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UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Joseph J. Simons, Chairman**
Noah Joshua Phillips
Rohit Chopra
Rebecca Kelly Slaughter
Christine S. Wilson

In the Matter of	)	
Penn National Gaming, Inc., a corporation;	)	**Docket No.C-4658**
and	)	
Pinnacle Entertainment, Inc., a corporation.	)	

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act ("FTC Act"), and by virtue of the authority vested in it by said Acts, the Federal Trade Commission ("Commission"), having reason to believe that Respondent Penn National Gaming, Inc. ("PNG"), a corporation subject to the jurisdiction of the Commission, agreed to acquire Respondent Pinnacle Entertainment, Inc. ("Pinnacle"), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent PNG is a corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania with its headquarters and principal place of business located at 825 Berkshire Boulevard, Suite 200, Wyomissing, Pennsylvania.

2. Respondent Pinnacle is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware with its headquarters and principal place of business located at 3980 Howard Hughes Parkway, Las Vegas, Nevada.

II. JURISDICTION

3. Respondents, and each of their relevant operating subsidiaries and parent entities, are, and at all times relevant herein have been, engaged in commerce, or in activities affecting commerce, within the meaning of Section 1 of the Clayton Act, 15 U.S.C. § 12, and Section 4 of the FTC Act, 15 U.S.C. § 44.

III. THE ACQUISITION

4. Pursuant to an Agreement and Plan of Merger dated as of December 17, 2017, PNG proposes to acquire Pinnacle in a cash and stock transaction valued at approximately $2.8 billion ("the Acquisition").

IV. THE RELEVANT MARKETS

5. The relevant line of commerce in which to analyze the effects of the Acquisition is casino services. Casino services include a combination of slot machine, video poker machine, and table gaming (*i.e.*, gambling) services, and associated amenities that are used to drive gaming revenue, which typically include some combination of hotel accommodations, food and beverages, entertainment, and other amenities.

6. The three relevant geographic markets in which to analyze the effects of the Acquisition are: (1) the St. Louis area, which approximately corresponds to, the St. Louis, Missouri MSA; (2) the Kansas City area, which approximately corresponds to, the Kansas City, Missouri MSA; and (3) the Cincinnati area, which approximately corresponds to, the Cincinnati, Ohio MSA.

V. THE STRUCTURE OF THE MARKETS

A.
Casino Services in the St. Louis Area

7. Casino services in the St. Louis area is a relevant market. The Acquisition will reduce the number of providers of casino services in the St. Louis area from four to three and result in a highly concentrated market.

B.
Casino Services in the Kansas City Area

8. Casino services in the Kansas City area is a relevant market. The Acquisition will reduce the number of providers of casino services in the Kansas City area from five to four and result in a highly concentrated market.

C.
Casino Services in the Cincinnati Area

9. Casino services in the Cincinnati area is a relevant market. The Acquisition will reduce the number of providers of casino services in the Cincinnati area from five to four and result in a highly concentrated market.

VI. ENTRY CONDITIONS

A.
Entry Conditions in the St. Louis Area

10. Entry into the St. Louis area market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition. The state of Missouri allows for the licensing of 13 riverboat casinos across the state, and all 13 licenses have been awarded. The state of Illinois caps the number of permitted riverboat casinos at 10, and all 10 licenses have been awarded. The relocation of any existing Missouri or Illinois riverboat casino to the St. Louis area to deter or counteract the anticompetitive effects described in Paragraphs 13-14 is unlikely to occur in a timely manner because of, among other things, the time and cost associated with acquiring the necessary state, county, and city approvals.

B.
Entry Conditions in the Kansas City Area

11. Entry into the Kansas City area market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition. The state of Missouri allows for the licensing of 13 riverboat casinos across the state, and all 13 licenses have been awarded. The state of Kansas limits the number of permitted casinos in the state to four, and all four licenses have been awarded. The relocation of any existing Missouri riverboat casino to the Missouri side of the Kansas City area to deter or counteract the anticompetitive effects described in Paragraphs 13-14 is unlikely to occur in a timely manner because of, among other things, the time and cost associated with acquiring the necessary state, county, and city approvals.

C.
Entry Conditions in the Cincinnati Area

12. Entry into the Cincinnati area market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects of the Acquisition. The state of Ohio allows for the licensing of four casinos and seven racinos across the state, and all of these licenses have been awarded. The state of Indiana limits the number of casinos in the state to a total of 13, with 11 casinos and two racinos. All of these licenses have been granted. The state of Kentucky does not permit casino gaming. The relocation of any existing Indiana riverboat casino to the Indiana side of the Cincinnati area to deter or counteract the anticompetitive effects described in Paragraphs 13-14 is unlikely to occur in a timely manner because of, among other things, the time and cost associated with acquiring the necessary state, county, and city approvals.

VII. EFFECTS OF THE ACQUISITION

13. The Acquisition, if consummated, is likely to substantially lessen competition in the relevant line of commerce in the following ways, among others:

a. by eliminating direct and substantial competition between Respondents PNG and Pinnacle; and

b. by increasing the likelihood that Respondent PNG will unilaterally exercise market power.

14. The ultimate effect of the Acquisition would be to increase the likelihood that prices of casino services will increase, and that the quality associated with casino services will decrease, in the relevant geographic markets.

VIII. VIOLATIONS CHARGED

15. The agreement described in Paragraph 4 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and the acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, Federal Trade Commission on this twenty-eighth day of September, 2018, issues its complaint against said Respondents.

By the Commission, Commissioner Wilson not participating.

Donald S. Clark
Secretary

SEAL: