

Greenwood Gaming & Entertainment Inc.

June 15, 2018

Via Email and First Class Mail

Pamela Lewis, Secretary
Pennsylvania Gaming Control Board
303 Walnut Street, Strawberry Square
5th Floor, Commonwealth Tower
Harrisburg, PA 17101
pamelewis@pa.gov

RE: Comments on General Sports Wagering Provisions – Temporary Regulations

Dear Ms. Lewis:

With the Pennsylvania Gaming Control Board (“PGCB” or “the Board”) working to implement sports wagering in the Commonwealth, Greenwood Gaming and Entertainment, Inc. (“GGE”) respectfully submits this correspondence in order to share its position on the issues addressed herein. GGE respectfully requests that the Board consider these comments as it promulgates its temporary regulations governing sports wagering.

I. *A Category 1, 2 or 3 Slot Machine Licensee Should be Permitted to Conduct Sports Wagering at its Affiliated Category 4 Facility Under a Single Certificate and Upon the Payment of a Single Authorization Fee.*

GGE submits that a Category 1, 2 or 3 slot machine licensee should be permitted to conduct sports wagering at its affiliated Category 4 facility under a single certificate and upon the payment of a single authorization fee. Section 13C21 of the Pennsylvania Race Horse Development and Gaming Act, 4 Pa. C.S. § 13C21 (“Gaming Act”), addresses the “authorized locations” for the conduct of sports wagering. The provision states that a sports wagering certificate holder may conduct sports wagering “at a licensed facility, a temporary facility authorized under subsection (b), and area authorized under subsection (c) or through an Internet-based system.” *Id.* (emphasis added). As the emphasized text reveals, the reference to conducting sports wagering in a licensed facility is general, and neither restrictive nor specific to a particular licensed facility. A “licensed facility” includes a Category 4 facility. *See* 4 Pa. C.S. § 1103 (defining “licensed facility” as “[t]he physical location at which a licensed gaming entity is authorized to place and operate slot machines and [...] to conduct table games and [...] to conduct interactive gaming.”). As such, a Category 1-3 licensee that holds a sports wagering certificate and also operates a Category 4 licensed facility should be permitted to conduct sports wagering at both of its licensed facilities.

This application of Section 13C21 is consistent with the legislative scheme in Act 42 of 2017. The General Assembly clearly allowed slot machine licensees to hold multiple slot machine

licenses and own multiple licensed facilities with the repeal of Section 1330 of the Gaming Act. Further, the General Assembly structured the statutory provisions related to Category 4 facilities in a manner that reflected a strong presumption that Category 4 facilities would primarily, if not exclusively, be owned by existing Category 1, 2, or 3 slot machine licensees. Only ten Category 4 licenses were made available, fewer than the number of Category 1-3 licensees, and the mandatory rounds of auction, the initial and subsequent auctions, were restricted to participation by Category 1-3 licensees. *See* 4 Pa. C.S. § 1305.2. Other qualified entities will be able to participate in any subsequent Category 4 auctions only if the Board determines, in its discretion, to hold additional auctions and allow other qualified entities to participate. *Id.* As such, the General Assembly knew that Category 4 facilities would likely be affiliated with existing Category 1, 2, or 3 casinos, and that a sports wagering certificate issued to a Category 1, 2, or 3 licensee to conduct sports wagering at a licensed facility could include conducting sports wagering at both licensed facilities.

Moreover, the reality is that it would simply not be economically feasible to require a slot machine licensee to pay an additional \$10,000,000 just to accept sports wagers at its affiliated Category 4 facility. Indeed, in the event of a Category 1-3 licensee owning multiple Category 4 facilities, such an interpretation would require a separate \$10 million fee for each Category 4 facility. The result would be that sports wagering will not be conducted at Category 4 facilities, which would cause the Commonwealth to lose tax revenue and be inconsistent with the legislative policies underpinning the Gaming Act. Notably, in ascertaining the intention of the General Assembly in the enactment of a statute, agencies must presume that the General Assembly did not intend a result that would be absurd or unreasonable. 1 Pa. C.S. § 1922.

GGE notes that, under this interpretation of the Gaming Act, there may still be circumstances that require a Category 4 licensee to obtain a sports wagering certificate. For example, if a change of control occurred with respect to a Category 4 license and the entity acquiring the license did not have a sports wagering certificate, sports wagering would have to be suspended at the Category 4 facility until the new owner of the Category 4 license obtained a sports wagering certificate. Presumably, such a condition would be imposed as part of the Section 1328 change of control approval process.

II. *The Board should establish a limitation on the number of sports wagering interactive websites (“skins”) a Sports Wagering Certificate Holder may operate.*

The Board should impose a limitation on the number of sports wagering interactive websites, or “skins,” that a Sports Wagering Certificate Holder may operate. The sports wagering provisions of the Gaming Act do not contain specific provisions related to “sports wagering interactive websites,” “skins,” or “sports wagering operators.” Rather, the Gaming Act authorizes the Board to establish these procedures. 4 Pa. C.S. § 13C02(2) (“The Board may also promulgate regulations to govern the conduct of sports wagering and the system of wagering as a form of interactive gaming authorized by the Commonwealth.”). As such, it is within the Board’s

authority to establish rules and regulations on skins that are unique to sports wagering and differ from those applicable to other forms of interactive gaming.

To that end, the Board should establish a limitation on the number of sports wagering skins a Sports Wagering Certificate Holder may operate. Given the high payout percentage applicable to sports wagering and the high tax rate in Pennsylvania, the potential sports wagering market in the Commonwealth cannot withstand unlimited skins. Accordingly, the Board should allow only one sports wagering skin per Certificate Holder.

III. *The Board Should Broadly Construe the Definitions of "Sports Wagering" and "Sporting Event" to Allow Maximum Flexibility to Accept Propositional Bets.*

The Gaming Act and the Board's Temporary Sports Wagering Regulations define "sports wagering," in pertinent part, as follows:

Sports wagering - The business of accepting wagers on sporting events or on the individual performance statistics of athletes in a sporting event or combination of sporting events by any system or method of wagering, including over the internet through websites and mobile applications when authorized by the Board.

4 Pa. C.S. § 13C01; 58 Pa. Code § 1401.2. The term "sporting event" is defined to include "a professional or collegiate sports or athletic event or a motor race event or other similar event as determined by the Board." 58 Pa. Code § 1401.2.

The definition of "sports wagering" clearly authorizes propositional bets as they relate to the play of the sporting event and individual performance statistics of athletes. There are a number of propositional bets, however, that would not be classified as relating to "individual performance statistics of athletes," but which are still related to, or a part of, the sporting event. Examples include the winner of the coin toss, aspects of half time performances and other event-related wagers. GGE submits that the Board should broadly construe the definition of sports wagering to include all propositional bets, so as to ensure the greatest potential revenue generation in the Commonwealth and the maximum opportunity for a robust sports wagering industry in Pennsylvania.

IV. *Sports Wagering at Licensed Facilities and Non-Primary Facilities Should be Authorized to Commence at the Same Time to Commence at the Outset of Sports Wagering, and such Wagering Should Include In-Game Wagering if Feasible.*

In his May 31, 2018, correspondence to the industry, Executive Director Kevin O'Toole suggested that land-based sports wagering may be commenced initially at licensed facilities, with sports wagering at non-primary locations to follow at a later date. GGE urges the Board to allow

sports wagering to be conducted at both types of land-based facilities as part of the initial roll out of wagering.

Non-primary locations are, essentially, an existing sports book. The facilities are already established and operated as a place for pari-mutuel wagering on on-track sporting events (i.e., horse races). Additionally, the sports wagering operations and internal controls at each type of land based facility will be similar, if not the same, in all material respects. Given these considerations, GGE requests that Certificate Holders be permitted to commence wagering at both their licensed facility and non-primary facilities at the time of initial commencement of operations.

In terms of the start of wagering, GGE also urges the Board to allow the full spectrum of wagers, including in-game wagers, if feasible. In-game plays are an important and popular feature of sports wagering. Given the anticipated competition from surrounding jurisdictions, Pennsylvania casinos will want to make a positive first impression on patrons with a full menu of wagering options.

V. The Board Should Allow for Maximum Flexibility for Sports Wagering Certificate Holders and Sports Wagering Operators in relation to the Location of Certain Employees, of Books, Records, and Documents, and of Equipment Related to Sports Wagering.

The Gaming Act requires sports wagering and interactive gaming certificate holders and/or licensees to maintain all books, records and documents pertaining to sports wagering and interactive gaming in a location within Pennsylvania (as approved by the Board). 4 Pa. C.S. §§ 13C23, 13B13. The Board's temporary interactive gaming regulations permit interactive gaming certificate holders and operator licensees to request that the Board's Executive Director approve an alternative location outside of Pennsylvania to store original books, records and documents. 58 Pa. Code § 811.8(e). The initial set of sports wagering temporary regulations do not address the location of books, records and documents relating to sports wagering. GGE submits that the Board should include a provision in its regulations permitting books, records, and documents related to sports wagering to be maintained outside of Pennsylvania, consistent with the interactive gaming regulations.

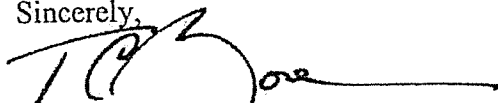
GGE encourages the Board to apply the same concept to sports wagering devices and equipment and certain employees, such as customer service and account management employees. The Gaming Act provides the Board discretionary authority to: (1) approve the location of sports wagering equipment, devices and storage of books, records and documents; and (2) establish requirements with regard to the presence of certain employees. The Board should clearly set forth in its temporary regulations its intent with regard to the location of sports wagering devices, equipment, books, record and documents, as well as certain employees, such as customer service and account management employees. Given the unique market aspects of sports wagering, the

Board should exercise its discretion and expressly permit certain employees, such as customer service and account management employees, and sports wagering devices, equipment, books, records and documents to be located outside of Pennsylvania.

Lastly, as a general comment, GGE urges the Board to afford Certificate Holders the maximum level of flexibility in structuring their sports wagering operations so as to create efficiencies and economies of scale. With a \$10 million certificate fee and a 36% tax rate, such efficiencies and economies will be vital to the success of Pennsylvania operators.

Thank you for your consideration of GGE's positions on these important matters. GGE appreciates the opportunity to comment on the Board's temporary sports wagering regulations. Should you have any questions on these comments, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Bonner', with a long horizontal line extending to the right.

Thomas C. Bonner

Group Vice President / Legal & Chief Counsel

cc: Laura Burd, Esq., Senior Counsel (via email)
Susan Hensel, Esq., Director of Bureau of Licensing (via email)
Mr. Robert W. Green, Chairman of the Board (via email)
Mr. Anthony D. Ricci, Chief Executive Officer (via email)

Harrah's Philadelphia
Comments re: Regulation of Sports Wagering

(i) Background

Act 42 of 2017 expanded Pennsylvania's Race Horse Development and Gaming Act (the "Act") by adding, *inter alia*, Chapter 13C (Sports Wagering) to Title 4, which permits the Pennsylvania Gaming Control Board (the "Board") to authorize a slot machine licensee to conduct sports wagering and to operate a system of wagering associated with the conduct of sports wagering at the licensee's licensed facility or through an Internet-based system by awarding the licensee a sports wagering certificate. See 4 Pa.C.S. § 13C11(a)(1)(i). Further, the Board may authorize a sports wagering certificate holder to conduct sports wagering and to operate a system of wagering associated with the conduct of sports wagering as a form of authorized interactive gaming ("i-gaming"). See 4 Pa.C.S. § 13C11(a)(2).

