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**Is Racing Ready for
Legalized Sports Betting?**

Moderator:

J. Alex Waldrop: President & CEO, The National Thoroughbred Racing Association

Speakers:

Marc Dunbar: Attorney, Jones Walker LLP

Jessica Feil: Associate, Ifrah Law

Michael Grodsky: Director of Marketing, William Hill US

Ms. Wendy Davis: Good morning everyone.

How is everybody?

Welcome to the second day of the symposium on racing.

I would certainly like to thank all of you for being here, and as you start thinking about next year's plans, I wanna let everyone know that we will again be here at Loews Ventana Canyon.

We will be here for the next three years, so we feel like this is a really good spot for us, and I know it's a favorite for a lot of you all who have been coming many years.

I'd certainly like to thank the Daily Racing Form for sponsoring our breakfast this morning, and AmWest Entertainment for sponsoring this panel session.

I know we have folks who are just now coming in from that breakfast that was well attended.

As the room fills up, I'd like to just thank our panelists here, and Alex Waldrop, president and CEO of the NTRA, for leading the discussion this morning.

The title of the panel, Is Racing Ready For Legalized Sports Betting?

Well, I don't know if you could get a more timely panel.

The really exciting part for us, for Liz and I, as we were looking through topics, we thought this might be so cutting-edge and so close that the timing wouldn't work.

Given that this case was heard on Monday, and I believe that we have people in the room here who were actually at the hearings, we are bringing it to you first hand, and indeed, hot off the press.

With that, I'd like to turn this over to Alex to guide us through the discussion to see if we indeed are ready for legalized sports betting.

Alex, thank you.

Mr. Alex Waldrop: Thank you, Wendy.

It's, again, an honor to be in front of you this morning, and to talk about, yes, a very timely topic.

I remember when I looked at the title for our discussion today, Is Racing Ready for Legalized Sports Betting.

There's a certain sense of inevitability about that.

I wasn't sure that I agreed that — that was the case a month ago.

Today, I think the mood in the country's changed, and so we've got a lot in store with you.

As Wendy said, I am with the National Thoroughbred Racing Association, and among the things that we do is we have a continued and significant presence in Washington, DC, where we monitor and engage in issues, including sports wagering, or sports betting.

We have been in conversations with the American Gaming Association and others for quite some time.

We have not chosen to join that coalition that they have formed as of yet, but I can assure you that we're very much in touch with this topic.

I say that only because I may not have the opportunity to say much more today.

We have great panelists and I want them to talk, but I don't want people to come away from this thinking, "Well, what's the industry doing?"

Trust me, at the federal level, we're very engaged, and the state level's something we can talk about.

With that, let's begin.

On Monday, the Supreme Court of the United States heard arguments in the case *Christie v. NCAA*, a case that will determine, among other things, whether sports betting will be coming to Monmouth Park in New Jersey.

At issue is the constitutionality of the Professional and Amateur Sports Protection Act, also known as PASPA, which generally bans sports gambling in the United States except in Nevada, Delaware, and a couple of other states.

The fact that the Supreme Court is even hearing the case has put the possibility of sports gambling in the news.

It has casino operators excited about the opportunities, and the sports leagues like the NFL and the NCAA very, very nervous.

Lots of people in horse racing are following the case with interest as well, and I'm sure many of you in this room are.

Couple this development with the rapid rise of daily fantasy sports betting, with the active support of those same sports leagues that are named plaintiffs in the *Christie* case, Congressman Frank Pallone's newly introduced GAME Act, which he filed on Monday, which would overturn PASPA and set the rules for states seeking to set up sports betting operations, a push by the American Gaming Association to legalize sports betting at the state level, and a growing number of states like Pennsylvania, Mississippi, and

Connecticut that have already passed enabling legislation should PASPA be overturned.

You have this air of inevitability that is unmistakable across the land, and certainly in the horse racing industry.

This morning, you're fortunate because we wanna hear from three informed, engaged individuals on the topic of sports betting.

Marc Dunbar is a partner with the Florida law firm, Jones Walker, and a longtime lobbyist at the state and federal level.

He will bring us a timely update on the status of Christie v. NCAA.

In fact, Marc was in DC on Monday where he attended the oral arguments, sat behind Chris Christie himself, and he's gonna give us a break down on what happened, and I can't think of a better person in racing to give us that update.

Next will be Mike Grodsky, who is with the international powerhouse known as William Hill.

William Hill is the organization that has helped Monmouth Park build its proposed sports betting facility, and he's gonna talk to us about some of the challenges and the aspirational aspects of how do you actually do this, especially at a racetrack.

Third, we have Jessica Feil, who's a partner with a law firm known as Ifrah Law, where she concentrates her work in the area of skill-based gaming, daily fantasy sports, and something called eSports, which I confess I don't know that much about.

She has significant familiarity with the recent California decision otherwise known as the Derby Wars decision.

Maybe she'll talk a little bit about that as well this morning, but she is another person that I'm looking forward to presenting to you.

Marc, please begin with a discussion of the Christie case, and let's take it from there.

Mr. Marc Dunbar: Thanks, Alex, and thanks to everyone for the opportunity to be here.

It was an interesting oral argument right from the very beginning.

I don't think there's any question that the justices were very much struggling with how to affirm PASPA and try to keep it in place, both in terms of the questions they were asking, but more importantly, the body language.

I mean, there was one point where about a third of the way into the Solicitor General's comments, Justice Kennedy just closed all of his materials, leaned back, and shut down for the rest of the case.

We all understand Justice Kennedy's a pretty important vote on things, and he clearly wasn't buying what was being sold by the NCAA and which the Solicitor General to try and protect PASPA.

Just by way of background and why it's kind of important to understand the Supreme Court taking this by itself is a big deal is that this is the second time, really, it's been before the Supreme Court.

The Supreme Court rejected review of the third circuit ruling the first time around when New Jersey tried to regulate sports wagering within its state.

The mere acceptance of it the second time around when New Jersey did the partial repeal is a pretty strong indication that there are issues that are there.

I think that everybody in this room that cares at all about the impact of legalized sports betting on the horse racing industry, and the possible losses the pari-mutuel handle that could result if every state jumped in and legalized sports book, you need to be ready, cuz I don't think there's any question that there were six justices that really, really struggled with the NCAA argument, and very much appeared to be backing New Jersey.

That also, I don't think that it's unlikely that aren't any dissenters, but there may be concurrences from Justice Kagan and Justice Sotomayor, who are very active in the questioning on trying to balance the issues of, "What does preemption look like at the federal level?"

For those of us that are engaged in lobbying in DC or lobbying in your state capitols, I would say get prepared because I think a pathway is coming for states to opt in to some form or fashion of sports wagering if they want to.

Mr. Alex Waldrop: Marc, I've had numerous discussions with Dennis Drazin at Monmouth Park, and Dennis had an interesting view of the proceedings on Monday.

He's made a statement, and I want you to understand what he means by this. He said the Supreme Court will likely render one of three decisions, that PASPA is the law of the land, and New Jersey cannot have sports betting.

Two, that New Jersey's partial repeal of PASPA the legal, and New Jersey alone will be permitted to have sports betting, or that PASPA is unconstitutional, which would likely open the floodgates for legalized sports betting to quickly spread across the country.

