

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: VALLEY FORGE CONVENTION CENTER PARTNERS, LLC
PETITION FOR SPORTS WAGERING CERTIFICATE

* * * * *

HEARING

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

Richard G. Jewell

Sean Logan

Kathy M. Manderino

Merritt C. Reitzel

Dante Santoni, Jr.

Obra S. Kernodle, IV (via phone)

Reporter: Cynthia Piro Simpson

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1 EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

2 Jennifer Langan, Designee, Department of
3 Treasury

4 Christin Heidingsfelder, Designee,
5 Department of Revenue

6 Fred Strathmeyer, Designee,
7 Department of Agriculture

8 HEARING: Wednesday, December 19, 2018

9 LOCATION: Pennsylvania Gaming Control Board
10 Strawberry Square
11 2nd Floor
12 Harrisburg, PA 17101

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ALSO PRESENT:

David Zerfing, Vice President and General Manager,
Valley Forge

Bill Wright, Senior Vice President of Operations,
Valley Forge

Christian Genetski, Esquire, Chief Legal Officer,
FanDuel

Jonathan Edson, Senior Vice President of Business
Development, Valley Forge

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CHAIRMAN: Next order of business will be Valley Forge's Petition for a Sports Wagering Certificate.

Again, everyone who's going to speak today, please state and spell your name for the Court Reporter prior to your presentation.

And Mr. King, if you would have all non-attorney witnesses please stand at this time to be sworn in?

WITNESSES SWORN EN MASSE

CHAIRMAN: You may begin.

ATTORNEY KING: Thank you, Mr. Chairman, Members of the Board. Good morning. Adrian King, from the Ballard Spahr firm, here on behalf of Valley Forge Convention Center Partners, LLC.

First of all, Happy Holidays to everyone on the Board and the staff. It's been an action-packed year.

Here today in connection with the Petition for Sports Wagering Certificate, and joining us today are our partners from FanDuel. And I'll

1 introduce them in one second.

2 As we've noted before, we're
3 partnering with FanDuel with respect to both sports
4 wagering and then interactive gaming. If you recall,
5 from our presentation in October on Interactive Gaming
6 Certificate, we briefed you with respect to FanDuel.
7 So, we're going to try to avoid some overlap from that
8 presentation, which I'm sure everyone would be very
9 happy about.

10 Let me just quickly introduce
11 everybody who is here. To my immediate right is Dave
12 Zerfing, who you know, who is onsite, the Valley Forge
13 Vice President and General Manager. Next to him is
14 Bill Wright, who is our Senior Vice President of
15 Operations, with Responsibility for Valley Forge out
16 of Las Vegas.

17 Not here today, but I just want to
18 note part of the team on this project is a gentleman
19 by the name of Bob Scucci, who is the Vice President
20 of Race and Sports Operations. He has 27 years of
21 experience in the field.

22 And then next to Bill is Christian
23 Genetski, who is the Chief Legal Officer of FanDuel.
24 And next to him is Jonathan Edson, who's the Senior
25 Vice President of Business Development.

1 The org chart that you see sort of
2 next to those names on the slide, you saw that before,
3 again, from the Interactive Gaming Petition. So, with
4 respect to Interactive -.

5 CHAIRMAN: We don't have any slides
6 yet.

7 ATTORNEY KING: Oh, I'm sorry.

8 CHAIRMAN: That's okay.

9 ATTORNEY KING: I have it over here,
10 but I don't know why it hasn't transferred up there.

11 Well, I do have - I think there are
12 paper slide decks in front of you.

13 CHAIRMAN: Okay.

14 Oh, we've got them.

15 ATTORNEY KING: Would you like to move
16 to paper?

17 CHAIRMAN: No. Yeah, we've got the
18 hard copy.

19 ATTORNEY KING: Okay.

20 So, on slide three, that org chart is
21 basically applicable to both interactive gaming and
22 also mobile and internet sports wagering. And we'll
23 be talking both about internet and mobile sports
24 wagering but also a retail version of Sportsbook at
25 the property.

