



40th ANNUAL  
GLOBAL SYMPOSIUM ON RACING & GAMING

THURSDAY, DECEMBER 12, 2013

**Current Legal and Policy Issues in  
Racing and Gaming**

**MODERATOR:**

**F. Douglas Reed**, Director, University of Arizona Race Track Industry Program

**SPEAKERS:**

**Mike Barry**, Attorney, Rutledge Ecenia, P.A.

**Jay Hickey**, President, American Horse Council

**Peter Murray**, Head of Gaming, GBGroup

**Sean Pinsonneault**, Executive Vice President & COO, Woodbine Entertainment Group

**Mr. Doug Reed:** Good morning, everybody. I just did a head count and we beat the over and under, so we have more people here than the — we're at the over stage for those of you that bet in Vegas. Let me again do my formal duty of thanking our sponsors first.

The evening reception last night was sponsored by the Daily Racing Forum.

We have a beverage break following this sponsored by EquineLine.com.

Breakfast that I think I saw most of you at was sponsored by the TJC Media Ventures and America's Best Racing.

We have a couple workshops following this, which I hope you all stay for.

We have two very diverse workshops, one on event marketing and one on aftercare, and those are sponsored by Horse Races Now and Sportech, and we appreciate all of our sponsors.

I appreciate all of you in the room. It's always tough on the last day. I like to look around and see who's in the room on the last day because these are the warriors. After about three days of hard days and hard nights and everything and the people

that make the last panel, I know those are the ones that are the real — getting all the good stuff and the good information.

I have one housekeeping note. The workshop, the event workshop — event marketing workshop is in your program schedule for Canyon 2. We had to move that to Canyon 3, which is just around the corner. If you're going to the event marketing workshop, it's in Canyon 3, not 2.

Raytheon has a big meeting here later this evening that they had to set up for, and we decided to acquiesce and to let them have that because I don't want to get bombed at any time down there at the U of A by Raytheon. They're the other big employer here in the Tucson market.

I'm gonna do something a little different here. Actually, I was about to introduce Paul Estok, our moderator, but you can see an empty seat, so we're gonna do this.

Paul had a little car trouble. Actually, he is running late, so we're gonna have to wing it. I'm gonna be your moderator today. I won't introduce myself. You'll have to bear with me a little bit and I'll have to be winging it here, so bear with me. I did call all these gentlemen, invite them to speak, but I'm gonna have to cheat here and probably read a little bit from their bio when I introduce them. You guys want to go in this order or — very good.

What we have today is current legal and policy issues in racing and gaming. I'll describe the panel as a potpourri of different topics.

What we have is four different speakers, essentially, on four different policy or legal issues. What I think would be best today is we'll take each speaker so that each speaker gets their full presentation in.

I would ask you please write down any questions you have for the speakers and we'll do it as a conversation at the end of the panel.

We'll take questions. I would ask you to please come to the microphone, identify yourself. Even though it's a small crowd, it would help just — we do record these sessions and transcribe them, so if you could come up to the microphone, it helps. If you can't, I'll just repeat your question.

Our first speaker today is Michael Barry. He's an attorney with Rutledge Ecenia. Excuse me. I told you I was gonna cheat. Mr. Barry is an attorney. He's based in Tallahassee. His law practice focuses in the fields of administrative and appellate law. He specializes in legal and regulatory policy matters and disputes arising at the intersection of business and government with an emphasis in gaming and pari-mutuel.

He has a very interesting story to tell. Some of you may have read about what's happening in Florida. I'm not gonna steal his thunder. I'm gonna let him tell you the story.

One of the things I did ask him to talk about is how can it be relevant to you, to relate this story outside of Florida? What do we need to be aware of in other jurisdictions that might be very similar? Mike, we appreciate you being here, coming all the way from Florida.

Unfortunately, the weather's probably worse here than down there. Please welcome Mike Barry.

**Mr. Mike Barry:** Thank you, Doug. It's a pleasure to be here and thank you all for coming to see us this morning at the tail end of this event.

As Doug said, we've had a very interesting couple of years in Florida in the pari-mutuel industry, as some of you may know. The highlight, I would say, in the past three years has been the Gretna barrel racing case.

Our firm handled that case on behalf of the Quarter Horse Associations in Florida who were seeking to oppose the expansion of gambling in Florida to include pari-mutuel barrel racing.

We were right in the middle of this story as it unfolded in 2011, and in fact, the case continues today. It's still pending.

What I thought I would do is begin with a general overview of pari-mutuel racing in Florida.

As some of you may know, it may be a little repetitive, but I thought that would provide a good context for how we got to where we are in Florida and why we got where we got to, and some of the similarities and differences that there may be between our jurisdiction and yours, and then some of the lessons and takeaways at the end.

As some of you may know, pari-mutuel racing goes way back in Florida, back to the early 1930s. There's a long and historic tradition with particularly Thoroughbred racing and Greyhound racing.

Many established tracks, Hialeah, St. Petersburg Kennel Club, Hollywood Greyhound, and Gulfstream Park have been racing Thoroughbreds or Greyhounds for many decades.

For much of this time, the pari-mutuel racing was all there was. It was just the racing and the wagering on the racing and it was very popular and very lucrative and very successful.

The only real disputes from a lawyer's standpoint, litigation-wise, was dates disputes. There was fights about when you could race. That just shows you how much things have changed in the past few decades that for all this time, the dates were the big issue and the racing was where all the action was.

As you'll see, over the decades, that started to change. In the 1970s and 1980s, particularly with the advent of the Florida lottery, pari-mutuel wagering on racing began to decline in light of this introduction of new gambling products, lottery and other things. The handles began to decline. Fewer patrons.

From a policy standpoint, the State of Florida began to look at ways to bolster the pari-mutuel industry.

The first step that Florida took was to introduce card rooms, as some other states have done as well. The whole idea behind the introduction of card rooms was to help to supplement purses and otherwise benefit the racing activities of these historic pari-mutuel facilities that had been around for decades and were contributing significant revenues to the state and jobs and so forth.

I've separated these out in different phases of expansion in Florida, the gambling expansion, and I think this is the first major step in the process that has led us to where we are now, and that is the introduction of the card rooms.

This was done by the Florida legislature. They passed a statute and authorized the existing pari-mutuels to have these card rooms and the funds were supposed to go to the horsemen groups and the purses. It was all part of the pari-mutuel industry.

The second push, about ten years later, was for slot machines. Again, this was driven largely by the South Florida pari-mutuels, some of whom we represent, but also, a general interest in the state to help supplement purses and bolster what appeared to be an industry in decline.

What occurred was a constitutional referendum that was sponsored by several of the pari-mutuels in south Florida to get this on the ballot. It took a few tries, but it eventually passed in Miami-Dade and Broward County, authorizing slot machines in the existing pari-mutuels in south Florida, which is Miami-Dade and Broward Counties.

Again, the whole idea of this was to benefit the existing pari-mutuel facilities. It was not an authorization to establish standalone casinos. It was merely a supplement to the existing pari-mutuel operations, and it achieved that effect.

It was very lucrative and brought in a lot of new revenues for the pari-mutuels and for the state of Florida.

The third step along the way came in the mid-2000s. You've got two different things happening. The Seminole Tribe of Florida had been negotiating with the State of Florida for several years, dating back to the 1990s, for a tribal compact.

Eventually, that was successful. Governor Crist signed the compact in 2010. It was the third attempt. It was caught up in legal battles for several years, but it eventually was ratified and put into effect in 2010. That gave the Seminole Tribe

all the same gambling rights as the pari-mutuels, plus some additional rights outside of south Florida. That was, in my mind, the third phase of the expansion.

This led to another push by the pari-mutuels to expand permits even further.

In the latter part of the 2000s, you have new legislation passed by the Florida legislature authorizing additional pari-mutuel permits, specifically in the area of quarter horse racing.

This is really the start of the problem that culminated in the litigation over the Gretna barrel racing because what happened was, you had Quarter Horse racing interests pushing for new Quarter Horse permits, trying to reestablish Quarter Horse racing in Florida as a chain reaction to help create a new Quarter Horse racing circuit in the Southeast.

Then you have what I would think of as casino speculators or business interests that are interested in tapping into these new entitlements that come associated with the pari-mutuel facility, which is card rooms and slot machines in certain areas.

You've got two different constituencies pushing for the same goal that appear to be aligned, but as we'll see, their interests weren't completely aligned.

Down the road, they ended up diverging and having to fight it out in court. The legislation authorizing the additional Quarter Horse permits was passed in the 2007, 2008 timeframe.

