 151
Presque Isle Downs & Casino	2000	\$ 213.00	\$ 81
The Meadows Racetrack & Casino	3725	\$ 177.00	\$ 138
Hollywood Casino at Penn National	2501	\$ 262.00	\$ 117
Total	16,505	\$ 1,478.00	\$ 771
<u>Category 2 Facilities</u>			
Mount Airy Casino Resort	2364	\$ 154.00	\$ 76
Sands Bethlehem	3252	\$ 213.00	\$ 112
Rivers Casino*	2998	\$ 176.00	\$ 79
Total	8,614	\$ 543.00	\$ 267
Grand Total	25,119		\$ 1,038
Taxable wins per slot per day		\$ 224.00	

* August through December of 2009 Chart derived from revenue reports obtained from PA Gaming Control Board website

Taxes

n Tax Rates on Slot Machines

- n 34% State Tax
- n 4% Local Share Assessment
- n 5% Pennsylvania Gaming Economic Development Tourism Fund
- n 12% Horse Race Industry
- n Taxes based on "gross terminal revenue", which is the difference between wagers and payouts

n Tax Rates on Table Games (1362A)

- n State tax of 14% is assessed on daily gross table games revenue for the first two years of operation and 12% thereafter
- n 34% tax rate on fully automatic electronic gaming tables
- n Local share assessment of 2%
 - Local share assessment is estimated to be \$14 million in 2010/2011 and \$15.6 million in 2011/2012

Results of Operations – Gross Terminal Revenue

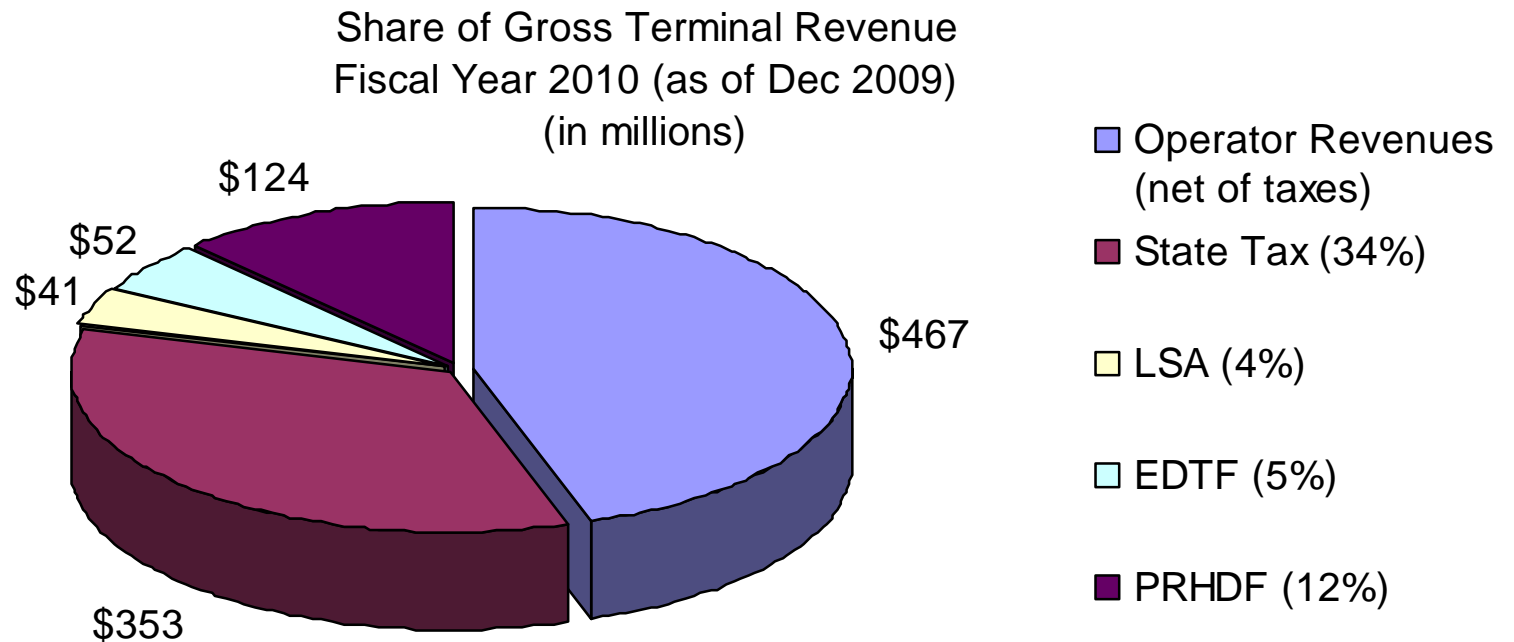
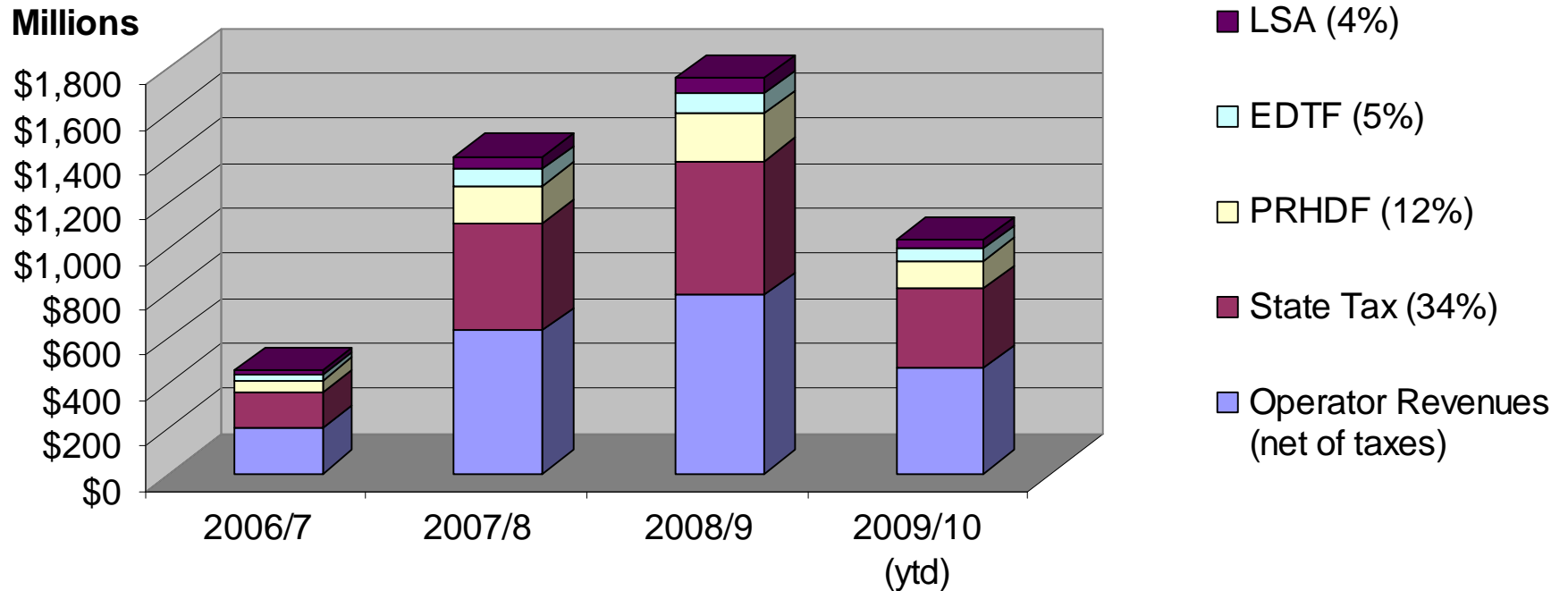