1 And with that, I'm going to turn the
2 presentation over to Jonathan. And Jonathan, you'll
3 just let me know or I'll cycle through the slides for
4 you.

5 MR. EDSON: Jonathan Edson, E-D-S-O-N.
6 Mr. Chairman and members of the Board,
7 thank you very much for -.

8 CHAIRMAN: I think you need to bring
9 your microphone closer to you or something.

10 MR. EDSON: Is that working better?

11 CHAIRMAN: Much better. Thank you.

12 MR. EDSON: Thank you.

13 As Adrian said, we will review two
14 things today. One, a little bit of background on
15 FanDuel and our partnership with Boyd. And then more
16 specifically our plans for sports wagering, both
17 online and at Valley Forge Casino.

18 Just to start out, and I know you've
19 heard some of this information before, so if I'm
20 moving too quickly, my apologies.

21 FanDuel is one of the largest
22 interactive real money gaming operations in the United
23 States. We operate fantasy sports across the country,
24 including here in Pennsylvania. And we are a business
25 through TVG for wagering on horse racing. And we

1 offer sports wagering, both retail and online in New
2 Jersey, as well as interactive casino in New Jersey.

3 If you turn to the next slide.

4 ATTORNEY KING: Slide five.

5 MR. EDSON: Slide five, excuse me.

6 Just one thing of note. Although we
7 operate as an independent entity, we are majority
8 shareholder with a company called Paddy Power Betfair,
9 who is one of the largest operators of online gaming
10 worldwide.

11 And you can see from the map here all
12 the different locations and where they are. It's
13 really across the globe.

14 Turn to the next slide. Just a little
15 more of a perspective on the brands I mentioned. Each
16 one of these that - each of these business lines that
17 we're in on the sports wagering side. We're currently
18 operating in New Jersey, as I mentioned. We're also
19 operating in West Virginia.

20 On the fantasy sports side, we're in
21 42 different states. Horse wagering - horse racing,
22 33 states, and a casino in New Jersey as well.

23 On the next slide we talk a little bit
24 more about our parent company. As you can see,
25 they're large - they're the large global operator. As

1 I mentioned, they're doing \$15 billion in stakes on
2 sports wagering every year. That's globally. That's
3 not including the United States.

4 They have a very strong heritage of
5 offering retail in-person sports wagering, with 600
6 different locations in the U.K. and Ireland. It's a
7 very large company. 7,000-plus employees. That's the
8 parent, not FanDuel. And again, just the global
9 footprint, we're licensed in 12 different countries.

10 As for our company itself, we have
11 leadership who come from both a gaming heritage, a
12 consumer products heritage in the United States. And
13 I think both in terms of the expertise that we bring
14 to offering gaming, and just the overall
15 professionalism and experience of management team, we
16 think we're well-positioned to be operating with our
17 partners, Boyd, here in the State of Pennsylvania.

18 On the next slide, just a sense of the
19 different other entities that have partnered with us
20 in the past. We - coming from the fantasy sports side
21 of the business and now on the sports wagering side of
22 the business, we've aligned ourselves with several of
23 the major leagues and several professional sports
24 teams as a way of enhancing the experience that our
25 customers have in participating in those different

1 products.

2 We also, as clear from the fact that
3 we're here today, are partnered with Boyd Gaming to
4 work with them on sports wagering and casino across
5 the United States in every place they're licensed.

6 We also have successfully partnered
7 with other provider of gaming services, you know, in
8 New Jersey and other states across the United States.

9 The next slide you'll see that we've
10 had had some initial success in New Jersey, which is
11 very gratifying. And I think from the perspective of
12 the State of Pennsylvania, the two things that I would
13 notice that it shows that the product that we're
14 offering appeals to the customers. It should appeal
15 to the customers in Pennsylvania, as it appeals to the
16 customers in New Jersey.

17 Also, it shows the willingness that
18 we've had to invest significant dollars in marketing
19 the product, which we would also expect to be spending
20 here in Pennsylvania with local media outlets,
21 et cetera, introduce the product to replicate the
22 success, if possible.