The Board is responsible for the promulgation of regulations establishing standards and procedures for sports wagering, and may promulgate regulations to govern the conduct of sports wagering and the system of wagering "as a form of authorized interactive gaming." See 4 Pa.C.S. § 13C02(2). However, Chapter 13C provides no further guidance or instruction with respect to the regulation or conduct of sports wagering as a form of i-gaming.

Harrah's Philadelphia respectfully suggests that the overriding policies informing the Board's treatment of the three "verticals" of i-gaming (i.e., peer-to-peer interactive games, non-peer-to-peer interactive games that simulate slot machines, and non-peer-to-peer interactive games that simulate table games) are the same policies that should inform its treatment of interactive sports wagering. In particular, the Board's treatment of sports wagering interactive skins and websites (collectively "skins") should be guided by the policy aims of the Act relating to skins in the context of i-gaming, and the policies of the Board reflected in its regulations on the subject. The Board's regulations make clear that the authorization of skins is not intended to create new and autonomous competition for slot machine licensees. Rather, skins are intended to part and parcel of a slot machine licensee's offerings to assist the licensee in providing its offerings to the public. In this context, Harrah's Philadelphia urges the Board to adopt and implement regulations that will prevent third parties that obtain rights to offer sports wagering skins from circumventing (i) the general policies in the Act designed to stimulate operations and maintain the competitive position of Pennsylvania's brick and mortar operators, and (ii) the fee structure mandated for the privilege of conducting a sports wagering operation on behalf of a brick and mortar licensee.

(ii) Interactive Sports Wagering – the "Fourth Vertical"

In authorizing limited gaming as a significant source of new revenue to the Commonwealth (see 4 Pa.C.S. § 1102(3)), the Pennsylvania General Assembly declares its primary objective as protection of the public through the regulation of gaming (see 4 Pa.C.S. § 1102(1)), and its intent to ensure the sustainability and competitiveness of the commercial gaming industry in Pennsylvania by authorizing i-gaming. See 4 Pa.C.S. § 1102(12.2). With these policy aims in mind, the Board adopted temporary regulations regarding the conduct of i-gaming designed to enable an open and competitive market for interactive wagering while at the same time assuring transparency and accountability for consumers.

Key among the subjects addressed by the Board in its temporary i-gaming regulations are (i) recognition that i-gaming must be provided directly by an i-gaming certificate holder or through an i-gaming operator *on behalf of an i-gaming certificate holder* (relying on 4 Pa.C.S. § 13B11(a)(1)), and (ii) the manner in which slot machine licensees may deploy skins to facilitate the conduct of i-gaming activities (relying on 4 Pa.C.S. § 13B11(a)(2)). In particular, i-gaming operators are not permitted to offer interactive games independent from an i-gaming certificate holder and the i-gaming certificate holder's webpage or the webpage of an entity within the i-gaming certificate holder's organizational structure. 58 Pa. Code § 818.3(c). Similarly, i-gaming operators acting on behalf of an i-gaming certificate holder may only offer i-gaming through the i-gaming certificate holder's webpage or mobile application or the webpage or mobile application of an entity within the i-gaming certificate holder's organizational structure. 58 Pa. Code § 818.3(d). To ensure compliance with the Act, all i-gaming skins or mobile applications must, at all times, clearly identify the i-gaming certificate holder or an entity within the i-gaming certificate holder's organizational structure on the display screen visible to players. 58 Pa. Code § 818.3(f)(2).

Applying the same regulations for i-gaming skins to sports wagering interactive websites would serve the policy aims of the Act. Specifically, requiring sports wagering certificate holders and sports wagering or i-gaming operators acting on behalf of a sports wagering certificate holder to only offer interactive sports wagering through the sports wagering certificate holder's webpage or mobile application or the webpage or mobile application of an entity within the sports wagering certificate holder's organizational structure would protect the public by providing transparency for customers. Such limitations would also protect against the potential for the inappropriate "syndication" of a certificate holder's right to conduct sports wagering and the simultaneous dilution of the market of available, qualified sports wagering operators – circumstances that could jeopardize the participation of casino licensees in sports wagering and loss of the related \$10 million in licensing revenues for each slot machine licensee that declines to participate. We believe that the Act makes clear that the General Assembly did not intend that multiple interactive sports wagering businesses should spring up under a single sports wagering certificate holder, and we urge the Board to protect against such possibility. A requirement that all sports wagering interactive websites clearly identify the sports wagering certificate holder or an entity within the sports wagering certificate holder's organizational structure on the display screen visible to players would ensure accountability relating to such operations and preserve the structure intended by the General Assembly.

The Board's treatment of interactive sports wagering should be consistent with its treatment of i-gaming as a whole in order to ensure the sustainability and competitiveness of the commercial gaming industry in Pennsylvania, and to prevent abuse by third-party providers of a limited privilege provided by the Act designed to assist slot machine licensees in serving their customers. Indeed, 4 Pa.C.S. § 13C11(a)(2) permits the Board to authorize a sports wagering certificate holder to operate a system of wagering associated with the conduct of sports wagering as a form of authorized i-gaming. As such, we respectfully suggest that the Board should consider interactive sports wagering as the "fourth vertical" of authorized interactive games (i.e., a non-peer-to-peer interactive game that simulates sports wagering) thereby assuring the fulfillment of policy aims of the Act and the intent of the General Assembly that the public be protected, that fees and new revenues be maximized while ensuring the continued competitiveness of Pennsylvania's slot machine licensees.



June 15, 2018

VIA EMAIL AND FIRST-CLASS MAIL

Mr. Kevin F. O'Toole
Executive Director
PENNSYLVANIA GAMING CONTROL BOARD
303 Walnut Street
Commonwealth Tower
5th Floor, Strawberry Square
Harrisburg, PA 17101

Re: Sports Wagering Regulations

Dear Mr. O'Toole:

This letter is sent on behalf of Penn National Gaming, Inc. ("PNG"), parent company of Hollywood Casino at Penn National Race Course, in response to the Pennsylvania Gaming Control Board's ("PGCB") May 31, 2018 Press Release inviting interested parties to submit comments regarding the promulgation of temporary regulations for sports wagering.

While the existing sports wagering licensing fee and tax rate are outside the PGCB's purview, PNG first notes that the \$10 million license fee and 36% tax rate established in the Gaming Expansion Legislation are the highest in the world and may make it impossible for a casino operator to make any return on its investment of capital. Specifically, based on the tax rate and the fact that, on average, 95% of sports wagers are returned to winning bettors, PNG estimates that it could *lose* approximately 40 cents on every \$100 wagered on sporting events at Hollywood Casino. As such, PNG is imploring the legislature to reduce the tax rate and licensing fees to a level consistent with New Jersey (9.75%-13% tax rate and no application fee) and West Virginia (10% tax rate and \$100,000 application fee). This will allow for the Commonwealth's gaming operators to effectively compete with bordering jurisdictions and, importantly, the unregulated and untaxed illegal sports betting market that includes both traditional neighborhood "bookies" and a thriving off-shore online/mobile wagering industry.

Nevertheless, PNG offers the following comments for the PGCB to consider when developing temporary regulations for sports wagering and appreciates the Board's proactive approach to accepting such comments:

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Timeline for Implementation:

PNG welcomes efforts by the PGCB to launch sports betting in Pennsylvania in time for the start of the National Football League 2018 Season. Subject to the prompt adjustment of the licensing fee and tax rate (as discussed above), PNG believes it can be ready by the start of football season to commence with in-person betting at Hollywood Casino. As it relates to online/mobile sports wagering, PNG suggests there be a 90-day delay in implementation from the commencement of in-person sports wagering in the Commonwealth to allow for the necessary additional build out of online/mobile platforms.

"Skins" and Online / Mobile Sports Wagering:¹

PNG is opposed to the issuance of any "skins" that would allow for new "white label" online/mobile sports wagering operations by third parties in Pennsylvania which utilize brands that are currently not in use in the state (for example, DraftKings or Fan Duel). The failure to prohibit "skins" with respect to online/mobile sports wagering would present significant new competition to the incumbent casino operators and result in overall saturation of the marketplace, as is occurring in the online gaming marketplace in New Jersey.

While we would likely use a third-party vendor/operator for our sports betting in-person and online platforms, we will be operating under the Hollywood Casino brand name. For example, we envision a "Hollywood Casino Sports Book" at our casino and a web address for online/mobile betting that utilizes our "Hollywood" name. We believe this will help significantly reduce customer confusion and enable us to cross-market and promote our facility with our online/mobile operations. After all, sports betting should be considered as an added amenity to our brick and mortar Pennsylvania casino, not a stand-alone business that could be operated for the benefit of an offshore or out-of-state web-based company.

Testing Regulations and Risk Management:

We recommend that any sports betting platform that has already been tested and approved for use in Nevada be given preliminary approval in Pennsylvania so that we can plan to go live before the start of the football season. In addition, we recommend that platform risk managers be permitted to manage risk from Nevada, as is the practice for Delaware, New Jersey and The Bahamas.

¹ It is PNG's position that the sports wagering provisions of the Gaming Expansion Legislation authorize only existing Slots Licensees to offer sports wagering – both in-person at land-based facilities and via online/mobile platforms – in the Commonwealth. However, in an abundance of caution, PNG offers this comment with respect to "skins."

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In-Person Sign Up Requirements:

We believe there should not be any in-person sign up requirement for wagering on our online/mobile platform. To require an account to be set up at the casino will unnecessarily slow the implementation process, be a significant inconvenience to rural consumers, and ultimately reduce tax revenue potential. As we've often said, there's no requirement to travel to Seattle to open an Amazon account. With the level of sophistication, robust verification standards and security for online account enrollment (which is similar to online banking or PayPal account enrollment) the PGCB can be assured of the integrity of online/mobile sports wagering in Pennsylvania.

Server Location for Online/Mobile Sports Wagering:

As it relates to online/mobile sports wagering, we believe the Commonwealth should allow for the servers to be based in a jurisdiction where sports betting is already legal, such as Nevada, so as not to "reinvent the wheel" by having to build a new server facility in Pennsylvania. This will allow for the quickest implementation of sports betting online and the Commonwealth will have the very same means of ensuring the integrity of the operations regardless of server location.

Licensing:

To ensure the prompt implementation of sports wagering in Pennsylvania, we believe the PGCB should permit temporary licensing of key employees and vendors that are currently licensed and regulated in Nevada for sports wagering. In addition, inasmuch as sports wagering certificates can only be issued to existing Pennsylvania Slot Machine Licensees, we submit that suitability reviews for sports wagering certificate applicants can be limited to operational issues only.

