

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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GREENWOOD GAMING AND ENTERTAINMENT, INC.

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annmarie Kaiser; Keith R.
McCall; John J. McNally, III; Anthony C.
Moscato; David W. Woods; Members
Jennifer Langan, representing Robert
McCord, State Treasurer
Robert P. Coyne, representing Daniel
Meuser, Secretary of Revenue

HEARING: Wednesday, April 30, 2014
10:04 a.m.

LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex
Second Floor
Harrisburg, PA 17106

WITNESSES: Steven Beason, John Dixon, Michael Cruz

Reporter: Ariel Slotter

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CHAIRMAN:

So, we'll begin with Greenwood. I would ask all representatives of Greenwood Gaming presenting information on this matter to please come forward. Because this is an informational presentation, I don't believe there is a need to swear in any representatives, but I'll ask anyone speaking to state and spell your name for the stenographer. And of course, we would like the truth also, even though you're not under oath. So, Greenwood, you may begin.

ATTORNEY KOHLER:

Good morning, Chairman Ryan. My name's Alan Kohler. That's K-O-H-L-E-R, from Eckert Seamans representing Greenwood Gaming and Entertainment, Inc., Parx Casino. You know, first of all, we thank you for the opportunity of providing an informational session on what we believe is an exciting new area, one of evolution for Parx. And one we believe is important to maintaining and expanding our patron base and attracting new marketing segments, if you will, into our bricks and mortar casino.

At the table here today, to my direct right is Steve Beason. He's CTO of WMS, or the

1 Williams Companies, as you know may know it. To his
2 right is John Dixon, is CTO for Greenwood Gaming and
3 Entertainment, Inc. And to his right is James Keane,
4 who's a technical consultant to Parx.

5 This is a technical area. We're going
6 to try to keep it at an understandable level. But all
7 the guys at the table here are deep into this
8 technology and can certainly answer any questions you
9 might have.

10 Just as a matter of record, we met a few
11 months ago with Board staff and did an informational
12 session with them. In large part, the presentation
13 today will follow that. We certainly expect and hope
14 that you have lots of questions. It's a new area.
15 And we certainly welcome those. With that, I'm going
16 to turn it over to Mr. Beason.

17 MR. BEASON:

18 Mr. Chairman, Commissioners, thank you
19 for having us here. My name's Steve Beason. It's
20 B-E-A-S-O-N. During the presentation today, please
21 feel free to ask me any questions while I'm going
22 through it or at the end. I'm fine to take them at
23 any time.

24 CHAIRMAN:

25 Mr. Beason, I would recommend try to

1 keep your voice up so everybody can hear you.

2 MR. BEASON:

3 I usually don't have a problem with
4 that. And I will make sure I do it during the entire
5 presentation.

6 CHAIRMAN:

7 Thank you very much.

8 MR. BEASON:

9 You're welcome, Mr. Chairman. Really,
10 when you look at what BetCloud is, it is a gaming
11 platform that uses online technologies to bring
12 on-demand gaming to mobile devices inside the casino.
13 There are several important parts of that and that is
14 that these are online technologies. But they are only
15 used inside of the premise of the casino. And they
16 can be used on mobile devices that are provided by the
17 casino or that are used by the players themselves.

18 When we look at the BetCloud, it's
19 obviously a product that we've looked at --- looking
20 at attracting new players. We want to expand the
21 offering by offering what we'll call efficient
22 selection of game mechanics and styles. We look at
23 entertainment, and only as a segment of these games,
24 we also look at for money. And I'm kind of showing
25 all the different types of games here, coded by

1 colors, are for the offering at Parx.

2 We're mostly looking at what you would
3 call your standard slot-based mechanics. They would
4 be able to be supported anywhere within the facility.
5 And we'll make sure that they're not supported
6 anywhere outside. A little later on in the
7 presentation, I'll talk about how we do that and what
8 technologies we use to keep everything inside the
9 premises.

10 When you look at attracting new players,
11 if you would imagine that the same game mechanics that
12 you have on a slot machine are emanated and provided
13 for the gaming server in this environment, the way
14 they're shown on a screen reflects more of a new style
15 or a different way of playing. So, you'll see the
16 casual gaming styles here, where there may be a
17 perceived sign of skill, where you're hitting a ball
18 or you're launching a player or you're playing a
19 Bejeweled type of environment. But the mechanics are
20 all, you know, random number generation. And it is
21 the same exact mechanics, just with different front-
22 end visualization that we think appeals to new
23 players.

24 They allow the ability to do brackets
25 and elimination tournaments. Once again, we would

1 show multiple players being part of a bracketed
2 tournament. There may be a time frame where that
3 tournament takes place. It is important to
4 understand, when you're doing these tournament plays,
5 nothing that one player is doing affects the outcome
6 of another player. They're purely watching the
7 outcomes. They're seeing all their random events.
8 And then, whoever wins or gets the most amount of wins
9 during that period advances to the next bracket. And
10 we'd play a bracketed type of tournament. And we'd
11 show displays. So, you'll see on this presentation,
12 where you may be in a bar type atmosphere, you'll be
13 playing your standard slot type of games, but you may
14 be playing it in a community-like environment, where
15 people are seeing the outcomes of the bracketed
16 tournaments on a large display board. And this is
17 really playing to the idea that we're going to be in a
18 social environment. We're going to be multitasking.
19 We're going to be talking with people. We're going to
20 be having food and beverage. And we may, at the same
21 time, then be, you know, playing some of the devices
22 and watching them up on the board.

23 The other side is, there's virtual
24 sports now. The virtual sports is, once again, just
25 that same thing, a play on a standard random number

1 outcome, where you may have something that looked like
2 a horse race or a car race, but in the end of the day,
3 it was a random outcome. And you would watch that
4 shown through a virtual race on your screen or on your
5 television.

