

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: PRESQUE ISLE DOWNS, INC. -
PETITION FOR ISSUANCE OF A SPORTS-WAGERING CERTIFICATE
AND AUTHORIZATION TO CONDUCT SPORTS WAGERING

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

Sean Logan (via phone)

Kathy M. Manderino

Richard G. Jewell

Dante Santoni, Jr.

Merritt C. Reitzel

Obra S. Kernodle, IV

EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Jennifer Langan, Designee, Department of
Treasury

Christin Heidingsfelder, Designee,
Department of Revenue

Fred Strathmeyer, Designee,
Department of Agriculture

Reporter: Lindsey Deann Richardson

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1 HEARING: Wednesday, February 6, 2019 10:14 a.m.
2 LOCATION: Pennsylvania Gaming Control Board
3 Strawberry Square
4 2nd Floor
5 Harrisburg, PA 17101
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A P P E A R A N C E S

PA GAMING CONTROL BOARD EXECUTIVE STAFF WHO APPEARED
BEFORE THE BOARD:

KEVIN O'TOOLE, Executive Director

SEAN HANNON, Enterprise Licensing Manager

SUSAN HENSEL, Director, Bureau of Licensing

DANETTE-BIXLER GEORGE, Director of Human Resources

OFFICE OF CHIEF COUNSEL - ALSO PRESENTING:

R. DOUGLAS SHERMAN, ESQUIRE, Chief Counsel

STEVE COOK, ESQUIRE, Deputy Chief Counsel

CHAD ZIMMERMANN, Assistant Chief Counsel

PA Gaming Control Board

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Counsel for the Pennsylvania Gaming Control Board

OFFICE OF ENFORCEMENT COUNSEL - ALSO PRESENTING:

CYRUS PITRE, ESQUIRE

Chief Enforcement Counsel

DUSTIN MILLER, ESQUIRE

Senior Enforcement Counsel

ASHLEY GABRIELLE, ESQUIRE

Assistant Enforcement Counsel

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A P P E A R A N C E S (cont.)

OFFICE OF ENFORCEMENT COUNSEL - ALSO PRESENTING:

BENJAMIN FERRELL, ESQUIRE

Assistant Enforcement Counsel

DAVID TEPPER, ESQUIRE

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Assistant Enforcement Counsel

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Doherty Hayes

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Counsel for Churchill Downs, Inc.

A P P E A R A N C E S (cont.)

MICHAEL D. SKLAR, ESQUIRE

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3030 Atlantic Avenue

Atlantic City, NJ 08401-6380

Counsel for Mount Airy #1, LLC

ALSO PRESENT:

Kevin O'Sullivan, Vice President and General Manager,
Presque Isle Downs & Casino

Cathy Beeding, Esquire, Senior Counsel and Corporate
Compliance Officer, Churchill Downs, Inc.

Dan Cuic, Director of Slots, Presque Isle Downs &
Casino

Alan Stremel, Vice President, Sports Online Gaming,
Churchill Downs Interactive Gaming dba BetAmerica

Carter Vance, Esquire, VP, Associate General Counsel,
Churchill Downs, Inc.

I N D E X

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P R O C E E D I N G S

CHAIRMAN: The first order of business is the public hearing involving Presque Isle Downs for issuance of a Sports-Wagering Certificate.

Just before we begin, I just want to make sure the record is clear, Commissioner Sean Logan is on the telephone from Pittsburgh.

You there, Sean?

MR. LOGAN: I am, Mr. Chairman.

CHAIRMAN: Okay.

I just wanted to make sure we had that for the recording purposes. Okay.

MR. LOGAN: It's sunny and 80 here.

CHAIRMAN: Before we begin, I'd ask everyone who is going to speak today to please state and spell your name for the court reporter prior to your presentation. Additionally, I'd ask all non-attorney witnesses at this point to stand and be sworn.

(WITNESSES SWORN EN MASSE)

CHAIRMAN: The Petitioners may begin.

ATTORNEY HAYES: Chairman Barasch and

1 members of the Board, good morning. I'm Kevin Hayes
2 from the law firm of Doherty Hayes. I appear before
3 you this morning on behalf of the PID, LLC Churchill
4 Downs, Incorporated, in support of their Petition for
5 a Sports-Wagering Certificate.

6 Last month PID was approved by this
7 Board for a Category 1 Slot Machine License. We began
8 operations of that facility last month.

9 Appearing with me today is Kevin,
10 O'Sullivan who is Vice President and General Manager
11 of Presque Isle Downs; Dan Cuic, who is the Director
12 of Slots; Cathy Beeding, who is Senior Counsel and
13 Corporate Compliance Officer; Carter Vance, who is in
14 the audience. And Alan Stremel, who is Vice President
15 of Sports Online Gaming at Churchill Downs.

16 At this time I'll hand it over to Alan
17 Stremel, who will begin the presentation.

18 MR. STREMEL: Alan Stremel, A-L-A-N,
19 S-T-R-E-M-E-L. Mr. Chairman and the Board, we're very
20 excited to be here with Presque Isle, Churchill
21 Downs -.

22 PAM: Excuse me, Could you please speak
23 up, so the gentlemen on the phone can hear you.

24 MR. STREMEL: Sure.

25 PAM: Thank you.

1 MR. STREMELE: Thank you. So, to Mr.
2 Chairman and the Board, we are very excited,
3 enthusiastic, to be here with Presque Isle, Churchill
4 Downs and the BetAmerica brand. I just want to say
5 initially to Susan Hensel and Sean Hannon in the
6 Licensing Bureau, thank you very much for the hard
7 work and cooperation as we've gone through this
8 licensing process.

9 Presque Isle Downs, we're very excited
10 about the enthusiasm of the sports community and fans
11 within the region of our property. And we're excited
12 to start the process of bringing our sports wagering
13 kiosks at - to Presque Isle Downs, as we have done to
14 our two properties in Mississippi.

15 So, BetAmerica is the CI branch for
16 wagering at Presque Isle, which we will be expanding
17 nationwide and in other properties. So, we have
18 entered into a partnership with SBTech to provide our
19 risk managements and bookmaking services.

20 They are live in 21 markets with risk
21 management's sports-wagering platform and a detailed
22 sports-log system. We believe it's a very robust
23 sports-wagering market and offering, including bet
24 types and supports.

25 Our compulsive gaming and Game-

1 Integrity Programs are being expanded to include
2 sports betting onsite. We will continue to regrow our
3 Self-Exclusion Age-Verification Program. And all
4 marketing materials will include the 1-800 GAMBLER
5 tag.

6 SBTech continues to develop
7 information on irregular and suspicious wagering, as
8 gaming integrity is important to us. I will continue
9 to actively communicate fee delays, to provide the
10 most rigorous event management.

11 ATTORNEY HAYES: At this time we're
12 going to turn it over to Dan Cuic, who is the vice
13 President of Slot operations at Presque Isle Downs.
14 He'll talk a little bit about the proposed Sportsbook
15 details at the facility. Dan.

16 MR. CUIC: Dan Cuic. It's D-A-N,
17 C-U-I-C. As you can see on page six of the
18 presentation, that's the proposed Sportsbook launch
19 details.

20 In phase one, our plan is for a 1,275
21 square foot Sportsbook location to be constructed in
22 existing casino space. And that is in addition to 317
23 square feet of the sports wagering kiosk space.

24 The primary Sportsbook location is
25 going to be adjacent to our existing poker room and

1 simulcast area, in hopes to pick up some synergies
2 between the three. We will also be rolling out 50
3 self-betting sports-wagering kiosks and adding an
4 additional 50 large flat screen high-definition
5 televisions throughout the property. They'll be
6 utilized to play sporting events, as well as
7 customizable odds, boards to showcase prematch and
8 live-wagering options.

9 And then in phase two of the
10 Sportsbook rollout, we will have our online mobile
11 launch, where we will be offering online and mobile
12 account wagering.

