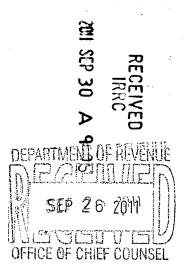


September 22, 2011

Department of Revenue PO Box 281061 Harrisburg, PA 17128-1061

ATTN: Mary R. Sprunk Office of Chief Counsel

Dear Ms. Sprunk:



I have reviewed all thirteen pages of the Proposed Rulemakings, Department of Revenue [61 PA. Code Ch. 901] Local Option Small Games of Chance [41 Pa.B. 4638][Saturday, August 27, 2011], and have many concerns that I would like to share with you and also further clarification on a number of items, all of which are listed below.

901.23. Restriction of sales.

(a) Manufacturers.

(2) Sales. <u>The proposal reads as follows</u>: A registered manufacturer may only sell, offer for sale or furnish games of chance that **[have been approved by the Department for sale] the Department has approved for use** in this Commonwealth. A registered manufacturer may only sell, offer for sale or furnish approved games of chance for sale **or use** in this Commonwealth to a licensed distributor. This paragraph does not apply to the sale of raffle, daily drawing or weekly drawing tickets.

<u>Our concern</u>: We are a registered manufacturer in the state of Pennsylvania and all of our games that are for sale in the state of Pennsylvania are submitted to the state for approval prior to their release to licensed distributors in the Commonwealth or to a licensed eligible organization. This could be interpreted as a PA registered manufacturer only being allowed to sell PA approved games. I'm sure that is not what is meant.

(b) Distributors.

(2) Sales. <u>The proposal reads as follows</u>: A licensed distributor may only sell, offer for sale or furnish approved games of change **[for use]** within this Commonwealth to another licensed distributor or to a licensed eligible organization. This paragraph does not apply to the sale of raffle, daily drawing or weekly drawing tickets.

PHONE 570-546-3099 OR 800-598-5011 FAX 570-546-3215

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<u>Our concern</u>: We are a licensed distributor in several states. Our manufacturers sell us games that are approved in Pennsylvania for our Pennsylvania customers. But we also buy games that are not approved in Pennsylvania, but are for our New York and New Jersey customers. This paragraph could be interpreted as saying we are only being permitted to purchase PA approved games. I'm sure you didn't mean that, but I did want to bring it to your attention.

(3) *Purchase*. <u>The proposal reads as follows</u>: A licensed distributor may only purchase approved games of chance for **[resale] sale** in this Commonwealth from a registered manufacturer or licensed distributor. This paragraph does not apply to the purchase of raffle, daily drawing or weekly drawing tickets.

Our concern: Again, this paragraph could be misconstrued to say that as a licensed distributor in Pennsylvania, we can only purchase approved games from registered manufacturers or licensed distributors within the Commonwealth. Let me give you a scenario that will better illustrate my concern with this. A game is approved in PA by the Department of Revenue and is sold to us and an Ohio distributor. The Ohio distributor only sells a small amount of this game and is now overstocked in it. I then buy it from him. The serial numbers are tracked to the Ohio distributor. The Ohio distributor bills me for the games listing the serial numbers. Those numbers can now be tracked to me. This is done to help both us and them keep inventory under control. As long as the game is approved and the serial numbers are tracked, everyone should be happy.

901.143. Restrictions on distributorship interest. The proposal reads as follows:

(b) A person who is an officer, director, proprietor, consultant, employee or owner of a distributorship may not have a pecuniary interest in the operation of games of chance. For purposes of this section, a pecuniary interest is the actual or potential for an accession to wealth, whether cash or property, resulting from the play and operation of a game of chance. It includes an interest resulting from one of the following acts:

(1) The sale of a game of chance in exchange for a contingent fee based upon a percentage of the proceeds from chances sold in or prizes awarded in the game.

(2) A lease of a dispensing machine in which the rental is based upon the number of games purchased by the eligible organization, the percentage of proceeds from chances sold or prizes awarded in games of chance.

<u>Our concern</u>: We have had employees who work bingo games because they belong to that church, but are not compensated based on either of these two methods. Some of our salespeople have been hired because we connected with them through the bingo halls. Are they restricted from being involved in their church's bingo?

901.445. Records.

(1) Sales Invoices. All products are delivered to our customers using consecutively prenumbered delivery slips. Computer generated consecutively numbered invoices are then generated at our office from those slips. Does this meet the guidelines presented in this publication? (vi) Hundreds of games are approved each month by the Commonwealth and we are not made aware of it. How would a distributor confirm that a game is approved?

