

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: SANDS BETHWORKS GAMING, LLC - PETITION FOR AN
INTERACTIVE GAMING CERTIFICATE

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

Richard G. Jewell

Kathy M. Manderino

Merritt C. Reitzel

Obra S. Kernodle, IV

Dante Santoni, Jr.

Sean Logan

EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Jennifer Langan, Designee, Department of
Treasury

Suzanne P. Leighton, Designee, Department
of Revenue

Fred Strathmeyer, Jr., Designee, Department
of Agriculture

HEARING: Wednesday, October 3, 2018

10:00 a.m.

Reporter: Cynthia Piro Simpson

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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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4 Sands Bethworks Gaming, LLC

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6 Bethlehem, PA 18015

7 COUNSEL FOR SANDS BETHWORKS GAMING, LLC

8

9 LYNNE L. KAUFMAN, ESQUIRE

10 Cooper Levenson

11 1125 Atlantic Avenue

12 Atlantic City, NJ 08401

13 COUNSEL FOR PCI GAMING

14

15 CYRUS PITRE, ESQUIRE

16 Chief Enforcement Counsel

17 MICHAEL ROLAND, ESQUIRE

18 Assistant Enforcement Counsel

19 P.O. Box 69060

20 Harrisburg, PA 17106

21 COUNSEL FOR OFFICE OF ENFORCEMENT COUNSEL

22

23 ALSO PRESENT:

24 Brian Carr, President and Chief Operating Officer,

25 Sands Bethworks Gaming, LLC

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NONE OFFERED

P R O C E E D I N G S

CHAIRMAN: Public hearing for start of business today is Sands Bethworks' Petition for an Interactive Gaming Certificate.

Before we begin, I would ask that everyone who's going to speak today please state and spell your name for the court reporter prior to speaking. Additionally, I would ask that all non-attorney witnesses who might be testifying today to please stand at this time to be sworn in.

WITNESSES SWORN EN MASSE

CHAIRMAN: The Petitioner can begin.

ATTORNEY MAGAZZU: Thank you, Mr. Chairman and members of the Board. Michael A. Magazzu, M-A-G-A-Z-Z-U, Vice President and General Counsel, Sands Bethworks Gaming, LLC.

Mr. Chairman, you have, I believe, been presented with the Sands Bethworks Gaming Petition for authorization to conduct interactive gaming. That petition was answered by the Office of Enforcement Counsel (OEC). And in that Answer we recognized that there is a lengthy list of 22

1 conditions which must be met before the Applicant can
2 get into the lab and perform any sort of testing and
3 certainly before any full authorization to conduct
4 online gaming.

5 We, from Sands Bethworks Gaming, want
6 to emphasize what is stated in - it's a footnote in
7 the petition which appears multiple times. And that,
8 in essence, states that we are only applying for the
9 Interactive Gaming Certificates because of the pending
10 sale of the Sands Bethworks Gaming assets to PCI
11 Gaming.

12 If not for that pending acquisition,
13 Sands Bethworks Gaming would not be applying for these
14 Interactive Gaming Certificates. And I believe it has
15 been, you know, publicly stated widely that the Sands
16 Bethworks Gaming Company and its affiliates, including
17 its parent companies in Las Vegas, have no interest in
18 online gaming. And that remains the same today.

19 Again, we're applying for this because
20 of the pending sale. And so we're in a bit of a
21 unique situation here. We don't have a presentation
22 for you today. We do have a representative from PCI
23 Gaming, Ms. Kaufman, who I'm sure will introduce
24 herself in a moment. If there are any questions about
25 the conditions that appear in the OEC's Answer to the

1 petition, we would be happy to try to address those.
2 But we are in a position right now, because of this
3 pending transaction, where Sands Bethworks Gaming
4 cannot submit to you how it would operate online
5 gaming under its current ownership, because it has no
6 desire to do so.

7 And PCI Gaming is in the position
8 where it is - I'll defer to Ms. Kaufman, but I believe
9 a bit premature for them to submit to you exactly how
10 any online gaming platform would operate.

11 With that, we do ask that the Board
12 approve the petition in its current form, recognizing,
13 of course, the 22 conditions that must be met before
14 full authorization.

15 CHAIRMAN: Fine.

16 We, up here, fully understand the
17 complexity of what's going on right now. We
18 appreciate your presence.

19 You can proceed. Would you introduce
20 yourself?

21 ATTORNEY KAUFMAN: Yes.

22 Thank you. Lynne, L-Y-N-N-E, Kaufman,
23 K-A-U-F-M-A-N, from the law firm of Cooper Levenson,
24 L-E, V as in Victor, E-N-S-O-N, on behalf of the
25 Poarch Creek Indian Gaming Authority in our capacity

1 as Applicant and a future owner of Sands Bethworks.

2 And as - I will reiterate what Mr.
3 Magazzu said, which is that we understand Sands
4 Bethworks submitted this petition in the interest of
5 the PCI Gaming Authority, so that when we do acquire
6 the Sands Bethworks, we will be able to offer
7 interactive gaming.

8 And Chair and Board members, I realize
9 that this is actually the first time that Poarch Creek
10 Indian Gaming Authority has appeared before you. And
11 I just wanted to take this opportunity to briefly
12 introduce the tribe to you.

13 The Poarch Creek Indian Gaming
14 authority is an instrumentality of the Poarch Creek -
15 Poarch Band of Creek Indians. And the Poarch Band of
16 Creek Indians are the only federally-recognized Indian
17 tribe in Alabama. And they also are one of the few
18 Indian tribes that have always occupied their lands.

19 The Poarch Creek Indian Gaming
20 Authority was created as an instrumentality of the
21 tribe to conduct their gaming operations. And the
22 Poarch Creek - PCI Gaming Authority currently has
23 operations both on tribal lands and off of tribal
24 lands.

