

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: SUGARHOUSE HSP GAMING, LP - PETITION FOR AN  
INTERACTIVE GAMING CERTIFICATE

\* \* \* \* \*

CONFIDENTIAL HEARING

\* \* \* \* \*

BEFORE: DAVID M. BARASCH, CHAIRMAN  
Richard G. Jewell, Kathy M. Manderino,  
Merritt C. Reitzel, Obra S.  
Kernodle, IV, Dante Santoni, Jr., Sean  
Logan, (via phone), Members; Jennifer  
Langan, representing Joseph M. Torsella,  
State Treasurer; Sue Layton,  
representing C. Daniel Hassell, Secretary  
of Revenue; Michael Smith, representing  
Russell C. Redding, Secretary of  
Agriculture

HEARING: Wednesday, September 12, 2018  
10:08 a.m.

Reporter: Rhonda K. Thorpe

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LOCATION: Pennsylvania Gaming Control Board  
Strawberry Square  
2nd Floor  
Harrisburg, PA 17101

A P P E A R A N C E S

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PRESENTATION	
By Attorney McAllister-Cox	6 - 7
PRESENTATION	
By Ms. Duhon	7 - 17
STATEMENT	
By Attorney Kolesar	18 - 19
DISCUSSION AMONG PARTIES	19 - 20

E X H I B I T S

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<u>Number</u>	<u>Description</u>	<u>Page Offered</u>	<u>Page Admitted</u>
<u>SugarHouse Exhibits:</u>			
1	PowerPoint	19	20

## P R O C E E D I N G S

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CHAIRMAN: Would the Petitioners please come forward? Before we begin, I'd ask that everyone who's going to speak today, please state and spell your last name for the court reporter prior to your presentation.

Additionally, I'd ask that any nonattorney witnesses that may be testifying today please stand and be sworn in at this time.

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WITNESSES SWORN EN MASSE

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ATTORNEY MCALLISTER-COX: Good morning, Mr. Chairman, and Board members. My name is Laura McAllister-Cox. That's, M-C-A-L-L-I-S-T-E-R, C-O-X.

I am the Vice President of Regulatory Compliance and legal counsel for Rush Street Gaming, LLC. I have the pleasure of being here today on behalf of SugarHouse Casino and Rush Street Interactive.

Joining me today to my immediate left is Cheryl Duhon, who is the General Manager at SugarHouse. And Cheryl has just joined us in mid-June

1 of this year. And this is her first appearance here  
2 in Harrisburg. We're thrilled to have her here on  
3 this petition.

4 And then to her left is Richard  
5 Schwartz, who's the President of Rush Street  
6 Interactive. So, SugarHouse Casino filed its petition  
7 seeking the issuance of an Interactive Gaming  
8 Certificate on July 16, 2018.

9 The petition seeks approval to offer  
10 peer-to-peer interactive games, non-peer-to-peer  
11 games, which simulates slot machines and non-peer-to-  
12 peer games, which simulate table games.

13 The OEC filed its Answer on August  
14 22nd, which provided a list of conditions, and  
15 indicated there are no objections to the issuance of  
16 the Interactive Gaming Certificate.

17 I first want to turn this over to  
18 Cheryl to introduce herself to you.

19 MS. DUHON: Hello, Chairman and Board.

20 CHAIRMAN: Well, good morning.

21 MS. DUHON: My name is Cheryl Duhon.  
22 Duhon, D-U-H-O-N.

23 To Mr. Laura's point, I am the General  
24 Manager at SugarHouse Casino. I just recently joined  
25 Rush Street Gaming in mid-June.

1 I am very excited to be here, along  
2 with my other Rush Street colleagues.

3 As some of you may not know, since I'm  
4 meeting you all today, I returned - I previously  
5 worked for Rush Street about ten years ago. I was  
6 part of the leadership - leadership team ever to walk  
7 a casino in Vicksburg, Mississippi.

8 Ten years ago it was Rush Street's  
9 first casino opened in - in the U.S. So, I have a  
10 long relationship with them.

11 Also - so before then - even before  
12 then, I was also GM and Regional Vice President of  
13 Marketing at both Resorts and Bally Casino.

14 So, that was my most recent job. I  
15 was particularly excited to join Rush Street as a  
16 homecoming here in Pennsylvania for two reasons. One  
17 of which is Pennsylvania jurisdiction is probably one  
18 of the most successful in the country and very wide  
19 known.