Online Funding:

The regulations should make clear that sports wagering patrons can fund their sports wagering accounts on-line or from a mobile device and are not limited to funding accounts in-person at a land-based casino facility.

Payments:

To allow for customer convenience, credit and debit cards should be allowed for the payment of wagers. The definition of cash equivalent should specifically include credit and debit cards.

Mr. Kevin F. O'Toole

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Sports Wagering Patron Identification Data:

In the interest of data privacy and security, the regulations should only require registering patrons to provide the last four (4) digits of their Social Security Number. This approach is already being followed in the Commonwealth with respect to online horse racing wagers (ADW) and by interactive gaming operators in New Jersey.

GGR Calculations:

Similar to the approach taken with respect to interactive gaming, customer bonuses and other incentives should not be included in the calculation of GGR.

Thank you for the opportunity to provide you with these comments. If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,



Daniel Ihm

Vice President and General Manager

Hollywood Casino at Penn National Race Course

CC: R. Douglas Sherman, Esquire, Chief Counsel, PGCB
Pamela Lewis, PGCB Secretary & Executive Assistant



**Comments from Major League Baseball, the PGA TOUR,
and the National Basketball Association
to the
Pennsylvania Gaming Control Board
on Sports Betting**

June 15, 2018

Major League Baseball, the PGA TOUR, and the National Basketball Association are pleased to have the opportunity to share our views on additional sports betting regulations that may be promulgated by the Pennsylvania Gaming Control Board. Pennsylvania is home to MLB's Phillies and Pirates, as well as eight affiliated Minor League baseball teams, multiple PGA TOUR events, the NBA's Philadelphia 76ers and the Erie Bayhawks. We employ thousands of Pennsylvanians and have a major impact on the economies of the state and dozens of local communities. A recent study showed that sporting events create an economic impact of \$766 million and bring 5.5 million tourists to the state annually.¹

Our goal is to ensure that Pennsylvania's sports betting framework protects fans and consumers, moves sports betting from illegal underground markets to legal betting outlets, and safeguards the integrity of the games that serve as the foundation of the sports betting industry.

When it comes to maintaining the public's trust in the integrity of professional sports, there is no room for error. The loss of confidence in sports and the sports betting market that would result from a sports betting scandal would harm the sports leagues, the millions of sports fans in Pennsylvania, and, in the form of lost tax revenue, the state's treasury. Given such risks to our product, we believe that the Gaming Control Board's regulations should reflect the important role that sports governing bodies must play in any legal sports betting framework. It is our sincere hope that the regulatory structure will reflect and encourage a genuine partnership among the sports leagues, sports betting operators, and the Gaming Control Board that will strengthen the relationship between the state of Pennsylvania and professional sports.

¹ http://www.pennlive.com/politics/index.ssf/2017/12/pas_economy_reaps_766_million.html

We have identified three key areas of concern that must be addressed in any responsible sports betting regulations:

- 1) Transparency: Enhanced communication and information sharing among sports wagering operators, the Gaming Control Board, and sports leagues.**
- 2) Accuracy: Strict regulation of data and statistics used to offer and settle sports bets.**
- 3) Safety: “Guardrail” protections that restrict prohibited persons from placing bets and allow leagues to identify and restrict certain kinds of sports betting that carry a greater risk to game integrity.**

We discuss each of these concerns—and proposed solutions—in further detail below.

1) Transparency: Enhanced Communication and Information Sharing between Sports Wagering Operators, the Gaming Control Board, and Sports Leagues

A sports league’s ability to identify and stop corruption is only as good as the information to which it has access. Access to data and information from sports wagering operators is particularly important because sports betting’s impact on integrity crosses state lines. Sophisticated betting manipulators will certainly place bets in multiple states and jurisdictions, making it much more difficult to identify, investigate, and stop manipulation. Moreover, in addition to in-state games, Pennsylvanians will bet on events that take place outside of the state, where the Gaming Control Board’s authority is limited.

We urge you to enact a flexible and robust system of data collection and sharing. This would include a three-year record-keeping requirement for basic customer information and bet characteristics and the transmission of real-time betting information to sports leagues that can be aggregated with data from other states to spot abnormal and suspicious betting patterns. Sports wagering operators also should be required to notify the leagues directly of abnormal betting activity or other conduct that might corrupt a betting outcome, including betting by a league insider. Finally, sports wagering operators should be required to cooperate fully with any investigations into suspicious sports betting activity conducted by the Gaming Control Board or a sports league.

We propose the following regulatory language to address the data sharing and cooperative efforts outlined above:

The Gaming Control Board and sports wagering operators shall cooperate with investigations conducted by sports governing bodies or law enforcement agencies, including but not limited to providing or facilitating the provision of account-level betting information and audio or video files relating to persons placing wagers.

Sports wagering operators shall immediately report to the Board any information relating to:

(a) criminal or disciplinary proceedings commenced against the sports wagering operator in connection with its operations;

(b) abnormal betting activity or patterns that may indicate a concern with the integrity of a sporting event or events;

(c) any potential breach of the relevant sports governing body's internal rules and codes of conduct pertaining to sports wagering;

(d) any other conduct that corrupts a betting outcome of a sporting event or events for purposes of financial gain, including match fixing; and

(e) suspicious or illegal wagering activities, including use of funds derived from illegal activity, wagers to conceal or launder funds derived from illegal activity, using agents to place wagers, and using false identification.

Sports wagering operators shall also immediately report information relating to conduct described in subsections (b), (c), and (d) to the relevant sports governing body.

Sports wagering operators shall maintain the confidentiality of information provided by a sports governing body to the sports wagering operators, unless disclosure is required by this Subpart, Chapter 13C of the Pennsylvania Race Horse Development and Gaming Act, other law, or court order.

The Board and sports wagering operators shall maintain the confidentiality of all information relating to conduct described in subsections (b), (c), and (d) unless disclosure is required by this Subpart, Chapter 13C of the Pennsylvania Race Horse Development and Gaming Act, other law, or court order, or as authorized by the relevant sports governing body. Nothing herein prohibits the Board or a sports wagering operator from making a confidential disclosure to another sports wagering operator, a sports governing body, sports betting regulating entity, law enforcement entity or other party for the purpose of preventing or investigating conduct that corrupts or could corrupt the outcome of a sporting event, including match fixing.

*(*Sports wagering operators shall maintain records of all bets and wagers placed, including personally identifiable information of the bettor, amount and type of bet, time the bet was placed, location of the bet, including IP address if applicable, the outcome of the bet, records of abnormal betting activity, and video camera recordings in the case of in-person wagers for at least three years after the sporting event occurs and make such data available for inspection upon request of the Gaming Control Board or as required by court order.*

If a sports governing body has notified the Board that real-time information sharing for wagers placed on its sporting events is necessary and desirable, sports wagering operators shall share in real time, at the account level, and in pseudonymous form,

*the information required to be retained pursuant to Section (see subsection * above) (other than video files) with the sports governing body or its designee with respect to wagers on its sporting events. Such information may be used by a sports governing body solely for integrity purposes.*

2) Accuracy: Regulations on the Data Used to Offer and Score Bets

While the outcome of a widely watched athletic competition is not often in question, bets on the outcomes of games are only a part of what sports wagering operators will offer in a regulated environment. Sports wagering operators increasingly will offer in-play bets, or bets placed on specific events during a game, such as whether the first pitch by a relief pitcher is a ball or a strike, or whether a golfer's 14th-hole drive will exceed 300 yards.

Third-party data is not official and is not a reliable way to settle in-play bets. Wagers on such plays are more complex, require subjective judgments (e.g., whether a batter reached base on an error or a hit, or whether a basketball player committed a forced or unforced turnover) and necessitate the instantaneous, accurate transmission of data. If operators are permitted to use data from secondhand or unverified sources to judge the outcome of a wager, it creates a risk of conflicting, manipulated, or inaccurate bet outcomes across different sports wagering operators. This causes confusion among consumers and erodes the public's confidence in the whole system, from the game officials, to the leagues, to the bookmakers. Creating a level playing field in which all sports wagering operators must base outcomes on the same data would create a uniform and fair system that best protects Pennsylvania consumers.

Unofficial data is much more likely to be the source of betting-related corruption. It is often collected by "courtsiders," who covertly collect data in arenas and stadiums. Courtsiders will dress in disguise and use sensors in their pockets to collect and sell unofficial data for betting. Unofficial data is also collected by "web scrapers," who place tracking software (or "bots") on league websites using offshore companies and resell league data without authorization around the world. These courtsiders and scrapers operate in the shadows, compromise the legal market, fuel the illegal market and have no vested interest in the integrity of sports. We ask your help to eliminating their illegitimate, corrupting activities.

In order to ensure that sports betting turns on accurate, reliable, and consistent data, we propose a two-tier system reflected in the model language set forth below. This tiered approach separates traditional bets (tier one) from bets necessitating real-time accuracy and/or access to complex statistical output that may not be widely or objectively verifiable (tier two).

"Official league data" means statistics, results, outcomes, and other data relating to a sporting event obtained pursuant to an agreement with the relevant sports governing body, or an entity expressly authorized by the sports governing body to provide such information to a book, which authorizes the use of such data for determining the outcome of tier two wagers.

“Tier one wager” means a wager that is determined solely by the final score or final outcome of the sporting event and is placed before the sporting event has begun;

“Tier two wager” means a wager that is not a tier one wager;

For determining the result of tier one wagers, a licensed sports book may use any data source, except as set forth below. A licensed sports book shall use only official league data to determine the result of tier two wagers, provided the sports governing body or its designee(s) can provide a feed of official league data to the licensed sports book. Notwithstanding the foregoing, a licensed sports book may not settle any wager using data obtained directly or indirectly from live event attendees who collect the data in violation of the terms of admittance to an event or through automated computer programs that compile data from the internet in violation of the terms of service of the relevant website or other internet platform.

3) Safety: “Guardrail” Protections to Restrict Betting, and Bettors, That May Undermine Sports Integrity

From a sports integrity standpoint, certain types of bets are inherently riskier than others. The minor leagues, for example, are more vulnerable to corruption because of the lower pay. Similarly, certain in-play bets, such as whether the first pitch is a fastball or curveball, are more easily manipulated and may not influence the outcome of a game. Sports leagues are best positioned to evaluate the integrity risks posed by certain bets and should have a flexible vehicle to work directly with the Gaming Control Board to identify and limit bets that pose more significant risks to league integrity and provide easier pathways to corruption.