6 From the standpoint of being flexible
7 and forward-looking, Sciplay is what we'll call the
8 back end platform that allows all these outcomes to be
9 generated. Maybe the best way to look at the Sciplay
10 platform in this environment is that it is the game
11 machine. It is exactly like, you have an electronic
12 game machine on the floor that would have many
13 different types of games on it and when you connect to
14 that Sciplay system from a mobile device, the mobile
15 device is almost like a TV set. You can't affect any
16 of the outcomes. None of the random generation is
17 being done on the mobile device. It's purely being
18 used as a display device. So, the Sciplay is really
19 that whole electronic game machine or the slot machine
20 on the back end. All the different mobile devices
21 that play on that are really just showing the outcome
22 to the players when they come up.

23 Inside of the Sciplay are our ability
24 for us to capture e-mail, to do payments. I'll talk a
25 little bit how we do that, all the game data. You can

1 also look at loyalty, age verification, and ID
2 verification. It is important to remember that
3 because this is inside of a protected age facility,
4 all of the age protections are the standard age
5 protections that we know and appreciate inside the
6 land base. Everyone is screened. Everyone is looked
7 at just to get in the venue. And that's the only area
8 that these games are provided.

9 It's built for the casino environment.
10 This is not a product that is built for outside of the
11 casino environment. It is integrated with the
12 existing casino systems. I previously have worked
13 with GTECH. I know exactly how to integrate. We have
14 integrated with the GTECH systems. We also do similar
15 control and management systems in our business. So,
16 we're familiar with that process. We're familiar with
17 how to integrate it. And we understand that this
18 system has to act and look exactly like and be
19 auditable any game on the floor is audited. And we
20 will make sure that that interface takes place.

21 We monetize new areas of the venue. So,
22 in areas where you wouldn't have previously had slot
23 machines or game play being available, in areas such
24 as food and beverages, as long as they're in a
25 controlled environment with regulated employees, we

1 would offer that.

2 When I say skin and customize, the skin
3 and customize really means that we're able to offer
4 different views around it. So, if you're in a certain
5 area or a venue, we can let you know that you're in,
6 you know, Jimmy's Bar and Tavern or you're in the ---
7 in an area of the casino that we can monetize --- not
8 monetize, but we can customize to that area so people
9 feel an affinity to where they are. If you're in a
10 sports lounge, we can give you a sports lounge appeal
11 around the gaming environment.

12 And then, we're able to, you know,
13 attract people through the ability to use community
14 signage. So, we can have TVs around the area. Those
15 TVs can do the community type of play. They can show
16 the bracketed type of environments that we're doing,
17 the tournaments. And then, we can have players kind
18 of see that as a call to action in the areas that
19 we're in.

20 The features that --- and continuing on
21 that are the notification services for real-time
22 customer touch points. So, I can tell you when you're
23 an area, hey, would you like to play this? I can send
24 notifications to you. We have integrated bonusing, so
25 the same type of bonusing that might be available on a

1 --- an on-floor game can be available through these
2 devices as well.

3 And we offer --- at the end of the day,
4 I really don't care who owns the device. It could be
5 --- the operator can own the device. The casino can
6 own it or the player can own it. I'm client device
7 agnostic. I don't really care. And we don't require
8 you to have to have a download. But they're certainly
9 capable of doing that, as well. The system is secure.
10 And it's very scalable, from the standpoint of being
11 able to grow if the volume grows. There is an aspect
12 of volume that I will mention later, because we
13 understand we have to keep among some limits. And I
14 think the number is 5,000 in this situation.

15 The idea here is to introduce a new
16 Class 3 server-based gaming that utilizes kind of off
17 the shelf smart personal devices as the gaming
18 terminal or as the viewer or the browser to these
19 devices. We want them to be portable, small
20 footprint, easy to install, and offered under
21 inter-utilized areas of the casino floor. We would
22 let players bring their own devices or use devices
23 that are provided by the operator. And that lowers
24 cost of provisioning and maintenance, obviously.

25 When you look at some of the other

1 features, we have a large number or a large amount of
2 content at WMS, from our Williams Interactive Group.
3 That Williams Interactive Group operates in many
4 different markets. We've been five years in Europe,
5 and just emerging into the U.S. market in Delaware,
6 with some of the same types of slot mechanics and
7 games that I talked about. So, that same content,
8 that it's been available in the market before in
9 approved jurisdictions is what we would use as part of
10 this offering. It's specifically designed to be
11 venue-based and it looks at using a secure local
12 server. So, even the server that provides the content
13 is still located inside of the facilities of the
14 casino. It is not an internet-base. It is not on the
15 internet. It is not provided to anyone outside. They
16 can't even reach this without being inside of the
17 casino. The idea is that there is a Wi-Fi network or
18 a hotspot inside of the casino. Only that hotspot
19 serves these devices. That hotspot is not available
20 to the outside users from the internet, the public
21 internet. And therefore, you know, we could keep the
22 transactions or the game play just inside the venue.

23 We have some other technology. I have
24 it a little bit later in the presentation. But we
25 have some other technology called Bluetooth Low

1 Energy. That really is just like a beacon. And, if
2 you will, it's a little bit like, you know, when you
3 have your dog with a dog collar and if it strays
4 outside, it gets a shock. The Bluetooth beacon is
5 similar to that, as if you stray outside of the
6 boundaries of that, then we shut off the ability to
7 game, do gaming. And that is very precise, as far as
8 its location.