23 On the next slide, I just wanted to
24 note that we are successfully operating an in-person
25 Sportsbook now in New Jersey, and very large, 10,000

1 square feet. We have 30 different teller windows,
2 it's 120 staff. And it is quite an operation.

3 And I think as our first sports
4 wagering operation here in the United States, we feel
5 like it's been very successful. And that we're
6 operating at these kinds of volumes I think gives us
7 confidence and hopefully would give the Board
8 confidence that we will be able to do that
9 successfully with Valley Forge as well.

10 The following slide with the timeline,
11 just is to present our hopes about how the project
12 would proceed. Of course assuming that we're granted
13 a license from the State of Pennsylvania. We're in
14 that process now, which is the top - you know, moving
15 from the top left to the top right.

16 Below that you'll see that the
17 execution pieces that we're doing, you know, we are
18 planning the construction, ordering hardware,
19 et cetera. And you know, hopefully sometime in 2019,
20 you know, based on your approval, we would begin
21 operating both online and in person.

22 So, now to the specifics. You can see
23 this is our diagram of what we would be doing at
24 Valley Forge, along with our partners at Boyd. It
25 would be an 1,800 square foot facility, 7 teller

1 windows, 6 self-service terminals, seating capacity
2 for about 30, and then about 20 different staff people
3 at peak.

4 If you're familiar with the Valley
5 Forge property, it will replace what is now the food
6 court. So, as you enter the property, right to the
7 left is where the Sportsbook would be located.

8 MR. LOGAN: Smoking or nonsmoking?

9 MR. EDSON: David - I don't actually
10 know the answer to that?

11 MR. ZERFING: We'll be looking at
12 smoking.

13 MR. EDSON: Oh, okay.

14 MR. LOGAN: I'm sorry?

15 MR. ZERFING: Smoking.

16 MR. EDSON: The next two slides are
17 just some renderings of what we think the Sportsbook
18 will look like. It's sort of attractive space,
19 modeled closely on sort of what we have done at the
20 Meadowlands and have seen success with, with plenty of
21 viewing opportunities with televisions, FanDuel
22 branding, et cetera.

23 You'll see that on the next slide as
24 well.

25 In addition to the Valley Forge

1 location, we will be offering a mobile sports wagering
2 platform as well. We've designed it to offer the most
3 in-depth product mobilely (sic) that people can use to
4 bet on U.S. sports.

5 We offer the most comprehensive payout
6 options of anybody in New Jersey at the moment. And
7 we've also designed it to sort of allow us to
8 transparently comply with all of the regulations that
9 we would be under.

10 Next slide, just to say that I think
11 we're excited with our partner, Boyd, to become part
12 of the Pennsylvania gaming community. We see here
13 great opportunities, both to bring employment in the
14 construction phase and on an ongoing basis in the
15 retail Sportsbook. And that, you know, hopefully that
16 we would also be delivering millions in tax revenue
17 over time, you know, to the State of Pennsylvania.

18 And that, most assuredly, we are
19 committed as FanDuel, and with our partners, Boyd, to
20 responsible gaming at the heart of what we do.

21 With that I think I'll turn it over to
22 Adrian to talk a little bit about that subject and
23 some of the other regulatory -.

24 ATTORNEY KING: Thank you, Jon.

25 I want to give these topics,

1 obviously, appropriate focus and respect, but these
2 are slides that we've presented before. Obviously
3 everything that we will be doing with sports wagering
4 will be appropriately integrated into the Responsible
5 Gaming Program. We'll be working closely with Board
6 staff to make sure that we are fulfilling all of our
7 obligations, again, both with respect to the retail
8 side of Sportsbook and any of the online options, just
9 like we discussed when we were presenting on
10 interactive.

11 And then obviously everything that
12 we're going to be doing in terms of the rollout and
13 the operation will comply with all of the regs and
14 requirements of the Board. There will be, obviously,
15 giving the Board the insight and access to the
16 program, through the platform that is going to be
17 provided through IGT. And obviously that's very
18 important, from your regulatory perspective.

