

PENNSYLVANIA GAMING CONTROL BOARD--*2008 Annual Report*



VISION STATEMENT

The goal of the Pennsylvania Gaming Control Board is to be the premier gaming regulator in the United States, maintaining and enhancing public trust with honesty, integrity and credibility.

MISSION STATEMENT

The Pennsylvania Gaming Control Board, guided by the Gaming Act and supported by a dedicated professional staff, will protect the interest of the public by ensuring the integrity of legalized gaming through the strict enforcement of the law and regulations, the licensing of qualified individuals and entities, and fulfilling the objectives of limited gaming in the Commonwealth to deliver a significant source of revenue, assist the horse racing industry, provide broad economic opportunities and enhance tourism.

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Judge Mary DiGiacomo Colins

From the Chairman

Since the first opening of a legalized slot machine casino in November, 2006 through the end of 2008, a combined \$2 billion in new revenues through taxes on the machines and casino licensing fees have been collected by the Commonwealth. In fact, Pennsylvania is now seeing an average of \$2.5 million per day in taxes from slot machine play at the seven operating facilities.

When the Racehorse Development and Gaming Act was passed in 2004, the goal was to eventually achieve an annual tax revenue of \$1.7 billion, including \$1 billion alone for property tax relief. The amount of relief provided this past year totaled \$613 million, an average of \$190 per household, and will continue to grow in the years ahead as current casinos expand and new casinos come on line.

Slot machine play has also injected revenues to the counties and municipalities that host these facilities, an amount totaling \$74 million through the 2007-08 fiscal year.

In addition, casino revenues funded the expansion of the Property Tax/Rent Rebate Program for older Pennsylvanians. The Governor's Office reported that 600,000 seniors were eligible to benefit from rebates in 2008 compared to only half that amount before the program's expansion.

There are other significant impacts. Through the end of 2008, approximately 6,200 new jobs at the casinos have been created along with nearly 17,000 construction jobs. These additional jobs are of critical importance in the wake of the nationwide recession.

The development of legalized slot machine gaming facilities in Pennsylvania has produced an economic ripple effect beyond the growing tax revenues and employment. The seven operating casinos spend a combined average of \$57.8 million per month for goods and services provided, in large part, by hundreds of small Pennsylvania businesses and their thousands of employees.

The Gaming Act also charged the Gaming Control Board with developing diversity rules and regulations that promote and ensure that regulated entities foster participation and diversity in all aspects of their operations in the Commonwealth.

The work of the Pennsylvania Gaming Control Board has, and will continue to be conducted in the open and by statute in order to best protect the interests of the public. This priority to achieve the highest integrity is reflected in both the Vision and Mission Statements posted inside the cover of this publication. I invite you to read this annual report and visit our web site, www.pgcb.state.pa.us, for additional information about the agency.



Frank T. Donaghue

From the Executive Director

The mission of the PGCB is to protect the public through the strict enforcement of the Gaming Act as the gaming industry becomes a new and important part of Pennsylvania's economy. While the PGCB has accomplished a great deal, there is still much more work to be done. The upcoming year will see Pennsylvania's gaming industry expand with four new permanent facilities coming on line. Collectively, these permanent slot machine casinos are estimated to inject an additional \$450 million in annualized property tax relief, create another 2,000 living-wage jobs along with thousands of construction jobs required to build these projects.

We will continue our work ensuring that the public is protected while the industry grows within an efficient and balanced regulatory framework. As the PGCB's professional staff strives to meet these new challenges, they will continue to evaluate the policies and procedures they are implementing. We at the PGCB are committed to the objective of protecting the public through adapting and changing to meet the challenges of being a premier gaming regulator.

Board Members at Close of 2008



Mary DiGiacomo Colins
Chairman
Designated by the Governor



Sanford Rivers
Board Member
Designated by the Governor



James B. Ginty
Board Member
Designated by the Governor



Jeffrey W. Coy
Board Member
Designated by the
Speaker of the
House of Representatives



Gary A. Sojka
Board Member
Designated by the
Minority Leader of the
House of Representatives



Kenneth T. McCabe
Board Member
Designated by the
President Pro Tempore
of the Senate



Raymond S. Angeli
Board Member
Designated by the
Minority Leader
of the Senate



The Honorable
Stephen H. Stetler
Ex-Officio Member
Acting Secretary of Revenue



The Honorable
Robin L. Wiessmann
Ex-Officio Member
State Treasurer



The Honorable
Dennis C. Wolff
Ex-Officio Member
Secretary of Agriculture



Susan Hensel
Director, Bureau of Licensing

Bureau of Licensing

In 2008, the Bureau of Licensing focused its energies on tasks ranging from assisting with the opening of new slot facilities, to processing applications for acquisitions of existing slot machine licensees, to handling renewal applications, and approving staff needed to operate facilities.

Consistent with its dedication to continuous improvement, the Bureau of Licensing also reviewed and refined operating procedures to both improve efficiencies and reduce, where possible, turnaround times for the applications it processes.

Specifically, the Bureau of Licensing accomplished the following in 2008:

- Played a key role in the openings of central Pennsylvania's Hollywood Casino at Penn National Race Course in February and the permanent facility for Mohegan Sun at Pocono Downs in July. For several months prior to the facility openings, staff worked to ensure that all facility employees filed applications for licensure, registration and permitting. Staff also served as integral members of the slot facility opening team to ensure all employees were properly credentialed prior to the doors opening to the public.
 - Issued permanent slot facility licenses to Chester Downs & Marina, LLC; Mountainview Thoroughbred Racing Association (d/b/a Hollywood Casino); Presque Isle Downs, Inc., Washington Trotting Association, Inc. (d/b/a The Meadows);
- Analyzed and processed new and renewal applications for slot operators, manufacturers and suppliers. These applications are the first step to licensure for the main entities, their principals and key employees. A total of 19 manufacturers and 4 suppliers are currently licensed in Pennsylvania.
- Through the State Licensing Online Tracking System (SLOTSLink), the Bureau accepted and processed gaming and non-gaming employee new and renewal applications from slot facilities.
- Analyzed and processed applications for Certified Vendors and Registered Vendors. In addition, the Bureau reviewed facility disbursement reports to determine if applications were required from additional vendors.
- Produced more than 6,500 new and renewal credential badges for employees working for slot facilities, manufacturers, suppliers and vendors and received nearly 600,000 pages of application-related documents for processing by the Bureau of Licensing and other PGCB Bureaus.

The PGCB investigates and issues a gaming employee permit within an average of 8 days (provided there are no issues) of application submission. In 2008 the PGCB issued over 2,950 gaming permits

Generally, a gaming employee permit is required for employees whose job duties require day-to-day interaction with gaming patrons, gaming equipment or gaming revenues as part of the operations.

The PGCB completes its investigation and issues a non-gaming registration within an average of 5 days (provided there are no issues) of application submission. In 2008 the PGCB issued over 2,540 non-gaming registrations.

Generally, a non-gaming employee registration is required for employees whose job duties require the employee to be in or near a gaming or restricted area, but that do not require day-to-day interaction with gaming equipment or gaming revenues.