25 They have three first-class casino

1 resort hotels in Alabama. They also have majority
2 interest in racetracks in Florida and Alabama. And
3 about a year ago they purchased the properties in
4 Aruba and Curacao that are operated under the
5 Renaissance brand and their preferred accompanying
6 properties.

7 As for the petition, as Mr. Magazzu
8 mentioned, it was filed on July 13th and it requested
9 Sands Bethworks to offer all three types of
10 interactive gaming, casino-type games, slot-machine
11 type games and peer-to-peer games. Mr. Magazzu
12 mentioned the OEC response, and we also have no
13 objections to any of the conditions.

14 As set forth in the petition and as
15 mentioned, and as you have mentioned, you're obviously
16 very aware of Poarch Creek does not only not - they're
17 not the current owner, but we are in the process of
18 concentrating on closing the land-based transaction
19 and doing everything we can to push that process
20 forward.

21 As part of that we're learning about
22 the technology and trying to make decisions as to what
23 systems to utilize. And for that reason and the fact
24 also that it is not imminent, the closing is not
25 imminent, there's still obviously - since this is the

1 first time I've appeared before you, I have a few
2 regulatory items to be handled.

3 We have not yet selected an
4 interactive gaming operator. When an interactive
5 gaming operator is selected, they'll obviously meet
6 all of the conditions and the law and the regulations.

7 We'll say that Poarch Creek does have
8 a social gaming website that they integrate into their
9 land-based casino and through loyalty programs and the
10 like. And they are looking forward to being able to
11 translate that into real money gaming and drive more
12 traffic to the Sands Bethlehem.

13 Thank you.

14 CHAIRMAN: Thank you.

15 Any questions or comments from
16 Enforcement Counsel?

17 ATTORNEY PITRE:

18 Yes, Mr. Chairman, a few questions.

19 I just wanted to make sure that it's
20 on the record and that we understand that the \$10
21 million authorization fee, the fee that's going to be
22 owed, that fee will come due - if the Board approves
23 this petition, will come due within the next 60 days
24 of the Board's order.

25 ATTORNEY MAGAZZU: That is correct.

1 Sands Bethworks Gaming is ready, willing and able to
2 issue that payment within the 60-day time frame.

3 ATTORNEY PITRE: Okay.

4 And what happens if the Poarch Creek
5 change of control is not approved by the Board?

6 ATTORNEY MAGAZZU: Sands Bethworks
7 Gaming has indicated that it understands - well,
8 whether it's necessary or not, Sands has indicated in
9 the petition that it would forfeit any license that is
10 authorized to Sands Bethworks Gaming, including the
11 \$10 million fee.

12 ATTORNEY PITRE: Okay.

13 So, you understand that the fee is not
14 refundable?

15 ATTORNEY MAGAZZU: Yes, we understand
16 that.

17 ATTORNEY PITRE: As long as that's
18 clear, Mr. Chairman, I have no further questions.

19 CHAIRMAN: I would just point out for
20 the public that the reason why we're here is because
21 the statute did require the filing within 90 days.
22 And if we hadn't held this hearing and done all this,
23 we would be - it may be premature, but we have no
24 choice under the statute but to take the testimony
25 we're taking today. I just want that to be clear to

1 everybody here.

2 Any questions or comments from the
3 Board?

4 ATTORNEY PITRE: With that, Mr.
5 Chairman, we just have our statement for the record.

6 CHAIRMAN: Please.

7 ATTORNEY ROLAND: Thank you, Mr.
8 Chairman. It's Michael Roland, R-O-L-A-N-D, with the
9 OEC.

10 The OEC, along with the Bureau of
11 Gaming Operations, Bureau of Investigations and
12 Enforcement (BIE) and Bureau of Gaming Laboratory
13 Operations, Bureau of Licensing, Office of Diversity
14 and the Office of Compulsive and Problem Gambling,
15 have reviewed and consulted extensively on the
16 petition and appendices filed by Sands Bethworks
17 Gaming, LLC, to conduct interactive gaming and for the
18 issuance of an Interactive Gaming Certificate. After
19 which OEC filed an Answer in this matter requesting
20 that the Board order implementation of certain listed
21 conditions if it was so inclined to grant the relief
22 requested in the petition.

23 As a result, the OEC has no objection
24 to the approval of Sands' Petition to conduct
25 interactive gaming and to the issuance of an

1 Interactive Gaming Certificate to Sands Bethworks
2 Gaming, LLC, subject to the proposed conditions
3 outlined in OEC's Answer, which was filed on September
4 the 6th, 2018, and any additional conditions imposed
5 by the Board.

6 The OEC is available to answer any
7 questions, if you have them, in this matter.

8 CHAIRMAN: Any questions or comments
9 from Petitioners in response to the OEC?

10 ATTORNEY MAGAZZU: No, Mr. Chairman.

11 ATTORNEY KAUFMAN: No.

12 CHAIRMAN: Additional comments or
13 questions from the Board?

14 This matter will be voted on later
15 today when we get to the OEC section of the Agenda.
16 Thank you for coming.

17 ATTORNEY MAGAZZU: Thank you.

18 ATTORNEY KAUFMAN: Thank you.

19 * * * * *

20 HEARING CONCLUDED AT 10:18 A.M.

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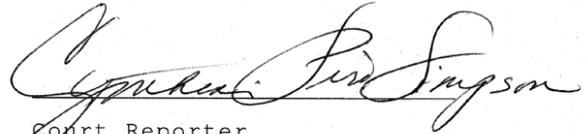
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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before David Barasch, was reported by me on 10-03-18 and that I, Cynthia Piro Simpson, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.

Dated the 27th day of October, 2017


Court Reporter
Cynthia Piro Simpson