Therefore, we propose the model language below, which allows sports governing bodies to request that the Gaming Control Board restrict sports betting operators from offering bets that pose an unduly high integrity risk. The language gives the Gaming Control Board the right to determine whether such a restriction is necessary and to reject any request that it deems arbitrary and capricious. The language is intended to give the sports governing bodies a voice in this determination, while ceding the ultimate decision-making authority to the Gaming Control Board:

A sports governing body may notify the Board that it desires to restrict, limit, or exclude wagering on its sporting events by providing notice on such form approved by the Executive Director, including, without limitation, restrictions on the sources of data and associated video upon which a licensee may rely in offering and paying wagers and the bet types that may be offered. Upon receiving such notice, the Board shall only deny a request if it deems such request arbitrary and capricious. If the Board denies a request, the sports governing body shall be afforded notice and the right to be heard and offer proof in opposition to such determination pursuant to Title 2 (Administrative Law and Procedures). Offering or taking wagers contrary to restrictions promulgated by the Board is a violation of this Subpart. In the event that a request is submitted in relation to

an emergency situation, the Executive Director of the Board may temporarily grant the request of the sports governing body until the Board makes a final determination as to whether such request is arbitrary and capricious.

Regulations should further safeguard the integrity of sports by ensuring that insiders cannot use non-public information to their advantage. To that end, sports wagering operators should be required to employ commercially reasonable efforts to prohibit persons closely associated with the operation of sports wagering enterprises from placing bets in general and persons closely associated with sports operations from placing bets on their sports in particular. We propose the following language to address this concern:

(b) Sports wagering operators shall employ commercially reasonable methods to:

(1) prohibit the operator, directors, officers, owners, and employees of the operator, and any relative living in the same household as such persons, from placing bets with the operator;

(2) prohibit athletes, coaches, referees, team owners, employees of a sports governing body or its member teams, and athlete and referee union personnel from wagering on any sporting event overseen by their sport's governing body. In determining which persons are excluded from placing wagers under this subsection, operators shall use publicly available information and any lists of such persons that the sports governing body may provide to the Board;

(3) prohibit any individual with access to non-public confidential information held by the operator from placing wagers with the operator;

(4) prohibit persons from placing wagers as agents or proxies for others; and

(5) maintain the security of wagering data, customer data, and other confidential information from unauthorized access and dissemination; provided, however, that nothing in this Subpart shall preclude the use of internet or cloud-based hosting of such data and information or disclosure as required by court order, other law, or this Subpart.

* * *

Thank you for the opportunity to share our thoughts. We believe these proposed regulations will lead to a safer and more sustainable environment for sports betting in Pennsylvania, while protecting the integrity of the underlying sporting events. We look forward to continuing this conversation with the Gaming Control Board and other stakeholders at the appropriate time.



NATIONAL FOOTBALL LEAGUE

Privileged and Confidential

June 15, 2018

Pennsylvania Gaming Control Board
ATTN: Pam Lewis, Board Secretary
303 Walnut Street
Commonwealth Tower, 5th Floor
Harrisburg, PA 17101

Re: Public Comment on Regulation #125-216

Dear Board Members,

Thank you for the opportunity to submit comments on the Commonwealth of Pennsylvania's Temporary Regulations on General Sports Wagering Provisions, 58 Pa. Code § 1401, issued pursuant to 4 Pa.C.S. §§ 1202(b)(30) and 13B02. These comments are submitted on behalf of the National Football League ("NFL") and its member clubs, including the Philadelphia Eagles and Pittsburgh Steelers.

On May 14, 2018, the Supreme Court of the United States struck down the Professional and Amateur Sports Protection Act of 1992 (PASPA). While we respect the Court's ruling, the absence of a clear and enforceable legal standard for sports betting threatens the integrity of our nation's professional and amateur sporting contests. NFL fans, our players, our coaches, and all League personnel deserve to know that we are doing everything possible to ensure no improper influences impact how our game is played on the field.

To protect the integrity of National Football League games in a post-PASPA environment, there are four core standards for sports betting that we would ask the Pennsylvania Gaming Control Board ("the Board") to consider:

1. A legal, regulated sports betting environment with substantial consumer protections;
2. Protection of our content and intellectual property, including from those who attempt to steal or misuse it;
3. Fan access to official, reliable league data; and
4. Adequate resources, monitoring and enforcement tools necessary for law enforcement to protect our fans by eliminating the illegal sports betting marketplace and penalizing bad actors here at home and abroad.

State legislators and regulators have an important role to play in ensuring that our nation's professional and amateur sports are free from corruption and that public confidence in our games remain intact. In this post-PASPA environment, one of the most important aspects of protecting the integrity of our games and creating integrity in the new marketplace is the existence of a strong state regulatory body like the Pennsylvania Gaming Control Board. We appreciate the steps Pennsylvania has already taken that are consistent with our core standards. Because of the significant potential impact of widespread, legalized sports betting on the integrity of our games, we are hopeful that the Board and state elected officials will consider the following additional, enforceable policy changes to regulate sports betting in the Commonwealth:

PROTECTING THE INTEGRITY OF SPORTING CONTESTS

- **Prohibit Insider and Other High-Risk Sports Betting.** One of the areas of significant risk to the integrity of our games is the use of insider information for betting purposes. We would accordingly encourage the Board to issue regulations prohibiting operators from accepting sports wagers from an athlete, coach, referee, or employee of an amateur or professional sports organization (including unions associated with such organizations), or any family members thereof acting on their behalf, on such organization's sport. As part of this effort, we believe it is imperative that Commonwealth sports book operators enact robust customer verification procedures, requiring multiple levels of identification. We would further encourage prohibiting wagers from individuals convicted of a state or federal crime relating to sports wagering, and limiting the acceptance of wagers to natural persons (as opposed to corporations or other entities, which could more easily obscure the identities of those involved).
- **Enforce Age Limits on Sports Betting.** When PASPA was originally enacted, one of the main concerns expressed was the impact of sports betting on our nation's youth. It is our understanding that Pennsylvania law instructs the Board to establish standards prohibiting persons under 21 years of age from participating in sports wagering and requires sports wagering certificate holders to ensure that no person under 21 years of age participates in sports wagering. We strongly support a prohibition on sports wagering for persons under 21 years of age and appreciate the Commonwealth's leadership in this regard.
- **Preclude Risky Betting Fixtures.** A prominent trend in sports betting, both legal and illegal, are wagers on individual events or actions that occur during games. Examples might range from the number of passing yards by a quarterback in a football game or the number of points or rebounds by a team during a quarter of a basketball game, to the number of "throw-ins" in a soccer match or even how many flags a referee might throw in a contest. These types of bets are significantly more susceptible to match-fixing efforts, and are therefore a source of concern to sports leagues, individual teams, and the athletes who compete.

To address concerns regarding risky betting fixtures, we encourage the Board to allow professional and amateur sports organizations to identify which types of bets simply pose too significant a risk to the integrity of sports and to work with regulators to eliminate them. Specifically, professional and amateur sports organizations should be able to restrict, limit, or exclude wagers that are not determined solely by the final score or outcome of the event, if the sports organization reasonably determines that such restriction would significantly decrease the risk to contest integrity. Examples of such wagers would include those based on performances of a single athlete or the actions of match officials and referees.

- **Protect Consumers by Requiring the Use of Official Data.** Betting outcomes are increasingly determined on granular details like yardage gained, or the number of sacks by a defense, or strikes by a pitcher in baseball. Therefore, an essential component of consumer protection is a requirement that the information used to settle these wagers is correct and timely, something that can only come from official data provided by the sports leagues themselves. Sports leagues already produce this data for broadcast and statistical purposes. We believe our data should be the standard in a legal, regulated market.

Use of official league data also protects consumers from fake matches or “ghost games” created by criminals or unscrupulous operators. In this scenario, a sports betting fixture is listed through one of the numerous companies that provide unofficial data to the bookmaking industry. But it is either a fake match (one that takes place but is played between two different teams than the ones listed) or a ghost game (one that does not take place at all). There are multiple recent examples of such incidents in lower level soccer leagues around the world. Such scenarios could be eliminated by requiring sports betting operators to use authentic data provided by sports leagues.

CREATING INTEGRITY IN THE MARKETPLACE

- **Require Operator Licensure and Auditing.** It is our understanding that, as a condition of continued operation, Pennsylvania law requires: a) a sports wagering certificate holder to maintain all books, records and documents pertaining to sports wagering in a manner and location within the state as approved by the Board; and b) all books, records, and documents related to sports wagering be (1) segregated by separate accounts within the sports wagering certificate holder's books, records and documents; (2) immediately available for inspection upon request; and (3) maintained for a period as the Board, by regulation, may require. As the Board considers additional regulation in this area, we would ask you to consider requiring: that this information be available for at least 5 years; that sports wagering operators cooperate with any investigation carried out by an amateur or professional sports organization; and that operators record any abnormal betting activity and routinely report that activity to the Board.
- **Facilitate Ease of Information-sharing Between Sports Leagues, Operators and Law Enforcement.** To promote integrity in the new sports betting marketplace, we encourage the Board to consider regulations creating a duty for regulators and operators to provide

NFL, Eagles, and Steelers Letter to the PGCB
June 15, 2018

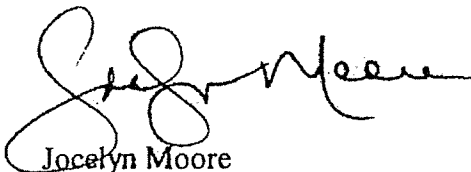
amateur and professional sports organizations with real-time information relating to: a criminal or disciplinary proceeding commenced against the sports wagering operator; abnormal sports wagering activity; any pattern of abnormal sports wagering activity relating to the integrity of one or more sporting events; a potential breach of the internal rules or code of conduct relating to sports wagering of or sports regulatory organizations; suspicious or illegal sports wagering activity; and any other conduct that corrupts the betting outcome of one or more sporting events for purposes of financial gain, including match fixing.

- **Provide Responsible Gaming Resources.** We applaud the Commonwealth for providing resources to support the Compulsive and Problem Gambling Treatment Fund as well as the Department of Drug and Alcohol Programs for drug and alcohol addiction treatment services.
- **Eliminate the Illegal Sports Betting Market.** It is unclear whether the mere existence of a legal market will, on its own, minimize the illegal sports betting market because participants in the illegal market have become comfortable participating in such markets, may receive better odds from illegal bookmakers, and may be able to avoid paying taxes altogether. We believe the elimination of illegal gambling requires robust, active monitoring and enforcement backed by significant civil and criminal penalties for violations. Consistent collaboration and information-sharing among sports leagues, the Board, and law enforcement agencies will be vital to help eliminate corruption, prevent money laundering, and address other forms of criminal enterprise. We applaud Pennsylvania for contemplating criminal penalties for illegally offering or accepting sports wagers. We urge the Board to consider additional enforcement provisions targeted toward every participant in the illegal sports betting market.

Finally, we would like to share our concerns that the statutory operator licensing fees of \$10 million and the 34 percent tax rate on gaming revenue may render legal market participants unable to effectively compete with those in the illegal market. As the Board works with state policymakers, we respectfully ask that you reconsider laws and regulations that could have the unintended consequence of advancing illegal sports betting.

Thank you again for providing an opportunity for us to submit our comments. We would be happy to schedule a meeting at the Board's convenience to discuss our views on sports betting in greater detail. I can be reached at (202) 971-9000 or via email at Jocelyn.Moore@nfl.com.