NUMBER OF APPLICATIONS (ALL TYPES):	2006	2007	2008
Received	3575	9106	7570
Approved	1416	8433	6409
Denied	369	153	158
Surrendered	0	15	0
Withdrawn	273	499	600

APPLICATIONS APPROVED BY TYPE:	2006	2007	2008
Facility - Category 1	6	0	0
Facility - Category 2	5	0	0
Facility - Category 3	0	0	0
Manufacturer	14	12	6
Supplier	19	2	2
Management Company	0	1	0
Affiliate	44	58	11
Key Employee	41	104	172
Principal	204	314	70
Principal Entity	7	31	5
Gaming Employee	417	3671	2954
Non-Gaming Employee	659	3901	2541
Certified/Registered Vendor Vendor Affiliate, Employee	0	339	648





Michael Cruz
Director, Gaming Laboratory
Operation

Bureau of Gaming Laboratory Operations

The primary function of the Bureau of Gaming Laboratory Operations (GLO) is to ensure the performance and integrity of slot machines and associated equipment that are used by patrons in Pennsylvania casinos. All products are thoroughly tested in a state-of-the-art lab at the Gaming Control Board's Harrisburg office to certify regulatory compliance with all minimum design standards regarding security and the 85 percent minimum payback mandated by law.

In addition to testing machines in the Harrisburg lab, GLO is also responsible for compliance of the slot machine floor and the IT room of every casino. GLO also works closely with the PA Department of Revenue who oversees the Central Control Computer System which is used to perform vital tests such as the daily authentication of every machine operating in all Commonwealth licensed casinos.

GLO performs its critical operations within four units:

Statistical Review:

Responsible for evaluating the theoretical return for every gaming theme submitted for review and the analysis of progressive

reward payouts and random number generators.

Slot Certification:

Responsible for evaluating gaming devices for compliance with the minimum design standards, reviewing modifications to gaming devices and ancillary equipment, and conducting investigations of regulatory violations.

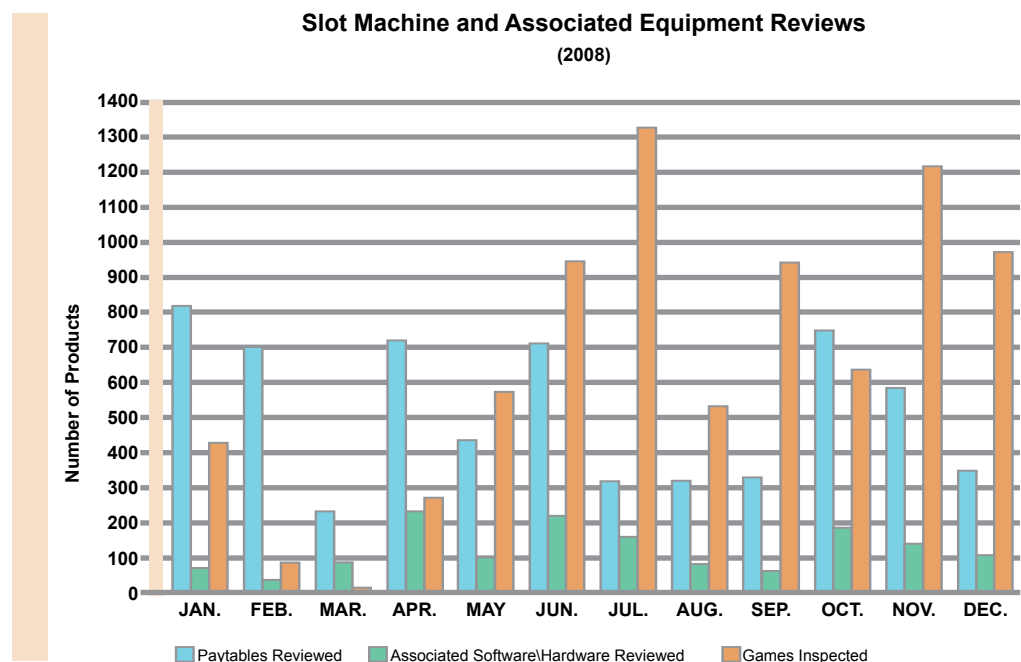
Systems and Kiosks:

Responsible for evaluating communication between the thousands of operating slot machines and the Central Control Computer System, the communication of each machine with a casino's in-house monitoring system, analysis of voucher redemption machines, and evaluation of the count room equipment.

Technical Field Representatives:

Responsible for monitoring the day-to-day operations of licensed slot operators, particularly with regard to software and systems at all slot facilities, including proper connectivity to the Central Control Computer System.

Slot Machine and Associated Equipment Reviews
(2008)



Spotlight On...

DIVERSITY IN PENNSYLVANIA GAMING

The Gaming Control Board remains committed to promoting and ensuring diversity in all aspects of gaming as is required by the Pennsylvania Race Horse Development and Gaming Act.

The PGCB has on staff, a Chief Diversity Officer (CDO) who is charged with the responsibility of promoting and ensuring diversity in all aspects of gaming. The PGCB developed diversity rules and regulations to assist the agency in accomplishing its diversity goals and to establish the policies and procedures that both promote and ensure that the regulated entities foster participation and diversity in all aspects of their operations in the Commonwealth.

Each regulated entity is required to provide a diversity plan in its application for licensure, certification and renewal that establishes a goal of diversity in ownership, participation, operation and employment at the regulated entity. The CDO is responsible for determining whether goals set forth in each diversity plan are reasonable and represent a good faith effort to assure that all persons are accorded equality of opportunity in contracting and employment by the regulated entity and its contractors, subcontractors, assignees, lessees and agents.

The CDO actively participates in job fairs, vendor fairs and community outreach programs sponsored by the licensees. These activities serve to increase diversity in employment and acquisition of goods and services by the licensees.

The licensees have been diligent in their commitment to recruit, retain and develop a workforce that reflects

their respective geographical communities and customer base. The stated goals of the licensees are basic: "to achieve well rounded workplaces where differences are respected and appreciated." These views are reflected in the internal policies, training, development efforts and community partnerships. Casino employee profiles for the seven licensees operating during 2008 show that the number of minority and women employees exceed the demographic data and county profiles for the host counties and neighboring counties from which most of the licensees hire. The statistical data compiled for minority and women employees at the various facilities range between 28 and 45 percent depending upon the geographical location.

The licensees have further demonstrated their commitment to vendor diversity by taking steps to obtain goods and services from qualified Minority-Owned Business (MBEs) and Women-Owned Business (WBEs). In addition, the licensees established relationships with local area businesses and community residents to keep them informed regarding upcoming contracting opportunities while also participating in local and statewide meetings and events to stimulate dialogue and to make evident their good faith intentions. In some instances, the licensees mentored disadvantaged businesses to enhance their competitive edge. As a result of these initiatives, the percentage of contracts awarded to MBE/WBE's by the licensees in 2008 in most instances have exceeded 10 percent of all contracts awarded for goods and services.



"to achieve well rounded workplaces where differences are respected and appreciated."