Help us understand these three options, and why, as recently as yesterday, Dennis said, "I'm not sure" — he agrees with you, it's goin' to be — PASPA's goin' to be affected.

He's not sure whether it's goin' to be the partial repeal or the full repeal.

Can you talk about that?

Mr. Marc Dunbar: Sure.

I mean, I think I would just sort of put one on the backburner.

I don't think PASPA's gonna survive entirely.

Mine, I think it could be a partial repeal, I think it could be a full repeal, and I think that's gonna have a lot to do with Justice Gorsuch and Chief Justice Roberts, because they were the one that is we're really struggling with, "Can we partially sever Subsection 2 from Subsection 1 in PASPA, and not to get too far in the weeds, but to save PASPA partially?"

What I think is gonna happen is more likely Option 2.

I think New Jersey's gonna get a green light to go, and go immediately, that there will be an affirmation of the partial repeal that New Jersey did.

I do think, though, that when it's all said and done, I think PASPA goes completely.

I think it's gonna be very difficult to sever Subsection 1 from Subsection 2, which means the court will strike PASPA in total, and the net result will be, basically, the Wild West.

There is no federal prohibition against states legalizing some sort of regulatory environment over sports betting within their states.

Now, keep in mind, the Wire Act still exists.

The Wire Act is the federal act that prevents the interstate movement of sports wagering, and the states are still gonna have to deal with that.

Now, the Wire Act is basically an opt-in system, though.

If a couple of states pass sports wagering and wanna try and move liquidity between the states, I think that that could then lead to another type of challenge.

We have to keep in mind that the Wire Act is still out there.

It was not before the court and is gonna impact the industry.

I do think that states are gonna be provided guidance on what would be a limited opinion in favor of New Jersey.

Mr. Alex Waldrop: Let me press you on the point just a little bit so I understand.

Gorsuch had an interesting exchange.

I believe it was with the New Jersey council, Olson, Ted Olson, in which he said, "This court generally tries to avoid ruling a statute unconstitutional. We find another way of deciding an opinion, and the way we could decide this is to simply say that the 2014 law which essentially partially repeals the current restrictions in New Jersey and allows 12 casinos in Monmouth Park alone to do some sort of private regulatory structure, that they could possibly say that's okay, in which case it wouldn't be available nationwide unless you did it exactly the way they did it."

Is that what you see happening, or do you see it's goin' to get all thrown out?

Mr. Marc Dunbar: No, I think that's what I see happening, I think, and it's an affirmation of the partial repeal in New Jersey, which doesn't mean New Jersey can regulate and tax it, but it does mean that the industry can thrive in New Jersey in basically a deregulated format in regulated facilities, if that makes sense.

I mean, the New Jersey Gaming Commission has a pretty heavy hand on anybody that contracts with casino properties, and so I suspect that there will be some level of scrutiny on the contracts, but the fuel vendors that may be engaged in the activity likely could do it in an unregulated environment, but more importantly, there's no tax revenues.

There's no compensation for horsemen, for example, that would be — that is in the New Jersey act as an affirmative regulatory step. For other states that are looking at it and operating in Florida, I'll use our example, we, and Lani can certainly nod his head in favor, we don't expand gambling without making sure that the expansions take care of the horse racing industry in some form or fashion.

If New Jersey is the guidance, Florida will be confronted with, "You deregulate, but then the horsemen are left in the cold with a potentially bomb shell being dropped in the state where handle is essentially, well, chased, I guess, by us, that is leaving, leading to the sports wagering industry."

That's the big concern.

It could be, in some respects, worst case scenario.

Mr. Alex Waldrop: Do you see the New Jersey partial repeal wrap as a possibility in Florida?

Mr. Marc Dunbar: No, no.

Mr. Alex Waldrop: Do you see it in any state realistically?

Mr. Marc Dunbar: Yeah, I do see it in multiple states.

I see it in states particularly with strong tribal presences.

I also see it in states with large commercial casino presences and limited pari-mutuel presence, but you could see a scenario, particularly in strong tribal states, where they allow the tribe to renegotiate their compacts and

add exclusivity for sports wagering to their compacts in exchange for additional revenue sharing.

I could definitely see that scenario.

Mr. Alex Waldrop: Whichever the court rules, if it affects PASPA, you see the expansion occurring in many states.

Mr. Marc Dunbar: Absolutely, absolutely.

I think there are states in the starting blocks right now.

You have Pennsylvania out there that certainly has been proactive in giving their gaming commission the ability to implement immediately upon the ruling from the Supreme Court, and you also have Mississippi, who kinda gets it both ways.

Mississippi has an argument that they fall within the current PASPA window, so they could go regardless of whether New Jersey wins, but they definitely could go if New Jersey prevails.

Their gaming commission, their attorney general, have regs written, and they are just waiting on the Supreme Court.

I think if there was a first state to drop immediately, it would be Mississippi, and Mississippi would then claim what I think is a pretty significant regional monopoly on sports wagering, because in the gulf South, there aren't too many states that are gonna jump in and pass sports wagering any time soon, in my opinion.

Mr. Alex Waldrop: Yeah, I note that California, of the racing states, California has in the process of legalizing it.

Kentucky apparently has a bill to allow for sports betting that's been pre-filed.

Maryland has a bill.

New Jersey, of course, we know what's happening in New Jersey.

New York either has one or is preparing — has a bill in — I get conflicting information, but New York appears to be in play.

Oklahoma, Pennsylvania, we already know has this bill, West Virginia, and as we mentioned at the federal level, we have the Pallone legislation, which is in some ways sort of a perennial bill that Congressman Pallone has been putting in the hopper.

You're right, there's a lot of opportunity out there. I'm gonna come back to you for some more questions specific to what the industry can do, but I wanna talk with the other panelists.

Michael, I want you to talk to us a little bit about Monmouth Park, what you've done, what William Hill is prepared to do, and sort of give us a picture.

Paint us a picture of what sports betting looks like in the racetrack environment, because this is a room full of racetrackers, and if this happens, they want to see it happen at the racetracks.

How is that gonna work?

Mr. Michael Grodsky: Absolutely, and everyone, good morning.

Thank you so much for having me on the panel.

I really appreciate the opportunity to be here.

First of all, really believe that racing and sports betting go together very well.

Racing will benefit greatly from sports betting.

he situation at Monmouth Park, back in spring of 2014, we opened up a William Hill Race and Sports Bar in the former cafeteria area of Monmouth Park, which is ready to go as a sports book, pending if we get state and federal approval to operate sports betting at Monmouth Park.

It's a great facility there.

Be excited to go.

Sports betting is a very highly specialized operation.

It's not just getting a system and a feed.

There's a lot that goes behind the scenes of it.

We're in the risk business, so if you take, for example, the last two NFL Sundays, we've gotten destroyed, but it's good.

As a marketing guy, usually for me it's all about volume, but for us, we look at market share as win, and win's the most important number that we look at, and that's a little different.

The same thing with the World Series.

We lost seven games in a row during the World Series, so it's a little different operation.

It's lower margins, but with regards to our operations in Nevada, we have 107 locations that we have sports betting in there, and then that's similar to what we wanna do at Monmouth Park and ready to go within a matter of weeks after the decision if the decision comes out.