9 In other words, it has measurements that
10 are capable of looking at how many inches away you are
11 from that device, where Wi-Fi you might not really
12 know how far away you are from it. So, we use Wi-Fi
13 to let you get on it and then, we use these beacons to
14 make sure that you're not outside of the range. So,
15 we shut down your gaming when you're outside of that
16 device.

17 As we talked about before, all the
18 accounting and performance metering reside inside the
19 game server. And that's hooked up to the GTECH
20 system. We use something that's called HTML5. That
21 doesn't need to mean anything to you, except the fact
22 that it allows us to offer this service to different
23 types of devices that have different screen formats,
24 so that it can be flexible and we don't have to
25 rewrite all the games. And what's important about not

1 rewriting games for different devices is that you
2 really only have to test one application. You don't
3 have to test many different applications. And that
4 saves a lot of your time for yourselves and us and the
5 casino, when you're going through the labs, the lab
6 work.

7 We want to keep this easy. Once again,
8 this is what we kind of view as a second screen
9 device. You'll notice that new players, our younger
10 demographic, seem to need to have three, four, five,
11 six things going on at the same time. We understand
12 that that's exactly what this is. So, this is a kind
13 of, you know, keep it simple style of play. It needs
14 to be intuitive. And it needs to be, you know,
15 exactly what you see is what you get. We'll make sure
16 that there are URLs and QR codes, which are really
17 just forms of attraction, so the players can
18 understand how to hook into the system. And as I said
19 before, it's browser-based, which means none of the
20 games are really residing on the phone. It's just
21 being shown on the phone as the same way a TV program
22 is shown.

23 We have all different types of content.
24 We have an extensive library of authentic, well-known,
25 premium casino slot games. And we also offer

1 traditional casino games such as Poker, Roulette,
2 Blackjack and Baccarat. Remember, all these games are
3 just single-player versions and single-player
4 instances of that product. And as we said before, we
5 can use the same kind of signage. And it's very
6 similar, if you will, to, like a Keno game, when we
7 talk about a community game or community within venue
8 signage, where you might see some results that happen
9 or a player go around --- a mock piece go around a
10 board like Monopoly. And you are, if you will,
11 wagering on whether or not they land on your property,
12 which is the same way of you picking number 13 on a
13 Keno square and hoping the random number generator
14 finds 13.

15 In fact, we just do many instances of
16 what, in the basic game, is a Keno game or a slot game
17 and then show it in different visualizations. The
18 content is designed to the player's device. I talked
19 a little bit about this before. You can see examples
20 of that on these screens here. So, someone is on a
21 tablet device here. Someone is on a smaller mobile
22 phone factor. And there's different games. You can
23 see a slot game in one and a Keno type of game in the
24 other, but they conform to the different screen sizes
25 and that helps minimize testing. And it also makes it

1 easy for us to put it out in the field and more
2 ubiquitous for all the different devices that are out
3 in the field today.

4 The system's architecture that we have
5 here --- this really kind of shows you all of the
6 different pieces. There are the operator servers
7 there are here. Those would be the integrations to
8 the existing GTECH systems for the central control and
9 management and the reporting back to the State. We
10 have those all, what we call firewalls. So, you see,
11 the brick wall in there is made to make sure that
12 there is no ability to access any other parts of that.
13 Only the known traffic that's needed to go through
14 those systems goes there.

15 We have the Wi-Fi, which allows us to
16 communicate with all these different devices and signs
17 out there. And then, we use BLE, or Bluetooth Low
18 Energy Beacons, which is to keep us in those specific
19 areas. I will tell you, also, that there are some
20 areas in casinos where we are not allowed to actually
21 have gaming devices. And we will use those beacons,
22 actually, in those devices to shut them off when
23 anyone is in one of those type of areas of the casino.
24 You then have the ability to have kiosks, tablets,
25 smart phones, and then, the signage, all working off

1 of this system's architecture in a secure environment.

2 Every technical slide requires a lot of
3 --- one slide that least has a lot of three letter
4 acronyms on it, and four letter acronyms. But this
5 slide here is really one that talks about what
6 security we've put in place here. Mr. Chairman, the
7 security here on this system is kind of Department of
8 Defense. This is not even your standard Wi-Fi type of
9 network. There's no ability for anyone in the area
10 and snoop or look at what's going on over the air or
11 see anyone else's play or be able to get into the
12 system. And these technologies that we've talked
13 about here really make this a safe and secure
14 environment all the way from the server to that
15 person's phone. And no ability for them, even on
16 their phone, to be able to get access to any data
17 other than through the browser that we provide them on
18 their phone.

19 We have the ability for complete audit
20 of all transactions. Every single transaction that's
21 done is auditable on our system and also sent across
22 to the GTECH system. We understand that there's a
23 limit on the number of devices. We will limit one
24 session per device. Each device has something that's
25 called a MAC. It's a unique address that every phone

1 in the world has. And we will only let one session
2 play on that device, meaning you can't have multiple
3 sessions on one. And we will look at the unique
4 sessions that we have and make sure at no time there
5 are greater than 5,000, which is the maximum number of
6 machines or electronic game machines that Parx are
7 able to have on their floor. And then, we also
8 recommend to use, and we will use, some servers that
9 are made for very tight, what we'll call Wi-Fi secure,
10 services that are kind of mission-critical. And that
11 is the main part of our presentation that deals with
12 that.

13 And then, I'll talk to you about the
14 player management, the ability to work with other
15 games. We have put this on a Norwegian Cruise Lines
16 before. We have run that by GLI for opinions. We
17 will be in front of the Nevada Gaming Control Board in
18 three months from now with the server and one game.
19 We will then load up games after that. That is well
20 within the time frames that Parx is looking for that.
21 But we will not be first here. We will be a fast
22 follower in that. And we will have a good amount of
23 time to have gone through this the Nevada Gaming
24 Control Boards prior to a launch here.