Sincerely,



Jocelyn Moore
Senior Vice President
Public Policy & Government Affairs

**PITTSBURGH PIRATES BASEBALL CLUB**

PNC Park at North Shore
115 Federal Street
Pittsburgh, PA 15212

p. 412-323-5000

Laura R. Burd, Senior Counsel
Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060

Via Facsimile (717-346-8350) and Regular U.S. Mail

Attention: Public Comment on Regulation #125-216

Dear Ms. Burd:

I write to you on behalf of the Pittsburgh Pirates (the "Pirates" or "Club") to offer comments on Pennsylvania's Temporary Regulation 58 Pa. Code Ch. 1401, General Sports Wagering Provisions (the "Regulation").

Sports betting in Pennsylvania will have a profound impact on the Pirates, not only on a local team level, but also on a larger league-wide level. To be sure, the widespread legalization of sports betting is going to affect every team in every league in every state across the country. Therefore, the Pirates appreciate this opportunity to provide our views on potential regulation in Pennsylvania and to endorse and support the comments separately submitted by Major League Baseball ("MLB") in collaboration with the National Basketball Association ("NBA") and the PGA TOUR.

As you know, the Pirates are a beloved pillar of the Pittsburgh community and of southwestern Pennsylvania generally. Our fans are passionate and loyal and we expect that many of them will welcome the opportunity to participate in a legal and regulated sports betting market in Pennsylvania. We strongly believe that Pennsylvania's sports betting regulations should protect our fans and other consumers, usher sports betting out from illegal underground markets to legal betting outlets, and safeguard the integrity of our games.

Maintaining the public trust in the integrity of our games is paramount. The potential regulatory language submitted by Major League Baseball would provide a strong framework for communication and information sharing between sports betting operators, Pennsylvania's Gaming Control Board, and sports teams. It would require important regulation of data and statistics used to offer and settle bets, and set up critical guardrail protections to protect sports integrity like restricting persons with inside information from betting and giving sports leagues a voice in identifying bets that pose too great of a risk to the integrity of the games.

We are very concerned the current iteration of the Regulation does not call for any portion of sports wagering revenue to be set aside to ensure the integrity of the sports on which the wagering is based. We believe an "integrity fee" is essential to fund programs educating our players, fans, and the general public regarding the potential involvement of unsavory characters and organizations



that may attempt to alter the outcome of these sporting events. The proceeds of this integrity fee would also allow teams such as the Pirates and leagues such as MLB to monitor betting lines and betting information internally.

On a local team level, the Pirates are obviously one the handful of professional sports organizations that will be most directly affected by any new regulations in Pennsylvania. We think it is important to note that any revenue generated through sports wagering is largely dependent on organizations like the Pirates who actually supply the sports wagering product. Without professional sports there can be no professional sports betting. Providing a professional sports product is a costly endeavor. While our landlord is responsible for capital repairs and improvements at PNC Park, the Pirates are responsible for maintenance and operational expenses at PNC Park, which has consistently been named the premier ballpark in the country since its opening in 2001. The capital needs at PNC Park are significant and unfortunately are much higher than the current funds allocated to them by our landlord. We have been engaged in constant dialogue over the past five to seven years with city, county and state officials about the need to allocate a funding source to the capital needs of PNC Park. It stands to reason that a portion of the revenue collected from sports wagering should be allocated to the maintenance and capital upkeep of PNC Park and the other sports-based facilities in Pennsylvania which provide for sports wagering in the first place. We are concerned that no such provision is included in the current law or the Regulation.

For the reasons stated above, we respectfully urge you to adopt the suggestions made by Major League Baseball as we all as our own requests for the Regulation to include an integrity fee and a fee to help maintain PNC Park for many years to come.. These commonsense regulations will protect our team, our sport, and create a better sports betting marketplace for Pennsylvania consumers.

Thank you for your consideration.

Sincerely,


Frank Coonelly
President

Cc: Pamela Lewis- Secretary, Pennsylvania Gaming Control Board- via facsimilie



PennState

Eric J. Barron
President
The Pennsylvania State University
201 Old Main
University Park, PA 16802-1589

814-865-7611
Fax: 814-863-8583
president@psu.edu

June 15, 2018

Chairman David M. Barasch
Pennsylvania Gaming Control Board
303 Walnut Street
2nd Floor, Strawberry Square
Harrisburg, Pennsylvania 17101

Dear Mr. Chairman:

We are writing this letter to provide our input with respect to the proposed temporary rulemaking by the Pennsylvania Gaming Control Board (“Board”) relating to sports wagering, enacted by the act of October 30, 2017 by the General Assembly, P.L. 419, No. 42 (“Act 42”), as set forth by the Board in Subpart Q, Chapter 1401 of the Pennsylvania Code (58 PA Code Ch. 1401).

The Pennsylvania State University (“Penn State”) is a state-related institution and instrumentality of the Commonwealth of Pennsylvania. In addition to its nationally acclaimed academic programs, Penn State varsity athletic teams include over 800 student-athletes that compete in thirty-one (31) men’s and women’s National Collegiate Athletic Association (“NCAA”) Division I sports, including football, basketball, soccer, field hockey, volleyball, cross country, track and field, tennis, lacrosse, softball, ice hockey, fencing, golf, gymnastics, swimming and diving, and wrestling.

We believe strongly that wagering on collegiate sports must be limited by prohibiting sports wagering on sporting events involving varsity sports teams from colleges and universities domiciled in Pennsylvania for at least the two year period of the temporary regulations.

Act 42 Does Not Adequately Ensure the Integrity of Collegiate Sporting Events

While Act 42 expanded the types of gaming permitted within the Commonwealth to include sports wagering, Act 42 fails to incorporate any provisions to ensure the integrity of the sport events – namely collegiate athletic events - upon which sports wagering would be permitted.

The most fundamental difference between amateur and professional athletics lies in the rewards that each group receives for its athletic performances. Amateur athletes are not paid for their athletics performances. Professional athletes, by contrast, are typically paid annual salaries plus incentives tied to individual and team performance. The absence of financial compensation for

amateur athletes creates an opportunity for inappropriate influence, which is not uniformly addressed in Act 42 and in some parts not addressed at all.

For example, Act 42 permits wagering on fantasy contests; however, the provisions on fantasy contests acknowledge this distinction between professional and amateur athletes. Act 42 specifically states that no fantasy contest may be based in whole or in part, on collegiate or high school athletic events or players. Act 42 § 326(a)(2).

The definition on sports wagering appears inconsistent with the distinction drawn regarding fantasy contests as sports wagering includes the acceptance of sports wagers in the individual performance statistics of athletes in a sporting event, which includes professional and collegiate sports or athletic events. Act 42 §13C01.

In addition to disparate treatment of amateur athletes, Act 42 fails to provide any mechanisms aimed at ensuring the integrity of sporting events. For example, the term “cheat” is defined in Act 42 to include any activity intended to defraud or steal from any player, licensee or the Commonwealth while operating or playing a slot machine, table game or authorized interactive game, including causing, aiding, abetting or conspiring with another person to do so. Act 42 § 1103. Act 42 expressly authorized interactive gaming in the Commonwealth, and the definition of cheating was amended appropriately. Sports wagering authorized under Act 42, however, is strikingly excluded from the definition of cheat. Similarly, prohibited acts and penalties outlines in Act 42 were expanded to include interactive gaming and manipulation thereof, but there is no corollary for sporting events. Act 42 § 1518. The enforcement provisions of Act 42 are equally deficient for sports wagering. Act 42 § 3905.

A Limited Prohibition on Sports Wagering on Collegiate Sports Teams Domiciled in Pennsylvania Will Address the Deficiencies of Act 42

Sources looking to influence or gain an unfair advantage in wagering on collegiate sporting events occurring in Pennsylvania will be overwhelmingly “local” to Pennsylvania. Limiting the ability of such local parties to place wagers on Pennsylvania college and university athletic events, at least during this two year temporary period, will substantially reduce the likelihood of issues arising before our institutions can put into place the policies and procedures and educational programs to appropriately manage the risks associated with sports wagering on their athletic contests.

Unlike professional sports where the collective bargaining agreements in each of the major professional sports leagues have oversight mechanisms and establish investigatory and disciplinary processes for dealing with integrity of the game issues related to and created by sports wagering, the burden of preventing, investigating and disciplining violators or potential violators of sports wagering rules in collegiate sports falls largely on the individual institutions. A temporary prohibition on sports wagering on collegiate sports teams domiciled in Pennsylvania would:

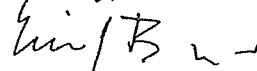
- provide time for the NCAA and the various other conferences and relevant sports governing bodies to put in place policies and procedures for member schools and athletic programs to follow, thereby providing consistency and eliminating any competitive advantage or disadvantage between competitors from different states;
- allow time for Pennsylvania colleges and universities to reconsider and revise, as necessary and appropriate, their policies and procedures relating to sports wagering, public dissemination of information (particularly with respect to the playing status of student-athletes) and other related matters;
- provide time to hire and train the additional staff that are expected to be needed to train, prepare and educate their students, student-athletes, and employees on the laws, regulations, and policies being put in place with respect to sports wagering; and
- afford Pennsylvania colleges and universities an opportunity to seek legislative changes, such as, perhaps, the inclusion of an integrity fee to provide funding for the additional educational and compliance costs that are expected to be incurred) and various anti-cheating provisions, as well as to seek clarity and consistency between the laws regulating fantasy contests and sports wagering on individual student-athlete performance statistics.

To this end, the State of New Jersey recently adopted a similar approach to collegiate sporting events with regards to its sports wagering framework. New Jersey created a designation of "prohibited sporting events," which include any collegiate sport or athletic event that takes place in New Jersey or a sport or athletic event in which any New Jersey college team participates regardless of where the event takes place. We believe that New Jersey has set forth a model that strikes the right balance of allowing for sports wagering on collegiate sporting events and yet protecting the integrity of collegiate sport events and the welfare of student-athletes domiciled in that state.

We have a very strong interest in maintaining the integrity of the athletic events in which our varsity athletic programs compete. We are asking for the time needed by the Pennsylvania colleges and universities, the NCAA, our various conferences and other applicable governing bodies to initiate and strengthen our policies and procedures related to sports wagering in order to educate, train and protect our students, student-athletes, coaches and staff members, as well as preserving the integrity of our colleges and universities and their associated athletic programs.

Thank you for your consideration. We would be pleased to meet with you to discuss our concerns at your convenience or to answer any questions you may have.

Sincerely,



Eric J. Barron
President



University of Pittsburgh

Department of Athletics

June 15, 2018

Pam Lewis
Secretary
Pennsylvania Gaming Control Board
303 Walnut Street
Commonwealth Tower, 5th Floor
Harrisburg, PA 17101
*Via U.S. First Class Mail and
Via Email: pamelewis@pa.gov*

Dear Ms. Lewis:

I am writing this letter to provide input from the University of Pittsburgh ("Pitt") with respect to the proposed temporary rulemaking by the Pennsylvania Gaming Control Board ("Board") relating to sports wagering, enacted by the act of October 30, 2017 of the General Assembly, P.L. 419, No. 42 ("Act 42"), as set forth by the Board in Subpart Q, Chapter 1401 of the Pennsylvania Code (58 PA Code Ch. 1401).