The State of Florida began issuing Quarter Horse permits to pretty much anybody who applied. There weren't a lot of requirements. There were little prerequisites in terms of land, facilities, financing.

There were some requirements in the application process, but for the most part, it was, "Do you intend on opening up a racetrack and conducting racing?" If the answer is yes, then here's your permit.

A whole handful of permits were issued during the 2007-2008 timeframe to various business entities, some of which did not even own land or a racetrack.

The one exception was Hialeah, which as many of you know, is a historic track that's been around for decades. It was originally a Thoroughbred track and is now a Quarter Horse Track. Hialeah received the permit and began Quarter Horse racing almost immediately.

The other permits were in the queue, but didn't have either the land or the tracks in place yet, but had made some generic promise to construct one down the road.

Gretna was one of these permit holders. They received their permit in 2008. As part of that process, they had represented that they would construct an oval

racetrack and bring in all these new jobs and create what they called was an equestrian Mecca in north Florida, which is close to Tallahassee.

Gretna's a small little town about 30 miles northwest of Tallahassee, so it's a very rural area, very depressed area economically. The Gretna folks had made this business plan based largely on the promise of new jobs and new revenue to the state of Florida.

Over the following several years between 2008 and 2011, there was very little progress on the construction of this so-called Quarter Horse racetrack.

Various reasons were cited. Permitting issues, wetlands issues. For whatever reason, the state did not enforce the requirements that were in place at the time. There weren't very many, but there were a few.

There was a 12-month construction requirement, a few other things, and those deadlines came and went. They found themselves in the position in 2011 as having very little in the way of infrastructure, but an interest in getting the operations up and online because in Florida, the whole trend was towards more gambling rights, and the ticket or the gateway to those gambling rights were these pari-mutuel permits.

As some of you know, the climate in Florida has shifted a little bit. There's some discussion about comprehensive gaming reform in the next legislative session, and it's hard to say which way that'll go.

Some people think that the legislature will freeze everything as it is. Some think that they'll authorize destination resorts, maybe do some combination of the two.

There's, I think, a general feeling in Florida that these pari-mutuel permits are their ticket to card rooms and slot machines and potentially other casino-style gaming.

That's all the undercurrent pushing these various new permit holders during this time to try to get their racing operations online and activate, so to speak, these new permits before some further legislative change might cut them out of the game.

At the end of 2011, the folks from Gretna went to the Division of Pari-Mutuel Wagering, which is the regulator in Florida, and filed an application for an annual racing license, which is an annual requirement to conduct the racing.

Instead of conducting Quarter Horse racing, they informed the division at a meeting in September of 2011 that they would conduct pari-mutuel barrel racing. They had a 15-page PowerPoint presentation that depicted this barrel racing arena.

It was a pretty novel idea, really. It wasn't just traditional barrel racing. It was two barrel racing pens side by side.

Sorry I don't have a demonstration here, but basically, a mirror image of one another to where they're side by side. One horse in each arena would run from the start gate at the same time, run around three separate barrels independent of each other — there's a metal gate in between them—to basically give the appearance and feeling of a match race, a head-to-head race in separate arenas. This was the format that they proposed to the division of pari-mutuel wagering and it took a few weeks.

There was some heartburn within the division over this new proposal as obviously being something that had never been done before.

There's obviously a lot of controversy over some of these gambling issues.

There was some consternation about it, but ultimately, they approved the license for this pari-mutuel barrel racing.

Shortly thereafter, our firm was engaged by the Florida Quarter Horse Racing Association to challenge the issue of the license.

We did a bunch of different things to try to stop it. Obviously, their position was barrel racing is not legitimate Quarter Horse racing, that it's some bastardization of it or some other completely different type of pari-mutuel event that isn't authorized under Florida law. That was our essential position.

We filed challenges to the license. We filed other administrative actions. The case that stuck and that ended up going to trial that I'm here to talk about is the non-rural policy challenge, and it's under Chapter 120 of the Florida statutes.

It's the Administrative Procedures Act. It's a way for people to challenge an agency that takes action that exceeds their authority. It's not so much about the substance of the barrel racing as to whether barrel racing is authorized.

The issue is: Has the state agency followed the necessary process for implementing policy on gambling? Since it's such a hot button topic and, in Florida, there's a lot of laws that say you can't gamble unless there's a specific authorization for it, this is a particularly sensitive area of the law that requires agencies to follow certain procedures before they approve things.

Our position was the Division of Pari-Mutuel Wagering violated that part of the statute, Chapter 120. By issuing this license, they basically opened up an entirely new category of pari-mutuel racing without any authorizing statute or constitutional amendment just as all the other changes had been done, the poker room and the slot machines were all authorized by legislation and constitutional amendments.

The essential argument was, you've got to go back and get either legislation or you've got to pass a regulation or do something.

You can't just start issuing licenses ad hoc.

The case was filed at the end of 2011. It's supposed to be an expedited proceeding, which means it's supposed to go to hearing in 30 days to a special administrative court in Florida. The case ended up lasting 18 months.

The Gretna folks intervened.

The Division of Pari-Mutuel Wagering was the primary defendant, but Gretna ended up litigating the case primarily, and as lawyers tend to do, tried to drag it out and make it as unpleasant as possible and filed all kinds of discovery and made it a really unpleasant, long and drawn-out process.

In the end, we took it to hearing and it took nine days of evidence, something like 15 or 20 witnesses, and several thousand pages of transcript and record.

It ended up being a big case for something that would appear to be a pretty straightforward issue.

Is barrel racing Quarter Horse racing or not?

In the end, the administrative judge sided with us and held that the division had violated Florida law by issuing these barrel racing permits.

It wasn't just Gretna. There was actually another facility elsewhere in the panhandle that was mimicking Gretna and trying to get these licenses.

The barrel racing policy has been invalidated by an administrative judge.

The Gretna people have appealed it.

It's pending right now in the appeals court in Florida, so we don't yet know how that will be resolved. We think our chances on appeal are very good.

Assuming we prevail on appeal, the barrel racing issue, by and large, is done in Florida, but here's the problem.

The case involved only barrel racing. It didn't talk about all these other permutations.

Sure enough, in the aftermath of this case, Gretna stopped the barrel racing under an order of the division, but then immediately proceeded to conduct flag-drop match races.

As I understand it — I haven't been out there to see it, but as I understand it, they're just running two Quarter Horses down a fence post, fence line at the drop of a flag.

They basically took this Gretna barrel racing case and decided, we can't do barrel racing anymore. We'll do this match racing, flag-drop racing, until we get a final word from a court.

You stop one thing and something else sprouts up.

I think the issue is still very much alive. You've got basically a race to the bottom in Florida.

I imagine that's probably occurring in some of your jurisdictions as well where you have people that are motivated primarily by the poker room and the slot machines and the prospect of blackjack and whatever else may become authorized in pro-growth states, states that are considered expanding gambling.

You've got people that are trying to essentially hijack the pari-mutuel industry to their benefit to where they can get access and entitlements to these other gambling activities.

That, to me, is the biggest concern and bigger potential problem for a lot of people at this event, and in this room would be the possible threat to the racing industry in general.

I don't think it's confined to Quarter Horse racing. I think Thoroughbred racing is obviously a little bit more insulated because it's still relatively successful, but the other types of racing, I think, are especially vulnerable, including Greyhound racing and highline, to a lesser extent.

It's just become a gateway to all these other gambling operations. Therefore, because of the decline, there's a real concern about a diminution in the brand. Frankly, I think it might ultimately force some racetracks to close and could be a real problem.

I think a couple takeaways would be, at least in Florida, we've resolved the issue of barrel racing pending appeal. Assuming that goes our way, I don't imagine that'll become an issue, but there are these other potential venues.

The flag-drop race. Gulfstream Park has run flag-drop races at their facility, so it's not just limited to these new scrappy upstarts. I think there's a concern that some established facilities will also resort to these varied forms of racing activities to satisfy the racing requirement to continue the poker and slot machine operations.

I do think it was a wakeup call. I think it would be wise for jurisdictions and operators and other stakeholders in the industry to be vigilant and to be on the lookout.

Welcome newcomers and welcome new activity, but also realize that because of the coupling of the racing and the other gambling operations, that it's a natural breeding ground for shortcuts and for speculators that would use the racing

industry to get to their ultimate business objectives, which may not be consistent with yours.

From a regulatory standpoint, I think one of the problems that we faced with the Gretna situation was a set of weak statutes and regulations, and as a result, a fairly weak regulator that didn't have a strong legal framework and backbone to stand up and resist this type of exploitation.

