



WEDNESDAY, DECEMBER 7, 2016

**Pari-Mutuel Sports Wagering:
Coming to a Track Near You?**

SPEAKERS:

Michael Knapp: COO, USFantasy Sports

Victor J. Salerno: President, USFantasy Sports

Terina Salerno: Corporate Counsel, USFantasy Sports

Ken Sarnecky: Vice President of Systems Development, Las Vegas Dissemination Company

Bruce Seymore: Executive Director of Colorado Operations, MHRE – Arapahoe Park

Ms. Liz Bracken: Okay.

Welcome back and thanks for participating in the home stretch.

We're almost at the wire, but we've got some good stuff to talk about this afternoon.

Again, wanna give a shout out to the sponsors, our mentor lunch with our students, American Quarter Horse Association.

Stronach Group will be the beverage break sponsor and this session is sponsored by the Latin American Racing Channel.

We all have pari-mutuel racing and we all have heard a lot about fantasy sports and we thought this would be an interesting product to talk about.

We have a lot of years of gaming and racing experience at this table — and I won't say how many — I will just go ahead and introduce Vic Salerno, who's the president of USFantasy sports.

[Applause]

Mr. Vic Salerno: Good afternoon, everybody.

First of all, I wanna thank the University of Arizona, the College of Agriculture, the Race Track Industry Program and a special thanks to Wendy Davis and Liz Bracken.

Of course, thanks for all of you for being here today also.

I've been a horseman for over 60 years playing and I've been through the good times and some — really, the golden years and also the leaner years.

We feel that USFantasy brings to you a product that will create a new revenue stream, will create new — increase your attendance at your track's key demographics and drive ancillary business at little or no cost to you.

As racing enthusiasts and fantasy sports experts, USFantasy is an essential component in the race industry's evolution.

Like an announcer will say, "Here we go."

You've met the panel.

They'll tell you more about themselves as we go on.

USFantasy, we're based in Las Vegas.

This year we went for licensing.

We were the first fantasy company to get licensed going through regulators and through the Nevada Gaming Control Board.

We have a business-to-business model where just recently we also are running — or not running, but we're providing the content for the contests that are being run in Colorado.

In Nevada, we're in 53 casinos.

In Colorado, we're at Arapahoe Park and we have about a dozen OTBs there.

We produce customized contests.

For example, if you've been over to Todd Roberts' booth, you've seen that this week we put up the rodeo and different events in the rodeo, so we have really a lot of different ways to go.

Our product is really — not so much that it's new, but it's really easy to use.

We keep the contest fields down to a number of players that we feel is manageable and that you or the customer can relate to.

We offer 'em in pro football — the big things, for example — and like I said, all the way down to rodeo.

We're also trying a million-dollar Pick 7 where we have seven events or what you guys would call "races" and it's like a Pick 6 or whatever and for a dollar entry fee, we pay a million dollars guarantee.

We feel that's a good way to attract people.

On every dollar entry, they can do many combinations. We're expanding the overall marketing appeal of the tracks and the OTBs.

We're targeting really the millennial demographics. We all know — I mean I've been coming here for probably 25 years—and we all know that the demographics for horse racing is old people like myself.

We wanna bring in newer people and we feel by introducing our product, perhaps we'll get some crossover to the racing industry.

Some of the nice things about it is we introduce pari-mutuel wagering to traditional sports fans and then in addition to that, a really big thing is the infrastructure's already in place, so all you that have tracks, we use the same terminals or the same phone accounts or ADWs that you are using now.

We really basically provide a turnkey operation.

When we go to states, all the states have different laws and regulations, especially when it gets to fantasy sports.

In some states, we don't call it "pari-mutuel wagering"; we call it "co-mingling of funds."

We don't call it "betting"; we call it "entries" and we don't call 'em "races"; we call 'em "contests."

It goes back to the legal departments and how every different state looks at it.

I think these positions your industry, the race industry to position yourself in case PASBA is retracted and sports betting becomes available, you're in a perfect position to take advantage of that.

As you know now, pari-mutuel sports is legal and operates in over 43 states.

With that, now I'm gonna have my partner, Mike Knapp, he's gonna take it from here.

Mike?

Mr. Michael Knapp: Alright.

I'm gonna tell you a little bit about the contests.

The concept was originally developed around 2008 and over the last eight or nine years, we've been testing and developing different versions of it — things that Vic has touched on — anywhere from the traditional sports of football, basketball, baseball on through things like rodeos.

After these years of tests and developments, we have thousands of contests that are available up to 360 days per year.

The fantasy landscape as we're all probably familiar with is an evolving process.

Just in this last year, over eight states legislatively approved fantasy sports, including Colorado, our newest partner.

There's 20 plus states this coming year with proposed fantasy sports legislation, so it figures to be another active year in taking a look at the opportunities for fantasy sports.

