

MEMORANDUM OF UNDERSTANDING

~~14~~ This Memorandum of Understanding (the "Memorandum") is dated and entered into this 15 day of May, 2008, by and between East Hanover Township, Dauphin County, a township of the second class (the "Township"), and the Dauphin County Industrial Development Authority, an entity incorporated under the Municipality Authorities Act of 1945, as amended and restated under its successor statute, 53 Pa. C.S. Ch. 56 (the "Authority") (collectively, the "Parties").

WHEREAS, under Section 1403(b) of the Gaming Act, each slot machine licensee is required to pay into the State Gaming Fund, within the State Treasury, on a daily basis, a local share assessment from its daily gross terminal revenue ("GTR") from the slot machines in operation at its licensed facility for the benefit of its host and surrounding counties and municipalities; and

WHEREAS, Mountainview Thoroughbred Racing Association, which owns and operates Penn National Racetrack ("Penn National"), was licensed by the Pennsylvania Gaming Control Board as a Category 1 slot machine licensee. Penn National is expected to open its Hollywood Casino, at the site of the Penn National Racetrack, in February 2008; and

WHEREAS, under Section 1403(c)(2)(ii)(D) of the Gaming Act, Dauphin County, a county of the third class, is to receive a local share assessment of 2% of the GTR from operations at Penn National's licensed facility. From the local share assessment distribution received by Dauphin County, one half, or approximately 1%, is to be used for the purpose of municipal grants within Dauphin County; and

WHEREAS, pursuant to Section 1403(c)(2)(v) of the Gaming Act, Dauphin County has elected to utilize the Authority to administer the municipal grants funded via Section 1403(c)(2)(ii)(D) of the Gaming Act; and

WHEREAS, under Section 1403(c)(2)(v) of the Gaming Act, the Township, Dauphin County, and municipalities that are contiguous with the Township and located within Dauphin County are eligible for the municipal grants funded via Section 1403(c)(2)(ii)(D) of the Gaming Act; and

WHEREAS, under Section 1403(c)(2)(v) of the Gaming Act, said municipal grants must be used to fund the costs of human services, infrastructure improvements, facilities, emergency services, and health and public safety expenses associated with or related to the operations of Penn National's licensed facility; and

WHEREAS, under Section 1403(c)(2)(v) of the Gaming Act, Dauphin County is to pay to the Authority any funds designated for municipal grants which remain uncommitted at the end of the county's fiscal year (the "Uncommitted Funds"); and

WHEREAS, under Section 1403(c)(3)(v) of the Gaming Act, a local share assessment of 2% GTR or \$10 million annually, whichever is greater, is dedicated to the Township, subject to a

budgetary limitation that the amount allocated to the Township shall not exceed 50% of its total budget for fiscal year 2003-2004, adjusted for inflation; and

WHEREAS, the Parties agree that the phrase “fiscal year 2003-2004” as referenced in the Gaming Act is ambiguous in meaning as applied to a calendar fiscal year of operation such as that under which the Township operates. The Parties further agree that the proper application of the budgetary limitation in Section 1403(c)(3)(v) of the Gaming Act is in relation to the Township’s General Operating Budget for fiscal year-end 2004; and

WHEREAS, as the Township’s Fiscal Year 2004 General Operating Budget was \$1,875,101.00, the Township should be entitled to an annual local share assessment distribution of approximately \$937,551.00, adjusted for inflation; and

WHEREAS, under Sections 1403(c)(2) and (3) of the Gaming Act, the Commonwealth of Pennsylvania, Department of Revenue (the “Department”), is to make quarterly distributions of local share assessments to Dauphin County and the Township; and

WHEREAS, the Parties recognize that the Township and its residents, as the host municipality of Penn National’s licensed facility, will experience greater and more direct impacts to their infrastructure, human services, facilities, emergency services, and health and public safety services as a result of and in association with the operation of the licensed facility; and

WHEREAS, the Parties recognize that the costs associated with such infrastructure, transportation, communication, emergency, fire, first responder, health, public safety, and human services impacts and needs will be substantial and will exceed the Township’s direct local share assessment distribution; and

WHEREAS, the Parties are committed to working cooperatively to enhance the Township’s ability to address and fund the qualifying licensed facility-related impacts and costs in order to facilitate and improve the quality of life of the residents of the Township and Dauphin County and to promote economic development in the same; and

WHEREAS, in furtherance of that goal, the Parties have agreed to enter into this Memorandum, and thereby to set forth their mutual understandings as to their joint efforts and intentions to identify a funding stream for the Township and further enable it to address the qualifying licensed facility-related impacts and costs.