- 1. Place a phone call to the Department of Revenue. How are they going to have time to go over every game with us that is approved? If a manufacturer sends a copy of the letter from the state, we could get hundreds of letters a month.
- 2. They could e-mail all 120 or so distributors each day the games that are approved.

The state of New York has a website that lists all approved games. I recommend that you check out their web site <u>www.racing.state.us/charitable/char.home.htm</u> and make that a consideration in Pennsylvania.

(vii) <u>The proposal reads as follows</u>: The quantity and sales price of each individual item, including individual items of merchandise to be used as prizes on punchboards and pull-tabs.

Our Concern: I have many concerns about this one. Here's an example of how it works now. We sell a board with tickets, a seal prize, and a number of smaller prizes to an organization. The number of smaller prices may have an <u>average</u> value of \$20 for each prize, but each prize individually may be higher or lower than the \$20. So what does the term 'sale price' of the individual items mean? Does it mean the retail value we place on it or what we paid for it? These boards are also manufactured with prizes that we have in stock, so they rarely if ever, contain the same prizes on each board. Does each unique board have to be submitted to you for approval? If we switch out a knife set for a toaster, does the game have to be resubmitted? If we have a TV as a seal prize on one and a laptop computer as a seal prize on another, both with the same value, do they individually have to be submitted for approval? Or if the laptop on one is a Dell and on another is a Gateway, does that have to be specified and submitted separately? My next question on this subject is if we buy an IPod for \$300 and put it on a board for a \$500 seal prize, is the value \$300 or \$500? If we list each item, then you will be getting calls that we sold an IPod for \$500 and they could buy it for \$300. What happens then? Is the plan to tell us how much we can make on an item? If the customer doesn't think the IPod is worth \$500, they won't buy it. If I have 40 prizes and list each item at \$20, who is to say that I'm wrong? Also, think of the extra paperwork we all will have. A three line invoice will turn into a two or three page invoice. Please see our Attachment #1 for the way we currently submit a board and our Attachment #2 for the way you are proposing we do it. We've also included Attachment #3, which is the way our current invoices look and Attachment #4, which is how they would look if these changes are made.

901.601. Uniform minimum quality standards.

[(2)] (d) *Sub-deals*. We believe that if you have a better understanding of how sub-deals work, then you may consider allowing them. The law allows 4,000 tickets per deal of tickets. A sub-deal would be equally divided portions of that 4,000 with one master seal card. For example, there could be a sub-deal of 400 tickets per pack with 10 packs per deal equaling 4,000 tickets and each sub-deal has a seal card. Once the sub-deal (400 tickets) is sold, then the seal is opened and that winner gets to go to the master seal card to see how much they won. The prize could be \$25 to \$400 depending on what seal amount is opened. That winner would also sign the master board for a chance at \$500. I believe the issue that the Dept. of Revenue has is that when a person wins \$25, the percentage of payout is less than 65%. But when the person wins \$400, they pay out 100% of what was taken in on that sub-deal. Once all 10 sub-deals are

3

played, the total payout would be 65% or more, which is required by state law. The sub-deal would be no different if a worker pulled 400 tickets out of the 4,000 count deal and sold them and a winner only won \$25. The advantage for the hall and the player is the following:

1. The player thinks they have a better chance of winning if there are fewer tickets.

2. It's easier for the charity to sell tickets in smaller quantities and also be able to offer big money.

3. A player will buy \$10 worth of tickets from each sub-deal trying to get a holder from each sub-deal as opposed to not having a sub-deal where they may only buy \$20 or until they get a holder, then they stop. As long as the player understands how it's played, they like the sub-deals.

Just as the state lottery does, it is the charity's job to try to get the player to buy as many tickets as they can afford. Keep in mind that when all 10 deals are sold, the payout is the same amount as not having a sub-deal. The state of New Jersey has the same laws in place as Pennsylvania, with the exception of sub-deals, which they allow.

GENERAL MANUFACTURING STANDARDS

910.632 Predetermination of rules, winning chances and prizes.

(b) <u>The proposal reads as follows</u>: A registered manufacturer may not produce a pull-tab game or punchboard for sale or use in this Commonwealth that permits the operator of or a participant in the game to choose between optional games rules, payout structures or methods of operating the game.