20 Secondly, the timing of this is  
21 actually very interesting to me, with the expansion of  
22 gaming, with interactive gaming and also with sports  
23 betting upon us, we're really excited at the property  
24 to - to be one of the first to actually do it in the  
25 state.

1                   So, I talk to my team all the time  
2 about being an exciting time. We have worked together  
3 really closely with the Rush Street interactive team,  
4 Richard, and making sure that we integrate both the  
5 online capabilities of RSI with our land-based casino  
6 entity. We've already under - we've already started  
7 the work, so it's just a matter of getting the  
8 approvals.

9                   We're anticipating a very smooth  
10 transition. Like I said, we've already been doing the  
11 work. It's just a matter of translating that to  
12 Pennsylvania gaming relations.

13                   So, I'm very nervous. Very excited to  
14 meet you all. I'm sure I'll see you all again.

15                   And right now I'll pass it over to  
16 Richard and he'll explain Rush Street Gaming and what  
17 happens.

18                   MR. SCHWARTZ: Thank you, Cheryl.  
19 Good morning. My name is Richard Schwartz. It's,  
20 S-C-H-W-A-R-T-Z.

21                   And I'm President of Rush Street  
22 Interactive, which will be the gaming service provider  
23 for SugarHouse, as we provide the technology and the  
24 platform to provide internet gaming services.

25                   I thought I'd use this opportunity to

1 present a background of our business, these slides,  
2 just to give you an insight and visibility into our  
3 company.

4                   So, Rush Street Interactive itself was  
5 formed in 2012. It's an independent company. The  
6 ownership is - is - is similar as Rush Street Gaming  
7 with Neil Bluhm and Greg Carlin, who are both  
8 individuals that I believe you all are familiar with,  
9 given their activities and presence in this - in this  
10 market as the properties at Rivers, Pittsburgh and -  
11 and SugarHouse here in Philadelphia.

12                   Rush Street Interactive owns and  
13 develops our own iGaming platform inhouse. It's a  
14 proprietary gaming system and covers all different  
15 platforms that are used for internet gaming, which is  
16 desktop computers, phones, tablets. A full service  
17 range of products that a consumer would use to engage  
18 in this type of service.

19                   We operate a green money gambling  
20 business out in New Jersey. We have experience in the  
21 market for over two years. And we use the same  
22 technology platform for both social gaming and real  
23 money gaming. So, real money, of course, is the  
24 wagering that we're talking about here today.

25                   Social gaming is using the same

1 technology. It's really - players get a chance to  
2 play for free, the games. And there's no chance to  
3 win anything of tangible value, but they play for fun.

4 It's an entertainment product and we  
5 offer that solution as well.

6 In New Jersey we launched - we  
7 launched in September - this is off -. There we go.

8 We launched in September of 2016, in  
9 New Jersey, the PlaySugarHouse.com website. And we've  
10 become one of the fastest-growing sites in the market.

11 And I'll show you a slide later that  
12 kind of gives visibility into that as well.

13 Rush Interactive executive team, as I  
14 mentioned, the Chairman and Co-Founder is Neil Bluhm,  
15 who you're familiar with from activity here in the  
16 states for many years.

17 And Greg Carlin is our CEO as well. I  
18 am the President of the company. My - my involvement  
19 prior to joining Rush Street Interactive in 2012, I  
20 was head of the gaming business for WMS Gaming, a slot  
21 machine provider.

22 That now has been purchased by  
23 Scientific Games. And so I started the foundation of  
24 real money business with that company back in - you  
25 know, in - I think it was 2007 or '08. So, I've been

1 in this industry legal markets for my whole career  
2 since then.

3                   Our CEO is Matt Stetz. He was a Chief  
4 Commercial Officer for a company named Unibet for many  
5 years and - over in Europe. And he joined us many  
6 years ago to be our Chief Commercial Officer.

7                   And Einar Roosileht is our CTO. He's  
8 based in Europe. And he has experience also in the  
9 gaming industry for many years. And he had co-founded  
10 a technology platform that we had initially serviced  
11 our foundation for our starting point of our own  
12 technology.

13                   And he joined our company to take over  
14 - be the CTO of our business, once we - once we  
15 purchased the software years ago.