NOW THEREFORE, the Parties to this Memorandum set forth the following terms and conditions of their understanding:

1. Township Direct Local Share Assessment. The Parties agree that the proper direct, annual local share assessment for the Township is the sum of \$937,551.00, adjusted upward for inflation in accordance with Section 1403(c)(3)(v) of the Gaming Act (the “Agreed Township Distribution”).

(a) In the event that the Department, in distributing the Township's direct local share assessment, utilizes a different Township fiscal year in calculating the Township's distribution or otherwise determines that a lesser sum is the proper distribution, the Parties agree to take all reasonable efforts to jointly advocate the Agreed Township Distribution to the Department or any other third party.

(b) In the event that the efforts identified in Paragraph 1(a) do not result in the Department distributing the Agreed Township Distribution (or pro rata share thereof) to the Township by the third quarterly distribution from the Department, then the Authority agrees that it will award to the Township, as a municipal grant, a sum in the amount of the difference between the Department's local share assessment distribution to the Township and the Agreed Township Distribution, to be paid in regular, quarterly installments, for the Township's use in addressing the costs of human services, infrastructure improvements, facilities, emergency services, and health and public safety expenses associated with or related to the operations of Penn National's licensed facility. Upon adoption of the Agreed Township Distribution by the Department, the Authority's obligation to award the municipal grant described in this paragraph shall expire.

2. Priority Funding Consideration. In addition to the commitments in Paragraph 1, the Authority agrees that, in administering the municipal grants authorized under Sections 1403(c)(2)(ii)(D) and (v), it will afford priority funding consideration to applications for grants from or involving the Township, for qualifying uses, up to a cumulative total grant amount of \$3 million annually. Nothing in this Memorandum shall be construed to preclude the Township from receiving grant awards in excess of \$3 million annually or from receiving other municipal grants from Dauphin County as authorized under the Gaming Act. Further, the Authority agrees that applications for grants from or involving the Township that exceed \$3 million annually will not be negatively impacted by the priority consideration afforded the Township on grants already approved up to the \$3 million annual amount.

3. Uncommitted Funds. In the event that the Authority receives Uncommitted Funds from Dauphin County after the end the county's fiscal year, and the cumulative total local share grant awards to the Township in that same fiscal year from the Authority or any other Dauphin County source was less than \$3 million, then the Authority agrees to pay to the Township such amount of the Uncommitted Funds as is necessary to realize a cumulative total grant award to the Township of \$3 million.

4. Term. The term of this Memorandum shall be from the date of this Memorandum above first noted through December 31, 2011. Notwithstanding the foregoing, the terms and conditions of the Parties' understandings shall remain in force for any local share assessment distributions received for calendar year 2011 but awarded as grants after December 31, 2011.

5. Amendment. This Memorandum, or any part or paragraph hereof, may not be modified or amended except by a written instrument executed by the Parties. The Parties recognize that the extent of the direct and indirect impact of Penn National's licensed facility on the Township is not and cannot be known as of the date of this Memorandum, and the Parties agree to explore in good faith any amendments or modifications to the Memorandum that the Parties may deem warranted in the future as those impacts become known.

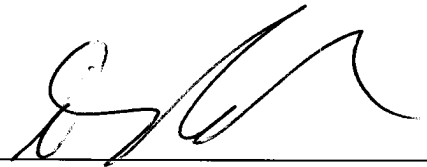
6. Complete Agreement. The Parties agree that the terms and conditions of this Memorandum constitute the full and complete understandings and agreements of the Parties, and that there are no oral or written understandings, agreements, promises, or inducements made or offered other than those set forth in this Memorandum.

7. Change of Law. In the event that the Gaming Act is amended in a manner that increases the local share assessment distribution to be received by the Township, or in a manner that reduces or eliminates the budgetary limitation contained in Section 1403(c)(3)(v) as of the date of this Memorandum, then this Memorandum shall terminate unless and until it is amended and restated by mutual consent and understanding of the Parties.

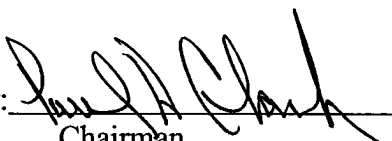
IN WITNESS WHEREOF, the Parties hereby execute this Memorandum and acknowledge the foregoing as the terms and conditions of their understanding.