Our Concern: The number of seal card games that have multiple seals is approximately 99%, normally with three options. If you change this rule, for every one game they make now, they would have to make three, which I'm sure they wouldn't do because it would not be cost effective. If a seal card had a \$500 payout, the options may be 1 @ \$500 or 5 @ \$100 or 20 @ \$25. (See our Attachment #5) In our market, 60% of the charities would use 5 @ \$100; 35% would use 1 @ \$500; and 5% would use 20 @ \$25. Using these percentages, the manufacturers would only make the 5 @ \$100 because they would not sell enough to make the other two options. Or if they did, the price would go up considerably because they would have to run small quantities. This higher cost would then be passed on to the charity. These charities are having trouble making ends meet now without adding unnecessary costs. In a bingo hall, usually the number of players is what determines the payout they use. I would estimate that 99.9% of the time, either the charity announces how they are paying out the game or a player will ask how it is being paid out as they purchase them. One other thing to consider is that these multiseal cards are not made just for PA. The states that allow multi-seal cards would still want them. Under your proposed change, the manufacturer would have to make four different games: multi-seal option and the other three listed above. This again would increase manufacturing costs.

901.709. One eligible organization and license per premises.

(c) Does this limit the number of licenses that can play at a hall? Does the notification to the district attorney have to be prior to each game or at the organization's hall usage onset?

In closing, I would like to take a moment to go back to page 3 of the publication and address the areas of fiscal impact and paperwork. If these changes take place, there will be a lot more paperwork involved with everything from invoicing documentation changes to the multitude of games submitted for approval. Making any kind of change like this will continue to hurt the charities as did allowing casinos in PA. Our charities, (VFW's, Legions, fire companies, and churches) are down between 20% to 40% since the casinos started and the enforcement of the \$5,000 law. We have about 15% of our bingo halls shut down because they could not make any money. I am not opposed to the casinos, however, the charities do a lot of good work for our communities and this would just be another way of pushing them to close their doors. We have enough problems in PA without trying to put the charities out of business. The fire company in my area says that 50% of their income is from games of chance. Does the state have any idea how they can raise that money? It seems clear to me that these changes are being made to make it easier for Liquor Control Enforcement to do their job? I'm not against tracking the sales and money, but there are easier ways. This industry and the many charitable organizations associated with it should not have to suffer just because these bureaucrats wish to make their workload a little easier. These changes and their consequences can and will damage this industry greatly. I would strongly urge you to assemble a panel of advisors, including VFW and Legion Officers, bingo hall managers, and PA distributors and manufacturers to further evaluate these changes and their impact. We live in this industry, we know how it works, and we feel we have valuable insights to share with you.

I thank you for your consideration.

Sincerely

Michael C. Philbin President

Enclosures

CC: State Representative Garth Everett State Representative Curt Schroder State Representative Rick Mirabito Senator Gene Yaw

PENNSYLVANIA SMALL GAMES OF CHANCE GAME APPROVAL FORM

MANUFACTURER INFORMATION

 Name of Manufacturer: License: Contact Person: Phone: 	KEYSTONE BINGO SUPPLY, INC. M0083 MICHAEL PHILBIN 570-546-3099 FAX: 570-546-3215		CHMENT #1
4 Address:	PO BOX 350, 1625 JOHN BRADY DR., M	UNCY PA 17756	
NAME OF GAME:	BEWARE OF THE GREAT PUMPKIN!		
FORM NUMBER:	90-3984BGP40P TICKETS USE:	BONANZA PRESS 55633JJ2 3984	count
DESCRIPTION OF GAME:	Merchandise Prize Board		
RULES FOR PLAY:	Buy a ticket and look for winning numb	ers	
GAME PRIZE:	60 Red Numbers Sign-up for Cash Seals	s:1@\$100,1@\$50 (\$150 pa	yout)
STRUCTURE:	40 Blue Numbers win Prizes(40 prizes @ 14 Green Numbers win \$5.00 each	@\$12.375 Value) (\$495 \ (\$70 payo	
NUMBER OF CHANCES:	3984 Tickets @\$0.25 per ticket (\$996 To	tal)	
PAYOUT PERCENTAGE:	72% MERCHANDISE VALU	E: \$495 TOTAL CASH PAYOUT:	\$220

\$0 CLUS PROFIT:

COIN VALUE:

\$281(28%)