16                   As I mentioned earlier, we launched  
17 our online gaming back in September 2016 with the name  
18 PlaySugarHouse.com. It is only an online casino  
19 product and it has table games, casino games and slot  
20 machines.

21                   At the moment we do not offer Poker in  
22 New Jersey nor do we offer any other product, you  
23 know, in the casino category, other than, you know,  
24 the primary ones I just mentioned.

25                   Recently we did launch a Sportsbook

1 product on the PlaySugarHouse website in New Jersey.  
2 So, that's something that we did just in the last  
3 three weeks.

4                   Rush Street Interactive was also  
5 active outside the U.S. We - there's really one  
6 country, not in America, that had legalized the  
7 regulated online gaming a hundred percent in a legal  
8 regulated fashion and that's Colombia, country of  
9 Colombia.

10                   And so we wanted that experience with  
11 sports betting earlier in the U.S. And so we applied  
12 for a license and obtained a concession there earlier  
13 this year. And we launched an online Sportsbook in  
14 Colombia. That's, again, regulated by Coljuegos,  
15 which is a national regulator in Colombia.

16                   I mentioned earlier just to show  
17 you -. And we came into the market in New Jersey  
18 relatively late, three years after the market had  
19 opened. Which, you know, was a concern, because we'd  
20 rather enter the market earlier, I think, because it  
21 gives us some chances to acquire some players that are  
22 - you know, before they're loyal in other companies'  
23 programs, loyalty programs. But came in the market  
24 three years late. And we've had some - some success.

25                   We've continued to grow our - our

1 revenues consistently since we've launched. And that  
2 just shows you kind of at a high level that - the  
3 trajectory of growth that we've seen so far in our  
4 first couple of years of being live in New Jersey.

5 MR. JEWELL: Can I interrupt? I have  
6 a question -

7 MR. SCHWARTZ: Sure.

8 MR. JEWELL: - about that slide.  
9 There's no left-hand side to that.

10 So, if we put a left-hand side up with  
11 a number and let's take it to July of '18, what would  
12 that number be?

13 MR. SCHWARTZ: So, I'll share it here,  
14 but it's something we don't often share, because it's  
15 not published information, but -.

16 MR. JEWELL: Well, if it - then don't  
17 tell me. You want to keep that -.

18 MR. SCHWARTZ: Yeah. So, it's - it's  
19 - yeah, I think -. We'd be happy to show you, maybe  
20 share it with you privately, because it's not  
21 something that's published anywhere else.

22 MR. JEWELL: Right.

23 MR. SCHWARTZ: Okay.

24 We appreciate that, your  
25 understanding.

1           In summary, a couple points we wanted  
2 to raise.

3           One, was that RSI and its owners have  
4 only operated in expressly legal and regulated  
5 markets. We purposely have stayed out of gray  
6 markets, obviously black markets.

7           But unless it's clear direction that  
8 the legislation is supporting this activity being  
9 legal and clear regulations, we've made a concerted  
10 effort to only stay in markets that are a hundred  
11 percent legal and regulated.

12           So, I think that's something that's  
13 very relevant for this presentation.

14           Secondly, you know, with experience,  
15 we have familiarity with operations in Pennsylvania at  
16 the SugarHouse property, as well as online in New  
17 Jersey. So, we have relevant - relevant experience.

18           Success, we've done a lot of  
19 integration, worked pretty collaboratively, with  
20 SugarHouse for a number of years now. And we have a  
21 social site in - running with them, for them.

22           And so we have a lot of experience  
23 with this technology in this market, working with  
24 SugarHouse. And I think that bodes well for the fact  
25 that not only are we planning to work with them, you

1 know, in - in Pennsylvania -.

2 We work very closely with the team in  
3 New Jersey, even for a lot of different purposes. And  
4 some of the marketing initiatives and some of the -  
5 the IP players have had a lot of communications with  
6 the land-based team as well. So, our teams work very  
7 well together.

8 We are a private company, with a  
9 long-term focus. So, we are able to make decisions,  
10 based on long-term successful growth of the business,  
11 as opposed to short-term pressures that might  
12 otherwise be felt by some other companies.

13 So, that's something that we've always  
14 valued in our - within our business.

15 Innovation, I think we're the only  
16 companies that has built - it's really one of the only  
17 land-based casinos in the state that have built their  
18 own technology inhouse.

