

COMPARING VIDEO GAMING LAWS: ILLINOIS V. PENNSYLVANIA

	PENNSYLVANIA	ILLINOIS
Eligible Establishments	<p>Only Truck Stop Establishments are eligible to apply for video gaming licensure.</p>	<p>There are four categories of eligible establishments: Truck Stop Establishments, Retail Establishment, Fraternal Establishments and Veterans Establishment.</p> <p>A Retail Establishment must hold a liquor license allowing for alcoholic liquor to be drawn, poured, mixed or otherwise served for consumption. Subject to certain exceptions, Fraternal Establishments and Veterans Establishments must also hold valid liquor licenses.</p>
Truck Stop Eligibility Requirements	<p>To be eligible for an Establishment License, a truck stop facility must meet the following criteria:</p> <ul style="list-style-type: none"> ◆ Be equipped with diesel islands ◆ Sell an average of 50,000 gallons of diesel or biodiesel each month for previous 12 months, or projected for the next 12 months ◆ Have at least 20 parking spaces dedicated to commercial motor vehicles ◆ Have a convenience store ◆ Be situated on a 3-acre parcel that the Truck Stop Establishment owns or leases 	<p>To be eligible for an Establishment License, a truck stop facility must meet the following criteria:</p> <ul style="list-style-type: none"> ◆ Be equipped with separate diesel islands ◆ Sell more than 10,000 gallons of diesel or biodiesel per month ◆ Have parking spaces for commercial motor vehicles ◆ Be situated on at least a 3-acre parcel ◆ Have a convenience store

<p>Truck Stop Eligibility Requirements (cont.)</p>	<ul style="list-style-type: none"> ◆ <i>Not be situated on any property owned by the Pennsylvania Turnpike</i> ◆ <i>Be licensed as a Lottery Sales Agent under the Pennsylvania State Lottery Act</i> 	
<p>Revenue Split</p>	<p>Gross Terminal Revenue is split as follows:</p> <ul style="list-style-type: none"> ♣ 42% state tax ♣ 10% local tax ♣ 15% to the Establishment Licensee ♣ Remainder to the Terminal Operator (less a bi-monthly regulatory assessment imposed by the Board) 	<p>Net Terminal Income is split as follows:</p> <ul style="list-style-type: none"> ♣ 30% state tax (5% is distributed to the local municipalities and counties) ♣ 35% to the Licensed Truck Stop Establishment (less Establishment's share of the central communications system fee) ♣ 35% to the Terminal Operator (less Terminal Operator's share of the central communications system fee) ♣ Currently, the central communications system fee is equal to 0.7275% of Net Terminal Income, subject to an increase following G2S conversion
<p>VGT Specifications</p>	<p>Maximum bet: \$5.00 Maximum prize per individual game: \$1,000 VGT payout minimum: 85% of the amount wagered Allows progressive jackpots.</p>	<p>Maximum bet: \$2.00 Maximum prize per individual game: \$500 VGT payout minimum: 80% of the amount wagered Does not allow progressive jackpots.</p>
<p>Video Gaming Area</p>	<p>Site plans for an Establishment License applicant's video gaming area require review and approval by the Board.</p>	<p>Truck Stop Establishment License applicant's premises is subject to a site inspection as part of the application process.</p>
<p>Segregation of VGTs from Minors</p>	<p>Video gaming area must be segregated from minors, and monitored at all times, either directly or through live monitoring of video surveillance, by an employee of the</p>	<p>Video gaming area must be segregated from minors, and the entrance must be monitored at all times by an employee of the Truck Stop Establishment Licensee who is</p>

<p>Segregation of VGTs from Minors (cont.)</p>	<p>Establishment Licensee who is at least 18 years old and has completed the mandatory compulsive and problem gambling training.</p>	<p>at least 21 years old. Establishment Licensee may utilize video surveillance in addition to, but not in lieu of, an employee with a direct line of sight to the video gaming area's entrance.</p>
<p>Structural Changes/VGT Movement</p>	<p>Prior Board approval is required for (1) structural alterations or significant renovations to the video gaming area and (2) moving VGTs and redemption terminals.</p>	<p>Prior Board approval is required for moving VGTs for any reason. Structural alterations or significant renovations to the video gaming area may require another site inspection.</p>
<p>Statutory Disqualifications for Licensure</p>	<p>No person or entity may be licensed if it has a felony conviction, or background (including prior activities, criminal record, reputation, habits or associations) that would pose a threat to the public interest or enhance the danger of unsuitable, unfair or illegal practices in the conduct of video gaming.</p> <p>An applicant for a Principal License, Key Employee License, Occupation Permit or Establishment License is ineligible for licensure if it has been convicted of a misdemeanor gambling offense within the 15-year period prior to application.</p>	<p>No person or entity may be licensed if it has a felony conviction, conviction of a criminal gambling offense, or background (including prior activities, criminal record, reputation, habits or associations) that would pose a threat to the public interest or enhance the danger of unsuitable, unfair or illegal practices in the conduct of video gaming.</p> <p>An applicant who has been convicted of a crime involving dishonesty or moral turpitude not otherwise set forth above is also ineligible for licensure, but the Board has discretion to issue a license if such crime occurred more than 10 years prior to application, and the applicant has not subsequently been convicted of any other crime.</p>
<p>Licenses</p>	<p>Pennsylvania has a three-tier licensing system, including:</p> <ul style="list-style-type: none"> ♥ Tier 1: Manufacturers and Suppliers ♥ Tier 2: Terminal Operators ♥ Tier 3: Truck Stop Establishments <p>Pennsylvania's Supplier license encompasses entities which sell, lease, distribute or service any VGT, redemption terminal or related equipment.</p>	<p>Illinois has a three-tier licensing system, including:</p> <ul style="list-style-type: none"> ♥ Tier 1: Manufacturers, Suppliers and Distributors ♥ Tier 2: Terminal Operators ♥ Tier 3: Establishments (including truck stop, retail, and fraternal and veterans establishments)