Mr. Alex Waldrop: Are you planning for online capabilities?

Mr. Michael Grodsky: It's a policy question, and what comes out of the case, we have to be ready and prepared for.

I think it's really gonna depend on a state by state or a jurisdiction by jurisdiction case on what they have.

In Nevada, we have the leading mobile sports app, where you can be geolocated within the state of Nevada, and you have to sign up at a physical sports book location to enroll.

We're not sure if New Jersey will offer similar sports betting through an app, where you have to go to, for example, Monmouth Park to originally sign up, or if you could sign up online.

There's a lot to be determined, and it's just our job to prepare for every scenario.

Mr. Alex Waldrop: Michael, we had a long discussion yesterday about takeout in horse racing. There are some who say that sports betting will challenge sports betting because of the takeout in the sports book is far below what takes place at the racetrack.

Is that true, and if so, do you see that being a competitive problem for horse racing?

Mr. Michael Grodsky: Absolutely not.

I don't think it's a competitive problem at all.

I think if you look at the way that having a sports book operation could bring in more casual fans into the racing industry or drive more revenue.

With regards to racing, we do Kentucky Derby futures year-round.

A couple years ago, you could get California Chrome at 200 to 1 before he went on to win the derby.

We offer props.

Will there be a triple crown, yes or no.

We offer Breeders' Cup futures.

You can even bet futures on the Eclipse Horse of the Year award, and I think there's a lot of complementary products that promote the sport.

If you go to a race book or a sports and race book in Las Vegas durrin' the daytime or in Nevada durrin' the daytime, the main content on TV all throughout the day is racing.

It's a consistent product that's always out there, and it's fantastic, and I'd imagine it'd be the same situation at all the locations as well.

Mr. Alex Waldrop: Let's talk about the sports leagues.

Do you have content agreements with the sport leagues?

Mr. Michael Grodsky: In what sense?

Mr. Alex Waldrop: Do you pay for that content?

Do you just bet on whatever sports event, or do you compensate that sports event in any way for that content?

Mr. Michael Grodsky: We purchase packages for NFL Ticket, DirecTV packages, to be able to show all the sports, the NBA package, Major League Baseball package throughout our locations to be able to show all the sports.

Mr. Alex Waldrop: The sports leagues obviously have multiple concerns, and I'll take their side of the argument for a minute.

They have content issues, and that's something we deal with in the horse racing industry quite a bit as well, "If you're showing my product, I wanna be compensated for it."

There's a value that needs to be purchased. I don't see that happening in Vegas. I don't hear that's being the plan in New Jersey.

If the sports leagues demand it, do you see a deal being done, or do you think that's just one of these things that's gonna have to be work out?

Mr. Michael Grodsky: The example I'll give you is the arena football league.

We signed a sponsorship deal with them, a partnership with them, right at the time of the Arena Bowl last summer.

The partnership with them is mutual because we know that it's a great product, and that we grow awareness of the sport, and it engages audience who is around the arena football sport, and they're getting revenue from us through sponsorship.

I think that's the kinda situation that's great.

It's a win-win situation.

Mr. Alex Waldrop: The leagues are also concerned about corruption and about their games being questioned, integrity issues.

What sorta things do you plan at Monmouth to deal with possible fixing of athletic events? Can you do monitor wagering?

Are there things that you can do to ensure the public that everything is on the up and up?

Mr. Michael Grodsky: Yeah, absolutely.

It's so important, the integrity issue, right, because if there is some fixing or anything going on, who gets hurt?

It's the book maker, right?

We're the one taking the risk, so obviously, we have our eyes wide open to anything that's going on, and we're the first ones to pick up the phone and make a call, if we see anything suspicious, to contact, whether it be the gaming authority that then contacts the league or the conference and lets them know.

It's our money at risk if there's something going on, so we're the first ones to absolutely raise our hand and make it known.

Mr. Alex Waldrop: Okay, so in your view, that's not — it's similar to what you do in Vegas, then.

You monitor the wagering, but otherwise, you have no reason to suspect any of this.

Mr. Michael Grodsky: Absolutely, and we do it today with 107 sports books in Nevada, yeah, absolutely.

Mr. Alex Waldrop: Alright.

How big is the book?

What does it look like?

What do you have planned there at the moment?

Mr. Michael Grodsky: Yeah, so it's a really nice facility.

Like I said, it's probably close to over 50 televisions in there.

It's got a giant bar in there.

It's a great place to just watch the game right now or watch the races.

It's a fantastic facility, and so I think it really complements the park.

I think we had discussions as well about where an overflow area would be if that can't accommodate everything.

Mr. Alex Waldrop: What about fixed odd wagering on horse racing?

Do you think that would be an idea that would go over well in Monmouth?

Michael Grodsky: Yeah, I think it's really fixed odds from the sense of futures betting, as well as yes-no triple crown prop, and things like betting on the Eclipse Awards, I think, are great.

I think they're fantastic, interesting.

Mr. Alex Waldrop: Alright.

Well, we'll come back to you for some more general questions, and I will open it up for the audience, but I wanna go to you, Jessica, and let you talk, generally, your thoughts about the case, about the Christie case, but also about what's happening at the federal level as it relates to sports betting, but also other operatants that are there, because I know your experience is broader.

Ms. Jessica Feil: Thank you.

It's a pleasure to be here, and I'm gonna thank everyone for hosting us.

I agree with Marc.

I think we're looking at a six-three decision most likely coming from the court that will open up sports betting.

I'm pretty optimistic that it's actually not gonna be limited to New Jersey, and they're gonna find a wholesale problem with PASPA.

Maybe it's just personal optimism from the industry side, but the expressions and the attitude in lines of questioning from the court really suggested they wanted to be put in a position where they're dealing with every state or every single issue one by one.

We'll all be sitting and waiting on that, but at the same time as this hearing's going on, Representative Pallone from New Jersey finally introduced his GAME Act, which would repeal PASPA and make sports betting legal on the federal level.

He's had this legislation in the works for some time.

He's been promoting it.

I was at an event with him in the halls of Congress a few weeks ago where he was discussing it, and even at that time, he wasn't totally sure when he was gonna introduce it, but it came out on Monday.

At the same time, a congresswoman from Las Vegas also asked for hearings on legalization of sports betting.

At a federal level, even in Congress, we see this movement towards the repeal of PASPA, and understanding that the legislative intent that underwrote that legislation where it was thought that, "Sports betting is an evil.

This is something that must be stopped," that moral concern has been taken away.

Now we see it as something that is good for states in a revenue side, it's good for industry, it's safer for consumers.

The question is — is this gonna get done on a federal level or a state level.

If the Supreme Court gets to this first and strikes down PASPA, which I am an optimist that will happen, then we're looking at a state by state roll out.

Alex, as you mentioned, there's several states that have already either on the books or are working to put on the books legislation to legalize it in their borders.

That means we're dealing with a different set of regulatory systems, a different set of concerns at every single state that we wanna open a sports book in.

My background here is I work with online gaming operators, and we've been doing this state by state business for fantasy sports and online gaming for a few years now.

It's a different kind of animal than just having one federal decision.

What we found is that each state has its own set of unique concerns and issues, but two things always come out.