25 Once again, this is something that

1 allows all the slot and accounting systems to
2 integrate with us. And it's also compatible with what
3 the standard EGM, or the Electronic Game Machines talk
4 today, which is the staff's protocol. And then, the
5 other one is a G2S, which is more of an industry
6 standard that's coming up. And that is more modern.

7 The last piece here is really how we
8 might be able to facilitate different payments. So,
9 you can certainly get a pre-paid card. You may go to
10 the cashier. You may go to the cage, provide money,
11 get a pre-paid voucher or a number card that you enter
12 into your phone to put money into your account.
13 There's also the ability to go up to kiosks that are
14 ATM-like, type in your name and password, give that
15 either a TITO ticket, cash, or any form of payment.
16 And then, that would automatically credit your account
17 on your device. So, you would have to go to that
18 machine, just like you would get a TITO device or any
19 type of voucher that you wanted to go into an EGM.
20 We'd use the same type of methodology here to fund the
21 accounts inside of the player's mobile device. We
22 wouldn't be doing any mobile payment or mobile funding
23 directly in that. We will use the same devices that
24 are used today.

25 And Mr. Chairman, and Members,

1 Commissioners, that is the end of my presentation.
2 I'm happy to take any questions that you may have.

3 CHAIRMAN:

4 Mr. Kohler, anything else from ---?

5 ATTORNEY KOHLER:

6 One moment. Yes. Mr. Dixon's going to
7 speak to --- you've heard from the vendor and, you
8 know, all the great things of how this technology
9 works. Mr. Dixon's going to speak to why Parx has
10 been attracted to this product, why they think it's
11 critical to their future business plan, attracting
12 younger persons to the casino, modernizing their
13 product, and maintaining and expanding their business.

14 MR. DIXON:

15 Good morning, members of the Commission.
16 My name's John Dixon, D-I-X-O-N. I'm the CTO for
17 Greenwood Gaming, the owner of Parx Casino. We've
18 looked at the BetCloud system for some time now and
19 we'd already spoken to your staff before.

20 One of the big issues for us is, if you
21 look at an average slot player, they're all in their
22 50s or 60s, in general. And you know, we had a kind
23 of similar experience in racing over the years, where
24 the population of racing players got older and older.
25 And younger people weren't getting interested in the

1 sport. And as much as we've tried, it's been very
2 difficult to get younger people interested in racing.
3 And what we don't want is to see the same thing happen
4 with slots, where slot players get older and older.
5 And younger people don't seem to be very interested in
6 playing slot machines. You know, we've had slot games
7 that have been developed with younger people in mind,
8 some of the themes that you think would appeal to
9 younger people. But for whatever reason, they don't
10 seem to want to sit in a casino at a slot machine and
11 play slots.

12 So, we've spent quite a bit of time on
13 research, you know, into what would attract younger
14 people into our business. And one of the things is,
15 they like to play things on mobile devices. And they
16 like to do things, as Steve said, multiple things
17 simultaneously. So, this is part of a program where
18 we want to create an area in the casino where it would
19 be much --- aimed at a much younger demographic.

20 There'd be, you know, loud music and
21 videos and sports on the screens and lots of things
22 going on. They can sit. They can play on their
23 mobile devices while they're having a drink or
24 something to eat and, you know, talking to their
25 friends, a much more social kind of atmosphere, you

1 know, also linking it to social media, things like
2 Facebook and Twitter and all that sort of thing that
3 young people are really interested in. And the idea
4 is to try and expand our business, create, you know,
5 more revenue both for us and for the State by offering
6 something that would appeal to a whole new generation
7 of slot players.

8 Now, our fear is if we don't start doing
9 that, that we're going to end up with an aging
10 population and, you know, potentially, revenues start
11 to fall. And obviously, none of us wants that to
12 happen. So, that's kind of our motivation behind
13 looking at BetCloud as a product.

14 CHAIRMAN:

15 Anything else, Mr. Kohler?

16 ATTORNEY KOHLER:

17 I think that's it for our presentation.
18 Again, we're pleased to answer any questions.

19 CHAIRMAN:

20 Any questions from the Board? John?

21 MR. MCNALLY:

22 One question. With regard to expanding
23 the gaming experience on page nine, you made a
24 specific reference to under-utilized areas of the
25 gaming floor, being able to be accessed by this

1 technology. What, specifically, areas are you talking
2 about, about the gaming floor?

3 MR. BEASON:

4 It's mostly the food and beverage areas,
5 the bar type areas where people are not necessarily
6 going to sit. They're going to be sitting at tables.
7 And they won't be sitting in front of a game machine.

8 ATTORNEY KOHLER:

9 But --- and John can clarify this. The
10 technology allows you to access the platform from
11 almost anywhere within the casino. That would include
12 areas where people aren't normally gaming, like, you
13 know, in any food and beverage outlet. But I think
14 the Parx plan is more to establish --- to use this
15 technology to establish a specific mobile gaming area
16 of the casino that would attract, again, a particular
17 market segment that we aren't attracting now. And
18 maybe John can, again ---.

19 MR. DIXON:

20 Yeah. I mean, our current plan is to
21 create a specific area that would have not only the
22 mobile gaming, but would have other entertainment and
23 things that would specifically be targeted to a much
24 younger audience. So, it's not that we necessarily
25 see mobile gaming being something that we would

1 introduce in our restaurants or in our bars or --- you
2 know. Over time, it might be. But initially, that's
3 not really our focus for the technology.

4 MR. MCNALLY:

5 With regard to your system, you know,
6 while someone --- you have, essentially, a kill switch
7 if somebody walks beyond the area. Will you also be
8 able to track where the individuals are within the
9 casino?

