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June 11, 2007

**VIA HAND DELIVERY**

Richard Sandusky, Director  
Regulatory Review  
Pennsylvania Gaming Control Board  
5th Floor, Strawberry Square  
Harrisburg, PA 17101

Re: Keystone Gaming Technologies, Inc.'s Comments to  
Proposed Rulemaking; In re: Regulation #125-61

Dear Ms Kane:

Enclosed please find Keystone Gaming Technologies, Inc.'s Comments to the above-referenced regulation.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Frank A. DiGiacomo

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

/smw

HAR:73669.1/key074-242849

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**BEFORE THE  
PENNSYLVANIA GAMING CONTROL BOARD**

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In re: Regulation #125-61  
Proposed Rulemaking - 58 Pa. Code,  
Chapter 427a,

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**KEYSTONE GAMING TECHNOLOGIES, INC.'S  
COMMENTS TO PROPOSED RULEMAKING**

Keystone Gaming Technologies, Inc. ("KGT") is an applicant for a Manufacturer license with the Pennsylvania Gaming Control Board ("Board") which would authorize KGT to manufacture, supply and repair slot machine and associated equipment for use at licensed facilities in the Commonwealth. KGT submits these comments to the Board's Proposed Rulemaking, as captioned above, which was published in the *Pennsylvania Bulletin* on May 12, 2007 at 37 Pa. B. 2197.

**COMMENTS TO CHAPTER 427a**

The focus of KGT's comments pertaining to Chapter 427a, concerns proposed 427a.2.(b)(3). The proposed regulation would require each new Manufacturer license applicant to prove to the Board its "ability to manufacture" slot machines or associated equipment for use in the Commonwealth. KGT submits that such a qualitative analysis by the Board in order to determine whether an applicant should be licensed beyond the authority of the Board, serves no regulatory objective, is ambiguous and is contrary to common regulatory objectives generally found within the gaming industry. Moreover, such a determination runs counter to a public

policy purpose of the Pennsylvania Racehorse Development and Gaming Act, (the "Act") by restricting economic development of business within the Commonwealth

Specifically, proposed 427a.2.(b)(3) provides that an applicant for Manufacturer license shall "*demonstrate that the applicant has the ability to manufacture, build, rebuild, repair, fabricate, assemble, produce, program, design or otherwise make modifications to slot machines or associated equipment ...*" [emphasis added].

This inherently qualitative threshold placed upon a new Manufacturer applicant would be in addition to the other well founded licensing requirements of the Act and regulations. It has the practical affect of requiring a Manufacture license applicant to presently have the wherewithal and ability to manufacture, build, repair, etc. slot machines and their associated equipment prior to receiving a Manufacturer license. KGT respectfully submits that such a determination is not necessary to preserve the regulatory integrity of the Act and as a practical matter places an unnecessary barrier to entry into the gaming industry within the Commonwealth to a start-up company such as KGT.

A sound regulatory structure should require an applicant to prove its qualification pursuant to the standards set forth in the Act. Secondly, the regulations should require that any slot machine and/or associated equipment manufactured by a licensed Manufacturer be properly submitted and tested through the Board's testing processes. Thus, once the applicant (i) meets the good character , honestly and integrity standards; (ii) proves its financial suitability; and (iii) pays its license fee it can then be licensed. That manufacturer can then only sell approved equipment to casinos which has been tested to the standards set forth by the Board. To affirmatively require that an applicant to meet some ambiguous qualitative standard and demonstrate the ability to do manufacture associated equipment as a prerequisite to being

licensed simply does not meet any additional regulatory goal of the gaming industry within Pennsylvania, but rather limits such license to existing gaming equipment companies, which for the most part are from outside the Commonwealth.

Specifically, with respect to KGT, depending upon how the Board interprets this proposed regulation, KGT may be forced not to proceed its license application. KGT is a start-up, Pennsylvania based company. KGT's, founder and owner saw the opportunity to start a company in Pennsylvania which would focus its business model on providing associated equipment to Pennsylvania slot machine licensees. KGT intends to establish a market presence within the gaming industry, first only within the Commonwealth, but eventually in other gaming jurisdictions. Pennsylvania is the first and only jurisdiction in which KGT has applied for any type of gaming license.

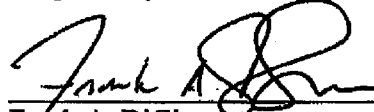
While KGT has provided as part of its application general descriptions of the products and associated equipment it intends to develop and sell to Pennsylvania slot machine licensees, anything more in terms of demonstrating the "ability to manufacture" would require significant financial investment on the part of KGT with no assurances that that financial investment will meet the requirements set forth in proposed 427a.2.(b)(3). The regulation as proposed is effectively a "Catch-22" to a company such as KGT. On the one hand, it must demonstrate an ability to manufacture, build, repair, etc. associated equipment in order to receive a license without any assurance that it will, in fact, receive that license and thus recoup its financial investment. Rather, should a company such as KGT meet the objective licensing criteria with respect to good character, honest, integrity, financial wherewithal, etc., its ability to manufacture a product which slot licensees will purchase, will be limited by the market and, of course, the

company's required submission of that product to the Board for testing and approval in accordance with the Board's regulations.

In summary, KGT respectfully submits that the proposed 427a.2.(b)(3) is unnecessary in order for the Board to maintain required regulatory control over manufacturers within the Commonwealth, is ambiguous, and acts as a deterrent to development of start-up business in the gaming industry within the Commonwealth. As such it should not be approved as part of the proposed regulations.

WHEREFORE, for all of the foregoing reasons, KGT respectfully requests the Board to incorporate its comments into its final rulemaking.

Respectfully submitted,



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Date: June 11, 2007