Pitt is a state-related institution and instrumentality of the Commonwealth of Pennsylvania. In addition to its nationally acclaimed academic programs, Pitt's varsity athletic teams include more than 400 student-athletes who compete on nineteen men's and women's National Collegiate Athletic Association ("NCAA") Division I teams, including football, basketball, baseball, soccer, volleyball, cross country, track and field, tennis, softball, gymnastics, swimming and diving, and wrestling.

Among other things, Act 42 authorizes sports wagering, which may include wagers on collegiate sporting events or on the individual performance statistics of athletes in such events. Act 42 Section 13C01. Sports wagering will have a direct impact on Pitt and on Pitt's student-athletes. We are concerned that implementation is likely to have a negative effect on the integrity of college athletics and on the health, safety and welfare of Pitt's students. Students may be more inclined to participate in gambling activities, possibly to their detriment. Pitt, and its student-athletes, will be more vulnerable to running afoul of NCAA and athletics conference rules relating to gambling. Further, affected colleges and universities will have to confront issues they have not faced in the past. For example, there may now be obligations or pressures to disseminate information about student-athlete injuries or playing status, which would have to be balanced with student privacy expectations and interests.



University of Pittsburgh

Department of Athletics

The implementation of sports wagering presents a potential risk to college students and will add considerable financial costs to Pitt's operations. There are numerous issues that Pitt, and similarly situated colleges and universities, will now have to address. For example, Pitt will have to greatly enhance educational and compliance efforts regarding sports wagering. It is likely Pitt will have to hire and train additional staff for that purpose. Pitt will have to carefully coordinate its efforts with the NCAA and its athletics conference. All of this will add considerable financial cost to Pitt's operations. In light of that, appropriate impact fees should be paid to affected colleges and universities to cover that cost. In the alternative, the Commonwealth, through the Board or otherwise, should establish an appropriate "gamble responsibly" program through which it undertakes the necessary student education and coordination effort itself at affected colleges and universities throughout Pennsylvania. Additionally, we believe that the Board should appoint one or more individuals who will act as liaisons to affected colleges and universities and work together on education, compliance and monitoring initiatives.

We also believe the Board should consider limits on the sports wagering that is permissible on college sports. As just one example, there should be limits on the permissible number of "proposition bets" (e.g. who wins the opening tip of a basketball game, who gets the first rebound). And it would seem to be common sense that regulations should prohibit staff and student-athletes from making wagers on their own or their teams' events.

Thank you for your consideration. I would be happy to discuss this, and to answer any questions you may have, at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Lyke", written over a faint, larger version of the same signature.

Heather Lyke
University of Pittsburgh
Director of Athletics

CHURCHILL DOWNS

INCORPORATED

June 15, 2018

VIA EMAIL

Pamela Lewis, Board Secretary
Pennsylvania Gaming Control Board
303 Walnut Street
Commonwealth Tower, 5th Floor
Harrisburg, Pennsylvania 17101
pamelewis@pa.gov

Re: Comments to Proposed Regulations for Sports Wagering

Dear Ms. Lewis:

I am respectfully submitting this comment on behalf of Churchill Downs Incorporated (“CDI”), a potential Category 1 slot machine licensee in Pennsylvania, as it relates to the proposed Pennsylvania regulations governing sports wagering:

As currently written, the definition of *Sports wagering* excludes:

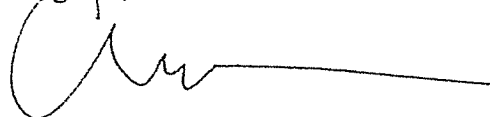
“(i) Pari-mutuel betting on the outcome of thoroughbred or harness horse racing as authorized under 3 Pa.C.S. Ch. 93 (relating to race horse industry reform).”

For purposes of clarity, the exclusion should be for any type of betting on the outcome of thoroughbred or harness racing, so that the exclusion should state:

“(i) any betting on the outcome of thoroughbred or harness horse racing, including, without limitation, pari-mutuel betting as authorized under 3 Pa.C.S. Ch. 93 (relating to race horse industry reform).”

We would be happy to make ourselves available to discuss this issue as needed. Thank you for your consideration and please do not hesitate to contact me with any questions.

Kind regards,



Carter Vance
Associate General Counsel
Churchill Downs Incorporated



Jeremy P. Kleiman
973.232.0616
jkleiman@saiber.com

June 18, 2018

VIA EMAIL (boardclerk@pa.gov)

Board Clerk
Pennsylvania Gaming Control Board
303 Walnut Street
Commonwealth Tower, 2nd Floor
Harrisburg, PA 17101

Re: Sports Wagering Regulations – Comments of SBTech

Dear Madam Clerk:

This office serves as counsel to SBTech, a leading international sports wagering technology provider. At a meeting with the Executive Director and members of the Gaming Control Board’s senior staff on June 8, 2018, SBTech was invited to submit comments and provide input into what we anticipate will be the next tranche of proposed temporary regulations relating to sports wagering that we understand may be adopted at the Board’s June 27 meeting.

On behalf of SBTech, we offer the following comments for the Board’s consideration as it promulgates additional sports wagering regulations.

Equipment Location Requirements

Most sports wagering operators and technology providers have operations, equipment and staff in numerous jurisdictions throughout the world. Multi-jurisdictional operations require the use of flexible technology solutions, such as cloud storage and real-time replication of data. Moreover, the capital required to replicate equipment in each jurisdiction becomes prohibitive.

SBTech urges the Board to follow the approach of many jurisdictions by allowing the main architecture (primary servers and equipment) to be located in a central geographic location, either within the Commonwealth, in another state, or outside the United States. Select components of the system could be located in Pennsylvania as necessary. For example, we understand that a wager may need to be “accepted” on a server locally. However, trading and risk management equipment and functions should be permitted to be located at a central location, even outside the United States. In addition, the Board should allow operators to take advantage of cloud solutions. Use of the cloud is increasingly prevalent, expedient, cost-effective and secure, and therefore should be explicitly permitted. Finally, if trading/risk management operations can be conducted outside Pennsylvania or

outside the U.S., the Board should avoid any regulatory constraints on the transfer of data outside the U.S.

Given the high tax rate in Pennsylvania, efficiencies and economies of scale created by reducing replication of equipment and services will help make the Commonwealth a viable sports wagering market.

Certification of Equipment

SBTech respectfully suggests that initial testing and certification of sports wagering equipment should be conducted by the Board's lab and/or approved private test labs, such as GLI. It would be helpful for operators and manufacturers to know in advance which private test labs have been approved by the Board and are able to perform security audits and Volumetric & Performance testing.

Moreover, after initial certification of technology, we suggest the Board avoid a cumbersome approval process for certifying add-ons or changes to the systems, such as additional payment providers or new features and functionality. Such changes should not require an entirely new certification, but should be permitted to occur by notification to the Board as part of an approved Change Management process.

Sports Wagering Technical Requirements

SBTech suggests that technical requirements should be based on industry-standard GLI-19 (Interactive Gaming Systems) and GLI-33 (Event Wagering Systems) as they relate to responsible gaming features. These standards contain industry best practices, and include:

- Self-imposed features:
 - Deposit limits
 - Betting limits
 - Loss limits
 - Reality checks (allow user to get notification after a certain time on device)
 - Daily session limits
 - Real-time clock
- Time out feature (allows user to take a break for a certain time period)
- Self-exclusion
 - Rules for cross-checking against self-exclusion list should be clear and contain requirements for frequency of check, whether they should be conducted manually or automatically through integration, etc.

Data Reporting Requirements

While SBTech understands sports wagering operators will be required to provide certain data to the sports wagering certificate holder for purposes of meeting its reporting obligations, the regulation should not unduly burden the operators or certificate holders.

We urge the Board to avoid mandating complex methods of reporting sports wagering data, such as XML reporting with pre-determined fields and data structure. This is often confusing and leads to mistakes in the actual reports. SBTech suggests simple SFTP data reporting requirements which, in its experience, leads to more transparent and accurate reporting.

Product Offering and Features

Rather than define by inclusion the types of athletic events and types of wagers that will be permitted, we suggest the Board take a flexible approach and allow operators to demonstrate that a proposed type of sporting event or particular type of wager meets generally accepted industry standards.

For example, operators should have the opportunity to offer wagers on virtual sports (“e-sports”). Although still a relatively novel sport, virtual sports occur under the auspices of sanctioning self-regulatory bodies similar to more common types of professional sports. Indeed, it was widely reported in July 2013 that U.S. Citizen and Immigration Services was to begin issuing professional video game players P-1 visas, which are intended for “individual athletes.” (see <https://www.nbcnews.com/technology/score-professional-video-gamers-awarded-athletic-visas-6C10679998>).

Similarly, it should be left to the discretion of the operators to decide what bonus and promotional programs offers will be offered to players, such as free bets, risk free bets, etc. The Board should have the right to audit the offering to ensure patrons are not misled, but should not micromanage promotions through a pre-approval process that slows innovation.

Player Registration Process

To the extent the sports wagering regulations do not incorporate by reference the relevant registration procedures in the interactive gaming regulation, SBTech believes the regulations should clearly define what patrons can and cannot do prior to identify verification and completion of the registration process (*e.g.*, is free-to-play permitted before KYC is complete?).

The regulations should also clearly define which methods of identity verification and age verification are acceptable. Is an operator is permitted to integrate into a third party’s verification

Pennsylvania Gaming Control Board
Attention: Board Clerk
June 18, 2018
Page 4

system? Or will an operator be required to conduct manual identity checks? The regulations should make this clear.

* * *

Thank you for your consideration in this matter. SBTech stands ready to offer additional information the Board may find useful.

Respectfully,



JEREMY P. KLEIMAN

JPK:smb

cc: Laura S. Burd, Senior Counsel (lburd@pa.gov)



Growth through regulated online gaming

iDevelopment
and Economic
Association

June 15, 2018

VIA EMAIL AND PRIORITY MAIL

Pennsylvania Gaming Control Board
c/o Senior Counsel Laura Burd
P.O. Box 69060
Harrisburg, PA 17106-9060
lburd@pa.gov

Re: Upcoming Interactive Sports Betting Temporary Regulations

Dear Board Members:

Thank you for the invitation to submit comments on Pennsylvania’s Temporary Regulations on Sports Betting, 58 Pa. Code §§ 13C01, et seq., issued pursuant to 4 PA.C.S. §§ 1202(b)(30) and 13B02. The following comments are submitted on behalf of the iDevelopment and Economic Association (“iDEA”).

iDEA is an unincorporated association seeking to grow jobs and expand online gaming entertainment business in the United States through advocacy and education. iDEA’s members represent all sectors in the growing industry of internet gaming and entertainment, including technology, marketing, payment processing, law, operations, and development. Its members include both U.S.-based and international organizations that share the goal of expanding American consumers’ access to secure and regulated online gaming.