13 In page seven you will see the present
14 Sportsbook design plan. There's some colors on this
15 page. The blue is where construction enhancements
16 will be taking place. The red is the actual layout of
17 the kiosk locations.

18 And as you will notice, near the new
19 Sportsbook feature area, you'll see a larger
20 concentration of betting kiosks in that area. And I
21 want to point out that that area is our nonsmoking
22 area. If you look out onto the main area, the main
23 floor, we have two bars out there that you see kiosks
24 centered around. Those will be our smoking kiosks
25 locations, to service our smoking guests.

1 If you go into the next pages, eight
2 through twelve, they are our architect renderings of
3 those areas you saw on the previous page in blue.
4 Page eight showcases the featured Sportsbook area.
5 That's the one that will be located next to the poker
6 and the simulcast.

7 Page nine is the Sportsbook enhanced
8 bar, which is located next to that area as well. You
9 can see that there is a TV added to that, as well as
10 sports betting odds boards.

11 Page ten is the south entry to our
12 Sportsbook. Again, same thing. We would put odds
13 boards around there and TVs to display sports to draw
14 people into that area.

15 Page 11 is an enhanced version of our
16 current Center Bar. We will be adding large TVs to
17 the top of that bar on exiting façade. And staying
18 with that theme, we have our Bar 90, it's the enhanced
19 Bar 90. The TVs added across the top of that to the
20 existing façade, just to support the sports viewing.
21 And with that, that concludes our presentation.

22 ATTORNEY HAYES: Mr. Chairman, that
23 concludes our presentation. We're happy to field any
24 questions from the members of the Board or from
25 Enforcement Counsel related to the Petition or this

1 presentation.

2 CHAIRMAN: Thank you. Questions from
3 Enforcement Counsel?

4 ATTORNEY PITRE: Only a couple. Cyrus
5 Pitre, P-I-T-R-E. With regard to the positions, my
6 understanding is that this will be strictly kiosks on
7 the gaming floor and for the sports wagering.

8 Is that correct?

9 ATTORNEY BEEDING: Well, in terms of
10 the guest - Cathy Beeding, B-E-E-D-I-N-G. Cathy with
11 a C. In terms of the guest experience, the main
12 interface will be with the kiosks.

13 ATTORNEY PITRE: Okay.

14 ATTORNEY BEEDING: Certainly there
15 will be available customer service in the cage for
16 those guests as well.

17 ATTORNEY PITRE: Okay.

18 Because in your Petition you estimated
19 about ten employees - employment positions within
20 Presque Isle that will be added.

21 What type of positions are you looking
22 at adding?

23 ATTORNEY BEEDING: Well, I can tell
24 you from our experience in Mississippi, where we
25 opened two Sportsbooks in facilities that are a

1 fraction of the size of Presque been in operation
2 since August 23rd. And so far at one property, at
3 Riverwalk, we've added about 11 positions. Revenue
4 audit, the vast majority of those have been in a cage.

5
6 And we - about 30 to 40 percent of the
7 workload for all cage employees is related to
8 Sportsbook. So, we have - even though the kiosks are
9 certainly the main interface that the guests want to
10 use -. In fact, we have about 50 percent of market
11 share in the markets in which we operate in
12 Mississippi. And I think that's a testament to the
13 fact that our guests love these kiosks.

14 And the ability to make a 20-game
15 parlay on a kiosk is - and do that yourself in front
16 of the screen is a much preferable - more preferable
17 and delightful experience than trying to relay all
18 that information to a cage Cashier.

19 We also hire some additional folks in
20 security for the count and the drop. And two new Slot
21 Attendants to do voucher pouch pays during peak hours,
22 and then IT assets as well.

23 ATTORNEY PITRE: Okay.

24 Do you anticipate - I know you're not
25 moving - removing any slots or table games from the

1 floor.

2 Do you anticipate having to relocate
3 any table games and slots?

4 MR. CUIC: Yes. Yes, if you look at
5 the layout, there's a lot of space in the layout. So,
6 the slots and things will be just placed by the
7 Sportsbook area and some of the small kiosk areas.
8 Those things will be picked up at some of those more
9 spacious areas.