Again, if we have some interested folks out there, I certainly would encourage you to talk to your legislators about the potential of specifically authorizing a pari-mutuel version of fantasy sports.

We actually consider ourselves the next generation of fantasy sports for several reasons.

The legislation that was developed over the last — or these eight states that had approved this year all were to really consider some of the issues confronting the current daily fantasy sports industry.

Pari-mutuel sports or pari-mutuel systems, which is really the original skilled platform, were built entirely on transparency, one of the issues that current DF suffers through.

Consumer protections are kind of new things that are being added in slowly as the states are mandating some additional consumer protections onto.

Current daily fantasy sports platforms are already existent and have been proven over decades in the pari-mutuel systems that we've all been working with over the years.

Pari-mutuel systems of course are very easy and adoptable.

States understand what they're getting under the pari-mutuel systems, whereas much of this legislation that has been developed over the last year, I think they're hoping that it helps curtail some of the problems that have faced this emerging daily fantasy sports business.

In particular, we've read about the highly skilled players that are coming in.

Basically, a small amount of people are scooping up the majority of the jackpot prizes being offered on these sites.

As we know, highly skilled players' advantage in pari-mutuel's mitigated really through the transparency of the pari-mutuel auction itself.

In other words, there's a certain amount that they can play into the pools before they actually start playing against themselves.

It mitigates that issue and really eliminates the need for that type of legislation that you find or you found in all the eight pieces that were passed this last year.

The skilled fantasy sports contests themselves are based on the performance statistics of athletes playing in live sporting events.

We have contests where you can enter in simply for a win contest or a place contest, show or any of the other exotic type formats that we are familiar with — with pari-mutuel horse wagering.

Certainly one of the things that we can do is guarantee large, progressive jackpots which are quite possible and probable, given the competitive fields of athletes that are available for us to use in the composition of our contest formats.

You can enter in as a player really at your comfort level, whether you wanna do something as simple as a whips type play or an entry fee or a little more — a daily double between, say, a quarterback to a running back or if you wanted to play something more along the lines of what a traditional fantasy sports game might be, you could play a combination up to seven, much like our Pick 7s in racing.

What you see up here is a typical example of propositions for football; in this case, a field of quarterbacks.

In Nevada we use this as our first leg of the Pick 7 million dollar contest that Vic alluded to earlier and as you can see down at the bottom, some of the other entry fee combinations or contests that are available.

Athlete's points are developed using very simple, obvious achievement of objectives and this is another differentiation point that we have with the traditional daily fantasy sports contests that are available today, where oftentimes they're using factors of eight, nine, ten different performance activities in order to try and keep a score of the particular athletes.

They can include fractions, minus numbers and so on.

Ours are very, very simple and I'll give you an example of football.

In that slide that we had showed you earlier of the football quarterback example, quarterback or running back or receiver would earn one point for each positive yard gain — passing, rushing and/or receiving — with a bonus points added on for scoring points.

As an example, you get 30 points for a 6 point score touchdown.

Obviously, what athlete accumulates the most statistical points in a particular contest is a winner of the contest. Second would be place, show and so on.

Another differentiation that we have as compared to daily fantasy sports is we actually allow scratches.

In daily fantasy sports that you see from some of the bigger players, if your athlete happens to get scratched out or there's a particular rainout that night of the event that you have athletes selected in, what happens in that case is — to use a fantasy term — "You're shit out of luck," so that's something I think makes a big difference, too.

It's a much fairer game.

What you have in front of you here is a web example that shows the entries that were brought up earlier with the quarterbacks.

You can see for yourself opening odds, the current odds based on the pool amounts that have come in, much as you would see on a tote board at a racetrack or an OTB.

Now fast-forward to the results themselves.

You can see some examples of results that we have, both that of receivers in football and propositions that we carry on the NBA.

Finally, the takeouts that we have set for these contests are competitive with the current daily fantasy sports business, so they're a little bit lower in racing, as you can see, but in whips, we takeout 10; exactas, daily doubles, 11; trifecta is 12 and 4 selections or above, 15 percent.

It blends out to about a 12 percent whole percentage.

With that, we'll turn it over to our newest partner from the great state of Colorado.

Mr. Vic Salerno: Bruce Seymore.

Mr. Bruce Seymore: My name is Bruce Seymore. I'm Executive Director for Colorado and my company is called Twin River Worldwide Holdings.

We own two full-fledged casinos in Rhode Island and we also own the Hard Rock Café — I said café; I have to say Hotel and Casino in Biloxi, Mississippi and we have Arapahoe Park and 14 off-track betting facilities.

I'm a racetracker; I confess it.

I'm so old, I remember when the wagers use to be a combination and the most exotic thing you could do is a daily double, so I kinda watched as things develop.