To the extent that you're in a jurisdiction that has regulations that are outdated, as Florida's still are, or vague or otherwise vulnerable to these kinds of schemes, that you should be proactive. Approach your regulator or your legislature and persuade them that this is a crossroads, a pivotal point in the history of pari-mutuel racing and that the statutes need to be updated and modernized.

This is an important industry. You need to protect it and not allow people to come in and exploit it. That may require regulations in the form of administrative rules or new statutes or maybe constitutional amendments. A lot of those are very heavy lifts, but I would suggest that that's a far preferable course of action than to be passive and allow for something like Gretna to happen in your home state and spend a year or two or three years in litigation and paying people like me a lot of money to unwind it, as much as I would welcome that.

Generally, I think it's better to be proactive and legislate rather than litigate. Come to agreements with your horsemen's groups and other stakeholders in the industry. Make sure it's laid out very clearly so that there's no potential for disputes.

A lot of people call them loopholes, but I think the key is to have clear - cut definition standards to guard against folks that would potentially abuse or exploit the racing industry. I think that's pretty much all I've got, Doug.

**Mr. Doug Reed:** Thank you very much, Michael. If you can extend your stay in the Southwest, I have a feeling some of the faculty and students might be able to take you on a tour of some illegal match racing so you can get a little more educated on match racing.

**Mr. Mike Barry:** Very good. Very good. I look forward to it.

**Mr. Doug Reed:** I told you we had four different topics, so we're gonna segue from wagering on barrel races to wagering online.

Our next guest is Peter Murray, head of gaming of the GBGroup. He's been with them for five years. GBG are a European-headquartered identity management and specialist group.

They are a primary global supplier of verification in identity services to the online gaming industry.

Peter consults on the — and specializes in identification and verification matters pertaining to regulators at industry events.

He also is an expert in online gaming and regularly publishes matters on online gaming and identity sectors. He's here to talk about policies with online gaming, location technology, tax issues, and you'll notice we'll also segue to quite a different accent. Please welcome Peter Murray.

**Mr. Peter Murray:** Good morning, everyone. I hope you can hear me. I'm the guy with the very strange accent. I'm neither Prince Harry, Prince Charles, and I'll explain where I'm from in a bit.

Firstly, I must point out that I normally go to our gaming conferences, and 8:00 in the morning is normally the time when people are coming back in from the casinos, so to get up this early three days in a row and especially on the last day is hugely impressive.

I was going to provide a translator to go with me, but we can provide transcripts after.

I was gonna have somebody do sign language, but that's not got a great rap at the moment.

Not exactly sure what's worse, whether he's actually bad at his job or he's got mental issues next to the greatest leaders in the world, but that's an interesting story playing out.

What I want to do is just talk about the online sphere and what you can do about identifying individuals over and above the land — based and my experience with regulators across the world. If I'm gonna talk about identity, I might as well talk about who I am. A little bit about background on me.

My name's Peter Murray. I'm head of gaming. Where am I from? I thought I'd bring a sports feel to this. I'm from a place called Newcastle. That's in the northeast of England and clearly a soccer — loving nation.

We're the fourth biggest club in England, but we're very terrible at what we do. The best I could do about picking up a picture of a decent footballer goes back to the mid- 0s with permed hair where footballers were footballers and shorts were definitely short.

What people in the U.S. may know Newcastle for, apart from the magnificent soccer team that we have, where I'm from — so where I come from, Newcastle Brown Ale is a large bottle.

It's drunk by men generally in their 60s in working men's clubs. My father was doing it. My grandfather was doing it, but not in America.

I arrived here a couple of years ago to see the fact that do you what you do best. You've taken a traditional brand, you've made it relevant, you've made it sexy, you've turned it round, you've taken the word brown ale off it, and it's advertised at the Super Bowl. Fantastic.

We do love our racing. What you've got there is a big event called the Northumberland Plate Festival.

Newcastle has an excellent racecourse, but traditionally, there's something called the Blaydon Races, which goes back to 1862, a traditional song that's around there.

Now, I'm about to talk to you about cross-referencing, triangulation, getting as many different data sources as possible to identify where an individual is and who they are.

The three points I've just pointed out to you, which is English soccer, English beer, and horse racing, do not go well together.

You put those three together, you tend to get something like that.

Now, this gentleman who clearly had thrown away the old-style British hooliganism, no longer fighting with the football fans, but incredibly upset by the fact we just lost to our biggest rivals, decided to take it out on a horse and not a human.

I would like to point out no horses were hurt in this process, and that man got two years' jail. What I like about it is he's got the scarf on and that was not to hide himself. That's because he had a dental problem. His medication meant he decided to try and fight horses. That's who I am, and that's where I'm from.

GBGroup, just to position where we are and why we feel we've got a good background in it, we're a UK-based organization.

We're headquartered in a place called Chester, which is another magnificent racecourse in the U.K. We do have offices here in San Francisco, London, Sydney, Edinburgh, and we operate very much on a global scale.

The business itself does e-commerce, finance, but I purely do gaming. We were first to market on this in 2004, and we've been building our products up and growing globally since then.

A lot of my time is spent with regulators because they are probably the most important part of the equation. I'll explain later.

If a regulator gets it wrong, it turns into France. As an Englishman, I like to have a go at the French. When your biggest operator loses 100 million Euros in one year, nothing is working. Just some of the names — and I've picked out a couple of horse racing ones that we know that we work with just to point out.

Ladbrokes obviously is a well-recognized brand in the U.K. We've just announced our deal with Ed Comins and his team atwarchandwager.com LLC.

Then we deal with a lot of the big global brands. If you notice some of ones on there, these are the guys that are partnering up technology-wise with the big brands.

If you're a Caesar's, you've partnered with 888. If you're one of the Trump operators, you've partnered with Betfair, TVG.

We've got long-standing relationships over eight, nine, ten years with these guys. That's all we do.

We're not a credit rating agency.

We take breadth of data and I concentrate solely on gaming. I'm more than happy outside of this conference to look at lessons learned from elsewhere.

Where the heart of what we do, and any other company who also does identity management, it's all around regulations.

I put up a few regulators there that we will work ahead of regulation.

I mentioned earlier, if you get regulation right, everybody wins. The core is player protection, player understanding. If you get it wrong — and I'll pick out the Danish example there where Denmark, we worked with people like this early and regularly and they came up with a system where the data was freed up for us to identify that individual.

With them, it's something called their CPR number. That's a tax number, a bit like your social security number here.

They've created an environment in a very small nation of just five million people where everybody wins. The players are protected, the operators make money, and the government or state gets its revenues.

I'll quickly, cuz it's just too easy, have a go at the French again. To be fair to the French, they go at it with the right attitude.

They want the players protecting, but they made it a very manual process. For a player to get online or bet on anything in France, they physically have to go online, fill out a document.

The operator then posts the document in the mail back to them. They then take that, take the number, post another document back.

You're three weeks down the line and you've just created an industry where nobody makes any money and the players are driven out of the regulated market.

The balance is there somewhere between what the operators need, what the players need, and that's just another good example of doing that.

I testified at Delaware when they voted through their house bill on KYC, which again, as a Brit over here, was just like an episode of the West Wing. It was great.

We don't really do the politics things and the lobbying things as well as you guys, but to see that work was fantastic.

The other one is compliance. Where I generally interact with operators and platform providers is around just making sure they meet regulation and meet their compliance.

Prior to Nevada, Jersey, Delaware going live, we were working around things like the PATRIOT act, the Proceeds of Crime Act, the money laundering acts of Europe.

Because whilst companies like ours can build an identity solution, in our marketplace, if it doesn't meet regulation, it's pointless. Nobody can use it.

The idea for when you're working with somebody in an online environment is that they help the operators and protect the players by doing this sort of thing. We can fill these up.

The basic premise of that, essentially, it's about identifying. I'll note the people in this room and most of the operators we work with here are concentrating on the U.S., but it's a bigger picture than that.

There's 40 million Americans who weren't born in this country, so how are you gonna identify them over and above a social security?

The ability to check documents in an online and real environment, the security — probably the biggest change in my five years with my company is around the data protection.

Making sure that the data that your customers and your players with giving you is held and is secure, PCI compliance, things like ISO 27001.

Increasingly, it's a global environment, so 24/7 coverage is vital.

Certainly the poker rooms, for example, as they grow globally is a much bigger picture. I've move on from there.

As I said with that, it's just a case of identifying, especially here — there might be guys from South America or from Mexico — the ability to identify that individual is key to understanding who they are.