19 Most companies are - are licensing  
20 technologies are partnered with companies from other  
21 markets. And because of that, we think it gives us an  
22 opportunity to really innovate and differentiate from  
23 others in the market. Because we have something  
24 that's unique and that we're able to build ourselves.

25 And we use that feedback from the

1 players through our operations team. We can deliver  
2 that information to our - our development  
3 organization. And we can make changes quickly to  
4 improve the user experience for our players.

5           The team - the leadership team that I  
6 mentioned all have been involved in the regulated  
7 legal online gaming markets for - for many years,  
8 almost over a decade.

9           So, we have a seasoned team that  
10 understands this industry and has a background in all  
11 the disciplines of online gaming, whether it's product  
12 or operations or compliance.

13           I think, you know, we have a  
14 leadership team that its experience is a relevant  
15 point. And lastly I think this - we're ready to go.

16           You know, we are - we have our  
17 experience in New Jersey, which we feel will be very  
18 relevant and helpful for us to get off to a smooth  
19 start here in Pennsylvania.

20           And with that, I'll open it up for any  
21 questions, any additional questions or comments from  
22 anybody.

23           CHAIRMAN: Questions from Enforcement  
24 Counsel?

25           ATTORNEY KOLESAR: Good morning.

1 Sarah Kolesar, K-O-L-E-S-A-R, Assistant Enforcement  
2 Counsel with the Office of Enforcement Counsel (OEC).  
3 The OEC does not have any questions in this matter and  
4 does not have a presentation. However, we would  
5 request permission to make a statement and  
6 recommendation prior to opening the matter to  
7 questions from the Board and ex-officio members.

8                   The OEC, along with the Bureau of  
9 Gaming Operations; BIE; Bureau of Gaming Laboratory  
10 Operations; Bureau of Licensing; Bureau of Casino  
11 Compliance; Office of Diversity and Office of  
12 Compulsive and Problem Gambling have reviewed -. Have  
13 reviewed and consulted extensively on the petition and  
14 appendices filed by SugarHouse HSP Gaming, LP, doing  
15 business as SugarHouse Casino to conduct interactive  
16 gaming and for the issuance of an Interactive Gaming  
17 Certificate.

18                   After which OEC filed an Answer in  
19 this matter, requesting that the Board order the  
20 implementation of certain listed conditions, if it was  
21 so inclined to grant the relief requested in the  
22 petition.

23                   As a result, SugarHouse Casino - as a  
24 result the OEC has no objection to the approval of  
25 SugarHouse Casino's Petition to conduct interactive

1 gaming and to the issuance of an Interactive Gaming  
2 Certificate to SugarHouse Casino.

3                   Subject to the proposed conditions  
4 outlined in OEC's Answer filed on August 22nd, 2018  
5 and any additional conditions imposed by the Board,  
6 the OEC is available to answer any questions that you  
7 may have.

8                   CHAIRMAN: Okay.

9                   Any questions or comments from the  
10 Board? I gather there's no other presentation at this  
11 time?

12                   ATTORNEY KOLESAR: No.

13                   CHAIRMAN: Thank you.

14                   ATTORNEY MCALLISTER-COX: I believe we  
15 have a couple of procedural matters. We'd like to  
16 move the presentation -

17                   CHAIRMAN: PowerPoint. Uh-huh  
18 (yes).

19                   ATTORNEY MCALLISTER-COX: - into the  
20 record. And also we have a motion for  
21 confidentiality, with regard to aspects of the  
22 petition and the appendices that's pending.

23                   ---

24                   (Whereupon SugarHouse Exhibit 1, PowerPoint, was  
25 marked for identification.)

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ATTORNEY MCALLISTER-COX: So, we would ask that you consider to grant that motion.

CHAIRMAN: Enforcement Counsel have any objection?

ATTORNEY KOLESAR: No objection.

CHAIRMAN: In that case I think we'll consider that moved into evidence.

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(Whereupon SugarHouse Exhibit 1, PowerPoint, was admitted.)

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CHAIRMAN: This matter will be taken up and voted on later during the Office of Chief Counsel's (OCC) portion of the agenda. Thank you all for coming.

ATTORNEY MCALLISTER-COX: Thank you very much.

MR. SCHWARTZ: Thank you.

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HEARING CONCLUDED AT 10:25 A.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, a hearing held before Chairman Barasch, was reported by me on 9/12/18 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 4th day of October, 2018

  
**Court Reporter**  
Rhonda K. Thorpe