10 ATTORNEY PITRE: Okay.

11 Do you have an estimate about how many
12 tables or slots you would be relocating?

13 MR. CUIC: The tables won't be touched
14 at all.

15 ATTORNEY PITRE: Okay.

16 MR. CUIC: The slots, we're looking at
17 about 69.

18 ATTORNEY PITRE: Okay. All right.

19 And I also know that you anticipate
20 being licensed in New Jersey, I believe, to offer
21 sports wagering?

22 ATTORNEY BEEDING: Yes, we actually
23 went live in soft play on Friday.

24 ATTORNEY PITRE: Okay.

25 ATTORNEY BEEDING: And we're operating

1 pursuant to a transactional waiver in that
2 jurisdiction, in partnership with Gold Nugget Atlantic
3 City.

4 ATTORNEY PITRE: Okay.

5 And is that with kiosks also?

6 ATTORNEY BEEDING: That's a purely
7 interactive -

8 ATTORNEY PITRE: Purely interactive?

9 ATTORNEY BEEDING: - yeah, venture in
10 New Jersey. So, mobile and desk top only.

11 ATTORNEY PITRE: Okay.

12 And so far no issues?

13 ATTORNEY BEEDING: I think that
14 whenever you launch a new product, there's always the
15 little steps and bumps along the road. And our
16 experience in New Jersey has been no different.

17 This is a brand new venture for
18 Churchhill Downs. We've been in the interactive space
19 for a long time on the parimutuel side. But this is
20 our first foray into online casino online Sportsbook
21 purely interactive.

22 And - so we've certainly had a lot of
23 learning moments. Cyrus and I would be remiss if I
24 didn't point that out. But they have been learning
25 moments. We have a great relationship with the DGE

1 and the regulators there. And we have high hopes of
2 coming out of soft play today and going live on a
3 24-hour basis later today.

4 ATTORNEY PITRE: Okay.

5 How about in Mississippi? Was - how
6 are things now? I mean, we talked about speed bumps
7 in the beginning.

8 Are things evened out now?

9 ATTORNEY BEEDING: Yes, for sure.

10 Again, we still have learning moments. Our partner,
11 SBTech, very sophisticated and has operated in
12 international space for well over ten years. Yet when
13 we partnered with them, it was their first entry into
14 the U.S. market. And so translating from
15 international into the U.S. market, especially in a
16 new U.S. market where regulators are learning,
17 operators are learning -. There hasn't been without
18 some moments.

19 But they've been all good and no
20 complaints from guests.

21 ATTORNEY PITRE: Okay.

22 ATTORNEY BEEDING: And that's really
23 what we are concerned with at the end of the day.

24 ATTORNEY PITRE: Okay.

25 We have no further questions.

1 CHAIRMAN: Questions or comments from
2 the Board at this time?

3 MS. REITZEL: I just have one. So,
4 just so I'm clear, there are no Tellers in the
5 Sportsbook area?

6 ATTORNEY BEEDING: We have - I think
7 Kevin will give you the details on that. There's like
8 a nine-window cage. And certainly those Cashiers will
9 be handling, you know, to the - for AML purposes, if
10 there is a transaction that hits one of those
11 thresholds for an SBL that will drive the transaction
12 to the cage.

13 MS. REITZEL: How far is the cage from
14 the Sportsbook? Like how far do I have to walk, if I
15 have an issue?

16 ATTORNEY BEEDING: There's four
17 different discrete Sportsbook areas.

18 So, how far is that from the cage?

19 MR. O'SULLIVAN: So, from the main
20 cage, it's probably about 50 or 60 feet.

21 MS. REITZEL: Just on the - on the
22 slide, with the floor plan, where on - I don't see a
23 cage identified. Where - is that north, south, east,
24 west?

25 MR. O'SULLIVAN: I'll show you.

1 MS. REITZEL: I'm just curious. If
2 I'm up at the new Sportsbook feature area and I have
3 an issue, how far do I have to walk to get a live
4 person?