What I like about the U.S. and when we're talking about — I know you guys — the racing side is carved out from the guys here in New Jersey, but the breadth of data you have in this country is fantastic for identifying the individual.

Identifying Peter Murray at his address. He is over 21. His driving license is California. Whatever it might be. It's about cross-referencing that data.

Same with geolocation. You take one source of it, it's not a strong enough match to make sure you are absolutely confident they are who they say they are.

The examples of New Jersey and Nevada are very good because — I think somebody mentioned in one of the talks yesterday there is no silver bullet, but what the guys have done have been very, very good.

We're not aware of any underage issues that are going on.

I'll talk about geolocation in a bit, but also, you're managing to so far — and bear in mind, the press are all after this.

The press are trying to just show that the system will break. So far, they seem to have managed to keep everybody within the state.

What can you do in the U.S.?

There's lots of things that we call on a person's database.

There's driving license, passport, social security, geolocation. If you just look — I've just itemized that list as to what you can actually achieve.

Then there's a bigger global picture around sanctions and politically exposed people and your IP and device ID.

If you further granulate that into what you can achieve in the U.S. — this is typical of what you will get in strong countries like the UK and others.

Consumer information, credit information, motor vehicle records, national telephone records, state government.

What you're doing when you're trying to identify me as an individual is cross-reference all of that.

Have I found them on a number of different databases that prove they're over 21 and they are who they say they are?

I think the key thing I mentioned when talking about regulators early on, it's about the customer journey. If you create barriers to people coming on-site, they will go elsewhere.

The Internet's growth over the last couple of years, whether it be e-commerce or our sphere in online wagering, the moment you start asking for documents is when they will try to find another way and get on another site.

I know the biggest challenges for the guys who do online in this environment is the moment you start asking for the social security number.

Drop-off rates are huge.

We know legally you have to have it, but what can you do about making that site as easily accessible whilst giving you the confidence that that person is who they say they are?

Create that customer journey.

I think Vin spoke about this yesterday and the whole marketing aspect of it. You need to get people engaged and on there.

What's required? It is as simple as a name, address, a date of birth. That generally, you can start identifying people at that.

You then get whatever the regulator instigates, so mandated data, and that's normally — across the world, it's some sort of tax—*codice fiscale* in Italy, CPR number in Denmark, but here, it's your social.

Even that's not enough. You start asking for the full social, that creates a problem. Here, when I was dealing with the department — the regulator in New Jersey, the DGE, there was conversations around, do we really need to take the 12 — the full digit or can we work with the four?

The four still gives you the confidence that the person is who they say they are whilst making it easier for the customer to come on board.

The last one with a lot of exclamation marks after it is the fact is that's the last stage we want to get to because if you haven't identified the person by this point, asking for things like passports and driving license is a last resort.

It tends to encourage huge drop-off rates and people moving away.

Now, what I've noticed with the U.S. and — I'll just put a list up here — is where it's different.

Nowhere else in the world do suppliers have to be licensed.

The risk lies with the operator or the website.

Here, I've had to convince a U.K. - listed company, seven members of a board, myself, and the sales director. If we want to play in New Jersey, we have to fill out a 51-page document, fingerprints, tax returns, spousal earnings.

That was a bit of a challenge. We finally got through that. We will be allowed to do business in New Jersey.

What's interesting about Jersey and Nevada, they've become de facto tick boxes for, if you've got those, we regard those as the highest level of certification.

Then there's the enhanced level of checks that you simply don't get elsewhere in the world, so exclusion lists, disbarred lists, governmental lists of people, multi-factorial authentication, which we were talking about in security yesterday from Hai and Vin.

These are things that do set you apart from the rest of the world.

The level of verification here is excellent. I've put geolocation on the bottom because it's the sexy one. It's the only one people want to talk about.

Nowhere else in the world actually does it because geolocation is more of a marketing tool if you're in the U.K. You want to attract somebody who's walking past a retail store or a soccer stadium.

Here, and I understand the reasons why, this is the bit that people think its verification. It's not verification of an individual, but clearly, it'll identify where they are.

Just a couple of quick last slides on what verification is, and just to be clear about it's who against where.

When you're identifying an individual, at certain levels, you've got your KYC. You know your customer.

That's about knowing the property exists, the family name, Murray, is put in that list, and the forename matches that.

That's when you get a key identification of that individual. All those items down the side basically lead into, that's just the typical U.S. check that you can get from people who do what we do.

It's a whole wealth of data that will provide confidence when you're sitting with a regulator and have identified an individual, you know where they live, you know who they are, you know their age, and you know their social security, whether the last four digits or the full calculation.

The last point on here is simply geolocation. Because if you look at what Nevada and Jersey have done, it's the confidence around how close you can get to that individual and how close it is to the border.

Nevada's very different. If you're a couple of miles from the border, you're in the desert. They put an exclusion zone, I believe, of about a mile around the state, which didn't really affect anybody but gave the regulators the confidence that they did that.

When New Jersey did that, that precludes possibly hundreds of thousands of people from actually accessing the site.

I think the landscape in two years may be very different from what it is now when people are being very conservative about what they do, but the technology is there to do that.

The fact is you tend to block more good people than you keep bad ones out. Clearly, it's where you are. Its carrier network, mobile location, and really when I mentioned earlier about triangulation, it's derived from cell tower triangulation, so you've not just taking one cell tower. You're cross-referencing that.

I noticed the news article the last couple of days about the guys in Nevada, the family that crashed their car and were eventually tracked down. It's this sort of technology that, whilst I appreciate it's new to this environment, it's still very strong.

There is no silver bullet and nothing is perfect, but for the purposes of the way Nevada and Jersey did it, they created an exclusion zone, which meant they knew if people are in there, they've created a barrier that that's what their confidence is. It's real time.

It's interesting because Jersey started saying, we'll just geolocate somebody once an hour. They then brought that down to possibly every 15 seconds, which I don't know quite how that would work, but what it's ended up as something more realistic, which is it depends what game you're doing and how near you are to that border.

It clearly comes from all the wireless carriers and all the major — and most of the companies that do — that like us, we will work with partners, whether it be Locaid or GeoComply. David Briggs, I know, is well-known in this environment.

When we get down to the different types of products that you can do it on, so your cell phones, your tablets, your laptops, anything with data connection, you're pretty confident on it.

It's when it's a device location, such as Wi-Fi, that's where really you've got to use the triangulation of it. Again, it's whatever the regulator would say as confidence, I

appreciate this is the area that people need more — and it's quite a technical conversation.

The providers are more than happy to go through and do demonstrations with people on how it works, but the technology is there. It needs improving, but it is very good for what we do. I mentioned identity earlier.

It's about layering the information. You've got how many different sources. Can you pull together to give you more confidence about doing it?

Then as I mentioned earlier, it's either logon or during the process. Again, the regulator will drive this through.

I know this is mainly about the poker guys and the new versions of online gambling, but it's about giving the regulator confidence that you're doing best practice.

When working with the watchdog guys, they do a lot of this anyway. They just want add us as part of the process to effectively do due diligence and add a bit of confidence for any regulation that's coming as well.

I think I tried to keep that short. That's me. If there's any questions, obviously, we'll do that at the end.

I'm more than happy to pick up outside of the conference. If you understood anything I just said there, well done and thanks for your time.

**Mr. Doug Reed:** Thank you very much. In keeping with our variety of this panel, we'll move to another country. Our next speaker is from Canada.

I had the pleasure of meeting Sean through my role here, and I think Sean's been coming here for many years.

Sean Pinsonneault is the executive vice president and chief operating officer of Woodbine Entertainment Group, which he leads most of the company's operating departments focused on wagering technology and business development.

He started there in 1988 — excuse me. He started in racing in 1988 and he's worked with Woodbine since 2000.

He is an electronics engineer technologist. He has an executive MBA and a master's of management degree, serves on several North American and international technical committees, and is president of Racetracks Canada. We have a new topic. I'll let Sean tell you about that.

**Mr. Sean Pinsonneault:** Thank you very much, Doug. Ontario has been through a lot of changes, as everyone's read, over the last number of months. It was back in March when the announcement came that our world was changing.

I'm gonna try to take you through maybe where we started, a little bit of what we've done in the meantime with the program, and then talk a little bit about where we are.

We've not finished this journey yet.

There's still some unanswered questions that we're still going through, but feeling a little bit more hopeful than we have in the past.

Maybe to start it off, it was back in the early 90s. The province was looking at, guess what? More money.

How do we generate more revenue? Gaming was the logical one to go to.

They started a program to do that. They launched the first full casino in Windsor, Ontario, in September of '94. It was a huge success.