We used to buy tickets at one place and cash 'em with a different teller, so that's how far back I go.

I remember in looking through the businesses, any manager that I'm speaking to in here is always tryin' to figure out how to stay alive, how to keep goin'.

We keep saying racing's not dead and I don't believe it's dead, but it still has been injured and still needs a little help as we move along.

As a manager, you're always looking at things.

What can I do to keep things going along as they should?

The first thing that I remember in my career is all the different exotics — exactas, perfectas, quinellas, trifectas, pick n everything and then the dreaded ten dollar supers came along.

We thought that was the greatest thing that was ever gonna happen.

Then after that was simulcasting and all the little guys in this were at the small tracks thought simulcasting, that's gonna save everything and it has helped in Colorado tremendously.

Since simulcasting, it's been a little bit slow.

You hear people, speakers in here saying, "If you build it, they will come. You need to spend more on marketing. You need to have nicer facilities," and that's all great and there isn't a manager that wouldn't love to do that, but when you don't have the money to do it, it makes it a little difficult.

I decided I'd try to get a casino; that's the way to go.

That was the next thing.

That didn't quite work out for me.

I only got beat by 80 percent of the popular vote in the state.

After that didn't work out for me, I decided to start digging up the infield and attempt to find an ancient Indian burial ground so I could get a compact for a casino.

That didn't work out, either.

I started tryin' to think of other things that I can do and I thought, "Well, what do I have?"

As an operator, you always look at either I can reduce my operations so there isn't anybody that works for me that doesn't have at least five titles.

We reduced the number of racing days that we race live from 100 down to 39.

You get to a point where you start affecting services if you get too silly with that kinda stuff.

After that, you really always come back to the same thing: how do I create a revenue stream?

In order for me to pick up another hundred thousand dollars really in handle is not gonna make or — it can help break, but it's not gonna save what I'm trying to do in Colorado.

I've been thinking, "How can I make this work? What do I have here that makes it work for me? I have horses."

Well, I moved past that because I was always doing all I could with that, so I moved on.

"I have pari-mutuel machines here," and I read an article in *The Denver Post* which got me thinking about it, about how much money is illegally bet through sports fantasy contests in the State of Colorado.

I started putting together in my head that if I could somehow use the pari-mutuel format to put it together, that that would be an additional revenue stream that I could get.

If you walk down the streets of Denver and you ask somebody what California Chrome is, they're gonna think it's a place that makes bumper shiny, but if you say to them, "Who's Tom Brady?" they know who it is.

It's a different group of people that I can even appeal to, a built group that I don't have right now, so sports wagering, but I could not figure out exactly how to put it all together and that's what USF has done for me because I know — when a horse

wins, I know how to make that payoff, but how in the world am I gonna figure out — when somebody bets NASCAR who's gonna keep track of that kinda stuff for me?

I didn't have anybody on staff for me that could put the morning line together like it should be.

As I was going through these things, instead of going through the process — again, USF's satisfied all of the things that I need; all the holes in the system that I needed to happen — the differences between what we're doing — and I say "I" a lot because I think it's my idea — that I'm doing with the fantasy sports as it compares to FanDuel, DraftKings, those kinda things — if you look and you read Lacy, a lot of the sharpies are the ones that are winning the pools and stuff, with draft kings and stuff.

Pari-mutuel, you know that's not gonna happen.

The outcome is based upon the amount of activity that's wagered in there, so that's one of the main differences.

The payouts — as everybody in this room knows — is based on activity: how much is bet; how much takeout is taken that goes back to 'em.

You play fantasy sports — I'm not even really smart enough to figure it all out — but they have an entry fee that they lay on you; you gotta put your teams together all the time; now you always gotta kinda keep up and with me, it's pretty simple.

The format that you see — I have races. I have seven races that I offer that have professional football players in it.

Right now, I'm only doing football and basketball.

We don't have a real basketball team in Denver — we have the Nuggets — but anyway, so we're kinda waning in interest there, but the Broncos are the sport in town, so there's a lot of football smarts that happen in town.

It really is less complicated than doing the regular typical fantasy sports and someone can come in and it's easier for me to explain that to 'em.

What I do that's different than what they have, they're in my state now and they're gonna be legal and there's product and there's protocol and policies being put together as we speak to help look at fantasy sports.

I'm a different duck.

There's a lot of limitations on them about the number of people that can participate; how much they can wager.

You have to identify certain people and through the pari-mutuel process, because policies and protocols are already established through the racing commission, I don't have to worry about that part.

I tie everything I do to live racing.

That's the key. Anything legislatively that I seek, I tie it to live racing and that gives me an automatic set of partners that I have.

It just helps as we go through it.

Some of the things that are the same — and people say, "Well, how does this work?"

I just say, "It's simulcasting."