Nanette L. Horner
Director, Office of Compulsive
and Problem Gambling

Office of Compulsive and Problem Gambling

The Office of Compulsive and Problem Gambling (OCPG) remains dedicated to assisting those affected by compulsive gambling. The OCPG accomplishes this in a number of ways:

- By ensuring that every slot machine operator has established, and complies with, an approved compulsive and problem gambling plan;
- Creating problem gambling materials and outreach programs;
- Heightening the public awareness of the dangers of compulsive, problem, intoxicated and underage gambling;
- Developing prevention programs and harm reduction tools for gamblers;
- Establishing education programs for residents of all ages; and,
- Directing problem gamblers and their families to compulsive gamblers assistance organizations' toll-free helplines for crisis counseling, referral services and treatment.

During 2008, the OCPG was asked to make presentations on several different aspects of problem gambling. These groups included: The University of Pittsburgh, Institute of Politics; Northampton County Gambling Impact Committee; National Council of Legislators from Gaming States; Association of Problem Gambling Service Administrators; 22nd National Conference on Problem Gambling; House Gaming Oversight Committee; Council on Compulsive Gambling of Pennsylvania Annual Statewide Conference; and Connecticut Council on Problem Gambling's Annual Statewide Conference.

Also in the past year, the International Masters of Gaming Law named Nanette Horner, Director of the OCPG, to the Responsible Gaming Committee and she was subsequently elected to the association's Board of Directors.

In addition, the office's Program Coordinator, Elizabeth Lanza, was busy in 2008 maintaining the Board's Self-Exclusion

Program (see page 9), communicating with the general public about self-exclusion and problem gambling, meeting with other state agencies, attending state and national conferences on problem gambling and making presentations.

The OCPG once again supported and participated in National Problem Gambling Awareness Week (NPGAW), a grassroots public awareness and outreach campaign that was held in March. During this week the OCPG joined with the PA Lottery, Department of Agriculture, Department of Health and the Council on Compulsive Gambling of Pennsylvania to set up displays to promote NPGAW and to reach out to problem gamblers in the Commonwealth. The OCPG facilitated a Joint Statement from the PA Secretaries of Health, Revenue and Agriculture, a PA House resolution, and a Governor's proclamation to recognize PGAW.

In October, the PA Gaming Control Board was awarded the first annual Award for Outstanding Contribution by a Government Agency in the field of Problem Gambling from the Council on Compulsive Gambling of Pennsylvania. The award lauds the entire PGCB for "its outstanding pioneering efforts in supporting education, awareness and responsible gaming programs".

The autumn 2008 edition of Casino Lawyer Magazine included an article written by Ms. Horner, "Corporate Social Responsibility: The Fourth Wave of Regulation?" The fourth wave of regulation utilizes the knowledge possessed by experts in social science, public health and the environment.

The OCPG continues to participate in a compulsive and problem gambling consortium that includes individuals from the Department of Health's Bureau of Drug and Alcohol Programs, the Department of Agriculture's Horse Racing Commission and Harness Racing Commission and the Pennsylvania Lottery. This consortium meets to discuss compulsive gambling policies, practices and programs.

If you or someone you
know has a gambling
problem, call

**Council on
Compulsive
Gambling**

1-800-848-1880

or

**Pennsylvania
Department of
Health's
Information Line**

1-877-565-2112

Spotlight On...

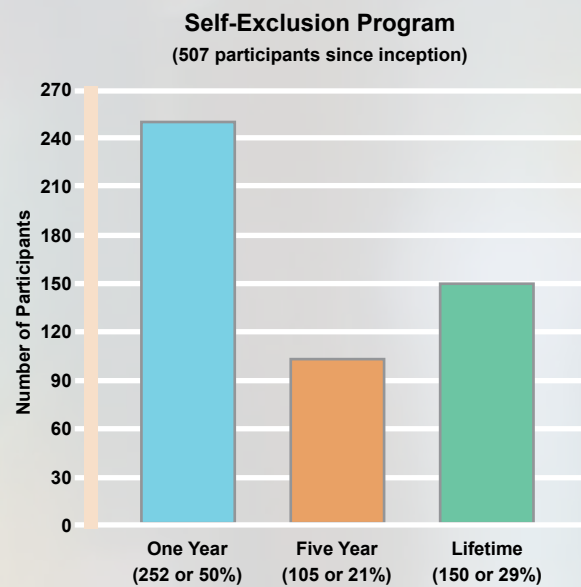
The Self-Exclusion Program is an effective and proven tool used to assist a problem gambler in removing himself or herself from the temptation of gambling.

Since the introduction of the program into Pennsylvania, 507 people with gambling problems have voluntarily requested to be excluded from gaming activities and promotions at all licensed facilities within the Commonwealth for either one year, five years or a lifetime. Word of mouth and media coverage have heightened awareness of the program and, as a result, the numbers of those desiring to utilize this tool are steadily climbing.

Once a person is placed on the list, licensed Pennsylvania gaming facilities must:

- Refuse wagers from and deny gaming privileges to any self-excluded person
- Deny check cashing privileges, player club membership, complimentary goods and services, junket participation and other similar privileges and benefits to any self-excluded person
- Ensure that self-excluded persons do not receive junket solicitations, targeted mailings, telemarketing promotions, player club materials or other promotional materials relating to gaming activities at its licensed facility

- Notify the Pennsylvania State Police in instances of violations of the ban which results in a charge of Trespassing when a self-excluded individual violates the ban.



Additional data from Pennsylvania’s program, which is based upon responses from individual during the self-exclusion intake interview, shows that:

<p>There are a total of 507 individuals on the Self-Exclusion List</p> <p>250 or 49% are males and 257 or 51% are females</p>	<p>Individuals range between 21 and 81 years of age.</p>	<p>39% of the self-excluded individuals are currently involved in a treatment program (including Gamblers Anonymous) or have sought treatment in the past.</p>	<p>15% have been self-excluded in other jurisdictions such as New Jersey and Delaware.</p>	<p>77% of the self-excluded persons participated in gambling in a PA casino prior to signing up for the Board’s Self-Exclusion Program.</p>
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Paul Resch
Director, Gaming Operations

Bureau of Gaming Operations

The Bureau of Gaming Operations oversees the design, construction, opening and ongoing operations of the Commonwealth's casinos. The Bureau consists of three units: Racetrack Gaming (see page 11), Casino Compliance, and Gaming Operations Liaison.

In 2008, Gaming Operations oversaw the opening of the Commonwealth's seventh casino, Hollywood Casino at Penn National in Grantville, and the opening of the permanent facility at Mohegan Sun at Pocono Downs in Wilkes-Barre. Prior to the commencement of slot operations at these facilities, Gaming Operations Opening Team staff performed inspections of the casinos and observed their operating procedures to ensure the facilities were prepared in all respects to receive the public. This pre-opening work included a review of the casinos' surveillance and security systems, cashiers' cages, count rooms, main vaults and other restricted areas of the facilities. In addition, the Opening Team staff observed employee training sessions and interviewed department directors to make certain all employees understood their respective duties as set forth in the regulations.

Prior to recommending that the Board authorize a casino's opening, the Bureau of Gaming Operations requires each licensed operator to develop internal controls which describe in detail all casino operations and accounting protocols.