19 And also, just a last comment on
20 ensuring that all best - best-of-class practices are
21 used with respect to protecting customer data. And
22 obviously that also goes to the integrity of gaming
23 overall.

24 So, we just want to touch upon those
25 issues. It kind of goes without saying, but it's so

1 important that it shouldn't go without saying. So, I
2 wanted to make sure that we touched on that.

3 With that, our presentation is
4 concluded, and we'll be ready for any questions at the
5 appropriate time.

6 CHAIRMAN: Enforcement Counsel,
7 questions or comments?

8 ATTORNEY GABRIELLE: Good morning.
9 Ashley Gabrielle, G-A-B-R-I-E-L-L-E, with the Office
10 of Enforcement Counsel (OEC).

11 And the OEC does not have a formal
12 presentation. However, with the Board's permission,
13 we would like to make a statement and recommendation.

14 CHAIRMAN: Please.

15 ATTORNEY GABRIELLE: Thank you.

16 The OEC, along with the Bureau of
17 Casino Compliance, Bureau of Gaming Operations, Bureau
18 of Investigations and Enforcement (BIE), Bureau of
19 Gaming Laboratory Operations, Bureau of Licensing,
20 Office of Diversity and the Office of Compulsive and
21 Problem Gambling have reviewed and consulted
22 extensively on the Petition filed by Valley Forge to
23 conduct sports wagering and for the issuance of a
24 Sports Wagering Certificate.

25 OEC filed an Answer in this matter,

1 requesting that the Board order the implementation of
2 certain listed conditions, if it was so inclined to
3 grant the relief requested in Valley Forge's Petition.

4 As a result, the OEC has no objection
5 to the approval of Valley Forge's Petition to conduct
6 sports wagering and to the issuance of a Sports
7 Wagering Certificate to Valley Forge Convention Center
8 Partners, LLC, subject to the proposed conditions
9 outlined in OEC's Answer filed on November 29, 2018,
10 and any other conditions that the Board may impose.

11 The OEC is available for any questions
12 you may have.

13 CHAIRMAN: Thank you.

14 Questions or comments from the Board?
15 Commissioner?

16 MS. MANDERINO: Thank you.

17 Following up on your answer to
18 Commissioner Logan about the decision that the
19 Sportsbook be smoking, am I correct in assuming that
20 the current food court is nonsmoking?

21 MR. ZERFING: No, the current food
22 court is smoking.

23 MS. MANDERINO: Oh, the current food
24 court is smoking?

25 MR. ZERFING: Yes.

1 MS. MANDERINO: Interesting.

2 Thank you.

3 To the OEC, remind me how the
4 Sportsbooks are treated in terms of gaming floor and
5 not gaming floor and the ratio of smoking and
6 nonsmoking in our regulations?

7 ATTORNEY PITRE: The Sportsbook area
8 would be considered part of the gaming floor.
9 Pursuant to the Act, 50 percent of the gaming floor
10 cannot exceed - cannot be smoking. So, we would have
11 to compare that to the remainder of the gaming floor.

12 Now, I know that in some - if the
13 Board so orders, we can consider that Sportsbook area
14 a separate part and make it 50 percent smoking or
15 nonsmoking.

16 MS. MANDERINO: So, going back now to
17 Harrah's, so you are - you are reducing your
18 nongaming floor area, reducing your food court to
19 replace it with more gaming floor square footage.

20 What is your current ratio in terms of
21 smoking and nonsmoking in your facility?

22 MR. ZERFING: We are at 50/50.

23 MS. MANDERINO: So, based on
24 Enforcement Counsel's answer, you - as part of your
25 proposal here, you would have to be coming to the

1 Board again to ask for an exception or whatever is the
2 right thing, to expand beyond 50 percent? What am I
3 missing?