That's what it is.

In its truest, simplest form, it's simulcasting.

There's a game showin' on TV; you're gonna come in here and wager.

You're gonna say, "I wanna bet race number one.

I wanna bet a quinella and I think that Tom Brady and Vic Salerno are gonna be the one, two people for passing yards on quarterbacks."

It's that simple.

Someday, people are gonna be able to come in and say, "I wanna bet that the Broncos will win."

That could happen.

"The Nuggets will win" — never happen — "and that the Rockies are gonna show up."

That might happen.

The professional sports is all that I can use.

I can't use high school and I can't use college.

Talking about the things that are the same again, I heard a talk today.

This is gaming driven; it's wagering driven.

It is in its true sense and form, but you have a different audience that you wanna look at.

It's also skill driven.

It's a skill game; it truly is.

One of my concerns were what about the information that's out there?

What do people look at to make their decisions, to make this a skill game?

Is the NFL gonna come into little Arapahoe Park and say, "We wanna piece of the action because you're talking about our players"?

Well, it's been established that it is public domain; that the information that's out there can be used and that's one of the things that USF does for me.

It's all public domain, so you can use it without worrying about an additional cost being nailed at you.

I don't wanna make it sound like there aren't any problems cuz there are problems.

There're some legal problems.

I think I'm being a little cute in some of the stuff that I'm doing, but I'm walkin' a fine line.

My goal some day is to be the national hub for this kinda stuff because I do think I'm in on the ground floor with these guys.

They have the smarts; I have the ambition or less smarts to where I wanna keep pushing this thing.

I know it's a good thing and I know it's gonna work cuz the casinos in my state are goin' crazy, but I did properly when I put it together.

I started in the governor's office; I went to the AG's office; I went to the DORA, the reg agency, I went to the racing commission and came up with that the racing commission was the best place to be because pari-mutually, they are there.

My pari-mutuel regulators won't even say that they are going to regulate me.

They say that they are going to approve the activity and that's kinda where I am right now.

That's what they're doing for me.

United Tote has worked with me and they had to go through all of their channels

with their legal system through Churchill Downs, so I'm feeling pretty comfortable as I'm sitting here today.

As you're sitting here, too, and you're wanting to know if I should get in this, why is this good for me?

Well, it's an S with two marks through it: it's money.

There's money on the table that we're not bringin' in that's available to us based on the protocol that's already there.

If a little place like Arapahoe Park can figure out how to do it, I know that you can figure out how to do it and it's gonna help me; it's gonna help my horsemen; it's gonna help my state and I think it's a brand-new business that's layin' out there.

We've done some projections — and I won't tell you those because I think it's gonna be incredible.

It's also good for you because when I flip through — I'm a flipper with my — I know nobody else in the room is — with my channel changer and there's at least four fantasy shows that I can pick up on — ESPN, Altitude Sports, NFL Football — that all the time that just talks about it and hounds it into people.

I got people really pushin' the product that I'm sellin' to some degree and it doesn't cost me anything.

I'm already getting calls to wanna talk about this, but again, with smaller tracks I think this is very important to do.

I think — I don't think; I know — people that are at my facilities, you have to come to my facilities.

I have 12 of 'em open in Colorado now with more to come, but you have to come into an off-track betting facility, the racetrack, to make the wager.

What I'm finding is while they're there, they'll look up at the TV and they might bet a horse race or they are betting a horse race or they buy a beer or they buy a hotdog.

There's other secondary income that I'm starting to realize this is the hook that's bringing them into the building.

I think that's very important and very good, something that I couldn't really come up with on my own.

I'm a big fan of this, of course.

I see nothing but positive things coming down the pike with this.

I've had interest from a lot of people here.

That's another reason that I know that this is interesting.

I hate that it doesn't have to do directly with horses, but because of horse racing, I'm gonna be able to do this and because I'm tying it to live racing — and in my state we call it a Class B horse track — that's what's gonna happen.

The last thing I wanna talk about is how I got here.

Sometimes you're just lucky and in this particular case, I was thinkin' about how could I make this happen.

Two of my lobbyists that I have — which in the state of Colorado, either the lobbyists work for me or for the casinos; we're great for the economy and for lobbyists — came to me and said, "FanDuel and DraftKings wants to come to town and they want to get fantasy sports approved.

What do you think?"

The light bulb went off cuz I had been thinking about the things I just told you about.

I said, "Sure. That would be great as long as I can have — at some point in time get to talk to 'em," and as they went through the process, it just kept picking up speed, grew its own legs, got through the legislature.

I got to slide a paragraph in that allowed it for Class B horse tracks to do it.

That's how I got there.

That's how I got to where I am now.

It wasn't that difficult, but again ,you heard the process I went through of everybody I talked to said, "Do you have a problem with this governor? Do you have a problem AG? Do you have a problem DORA? Let me know what's goin' on."