10 MR. BEASON:

11 Yes. Mr. Commissioner, it would be ---
12 the way that the beacons work is that each beacon is
13 uniquely identified. And so, I know exactly where
14 that beacon is. And so --- and I know exactly how
15 many feet away you are from that beacon. And that's
16 the way we kind of put that kill switch in a specific
17 zone.

18 MR. MCNALLY:

19 That's all I have.

20 CHAIRMAN:

21 Keith?

22 MR. MCCALL:

23 Thank you, Mr. Chairman. It seems very
24 innovative to me. And it's an interesting approach to
25 try to attract new gamers. Page two, you identify a

1 number of, you know, offerings. The only one that I
2 kind of don't understand is persistent gaming. If you
3 could just maybe give me a little example of what that
4 means?

5 MR. BEASON:

6 Sure. Persistent gaming is a little
7 more like, if you were to take part in a multi-level
8 type of slot game where there's multi-level type of
9 bonusing. You may find a situation where you can go
10 away and then come back and continue to go from where
11 you left off.

12 The same way that all --- what we'll
13 call persistent gaming is, you may play for five
14 advanced drawings. And whether you're connected or
15 --- so you may buy five draws of Keno with the
16 following numbers and that will persist in the system,
17 whether or not you're viewing it or actively
18 participating. You can come back and see the results
19 of that.

20 MR. MCCALL:

21 And the games are basically slot
22 machines?

23 MR. BEASON:

24 That's correct.

25 MR. MCCALL:

1 Explain to me again where the testing
2 --- the trying and the testing of these ---. You've
3 rolled it out just in a --- one of the cruise lines,
4 did I hear you say?

5 MR. BEASON:

6 That's correct. Norwegian Cruise Lines.

7 MR. MCCALL:

8 Any other casinos, land-based casinos
9 anywhere have these?

10 MR. BEASON:

11 The land-based casinos are not using
12 this technology at the moment. But we have many
13 internet-based casinos. When I talked about being in
14 Europe for five years, so it's the same back end
15 platform, the same technology is used here. So, it's
16 kind of tried and true and proven, and gone through
17 all the GLI processes and approvals. But it hasn't
18 gone through a Class 3 approval. The first of that
19 will be done in Nevada prior to launch here.

20 MR. MCCALL:

21 And maybe a question to our staff. If
22 we were to approve this, this would go through our
23 gaming lab and our gaming lab would review, test try,
24 make sure what they say works.

25 CHAIRMAN:

1 I guess we should have --- the
2 appropriate person would be Michael Cruz, I suppose.
3 Michael, could you stand for just a minute? Thank
4 you.

5 MR. FAJT:

6 Come on up.

7 CHAIRMAN:

8 Come on up if you will. You can have a
9 seat right there, Michael.

10 MR. MCCALL:

11 Have you seen this technology, Michael?

12 CHAIRMAN:

13 I'm sorry, if you will first just state
14 your name and your position with the agency, Michael?

15 MR. CRUZ:

16 I'm Michael Cruz, C-R-U-Z. I'm the
17 Chief Technology Officer for the Gaming Control Board.

18 MR. MCCALL:

19 Thank you, Mr. Chairman. Could you just
20 elaborate a little bit, Michael, on ---?

21 MR. CRUZ:

22 Our role in this --- we will work with
23 Parx and WMS and, you know, understand the technology.
24 And we will treat it just like any other slot machine
25 or system that we review now. We will review the

1 system, review its capabilities. And then, test it,
2 either in the lab. And also, for this specific
3 situation, we would have to test it onsite to verify
4 some of these electronic fences are currently in
5 place. So, if they map out a specific zone, they
6 fence it in electronically, we would have to test to
7 make sure that that actually is in place. But that
8 would be something that we would look at specifically
9 in the lab.

10 MR. MCCALL:

11 Thank you very much.

12 CHAIRMAN:

13 Greg?

14 MR. FAJT:

15 Thank you, Mr. Chairman. A couple of
16 questions. Didn't WMS just merge with SciGames, and
17 is that merger completed now?

18 MR. BEASON:

19 Yes. Mr. Commissioner, it's complete.
20 I should tell you also that I'm the CTO of Scientific
21 Games, also. So, I span both roles in both companies.
22 And the merger is complete since January.

23 MR. FAJT:

24 Okay. Thank you. To follow up on
25 Commissioner McCall's comment about other

1 jurisdictions, I understand it's not operating in any
2 other jurisdictions other than the cruise line. Does
3 that cruise line have a central computer system?

4 MR. BEASON:

5 Yes, it does.

6 MR. FAJT:

7 And who monitors that central computer
8 system?

9 MR. BEASON:

10 Oh, I'm sorry. When you said central
11 computer system, I thought you were referring to ---.

12 MR. FAJT:

13 I mean, I understand that they have
14 GTECH equivalent?

15 MR. BEASON:

16 Yeah. At the current moment, they don't
17 have a GTECH system.

18 MR. FAJT:

19 So, this technology has never been
20 rolled out in a jurisdiction, including Nevada, which
21 does not have a central computer system?

22 MR. BEASON:

23 Yeah. But if I might say, there's this
24 ---. The base of this system is also used for our
25 central control and management systems that we run.

1 So, it has its slot accounting systems. And we have
2 already hooked up our Gaming Control Boards or our
3 gaming systems to other central systems, including
4 GTECHs, in other jurisdictions. But not using
5 BetCloud. I know that's somewhat complex. But if you
6 will, this system, the back-end system, is a system
7 that we use in other jurisdictions to do slot
8 accounting and what we'll call --- what you call
9 central system functions.