Chart derived from revenue reports obtained from PA Gaming Control Board website

Results of Operations – Gross Terminal Revenue

Share of Gross Terminal Revenue (per Fiscal Year)



Gross Terminal Revenue equals Wagers minus Payouts and adjustments
 Chart derived from revenue reports obtained from PA Gaming Control Board website

Special Provisions



SB 711 Portability of License

- n Portability and relocation of slot machine license (1329)
 - n Applicant for a slot machine license or a slot machine licensee may petition the Board to relocate its facility
 - n In considering the application the Board will (i) evaluate the proposal; (ii) conduct a revenue and economic impact analysis between the current location and proposed location; (iii) conduct a comprehensive traffic study; (iv) evaluation community support or opposition; and (v) consider other information
 - n The Board must hold at least one public hearing in the municipality where the facility will be located prior to ruling
 - n Licensee may relocate upon Board approval if (i) the facility remains in the same county; (ii) continues gaming continuity; (iii) complies with other sitting and location obligations; and (iv) is in the best interest of the Commonwealth

Certain Provisions

- n The Board must hold at least one public input hearing prior to approving a structural redesign of a licensed facility located in a city of the first class (1205)
- n A slot machine licensee must operate a minimum of 1,500 slot machines within one year of issuance of a slot machine license. Board may approve an extension ending on the later of 36 months from the end of the initial one-year period or December 31, 2012 (1210)
- n SB 711: If required to enter into an agreement with a municipality or municipal authority, slot machine licensee must do so within 30 days of passing this amendment or 30 days of being licensed (1214)
- n SB 711: City of first class shall not exempt a licensee from real property tax or provide tax abatement under LERTA for its property or improvements, unless the licensee enters into a property tax settlement agreement or PILOT program (1304(b)(3))
- n Temporary Facility – permitted for 24 months plus an extension for an additional 24 months upon a showing of good cause (1207)