In July of 2017, the Department of Reg Agencies are putting together policies and procedures to regulate FanDuel, DraftKings, which we now know is same pants, different pockets. Me, I'm in there, too.

I hired lawyers; I prepared policies and procedures that I've put into there to help protect the aspect of where we are.

When I get back to Colorado, we made the official announcement because I went very slow.

I only opened five facilities to begin with to make sure that all the numbers were in the right thing, that technically it worked, that there wasn't anything that anybody could criticize us or USF about that it's not working.

It's so smooth.

In the end, I just wanna say it's simulcasting and we all know how to do that and there's money on the table and these people helped me realize a dream.

Like I say, I'm on the other side of the mountain.

I'm watchin' about eGames today.

I know it's time for me to move on cuz I don't understand it much at all, but this is kinda my legacy that I want to leave for Colorado and I think it's a good one.

Thank you.

Mr. Vic Salerno: Thank you, Bruce.

Very good.

[Applause]

Mr. Vic Salerno: Okay.

Now I wanna introduce Ken Sarnecky.

Ken, as many of you know, is with LVDC and they are one of the integral parts of our system.

Kenny?

Mr. Ken Sarnecky: Thank you.

I wanna reiterate what Bruce said: This is simulcasting.

For all intents and purposes, that's what it looks like.

A new role for LVDC is being a host as opposed to only a guest, but it is simulcasting.

It looks like simulcasting via the ITS protocol to United Tote.

Now we've tested with the other tote companies.

Unique differences, there are some, the most complicated being a football card.

A football card may have nine, ten propositions or contests.

They may all stop betting at the same time.

This is different.

This is not a race.

These are contests that stop betting at the same time.

In addition, with a football contest, it may stop betting the day before you calculate prices.

It's not unusual in simulcasting for this to happen.

Every year, Kentucky Derby, the Future cards performances work this way.

We've done work to ensure that we now have dates and times for stop betting.

The system automatically stops at the posted time.

It happens automatically.

We do have staff that backs up everything.

We provide all of the information to USFantasy and they distribute the odds signals to their customers, but all the betting integrity is still there as you would have with any race contest, any race bet.

Certainly, as Vic has mentioned, his million-dollar Pick 7, all the background for the insurance, for the TRPB, for the TRA, transaction auto files, all those procedures are still in place for this.

It's just simulcasting, as far as we're concerned.

That's generally, hopefully the shortest part of this.

We currently have two separate pools.

We host a pool for Nevada and host a separate pool for Colorado and certainly as a vendor, we hope at some point there'll only be one.

I think it's best for the industry to have a single pari-mutuel pool.

I think it's best for all the bettors that way.

No real technical issues as far as the transmissions of data that we've experienced so far.

Like I said, we partnered with United Tote as far as their handling the transactions from Colorado.

Their operations hub in Portland and our hub in Las Vegas have done an admirable job keeping everything on track and everybody informed.

Thank you.

Mr. Vic Salerno: Thank you, Kenny.

We'll go into that favorite part for all of you with the legal side and the attorneys that we all love and sometimes hate.

This is Terina Salerno.

Ms. Terina Salerno: Hi.

My name is Terina Salerno.

I'm Vic's wife.

This is why he put somebody else in between us because if I were just sitting next to him, I would've been beating him throughout this entire presentation.

You can tell that everyone here is from the race industry as well as my husband's been in race and sports business for the last 40 years because unfortunately, everyone continues to utilize — and I think it happens just out of habit — betting terms, terminology and I wish that it wouldn't happen, but it does.

That is USFantasy outside of Nevada — and I need to make this a close determination and explanation for you — inside Nevada — or in Nevada, I should just say — USFantasy is licensed as a gaming product and that's because Nevada has a policy — historical policy and a continued policy — of licensing games of skill, games of chance as a gaming product.

That's what it is.

Outside of Nevada and maybe four other states, it's unlawful to deal with anything to do that has any type of sports overlay to discuss it in terms of a bet or a wager.

That has to do with PASPA.

It's the first thing we always have to address, is does your game — does it trigger or does it conflict with, how do we deal with PASPA?

Typically, you look at FanDuel and you look at DraftKings.

Again, I like your statement about it being the same pants, different pocket thing.

Well, does that violate PASBA; does it violate UIGEA?

I always say, "Well, we need to look first at the NFL itself."

I'm sure before the NFL and the owners, the team owners who invested heavily in both of those entities, I'm sure they vetted, their attorneys vetted the statutes for both PASPA and decided no.

I'm sure they just came to the realization that PASPA was not triggered.

It really comes down to the fact that the plain language of PASPA states that it applies to one or more competitive games in which a professional or amateur athletes participate in.

