



VIDEO GAMING UPDATE

February 2012

Terminal Operator licenses issued:

A lot has happened since our last update. There have been two Illinois Gaming Board meetings. The most exciting news, for us anyway, is that several terminal operator applicants have been granted their conditional licenses. 16 in January and 14 in February. We are happy to announce that J&J Ventures Gaming was one of the applicants approved in January. There have also been 2 denials and 1 application withdrawn. The good news is that one-third of the terminal operator applicants have been acted on in the last two meetings and this phase of the process is moving along at a very good pace.

As to the order of how applications were processed, the IGB issued a statement on January 26:

“The Illinois Gaming Board has begun the process of issuing licenses to Terminal Operator licensees. This process is expected to continue over a period of several months. There are many applications still being investigated and we expect a significant number of additional Terminal Operators to be licensed in the near future. No negative inference should be drawn at this time if a Terminal Operator licensee applicant has not yet been acted upon by the Illinois Gaming Board.”

Central System:

The gaming board staff and Scientific Games have been meeting regularly and working diligently to complete the central system. There have been no indications that this process is experiencing any problems and so far all appears to be moving forward in this area.

Get Ready!

We have been told that Location Applications will be available in March, possibly early in March. This will be an on-line application and we do not expect the process to be as in depth for locations as it was for the supply chain. Still, you should do everything in your power to be prepared in advance as there will be a mad dash to be first in and hopefully first out. We cannot stress enough the importance of obtaining legal assistance that is qualified in gaming matters to assist you on this important task. We recommend Paul Jenson at Shesky & Froelich. He can be reached at (312) 836-4046. Even the slightest delay from being ill-prepared or making an error or omission on the application can move you to the back of a very long line. Your profits lost from a delay could easily outpace any legal fees required to get it right the first time.

- Locations will have to submit background information on any individuals that have 5% or more ownership in the location or share of video gaming profits through some other arrangement such as a lease. They will also have to declare any persons that exceed 1%.
- These individuals will have to have all taxes current. Be advised that it is possible to have a clean enough tax record for your liquor license and purchasing requirements and still not be



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clean enough for your gaming license. You can call the Illinois Department of Revenue at 800-732-8866 with your social security number and all current and past FEIN #'s to determine if everything is current. Any partners that are above the 5% threshold should do the same.

- You should have available information on liquor or gaming licenses from Illinois or any other state as well as any denial, non-renewal, suspension, revocation or any regulatory action in any jurisdiction on those licenses. This can be difficult to remember or find depending on how long you have been in business. Please consult a gaming attorney with any questions.
- You should have available a complete criminal history with locations and dates for all individuals on the application. This may include arrests that did not result in convictions. This may include incidents that were expunged or otherwise settled or dismissed. Once again, please consult a gaming attorney with any questions.
- Other items you may need: Employment history, education history, litigation history, financial interest and assignment information for your business & basic information about your relatives.

The crime of omission is in many cases far greater than the crime itself. The IGB expects you to be honest in your dealings with them as well as being good a corporate citizen.

Still to come:

We expect that we will also soon see rules regarding who is required to submit information for veterans and fraternal organizations. We have been lead to believe that this will be much simpler than it was first anticipated.

There are additional rules coming in other areas such as terminal placement and operations.

J&J Ventures Gaming

Illinois Terminal Operator #100600273