5 MR. O'SULLIVAN: So, there's actually
6 two places. The cage - there is a cage in the poker
7 room immediately next door, -

8 MS. REITZEL: Okay.

9 MR. O'SULLIVAN: - which is always
10 manned with a Cashier. And then of course there's a
11 main cage, which if you look at the large diagram of
12 the floor on the bottom the big blue square, which is
13 the Center Bar, -

14 MS. REITZEL: Yeah.

15 MR. O'SULLIVAN: - directly above from
16 that you will see where it says - the interior
17 entrance to the Sportsbook, well, immediately to the
18 left of that is the main cage.

19 MS. REITZEL: Okay. Thank you.

20 CHAIRMAN: Other questions?

21 MR. JEWELL: Just one comment. Erie
22 being Erie in the winter - and although it's not the
23 scope of the inquiry today, I can't wait to hear, even
24 though I'll be gone, I'll be hearing, of a possible
25 parking garage up there with you folks.

1 And I'll just leave you to take that
2 back.

3 CHAIRMAN: Yeah. I'd like to follow
4 up a question Commissioner Reitzel brought up. We've
5 looked around. We've been out to some of the casinos.
6 The ones that we've seen so far that are doing
7 Sportsbooks, there's a place where there's a live
8 human being to take your bet. It's immediately
9 adjacent.

10 You've made it - is this a unique
11 decision that you've made in Erie or is this the way
12 you've been doing Sportsbooks around the country?

13 ATTORNEY BEEDING: This is the way
14 we've done it in - in Mississippi. And just to give
15 you some idea of the guest response.

16 Like I said, we have about 50 percent
17 market share. And in a market we're not the only
18 Sportsbook operators.

19 In Mississippi, there are 28 casinos,
20 23 of them have Sportsbooks. So, it's a highly
21 competitive set and we have 50 percent of the market.

22 And we believe, strongly, our guests
23 tell us, it's because of the ease of using the kiosk
24 versus waiting in line and interfacing and trying to
25 make a wager with a person. Again, when you have even

1 a four or five game parlay, that can be a pretty
2 lengthy interaction, one that doesn't provide the
3 guest with the best experience.

4 We also offer a variety of in-play
5 wagering and live wagering. And really to do that
6 pretty quickly is not only good for the guest, it's
7 also good for us as operators. And so we want to be
8 able to facilitate all those things.

9 And so we know that the guests love
10 the kiosks. They tell us that. The ease by which -
11 like I've been in these Sportsbooks. I'm from
12 Mississippi, and if I go in there on a Friday and a
13 Saturday night, the people are three and four deep at
14 these kiosks. We've had to order more kiosks.

15 So, this is the way that the market is
16 going and we're just being responsive to what the
17 guest seems to want and still have that human asset
18 available, if need be.

19 CHAIRMAN: Continuing down that road.
20 From your experience so far, from your expectations, I
21 take it you see a slightly different profile, in terms
22 of age and whatnot of the kind of person who is more
23 likely to be doing Sportsbooks.

24 Is that fair?

25 ATTORNEY BEEDING: I think that's

1 fair. And that also tracks what we've seen in
2 Mississippi. And we have two properties there, in two
3 relatively distinct markets, both along the
4 Mississippi River, but one in Vicksburg and one in
5 Greenville.

6 Anecdotally, I can tell you that our
7 Vicksburg property, we see about 40 percent of people
8 we've never seen before that are sports-wagering
9 customers. And at Harlow's, our Greenville property,
10 that number jumps to 80 percent. So, we're seeing
11 folks that we've never seen before -.

12 CHAIRMAN: And how would you describe
13 the profile of the person that you're now seeing? Are
14 they younger? How do you describe it?

15 ATTORNEY BEEDING: I think it's, you
16 know - and Alan can speak to this more, but my
17 anecdotal observations is that certainly it's a male-
18 dominated demographic that seems to be about 20 years
19 younger than the typical 50, 55 female that we see in
20 the slot machines.