ATTEST:

DAUPHIN COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY



(Assistant) Secretary

By: 

Chairman

FOR: EAST HANOVER TOWNSHIP:

By: _____
Marie Beaudet, Chair

By: _____

By: _____
Keith Espenshade, Vice Chair

By: _____

By: _____
Dave Marshall

By: _____

By: _____
Tom Shutt

By: _____

By: _____
Larry Spittler

By: _____


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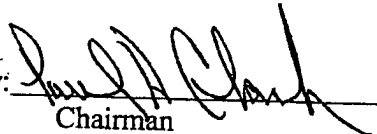
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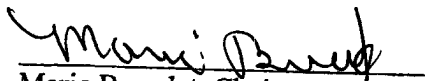


(Assistant) Secretary

By: 

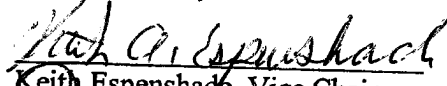
Chairman

FOR: EAST HANOVER TOWNSHIP:

By: 

Marie Beaudet, Chair

By: _____

By: 

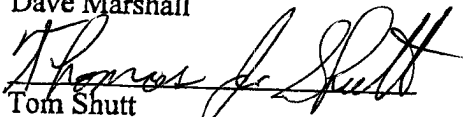
Keith Espenshade, Vice Chair

By: _____

By: 

Dave Marshall

By: _____

By: 

Tom Shutt

By: _____

By: _____
Larry Spitler

By: _____

HIGHLIGHTS: MEMORANDUM OF UNDERSTANDING (MOU)

- **Grant floor:** \$3 million x 4 years = **\$12 million.**
- **Annual local share** increases from \$814,536 (2003 dollars) to \$937,551 (2004 dollars): Net gain: 4 x \$123,015 = **\$492,060***
- **Term:** Four years ending on December 31, 2011.
- **Total minimal value: \$12.49 million.**

* Does not include annual CPI adjustment.

Background

Pursuant to Section 1403 of the Pennsylvania Race Horse Development and Gaming Act (“Gaming Act”), relating to the distribution of the local share assessment monies paid to counties and municipalities by licensed gaming facilities, East Hanover Township’s share in the casino revenues was limited to half of the Township’s 2003-2004 budget. The 2003 budget was \$1,692,072. East Hanover Township’s 2004 General Operating Budget totaled \$1,875,101.

Parties

The Memorandum of Understanding is between East Hanover Township, Dauphin County and the Dauphin County Industrial Development Authority.

Host Impact

The Parties recognize that the Township and its residents, as the host municipality for Penn National’s licensed facility, will experience greater and more direct impacts to their infrastructure, human services, facilities, emergency services, and health and public safety services as a result of and in association with the operation of the licensed facility. Dauphin County recognizes the costs of the impacts will be substantial and will exceed the Township’s direct local share assessment distribution.

Baseline:

- The statute refers to the budget for 2003-2004 fiscal year. Given that 2003-2004 fiscal year would really mean the fiscal year ending in 2004, a reasonable application of the Act is to use East Hanover's budget for fiscal year end 2004. The annual local share is to be raised from \$846,036 to \$937,551. The difference is guaranteed by the County.

- The Parties agree to take all reasonable efforts to jointly advocate to the Department of Revenue to utilize a 2004 Township fiscal year in calculating the Township's distribution.

- The MOU establishes a preferred grant status for East Hanover up to \$3 million per year over the term of the MOU. The grant monies are to be used for verifiable impacts associated with hosting the casino.

- The preferred grant status will not preclude East Hanover Township from applying for other county grants from the casino revenue streams or impair the likelihood of successful application if the request is with merit.

What's next?

The first casino revenue payment to the general fund was received on April 18, 2008 in the amount of \$525,832.27. The Department of Revenue is utilizing the 2003 budget year plus escalators to reach a budget number for this year of \$1,889,240. East Hanover's pay out for this year is \$944,620.

The East Hanover Board of Supervisors have engaged engineers, consultants, and legal counsel to develop a "Needs Assessment." This will be bottom up review of the Township in order to quantify and address the casino impacts on the municipality's infrastructure and its residents.

The "Needs Assessment" is a road map to a *Comprehensive Plan*, but will also serve as a near term "Triage" of immediate impact issues.

A draft of the "Needs Assessment" will be available to the Board of supervisors. After their review, the document will be released to the public for input. In short, the "Needs Assessment" is a living document for the supervisors to invite public input and prioritize projects.