Licensing Fee Refunds

- n The one-time slot machine license fee of \$50,000,000 for each Category 1 and Category 2 slot machine license may be returned to each licensee in the event section 1201 (relating to Pennsylvania Gaming Control Board established), 1202 (relating to general and specific powers) or 1307 (relating to number of slot machine licenses) is amended or otherwise altered by an act of the General Assembly within five years following the initial issuance of any slot machine licenses pursuant to section 1301 (relating to authorized slot machine licenses) to change (1209(f))
 - n the composition of the board;
 - n the number or voting powers of members of the board;
 - n the manner in which members are nominated or appointed to the board;
 - n the length of term for which each member serves;
 - n the general jurisdiction of the board in a manner that impairs or otherwise reduces the board's licensing authority; or
 - n section 1307 to increase the statutory maximum number of permissible licensed facilities.
- n A full refund is granted if the foregoing occurs within 5 years of December 28, 2005 (the date of submission of initial applications) (1209(f))
- n A partial refund is granted if the foregoing occurs within year 6 and 10 of the initial application date (1209(f))
- n **SB 711**: Authorizes the Board to assess a one-time renewal fee in an amount equal to the refund, if any, under 1209(f) or contract entered into pursuant to 1209(c). (1209(f)(3))
- n Credit against tax for slot machine licensees
 - n If the rate of the tax imposed by section 1403 (relating to establishment of State Gaming Fund and net slot machine revenue distribution) is increased at any time during the term of ten years following the initial issuance of the slot machine license, the slot machine licensee shall be entitled to a credit against subsequent payment of the tax equal to the difference between the tax calculated at the rate when the license was issued and the tax calculated at the increased rate (1209(c))
 - n Note: It is not yet clear whether the one time renewal fee payable under payable under 1209(f)(3) applies to the tax credit

Update on Political Contributions

- n Section 1513 of the Gaming Act provides that:
 - n Applicants, licensees, manufacturers, key employees, licensed suppliers, licensed racing entities, licensed principals, licensed key employees, subsidiaries or holding companies of a slot machine licensee or persons who hold a similar gaming license in another jurisdiction are prohibited from contributing to political organizations or candidates.
- n In DePaul v. Commonwealth, Pennsylvania Gaming Control Board, the PA Supreme Court ruled that such a ban on all political contributions violates the state constitution's guarantee of freedom of expression.
 - n The court found that the statute was not narrowly tailored to further the compelling state interest of preventing the actual or appearance of corruption in the regulation of the gaming industry that may result from large campaign contributions.
 - n The statute prohibits all campaign contributions to candidates (even if there is no connection between the candidate and the gaming industry) from a broad range of individuals.
- n First time the court explicitly addressed the question of whether political contributions constitute protected expression.
- n SB 711: Expands the legislative intent of the Gaming Act. State has a compelling interest in preventing corruption or the appearance of corruption in the gaming industry and banning all types of political campaign contributions.

Facility Zoning Appeals

- n Gov. Rendell vetoed Senate Bill 1209 in November 2004 which would have limited the Gaming Board's authority over licensing and zoning matters.
- n In October of 2006, the state House and Senate considered pre-empting local zoning authority in Philadelphia and Pittsburgh by granting such power to the Gaming Board. The proposal was defeated.
- n Under the Gaming Act, the State Supreme Court is vested with exclusive appellate jurisdiction to consider appeals of a final order, determination or decision of a political subdivision or local instrumentality involving zoning, usage, layout, construction or occupancy, including location, size, bulk and use of a licensed facility. (1506)

Restrictions on Wagering

- n The regulations to the Gaming Act prohibit certain persons covered by the Gaming Act from wagering in the Commonwealth (435a.1):
 - n An individual who holds a license or permit (includes principals and key employees) may not wager at any licensed facility in the state.
 - n A registrant or employee who is not required to obtain a license or permit may not wager at the licensed facility in which the registrant or employee is employed.
 - n A registrant who is an employee of a certified vendor or an employee of a certified vendor who has direct contact with the employees of a licensed facility may not wager at the licensed facility where the vendor is currently providing services.
 - n A licensed, permitted or registered employee shall wait at least 30 days following the date of resignation or terminated from a slot machine licensee before the employee may wager at the licensed facility in which the employee was formerly employed.
- n Must be 21 years or older to gamble. (1207 / 513a.2)

Other News

- n Tension between Bureau of Investigations and Enforcement (BIE), branch of Gaming Board established to conduct background checks in connection with application process, and the state police who maintain criminal enforcement powers and extensive resources to conduct background checks
 - n Some members of the state House are considering whether to transfer the BIE to the Attorney General's office or the state police
- n In December a judge ruled that a suit led by Trump Entertainment could proceed against the Gaming Control Board that alleged they discriminated against out of state applicants
 - n Litigation revolves around the Foxwoods relocation
 - n Recently passed legislation addresses the relocation of facilities

Additional Information

- n See the Pennsylvania Gaming Control Board's website at www.pgcb.state.pa.us for more information including:
 - n Current statute and final regulations
 - n News articles and press releases
 - n Board meeting minutes
 - n Gaming revenue information
 - n Gaming forms and filing instructions
 - n Members and executive staff
 - n Current updates