In fantasy — especially what we're offering, USFantasy offers — these are contests — much like a race — in which you have 14 quarterbacks for race one or contest one that are basically saying, we're saying, "Who threw the most yards, Tom Brady or some other one?"

I cannot sell you a ticket to attend that contest meet.

Nobody here can attend that contest.

You can't attend a contest of 14 running backs, meaning the underlying game does not exist.

It's not outcome-derived; we're not talking about — we're not worried about whether or not the Patriots win; we're not worried about whether the Lions win.

For PASPA, we're not worried about one or more competitive games.

That's when we look solely at the — even just the plain language, the plain language of PASPA.

I agree with the NFL attorneys who said we don't have to worry about triggering it.

I believe that's why they have never once invoked their rights to go after either DraftKings or FanDuel.

Instead, they put their hard-earned money into it, those companies.

Secondly, states that you represent, you are not bound by UIGEA as far as how you choose to define fantasy sports. There's this notion that you have to have all of the elements for fantasy sports as it's defined in UIGEA and that's just not true.

In UIGEA, it is actually defined as what's not a bet or a wager.

Well, that's great if you're engaged in Internet interstate betting, but if you were doing something to which USFantasy is providing you, which is interstate — intrastate; excuse me — intrastate fantasy contests, you can define it — your legislatures can define this however you would like, meaning you can have a fantasy game that is pari-mutuel so it can meet the needs of your industry.

That's important for you to know when you meet with your lobbyists.

It can have — you don't have to be forced to have something that doesn't meet your needs.

Your legislatures are free to have it meet and crafted for you and if you'd like us to work with you we are here to do that.

I think that's important for you to know.

The third is the Wire Act or four.

How are we going to do this on a larger scale, a multistate scale?

In my view — and again, I'm here to work with you and your state legislatures — I see this as a multistate pool that really trades nothing but information.

Basically, it's this: What your states would agree to is a multistate information pool.

Your money from your entries, your contest entries stay in your state.

Because they're made in your state, they stay in your state and they are paid in your state, meeting all of the requirements of an intrastate contest.

However, your state — along with any other participating state — agrees that it would permit licensed operators to engage in a multistate electronic pool to determine what that type of — I'd say like a "win pool" — Vic has the better terminology for that — what the value, the multistate player values because that's what it is.

You say "odds, the horseracing odds"; I have to say "player values" because that's what you have here, is the 14 players rather than horses, can you — if I'm not explaining that part correctly?

Mr. Vic Salerno: You are.

Ms. Terina Salerno: Then your players in Colorado would have a large co-mingled common pool to see exactly what all participating states would look like having that large player pool.

When the pool is closed at the end, then you can have reconciliation, but reconciliation then doesn't occur until the pool is actually called closed.

Then you can have the money dispersed out as far as for joint closed reconciliation.

Mr. Vic Salerno: In Nevada, there is provisions for us in our regulations that we are allowed to common pool with other states in which it is legal.

For example, in Colorado, we can go into the same pool in Nevada or in Colorado if they're both legal in their respective jurisdictions.

That's the ultimate goal for this idea. As you can see, like people have said, it's just like — it's simulcast; really another track, as far as you're concerned.

Ms. Terina Salerno: Right, but no other state would own if we can help that.

Mr. Vic Salerno: Right.

Now I think — are you finished, Terina?

Ms. Terina Salerno: I am, unless anybody had a question.

Sorry about that.

I can yap forever.

Mr. Vic Salerno: We'll open the floor now to anybody that has any questions and if we run out of time here, we'll be around till this evening if you guys have any other questions.

Ms. Terina Salerno: I can see the lights going out.

Mr. Vic Salerno: Does anybody have any questions now of what we've presented here today?

Yes, sir?

Audience Member: Just the one.

I'm just thinking like a regulator and I think what they're gonna say is, "We can't allow this because right now, we won't allow you to run a pari-mutuel race if you're really not running a pari-mutuel race." Then I can just say, "Well, you know, here's a bunch of made up horses that we're gonna — they're not actually running so we're gonna save money on all the stuff that goes with running and we can keep the casino open.

Mr. Bruce Seymore: You're spot on.

I mean you're spot on.

The activity when I'm explaining it even to my regulators is to say, "All the policies and protocols are already in place. Ask me a question."

"Well, when do the pools close?"

"Well, the pools close on football before the first game."

It's been very difficult for people questioning me on this particular issue.

Why can I do it?

Well, why can't I bet on the Derby?

Why can't I bet on Will Rogers Downs?

Why can't I bet — ?

How does it work?

Everything is there.

Well, what do you do if Tom Brady breaks a leg?

Well, I go to the next favorite.

I mean there's all of these — I pick on Brady cuz I'm from Denver — but anyway, you're spot on.

That's exactly the type of logic that you need.

