

R e g i o n a l S u p p l i e r P r o p o s a l

**By Chairman Thomas A. Decker
Pennsylvania Gaming Control Board**

As you are aware there are conflicting proposals for regulating slot machine suppliers in Pennsylvania.

The proposed model outlined below is designed to address both concerns about the financial viability of multiple regions and the need to encourage diversity in ownership and participation. It may also open the market to additional competition among suppliers.

Proposed Two-Region Supplier Plan:

- The Board would establish two distinct supplier regions in the Commonwealth taking into consideration relevant demographic and market information.
- The Board would license no fewer than five suppliers within each region. Obviously, manufacturers ultimately will decide whether each region requires more suppliers for adequate distribution.
- A licensed manufacturer would be required to contract with at least one supplier in each region provided the manufacturer is doing business there. However, the manufacturer would not be required to have an exclusive arrangement with any supplier.
- A licensed manufacturer would be permitted to enter into agreements with more than one supplier in a region.
- A licensed supplier could enter into agreements with more than one manufacturer. This might be a solution in the event that the market share of one or more manufacturers is insufficient to support one supplier in each region.

- A licensed supplier would be able to sell, lease, offer or otherwise provide, distribute, market, maintain, repair or service slot machines or associated equipment and perform slot machine related services within its designated region. In addition, if a given manufacturer consents, an authorized supplier in one region will be permitted to sell, service, etc. slot machines in the second region. For example, a manufacturer may designate one region as a supplier's primary region of responsibility but may allow sales by the supplier to the other region. In this regard, (as in other industries) the manufacturer may decide to count only sales within the supplier's primary region of responsibility for determining and judging the supplier's performance even though it permits sales into the second region or other jurisdictions. Lastly, if a manufacturer consents, the supplier may sell, service, etc. other products and services to slot machine facilities (and other business entities).
- The Board would publish in the Pennsylvania Bulletin a description of each supplier region in the Commonwealth.
- The requirement that the state be divided into two regions would expire two years from the date of adoption by the Board.
- The creation of distributors under Act 71 should not, in and of itself, be construed as creating a franchise for the purposes of any franchise statutes, rules or regulations.

The Board will accept public comment on this proposal via U.S. Mail through July 18, 2005. To be considered by the Board, all public comment must be postmarked by July 18th.