

[PRESIDENTIAL DECREE NO. 1869, July 11, 1983]

CONSOLIDATING AND AMENDING PRESIDENTIAL DECREE NOS. 1067-A, 1067-B, 1067-C, 1399 AND 1632, RELATIVE TO THE FRANCHISE AND POWERS OF THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION (PAGCOR)

WHEREAS, Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1390 and 1632 relative to the Franchise and Powers of the Philippine Amusement and Gaming Corporation (PAGCOR), were enacted to enable the Government to regulate and centralize thru an appropriate institution all games of chance authorized by existing franchise or permitted by law;

WHEREAS, to facilitate the enforcement and application of the above-mentioned Presidential Decrees, it is imperative to consolidate them into one statute;

WHEREAS, since its creation in 1977, PAGCOR has demonstrated its reliability as a source of income for the Government, particularly for the funding of government infrastructure projects, such that, as of December 1982, PAGCOR has generated gross revenue of P1.677 Billion, contributing P956 Million as the 60% share of the Government plus P83 Million in the form of 5% franchise tax;

WHEREAS, PAGCOR's operation has enabled the Government to identify the potential sources of additional revenue, *provided* games of chance are strictly managed and made subject to close scrutiny, regulation, supervision and control by the Government;

WHEREAS, to make it more dynamic and effective in its tasks, PAGCOR should now be reorganized by (a) increasing the participation of the private sector in the subscription of the authorized capital stock of PAGCOR and by adjusting the share of the Government in the gross earnings to 50%; *provided*, that the annual income of the Government is not less than P150 Million and, if it is less, then the share of the Government shall be 60% of the gross earnings; (b) providing for a settlement of the portion of the Government's share that was utilized for the stabilization of casino operations, and (c) providing for greater flexibility in operation by limiting governmental audit only to the determination of the 15% franchise tax and the Government's share of 50% of the gross earnings;

WHEREAS, in order to make PAGCOR's regulatory powers more effective, it is necessary that businesses primarily engaged in gambling operations be affiliated with PAGCOR, and become subject to its regulatory powers with respect to operation, capitalization and organizational structure;

WHEREAS, under Presidential Decree No. 1416, as amended, the President of the Philippines is authorized to reorganize the administrative structure of government offices:

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and by Presidential Decree No. 1416, as amended, do hereby decree;

SECTION 1. Declaration of Policy. — It is hereby declared to be the policy of the State to centralize and integrate all games of chance not heretofore authorized by existing franchises or permitted by law in order to attain the following objectives:

- a. To centralize and integrate the right and authority to operate and conduct games of chance into one corporate entity to be controlled, administered and supervised by the Government;
- b. To establish and operate clubs and casinos, for amusement and recreation, including sports gaming pools (basketball, football, lotteries, etc.) and such other forms of amusement and recreation including games of chance, which may be allowed by law within the territorial jurisdiction of the Philippines and which will: (1) generate sources of additional revenue to fund infrastructure and socio-civic projects, such as flood control programs , beautification, sewerage and sewage projects, Tulungan ng Bayan Centers, Nutritional Programs, Population Control and such other essential public services; (2) create recreation and integrated facilities which will expand and improve the country's existing tourist attractions; and (3) minimize, if not totally eradicate, the evils, malpractices and corruptions that are normally prevalent in the conduct and operation of gambling clubs and casinos without direct government involvement.

TITLE II — CREATION OF PHILIPPINE AMUSEMENT AND GAMING CORPORATION

SEC. 2. Philippine Amusement and Gaming Corporation (PAGCOR), Creation and Purpose. — To implement State policy and pursue the objectives set forth in the preceding Section, there is hereby created a body corporate to be known as the Philippine Amusement and Gaming Corporation, hereinafter referred to as the "Corporation", which shall have its principal office in Metropolitan Manila. The Corporation may establish such offices, agencies, subsidiaries, or branches in the Philippines as its operations would require and its Board of Directors may determine.

SEC. 3. Corporate Powers. — The Corporation shall have the following powers and functions, among others:

- a. to prescribe its By-Laws;
- b. to adopt, alter and use a corporate seal;
- c. to own real or personal property, and to sell, alienate, mortgage, encumber or otherwise dispose of the same;
- d. to make contracts, and to sue and be sued;
- e. to employ such officers and personnel as may be necessary or proper to carry on its business;
- f. to acquire, lease or maintain, whether on land, water or air, personal property and such other equipment and facilities as may be necessary or proper to carry out its purposes;
- g. to import, buy, sell, or otherwise trade or deal in merchandise, goods, wares and objects of all kinds and descriptions that may be necessary or proper to carry out the purposes for which it has been created;
- h. to enter into, make, perform, and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Corporation, or in any manner incident thereto, as principal, agent or otherwise, with any person, firm, association, or corporation.
- i. to borrow money from local or foreign sources as may be necessary or proper for its operations;

- j. to invest its funds as the Corporation may deem necessary or proper in any activity related to its principal operation, including in any bonds or securities issued or guaranteed by the Government of the Philippines;
- k. to perform such other powers and functions as may be *provided* by law; and
- l. to do anything and everything necessary, proper, desirable, convenient or suitable for the accomplishment, of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers herein stated, either alone or in' association with other corporations, firms or individuals, and to do every other act or thing incidental, pertaining to, growing out of, or connected with, the aforesaid purposes, objects or powers, or any part thereof.