How do we keep the games and our citizens safe, and how do we make the money off of it?

This is where I actually think the horse racing industry has a fascinating role to play if we're looking at a state by state legalization process.

We have a trade association for online gaming representing the operators, the payment processors, the vendors, and we took them up to Harrisburg over the summer to lobby for the online gaming bill, and over and over again, they would say to us, "Well, how do we know the games and the people are safe?"

Our representatives and our members would say, "Well, in Europe, we had this experience," and they would say, "We don't wanna hear about Europe. We wanna hear about how to do it here."

Well, horse racing is legalized sports betting in this country, so this industry has the ability, and the connections, and the know — how to go to regulators, go to legislators, and say, "This is how we keep our races safe, and this is how we keep our customers safe."

This is our experience that we can bring to the table to show the states how to do this the right way."

I think that's really a position that the horse industry can take to ensure that there's a spot at the table for everyone, and also a chance to get this done the right way instead of a difficult rollout, problems that I've seen personally with online gaming rollouts, things of that nature.

That's where we spend on Supreme Court and the federal versus state question, and —

Moderator: Before you leave that, I wanna ask you a question.

Jessica Feil: Sure.

Mr. Alex Waldrop: Just hold that thought.

What is the Pallone GAME Act, what is that structure?

Is that a federal structure that works?

You talked a lot about the state by state approach.

Do you see that having political legs?

Say that PASPA isn't overturned, we're all surprised, and we're all — for the record, I haven't made an opinion yet, but you guys are all surprised, and it is upheld.

What's the chances of a federal structure and a federal system similar to what Pallone's talking about?

Ms. Jessica Feil: I think it's stronger than it's been in a long time, in large part because the leagues are behind it.

The NBA has come out and said that they would support and prefer a federal structure versus state by state for the reasons I just discussed.

When you have the sort of support from that kind of behemoth of an industry, there's definitely a lot of reason to think it could succeed.

Moreover, we're seeing other members of Congress speak up in support of this that have not been active before.

Is there the political wherewithal to repeal legislation and start over?

That's like trying to guess what the court is going to do, but we'll see.

I'm optimistic it could happen, but it would not likely occur before a Supreme Court ruling, I don't think.

Mr. Alex Waldrop: Marc, do you agree with that?

Mr. Marc Dunbar: I do, yeah.

I think she's right.

I'm not overall optimistic at all that this Congress is gonna embrace some significant federal regulatory structure to deal with this if the court — either way.

If the court affirms PASPA, I think the GAME Act or any effort to repeal PASPA is probably dead on arrival, at least until the next election cycle, I think.

Mr. Alex Waldrop: Michael, is that something you have — have you thought about that?

Does William Hill have a position on that?

Mr. Michael Grodsky: I think our position on it really is just from a policy standpoint, it's just no matter how it's sung, we're just gonna be there to be an operator, and so it's just up to each state, it's each decision, and each jurisdiction, and however they wanna handle it, we'll be the operator for it.

Mr. Alex Waldrop: Fair enough.

Jessica, I cut you off, so keep goin'.

Ms. Jessica Feil: I wanted to say there's also this decision that's probably very well known amongst the crowd here, the Derby Wars Decision from the central district of California.

I imagine some representatives of the party are out there as well.

For those who aren't aware of this case, essentially, Derby Wars, which is a daily fantasy sports racing game and mobile app was operated and run by a company called Horse Racing Labs.

Various racetracks challenged their operation of this act under the Interstate Horse Racing Act saying that they were obligated to enter into agreements with the tracks to offer betting in the form of daily fantasy on these races. The app, Derby Wars, responded saying, "No, this is daily fantasy sports. We're not taking bets or wagers; we're taking entry fees."

Ultimately, the court in this case came down with an interesting decision and concluded that because the majority of the prize that the participants won was made up of their entry fee, this is actually a bet or a wager and not an entry fee.

They made a distinction and a comparison to jackpot poker games, where if it's a jackpot where the amount that you win for exceeds your entry fee, that's an entry fee, not a bet or wager, but when it's much smaller amount, it becomes a better wager, and you're wagering against the person or the house.

It doesn't matter.

I was looking around for some cases last night tryin' to see if I was sure this was not a distinction that had been made under the IHA before, and I couldn't find anything, so it's an unusual decision, and it's a decision on a mobile game that is based on 30-plus-year-old poker law.

It's an interesting question, and I think it's an unusual — it's an unusual decision in some regards.

From my side of it, when I look at these online games, and I'm advising clients on how to launch apps, how to do these things, we struggle because we look at case law that's decades old and deals with poker, deals with things before the technology got caught up to us.

The question here is is this a tenable decision?

The parties in this case have reached a decision where they're gonna work with each other and come to it agreements under the IHA, which is also a great business decision for everybody to get the game out there, get the app out there, so that people can offer it, but what does this case mean going forward?

We have yet to see that, and I think we're really gonna find out with the daily fantasy sports litigation because they've brought that case to that court's attention.

Mr. Alex Waldrop: Where is the daily fantasy sports litigation right now?

What's its posture?

Mr. Michael Grodsky: Ask Scott he's sittin' in the back.

Mr. Alex Waldrop: No, I'm talking about...You're mentioning broader daily fantasy.

Ms. Jessica Feil: Yes. The broader daily fantasy sports litigation is proceeding at glacial pace, as these things do. They're working along. I couldn't even tell you when to expect anything from that.

Mr. Alex Waldrop: Well, talk to us a little bit about daily fantasy in the broader context.

What competitive challenges does it present for horse racing?

We're online.

We'd like to think of ourselves as the only legal online sports betting proposition, with I guess some exception if you consider the sports betting in Nevada that happens through the —

Michael Grodsky: Mobile.

Moderator: Yeah, the mobile apps.

Ms. Jessica Feil: Sure.

Daily fantasy sports came up, besides the fact that they're prolific ad buys, to fill a gap where we didn't have sports betting, so what was that.

It has been that bridge that brought the sports betting and the gaming public here into a sports betting option when they didn't have anything else.

They have led the way in terms of mobile and with the sorts of compliance issues in terms of creating legislation and those things.

I think under Pallone's act, he actually took a very presentive view and said, "It's a better wager, but would regulate fantasy sports on a federal level, both for football and the regular sports, eSports as well."

It's a more comprehensive view as well, and it would give a better clarity, I would say, to the industry.

Mr. Alex Waldrop: Monmouth Park prevails, New Jersey prevails, PASPA goes away.

Does daily fantasy go away?

Ms. Jessica Feil: I'm sure they don't want to.

There are a lot of people who are very into daily fantasy sports.

I know that Fan Duel and Draft Kings are positioning themselves to also be leaders along with William Hill and the others in terms of offering sports books.

They're looking into offering traditional sports books themselves.

Does it go away?

Never.

Does it change their posture?

Probably.

I think you will see a lot of people migrate to tradition-style sports betting, but the reality is they're also in a great spot because people want to bet on mobile.

We see it in Europe.

It's the most popular way to wager in a lot of countries, and when you're tryin' to capture that critical market share of the evil word millennials, that's where they are, so you will see a lot of reliance on DFS and those players in terms of how to do that.