Internal controls are procedures a casino must implement and follow to help safeguard and account for its assets as well as

ensure the proper payment of tax revenue to the Commonwealth. The internal control system for a typical casino is more than 1,000 pages long and includes controls that cover every aspect of the casino operation such as accounting, jackpot payouts, sensitive key controls, security staffing, surveillance, and the drop and count. Casinos are subject to fines and enforcement action for failure to follow their approved internal controls.

The Compliance Unit within the Bureau of Gaming Operations is responsible for ensuring that each licensed operator develops and maintains an effective system of internal controls which meets the requirements set forth in the Gaming Act and the PGCB's regulations.

In 2008, Gaming Operations staff were responsible for the review and approval of more than 160 amendments to the casinos' approved internal controls.

Upon the opening of a casino, the Bureau continues to monitor its day-to-day operations to ensure compliance with the Gaming Act, PGCB regulations and approved internal controls through its Gaming Operations Liaisons. Any changes to the casino's gaming floor, including the number and location of slot machines, must be reviewed and authorized by Gaming Operations prior to implementation. The Gaming Operations Liaisons have developed expertise in various gaming operational issues, including casino design, security, surveillance, accounting, sensitive key controls, cage operations and cash storage box drop and count procedures.

Licensed Operator	Number of Slot Machines*	Size of Gaming Floor (square feet)
Mohegan Sun at Pocono Downs	2,481	68,694
Philadelphia Park Casino & Racetrack	2,912	80,837
Harrah's Chester Casino & Racetrack	2,873	92,939
Presque Isle Downs & Casino	2,000	48,074
The Meadows Racetrack & Casino	1,825	47,226
Mount Airy Casino Resort	2,513	57,261
Hollywood Casino at Penn National	2,227	94,301
TOTAL	16,831	489,332

*Maximum number of machines authorized by the Board as of December 31, 2008.

Office of Racetrack Gaming

The Office of Racetrack Gaming was established to serve as the primary liaison between the industries of slots gaming and horse racing. To further this objective, the Office of Racetrack Gaming:

- Regularly participates and provides a report at the monthly meetings of the Horse and Harness Racing Commissions;
- Provides oversight of the distribution of funds from the Pennsylvania Racehorse Development Fund (PRHDF) to the horsemen;
- Prepares and retains financial reports which detail the impact of gaming revenue on purses, breeders' and sire stakes awards and health and pension benefits for horsemen, and reports its findings to the Gaming Control Board;
- Assures that the horsemen comply with all reporting requirements, including an annual audit and quarterly reports on the receipt and distribution of funds received from the PRHDF;
- Requires racetrack operators to submit quarterly reports detailing upgrades to the backside area of the racetracks as statutorily mandated (4 Pa. CS 1404);
- Implements any necessary regulations to further the objectives of the Gaming Act;
- Works with the PGCB's Bureau of Gaming Operations to ensure a smooth interface between the gaming and racing venues at each facility.

Six racetrack casinos, also known as racinos, are currently in operation: Mohegan Sun at Pocono Downs in Wilkes-Barre, Philadelphia Park Casino and Racetrack in Bensalem, Harrah's Chester Casino and Racetrack in Chester, Presque Isle Downs and Casino in Erie, The Meadows Racetrack and Casino in Washington County, and the Hollywood Casino at Penn National Race-track in Grantville.

During 2008, the Office of Racetrack Gaming released its first benchmark report to determine the impact of slot machine play on Pennsylvania pari-mutuel wagering. The report, which compares the status of pari-mutuel wagering between the years of 2006 and 2007, focused on revenue from slots play and the various indicators of pari-mutuel health such as purse amounts, racing handle (the total amount wagered by patrons) and exporting of live racing signals to other properties both inside and outside Pennsylvania.

This first report is important because it establishes a baseline from which to compare subsequent years of pari-mutuel activity. Future reports, including next year's report with complete figures for 2008, will provide a better and clearer picture of the future for horse and harness racing in Pennsylvania, and the impact of slots gaming at those facilities.

The report can be downloaded from the About PGCB/Reports link of the Gaming Control Board's web site, www.pgcb.state.pa.us.



Melinda Morris Tucker
Director, Racetrack Gaming



In January 2008, the PGCB and the Department of Agriculture hosted a Racetrack Gaming Expo in Harrisburg

SLOTS GAMING GENERATES TAX REVENUE FOR THE COMMONWEALTH

MOHEGAN SUN
AT POCONO DOWNS

Mohegan Sun at Pocono Downs
*TAX REVENUE - \$267,880,194
Opened November 14, 2006

Philadelphia Park
CASINO • RACETRACK

Philadelphia Park Casino & Racetrack
*TAX REVENUE - \$406,703,529
Opened December 19, 2006

Harrah's

Harrah's Chester Casino & Racetrack
*TAX REVENUE - \$394,137,423
Opened January 23, 2007

Presque Isle Downs & Casino

Presque Isle Downs & Casino
*TAX REVENUE - \$224,229,478
Opened February 28, 2007

THE MEADOWS
RACETRACK & CASINO

The Meadows Racetrack & Casino
*TAX REVENUE - \$255,849,483
Opened June 11, 2007

Mount Airy
CASINO • RESORT

Mount Airy Casino Resort
*TAX REVENUE - \$162,604,840
Opened October 22, 2007

HOLLYWOOD
Casino
AT PENN NATIONAL RACE COURSE

Hollywood Casino at Penn National
*TAX REVENUE - \$144,114,694
Opened February 12, 2008

*Includes slot machines tax revenue, license fee and local share true-up



R. Douglas Sherman
Acting Chief Counsel

Office of Chief Counsel

The Office of Chief Counsel (OCC) serves as legal counsel to the Pennsylvania Gaming Control Board on issues of policy and procedure including administration, personnel, budget, operations, gaming, licensing, enforcement, and all other matters that may emerge in the course of regulating slot machine gaming.

Throughout the 2008 calendar year, the OCC continued to serve and fulfill the initial licensing needs of the Board while expanding its services to incorporate the ever increasing strong regulatory role of the Board as more casinos become fully operational.

Licensing

During 2008, the OCC has played an instrumental role with respect to the licensing hearings and the evaluation of eligibility and suitability of applicants for the Board relating to the available Category 3 (established resort) licenses. The OCC has also taken the lead in reviewing and drafting suitability reports relating to an extensive list of vendors and enterprises; employee licensing, permitting and registrations; and renewals of previously licensed individuals and entities. The world's economic situation, which has impacted gaming across the globe, has also had effects in Pennsylvania and resulted in the OCC providing extensive review and counsel concerning licensee acquisitions, changes in control and ownership of licensees, financial recapitalizations and restructurings, and modifications to construction and opening plans.

Regulatory Review

While 2007 was dedicated to converting the Board's temporary regulations to permanent regulations, the focus in 2008 was on areas that had not been addressed by regulation before and making revisions to existing regulations to improve their effectiveness.

During the year, the Board initiated 15 new rulemakings which dealt with a wide range of topics including an update of the Board's rules of practice and procedure, streamlining of the process for review and approval of changes to the gaming floor, and implementation of the Clean Indoor Air Act.