10 MR. FAJT:

11 Okay. Michael, maybe a better question
12 for you. Have we had any discussions with GTECH about
13 this system?

14 MR. CRUZ:

15 No. Not yet. This is new.

16 MR. FAJT:

17 You have?

18 MR. BEASON:

19 I have, yes.

20 MR. FAJT:

21 And have they signed off on this? Or
22 have they given you any public approval letters saying
23 that you can interface with their system or is that to
24 be done once --- and if we ever approve BetCloud?

25 MR. BEASON:

1 That's exactly right. So, the idea here
2 is that we already have agreements with GTECH to
3 interface with their systems. But upon completion of
4 this or approval of this, we would then go and make a
5 specific discussion with them for that interface.

6 MR. FAJT:

7 Okay. One last ---.

8 MR. BEASON:

9 But that's a fairly standard thing in
10 the industry today.

11 ATTORNEY KOHLER:

12 One point, Commissioner Fajt, which was
13 mentioned earlier. In planning this out, we figured
14 from the beginning it was going to take ---. This is
15 new stuff. We're asking you to be a leader in a
16 particular area and that it would not happen
17 overnight, if you will. It would take some time for
18 you to be comfortable with it, for the lab to be
19 comfortable with it. So, we've built some leave time
20 into it. As you heard Mr. Beason say, there's going
21 to be regulatory approvals in Nevada in three months.
22 Our rollout, and you know, if everything went well,
23 our rollout in Pennsylvania, with your approval, would
24 be well after that. So, it's not one of these things
25 where we're coming to you and saying here's what we

1 want to do next week. We knew that wasn't possible
2 for this type of project. With that said, we do have
3 a schedule. And we're hoping the Board can work with
4 us on that. But this is --- we had a session with
5 staff. We now come before you. Our expectation is
6 that you'll want to know more, have a little bit of
7 time to get comfortable with this. And that's
8 certainly fine with us.

9 MR. FAJT:

10 Let's talk a little bit about the wins.
11 I understood you to say that you load, you pre-pay,
12 for your play. So, you go put \$100 in. The device
13 --- I'm a little confused. Is it your device or can I
14 walk in and get the app on my device? How's that
15 work?

16 MR. BEASON:

17 It's capable of doing both.

18 MR. FAJT:

19 So, you will have tablets or whatever
20 that somebody can play on or I can walk in and get and
21 get an app. And then, I go over to the kiosk or the
22 cashier and load money onto my iPhone?

23 MR. BEASON:

24 Correct.

25 MR. FAJT:

1 So, I could put \$100 on my iPhone?

2 MR. BEASON:

3 Yeah.

4 MR. FAJT:

5 Do you need an app?

6 MR. BEASON:

7 You do not have to have an app for this.

8 MR. FAJT:

9 So, I get \$100, pay \$100. I get a game
10 on my iPhone. I play it. I win. And then, do I take
11 my iPhone back to the cashier and then, they say,
12 okay, you won \$200 and they pay you out? Is that how
13 that works?

14 MR. BEASON:

15 Yeah. The ability to go back through,
16 for example, a device may be provided by one of the
17 existing providers that we're working with. In other
18 words, there are ATM and kiosk cash machines, both in
19 the cage and on the floor outside of the gaming areas.
20 Those allow you to kind of go in and say, here's my
21 account. Here's my information. And then, the same
22 way you would put a TITO ticket in, you would get a
23 TITO ticket out or cash back out. So, you would put
24 your money in through that same way. And you would
25 get your money out, as long as you're providing your

1 account information at that --- at those devices.

2 MR. FAJT:

3 And, I mean, what kind of security is
4 there over that account information? I mean,
5 that ---.

6 MR. BEASON:

7 Very good question. The account
8 information is all stored on the secure server. It's
9 behind the firewall. It's all done with, you know,
10 what we --- the last part of the page showed all the
11 different encryption techniques that we use to make
12 sure no one can see that information, no one can get
13 access to it. It's on a secure server in the same
14 data centers where the central systems are located for
15 this, using the same types of technologies to control
16 or, if you will, prevent access to that data.

17 MR. FAJT:

18 And one last question. And, again, this
19 is probably --- thank you, Mr. Beason --- for you,
20 Michael. Without naming any names, are there any
21 other Pennsylvania casinos that are looking at this
22 technology beside Parx? And, again, I don't want to
23 know names.

24 MR. CRUZ:

25 Not that I know of.

1 MR. FAJT:

2 Thank you, Mr. Chairman.

3 MS. KAISER:

4 I have questions.

5 CHAIRMAN:

6 Annmarie?

7 MS. KAISER:

8 So, you can use any smart phone or
9 tablet. Do they have to meet certain specifications?
10 Does it need to be a certain model number? And will
11 that be advertised to consumers so that they know when
12 they're going in?

13 MR. BEASON:

14 Yes. What we do is, we do offer the
15 basic kind of, if you will, standard phones, as in
16 iOS, the Android, and the Microsoft along a certain
17 level of technology that provides what we'll call
18 browser-based interface. And so, we know what those
19 are. In fact, when a device presents itself to the
20 BetCloud system, we can query it. And we will know
21 whether or not you're approved. And we will work with
22 the Gaming Lab so that they can test those devices to
23 make sure that no one else can come in. And so, if
24 you're not on an approved device, then we sense that
25 on the back end server and then, we're able to let you

1 know that you have to have another device to work with
2 us.