Mr. Alex Waldrop: What is the DFS industry?

How do they view the GAME Act?

How do they view Pallone's legislation? Is that something they're gonna support?

Ms. Jessica Feil: I have not had any actual conversation with them as to how they in particular view it.

I think they would probably prefer it in the say way the NBA does.

They don't wanna go state by state and ask for licensing, and ask for — when you have whatever number of, 30-some states we have, with different licensing structure —

Mr. Alex Waldrop: Welcome to our world.

Ms. Jessica Feil: I know.

They're insistent that we don't have 50 states, but why would you prefer 37 different licensing regimes, 15 states where you're not sure if you can operate, but you'll try, versus just one law that says, "Go ahead."

Mr. Alex Waldrop: Can you pass that one law? Back to the question I put to Marc.

Can you pass that one law in Washington, in this environment?

Ms. Jessica Feil: In this environment?

Who knows?

Mr. Marc Dunbar: If I could just add, you look at how the Indian Gaming Regulatory Act was passed, it was passed after the Cabazon US Supreme Court case, when Congress said, "Oh my gosh, we've been toying around with this, but now we have full on deregulated Indian gaming.

We have to step in and create some framework."

It's possible that this court opinion could throw it wide open where Congress has to, has a Cabazon-type reaction, saying, "Oh, we can't have," as the chief justice has, "We can't have 12-year-olds walking around and wagering in a deregulated sports wagering environment.

That just isn't practical," and so if that happens, then you think you come back over to Congressman Pallone and his act.

I just don't see a federal bureaucracy being created.

I think the Interstate Horse Racing Act is a much better pathway, personally, but I think first, Supreme Court has to create the crisis.

Mr. Alex Waldrop: You think that crisis is coming?

Mr. Marc Dunbar: I do.

I definitely do, yeah.

Ms. Jessica Feil: I'm hard pressed to believe that this court would put us in a situation where we have unregulated sports betting in the state, and Chief Justice Roberts hit exactly on that with the deputy solicitor and sayin', "Are you really suggesting that we should allow them to do a full repeal and that it do happen anywhere?"

The state brought that point up in their briefs several times.

They're not gonna do that and create a crisis where we have unregulated betting.

I'm hard pressed to see them doing that to the public, but it would certainly force Congresses hand.

Mr. Marc Dunbar: Mm-hmm, it would.

Mr. Alex Waldrop: I mean, if we've heard the word federalism once, we've heard it 1,000 times in the last week, the federalism being the concept that the federal government should leave to the states what the states do best.

Isn't it likely that Congress will do nothing and let this be done at the state level like the horse racing?

Isn't horse racing sort of a —

Marc Dunbar: It's a perfect example of —

Mr. Alex Waldrop: — specific example of federalism?

Yes, which seems counterintuitive, but federalism means not federal.

Don't ask me to explain that one.

Ms. Jessica Feil: That's exactly right, and gaming as a whole, whether it be casino gambling and horse racing, has such a strong history in being a state's issue.

It has always been a state's concern in this country, so they're not necessarily interested in overturning that apple cart and creating a federal bureaucracy for it, but if it would create some clarity where we could just say on the federal level, "PASPA's done; this is where we stand," that might be the middle ground.

Mr. Marc Dunbar: Yeah, I remind my law school students that the vast, vast, vast majority of federal law that deal with gambling completely defers to how gambling is defined in each state by their laws or their case law, so if you wanna go and open up in some federal code and say, "What is a state bet or a wager," you're not really gonna find the definition at the federal level.

A lot of times, it defers to the state, and there's some case law and nuance there.

The Interstate Horse Racing Act is the one exception, and that's the advantage that I think we have as an industry, and why we are the only blessed interstate product.

Mr. Alex Waldrop: Okay.

Can you say a word about eSports?

I'm fascinated by this, and it's coming.

Apparently, if it's in Pallone's bill, it's something that we all need to know about.

What is it, and how is it part of this whole discussion?

Ms. Jessica Feil: Sure.

eSports is competitive video gaming.

It's been going on —

Mr. Alex Waldrop: Competitive video gaming?

Ms. Jessica Feil: Competitive video gaming.

Let that sink in for a second.

Mr. Alex Waldrop: My son could do that.

Ms. Jessica Feil: It's a much bigger issue than I think most people are embracing, and I think it's — when I saw it was in Pallone's bill, I was impressed.

I think that's great.

eSports is competitive video gaming.

There are professional teams of eSports players all over the world.

eSports is bidding to get into the Olympics by 2024.

These are teams that are sponsored by companies like Coca-Cola, Google, Alibaba, Poker Stars, the 76ers, the Golden State Warriors.

You're seeing a lot of cross-industry interest in this in that various people are seeing the money here.

They set up these eSports teams, they sponsor players, they house them, they train them, they get them nutritionists, and they compete at places like Madison Square Garden for world championship titles.

There's multimillion dollar tournaments being played all over the world all the time for a variety of video games.

Some of the most popular titles right now are League of Legends, Defense of the Ancients, Counter Strike.

There's that big, professionalized side of it, but then there's also a smaller, in-house side of it where people are betting on this.

There are books all over the world, not in the United States, although we're seeing it a little bit in Nevada now, offering lines on eSports and wagering.

It's huge business.

It's a huge business, and fans of this really do communicate and embrace their eSports that way.

There's also just the personal side of it.

I'm working with a lot of companies now where they're offering apps where you play head to head with your friends and bet against each other as to who's gonna win.

That's by and large acceptable in most states.

You can go and play Candy Crush against your friends for money.

Why not?

It covers the whole gamut, but eSports, there are projections of billions of dollars in handle on that alone.

There's a state eSports agency in South Korea, and they have the same gaming and integrity issues that are coming up in any other sport.

The question is what's the intersection here.

Like I said, you're seeing a lot of other industries get in on the funds, and sponsoring teams, and supporting those things, even though they have no background in it.

It's also a way to embrace the sports book and embrace betting, because I think this is gonna be the next thing for sports betting.

Mr. Alex Waldrop: Interesting.

Before I open it up to questions from the audience, I have one last question for each of you.

I know that only Marc has specific racetrack and racing experience, but I want your perspective on the question as presented.

Is horse racing ready for legalized sports betting, and if not, why not, and what would you suggest we do to get ready?

Mr. Michael Grodsky: From my end, I think it's a case by case basis, and somethin' everybody should be askin' themselves.

It's understanding kind of the sports betting operations in Nevada, how they work, how it would work at your facility or in your environment, understanding that it is a risk business and you need specialized folks to run it, that you don't just get a feed and you just don't get a system, and turn it on and let it go.

You need to be prepared to be a trader.

I think that kind of mentality and understanding how that works is something folks are preparing for and is a great step.

Mr. Alex Waldrop: Jessica.

Jessica Feil: I think the industry is pretty close to being ready.

You are already offering legalized sports betting.

You have the connections.

You understand how it runs in your states, so the question is how do you translate that to the broader world of sports.

It's coming, and I am optimistic that it's something that racing can embrace as a way to bring in new fans to racing, and both improve what the experience for fans that are already there.

Mr. Marc Dunbar: I think it depends on who you ask.

I think some segments of the industry are ready.

I think some segments of the industry have their head in the sand, and they've had their head in the sand for quite a while.