Licenses (cont.)

Licenses are valid for a period of five years.

Key Employees and Principals of a Terminal Operator or Establishment Licensee applicant are required to apply for and obtain a Key Employee or Principal License.

Certain Gaming Service Provider and Gaming Employees are required to apply for and obtain an authorization or permit.

Sales agents, referred to as Procurement Agents in Pennsylvania, are required to apply for and obtain a Principal License, and must be disclosed on any Terminal Placement Agreement they procure.

Licenses are valid for a period of one year.

Owners, individuals with the power to control or influence video gaming operations, and individuals or entities who will otherwise share in video gaming revenue associated with Terminal Operator or Truck Stop Establishment applicants or licensees (referred to as Persons with Significant Influence and Control) are subject to a background investigation to determine suitability, but are not licensed individually.

Individuals who repair VGTs, perform cash-handling services or do other work in the field are required to obtain a Terminal Handler or Technician License.

Sales Agents must be disclosed to the Board and are subject to a background check but are not licensed.

License Fees

Application Fees:

- ♣ Manufacturer or Supplier: \$50,000
- ♣ Terminal Operator: \$25,000
- ♣ Establishment: \$1,000
- ♣ Key Employee or Principal: \$500
- ♣ Gaming Service Providers and Gaming Employees: to be determined by the Board, but will not exceed \$100

In addition to the application fees above, the following fees are required for conditional licensure:

- ♣ Manufacturer or Supplier: \$1,000
- ♣ Terminal Operator: \$100
- ♣ Establishment: \$100
- ♣ Key Employee or Principal: \$100

Application Fees:

- ♣ Manufacturer or Distributor: \$5,000
- ♣ Supplier: \$2,500
- ♣ Terminal Operator: \$5,000
- ♣ Establishment: N/A
- ♣ Technician: \$100
- ♣ Terminal Handler: \$50

Illinois does not allow for conditional licensure in any category of license.

<p>License Fees (cont.)</p>	<p>Initial License and Renewal Fees:</p> <ul style="list-style-type: none"> ♣ Terminal Operator: \$5,000 ♣ Establishment: \$250 per VGT installed (plus an additional \$250 for any VGTs installed subsequent to the Establishment’s license renewal) ♣ Key Employee or Principal: \$500 ♣ Gaming Service Providers and Gaming Employees: to be determined by the Board, but will not exceed \$100 	<p>Initial License and Renewal Fees:</p> <ul style="list-style-type: none"> ♣ Manufacturer or Distributor: \$10,000 ♣ Supplier: \$2,000 ♣ Terminal Operator: \$5,000 ♣ Establishment: \$100 (plus an additional fee of \$100 per VGT installed, which is required to be split equally between the Establishment and Terminal Operator) ♣ Technician: \$100 ♣ Terminal Handler: \$50
<p>Denial of License Application</p>	<p>Denied applicants are entitled to a hearing.</p>	<p>Denied applicants have a right to request a hearing, which may be denied by the Board if the request does not establish a prima facie case or fails to comply with other regulatory requirements.</p>
<p>Inducements</p>	<p>Establishments and Terminal Operators may not provide Incentives (consideration, promotions or prizes) to players. Terminal Operators may not provide Inducements to Establishments. Inducements include consideration paid directly or indirectly to an Establishment to solicit or maintain the Establishment’s business, including cash, marketing and advertising costs, gifts, food, beverages, loans, prepayment of Gross Terminal Revenue or other payment that offsets an Establishment’s operational costs.</p> <p>Payment of costs related to making VGTs operable at an Establishment, including wiring and re-wiring, software updates, ongoing video gaming terminal maintenance, redemption terminals, network connections, site controllers and costs associated with communicating with the central control computer system, are not considered Inducements.</p>	<p>Terminal Operators may not give anything of value, including but not limited to a loan or financing arrangement, to an Establishment as an incentive or inducement to locate VGTs in that Establishment. Likewise, an Establishment may not accept anything of value from Terminal Operators as an incentive or inducement to locate VGTs in that Establishment.</p> <p>Subject to Board approval, payment of costs related to making VGTs operable at an Establishment, including wiring and re-wiring, software updates, ongoing video gaming terminal maintenance, redemption terminals, network connections, site controllers and costs associated with communicating with the central control computer system, are generally not considered Inducements.</p>