The Board also finalized 9 rulemakings in 2008. Among the rulemakings were new advertising regulations, changes to slot machine design standards, elimination of unnecessary reporting requirements and the addition of new provisions governing merchandise jackpots.

The Board also expanded its efforts to solicit input on regulatory proposals to maximize input and develop cost effective regulatory programs. It has done so by holding more meetings with commentators, hosting roundtable discussions, seeking additional comment on draft final-form regulations and soliciting input on possible revisions to existing regulations.

Litigation

The Litigation Section of the OCC has provided legal advice on matters brought before the Board including enforcement actions, petitions seeking relief, suspensions, revocations, consent agreements, application withdrawals, as well as Reports & Recommendations issued by the Office of Hearings and Appeals.

In 2008, the OCC successfully defended the first appeal, to the Commonwealth Court, of an employee application denial. Additionally, during the past year the OCC reviewed and provided legal advice to the Board on no fewer than 348 matters that came before it for consideration. The OCC also provides ongoing council to the Board and Bureaus concerning various policy and regulatory issues as well as matters involving human resources, ethics and other administration concerns.



Pennsylvania Gaming Control Board Members

Office of Hearings and Appeals

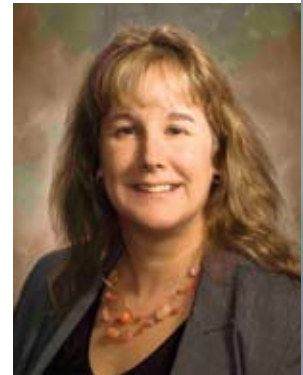
During 2008, the Office of Hearings and Appeals (OHA) continued to evaluate its regulations, processes and procedures while also implementing new changes in order to provide both the public and all participants in hearings conducted by OHA's Hearing Officers with better access to documents and information. Also, videoconference hearings are now being offered from the Board's Conshohocken, Pittsburgh and Scranton offices allowing more individuals the opportunity to participate in the hearing process without the need to incur the expense and time to travel to Harrisburg. Many individuals who participated in the hearing process during 2008 took advantage of this option.

In addition, proposed regulations are currently pending which would, among other things, permit electronic filing of documents with the Board's clerk thereby reducing the amount of copies required to be filed with

the Board and reduce expenses to the operators and the public.

OHA is also helping the public gain information by posting more information on the PGCB website. This includes forms for use by the public and a weekly update of filings that have been received by the Board's Clerk. FAQs concerning the operation of OHA and the conduct of hearings can also be found on the website.

The OHA staff, along with other Board staff, conducted Public Input Hearings, as required by Section 1205 of the Act, in April and May 2008 to hear proposals and gather evidence from Category 1 License applicant Valley View Downs and Category 3 License applicants Fernwood, Split Rock and Valley Forge Convention Center. Numerous written public comments were also received and processed by OHA staff that was included in the official record of these applications for licensure.



Linda S. Lloyd
Director, Hearings and Appeals

During 2008 OHA received and processed the following:

Petitions Received: <i>508</i>	Reports and Recommendations Issued: <i>46</i>
Enforcement Actions Filed: <i>47</i>	Exceptions Filed: <i>4</i>
Requests for Oral Administrative Hearings: <i>92</i>	Disposed Hearing Files: <i>121</i>
Hearings Conducted: <i>66</i>	Orders Processed: <i>598</i>
Records Certified to the Commonwealth or Supreme Courts: <i>2</i>	



David Kwait
Director, Investigations
and Enforcement
(retired Dec. 2008)

Bureau of Investigations and Enforcement

The primary mission of the Bureau of Investigations and Enforcement (BIE) is to ensure the integrity of the Commonwealth's gaming industry through suitability and regulatory investigations of gaming operators, along with their key employees and principals. In addition to the investigations of gaming operators, the BIE also investigates casino employees, as well as the manufacturers, suppliers, and vendors interested in conducting business within the Commonwealth's gaming industry. The BIE performs this function in cooperation with numerous Commonwealth agencies including the Department of State, the State Police, the Office of Attorney General, and the Department of Revenue as well as other state gaming regulators.

In order to provide the Board with a comprehensive report regarding an applicant's suitability, the BIE completes a criminal history record check and conducts interviews of the applicant, employers, neighbors, references, and family members to verify information about the applicant. Additional elements of background investigations include: inquiries into the applicant's regulatory history in other gaming jurisdictions; professional license verification; tax record examination; credit history analysis; database checks regarding political contributions; and, retrieval of court records of civil litigation.

The Financial Investigations Unit of the BIE maintains and reviews all corporate

compliance submissions to the PGCB; assists BIE agents with the financial investigations of newly submitted and renewal applicants; reviews any changes in debt financing and corporate structure ownership; and reviews other financial issues related to BIE investigations which require financial analysis and explanation to the Board.

Once an entity or individual is licensed, suitability is an ongoing requirement. Through annual renewals, the BIE conducts suitability investigations on casino operators, key employees, principals, and gaming employees while it conducts a renewal investigation on vendors every four years.

In 2008, the BIE investigated over 800 companies, principals, and key employees related to casino operators, manufacturers and suppliers; over 5,800 gaming and non-gaming employees; and, over 1,600 companies and individuals associated with certified and registered vendors. In addition to these investigations, the BIE investigated the corporate acquisitions of four existing casino licensees.

The BIE has three regional bureaus: Central (offices in Scranton and Harrisburg), Eastern (Conshohocken office), and Western (Pittsburgh office). At the close of 2008, the BIE had a complement of 80 staff professionals comprised of investigators, accountants, administrative support, and management.



Office of Enforcement Counsel

The Office of Enforcement Counsel (OEC) operates as a separate office within the Bureau of Investigations and Enforcement (BIE). This office provides legal advice to the BIE and initiates proceedings for violations of the Gaming Act seeking remedies which can include: civil fines and penalties, imposing licensing conditions, and suspending or revoking any type of license issued by the Board.

OEC handled a myriad of matters in 2008 and restructured the office in order to meet the increasing responsibilities that result from the significant growth of the Commonwealth's newest industry.

OEC's expanding responsibilities now include:

- Prosecuting non-criminal enforcement actions
- Advising the BIE on all matters
- Filing recommendations and objections regarding licensure
- Initiating non-criminal violation proceedings
- Responding to all industry petitions

- Reviewing and commenting on suggested regulations; and
- Working jointly with the PGCB's Office of Legislative Affairs to reach out to the General Assembly

In order to best serve the Commonwealth, OEC is divided into three regions – East, West, and Central - each with its own deputy enforcement counsel. OEC also has five assistant counsels who assist the regional deputies.

Entering its fifth year of operation, OEC continues to build upon its relations with other state gaming regulatory bodies across the country. Currently, OEC has entered into ten Memorandums of Understanding with other regulatory gaming authorities in the United States and Canada. In the coming year, OEC expects to continue to aid, and be aided by, an increasing number of other gaming regulators.

As we move forward into the year 2009, OEC will continue to adapt in order to meet the challenges that will come with the continued growth of Pennsylvania's gaming industry.



