

Gambling Chain Makes \$163M Bet On Barstool

By **Andrew Karpan**

Law360 (January 29, 2020, 3:46 PM EST) -- Casino chain Penn National, steered by Wachtell, said Wednesday that it took a \$163 million stake in the sports and pop culture brand Barstool Sports, guided by Greenberg Glusker, in a deal that marks a novel tie-in between sports media and the gambling industry.

The deal, which would give Penn National Gaming Inc. a 36% interest in Barstool, also allows the chain of 41 casinos to use Barstool's brand as an advertising vehicle for up to the next 40 years and to use the brand's name to market sports betting in states where it has been legalized.

Citing Barstool's 66 million monthly unique visitors, Penn National said in a statement Wednesday that it predicts the "loyalty of its audience will lead to meaningful reductions in customer acquisition and promotional costs for our sports betting and online products, significantly enhancing profitability and driving value for our shareholders."

Penn National also indicated that it would use its new stake in Barstool to quickly direct sports fans to its gambling operations.

The head of Penn National's online gaming arm, Jon Kaplowitz, said in a statement that "our team is excited to begin collaborating with Barstool Sports on ways to utilize its key talent and leading content to drive audiences to Penn National's online gaming products."

The sale would partially divest Barstool from Peter Chernin's The Chernin Group, which bought its controlling stake in Barstool in 2016 and invested an additional \$15 million into the brand in 2018. Following the deal, Chernin would own 36% of Barstool, but Penn National says they plan on buying a controlling interest in the company, which the deal now values at approximately \$450 million, for approximately \$62 million in three years.

Started by Dave Portnoy as a satirical sports blog in 2003, Barstool expanded into a multimedia franchise over the next decade and a half, venturing into podcasts, a radio channel that streams on SiriusXM Satellite Radio and an amateur boxing league that Barstool bought in 2017, according to its website.

Portnoy said in a statement Wednesday that the sale is "a dream of mine and why I started Barstool Sports in the first place."

The sale comes a week after Barstool **inked a deal** with the National Labor Relations Board to end allegations it suppressed union organizing after the Freelance Journalists Union said the company's management operated a Twitter account that falsely identified itself as a labor organization trying to organize workers.

Barstool's website is also a common target of copyright suits, with the brand weathering infringement claims in the past year on behalf of the **paparazzi powerhouse** Backgrid and **the creators** of a stylized image of a National Football League commissioner that Barstool allegedly slapped on everything from T-shirts and towels to bathing suits and billboards.

Representatives for Barstool and Penn National did not respond to requests for comment.

Wachtell Lipton Rosen & Katz acted as lead adviser for Penn National. The Wachtell Lipton team was led by Daniel A. Neff and Zachary S. Podolsky.

Financial information for Penn National was not immediately known.

Greenberg Glusker Fields Claman & Machtinger LLP acted as lead adviser for Barstool Sports. The Greenberg Glusker team was led by Jesse Saivar, with assistance from Eric Perlmutter-Gumbiner and Benjamin Helfman. Barstool was also advised by Bowen Tax Law on tax-related issues and Ifrah Law on gaming-specific issues. Financial information for Barstool Sports was not immediately known.

Gibson Dunn & Crutcher LLP acted as lead adviser for The Chernin Group. Financial information for The Chernin Group was not immediately known.

The Gibson Dunn team was led by Los Angeles partners Bradford Weirick and Dora Arash and associate Carlos Soto.

--Additional reporting by Adam Lidgett and Aaron Leibowitz. Editing by Rebecca Flanagan.

Update: This story has been updated with additional counsel information.