4 ATTORNEY PITRE: No, there won't be
5 any exception. The sports wagering area will be
6 50/50.

7 The sports wagering area will be 50
8 percent smoking, 50 percent nonsmoking. Despite what
9 their plans are, -

10 MS. MANDERINO: Oh.

11 ATTORNEY PITRE: - we're going to make
12 it 50/50.

13 MS. MANDERINO: Oh, okay.

14 And that's because they are at the max
15 already?

16 ATTORNEY PITRE: That's because
17 that's -.

18 MS. MANDERINO: That's the way we're
19 doing it.

20 ATTORNEY PITRE: That's the way we're
21 doing it.

22 MS. MANDERINO: Okay.

23 CHAIRMAN: If I could, just to
24 clarify, when you say it's what - that's what the law
25 requires.

1 Right?

2 ATTORNEY PITRE: It is what the law
3 requires. I mean, even if you take into consideration
4 the gaming floor is currently 50/50, so now you're
5 adding more gaming floor space, that space is going to
6 be 50/50.

7 CHAIRMAN: Can I -?

8 MS. MANDERINO: Yes, go ahead.

9 CHAIRMAN: Can I just try to get some
10 clarification on something? I'm not in favor of one
11 or the other, but there's another approach. Right?

12 I guess the other approach that would
13 comply with the law would be if they wanted to make
14 sports gaming completely smoking, they'd have to take
15 a portion of the rest of their gaming floor and make
16 it nonsmoking, to keep them at 50 -.

17 ATTORNEY PITRE: I mean, that's an
18 approach, but that's not one that, I think, that we
19 would look - we would approve.

20 CHAIRMAN: No. What I'm trying to
21 understand, though, just the legal side of it, the end
22 result is they have to make sure they don't go above
23 50 percent on the entire designated -

24 ATTORNEY PITRE: Gaming floor space.

25 CHAIRMAN: - gaming floor?

1 ATTORNEY PITRE: Correct.

2 CHAIRMAN: But the particular places
3 on the gaming floor that are smoking versus
4 nonsmoking is a matter that - in which we exercise
5 discretion.

6 ATTORNEY PITRE: Yes.

7 CHAIRMAN: Is that fair?

8 ATTORNEY PITRE: Yes.

9 CHAIRMAN: Thank you very much.
10 I'm sorry, Kathy.

11 MS. MANDERINO: No, that's all right.

12 CHAIRMAN: Do you have more on that?

13 MS. MANDERINO: No, thank you. Not at
14 this time.

15 CHAIRMAN: Anybody else, questions?

16 MR. JEWELL: I have one comment. Of
17 course with Act 42, the so-called access fee or cover
18 charge or whatever it's called, was taken off. And
19 I've noted, especially for you all at Valley Forge,
20 you have moved at a very robust fashion to take
21 maximum advantage to the benefit of your business, and
22 ultimately the benefit of the citizens of this
23 Commonwealth in tax revenue.

24 So, it's - I've noted that and I've
25 liked what I've seen.

1 ATTORNEY KING: Thank you.

2 CHAIRMAN: Any other questions or
3 comments from the Board? Just from you or -?

4 ATTORNEY KING: Just very quickly on
5 the smoking issue, I just want to reiterate our
6 commitment to obviously being in compliance with the
7 law and to work with the staff and OEC, as necessary,
8 to be in compliance. We will work constructively.

9 With that, just administratively, I'd
10 like to move our presentation into the record. And if
11 that's approved, -

12 CHAIRMAN: Okay.

13 So moved.

14 ATTORNEY KING: - I will close our
15 presentation and respectfully request approval of our
16 Petition. Thank you.

17 CHAIRMAN: We will take this up in the
18 Office of General Counsel section a little bit later
19 this morning. Thank you very much.

20 * * * * *

21 HEARING CONCLUDED

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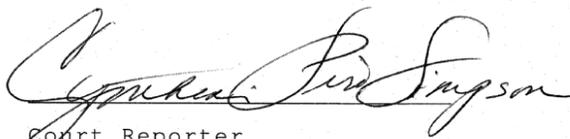
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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before David M. Barasch, Chairman, was reported by me on 12-19-18 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 12th day of January, 2019


Court Reporter
Cynthia Piro Simpson