3 MS. KAISER:

4 Okay.

5 MR. BEASON:

6 But we'll cover, you know, probably 92
7 percent of the devices that are smart phone based
8 devices out there.

9 MS. KAISER:

10 Right. Will those smart phones or
11 tablets have to have certain security on there
12 themselves?

13 MR. BEASON:

14 The reason ---.

15 MS. KAISER:

16 Without taking into account when you
17 decide if that device can be used?

18 MR. BEASON:

19 That's right. You have to have a
20 certain level of browser that we know to be secure,
21 that we know doesn't have any ability to be tampered
22 with. And even though you're able to maybe look at an
23 outcome, if you didn't have the latest security,
24 there's no way for you to be able to modify and/or
25 change it. And that's really what we're most

1 concerned about. When we look at your browser
2 capability that's on your smart phone, we really want
3 to make sure that you're having a good experience with
4 the system, not that you're really able to be tampered
5 with because there's no ability to really tamper with
6 a central system. Because nothing on the phone is
7 part of the game. I just want to make sure that it's
8 a TV that handles HD, if you will.

9 MS. KAISER:

10 Right.

11 MR. BEASON:

12 Right.

13 MR. DIXON:

14 Let me just expand on that, just a
15 little bit. This is really --- as far as the issue of
16 about what devices can work and things like that.
17 This is really no different to online banking, these
18 days. I mean, pretty much everybody, I would think,
19 uses a phone or an iPad. You go online. You do all
20 your banking. You deposit checks. You can pay bills.
21 You can do everything. The bank, it's the same issue,
22 really. Any phone that has a smart --- that's a smart
23 phone with a browser with an up to date operating
24 system is going to be able to connect to the banking a
25 secure way and then process those transactions. It's

1 really exactly the same thing. So, as long as your
2 --- the browser is up to date and your phone --- your
3 operating system on your phone is up to date ---.
4 Which, you know, all the phones prompt you to do
5 updates every now and again. You're going to be able
6 to work securely with the system. So, really, the
7 type of device or who made the device isn't really
8 much of an issue.

9 MS. KAISER:

10 And when you go to access this, will you
11 be checked against the self-exclusion list?

12 MR. BEASON:

13 Yes. So, with one, you can look at a
14 unique way to look at devices. You can exclude any
15 device. So, I talked before about every device has a
16 unique number. It's called a MAC address. We can
17 permanently ban those at any time. And then, we also
18 have the ability to have an exclusion from a user in
19 the account base.

20 ATTORNEY KOHLER:

21 But also, remember that because this is
22 in a portion of the casino, you already, on the front
23 end, have all the protections that any patron coming
24 into the casino would have, whether it be for underage
25 or exclusion.

1 MS. KAISER:

2 And now, this is my next question, about
3 underage. So, that --- this isn't going to add to the
4 issue of having minors, then because they should be
5 checking for those before the person even gets to
6 that?

7 MR. DIXON:

8 Correct.

9 MR. BEASON:

10 Yes.

11 MS. KAISER:

12 Okay. That's all I have.

13 CHAIRMAN:

14 Go ahead, Dave.

15 MR. WOODS:

16 I have just one question. A launch of
17 this, do you see a soft launch taking place as people
18 learn how to do it? Some are intuitive, but others
19 need to work with the device a little bit beforehand.
20 How would you see a launch of this taking place?

21 MR. DIXON:

22 I think we would --- yeah. We'd be
23 launching it in a fairly small area in the casino to
24 start with. And we would have staff there to explain
25 it to customers and help them, you know, get their

1 accounts set up and log onto the system and basically
2 teach them how to play. Absolutely, yes.

3 MR. WOODS:

4 I just didn't know if there was any
5 play, so to speak, a promotional play or some play
6 that wouldn't involve their own dollars.

7 MR. DIXON:

8 We could put some games on there in a
9 play for fun mode so that you could --- yeah, you
10 could play for --- just for fun. You know, you get
11 100 free credits and see how it works. We could
12 certainly do that as well. We haven't really got to
13 that level of thinking yet.

14 MR. BEASON:

15 When we did the cruise lines, you may be
16 aware that when you're inside of a port, when you're
17 within 200 miles, then you actually --- well, the way
18 the system works there is it goes into free to play
19 mode and it's only free to play within that area. And
20 then, when it goes outside the 200, the crew actually
21 switches it on to for real money gaming. And then, we
22 do it. So, we have the ability to switch.

23 MR. WOODS:

24 Thank you.

25 CHAIRMAN:

1 Greg?

2 MR. FAJT:

3 Thank you, Mr. Chairman. One last
4 question. Back to the GTECH issue. Would their
5 contract with the Department of Revenue need to be
6 amended to allow for this type of gaming? And if so,
7 is there any additional costs to that contract because
8 of this additional gaming apparatus?

9 ATTORNEY KOHLER:

10 Commissioner, I don't think they're
11 going to know the answer to that question. I would
12 --- did not have the forethought to go and look at the
13 GTECH contract before this.

14 MR. FAJT:

15 Okay.

16 ATTORNEY KOHLER:

17 We certainly can do that. Frankly, I
18 wouldn't expect any, but you never know. That
19 contract surprises me from time to time.

20 MR. FAJT:

21 Okay.

22 ATTORNEY KOHLER:

23 So, if there's a contract issue,
24 obviously, we'll have to deal with it.

25 MR. FAJT:

1 Okay. Thank you.

2 CHAIRMAN:

3 Annmarie?

4 MS. KAISER:

5 I apologize if you covered this and I
6 missed it. But, you know, typically, when you're
7 adding slot machines, you're coming before the Board
8 for approval, you're working with the Gaming Board.
9 How, adding these players, are you going to pursue
10 approval from the Board? How would that work?

11 MR. BEASON:

12 We do it in the same way that the
13 statute, you know, looks at it in the traditional
14 sense. If we have --- I don't know. If we have, I
15 don't know, 3,200 traditional units and we're setting
16 up an area with a capacity of, you know, 500 potential
17 mobile gamers, again, the initial plan is to have a
18 mobile gaming area.