SEC. 4. *Authorized Capital Stock.* — The Corporation shall have an authorized capital stock divided into one million voting and no par value shares, to be subscribed, paid for and voted as follows:

- a. 550,000 shares of stock to be subscribed to and paid for by the Government of the Republic of the Philippines at an original issue value of P200.00 per share; and
- b. 450,000 shares remaining may be subscribed to by persons or entities acceptable to the Board of Directors at issue value to be determined by such Board of Directors.

The voting power pertaining to shares of stock subscribed to by the Government of the Republic of the Philippines shall be vested in the President of the Philippines or in such person or persons as he may designate.

The voting power pertaining to shares of stock subscribed by private persons or entities shall be vested in them.

SEC. 5. *Government Investment.* — The Government advances to the Corporation authorized on May 29, 1978, having reached the amount of P70,430,752.03, shall be converted into equity as part of the investment of the Government to be applied to the subscription of 550,000 shares.

SEC. 6. *Board of Directors.* — The Corporation shall be governed and its activities be directed, controlled and managed by a Board of Directors, hereinafter referred to as the Board, composed of five (5) members, three (3) of whom shall come from the Government sector and shall be appointed by the President, while the ether two (2) shall be from the private sector, who own at least 1 share of stock in the Corporation and who shall be elected by the stockholders of the corporation in the annual general meeting or in a special meeting called for such purpose.

Each Director shall serve for a term of one (1) year and until his successor shall have been duly appointed and qualified.

SEC. 7. *Powers, Functions and Duties of the Board of Directors.* — The Board shall have the following powers, functions and duties;

- a. To allocate and distribute, with the approval of the Office of the President of the Philippines, the earnings of the Corporation earmarked to finance infrastructure and socio-civic projects;
- b. To designate the commercial bank that shall act as the depository bank of the Corporation and/or trustee of the funds of the Corporation;

- c. To prepare and approve at the beginning of each calendar year the budget that may be necessary under any franchise granted to it, to insure the smooth operation of the Corporation; and to evaluate and approve budgets submitted to it by other corporations or entities with which it might have any existing contractual arrangement;
- d. To submit to the Office of the President of the Philippines before the end of February of each year a list of all the infrastructure and/or socio-civic projects that might have been financed from the Corporation's earnings, and to submit such periodic or other reports as may be required of it from time to time; and
- e. To perform such other powers, functions and duties as may be directed and authorized by the President of the Philippines or as may be necessary or proper for the accomplishment of its purposes and objectives.

TITLE III — AFFILIATION PROVISIONS

SEC. 8. *Registration.* — All persons primarily engaged in gambling, together with their allied business, with contract or franchise from the Corporation, shall register and affiliate their businesses with the Corporation. The Corporation shall issue the corresponding certificates of affiliation upon compliance by the registering entity with the promulgated rules and regulations thereon.

SEC. 9. *Regulatory Power.* — The Corporation shall maintain a Registry of the affiliated entities, and shall exercise all the powers, authority and the responsibilities vested in the Securities and Exchange Commission over such affiliated entities mentioned under the preceding section, including but not limited to amendments of Articles of Incorporation and By-Laws, changes in corporate term, structure, capitalization and other matters concerning the operation of the affiliating entities, the provisions of the Corporation Code of the Philippines to the contrary notwithstanding, except only with respect to original incorporation.

TITLE IV — GRANT OF FRANCHISE

SEC. 10. *Nature and term of franchise.* — Subject to the terms and conditions established in this Decree, the Corporation is hereby granted for a period of twenty-five (25) years, renewable for another twenty-five (25) years, the rights, privilege and authority to operate and maintain gambling casinos, clubs, and other recreation or amusement places, sports, gaming pools, i.e. basketball, football, lotteries, etc. whether on land or sea, within the territorial jurisdiction of the Republic of the Philippines.

SEC. 11. *Scope of Franchise.* — In addition to the rights and privileges granted it under the preceding Section, this Franchise shall entitle the Corporation to do and undertake the following:

1. Enter into operating and/or management contracts with any registered and accredited company possessing the knowledge, skill, expertise and facilities to insure the efficient operation of gambling casinos; *provided*, that the service fees of such management and/or operator companies whose services may be retained by the Corporation shall not in the aggregate exceed ten (10%) percent of the gross income;
2. Purchase foreign exchange that may be required for the importation of equipment, facilities and other gambling paraphernalia indispensably needed or useful to insure the successful operation of gambling casinos;