STATE OF APLAY
SIOO Scal
ALL BILE NUMBERS ENDING IN 50° WIN PRIZES BELOW 050 150 250 250 350 550 650 750 850 950
Contraction 1250 1350 1550 1650 1750 650 1650
2050 2150 2250 2850 2150 2550 2650 2750 2556 2050
3050 3150 3250 3550 3459 3350 3650 3750 3550 3950 CCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCC

4/6/2009 Game Approval Form

PENNSYLVANIA SMALL GAMES OF CHANCE GAME APPROVAL FORM

MANUFACTURER INFORMATION

1 Name of Manufacturer:	KEYSTONE BINGO SUPPLY, INC.	ATTACHMENT #2
2 License:	M0083	
3 Contact Person:	MICHAEL PHILBIN	
Phone:	570-546-3099 FAX: 570-546-3215	
4 Address:	PO BOX 350, 1625 JOHN BRADY DR., MUN	CY PA 17756
NAME OF GAME:	BEWARE OF THE GREAT PUMPKIN!	
FORM NUMBER:	90-4000BGP40P TICKETS USE:	Muncy Novelty F1X03-14
DESCRIPTION OF GAME:	Merchandise Prize Board	4000Bundles Pasted 3
RULES FOR PLAY:	Buy a ticket and look for winning numbers	
GAME PRIZE:	60 Red Numbers Sign-up for Cash Seals:1	@\$100,1@\$50 (\$150 payout)

STRUCTURE:

40 Blue Numbers win	Prizes	(\$495 TOTAL VALUE)
ITEM	PRICE	QUANT
PBC PALMERS	\$3.90	1
SHIMMER LITES	\$13.20	1
PBC PALMERS	\$3.90	1
RESIN SHOE	\$9.35	1
GOOGLY EYES	\$3.75	1
JACK O LANT(XL)	\$16.65	1
GOOGLY EYES	\$3.75	1
JACK O LANT(MED)	\$ 9.85	1
FUN FAVORITES	\$3.55	1
SM GHOST	\$5.85	1
FUN FAVORITES	\$3.35	1
BOO STAKE	\$14.50	1
GHOST PEEPS	\$1.95	1
HAUNTED BIRD	\$26.35	1
GHOST PEEPS	\$1.95	1
MOVING SHINGLES	\$24.55	1
PUMPKIN PEEPS	\$1.95	1
SCARECROW MASK	\$18.25	1
PUMPKIN PEEPS	\$1.95	1
CARVING KIT	\$12.95	1
CANDY CORN	\$6.25	1
FLUTED GLASS	\$9.35	1
CANDY CORN	\$6.25	- 1
HORROR PC	\$16.65	1
TWISTED PUMPKINS	\$8.35	· 1
MASK	\$19.95	1
TWISTED PUMPKINS	\$8.35	1 .
60" EVIL PUMPKIN	\$49.95	1
COMBO BAG	\$19.35	1
ASST SPIDERS	\$12.45	1
COMBO BAG	\$19.35	1
STRING SPRAY	\$8.25	1

TRICK OR TREAT MIX	\$6. 85	1
M/U HORROR LITE	\$14.65	1
TRICK OR TREAT MIX	\$6.85	1
AUTUMN TAFFY	\$5.75	1
FAKE BLODD	\$12.95	1
AUTUMN TAFFY	\$5.75	1
3' LAMP REAPER	\$47.65	1
STROBE LIGHTS	\$28.55	1

14 Green Numbers win \$5.00 each

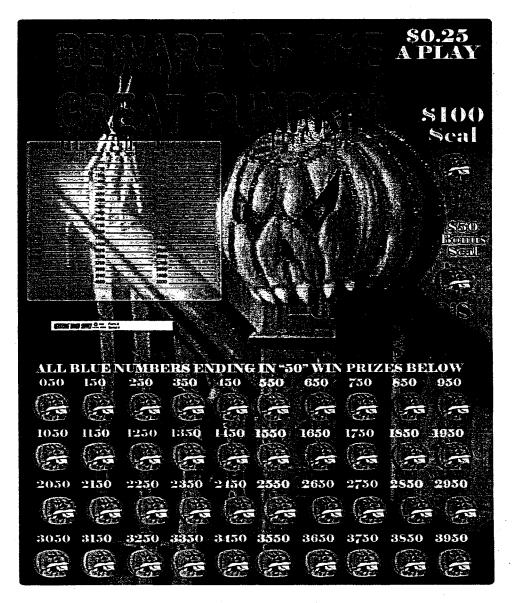
(\$70 payout)