Cyrus Pitre
Chief Enforcement Counsel

OEC's Statistical Data

	2008	2007
Requests for Emergency Orders Filed	11	5
Complaints Filed	44	15
Consent Agreements Reached	15	4
Warning Letters Issued	132	25
Compliance Conferences Conducted	2	3
Responses to Petitions	71	22
Petitions for Withdrawal /Surrender	361	497
Revocations Ordered	15	4
Suspensions Ordered	14	4
Denial Hearings	61	0



Eileen H. McNulty
Chief Financial Officer

Bureau of Financial Management & Administration

In 2008, the Gaming Control Board created the Bureau of Financial Management and Administration (BFMA) when the former Bureau of Administration was merged with the former Bureau of Financial Management. The newly created office was placed under the direction of the PGCB's Chief Financial Officer with the goal of improving the efficiency and effectiveness of those charged with providing the budgeting, information technology, human resources, document management and office services support to the nearly 270 agency employees responsible for the licensing and regulation of gaming in Pennsylvania.

Office of Financial Management

The Office of Financial Management (OFM) develops and monitors the annual agency budget and reviews the gaming oversight budgets of the State Police, the Department of Revenue and the Office of Attorney General, providing recommendations to the Board regarding budget approval. All budgets approved by the Board are forwarded to the Governor's Budget Office for submission to the General Assembly, which ultimately appropriates all expenditures of the PGCB.

OFM also provides gaming related revenue estimates to the Governor's Budget Office; bills, collects, reports and monitors all agency generated revenue; and, administers the Local Law Enforcement Grant Program.

Human Resources

The Office of Human Resources (HR) establishes, maintains and administers effective and comprehensive classification and compensation programs/policies; coordinates a highly competitive benefits program; and, ensures that all employees work in a safe and fair environment. HR staff also support the PGCB in achieving its goals and objectives by assisting managers

in recruiting, retaining, and developing a talented workforce through the coordination of training and performance management programs.

Information Technology

The PGCB Office of Information Technology (OIT) is responsible for the continued development of applications to assist staff and casinos with the licensing and enforcement of gaming in Pennsylvania and the daily support of all technology for agency employees. This day-to-day support includes oversight and maintenance of all agency computers, servers, and telecommunications equipment.

In 2008, OIT staff redesigned the PGCB web site to include improved navigation, search capabilities, and an updated overall appearance. OIT also developed web-based applications to manage the submission of internal control amendments and casino compliance reporting. The developers re-engineered the Licensing Applications Database and created new user interfaces for the bureaus of Licensing, BIE, Hearings and Appeals and Financial Management.

The PGCB also recently purchased IBM FileNet software for Case Management and Document Imaging to improve the efficiency and effectiveness of agency staff as they work to license and regulate gaming in Pennsylvania.

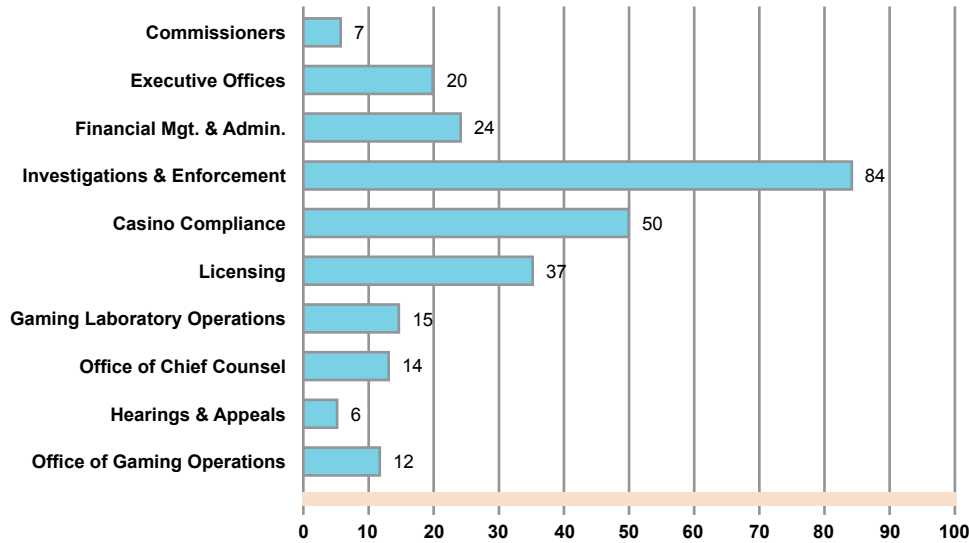
Office Services

Office Services staff are responsible for agency procurement, fleet operations, travel, and conference planning.

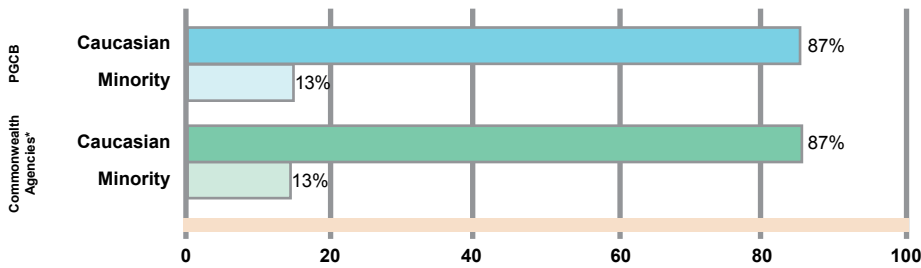
In 2008, the Office Services staff began posting agency contracts to the Treasury website as required by the Commonwealth's new open records law and launched an initiative to train agency staff in the use of the Commonwealth's accounting system.

2008 Workforce Report

Employee By Bureau
(as of December 31, 2008)

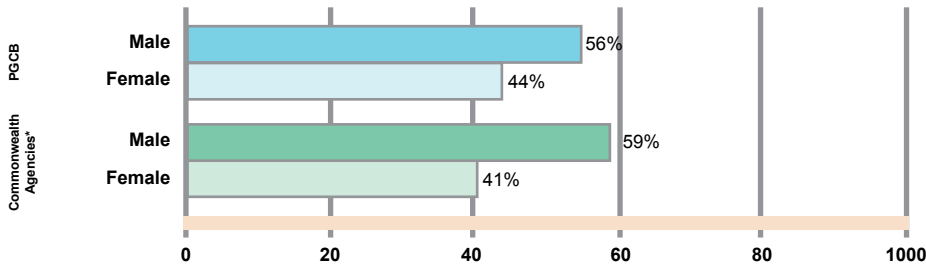


Minority Representation
(as of December 31, 2008)



*Governor's Annual Workforce Report - 2008

Gender Representation
(as of December 31, 2008)



*Governor's Annual Workforce Report - 2008

Overview of Gaming Revenue

At the end of calendar year 2008, seven casinos were operating approximately 16,800 slot machines in Pennsylvania, with both The Sands Casino in Bethlehem and The Rivers Casino in Pittsburgh scheduled to open in 2009. In addition to the opening of the two new category 2 facilities, both The Meadows Racetrack and Casino and the Philadelphia Park Casino and Racetrack expect to expand their existing gaming operations with the opening of permanent facilities in 2009.