Windsor's on the border of Michigan. They were drawing from Detroit when Detroit was a little bit in better shape, but they were coming over in droves. This casino had lineups out the door, around the corner, and down the street. It was just phenomenal.

They actually brought in a riverboat casino that was in the Detroit River there for a period of time before they got the final one — the full-time one built.

As they went through the program and trying to roll out the casino operations, they ran into some roadblocks, something that they've come full circle with in our latest venture, but some municipalities were struggling with the idea of gaming in their backyard, and some of those key municipalities had basically said, we don't want it in our area.

Toronto was one of those, and they've since reestablished that position, I guess, most recently. It was 1996.

The provincial government announced in their budget that racing was now gonna have VLTs. VLTs are video lottery terminals. Again, very much like a slot machine, but all racetracks would then have them.

They felt that was probably a better way to initiate this gaming initiative.

Tracks started negotiating with OLG, the Ontario Lottery and Gaming Corporation, worked on commercial agreements.

I'm gonna emphasize commercial because they've now changed that language. They were commercial agreements.

Amongst all the space that would be required for these operations and the standard lease forms and that kind of stuff would be in place, there were also considerations in those agreements regarding social license that racing has.

That social license is really the fact that the public accepts the fact that gaming happens at racetracks and the fact that slots or other casino games would be entered into racetracks. It's easier for them to digest.

That social license was recognized in this agreement.

There was also consideration for the cannibalization that would happen as well. To say that we would have a casino operation sitting at a racetrack, that's like having a Target sitting in a Wal-Mart.

There was definitely some competition factors there and so on, and that was acknowledged as well in this agreement.

The racetracks themselves, along with the OLG, are gonna have significant capital requirements to initiate this. The tracks were required to build the shell of the facility.

OLG will fit it out on the inside. The tracks would be responsible for all the mechanical, electrical, and all the other requirements that go along with that. Again, very significant capital requirements through the process.

This deal ended up being ten percent to the tracks, to the track operators, and ten percent to the horsemen in the way of purses.

The first track that had slots opened up in December of 1998.

That was Windsor Raceway again. They started in 1998.

Mohawk opened up in 1999.

Woodbine was in 2000. The other tracks opened up over the next couple years.

They were quite aggressive in the rollout. It happened over a fairly short period of time.

All racetracks in the province got slots. Some tracks had to relocate their operations.

Some were just older racetracks. They wanted to start fresh.

Some had to move to a different municipality to get things approved. Again, a lot of capital required to do all that.

Just to talk a little bit about building our business around this new model, so as we signed an agreement, the Woodbine Entertainment Group, most of you know for the longest time, we've been a not-for-profit organization.

Our core mandate is about horse racing. Everything we do, all the profits and everything else gets pumped back into the business. That's who we are.

There are no shareholders of the company. It is a corporation. It's not a government entity.

People sometimes get that confused, particularly now.

Again, there are no shareholders that are benefiting from this thing. This is about racing and that's what we're all about.

Over the period of the 12 years of this program, we spent about \$400 million in capital improvements and we introduced and enhanced many different offerings throughout our properties.

Looking at the racing side of things, again, with the slot program, the money that was generated there, we were able to raise the purses on the Standardbreds and on the Thoroughbreds from about \$350,000.00 a day on the Standardbreds and about \$500,000.00 a day on the Thoroughbreds.

It really helped to improve the quality of our product. We moved things along, I think, from an international recognition on our product and so on as well.

We offered over 400 race dates a year. The Standardbred paddock, we built a brand new one at Woodbine.

It was, I think, \$12 million to build that one there. A state-of-the-art facility.

All the barns in the back were completely rebuilt, installed the Polytrack system for equine safety.

We've had a very good safety record with that, so we're very pleased with that product.

On the customer side, we didn't forget about them, obviously. This is about racing.

Slots had to be redone. We didn't want people to step out of the slot parlor and look at the racing and see concrete floors and cinderblock walls, so we spent a lot of time and money developing new customer areas, revamping them, refurbishing them, and bringing them up to a different standard.

We've reduced takeouts over the years, introduced guaranteed pools, expanded our player rewards program, and also took a look at Internet and mobile account

wagering and developed that out with our HorsePlayer Interactive account wagering brand. Our live pools increased about 53 percent over that period.

We created the Turf Lounge fine dining restaurant in the core of the financial district in Toronto.

This fine dining restaurant was meant to just attract those financial executives and others that are looking for that fine dining experience and give them a little soft sell on the racing side.

We had betting terminals there, lots of TVs with racetracks on them, and that's been quite successful. That was opened up in 2003.

In 2004, we opened up WEGZ Stadium Bar, completely different theme, but basically the same concept.

Let's open up a facility where people can be comfortable and relaxed in an environment that they're familiar with and let's do a soft sell on the racing side.

This is a 23,000-square foot sports bar. It's beyond a bar itself. That's why we call it a stadium bar.

It's quite an experience when you get a hockey game. We haven't had many hockey games in — where Toronto's in the finals, but if we did, that would be a very exciting place to be.

The next best place to be other than the arena itself. A great facility. We're quite proud of this one.

This one does quite well on the wagering side as well.

It's just a nice opportunity to be able to talk to those sports enthusiasts, a lot of younger crowd.

We find the demographics of this facility too, when we go in around the lunchtime area, it's a little bit older, and as the day goes on, the crowd gets younger as it goes through.

It's just a good opportunity to be able to speak to those people in an environment that they can relate to.

Television broadcasts. We spend a lot of time and money in this area as well. We piloted and introduced the Trakus system at Woodbine. Very happy with that system. Of course, many tracks are using that today.

I think that's a very important part of the presentation that we have. We looked at broadcasting our big events on network television across the country. We have five

channels of TV that are sent to the homes that's all produced out of Woodbine. That includes three pay-per-view channels as well.

Bet Line Live is — it was a new customer concept.

We had been basically rebroadcasting our simulcast feed on network television and wanted to try something different.

This new customer initiative really was quite of a bit different from what the core customer was used to, and it probably upset a lot of those guys.

That's not what I expected. This is not the way it should be and so on. That's kind of what we were trying to deliver.

We wanted to be something different.

This worked in conjunction with our HorsePlayer Interactive account wagering across the country.

We were able to track people coming in, track their wagering from this day and moving forward. There were leader boards, everything else.

Again, it gave us great exposure from that standpoint, a lot of educational tools as well that were delivered.

We invested in our broadcast and our simulcast show and the content that we had on there.

We've won a few awards on that and it's come a long way from where it was.

Corporate social responsibility is something that's important for us as well. We've been doing this for a number of years. These are some stats from the 2012 one. Looking for volunteer hours.

It's not just about money being given away, but that we've done about a million — over a million dollars that was given away to charities and local communities. Collecting food, collecting toys, planting trees.

We've got a program, an initiative talking about reducing our environmental footprint, and we've won a number of awards internationally on what we've been doing from that front.

Again, I think it's very important for us to establish that and a connection to the community.

That's where we've been and what we've been trying to do over the years.

Maybe to speak to a little bit about the performance of the slots in Toronto,

Toronto's a population of five-point-something million. A very big area. The slot operations are scattered amongst the tracks outside that area.

There's still some commercial casinos, but it's still quite a drive.

We had a pretty captive audience here, and again, when this rolled out, there was a bit of a pent-up demand.

We started with 1700 slots at Woodbine, 750 at Mohawk. They quickly became 24-hour operations.

We expanded some slots there.

I think Mohawk has got 875 now and at Woodbine in 2010, we signed a new agreement with OLG to expand our slot operation to 3,000 slots.

That's pretty close, of course, to a casino, but it was just slots. There are no live table games there.

We refreshed the whole floor under that new program as well, and that goes under the new facility design standards that OLG has, and that fit into the new expansion that we did.

Significant investment by OLG and WEG, of course, to do all that.

We again had to fit out the facility. We had to make sure that everything was ready to go for it, all the back-end structure. We spent a ton of money.

We put in an escalator down to the apron to have better access for our racing customers. Again, we're still investing on the racing side.

The expansion opened up in May of 2011.

The refresh of the floor took a little bit more time.

It was a little after the cancellation of the slots program, actually, when that finished.

That was back in December of 2012 when that got finished, but it's a whole new floor from that standpoint.

They've packed those machines in there pretty tight, of course, to get to 3,000 slots without expanding the building, but they've got it there and it's still doing exceptionally well.

Woodbine is the most profitable gaming site in the province by far, and that's even when you compare it to the commercial casinos that are around.