While we have submitted comments previous on the prior Temporary Regulations related on interactive gaming, we write to address several important topics related to sports wagering. Specifically, we wanted to provide additional information and insight on the following issues:

- o The proposed “integrity fee” to be imposed on sports books; and
- o The leagues’ stated desire to monetize player and wager-related data.

Each of these issues are matters that our members have experience with in other sports betting jurisdictions, so we hope that our insight will provide useful information develop temporary regulations that balance the need for consumer protection, game integrity, and a robust gaming market.

1. Pennsylvania Should Adopt An Interactive Sports Betting Skins System That Is Equivalent To The Already Released Interactive Gaming Skins System.

iDEA applauds the Board’s progressive stance taken on skins for interactive gaming operators, specifically that the Board did not limit the number of skins each operator may offer. Now, we encourage the Board to take the same stance for interactive sports betting skins.

Having consistent regulations on sports betting skins will streamline the application and licensing process for both the applicants and the Board. As you likely anticipate, many of the industry players for interactive gaming will also be interactive sports betting applicants. (In fact, it seems the Board has recognized this by waiving the application fee for operators seeking to add sports betting to their interactive offerings when they have already applied for other interactive gaming licenses.) In allowing interactive gaming operators to add interactive sports betting to their other interactive games applications, the Board will be able to continue working with companies that already have a vested interest in the success of online gaming in the state.

Further, an unlimited skins system for interactive sports betting will be important for the success of gaming (and by extension state revenue) in the state. While Pennsylvania legalized other forms of casino betting years ago, so online casino and the related brands are not new to Pennsylvania customers, the ability to wager on sports—either land-based or online—within Pennsylvania will be new to all users. To attract and educate customers, brands will need to undertake an extensive campaign to reach and encourage consumers to try their products. Such efforts would be bolstered by allowing multiple sports betting skins per operator so that customers become comfortable with the various sports books operated within the state.

As operators are looking to invest in online gaming in Pennsylvania, a sports betting skins system that mirrors the one currently underway for other forms of online gaming will benefit the industry, the State, and players.

2. Charging Royalties on Sports Betting in the Form of an “Integrity Fee” to Benefit Sports Leagues Is Unnecessary, Reduces State Tax Revenues, and Harms Sports Integrity by Preserving Illegal Sports Betting Markets

As you have surely seen, the various professional sports leagues have been actively lobbying various states for a so-called “integrity fee.” Fortunately, the Pennsylvania gaming expansion law does not provide for such a fee, and we further encourage the Board not to adopt one.

An “integrity fee” is little more than a royalty for sports leagues that lacks a function or a logical basis. Leagues are already likely to be among the biggest winners from a legal sports-betting regime simply because of the increase in viewership and the ability to capitalize on new revenue streams. Providing additional compensation to leagues will simply decrease the funds available to pay taxes, depriving Pennsylvanians of the benefits of a legal sports betting regime. And, notably, charging an “integrity fee” is actually counterproductive to integrity; by making it more difficult for legal sports books to operate, such a fee encourages illegal gambling that is far more open to corruption.

It is well-established that sports betting increases viewership of sporting events and that bettors watch sporting events more frequently and more interestedly than casual fans—even where the bettors do not have a direct rooting interest—boosting team and league values and advertising revenues. Beyond this, sports leagues will have myriad opportunities to earn advertising and licensing revenue by partnering with legal sports betting businesses, as well as to create and sell their own gambling content. Foreign jurisdictions where sports betting has long been legal and where royalties are almost never required support this view. In the United Kingdom, a thriving sports betting industry pays no required royalties to professional sports leagues. Instead, voluntary advertising deals, sponsorships, and other

business arrangements between sports books and sports teams provide mutually beneficial revenue flows.

Further, sports books are low-margin businesses—particularly in a robust legal market with strong competition. Typically, a successful sports book may realize a profit margin of about 4–5%. Even a single-digit integrity fee would result in a decrease in the amount of money available to be taxed by the State, therefore representing an almost direct transfer of wealth from the state to wealthy sports leagues. Already, the federal excise tax—set at .25% of money wagered on sports—costs Nevada approximately \$10 million in taxable revenue annually. The only way that sports books could make up this difference and preserve profit margins would be to provide less favorable odds, thereby increasing the sports books’ “vig” to pay leagues from the pockets of Pennsylvanians themselves.

And no league needs an additional incentive to foster fair competition. Because fair competition is the core product of any sports league, they already have a vested interest in ensuring the integrity of their sports and to suggest that, without a sufficient royalty, the leagues may be less effective at policing themselves is little more than extortion.

Another argument that has been raised in favor of a royalty to leagues is that it would compensate them for the use of data and statistics from sporting events. This is a canard. In fact, sports leagues have a long history of attempting to control press coverage of public sporting events, suppress news and information sources that they do not like, and strong-arm independent businesses into paying kickbacks for the use of public domain information. This has taken the form of insupportably broad warnings that express league permission is required to describe or recap sporting events as well as of lawsuits against companies that have distributed statistics without league permission. These issues have uniformly been decided in favor of the public right to share public information and against the sports leagues’ attempts to tightly control information that they already are disseminating to the public.

In light of these repeated attempts by the leagues to control the flow of public information, compensating leagues for data over which they have no legal rights sets a dangerous precedent, likely stifling all manner of sports journalism and reporting, raising serious First Amendment concerns over freedom of speech and the press. If sports leagues are given rights over public information, that bell cannot be un-rung, and the principle is likely to spread into other facets of the sports world. In addition to its effect on the press and public, this is likely to stifle innovation among the sports gaming industry, making it risky for new products or new vendors to enter into a space dominated by established leagues fending off competition.

A royalty fee would be an unusual governmental act: a tax against the income of a private party that is not collected by the State but, instead, is paid directly to other private parties. Even if the logistics of such payments were simple (they are not), the legality of such an unusual legal scheme is far from clear. At the very least, this would invite legal challenges from sports books and industry groups that saw the royalty as a serious threat to their business model. This could result in lengthy court battles that would cloud the future of sports betting in Pennsylvania, create uncertainty, and consume substantial State and public resources to defend a fee that, in the end, will also cut into state revenues. Even were the fee upheld, it would be a Pyrrhic victory for the State.

3. The Leagues' Efforts To Capture And Monetize Customer And Game-Related Data From Operators Does Nothing To Benefit Consumers Or Pennsylvania.

The various sports leagues have stated an interest in collecting live wagering data handled by sports books, going so far as to suggest that all operators in a jurisdiction should have to push customer data, both historical and in real time, to a central database that the leagues could access. This information would include payment amounts, geolocation, and wagered amounts, and even personal identifying information. This request is unprecedented and unnecessary.

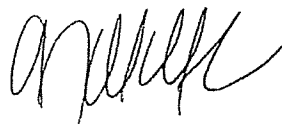
As with any concern regarding gaming irregularities, the PGCB and other relevant law enforcement bodies would be responsible for handling any necessary investigation into illegal and illicit conduct. The various leagues are not in a position to provide any assistance with uncovering illegal activity. In fact, wagering on these games is already going on in other jurisdictions, Nevada included, without such input from the leagues and gaming integrity has been successfully maintained.

Further, providing this information would be cost prohibitive to operators. Transferring this information in real time (as the leagues request) in a way that protects sensitive customer data from possible cybersecurity threats is extremely expensive, additionally cutting into revenue otherwise available to the state.

The only explanation for the leagues' attempts to obtain such data is to monetize data about customers while pushing the costs of collecting such data onto casinos and sports books. While iDEA understands the leagues' interest in meaningfully participating in sports betting, this is not the proper avenue. We urge Pennsylvania to not take this unprecedented step and instead continue with the longstanding tradition of sports books working with regulators to protect game integrity and customer data, privacy, and security.

We appreciate your leadership on sports betting and gaming issues and look forward to continuing to work with you. If iDEA or any of its members can provide further insight or information on these or any other gaming issues, we would be pleased to discuss further, including an in-person meeting with you and your staff at your convenience.

Respectfully,



A. Jeff Ifrah
Executive Director



June 15, 2018

Via E-mail to pamelewis@pa.gov

Pennsylvania Gaming Control Board
303 Walnut Street
Commonwealth Tower, 5th Floor
Harrisburg, PA 17101

RE: Pennsylvania Sports Wagering Regulations

To Whom It May Concern:

DraftKings Inc. is an online sports entertainment company with over ten million customers. We submit the following comments on sports wagering for the Pennsylvania Gaming Control Board's ("PGCB") consideration as it prepares sports wagering regulations for the Commonwealth.

General Comments

The sports wagering chapter of the Pennsylvania Race Horse Development and Gaming Act (as amended by Act 42) (the "Gaming Act"), 4 Pa.C.S. Ch. 13C, is silent on the following items that should be addressed in the PGCB's regulations.

Layoff Bets

We suggest that the PGCB's sports wagering regulations explicitly allow certificate holders and their sports wagering operators to place layoff mitigation bets to hedge against potential losses. There is some volatility in accepting wagers, especially for headline events such as the Super Bowl, if the bets come in fairly one sided. In such scenarios operators can reduce their exposure by placing a bet on the opposite outcome with another sportsbook. This mitigates the risk so that any large loss by the operator in accepting bets is offset by a corresponding win with another book.

Layoff bets are common practice in the sports betting industry and have helped enable the Nevada sports wagering industry to log 56 consecutive profitable months as of April 2018. Nevada sports wagering regulations specifically allow for layoff bets, with NGC Regulation 22.110 providing:

Layoff bets. Books may accept wagers placed by other books. Books may place wagers only with other books. A book that places a wager shall inform the book accepting the wager that the wager is being placed by a book and shall disclose its identity.

Permitting layoff bets would allow the books to be as balanced as possible and help insure against significant losses in high exposure situations.

Credit

DraftKings suggests that the PGCB's regulations allow operators to extend credit to patrons for sports betting. The PGCB has previously issued Section 609a regarding the issuance of credit to patrons for table



games and slots. We would request that the PGCB consider adding sports betting to the list of permissible uses for such extensions of credit.

Skins

After careful analysis, the PGCB declined to put a limit on the number of skins that a certificate holder may offer for interactive gaming. DraftKings strongly believes that this was the right decision, and will best enable the Commonwealth and all stakeholders to realize the full potential of the market. Similarly, we believe that there should be no limit on the number of skins permitted for sports betting. The certificate holders are best positioned to make a determination as to how to leverage multiple brands and sites, and should be provided the latitude to do so.

Resettlement

To account for potential issues arising from stat changes and feed errors, the PGCB's sports betting regulations should allow operators to correct any errors and re-settle the bet correctly. Resettlement is a common practice in sportsbooks and allows operators to adjust players' account in the event of an error. DraftKings suggests including language to the effect of, "Confirmed results may be altered in the case of resettlement."