19 MS. KAISER:

20 Okay.

21 MR. BEASON:

22 Which is going to have a certain
23 capacity. You know, if that's at full capacity, we
24 now have 3,700 units. Maybe we'd come to you for
25 approval for 4,000 units, because you usually ask for

1 a little more than you're exactly at, but we would
2 have to take advantage of, essentially, the exception
3 of the statute and come to you for additional units
4 above 3,000 and get your regulatory approval.

5 MS. KAISER:

6 The other question was, is it all areas
7 of the casino that you'll be able to use this device
8 or certain specific areas? For example, could you use
9 it at the racetrack?

10 MR. DIXON:

11 We plan to implement it, initially, only
12 in a controlled area of the casino. The racetrack
13 building, being a separate building in our case.

14 MS. KAISER:

15 Yeah.

16 MR. DIXON:

17 The Wi-Fi network wouldn't be available
18 in the racetrack building.

19 MS. KAISER:

20 Would or would not be?

21 MR. DIXON:

22 Would not be available. So, it would
23 strictly be within the casino building.

24 MS. KAISER:

25 I was concerned about ---.

1 ATTORNEY KOHLER:

2 You have to distinguish between what's
3 technologically possible, which is what Mr. Beason
4 will tell you.

5 MS. KAISER:

6 Yeah.

7 ATTORNEY KOHLER

8 And what Parx's plans are. And you
9 know, obviously, if this is a huge success, if we have
10 this mobile gaming area and it's a huge success, and
11 everybody else starts doing it, it might make sense.
12 We'll expand it to our food and beverage outlets. Oh,
13 you know, maybe this will work over in the racetrack.
14 And of course, we're going to have to come to you for
15 all of those expansions. But the initial plan is
16 somewhat limited, is to have a mobile gaming area to,
17 frankly, attract a younger crowd. And it's going to
18 be, as it's planned out, much different than what it's
19 like in the casino, where --- in any of the 12 casinos
20 in the state, which is an area where all you hear is
21 slot machines and people, one after another person,
22 sitting there, you know, playing the machine.

23 This is going to be a very social area.
24 There's going to be all kinds of stuff going on.
25 There's going to be continuous interaction between the

1 patrons, little of which you see in a traditional
2 casino. And it's designed completely to attract a
3 different market segment, which none of the 12 casinos
4 in this state and few anywhere in the world have been
5 able to attract.

6 MS. KAISER:

7 My concern with having it in the
8 racetrack area would be that you'd have individuals
9 who are under 21. So, that's something you want to
10 keep in mind.

11 ATTORNEY KOHLER:

12 That's all true. And you know, that's
13 way down the road. And if we decide that that --- at
14 some point, that's a good idea, well, we, of course,
15 are going to have to deal with that issue.

16 CHAIRMAN:

17 Mr. Kohler, I think there are four ---
18 there are five people at the table and you may be the
19 only lawyer, which is refreshing. But I'll ask you
20 anyway. Are you comfortable that these units meet the
21 legal definition here in Pennsylvania of a slot
22 machine?

23 ATTORNEY KOHLER:

24 Completely comfortable. And I have ---
25 I don't want to speak for Mr. Sherman because he

1 certainly hasn't expounded on his comprehensive view
2 of this. But, you know, one thing about --- that's
3 actually true of both the definition of slot machine
4 and table games in Pennsylvania is it's extremely
5 expansive. It clearly could cover things that we
6 haven't even thought of in Pennsylvania casinos. And
7 if you read the definition of slot machine, the best
8 way to describe, comprehensively, the content of that
9 definition is, it's whatever the Board says it is.

10 CHAIRMAN:

11 And obviously, then, the tax rate would
12 be the same?

13 ATTORNEY KOHLER:

14 Absolutely. And it would run through
15 the central computers. As Mr. Beason has explained,
16 it would run through the GTECH system exactly like if
17 a person were sitting at the slot machine.

18 CHAIRMAN:

19 And finally, let me just ask you,
20 time-wise, when ---? Do you have any idea when you
21 would be prepared to file a petition asking for
22 approval?

23 MR. DIXON:

24 Somewhere in the next three to six
25 months we'd probably want to file the petition with a

1 view to going live sometime after that.

2 CHAIRMAN:

3 Any other questions? Ex-Officio
4 members? Go ahead, Mr. Kohler.

5 ATTORNEY KOHLER:

6 I'm going to say this with a question
7 mark at the end. I think we'd talked about this in
8 our preparatory meeting. But we would likely file at
9 some point after Nevada approval. Is that our ---?

10 MR. DIXON:

11 That's correct.

12 ATTORNEY KOHLER:

13 Yes. So, the initial focus of WMS is to
14 get this approved and implemented in Nevada. And when
15 that --- assuming that's a success, Parx would then
16 start taking steps to bring it before this Board.

17 CHAIRMAN:

18 Okay. Anything else? Anyone? The
19 PowerPoint, is that something the Board can keep a
20 copy of?

21 ATTORNEY KOHLER:

22 Absolutely. If you want to consider it
23 evidence, it's evidence. If it's just informational,
24 that's fine as well.

25 CHAIRMAN:

1 Oh, it's informational. But I'm sure
2 the --- Mr. Kohler, you and your witnesses have no
3 objection; right?

4 ATTORNEY KOHLER:

5 Absolutely no objection.

6 CHAIRMAN:

7 All right. Thank you, gentlemen.

8 MR. BEASON:

9 Thank you.

10 CHAIRMAN:

11 We appreciate the information.

12 * * * * *

13 HEARING CONCLUDED AT 10:53 A.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 4/30/2014 and that I Ariel Slotter read this
transcript and that I attest that this transcript is a
true and accurate record of the proceeding.


Court Reporter