March 2012 comes along, and that's when the bomb drops.

The government again looking for money, looking for additional revenue, how do we go about doing this, decided there was a modernization initiative that they should go through with OLG.

With that program, they announced that they wanted to privatize the operation of these slot operations, casinos.

As part of that, they wanted private investment. They wanted to get new thinking in there. They basically wanted to get out of the employee side of the business.

They're gonna do an Internet gaming play.

They're gonna do some things on the lottery side and a little bit with the bingo, which they had already started before then, that they promised the government \$1.3 billion in profit additionally to what they were doing before in a time span of about five years.

We are now about two years into that, and I think they've done nothing but reduce the profitability to the government so far, based on their plans. T

he Slots at Racetracks Program, as they called it, SARP, as I'll refer to later, they now started calling a subsidy.

Again, the timing is quite convenient for them.

It's now a subsidy. Isn't it better to spend money on education and health care? How do you argue that, right?

They really had no idea about what our business was. I'll talk about that in a second.

The program got canceled. They gave us 12 months' notice, so March 2013 is when things were finalized.

The new slots deal that they expected to do was just a simple lease.

We'll just deal with these racetracks, and we'll pay them seven, ten, \$12.00 a square foot, and we're gonna be all good, so we can save all this money that goes along with that.

Obviously not realistic, but that was their plan initially.

They said right up front that we're not gonna be dealing with all racetracks on this, and Windsor, Fort Erie, and Sarnia lost their slots as of May of 2012.

That changed the game for those three tracks.

Windsor is no longer operating at all. That closed up in August, and it probably won't reopen, from what we've seen.

Fort Erie is going through their own challenges about what that's gonna look like.

Sarnia, I'm not sure. They're a fairly small racetrack, and they may have a few dates this year, but it'll be minimal.

Quickly became clear that the government just really didn't have a workable plan.

They didn't spend any time looking at the industry, understanding what it meant to do this, what was involved, why we had to give away purses, why we're giving away all this money, how this operated.

Didn't understand the economic benefit to the province. \$2.1 billion, and I think that's a conservative number. 55,000 jobs. I think arguably, that's higher than that. 30,000 FTEs.

It's a very big number and they just really had no idea.

They kept talking about, well, I think it's a number like 7,000 and some other things, and it was later proven to them that it's quite a bit higher than that. They really didn't spend much time on this up front.

They also talked about this 12-month plan, so they're gonna announce this in March of 2012.

In March of 2013, everyone's gonna transition to a new environment, and we don't have to worry about this business anymore.

Clearly not how it's gonna work.

We spent 12 years trying to build our business around this. To suggest that in 12 months that we're gonna change that around, just not realistic.

After months of no real information, and again, a lot of dancing around, government telling us they don't really care about horse racing and the like, they formed this horse racing industry transition panel.

It's made up of three ex-Cabinet ministers of the three various political parties.

This panel was tasked with the objective to try to really understand the industry, spend some time, consult with the stakeholders, really understand what this is all about, and let's come up with a solution on how to solve this thing.

They did say take some time.

I'll give them a lot of credit with that — they spent, I think, over 1,000 interviews with various stakeholders and so on to get through it.

I think that part was a very important step in this cuz as much as the information wasn't all positive for racing, it started to change the messaging that was coming out of there cuz they stressed to the government, it's very, very important that racing is a part of the Ontario program.

It's not something you should just forget about. It requires a significant investment to continue if we don't have this SARP arrangement.

The government started to listen a little bit, but it took a little while to get through this.

January 2013, we eventually were able to work out an agreement for a short-term subsidy arrangement.

That's what they've put us into now.

We've got this short-term subsidy arrangement now that's established in January. We got this deadline looming. We had to get something done, so we did this.

In February of 2013 earlier this year, we had to cut a significant amount of our expenses, over 350 FTEs, very significant downsizing on our front to really make this thing work and fit into this new model.

Other tracks had to go through similar process.

The new short-term transition funding changed the way they operate.

It really changed the focus about instead of trying to drive handle, it really focused on the cost side of things.

As a result, you get some tracks that are just now under-servicing their market area, and some just completely vacated their market areas.

Not good from a customer perspective and not where we need to be.

We've been trying to fill in the voids where we could, but it's been a struggle over time. We're trying to change that.

Here's where things start to change again, right?

The Ontario Premier decides to resign in October of 2012.

Not directly related to the horse racing file, but I'm sure it was a contributing factor.

He's fighting issues of gas plants that he canceled that cost the government a significant amount of money.

He had other scandals with Ornge Ambulance Service and some other things, so he was fighting a bunch of different battles.

Thought it was a good time to say, "You know what? Here's my exit. Let's look at some new thinking with the political party." That happened.

The finance minister followed right behind him with his retirement.

Then we started to get some comments about some of the government officials saying that the government may have dropped the ball on horse racing.

We could have told them that from the start, but at least they're saying that publically, and that was a big step, I think, for us.

A new Premier elected back in February, Kathleen Wynne.

She took on the role of Minister of Agriculture as well to really handle this horse racing file, which I think has been very good.

She's publically started talking about the importance of the horse racing industry.

Now again, right from the top, talking about the importance of this and trying to turn the channel on this file and solve it.

Got into some conflicts with the chair of the OLG and later fired him and his board resigned. Now, they're just going through the process of filling that board up again.

That was about the time that Toronto was now trying to vote on a casino downtown. Again, full circle, they voted that down.

The OLG chair was promising things that they just couldn't deliver on from the province.

This is Kathleen Wynne actually doing a presentation at Mohawk on our big day, North America Cup Day.

Again, talking about the importance of racing, committing that they're gonna look at ways to solve this thing for a long-term vibrant future for horse racing. All important words.

The integration of gaming and racing started to come to be, so I don't think they really understood what that meant yet, but they're strong words.

Again, working through these details has been an important start. I'll give her a lot of credit. This was a tough discussion. She's sitting up in front of — I think we had 15,000 people here. It's a tough crowd.

Everyone's been through a lot, a lot of unanswered questions, and she's promising a lot of different things.

She stood up there proud and said, you know what? I'm committing to this industry. I'm gonna make a difference.

We're gonna hold her to that, of course, and we're gonna work through a plan that's gonna make sense for us long-term.

The panel continued to work on something. I'll call this the midterm plan. This is another subsidy arrangement that they put through, but it's a five-year plan.

Unlike the previous one where there wasn't a whole lot of answers or details or perspective of where things are gonna go, this one is really trying to say, you know what? If nothing else, we're gonna say that the industry is gonna have a fixed number of race dates, a fixed number of purses, and we got five years of planning.

There's some additional revenue that was coming our way as a result of this. Transition plan.

Again, subsidized funding.

Integration opportunities for the casino operations.

The panel's suggesting that casinos and the slot operations should remain at racetracks.

That's a very important part of this thing to integrate those two things. Take a look at maybe lottery products.

Look at the racing distribution.

Look at the lottery distribution and see if there may be ways that we can work together from that perspective.

Again, some good language in there. A lot of details need to come, but that's what we need to set the tone for where we're gonna go.

This new plan is supposed to be launched on April 1st of 2014, so we got a fairly short timeframe to get this put together, but it's coming.

Things are starting to improve a little bit with the messaging that we're hearing.

This government plan talks about a core group of racetracks.

They've identified those racetracks. We had 17 racetracks in the province beforehand.

We'll probably have fairly close though that when we're done, surprisingly, but it will be a much different racing model.

The ten tracks that are labeled as the core, they'll have about 800 race dates and they'll have fixed purses during that time period.

There'll be regional tracks that'll have a limited number of race dates and a limited number — amount of funding, but it at least sets the tone for, this is what the province is gonna be running.

There's gonna be a non-track operator, so instead of us all having individual home market areas and running those businesses, there's gonna be a single off-track operator which is gonna run all the off-tracks, so all the account wagering, all the OTB wagering will all come into a pool and then we'll distribute it amongst the core tracks based on their live racing handled in the province.

Standardbred alliance is to be formed. We're working on that with the other Standardbred tracks that were named.

This is a process of trying to find ways to make sure the industry's working together on things, coordinating schedules, trying to maximize overall wagering in the province on standardbreds.

It's important to us, it's important to the industry, of course, and it's important to really make sure that that drives that economic value that we bring back to the province.

The panel members, as part of this thing, which I think is, again, a very important part of this, they didn't just consult and say, all right, this is the plan. You guys go ahead and figure out how to implement this.

They've actually now been appointed to key positions throughout this to make sure this plan gets implemented. I think that's gonna go a long way.