Audience Member: The issue really is that there is no contest; there is no race.

Whereas what we're doing now, there are actual purses and there is an actual race.

Mr. Bruce Seymore: It is.

Audience Member: I'm just thinking that that's what our guys are probably gonna hit us with in the next few years.

Mr. Vic Salerno: It really isn't generally a contest.

Ms. Terina Salerno: Well, I think the better statement is there are 14 quarterbacks; 7 actual underlying games.

Those games are actually occurring, but we are not doing anything that is outcome-derivative.

I mean the whole issue that most regulators — and I say “regulators”: the NFL, the professional leagues — have always thrown in our face is that they needed to protect the integrity of the game.

That’s why they have PASPA; that’s why they have the Wire Act, to go after organized crime who was trying to fix the games —

Mr. Vic Salerno: More to stop —

Ms. Terina Salerno: — PASPA to try to stop the growth of state regulated legalized sports betting.

Mr. Vic Salerno: NFL doesn’t want to allow you to bet the Broncos versus the Patriots. That’s the bottom line.

That’s what PASPA’s all about. It never went to the individuals.

Ms. Terina Salerno: Fantasy was actually an outgrowth, a response to those anti-wagering prohibitions.

I mean you build a mouse trap; you get a better mouse.

My whole point to you when you say well, you don’t really have an event, you’re absolutely correct when you don’t have — I don’t have a race or an event that I can sell you a ticket to.

You’re correct and the reason that you don’t have this event is because fantasy exists as a way to have a game that provides a competitive game amongst the players without having a means for these same players to affect the integrity of the underlying sporting event.

Mr. Vic Salerno: Pari-mutuel takes care of that because Tom Brady, if he throws a game, it’s not gonna affect it.

They’re not gonna play on the same person.

That’s what pari-mutuel mitigates with those problems.

AudienceMember: Have you found that you have to go in and change something in the rule, the current rules or do you guys just shoehorn this in like —

Mr. Vic Salerno: All our rules have been approved by the Nevada Gaming Control Board, so they’re out there.

They’re established and then Bruce is the same way, I think.

Bruce Seymore: Yeah. I wanted to use the same protocol as pari-mutuel all the way down the line because we've got 60 years of history of it in Colorado. I'm not quite sure what she said, but what we did is we got a group of lawyers together and we created policies and procedures that we gave to the Department of Regulatory Agencies to kinda protect us because the number one concern that I ran into all the way up and down the ladder was consumer protection.

Ms. Terina Salerno: Correct.

Mr. Bruce Seymore: They didn't care too much about the players or the fees; they wanted to make sure that the people — so that's why even the policies they put together have limited the number of people that can participate in FanDuel and DraftKing, how much they can wager.

They have to identify who the smarties are.

I don't know if they get tattoos; I'm not sure how they're gonna mark 'em, but it's different for me in pari-mutuel because the game is different and all of my rules and all of my regs are all in hard copy.

Audience Member: One last question and then I'll go away.

Always everything in pari-mutuel mentions horse.

Ms. Terina Salerno: Correct.

Mr. Vic Salerno: Depends on what jurisdiction you're in.

Ms. Terina Salerno: Well, see, and that's — I'll tell you, outside of this room — because you understand pari-mutuel — but most state legislators don't.

We usually use the term "common pooling" because I have to discuss common pooling as a method of accounting; that pari-mutuel doesn't mean simply horse betting, horse wagering; that it's really a method of accounting for a pool, whether it's a pool of entry fees.

It's not just this betting mentality.

We use "common pooling" typically, that term, when I'm speaking to somebody who has no idea what — that pari-mutuel can mean something more.

Mr. Vic Salerno: Anybody else with any other questions?

Audience Member: One quick question.

Mr. Vic Salerno: Yes, sir.

Audience Member: Do you apply that common pooling wager to the jockeys in the United States instead of quarter backs?

Mr. Vic Salerno: Go ahead, Mike.

He's asking whether we can apply this whole formula to jockeys.

Mr. Michael Knapp: If authorized by the state, you sure can.

I mean there are some states in the legislation that was passed this last year that exclusively says you can't, but there are some states that do include it.

Mr. Vic Salerno: It's pari-mutuel again, so we just get a field that's a competitive field.

You could go across different tracks with different jockeys and tell me things like how many races they win, were they tiebreakers, how many lengths they won by, et cetera.

There's ways you can drill down for tiebreakers, et cetera.

Couple other things is really what we bring you guys is you can really utilize your facilities much more.

You can extend your hours; you're creating jobs, more jobs for 'em.

Your food, your beverages is gonna increase.

It brings back money, as you all know, and the secret is is to turn it over and turnover's our life stream.

When you look at those — I'm surprised nobody wanted to know about the takeouts, since really, the racing industry is normally anywhere from 13 to 25 percent or more.

