

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CHESTER DOWNS AND MARINA, LLC -
PETITION FOR AN INTERACTIVE GAMING CERTIFICATE

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HEARING

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BEFORE: DAVID M. BARASCH, Chairman
Richard G. Jewell, Obra S. Kernodle, IV,
Sean Logan, Kathy M. Manderino,
Merritt C. Reitzel, Dante Santoni, Jr.,
Members
Jorge M. Augusto, representing Russell
Redding, Secretary, Department of
Agriculture; Jennifer Langan, representing
Joseph M. Torsella, State Treasurer; Radee
Skipworth representing Secretary of
Revenue, C. Daniel Hassell

HEARING: Wednesday, August 15, 2018
10:49 a.m.

Reporter: Rhonda K. Thorpe

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LOCATION: Strawberry Square, 2nd Floor
Harrisburg, PA 17016

WITNESSES: None

A P P E A R A N C E S

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Counsel for Chester Downs and Marina, LLC, d/b/a
Harrah's Philadelphia Casino and Racetrack

ALSO PRESENT:

MELANIE GROSS, VP of Online Casino Procedures,
Interactive Entertainment

CHRISTOPHER ALBRECHT, Senior VP and General Manager,
Harrah's

ZARA ALAYAN, VP of Finance

LYNNE HUGHES, ESQUIRE, Vice President of Legal
Affairs, Chief Legal Officer, Harrah's

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PRESENTATION

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CHAIRMAN: The next three hearings will be to address the Board's three Petitions for Interactive Gaming Certificates.

Chester Downs come forward. And I would ask that everyone please state and spell your name for the court reporter. Additionally, if the non-attorneys would take the witness stand at this time to be sworn.

WITNESSES SWORN EN MASSE

ATTORNEY DOWNEY: Thank you, Mr. Chairman. Good morning members of the Board. My name is Bill Downey, D-O-W-N-E-Y. I'm with the firm of Fox Rothschild before you this morning representing Chester Downs and Marina, LLC, doing business as Harrah's Philadelphia Casino and Racetrack.

With me today are Melanie Gross, who's the Vice President of Online Casino Procedures, Interactive Entertainment. To Melanie's left, Chris Albrecht, who is the Senior Vice President and General Manager of the Harrah's Philadelphia property.

Also with us behind are Zara Alayan

1 who's the VP of Finance at the property and Lynne
2 Hughes, Vice President of Legal Affairs and the Chief
3 Legal Officer for Harrah's Philadelphia.

4 Mr. Chairman, members of the Board,
5 we're before you this morning on the matter of the
6 petition for an Interactive Gaming Certificate. We
7 filed our application on July 16 and received a
8 response initially from OEC, containing a list of 18
9 conditions, none of which have given us much annoying
10 heartburn.

11 What we'd like to do this morning very
12 quickly is have Melanie work through a brief
13 PowerPoint presentation. She's going to introduce you
14 briefly to Caesars interactive entertainment.

15 She's going to show you basics of
16 account creation volume. She'll do a quick
17 walkthrough of game play, she'll touch briefly on
18 responsive game matters. And then close with a
19 discussion of opportunities that we perceive online
20 gaming presents for the bricks and mortar of
21 operations.

22 With that I give you Melanie Gross.

23 MS. GROSS: Good morning, everyone.
24 My name is Melanie Gross. Last name, G-R-O-S-S.

25 And as Bill said, I'm the Vice

1 President of Online Casino for Caesars Interactive.
2 I'd like to take the opportunity and walk you through
3 a number of items, starting with our organization.

4 As you can see, Caesars Interactive
5 Entertainment is an indirect wholly-owned subsidiary
6 of Caesars Entertainment Corporation. CIE intends to
7 run this business as an iGame Operating Agreement with
8 Harrah's Philadelphia.

9 Moving to our overall organizational
10 look through this high level. Our executive functions
11 are divided rolling up into our EDP of gaming, which
12 is our land-based gaming, as well as interactive
13 entertainment.

14 We have senior positions in place for
15 online and offline poker, which is Nevada, our World
16 Series of Poker event, as well as online gaming in
17 Nevada. Online gaming for poker in New Jersey, myself
18 who runs online gaming in New Jersey and
19 Pennsylvania.