Since the opening of the first casino in November of 2006, the Pennsylvania gaming industry has generated more than \$2 billion in direct revenue for property tax relief, economic development, revitalization of the

horse racing industry, and support for local governments and initiatives. This direct revenue is in addition to the thousands of jobs, economic development and indirect revenue generated by contractors that provide goods and services to the casinos or construction of the facilities.

The charts on the following pages represent an overview of the direct revenues generated by gaming during fiscal year 2007-08. The tables following the charts provide more detailed information on the amounts wagered and paid out at each licensed facility as well as the tax and license fee revenues collected from each slot machine licensee. Distribution of gaming revenues to local governments are detailed below.

2007/08 Local Share Distributions	Share of Gross Terminal Revenue	Catch-Up Payment Required to Achieve the \$10 Million Minimum Share
Bucks County	\$ 6,117,759.24	-
Bensalem Township	\$ 6,117,759.25	\$ 4,299,357.11
Luzerne County - DCED	\$ 4,672,160.52	\$ 6,489,924.61
Plains Township	\$ 2,299,543.76	-
Delaware County	\$ 6,412,550.57	-
Chester City	\$ 6,412,550.59	*\$ 3,705,084.30
Erie County	\$ 5,040,202.31	\$ 5,567,307.82
Summit Township	\$ 1,306,273.04	-
Washington County - DCED	\$ 4,876,992.30	\$ 3,097,282.88
North Strabane Township	\$ 2,290,086.89	-
Monroe County - DCED	\$ 1,662,144.85	\$ 1,430,288.84
Paradise Township	\$ 928,864.38	-
Dauphin County	\$ 525,832.27	-
East Hanover Township	\$ 525,832.27	-
Totals	\$ 49,188,552.24	\$ 24,589,245.56

These figures reflect payments actually distributed to the appropriate local jurisdiction from July 1, 2007 through June 30, 2008.

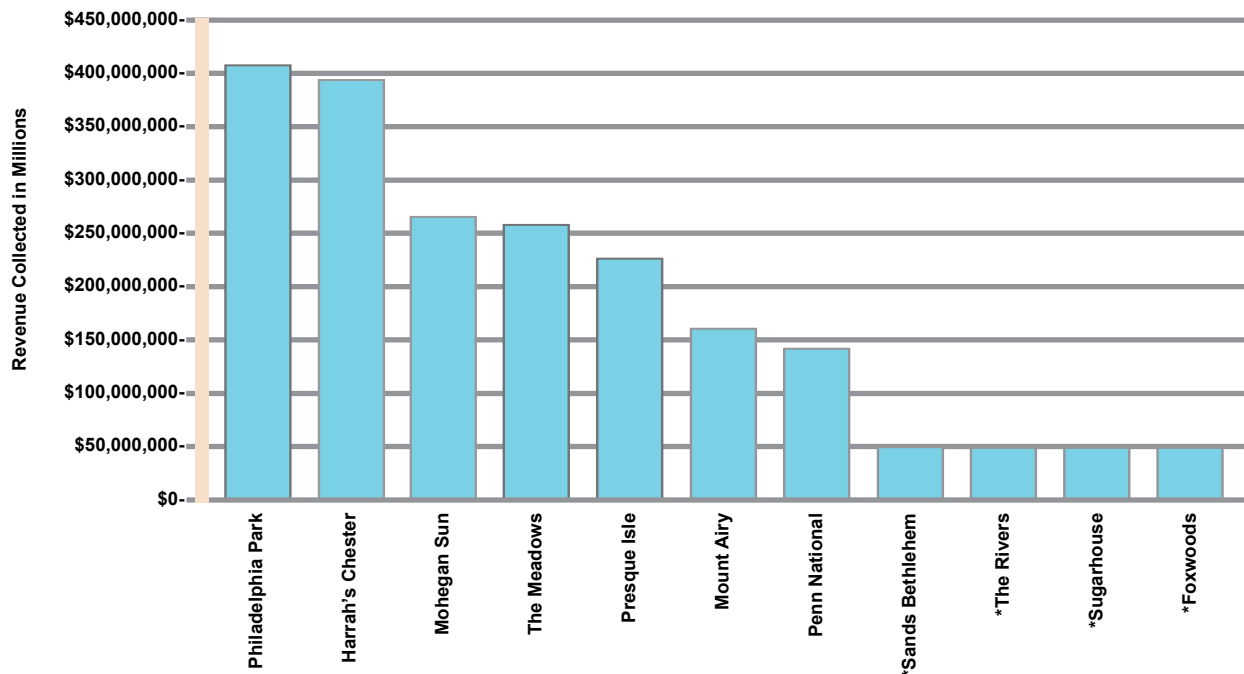
*The amount indicated for Chester City represents the true-up calculated and verified by the Department of Revenue (DOR). The revenue is not collected by DOR, but is paid directly to the city in accordance with a separate agreement between the facility and the city.

Taxable Slot Wins Per Day at Pennsylvania Licensed Casinos

Facility - Category 1	DEC. 08	NOV. 08	OCT. 08	SEP. 08	AUG. 08	JUL. 08	JUN. 08	MAY 08	APR. 08	MAR. 08	FEB. 08	JAN. 08
Philadelphia Park	\$295	\$314	\$301	\$308	\$350	\$346	\$322	\$369	\$351	\$367	\$364	\$352
Harrahs' Chester	\$278	\$292	\$277	\$284	\$325	\$312	\$314	\$363	\$341	\$368	\$354	\$320
Hollywood/ Penn National	\$202	\$248	\$235	\$238	\$270	\$268	\$256	\$261	\$237	\$259	\$268	-
The Meadows	\$324	\$353	\$365	\$377	\$389	\$409	\$400	\$418	\$367	\$360	\$324	\$307
Mohegan Sun	\$204	\$232	\$214	\$224	\$264	\$306	\$367	\$396	\$368	\$373	\$356	\$347
Presque Isle	\$171	\$190	\$216	\$233	\$275	\$260	\$247	\$264	\$237	\$225	\$208	\$174
Facility - Category 2												
Mt. Airy	\$154	\$191	\$201	\$192	\$229	\$216	\$196	\$217	\$184	\$195	\$158	\$156
Statewide												
All Facilities*	\$234	\$260	\$257	\$264	\$300	\$301	\$294	\$322	\$294	\$305	\$276	-
Avg. Total Slot Machines	16,712	16,793	16,833	16,831	16,794	16,194	15,354	15,141	15,022	15,018	15,032	-

* The PGCB did not calculate the statewide s/w/d prior to February '08

Over \$2 Billion in Tax Revenue Collected
 Average Exceeds \$2 Million Per Day
 (November 14, 2006 through December 31, 2008)