One is the head of the ORC, the Ontario Racing Commission, one is the head of the Ontario Horse Racing Group, which is a division of ORC now, and the other one is actually working on facilitating the integration of gaming and racing throughout the province.

Again, I think key positions for them to really make sure that this gets delivered in the fashion that they saw and that the results are where we need it to be.

Public scrutiny. There's been lots of that lately, and I'm sure you've been reading some of that.

The government, as I said, has been going through some expense scandals and that kind of stuff in the past.

They've now labeled our industry as a subsidized industry, so that means, wait a minute. Why don't we know all these details? Why don't we know where all this money went?

What's going on?

Not stuff that they really should know cuz these are commercial arrangements.

We have nothing to hide from that perspective, but they continue to poke and look for information that's really just nothing — it's not in the business of the rest of the province and the people.

It's been a struggle balancing a lot of these discussions, a lot of mistruths, a lot of misleading stories. You balance all that.

As frustrating as it is, not good for the industry, not good for us, we just said, listen, we're gonna take the high road here. We're not going to start arguing this in the press because it's just not a battle we think we can win and it just prolongs it.

I think we're still gonna hear a little bit of this stuff going forward. Particularly as the plan rolls out, they're gonna point to someone.

We're leading a lot of this stuff, so they're gonna point to us a little bit.

We accept that, and we'll get through this, of course, but not in the public front.

The attorney general is looking into an investigation or has an investigation ongoing now into the government in particular and the decision that they made on SARP.

This is something we're expecting to see that report in January of this year — sorry of next year.

It's probably gonna allude to some things — there's a lot of speculation that the decision was made about canceling SARP and then we later talked about the justification.

Let's form some justification for this decision, which unfortunately, is not the way it works. That should come beforehand. There'll be some other issues in there.

It'll prove to be pretty interesting reading, but unfortunately, it's probably not gonna change the past. Facts about what's happened.

We've lost about 9,000 jobs to date. 3,000 owners have left the province, bringing with them probably about a billion dollars in industry investment.

On the breeding side, since 2011, Ontario mares bred are down 60 percent.

Foals registered to Ontario mares is down 60 percent.

Stallions standing, down 54 percent.

These are huge numbers, and that's not something we're gonna see the effect of right now. That's gonna come over time.

We're gonna do whatever we can, of course, to mitigate that, but this is our reality and what we've been facing.

From a wagering perspective, customers have been surprisingly resilient, right?

In 2011, we had about a billion dollars wagered in the province. We're now expecting about 865 for this year. That's about 14 percent, roughly, that we're down.

Still significant, but considering all the negativity that we've had, and basically nothing but negativity, not much positive at all, it's really surprising it's lasted as it has.

All this holding pattern and the lack of information and uncertainty is gonna continue to drive that down, so we've got to turn a channel on this and really start moving this around.

We got to get back into an investment mode and really look at ways to try to drive this — turn this graph around.

Other jurisdictions. We see this happen not only in Canada, but of course in the U.S.

As the government announced these changes here, you see similar messages going across the provinces in Canada.

I've seen some things come from the U.S.

We're, again, very excited about seeing this racing and gaming integration. We think that's very important. It strengthens these businesses.

The strength of that industry, both on the Standardbred and the Thoroughbred side, is very important to us, so we're very excited to see that reinvestment and so on.

See some of the language that's coming out too, emphasizing this is a subsidy arrangement and that kind of stuff.

I was, of course, not there in the negotiation of it, but if that's new language, it's time to address that now because we can tell you firsthand that's what's happened.

In our lessons learned, we're still learning, of course, but I'm trying to extrapolate about five lessons that we focused in on that we're gonna make sure that we address going forward.

Governments have very selective memories. Sometimes, it's short. Sometimes, it's long. It depends on what the issue is.

We're gonna continue to work with them to try to make sure that they're on the same channel as what we are and where things are going and what's expected of this.

Ensure that there are clear metrics built up front. Look at what the government wants out of this thing, what the industry wants out of this thing, and make sure all the parties are aligned.

Do that up front because to bring in metrics later on, that's a recipe for failure and that's exactly what they're trying to do now.

We expected this out of this.

No one told us that.

We tried to do this. T

They don't recognize necessarily where that is. We get everyone aligned on this thing. I think that makes a big difference in the messaging.

Communicate and educate repeatedly. I don't think you can ever overplay this.

Try to get them involved. I'm talking about government officials, anyone that's involved this that's gonna make these decisions.

Make sure they're a part of these decisions, right? Let them know what's going on.

Make sure that they understand what's happening.

The next point is really talking about tracking and really amplifying the messaging that we've got.

Try to connect with the economy and the other public forces in the province to make sure they understand, why is racing important to me?

Why should I care? I never go to the racetrack. Why should I care?

This is the reason why you should care. Really talk about that and really find ways to really communicate that message.

Corporate social responsibility. Again, we've done some of that stuff. I'm not saying that's gonna be the answer by any means, but it did help us through this process.

We got a lot of community support. They were writing letters to government saying, what are you doing here? This is very important to us. They've been a good corporate citizen.

I think that's a very important part of this process.

I think it's good corporate practice as well, but I think it's very good to make sure that you're very public with your actions in this case as well.

Again, it's not just about money and donations. It's about involvement and really connecting with a community.

Our industry is really about hope and passion. That's basically what it is.

Over this time period, we've had a lot of hope lost throughout this.

We continue to see people struggle. It's painful for sure. We haven't seen the consequences of all this over the last little while fully yet.

We're gonna try to mitigate that as we go forward, but we really need to make things work and really start changing things around and really start rebuilding this industry.

We're starting to see some open now with the way things are going.

We've got now a plan that's out for five years.

A lot of details to work out. A lot of things to get to draw some conclusions on.

We're a little bit more confident than we have been for sure, and we're gonna try to do whatever we can to make this thing work.

This is our business.

This is what we're all about.

Racing is gonna be on the forefront of our agenda as all fronts to make sure we work this through and get back to a commercial arrangement.

I want to thank everyone for their ongoing support and encouragement throughout this process.

We had a lot of calls from a number of people, letters that were sent to government as well. That's been very helpful through this process, so I appreciate all that.

Thank you very much.

**Mr. Doug Reed:** Thank you very much, Sean. Appreciate it. I think many of our audience knows how important the lessons learned in your jurisdiction may apply to other jurisdictions.

Our next speaker, we go back to the U.S., Washington, D.C. specifically, and I think many of you know our next speaker, Jay Hickey. Jay hasn't been here for a few years.

I was under the impression the government was shut down, but when Liz Bracken got here from New York, she said no, the politicians are very active, so I was mistaken and we need to get Jay Hickey back here.

Please welcome the president of the American Horse Council, Jay Hickey, and we'll get you out of here in time for the workshops, but let's hear what Jay has to say from Washington, D.C.

Thank you, Jay.

**Mr. Jay Hickey:** Thank you.

I actually am from a foreign country. I'm from Washington, D.C.

I'm the last speaker on the last panel and I want to thank Doug for not introducing me as the last but also least.

Those of you who — boy, it's been a long morning, I guess, here.

The budget resolution, it was just an agreement, and that's a good sign. A two-year budget agreement was just reached with the leadership yesterday.

I haven't been able to read the whole thing, so I don't know exactly what it says. It's a two-year deal, but there's still fighting within the Republican party in the House about whether they're gonna approve it.

Congress is still acrimonious as ever. There's not good feelings. It's actually a dislike.

We're entering an election year, which is always very, very difficult. This is gonna be an interesting time.

Will the Democrats take the House?

Will the Republicans take the Senate?

Will the Tea Party affect these elections?

Can the approval ratings of Congress and the President actually go to negative figures?

It's a difficult time to be in Washington and work, but there are bills.

There are nine bills introduced in this Congress have the word horse in them. We have a lot of legislation that affects the horse industry, but to have nine bills specifically dealing with the horse industry is very unusual.

I can't remember that ever happening.

Some of the expiring tax provisions.

I want to just mention the Section 179 expense deduction and bonus depreciation. They are huge tax benefits for those who want to purchase and place in service assets used in their horse business.

Whether you're a racetrack or horse owner or breeder, pay attention to those cuz they are going to go to zero next year.

They're terrific benefits, so you've got 19 days to still use them.

Tax reform. That's gonna be a big issue next year.

I don't think that they're going to be able to — Congress is going to be able to get— come up with a tax reform package. It's just too difficult. It's too complicated.

There's too many permutations and combinations involved.

There is tax legislation that has been introduced in this Congress dealing with horses.