20 And then we have our SVP of Enterprise
21 Gaming for land-based casinos, including Harrah's
22 Philadelphia. Strategic development and various CIE
23 finance functions that are shared across the
24 organization.

25 Moving on to our poker team. As you

1 can see, we have a number of individuals in place that
2 help out with the online as well as offline events,
3 and making sure that our land-based poker as well is
4 in step with our online gaming.

5 Our casino team are expanding over
6 time as the needs see fit for online gaming for New
7 Jersey and Pennsylvania. And that will expand over
8 time, as necessary.

9 As you can see, we have marketing
10 functions, operations as well as customer relationship
11 management, service operations, which is our liaison
12 between our platform providers and ourselves.

13 Moving on to player registration and
14 login. What's important to know here is although this
15 is our CaesarsCasino.com site, a lot of these flows
16 have the same general flow for all three platforms in
17 the three states that we run.

18 We're looking to have re-verticals,
19 non-peer-to-peer simulated tables, non-peer-to-peer
20 stimulated slots and peer-to-peer, also known as
21 online poker. Starting with the left-hand screen
22 you'll see someone will come to either
23 CaesarsCasino.com or a desktop or our mobile
24 application.

25 They will see a sign-up screen or a

1 login screen. From there they'll enter in their
2 information. They will have familiar customer checks
3 or KYC. They will be checked for responsible gaming
4 limits that may or may not be on their account.

5 There will be other checks along with
6 our internal controls and regulations, to make sure
7 that the player can either sign up or create their
8 account or that they're able to play. And that's
9 checked every time that they log in.

10 The first platform that I'll walk
11 through is NYX, which is now Scientific Games Digital
12 or SGD. And what I'd like to do is use this chart to
13 walk you through a player experience. And you'll see
14 the various requirements and regulations that are
15 implied in this process.

16 I want to clarify that the structure is
17 consistent with the other two jurisdictions that we
18 currently operate in, and follow all the regs and -
19 and necessary requirements there.

20 Just - so you put yourself in the mind
21 of a player. As I mentioned, they go to the site,
22 they log in. And there is a call, a communication, to
23 make sure that there is a signal.

24 So, the Application Programming
25 Interface, also known as an API, is a communication

1 protocol to check the various systems.

2 So, in the middle here with all the
3 boxes you'll see, as I mentioned, we're checking for
4 responsible gaming, we're checking for familiar
5 customer, KYC, we're checking to make sure that
6 they're not on a list where they're not unable to
7 wager or log into their account.

8 From there, as a player, I would like
9 to deposit money. So, again, it's called a signal to
10 our account-based wagering system, to check that
11 account balance, to see if they have money in their
12 account. Or to then add another signal to our various
13 third-party payment providers, to add money onto their
14 account.

15 Once their - that money is added or
16 available you move over to the right-hand side. NYX
17 is Open-Gaming System, or OGS, is where all the remote
18 gaming systems from all of our various games are
19 called.

20 So, the first and most important thing
21 is geo location. We make sure that the player is in
22 the jurisdiction that they need to be in order to make
23 a wager.

24 Once that call is signaled that, yes,
25 they are able to play a game. So, for example,

1 they'll click on Wheel of Fortune. There's a column
2 to make sure that they're in the right jurisdiction.
3 That signal back is a definitive yes or no.

4 Again, the check for the account
5 balance, and that there's money in their account to
6 make the wager. And the communication for the spin
7 and the results of the game.

8 There are other systems that are
9 available. As you can see, there's quite a number of
10 boxes on the screen. From a regulatory review
11 perspective, we're focused here on the game plan
12 payments, as well as geo location.

13 However, as you can see on the
14 left-hand side are communications with our third-party
15 Customer Relationship Management or CRM Systems. Our
16 third-party back office for customer service for live
17 chat, if a player that would like to directly
18 communicate with our customer service team. And other
19 calls for, again, payment providers account balance
20 and account information.

21 Moving on to 888, which is our
22 platform provider for WSOP.com. I'm not going to walk
23 through everything here for 888. You'll see that
24 there's a lot of similarities between the two gaming
25 providers, from a regulatory perspective, as well as

1 the communication calls that happen.

2 As you can see, there are, again,
3 poker gaming as well as table games and slot games for
4 non-peer-to-peer, which have the calls into the back
5 office for player account, player account status,
6 calls to make the payment provider checks, customer
7 service needs and back office for account information.