* Not operational but paid \$50 million license fee

2008 Gaming Revenue & Results

July 1, 2007 through June 30, 2008

	Mohegan Sun	Philadelphia Park	Harrah's Chester	Presque Isle
Wagers	\$ 1,958,933,527	\$ 4,212,620,125	\$ 3,922,280,720	\$ 1,970,875,845
Payouts	\$ 1,786,967,108	\$ 3,852,512,818	\$ 3,557,747,052	\$ 1,795,688,239
Promotional Plays (Internal)	\$ 1,318,520	\$ 35,016,758	\$ 31,766,674	\$ 13,538,375
Promotional Plays (External)	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments	\$ 0	\$ 77,509	\$ 18,941	\$ 24,300
Gross Terminal Revenue	\$ 170,647,899	\$ 325,168,059	\$ 332,785,935	\$ 161,673,530
State Tax (34%)	\$ 58,020,286	\$ 110,557,140	\$ 113,147,218	\$ 54,969,000
Local Share Assessment (4%)	\$ 6,825,916	\$ 13,006,722	\$ 13,311,437	\$ 6,466,941
Local Share - Catch-Up to Achieve \$10m min.	\$ 6,489,925	\$ 4,299,357	\$ 3,705,084	\$ 5,567,308
Economic Develop. & Tourism (5%)	\$ 8,532,395	\$ 16,258,403	\$ 16,639,297	\$ 8,083,677
PA Race Horse Development Fund	\$ 20,477,748	\$ 39,020,167	\$ 39,934,312	\$ 19,400,824
License Fees	\$ 0	\$ 0	\$ 2,500,000	\$ 0
Slot Machines as of June 30, 2008	\$ 1,197	2,912	2,873	\$ 2,000

	Meadows	Mount Airy	Penn National
Wagers	\$ 2,746,511,827	\$ 1,555,006,011	\$ 922,387,377
Payouts	\$ 2,515,357,187	\$ 1,438,010,256	\$ 846,704,085
Promotional Plays (Internal)	\$ 0	\$ 6,403,730	\$ 3,001,236
Promotional Plays (External)	\$ 7,860,443	\$ 0	\$ 0
Adjustments	\$ 49,115	\$ 0	\$ 0
Gross Terminal Revenue	\$ 231,203,755	\$ 110,592,025	\$ 72,682,056
State Tax (34%)	\$ 78,609,277	\$ 37,601,289	\$ 24,711,899
Local Share Assessment (4%)	\$ 9,248,150	\$ 4,423,681	\$ 2,907,282
Local Share - Catch-Up to Achieve \$10m min.	\$ 3,097,283	\$ 1,430,289	\$ 0
Economic Develop. & Tourism (5%)	\$ 11,560,188	\$ 5,529,601	\$ 3,634,103
PA Race Horse Development Fund	\$ 27,744,451	\$ 13,271,043	\$ 8,721,847
License Fees	\$ 0	\$ 0	\$ 0
Slot Machines as of June 30, 2008	\$ 1,825	\$ 2,520	\$ 2,071

2008 Gaming Revenue & Results

July 1, 2007 through June 30, 2008

Wagers	\$ 17,288,615,432
Payouts	\$ 15,792,986,745
Promotional Plays (Internal)	\$ 91,045,293
Promotional Plays (External)	\$ 7,860,443
Adjustments	\$ 169,866
Gross Terminal Revenue	\$ 1,404,753,259
State Tax (34%)	\$ 477,616,108
Local Share Assessment (4%)	\$ 56,190,130
Local Share - Catch-Up to Achieve \$10m min.	\$ 24,589,245
Economic Develop. & Tourism (5%)	\$ 70,237,663
PA Race Horse Development Fund	\$ 168,570,390
License Fees	\$ 2,500,000
Slot Machines as of June 30, 2008	\$ 15,398

PGCB Statement of Revenue and Expenditures

Fiscal Year 2007-08

Beginning Balance

FY 2006-07 Carryover	\$ 3,579,684
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Revenues

Gaming Fund Loan	\$ 22,575,000
Investigations and Proceedings	\$ 3,263,321
Investigative Fees	\$ 1,577,542
Filing Fees, Motions, Miscellaneous Fees	\$ 47,871
License Fees	\$ 690,000
Gaming Lab Chargeback	\$ 1,171,831
	\$ 29,325,565
Available	\$ 32,905,249

Expenditures

Personal Expenditures

Salaries	\$ 15,686,696
Wages	\$ 47,775
Benefits	\$ 5,466,699
Payout/Reward/Bonuses/Allowances	\$ 61,860
Total Personnel Expenditures	\$ 21,263,030

Operating Expenditures

Travel	\$ 593,048
Training	\$ 89,098
Utilities/Comm	\$ 682,677
Services	\$ 1,707,893
Rental/Lease	\$ 1,707,291
Supplies	\$ 164,761
Equipment (NFA)	\$ 824,989
Inventory Expenses	\$ 120,211
Other Op Expenses	\$ 1,142,059
Total Operating Expenditures	\$ 7,032,026

Total Expenditures	\$ 28,295,057
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Revenues Over (Under) Expenditures	\$ 4,610,192
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Note: Expenditure figures as of November 30, 2008. Additional expenditures anticipated related to implementation of case management system.

Note: The FY 2007-08 budget appropriation was \$29,984,000.



Thomas K. Sturgeon
Director, Casino Compliance

Bureau of Casino Compliance

The Bureau of Casino Compliance is charged with the responsibility of protecting the integrity of gaming within each casino in the Commonwealth of Pennsylvania through the enforcement of gaming regulations and being the first line in responding to patron complaints.

The Bureau of Casino Compliance staffs each casino with one supervisor and six Casino Compliance Representatives twenty-four hours a day, seven days a week. These professionals are well-trained to assure that they represent the Commonwealth of Pennsylvania in an effective and efficient manner.

The most common duties and responsibilities of Casino Compliance Representatives:

- Responded to complaints from patrons and filed over 15,000 activity reports in 2008.
 - Familiarity with the internal controls, and the policies and procedures of the casino where they are assigned to work. Any violation of these documents subjects the casino to an enforcement action.
 - Thorough knowledge of the extensive manual of regulations of the Gaming Control Board. Any violation of the regulations will be referred to the Office of Enforcement Counsel for possible sanctions against the casino. An example
- would be not maintaining the minimum staffing requirement for security/surveillance.
- Making certain that every casino employee that has access to the gaming floor is licensed and has the proper credentials visible as required by the Gaming Control Board.
- Ensuring that all vendors who have a business relationship with the casinos have complied with registration requirements through the Board's Bureau of Licensing. These vendors are constantly monitored to assure their compliance to required licensing regulations.
- Maintaining a strong working relationship with the Pennsylvania Department of Health in seeking compliance to the new Clean Indoor Air Act. This includes making certain that every casino has a clear delineation of smoking and non-smoking areas, and has the proper signage indicating the same.
- Monitoring of the casino surveillance department to ensure that there is adequate camera coverage throughout the casino and that such coverage meets the requirements of the regulations.
- Referring of any criminal act to the PA State Police for investigation and accepting referrals from the State Police in relation to any regulatory issue.



FOUR NEW FACILITIES UNDER CONSTRUCTION

The Meadows
Racetrack and Casino
Washington, PA



Sands Casino Resort
Bethlehem, PA



Rivers Casino
Pittsburgh, PA



Philadelphia Park Casino
and Racetrack
Bensalem, PA



Scheduled opening
April, 2009



Scheduled opening
May, 2009



Scheduled opening
August, 2009



Scheduled opening
December, 2009