What we've done is our product, we wanna be competitive with traditional sports betting also, so if we're taking ten percent off win, place, show, that's very competitive with what sports bookmakers do.

Really, 13 percent or 15 percent on a Pick 7 is also a pretty good takeout rate.

Just to give you an example, in Nevada, we have gone from in 1986 we handled about a billion in sports betting and this year, we'll handle five billion.

About the past six years, racing's gone down to — we were up about I guess 6, \$700 million and now it's down closer to 300 million.

That's another trend that we all have to realize in where how do we attract these dollars that we're losing now? How do we create new — we feel that that's the way.

Speaker: Question over here.

Mr. Vic Salerno: Yes, sir?

Audience Member: I have two questions.

The first one for Bruce should be a relatively easy one.

The second one for everyone, not.

What did you handle last Sunday, Bruce?

Mr. Bruce Seymore: I did only five locations last Sunday and I have not advertised until I get back, so I wanted to make my announcement here.

It was very limited.

I mean we did \$4800.00 I think at five locations on the Broncos football game.

Audience Member: The second question is the goal is common pooling among states, but I heard Ken say that currently we're operating a pool in Colorado and a pool in Nevada.

Is that because of legal concerns, technical concerns?

Mr. Bruce Seymore: It's because of all the guys in Nevada. Colorado's fine with it and has approved it, basically because it's simulcasting and we already do it, but there are some gaming issues.

I'll let him speak to that more than me, but that's why we're not common pooling now.

Mr. Vic Salerno: Yes.

We're trying to get the Gaming Control Board and get their advice on how to do this.

It's already in the regulations that it's allowable, so what do we have to do to get a compact?

Now, Nevada has gone out in the last couple years with online poker and common pooled with Delaware and New Jersey, one or the other, so a precedent's been set there.

Mr. Bruce Seymore: In the other two states, I'm bringing in the properties that we own.

One from Mississippi and two from Rhode Island should be online with me by next week.

Mr. Vic Salerno: Anybody else?

Okay.

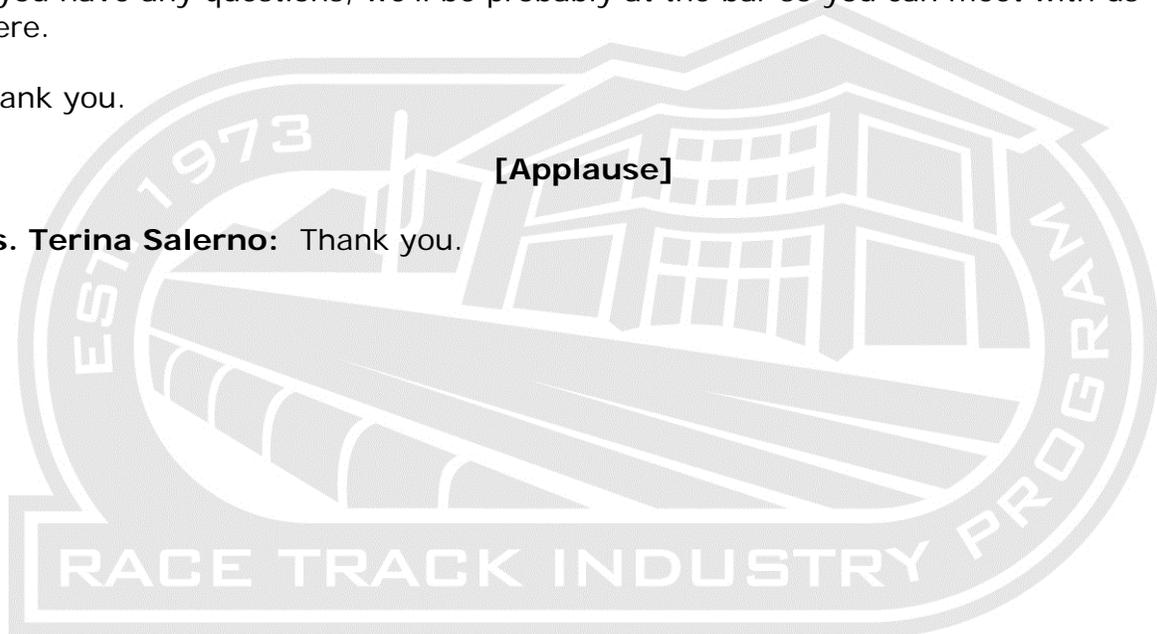
I'd like to thank you all and best of luck.

If you have any questions, we'll be probably at the bar so you can meet with us there.

Thank you.

[Applause]

Ms. Terina Salerno: Thank you.



COURTESY OF UNIVERSITY OF ARIZONA
RACE TRACK INDUSTRY PROGRAM