8 I think it's also appropriate to make
9 a note that on the back office at a high level we did
10 a demonstration of this at Harrah's Philadelphia at
11 the end of July with senior members of your staff.
12 And walked them through how seamless it was to access
13 the back office from Pennsylvania. To be able to see
14 account details like when a player registered, what
15 their transactions were, if there were any flaws on
16 the account.

17 For the customers that was fairly easy
18 to have untethered access, along with the regulation
19 and security requirements needed and the levels of
20 access that are necessary for a person - for a person
21 to obtain.

22 A lower level of customer support
23 agent might have less access than a supervisor or an
24 executive within our business. And that is something
25 that was completely customizable within our office.

1 Moving on to responsible gaming, which
2 is an important topic. How we follow and propose to
3 offer our players a wide variety of responsible gaming
4 options, so that they can play at a comfort level that
5 works best for the individual, for a comfort level
6 that they choose.

7 Some of the options that we currently
8 offer are deposit limits, which can be on a daily,
9 weekly or monthly basis. It specifies the maximum
10 amount of money that a player may deposit into their
11 account. And they cannot change that limit until this
12 particular time period that they set expires. They
13 can't change it out before that limit comes into play.

14 There are also spending limits and
15 time limits. And from there a player kind of makes a
16 match and make sure that if they're interested in
17 having a time limit or a deposit limit, they -.

18 CHAIRMAN: Excuse me?

19 MS. GROSS: Yes.

20 CHAIRMAN: I have a question. You
21 said you can't change the time period. Does that mean
22 you can't increase it or you cannot change it?

23 MS. GROSS: You cannot increase it at
24 all.

25 CHAIRMAN: Okay.

1 MS. GROSS: Yes. So, if there's a
2 \$100 deposit limit that expires in four days, I can't
3 make that increase before the four days expires -.

4 CHAIRMAN: Something like a bad
5 experience and doesn't want to self-exclude, because
6 you know, here before I'm at \$25.

7 MS. GROSS: Right.

8 CHAIRMAN: They can make that change?

9 MS. GROSS: Yes.

10 Correct.

11 CHAIRMAN: Thank you.

12 MS. GROSS: Yes, there's an important
13 distinction there. Correct.

14 They can also - could segue to make a
15 cooling-off period anywhere between 3 and 30 days,
16 which puts an overall block on their account for the
17 specified time period.

18 And players can also elect to enter
19 the Caesar Self-Exclusion Program, which is for a
20 period of one year or five years.

21 Last I'd like to touch on the
22 integration between the land based and online gaming
23 systems. What's been very important to Caesar's
24 Interactive, as well as Caesar's Entertainment, is
25 that we consider this an extension of the property.

1 This has been very successful in New Jersey and we
2 intend to have the same level of effort and symbiotic
3 relationship between the land based and online world.

4 Total Rewards is arguably the biggest
5 royalty program for casinos, but our players can earn
6 tier credits and reward credits online, as well as
7 offline. And that's been very successful to show that
8 we are another casino and we're a very important one
9 for the industry.

10 Players can convert their reward for
11 cash. They can redeem them offline and at the
12 property. And from there we really try to market to
13 our players that this is Harrah's Philadelphia online.

14 But we also encourage players to use
15 these rewards and have a full life cycle of the player
16 and full view as a player as a Harrah's Philadelphia
17 player. So, that's something that we're quite excited
18 about.

19 ATTORNEY DOWNEY: Thank you, Melanie.
20 Mr. Chairman, that is all we have for our
21 presentation. Just two procedural matters.

22 At the conclusion of the hearing we
23 ask that this PowerPoint be moved into the record.
24 And we would just make a note that we have pending
25 before you a motion to protect the confidentiality of

1 certain things that were attached to our petition. We
2 ask that you would take that up at this time.

3 CHAIRMAN: You can make that motion
4 right now, if you'd like.

5 ATTORNEY DOWNEY: It'd be great.

6 CHAIRMAN: It's accepted.

7 Questions or comments from Enforcement
8 Counsel? Good.

9 ATTORNEY FERRELL: Good morning,
10 Chairman and members of the Board. Benjamin Ferrell,
11 Assistant Enforcement Counsel, for the OEC. Last name
12 spelled, F-E-R-R-E-L-L.