Hopefully, the coverage from the US Supreme Court is somewhat foreshadowing the need for the rest of the industry to get ready.

I know my major horse racing client, Stronach Group, are very, very engaged on the issue, not just this issue.

I mean, we've been watching daily fantasy and active in that space.

I mean, I remember pitchin' Belinda and Alon Ossip a couple years ago about tryin' to turn one of the venues at Gulf Stream into an eSports lounge.

These kind of things give us the ability to bridge two generations and markets that don't traditionally think of coming to the horse track as young, hip, cool, or exciting, and sports wagering is one additional piece that could attract new people, and in how you then package it once they're there, whether you do parlays that involve two sporting events and a horse racing event, or two horse racing events and a sporting event, whatever you wanna do.

There are lots of opportunities for creative thinkers, and I do think and hope that most of the people in this room, you all are industry leaders, that you see the tide that's coming, and let's not try and paddle against it.

Let's try to work within it. I'll give you just one good, practical example.

The night before the oral arguments, I had dinner with folks from the AGA and some clients where we talked about the practicalities of what federal

implementing legislation could look like, what the horse racing industry fears and could embrace.

We kept coming back to the practical problem that the traditional gaming industry has, which is they're being confronted with questions on, "Prove to us that you can roll out a system that's nationwide, that has integrity, both on the wagering side, and also looks after the consumer and ensures that minors aren't wagering," and things like that. I kept coming back to, "Horse racing has proven it can be done."

ADW companies have been doing this, geolocating, doin' all of the things that are needed in this country to show state regulators, certainly, that we can roll out a system.

Also, it's a system that balances the interests of the incumbent brick and mortar operators, with the sports participants, and creates a mechanism where contractually, we share the revenue.

We don't need to have government do it.

I mean, some states like Florida, we do chop up the takeout pretty finely at the government level, but certainly, we have the ability to do it under the IHA and successfully do it.

I think that model, and I think a lot of people, are going to be looking to the horse racing industry and saying, "You have a developed law, you have developed case law that's been a firm ed as being constitutional that defers a lot to the commercial players. Let's use that as a guide."

Now, there is gonna be a drafting group that's gonna start getting together here fairly soon, I think, that's gonna see if there's a way that the major players can come together around that kinda concept.

Here's the big problem.

Mr. Alex Waldrop: At the federal level.

Mr. Marc Dunbar: At the federal level.

Here's the big problem.

In horse racing, it's easy for us to say the signal's moving from Florida to California.

It's legal on both sides.

The Californians are wagering on the Gulf Stream signal, and we can shop that takeout between the Gulf Stream horsemen, Gulf Stream park, Golden Gate, and Golden Gate's horsemen, and each state has sort of a regulatory touch on it and gets their tax revenues.

The big problem, and this is a big problem facing the leagues, is what do you do in a scenario, the NBA, where the NBA wants somebody in California to wager on a game involving Golden State and Utah Jazz that happens in Salt Lake City?

No wagering's allowed in Salt Lake City.

Now, under the Wire Act, there is this sort of question on does the sporting — it's out there, is whether the sporting content has to occur in a state where the wagering is legal even if the wagering done that's legal in that state.

That's going be the league's problem.

Practically speaking, we in the horse racing industry don't have to deal with it because of the way the IHA is set up, but that's the one nuance that I see that the drafting committee's gonna have to work on.

Mr. Alex Waldrop: I've got other questions, but I'm gonna stop.

I'm gonna take questions from the audience, and if you don't have any questions, I've got them.

Yeah, and if you could come to the mic, please, that's great, so everyone can hear.

Audience Member: Alright, good morning.

Thank you.

I had a question for Michael, and maybe a follow up for Jessica and Marc.

With respect to the federal issues that we're talkin' about, and specifically for William Hill, do you think pari-mutuel sports wagering is competitive?

Is that something you care about?

The follow up question, really, for Jessica and Marc is does the pari-mutuel sports used in a daily fantasy sort of format relieve us of some of those issues that you just mentioned? You know what I mean by — yeah.

Mr. Michael Grodsky: Absolutely.

In Nevada, it is an option out there to have pari-mutuel sports wagering, but the fixed odds sports wagering is the premiere product out there.

William Hill personally doesn't operate any pari-mutuel sports wagering currently in Nevada.

Mr. Alex Waldrop: Because it's not competitive?

Mr. Michael Grodsky: It's just not out in the market.

We're not offering it.

None of our competitors are really offering it.

Mr. Alex Waldrop: The customer doesn't want it?

Mr. Michael Grodsky: I think customers are leanin' towards fixed odds right now, sports bettin'.

Mr. Marc Dunbar: There actually is it an online player that's looking at that, and is actually looking at it using not Bitcoin, but a blockchain currency, because the one great advantage that pari-mutuel offers is the ability to derisk, which is certainly very attractive from the house standpoint.

As we all know, we're nothin' but mutual fund manager managers in the pari-mutuel industry, so you could see that 5 percent average sports wagering takeout actually shrinking significantly.

You could get it to 1 or 2 percent, which is what this one player's talking about doing, is having a 1 percent base system that's for the most part purely pari-mutuel.

I think it would be a very small and nuanced part of the industry that probably would be exploited a lot like daily fantasy is right now with large

players that have sophisticated wagering algorithms and things like that that can take advantage of the inefficiencies in the pari-mutuel pricing there.

I don't think it would be this broad mainstream thing, and at least in Florida, our constitution only allows us to do pari-mutuel pools pari-mutuel races and games that existed in 1968.

It doesn't solve a problem, and there are a lot of states that have kind of similar language that locks the pari-mutuel into traditional horse racing, dog racing activities, and it would be difficult to expand, but it certainly is, and people are looking at it.

Ms. Jessica Feil: I agree.

I think it's a pretty small market, but part of what I've seen when people say, "Well, I'm not interested in wagering on horse racing," is a confusion about the pari-mutuel process and things of that nature.

Would there be a lot of potential there?

I'm not sure, but it's an interesting idea for sure, and I think that's been one that's been explored by several, but generally I think Marc's right.

Mr. Alex Waldrop: Eric?

Audience: Really for Jessica and Marc to expound a little bit more on what you ended.

Jessica, you mentioned obviously legalized within borders, but then Marc, you started to touch on the interstate horse racing, and in our exclusivity in that venue.

In your professional opinions, at what point is our concern really more addressed to losing that exclusivity, having somebody else do an Interstate Horse Racing Act mimic Trump on the Wire Act for their sport?

If so, do you know what sport is taking the lead on that?

Ms. Jessica Feil: You're not gonna see anything, any movement like that, until after we get a decision from the court, and if there was a league that was — and I also don't see any particular sport doing it individually at this point.

Horse racing was in a unique position with the IHA and things of that nature, so I don't see, for example, the NBA striking out and doing this on their own because there's gonna be too much pushback from the other leagues. They're powerhouses there. You're gonna be lookin' at this as a generalized sports question before we're looking at a similar type to IHA.

Mr. Marc Dunbar: The dinner that I had, actually, the NBA was front and center in the discussion.

The NBA is the one that is very aggressive, very aggressive on the hill, staffed up very well, and appear to be — their solution is NBA bets.