Servers

In drafting any server requirements for sports wagering, we encourage the PGCB to allow for cloud-based and out-of-state servers for any functions which are not strictly required by law to occur in the Commonwealth. For instance, while bet acceptance must occur in-state, the regulations should provide that customer identification, account maintenance, and administrative functions may occur out of state.

Interactive Gaming Regulations

Section 13C11(A)(2) of the Gaming Act provides that the PGCB "may authorize a sports wagering certificate holder to conduct sports wagering and to operate a system of wagering associated with the conduct of sports wagering as a form of interactive gaming authorized by the Commonwealth." 4 Pa.C.S. § 13C11(A)(2). To the extent that the PGCB applies interactive gaming regulations to sports betting, DraftKings wishes to raise a few points for consideration.

As an initial matter, we believe that the branding requirements of the interactive gaming temporary regulations at Sections 818.3(c) and (d) do not account for the way that operators and casinos may wish to offer their platforms from a branding perspective to maximize the benefit of their relationship. We strongly believe that this regulation could significantly reduce the potential revenue of the industry if operators are obligated to offer the products through brands with which patrons are not familiar. We submit that the regulations should allow for more flexibility in allowing casinos and their operator partners to make their own determinations on branding.



Additionally, because sports wagering and interactive gaming are fundamentally different activities with different patterns of play and engagement, some regulatory features which work well for interactive gaming do not translate well for sports betting. We suggest that the PGCB may choose to treat the following features in the interactive gaming regulations differently for purposes of sports wagering regulations.

- Section 809.7(c)—This temporary interactive gaming regulation requires operators to geoblock players from accessing mobile games while on casino premises. DraftKings suggests dropping this requirement for sportsbook, because patrons may wish to engage in gambling on the casino floor while still monitoring sports bets placed on their mobile devices.
- Section 812.3(a)(6) – This temporary interactive gaming regulation requires the system to log out a player after 15 minutes of inactivity. While that is a more reasonable requirement for interactive gaming, where players must consistently interact with the system in order to participate in games, it is not a good system for sports betting in which a user may place a bet and then keep the screen open to monitor the results of the bet in real time as the sporting event unfolds without taking additional action. DraftKings suggests lengthening the automatic logout time to twenty-four (24) to allow for uninterrupted monitoring across a full day’s worth of sporting events.
- Section 812.7.(c) – This interactive gaming regulation provides that a player account cannot contain a negative balance. This requirement is more difficult to maintain in sports wagering than in interactive gaming, because resettlements may occur due to statistics feed issues. If a user has already withdrawn or placed a wager with their winnings and a resettlement occurred, the account may reflect a negative balance. DraftKings suggests that this provision not be included in the regulations relating to sports betting.

Thank you for your consideration of DraftKings’ comments, and please feel free to contact me if you have any questions or would like to discuss.

Sincerely,
DraftKings Inc.

By: /s/ Sarah Koch

Sarah Koch
Assistant Director, Government Affairs
skoch@draftkings.com



June 15, 2018

Mark L. Alderman

Direct Phone 202-304-1457

Direct Fax 202-559-7318

kkapp@cozen.com

Pam Lewis
Pennsylvania Gaming Control Board
305 Walnut Street
Commonwealth Tower, 5th Floor
Harrisburg, PA 17101

Dear Ms. Lewis,

We are writing on behalf of Nellie Analytics US, LLC. We propose the following revisions to the temporary sports wagering regulations issued on May 30, 2018:

- 1- Include in § 1401.2 the following term, as defined in 58 Pa. Code § 433a.1:
 - “*Entity*—A person, other than an individual.”
- 2- Revise the definitions of the terms “Player” and “Registered player” in § 1401.2 to read as follows:
 - “*Player*—A person wagering cash, a cash equivalent or other thing of value in the play or operation of sports wagering, including during a contest or tournament, the act of which may deliver or entitle the individual to receive cash, a cash equivalent or other thing of value from another player or sports wagering certificate holder, interactive gaming operator or sports wagering operator.”
 - “*Registered Player*—A person who has entered into a sports wagering account agreement with a sports wagering certificate holder, interactive gaming operator or sports wagering operator.”
- 3- Revise the definition of the term “Sports wagering” in § 1401.2 to read as follows:
 - “*Sports wagering*—The business of accepting wagers on sporting events or on the individual performance statistics of athletes in a sporting event or combination of sporting events by any system or method of wagering, including over the internet through websites and mobile applications when authorized by the Board. The term includes, but is not limited to, exchange wagering, in-game wagering, in-play bets, parlays, over-under, moneyline, pools and straight bets. The term does not include:

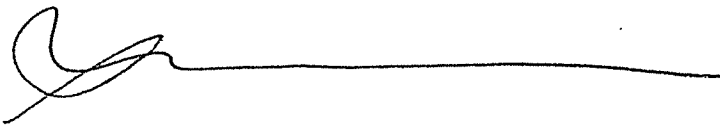
June 15, 2018

- i. Pari-mutuel betting on the outcome of thoroughbred or harness horse racing as authorized under 3 Pa.C.S. Ch. 93 (relating to race horse industry reform).
- ii. Lottery games of the Pennsylvania State Lottery as authorized under the act of August 26, 1971 (P.L. 351, No. 91), known as the State Lottery Law.
- iii. Bingo as authorized under the act of July 10, 1981 (P.L. 214, No. 67), known as the Bingo Law.
- iv. Small games of chance as authorized under the act of December 19, 1988 (P.L. 1262, No. 156), known as the Local Option Small Games of Chance Act.
- v. Slot machine gaming and progressive slot machine gaming as defined and authorized under this part.
- vi. Table games.
- vii. Keno.
- viii. Fantasy contests.
- ix. iLottery under Chapter 5 (relating to lottery).

We are available at your convenience to discuss any questions you may have about these proposed revisions.

Sincerely,

COZEN O'CONNOR

A handwritten signature in black ink, appearing to be 'Mark L. Alderman', written over a horizontal line.

By: Mark L. Alderman



June 15, 2018

Pennsylvania Gaming Control Board
303 Walnut Street
Commonwealth Tower, 5th Floor
Harrisburg, PA 17101

RE: Public comment on PGCB sports wagering regulations

Dear Commissioners:

The purpose of this correspondence is to provide comment for the Pennsylvania Gaming Control Board's consideration in promulgating temporary regulations on sports wagering. The Pennsylvania Esports Coalition is a non-profit 501(c)(6) organization created to advance the development, growth and integrity of esports in Pennsylvania through advocacy, education and promotion of the industry. The Coalition is comprised of stakeholders from all aspects of the esports industry, including technology, economic development, entertainment, education, athletic, casino gaming and government sectors.

It is the position of the Coalition that esports, or competitive video gaming, is a sport under the traditional, technical definition because esports involve mental and physical exertion and skill by individuals or teams that compete against another or others for entertainment. Beyond the technical definition, actions by other governing bodies supports the argument that competitive video gaming is a sport, and its participants are athletes in the truest form. One of the most telling decisions by a governing body that reinforces the argument that esports is a sport is the recognition of esports players as professional athletes through the U.S. Citizen and Immigration Services visa process, officially issuing P-1 visas, which are intended for "individual athletes," for overseas esports athletes playing in the U.S.

Although the term esports is relatively new in the common lexicon, competitive video gaming has existed for several decades. The recent growth of esports across the country has elevated the sport to new heights, with esports competitions and tournaments, and the athletes that participate in them, gaining significant mainstream credibility. The phenomenon has already become a billion-dollar industry and partnerships between traditional sports franchises and esports franchises are happening with increasing regularity, with the NBA having entered into an agreement with a videogame publisher to form an esports league. In fact, right here in Pennsylvania, the Philadelphia 76ers acquired Team Dignitas and Team Apex professional esports teams in 2016, and has opened its training facilities to its esports athletes. In addition, the 76ers are providing doctors, sleep experts, nutritionists, sports psychologists and various other wellness-related resources for its professional gaming athletes.

The investments into the esports genre by established sports franchises across the country should not be surprising. Viewership numbers of esports tournaments are consistently edging out the numbers of viewers of other traditional live sports. The League of Legends World Championship in 2015 was recorded as having 36 million people tuning in to watch, and it is expected that in 2018, esports enthusiasts around the world will have watched 6.6 billion hours of esports highlights and video content.

The rapid growth of esports' popularity has propelled the sport into the mainstream, and has already started to change the sports landscape across the country. Aside from tremendous investments in professional teams, colleges and universities are starting to expend institutional resources and offer athletic scholarships to esports athletes. This commitment on the collegiate level shows that the esports phenomenon is here to stay, and will provide the same access to higher education, and economic growth value, as traditional sports programs.

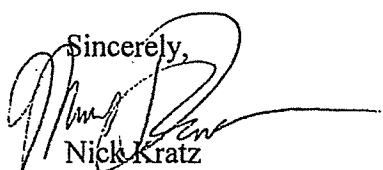
As with other unregulated spaces, the rise of professional and collegiate esports popularity has coincided with a huge underground betting market. It is estimated that illegal betting is bringing in about \$8 billion in wagers worldwide. Without regulations in place, the space is ripe for corrupt practices. The Pennsylvania Legislature, along with the executive branch of government, has made the policy decision to address areas of casino gaming that existed in the unregulated space. The recent passage of legislation legalizing igaming and sports wagering in the Commonwealth, and providing regulatory oversight of these industries by the Board, highlights the importance of providing detailed regulation to an unregulated space. Much like igaming and sports wagering, failure to acknowledge the esports betting industry will not make it disappear. It will simply create a void that is filled by the black market.

The responsible thing to do to protect adult consumers, our young citizens, and the integrity of this growing industry is to recognize esports as a sport. This minor, yet truly vital recognition is the only way to truly gain traction on an off-shore business that provides little consumer protections, does not address underage gambling, and does nothing to help combat problem or compulsive gambling. By recognizing esports as a sport under the current statutory definition of a sporting event, which only applies to professional and collegiate sports and athletic events, will allow the Board to regulate the industry and provide integrity and confidence throughout the industry.

Should the Board have any hesitancy in including esports in their regulations at this time, we urge them to refrain from a specific prohibition, and to use this time to engage with the industry and our Coalition to promote understanding and collaboration in order ensure Pennsylvania adheres to best practices, whether that be pari-mutuel type betting as in Nevada or something else tailored to Pennsylvania.

Thank you for the opportunity to provide public comment on this important issue. If you have any questions or concerns, please feel free to contact me at nkratz@paesports.org, or by phone at 267-240-4864.

Sincerely,



Nick Kratz
Executive Director
PA Esports Coalition

Lewis, Pamela (PGCB)

From: Chris Stewart <cstewart79@comcast.net>
Sent: Friday, June 1, 2018 7:16 AM
To: Lewis, Pamela (PGCB)
Subject: Sports wagering tax

If you don't reduce the proposed tax, people will be flocking to New Jersey. As a resident I want to keep that money in Pennsylvania. Make the tax rate competitive or you're going to be losing a lot of potential revenue. Pennsylvania has made a lot of progress in the previous years chipping away at New Jersey's cut of the gambling revenues. Don't waste this opportunity.

Chris Stewart