NUMBER OF CHANCES: PAYOUT PERCENTAGE:

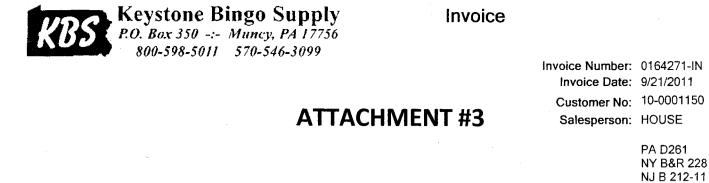
 4000 Bundles @\$0.25 per bundle(\$1000 Total)

 71%
 MERCHANDISE '\$495 TOT

MERCHANDISE '\$495 TOTAL CASH PAYOUT: \$220 COIN VALUE: \$0 CLUB PROFIT: \$285 (29%)



4/6/2009 Game Approval Form



Sold To: MISC PA			Ship To: MISC PA		R 411-11	
Control Slip #:	Ship Via	Exemption #:	Terms NET 30 DAYS		<u> </u>	
Shipped Item #		Description	· · · · · · · · · · · · · · · · · · ·	Price	Disc	Amount
1 90-4000	BGP40P	BEWARE OF THE G .25/1@100 IG \$1000		495.00	N	495.00
1 93-F1X0	03-60	4000ct NUMERAL TI	CKET \$1	0.00	Ν	0.00

8782351

SERVICE CHARGE OF 2% WILL BE CHARGED ON ALL INVOICES OVER 30 DAYS. PLEASE NOTE TERMS ABOVE.

Any Games of Chance listed have been approved by the Commonwealth of PA Department of Revenue

Net Invoice:	495.00
Less Discount:	0.00
Freight:	0.00
Sales Tax:	29.70
Invoice Total:	\$524.70

1



Keystone Bingo Supply P.O. Box 350 -:- Muncy, PA 17756 800-598-5011 570-546-3099

Invoice

1

Invoice Number: 0164268-IN Invoice Date: 9/21/2011 Customer No: 10-0001150 Salesperson: HOUSE

ATTACHMENT #4

N N	A D261 Y B&R 228 J B 212-11
	J R 411-11

Sold To:	Ship To:	NJ R 411-11
MISC PA	MISC PA	

Control Slip #: Ship Via	Exemption #: Terms NET 30 DAYS			
Shipped Item #	Description	Price	Disc	Amount
1 90-4000BGP40P	BEWARE OF THE GREAT PUMPKIN MB .25/1@100 IG \$1000 NET \$285	0.00	N	0.00
1 93-F1X03-60	4000ct NUMERAL TICKET \$1	0.00	Ν	0.00
8782351				
1 MISC SALE	PBC PALMERS	3.90	Ν	3.90
1 MISC SALE	SHIMMER LITES	13.20	Ν	13.20
1 MISC SALE	PEANUT BUTTER CANDIES	3.90	N	3.90
1 MISC SALE	RESIN SHOE	9.35	N	9.35
1 MISC SALE	GOOGLY EYES	3.75	Ν	3.75
1 MISC SALE	JACK O LANT (XL)	16.65	Ν	16.65
1 MISC SALE	SPOOKY EYES	3.75	N	3.75
1 MISC SALE	JACK O LANT (MED)	9.85	Ν	9.85
1 MISC SALE	FUN FAVORITES	3.55	Ν	3.55
1 MISC SALE	SM GHOST	5.85	Ν	5.85
1 MISC SALE	GUMMY CANDIES	3.35	N	3.35
1 MISC SALE	BOO STAKE	14.50	Ν	14.50
1 MISC SALE	GHOST PEEPS	1.95	Ν	1.95
1 MISC SALE	HAUNTED BIRD	26.35	Ν	26.35
1 MISC SALE	PUMPKIN PEEPS	1.95	Ν	1.95
1 MISC SALE	MOVING SHINGLES	24.55	Ν	24.55
1 MISC SALE	WITCH PEEPS	1.95	Ν	1.95
1 MISC SALE	SCARECROW MASK	18.25	N	18.25
1 MISC SALE	PUMPKIN CHEWIES	1.95	N	1.95
1 MISC SALE	CARVING KIT	12.95	N	12.95
1 MISC SALE	CANDY CORN	6.25	N	6.25
1 MISC SALE	FLUTED GLASS	9.35	N	9.35
1 MISC SALE	MAPLE CANDIES	6.25	N	6.25
1 MISC SALE	HORROR PC	16.65	N	16.65