13 The OEC does not have any questions in
14 this matter and does not have a presentation.
15 However, we would request permission to make a
16 statement and recommendation prior to moving into
17 questions from the Board and ex-officio members.

18 The OEC, along with the Bureau of
19 Gaming Operations, Bureau of Investigations and
20 Enforcement (BIE), the Bureau of Gaming Laboratory
21 Operations, the Bureau of Licensing, the Office of
22 Diversity and the Office of Compulsive and Problem
23 Gambling have reviewed and consulted extensively on
24 the petition, appendices, filed by Chester Downs and
25 Marina, LLC to conduct interactive gaming and for the

1 issuance of an Interactive Gaming Certificate.

2 After which OEC filed an Answer in
3 this matter, requesting that the Board order the
4 implementation of certain list of conditions, if it
5 was so inclined to grant Chester Downs and Marina's
6 Petition.

7 As a result the OEC has no objection
8 to the approval of Chester Downs and Marina's Petition
9 to conduct interactive gaming and to the issuance of
10 an Interactive Gaming Certificate to Chester Downs
11 Marina.

12 Subject to the proposed conditions
13 outlined in OEC's Answer, filed on August 9, 2018, and
14 any other conditions imposed by the Board, OEC is
15 available for any questions that you may have.

16 CHAIRMAN: Thank you. Any questions
17 or comments from the Board at this time?

18 MS. MANDERINO: Thank you. Thank you
19 for your presentation. Mr. Chairman, this is more by
20 way of a comment.

21 But I think it's important since the
22 beginning of the PowerPoint started off with an
23 opening that says branded as CaesarsEntertainment.com.

24 And I - I realize that that's where -
25 well, they just say that Caesar Entertainment, Chester

1 Downs and Marina, LLC, Philadelphia Harrah's to the
2 average citizen does sound like three different
3 entities and not just one entity, which is why it was
4 very important to this Board, as we move into
5 interactive gaming at all site, that the brands that
6 the consumers recognize stay paramount.

7 And I'm sure that that is something
8 that would be addressed if the application moves
9 forward with our staff. But that Harrah's
10 Philadelphia is what your average citizen thinks of.

11 And - and I just wanted to make that
12 point on the record, so there's no confusion about
13 what people can anticipate when they start to see
14 products - new products pop up.

15 CHAIRMAN: Any other questions or
16 comments from the Board?

17 MS. LANGAN: I'm gambling online, I
18 walk away from my computer, how long does it take - do
19 I have to put in a password? Am I allowed to see
20 that? Like what are the security protocols for that?

21 MS. GROSS: Right. There is a
22 timeout.

23 Right.

24 ATTORNEY DOWNEY: We - yeah. I'm
25 sorry. There - there is a timeout feature. I believe

1 that is a settable feature.

2 MS. GROSS: Yes.

3 ATTORNEY DOWNEY: But we can convert
4 that.

5 MS. LANGAN: By you or -?

6 ATTORNEY DOWNEY: By the -.

7 There - there will be a - there's a minimum on it.

8 There's a - I'm sorry.

9 There's a maximum timeout. I believe
10 that you can set down by the patrons. You can convert
11 that.

12 MS. LANGAN: Okay.

13 CHAIRMAN: Petitioners have any
14 questions or comments based upon what you heard this
15 morning?

16 ATTORNEY DOWNEY: No, Mr. Chairman. I
17 just - I would be remiss if I didn't acknowledge the
18 efforts of your staff. And you know, they got a task
19 handed to them by the legislature. I think they did a
20 nice job of getting it together, getting - getting the
21 support.

22 CHAIRMAN: I appreciate the
23 appreciation. I'm sure they do, too.

24 Okay.

25 Thank you very much.

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HEARING CONCLUDED AT 11:06 A.M.

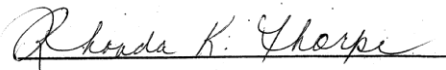
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CERTIFICATE

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I hereby certify that the foregoing proceedings, held before Chairman Barasch, was reported by me on 08-15-18 and that I, Rhonda K. Thorpe, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.

Dated the 12th day of September, 2018


Court Reporter
Rhonda K. Thorpe