



PENNSYLVANIA GAMING CONTROL BOARD
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April 20, 2022

Via Electronic Mail

Representatives/Counsel for Applicants/Licensees

Re: Principal ownership in privately held entities

The Pennsylvania Gaming Control Board (Board), Bureau of Licensing, is enacting a policy change impacting Chapter 433a of the Principal License regulations while these regulations are being amended. Specifically, the policy change modifies privately held ownership thresholds in 58 Pa C.S. §433a.3—Interest in licensee held by individuals, §433a.4—Interest in licensees held by entities, and 433a.7--Trusts. This change will be applied to ownership in the following licensing classifications: slot machine licensees, management companies, all operator, manufacturer, supplier, and manufacturer designee license types.

The current language that will be impacted within each of the applicable sections is provided below.

58 Pa C.S. §433a.3(a) states.

(a) An individual shall apply for and obtain a principal license from the Board prior to possessing any of the following:

(1) A direct ownership interest in a slot machine or management company licensee.

(2) A 1% or greater indirect ownership interest in a slot machine or management company licensee. An ownership interest that is held indirectly by an individual through one or more intervening entities will be determined by successive multiplication of the ownership percentages for each link in the vertical chain.

58 Pa C.S. §433a.3(b) states.

(b) An individual shall notify the Board and submit a completed application in accordance with §433a.8 (relating to principal applications) prior to possessing any of the following:

(1) A direct ownership interest of 1% or more in a licensed manufacturer, licensed supplier or licensed manufacturer designee.

(2) A 1% or greater indirect ownership interest in a licensed manufacturer, licensed supplier or licensed manufacturer designee. An ownership interest that is held indirectly by an individual through one or more intervening entities will be determined by successive multiplication of the ownership percentages for each link in the vertical chain.

58 Pa C.S. §433a.7 states.

(a) A trust or similar business entity shall apply for and obtain a principal license prior to possessing any of the following:

(1) A direct ownership interest in a slot machine or management company licensee.

(2) A 1% or greater indirect ownership interest in a slot machine or management company licensee. An ownership interest that is held indirectly by an individual through one or more intervening entities will be determined by successive multiplication of the ownership percentages for each link in the vertical chain.

Amendments to Chapter 433 will modify these three sections to replace the 1% threshold with a 5% ownership interest regardless of whether it is directly or indirectly held. While the precise language changes to the regulations are being drafted, generally speaking, the policy put into effect at this time will have the following direction.

(a) An individual, entity or trust shall apply for and obtain a principal license from the Board prior to possessing any of the following:

(1) A 5% or greater direct or indirect ownership interest in a slot machine, management company, operator, manufacturer, supplier, or manufacturer designee licensee. An ownership interest that is held indirectly by an individual through one or more intervening entities will be determined by successive multiplication of the ownership percentages for each link in the vertical chain.

Please note that under any circumstance the Bureau of Licensing, Bureau of Investigations and Enforcement, and/or the Office of Enforcement Counsel reserves the right to request an application and/or licensure of any person, entity, or trust that falls below the 5% threshold. All requests for application shall be honored unless otherwise ordered by the Board.

This revision will not have any impact on ownership through a publicly traded company nor will it have any impact on officer and director requirements currently imposed through the regulations.

If an application has been filed or a principal has been licensed that would no longer require licensure because of this policy change, the application or license can be administratively withdrawn/surrendered by Board staff at the request of the applicant or counsel for the applicant by submitting an email to me at shannon@pa.gov.

Should you have any questions about your application, you may contact me at (717) 346-8313.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Hannon", with a long horizontal flourish extending to the right.

Sean Hannon, Director
Bureau of Licensing