Continued

Invoice

Invoice Number: 0164268-IN

					Invoice Date:	9/21/2011	
					Customer No:	10-0001150	
					Salesperson:	HOUSE	
Sol	d To:			Ship To:		PA D261 NY B&R 228 NJ B 212-11 NJ R 411-11	
MIS				MISC			
PA				PA			
Control Slip	#:	Ship Via	Exemption #:	Terms NET 30 DAY	′S		
Shipped	Item #		Description		Price	Disc	Amount
1	MISC SALE		TWISTED PUMPKI	NS	8.35	N	8.35
1	MISC SALE		MASK		19.95	6 N	19.95
1	MISC SALE		WITCH STAKE		8.35	N	8.35
1	MISC SALE		60" EVIL PUMPKIN		49.95	5 N	49.95
1	MISC SALE		COMBO BAG		19.35	i N	19.35
1	MISC SALE		ASS'T SPIDERS		12.45	i N	12.45
1	MISC SALE		BATS & SPIDERS		19.35	5 N	19.35
1	MISC SALE		STRING SPRAY		8.25	N	8.25
1	MISC SALE		TRICK OR TREAT	XIX	6.85	N.	6.85
1	MISC SALE		M/U HORROR		14.65	5 N	14.65
1	MISC SALE		TRICK BAG		6.85	N	6.85
1	MISC SALE		AUTUMN TAFFY		5.75	N	5.75
1	MISC SALE		FAKE BLOOD		12.95	5 N	12.95
1	MISC SALE		FALL LEAVES		5.75	N	5.75
1	MISC SALE		3' LAMP REAPER		47.65	5 N	47.65
1	MISC SALE		STROBE LIGHTS		28.55	5 N	28.55

495.00 Net Invoice: 0.00 SERVICE CHARGE OF 2% WILL BE CHARGED ON ALL Less Discount: 0.00 INVOICES OVER 30 DAYS. PLEASE NOTE TERMS ABOVE. Freight: 29.70 Sales Tax: Any Games of Chance listed have been approved by the \$524.70 Invoice Total: Commonwealth of PA Department of Revenue

Keystone Bingo Supply P.O. Bax 350 -:- Muncy, PA 17756 800-598-5011 570-546-3099

Keystone Bing P.O. Box 350 -:- Mur 800-598-5011 570		cy, PA 17756	Invoice	e			
, c				Invoice Numb			
				Invoice Da			
				Customer I	No: 10-00	01150	
				Salespers	on: HOUS	SE	
Sold To:			Ship To:		NJ B	261 &R 228 212-11 411-11	
MISC PA			MISC PA				
Control Slip #:	Ship Via	Exemption #		ns 30 DAYS			
Shipped Item #		Description	<u>-</u>	Pr	ice	Disc	Amount
1 90-4000BC	GP40P	BEWARE OF T	HE GREAT PUMP	PKIN MB 49	5.00	N	495.00

.25/1@100 IG \$1000 NET \$285

4000ct NUMERAL TICKET \$1

1 93-F1X03-60

8782351

SERVICE CHARGE OF 2% WILL BE CHARGED ON ALL INVOICES OVER 30 DAYS. PLEASE NOTE TERMS ABOVE.

> Any Games of Chance listed have been approved by the Commonwealth of PA Department of Revenue

 Net Invoice: 	495.00
Less Discount:	0.00
Freight:	0.00
Sales Tax:	29.70
Invoice Total:	\$524.70

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0.00

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0.00

Bowl Number	ATTACHMENT #5))))))))))))))))))))))))))))))))))))	S1 PER CHIP
BONANZA	HOLD SYMBOLS 1=20 FOR A CHANCE TO WIN		OR
\$500 E \$		15 ILDERS WIN	SIGN UP
	Open only 1 window		1 2 1 3 1 4 1 5 1 6
	Maima		1 6 1 7 8
01000L	00000	7 (§ §_10 §_11
STOD ST	00000	7 (,) 2	9,12 9,13 9,14
STOD ST	DOMOS		15 16 17
65065 65065	() () \$10 () 12 WIN	88 \$2	17 18 19 20
OS		Date In Date In Date	TICKET COUNT: 3955

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