There's no room for really anybody else, unless you pay the NBA for the ability to be in there.

They're gonna have to look for vendors that they're goin' to — but everybody is going to be paying the NBA, whether you're a brick and mortar facility that's offering, whether you're a vender that's offering, the NBA wants absolute control of it.

That's why the IHA model sort of is something that you could see the NBA gravitating toward to where it says, "Wagering in a state cannot occur unless the NBA signs off, like the host track does."

The alliance that I see, which is tough, but the alliance that I see is the major brick and mortar players in horse racing and in casino, getting together and you have the overlap of the companies like Peninsula and Penn if they stay apart.

If they get together, it's gonna be Super Penn, but those people that are in horse racing as well as in casinos saying, "Look, brick and mortars have to have signal access, period.

It has to be factored in in some form or fashion."

The problem with the AGA is the AGA has the manufacturers that are involved, and some of them are investing in sports book.

One of my clients, Scientific Games, is makin' a big play for NYX.

You have Scientific Games sitting at the table with the AGA also staffed up in DC saying, "We've gotta figure out a way that we get a piece of this action."

That's the big problem, is I don't see a scenario where the whole gaming industry sings Kumbaya, but I see a scenario where all of the incumbent brick and mortar operators that have the best argument of, "We're in your community, we employ people. Don't hurt us," standing with the leagues and saying, the leagues saying, "We've gotta control this, and we will provide access to all the incumbent brick and mortars on a state opt-in scheme, like the IHA is."

I could see that being the one where most people see their half loaf in a deal, if I had to crystal ball it.

Mr. Alex Waldrop: I think we have been approached by the horse industry through the — NTRA has been approached by the AGA several times.

We've had multiple meetings with them.

I think the online component, the interstate component, is way down the road.

I think the first move is brick and mortar, it's state by state.

You've got Sheldon Adelson, who's out there tryin' to stop any online wagering whatsoever, so the AGA is going to be very conservative on this point, the AGA being the American Gambling Association.

From my perspective, it will proceed on a state by state basis at the brick and mortar level, and we don't see any sort of real discussion about an IHA in the casino environment.

There'll be discussions, but we don't see it moving.

Mr. Marc Dunbar: One thing, and just to add it, my biggest concern on state by state, which I think it has to go state by state, I just don't see it any scenario in that it doesn't.

Hawaii and Utah don't have gaming, don't want gaming, constantly reject gaming.

Why would the feds shove it down their throat?

I don't think that'll happen, but state by state can't go the way daily fantasy's going.

I mean, FanDuel and Draft Kings, as an operating business entity, everybody understanding they don't make money, they're not going to make money, their burn rate's ridiculous.

What's gonna wind up happening is they're gonna be a brand that's purchased at some point when they just can't raise any more capital because the state by state model that's being rolled out doesn't understand even the tiniest bit of the economics of the industry.

If we care about working in a coalition to embrace it, one of the things that we have to educate policy makers is, "Look at the tax rate on horse racing."

Live horse racing in Florida is taxed at .5 percent of the pari-mutuel handle.

Sports book can't even handle that, in my opinion.

At the federal level, there's gonna be an excise tax that's already in place that exists for legal and illegal sports wagering that's either .25 percent of the handle or 2 percent of the handle.

If a state comes in and wants to think that this is some kinda gold mine and puts a 2 or 4 percent tax rate on it, there's nothin' left.

You're operatin' at 5 percent of handle as the average.

With the federal government taking .25 percent, there's just not a lot left.

This is not a lottery ticket for states, and that has to be explained to state policy makers.

Where the advantage is, particularly if you give it to the brick and mortar operators, is we're already regulated, first of all, so you don't need to overlay regulated bureaucracy on it, and two, the benefit is truly gonna be the indirect.

It is goin' to be new people at the horse track, new people at the casinos, more room nights, et cetera, et cetera, et cetera.

Mississippi has proven when they implemented casinos that you do a low tax, noncapital investment comes, people come.

Mississippi will be the first to implement sports book in the South, and likely will have that regional monopoly for a long time.

I guarantee you, they're gonna be able to prove the indirect happens.

There are gonna be a lot of sports-related tourism back to Tunica, back to Biloxi.

That's, I think, the advantage that we can have and benefit from if we can convince state policy makers, "Don't crush us with this overburdensome tax and regulatory regime, cuz it's not needed."

Ms. Jessica Feil: It's been my experience, too, with the tax rate how much they don't understand things, because when we were in Pennsylvania with the online gaming issue, they looked at us and said, "Well, we tax slots at 54 percent, so we will tax your online slots at 54 percent."

We said, "We can't operate like that," yet they gave us 54 percent tax rate after an industry sat there and told them that the only way that they can make money and survive and provide the tax the state's looking for was at a sub-20 percent rate.

Don't underestimate how much education they need on how this industry works, because it's gotta be mutually beneficial in these situations, and right now, all I think people see is the money.

Mr. Alex Waldrop: Good luck with that, because we talked yesterday about tax policy at the federal level, and one of the things the new tax act is going, it's gonna push a lot of cost back to the states, and the states are gonna looking for new — they're gonna be looking for tax revenue, and the states are pushing it down to localities.

There is an urgent need for revenue at every level of government right now, and it is difficult.

I'm sympathetic to that.

I don't mean to cast aspersions on the government.

I mean, they have an important job to do, but when they look at gambling, they tend to overestimate the rake, if you will, of the operator.

Other questions, comments?

Thank you.

Audience Member: Hi, I've been a gamer since I was old enough to hold a controller in my hands, and I am very interested in horse racing games.

I've been disappointed over and over about what is on offer.

My question is more directed to Jessica.

With a profitable eSports market, might this inspire an interest in developing a quality horse racing video game, something people can play head to head, like on Xbox Live, or PlayStation Live, and have the opportunity to wager?

If that's not possible because it would pull in Microsoft, and no one wants to deal with that, some other kind of proprietary software developed by, well, anyone, but licensed to a horse racing company or a track, put it in a track's name, and just something to make a product that doesn't make me cringe and makes me proud to say, "Look at this game, look at its artistry, look at its gameplay, how it moves.

The horses don't look weird."

Ms. Jessica Feil: I know, I'm having flashbacks to all those games I played when I was little.

My parents would buy me the horse games, I'm like, "That's not how a horse moves."

With all the progress in video games, and if you have not recently looked at some of these video games, you should.

They're astoundingly beautiful, and realistic, and engrossing.

They could absolutely create something like that.

I don't know that there is a huge market for it.

What I have seen, Konami just released their new horse racing slot machine, and I played it a little bit at the Venetian the other week.

It's fun.

It's not realistic, but it's fun, and it's definitely doing well.

It's drawing people in who are not necessarily into horse racing, and it's on the casino floor, and it's a big, interesting machine, so that's something.

Do we see it as something that we can create interesting — I think part of it is people who are interested in the horse sport as a participant would rather just go participate in the real world on some level.

As licensing to the tracks and things like that, I would absolutely encourage the tracks to get into all levels of gaming and all sorts of that as sort of a way of expanding what they do.

Will there ever be a huge market for horse video games?

I just don't know. Probably not.

Audience Member: It'll be the dream.