Agreements between Terminal Operators and Truck Stops

Terminal Placement Agreements must:

- ◆ Become invalid if the Terminal Operator or Establishment licenses or applications are denied, revoked, not renewed, withdrawn or surrendered
- ◆ Provide the Establishment with 15% of the Gross Terminal Revenue
- ◆ Identify who solicited the agreement on behalf of a Terminal Operator licensee or applicant
- ◆ Contain any other mandatory provisions as determined by the Board

Terminal Placement Agreements can only be entered into between a licensed Terminal Operator or Terminal Operator applicant and a licensed Establishment or Establishment applicant, and must be approved by the Board to be effective.

Any agreement or promise to sign an agreement for placement, operation, service or maintenance of VGTs, including an agreement for the right to enter into an agreement or match any offer made prior to the Effective Date of the Act is not valid or enforceable, and will not be recognized or approved by the Board.

Use Agreements must contain:

- ◆ Affirmative statement that no inducement was offered or accepted regarding the placement of VGTs
- ◆ Indemnity provision on behalf of the State and the Board
- ◆ Prohibition on any assignment, other than from one licensed terminal operator to another
- ◆ Release of Establishment's contractual obligation if the Terminal Operator's license is revoked, denied, not renewed, or surrendered

Effective July 15, 2014, Use Agreements can only be entered into between a licensed Terminal Operator who is licensed at the time the Use Agreement is signed and a licensed Establishment.

Responsible Gambling

Establishment licensees are required to post problem gambling signage and make problem gambling informational materials available on its premises.

At least one employee of an Establishment Licensee who holds an Occupation Permit and has successfully completed the compulsive and problem gambling training developed by the Board's Office of Compulsive and

Establishment licensees are required to post problem gambling signage on its premises. Illinois does not currently have a self-exclusion program related to video gaming.

<p>Responsible Gambling (cont.)</p>	<p>Problem Gambling must supervise the Video Gaming Area at all times.</p> <p>A video gaming self-exclusion list will be established, and Establishments and Terminal Operators are required to set certain procedures designed to prevent entry of self-excluded persons into video gaming areas and to remove self-excluded persons from reward programs and advertising lists.</p>	
<p>Transfer of Ownership of Licensee</p>	<p>Transfers of more than 5% of the ownership of a Terminal Operator, or any entity which owns, directly or indirectly, at least 20% of the Terminal Operator, must be disclosed to the Board and approved prior to the change of ownership (with an exception for Institutional Investors).</p> <p>If a Terminal Operator experiences a change in ownership or control, the Terminal Operator must independently qualify for a Terminal Operator license, including payment of a new license fee.</p>	<p>Terminal Operators and Establishments are required to provide notice of any transfer of ownership to the Board. The Board will investigate and approve any new entity involved in the ownership of the Terminal Operator subsequent to the transfer.</p>
<p>Political Contributions</p>	<p>Applicants, licensees, and their Affiliates, Subsidiaries, Intermediaries or Holding Companies are prohibited from making political contributions.</p>	<p>Licensees are required to disclose political contributions occurring within the past 5 years to the Board in connection with the initial license application and all subsequent license renewals.</p>

**Paul T. Jenson**

111 East Wacker
Suite 2800
Chicago, IL 60601
pjenson@taftlaw.com
(312) 836-4046

Paul T. Jenson is an equity partner and co-chair of Taft's Gaming practice. Chambers USA included Paul in its nationwide rankings of "Leaders in their Field." He has extensive experience in counseling local, national and international casino owners, terminal operators, manufacturers, suppliers, lenders and institutional investors in all aspects of gaming regulatory law, mergers & acquisitions, financing transactions and corporate governance. Paul has represented some of the world's largest gaming companies, as well as numerous domestic and foreign private equity funds, hedge funds, sovereign wealth funds, governmental entities and other gaming investors in many jurisdictions. In addition, Paul is widely recognized as one of the leading lawyers in Illinois' video gaming industry and other emerging markets.

**Erin Lynch Cordier**

111 East Wacker
Suite 2800
Chicago, IL 60601
ecordier@taftlaw.com
(312) 840-4306

Erin Lynch Cordier is an associate in the firm's business and finance department. She focuses her practice in the area of gaming where she has experience representing casinos, terminal operators, manufacturers, suppliers, distributors, and licensed establishments. Erin counsels publicly traded and private companies regarding mergers and acquisitions, financing transactions and corporate governance, as well as licensing, compliance, administrative proceedings, and other matters before the various regulatory bodies. Erin also has experience implementing sweepstakes and raffles in accordance with state and municipal requirements.