One is Congressman Barr's capital gains bill, which would move horses from 24 months to 12 months to get capital gains treatment. He's introduced that, the Equine Tax Parity Act, and also the depreciation of racehorses.

Right now, you can depreciate racehorses over three years regardless of when they're placed in service.

That expires at the end of this year, December 31st, and we were hoping to be able to put that into what they call a tax extender bill, but there's 55 other provisions expiring.

There's not gonna be a tax extender bill, certainly not before the end of this year, cuz they're leaving this weekend.

When they do one, if they're gonna do it next year and make it retroactive, we want to make sure that three-year depreciation remains in that.

Senator McConnell and Congressman Barr are very concerned about it. It may be difficult to get a tax extender bill cuz if you pass that kind of a legislation, that means that tax reform is dead, so the leaders of the Ways and Means and the Finance Committee don't want to do that right now.

Comprehensive immigration reform.

When I started this year and would give talks, I would say I'm very optimistic that we're gonna get comprehensive immigration reform finally because of the election last year.

Unfortunately, the Senate passed a terrific bill that would satisfy most of our problems with our agricultural workers, our non-agricultural workers, our undocumented workers. It satisfies most of the questions that the racing industry has.

It's now gone to the House and I don't — the House is not gonna act on it, or if they act on it, it's gonna be piecemeal, which is gonna be very difficult to get it passed.

Welfare legislation is huge in this Congress. There's four bills dealing with welfare.

The slaughter bill, the double-deck truck bill, the spring act and the one that affects racing, which is the racing medication bill. That's been introduced in the last several Congresses, as you know, by Senator Udall.

This year, Congressman Joe Pitts from Pennsylvania has taken over the lead on that.

Basically, it calls for — it would regulate horse racing. It would call for an independent anti-doping organization, specifically, the U.S. Animal Doping Association, to regulate the use of drugs and medications in racing.

They would come up with a list of permitted substances. They would come up with what can be used, what kind of practices can be used, what would be prohibited.

Lasix would be allowed under the legislation for two years for three-year-olds and after that, no race day medication. The penalties are strong. You can get exclusions immediately.

It does not amend the Interstate Horse Racing Act like prior legislation did, but in order to do wagering under the Interstate Horse Racing Act, the racetrack involved

would have to have an agreement with USADA, the anti-doping agency, saying how all of this testing is going to go out.

There was a hearing two weeks ago before the Energy and Commerce Committee.

Phil Hanrahan from HBPA testified. There was a limited amount of interest in the bill. I'm not sure that there was great interest among the members who were there.

This is the anvil that is hanging over the racing industry right now in order for us to continue to do what we should be doing and are doing in terms of self-regulation.

I was gonna explain a little bit about the soring act and the Horse Protection Act, which has been in existence for 43 years.

Racing does not want to go down that line and get the federal government involved in their activities.

The soring act, which is now going to be amended because it didn't work, we don't need that in the racing industry.

It's bad enough to have it in the showing industry.

Internet gambling has become huge and has continued to grow.

When they passed the Unlawful Internet Gambling Enforcement Act, UIGEA, in 2006, racing was specifically excluded.

Any activities, any wagers pursuant to the Interstate Horse Racing Act are exempt from UIGEA. We like that. It's worked very well.

We have our provisions under the Interstate Horse Racing Act, which we got changed in 2002 to make it even clearer.

There are new factors involved with Internet gambling now that I just wanted to briefly mention.

One is the new interpretation by the Department of Justice that came out right about closer to Christmas two years ago. Prior to that, the Department of Justice said that the federal wire statute has prohibited all interstate wagering.

When they came out with their new interpretation, they said, no, the wire act only applies to sports betting.

Right now, if you are doing — if a state is doing or anyone is doing interstate wagering, it can be intrastate non-sports betting, legal in the state where it starts, and even if the data or — it goes across state lines, you can still do it intrastate.

That's why the states — all forms of wagering except sports—that's why the states are getting very interested in doing this. That opened it up to all sorts of games.

The state could do poker, which is the main thing they're doing.

It could be casino games.

It could do slots. That's where the action is.

That has a big effect on what Congress will do with respect to Internet gaming because the states have much more of a vested interest than they did before.

The other thing that I think is important, which maybe you don't notice, is that Sheldon Adelson, Mr. Sheldon Adelson who owns the Sands Hotel, has formed a coalition to oppose Internet gaming.

That split the casinos.

All the casinos, except for him, I think, are interested in doing at least poker.

If you don't know him, he kept Newt Gingrich in the presidential campaign last year single-handedly with the new laws, the Supreme Court decision that allows people to spend money independently for political activities.

Him coming out in opposition to Internet gambling, setting up a coalition, having some speakers, I think's gonna be very interesting. In terms of the federal government, Congress will act on it.

There's three bills. One is the Internet Gambling Regulation Enforcement Act introduced by Peter King. It would legalize all forms of Internet wagering, provided they're licensed by the Department of — by the Treasury Department.

Anybody that wanted to do it, and it's legal in the state involved.

Anyone that wanted to do it would have to get a license from the Department of Treasury, suitability, provide their financial statements, et cetera, show that they have safeguards about what we were talking about earlier about that you can identify where the bet is coming from, that compulsive gambling is taking care of, that it's not kids. That's the first bill.

There are some provisions in the King bill that would benefit racing.

It would clarify our issue with the Department of Justice as to whether interstate horse wagering, under the interstate horse racing is legal. We believe it's little. Knock on wood. Nothing's ever happened.

It would exempt interstate horse racing wagering from the Unlawful Internet Gambling Enforcement Act.

Again, it would grandfather any states that are doing Internet wagering, which would be Nevada at this point, Delaware, and New Jersey.

The second is the bill that was just introduced by Congressman Jim McDermott from Washington, which would — is the tax component.

It would allow anybody — any operator doing this to be taxed up to 12 percent of the deposits that are placed with them. That's a pretty hefty tax.

The third is the Barton bill introduced by Congressman Joe Barton, which would be a poker-only bill.

Again, it would set up a licensing situation, but this time, it would be operated through the Department of Commerce.

All of these bills would exempt our interstate wagering, account wagering, from the prohibitions.

It would not exempt a racetrack or an operator that wanted do other forms of Internet gaming, but they specifically recognize that racing is doing it, has done it, and can continue to do it.

There was just a hearing on the Barton bill and the Department of Justice before the Commerce Subcommittee of House, Energy, and Commerce.

That's the third hearing that that organization — that that subcommittee had in the last four weeks, which is pretty unusual.

They'll become experts on racing and the industry in general.

One was on the soring bill. I don't know whether any of you watched it. I was traveling. I didn't have a chance. No mention was made of horse racing.

It was focused on the Barton bill, poker only, and the Department of Justice.

There was some question about whether legislation should be introduced to roll back the Department of Justice interpretation.

If that's the case, if that ever happened, racing, we have got to be right in there to make sure that it, once again, recognizes that we have done interstate account wagering for 35 years or so.

Again, Mr. Adelson had a representative there who raised the question about compulsive gambling, problem gambling, kids gambling, et cetera, so that's gonna be an interesting thing. It was not specifically on horse racing.

The last thing I want to mention is sports betting. Again, New Jersey is sort of the fulcrum for all of this.

Governor Christie has said that the Professional and Amateur Sports Protection Act, which prohibits betting on sports — and again, there's a carve-out for racing in there cuz we are a sport — is unconstitutional and he wants to do sports betting at the casinos and, eventually, over the Internet.

When that bill was passed, it grandfathered Nevada and gave New Jersey two years to legalize it. They didn't do it. Now he wants to roll it back.

He's gone through the District Court, the Court of Appeals, and is now—and lost in all cases.

Both of those cases, they said that the act was constitutional.

Now, he's gonna go to the Supreme Court. I don't think it's likely that that's — he's gonna prevail on that. Those are some of the provisions that I just wanted to mention briefly.

I'll be here and the panel will be here. You can ask questions.

Again, I thank you very much and I think I got through that fairly quick.

**Mr. Doug Reed:** You did a great job.

**Mr. Jay Hickey:** Thank you.

**Mr. Doug Reed:** I want to thank all of our speakers. What I'll do is, I'll ask our speakers just to hover over here in the corner.

If you have questions, take them one-on-one because I know some people have airplanes to catch or want to go to the workshop.

We want to get the workshops started reasonably on time for people that have planes to catch, so you can get a beverage and go to the workshop if you have to.

If you have questions for our speakers, we'll just hang out here for a while and we can do that one-on-one, so please take advantage of having four experts here. Thank you very much.