Ms. Jessica Feil: It will be the dream.

Audience Member: Thank you.

Audience Member: I wonder if you all could clarify the connection between the IHA and the Wire Act, and cross-state line betting on sporting events.

That is to say, if New Jersey is permitted to have a sports book, will they be able to offer bets to patrons at the New Jersey facility on sporting events that occurred in another state, or will they only be able to offer betting on sporting events that occurred in New Jersey?

Mr. Marc Dunbar: To me, that's the next \$64,000.00 question.

I mean, most people look at it and say, "Oh yeah, of course," but when you read the Wire Act and you also read it potentially through the optics of Jeff Sessions, you can imagine what you could get.

That's the concern I have.

I was kidding around with the folks at the AGA that hopefully there'll be another attorney general that will be a little more in touch with, I think, the general sentiment of the public on some of these issues.

The Wire Act, for those that aren't familiar with it, basically says that the wager has to be legal on both ends of the transaction, where it initiates and where the bet is actually placed.

It talks about sporting contexts, and there's sort of this dangling prepositional phrase that you don't know if it's modified by the state in which the sporting contest occurs, and it's not an issue that has really been litigated.

There's not case law on it that really clarifies that.

Now, arguably, New Jersey's gonna take the position that, "Yeah, if the Tampa Bay Bucs are playing the New Orleans Saints, we're gonna wager on it in New Jersey, and we don't care what Florida or Louisiana law is."

My worry is what are the instructions that Jeff Sessions gives down to his people regarding the Wire Act, and we've seen some attorney generals do some kind of somewhat goofy things under the Wire Act historically.

Mr. Alex Waldrop: Marc, haven't the Nevada books already answered that question?

They take bets on sporting events from all over the country and all over the world every day.

How do they get around the Wire Act if that's the case?

Mr. Marc Dunbar: Well, they have a PASPA exemption that I think cleared up the Wire Act ambiguity.

I mean, PASPA does affirm Nevada's ability to do it, but we won't have that if PASPA falls.

I'm not saying that that's something that ultimately — I'm just saying it's not 100 percent.

Mr. Alex Waldrop: I think it's an area ripe for litigation.

If I'm a sports league, and I wanna stop this thing, that's the first thing I'm gonna do go to court.

I'll put a Wire Act down and, "Nope, you're not takin' mine unless I get paid," and this is the way that it transpires.

Mr. Marc Dunbar: I would also never, I mean, and I think everybody in this room gets it, you don't underestimate the power of the leagues.

There were three US attorneys that were looking into daily fantasy, and then it stopped abruptly.

There were plenty of calls that went in from league team owners to the Obama White House, as well as the Department of Justice, particularly the US senators on the judiciary committee and other points of leadership, and they stopped it on a dime.

If they didn't like the way it rolled out, I could see that flipping.

We know that the President is certainly on speed dial with some of the sport league owners, and —

Mr. Alex Waldrop: If not the commissioners.

Mr. Marc Dunbar: Yeah, right, or team owners, I mean.

Anyway, I just put that out there as it's not a — this ruling doesn't absolutely say, "You're golden if it's legal on both sides."

The other part about it is how do you share the revenue, can you create an interstate compact to commingle the money.

I mean, I know from a risk standpoint, you got Rhode Island.

People betting in Rhode Island and people betting in Florida, for example, does Florida have to have a separate pool for its money, and Rhode Island then has a tiny?

Do the lines have to be created independently? Will they move collectively?

Will there be split seconds of line inefficiencies between states?

Which those of us in the horse racing industry know that lag can be exploited from a technology standpoint.

That stop bet command comes in just a little bit late, it can be exploited.

Anyway, just different thing practically that could occur.

Audience Member: Quick question.

This is a little bit farther afield in relation to your discussions with the NBA.

One of the things we obviously all operate under is heavy regulatory oversight.

Have the NBA considered the fact that if for some reason PASPA gets removed, all of a sudden, there's a federal bill that comes into play that allows for them to have wagering on their sport?

Are they gonna welcome regulation to come in and start saying, "We're gonna start testing your players?"

League operators, we're gonna start requiring — we wanna see into your books, we wanna see who owns these leagues.

We wanna start having the referees are now ran not by the league, but by the state government in which they are actually playing these games?"

I mean, you start askin' these types of questions of the league.

Are they gonna welcome that type of governmental oversight like we've been operating under?

Mr. Marc Dunbar: Well, keep in mind, the leagues have pretty sophisticated security departments now.

They police their players and officials and have pretty broad authority in that regard over the private participants in their game.

I know Adam Silver has invested significantly in technology.

The easiest way to try and understand, and I think Mike can speak to it much better than I can, is the first way you know that there might be an issue is what's the technology telling them in terms of the wagering patterns and things like that.

I've seen Adam Silver and his spokespeople on this issue, and you watch the moves that they've made, the investments that they've made.

They fully understand that if they're gonna be the controller of wagering on their sport, that they have to have a very robust technology platform first and foremost for game, for integrity.

I don't know, Michael, if you wanna add a little bit to that.

Mr. Michael Grodsky: No, I think you hit it.

I think when we look at wagers comin' in, and we have specialists that just know what to look for in that situation or any situations, and monitoring wagering as they come in.

If there is a red flag, we raise it right to the Nevada Gaming Control Board and say, "Look, something's not right here," and then they'll go ahead and communicate that to the leagues and say, "Look, we gotta report this.

This doesn't look right.

Can you look into this?"

Mr. Alex Waldrop: I think the GAME Act, Pallone's legislation, is an interesting approach to that very question, because clearly the leagues, the NFL in particular, do not want this, and that's the number one reason.

They do not want the heavy hand of government.

They don't even like worker's comp laws being implemented against them.

The GAME Act is not a structure, but it mandates certain minimum requirements of the state.

If you're goin' to do this state, you must have this security in place, you must have these protections.

It's an interesting approach.

It's not federal oversight, it's more a federal mandate that the states do it a certain way to ensure that there is consumer protection in that environment.

Again, the GAME Act is — this is the fifth of these bills that Pallone has filed.

It's gonna be hard to move that.

That's sort of what has been talked about.

Other questions?

We've got a minute. I

got one more question.

This is your last chance.

Okay, I'm gonna ask — we got two minutes.

I'm gonna ask the last question, then.

Give me 30 seconds.

Marc, what's the gaming landscape gonna look like in five years?

Mr. Marc Dunbar: I think that we will have a limited sports wagering rollout, probably six or seven states in five years, and it'll be an opportunity for incumbent brick and mortar operators to supplement their existing product.

Mr. Alex Waldrop: Jessica?

Ms. Jessica Feil: I agree, but I think it's gonna be more focused online because that's where the action really is, and that's what we're seeing books already moving into.

Mr. Alex Waldrop: Michael, where does William Hill wanna be in five years in this industry?

Mr. Michael Grodsky: Right now, we're the market leader in Nevada, and hopefully we're the market leader in every jurisdiction we can operate in in five years.

Mr. Alex Waldrop: Great.

Well, thank you very much for your attention.

I appreciate the panel and all your candor, and we'll keep talking about this for years to come, I am confident.

Thank you very much.

Mr. Michael Grodsky: Thanks, everyone.

Appreciate it.