21 CHAIRMAN: Okay. Well, the reason why
22 I asked that question is, being an old guy, I was
23 guessing that the whole thrust here is that young
24 people are used to playing around with the kiosks and
25 cell phones and all the rest of this. And it's only

1 the old-timers that really want the live human
2 interaction, I think. And that's probably not your
3 target audience.

4 Is that fair?

5 ATTORNEY BEEDING: I think that we
6 want to be able to serve everybody, Mr. Chairman.

7 CHAIRMAN: Well, I understand. But as
8 a practical matter, you're making marketing decisions.
9 You're making investment decisions based upon who you
10 think your customers are.

11 And is it fair to say that you're
12 looking down the road at attracting a new group of
13 people to the casino that's probably a different
14 demographic than the traditional people who come to
15 your casinos?

16 ATTORNEY BEEDING: I think that's a
17 correct statement.

18 CHAIRMAN: Okay.

19 Any other questions to the
20 presentation?

21 ATTORNEY PITRE: Mr. Chairman, I do
22 have to make an oral amendment to our Answer, whereby
23 all references that we make in our Answer to Presque
24 Isle Downs, Incorporated -. Since the change of
25 control occurred on January 9th of this year, we'd

1 like to orally amend our response and our conditions
2 to replace Presque Isle Downs, Incorporated with PID,
3 LLC, because they are the Category 1 Licensee.

4 And with that, the Office of
5 Enforcement Counsel (OEC) and various Board staff have
6 reviewed and consulted extensively on the Petition
7 filed by PID, LLC to conduct sports wagering and for
8 the issuance of a Sports-Wagering Certificate, after
9 which we filed an Answer in this matter. And
10 requested that the Board implement certain listed
11 conditions, if it was so inclined.

12 As a result, we have no objection to
13 the approval of PID, LLC's Petition to conduct sports
14 wagering and to the issuance of a Sports-Wagering
15 Certificate, subject to the proposed conditions
16 outlined in our Answer on January 2nd, 2019. And with
17 that, if you have any questions for the OEC, I'd be
18 happy to answer those.

19 CHAIRMAN: Okay. Does Petitioner have
20 any comments or questions for Enforcement Counsel?

21 ATTORNEY HAYES: PID has no objection,
22 Mr. Chairman, to the conditions set forth by the OEC
23 with regard to this Petition.

24 CHAIRMAN: Okay. No further questions
25 from the Board. Thank you.

1 We'll take this matter up and rule on
2 it later during the Office of Chief Counsel's (OCC's)
3 presentation.

4 ATTORNEY HAYES: Mr. Chairman, I just
5 would move for approval of our Motion for Confidential
6 Information that was submitted in accordance with this
7 Petition.

8 CHAIRMAN: So moved.

9 ATTORNEY HAYES: And lastly, Mr.
10 Chairman, on behalf of Presque Isle Downs, Churchill
11 Downs and myself, I want to thank Commissioner Jewell
12 for your service to this Board and your contributions
13 to the Pennsylvania gaming industry over the last four
14 years. Thank you very much.

15 ATTORNEY PITRE: And I assume Mr.
16 Hayes wants to move his presentation into evidence?

17 ATTORNEY HAYES: Yes, we'll move the
18 PowerPoint into - into evidence.

19 CHAIRMAN: So moved.

20 ATTORNEY HAYES: Thank you.

21 * * * * *

22 MEETING CONCLUDED AT 10:35 A.M.

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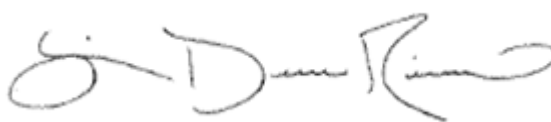
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CERTIFICATE

I hereby certify that the foregoing proceedings was reported by me on 02-06-19 and that I, Lindsey Deann Richardson, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.

Dated the 6th day of March, 2019



Lindsey Deann Richardson,

Court Reporter