



Race Track Industry Program

## **34th ANNUAL SYMPOSIUM ON RACING & GAMING**

**TUESDAY, DECEMBER 4, 2007**

### **Blurring of Slots, Table Games and Games of Chance**

**Moderator/Speaker:**

**Kevin Mullally**, Owner, Odds on Racing, International Software Services

**Speakers:**

**Sam Basile**, Of Counsel, Greenberg Traurig, LLP

**John Berkley**, CEO, Las Vegas Gaming, Inc.

**John McMullen**, Director of Eastern Regional Sales, IGT

**Constantin A. Rieger**, Executive Director, Oklahoma Racing Commission

**MR. STEVE BARHAM:** First of all I would like to thank our sponsors, International Game Technology is the sponsor for the panel and Churchill Downs is the sponsor for the upcoming refreshment break. I would like to introduce the moderator of the panel, Kevin Mullally. Kevin works for GLI as the primary liaison to elect officials at state and federal levels, regulatory agencies, key organizations devoted to developing gaming and casino policy as well as senior level executives of gaming equipment and manufacturing companies. The rest of Kevin's bio is in the back of the pamphlet and I'm not going to bore you by reading it for you, you can do that. I would like to say that when the faculty of the Race Track Industry Program got together and started putting together panels or ideas for panels, and we came up with this title, I was assigned the responsibility to call Kevin and say, you know, we've got this vague idea, what do you think, can you help us talk about, or have ideas for speakers? At which point Kevin said, Steve, I can just do that one for you, I'll just put this thing together. And he really did a good job in putting together this panel, all of the speakers support the Program. So with that, I would like to turn it over to Kevin and his panel.

**(Applause)**

**MR. KEVIN MULLALLY:** Thank you, Steve. And it was a bit of a challenge trying to get a handle on this rather amorphous topic, but I think that we've been able to come up with some issues that you'll find interesting. My only contribution to this was I knew it was a tough topic so I went out and found four of the most talented people I know so they could carry the load on this deal. I think you'll find them

engaging with a variety of knowledge and backgrounds and experience that will allow us to tackle what really has become — it wasn't so long ago that there were very defined lines in the industry with regards to the types of gambling and the types of product that was offered at those venues. You had casinos, you had your charitable gaming, or there was bingo, you had your racetracks where you had pari-mutuel wagering and we all knew pretty much what to expect when we walked into the door at those various venues as to what type of product we were going to have. And now with the merging of not only a lot of those venues but the different types of games and technologies that are allowed in those venues or that product manufacturers are trying to bring to those venues, we're starting to see a blurring of those lines. I think those are some of the issues we would like to discuss today.

We have a very, very good panel. To my immediate left is Sam Basile who's of counsel with Greenberg Traurig. I've known Sam for a number of years, he has a wide variety of experience. I won't read his bio in the back either, but he's been with manufacturing companies, tote companies, so he has a broad array of experience in the industry and will bring a lot to the panel.

To his left is John Berkley who is the president and CEO of Las Vegas Gaming, Inc., who is one of the more innovative technology providers in the industry. John is going to share with us some of the new products that they're bringing to the market.

To his left is John McMullen, the director of the eastern region of sales for International Gaming Technology. And John also has, in addition to his vast experience with IGT, has also experience in casino operations in Nevada.

And to his left is Tino Rieger, who was for many years the deputy director of the Louisiana Racing Commission and now serves, since '95 as the executive director of the Oklahoma Racing Commission and will bring a regulatory perspective to this.

I feel like the — standing up here and seeing some of the people in the audience, I feel like the, in this season of giving, the one who has given the most in the football world here in the last few weeks, Tino is a big LSU fan, I'm a graduate of the University of Missouri undergrad and law school, so we — I gave him the opportunity to appear in the national title game and I see our Kansas friends out there, we also gave them a BCS bowl, so I don't know if there is anybody from Illinois but congratulations to all of them and to the folks in Oklahoma as well.

The way we would like to approach this is through a series of questions and answers from the panel to allow for a little more interactive discussion, and we would also like to entertain questions from the audience. So I will periodically ask for questions but if you have something if you could kind of indicate with a hand wave, I'll see you. We would like to hit on the topics that you find interesting as well as the ones that we have agreed on ahead of time.

My first question is really for the entire panel or anybody who feels the urge to jump at it and that is that as a wider variety of gaming machines make their way into the pari-mutuel environment, what distinguishes a racino from a casino, how is the technology or regulatory issues for suppliers, regulators and operators any different? John? Jump out there since you deal in both those types of environments.

**MR. JOHN MCMULLEN:** Again, I would like to say I appreciate the opportunity to speak on the panel, and with regard to what in my opinion specifically, what sets racinos apart from casinos, I think kind of speaks to the title of this seminar, which is the blurring, I think, that fine line is becoming even finer as far as development and regulatory bodies consider changing regulations in order to provide additional product, a wider range of product and those types of things which, again, I think allows those jurisdictions and those markets to be more competitive and vie for that discretionary dollar, if you will. And I think the differences are becoming less and less, as I see it, on a daily basis.

**MR. SAM BASILE:** I would agree in that as you look on a racino floor you're seeing similar products, a mixture of VLTs sometimes with Class Three, but when you go to jurisdictions that have pure Class Three, you walk on the floor and if it's a casino that's not near a racetrack, kind of separate on the facility yet on the same grounds, you're in a casino for all intents and purposes. For the player itself, the experience is almost identical. They've got the speed of play, they've got the promotions, they've got some of the amenities and so the line has been blurred.

**MR. CONSTANTIN RIEGER:** Kevin, I too thank you for the opportunity. As a regulator with more racing background than gaming, we see that at the racetracks as well, simulcast areas are almost integrated with the casino areas. Several racetracks have it to where it seamlessly goes from one end to the other; their machines intertwine throughout the facility. So I think the casino name and racino have almost become synonymous in that sense as the racetrack is concerned.

**MR. MULLALLY:** You know, even the vehicle for legalizing gaming has changed over the years. I mean, you have obviously the experiences in Nevada and Atlantic City and then came the riverboats, we were going to call it casino at riverboat and somehow purify it with river water, and then we started seeing some of the racino states and then the VLT states and now seems like the new model is, well, we don't want to expand gambling in our state and we already have horse tracks and we already have lottery so lets let the lottery own the machines and we'll put them at the racetracks. That looks like what they're going to propose in Maryland, could be what they do in Kentucky, probably what if Texas ever does anything, that's probably what's going to happen there. Kansas has done something a little similar to that although they are also going to have destination casinos.

Does it really matter, does it effect either the environment or the type of game that is offered when you have individual facilities that are operated by a single operator that goes out and buys a machine versus possibly a facility that is owned by an operator but the machines are purchased by a lottery and where there

is a central system versus no central system? Does it really affect the manufacturers much? And Tino, do the regulators, is there a growing focus on having a central system?

**MR. RIEGER:** Absolutely. We strive to get to that place and we just haven't quite gotten there yet. It sometimes becomes a little bit more difficult when reports are merged. There are errors and a lot of times they are front-end errors, they are cleaned up before the auditors get them, not always. But we do see as a problem, for the most part, if we had a central system, which is on the verge of being developed and then it goes away again for a little while and then it comes back to being on the verge of being implemented and goes away again. So that's a part as a regulator that, it's a little bit of a concern, but it's also, makes it problematic to regulate because we get variations in reports and that is probably my biggest area of concern in the sense of regulation.

**MR. BASILE:** And if I can add, having worked for an operator in the Oklahoma market, the difficulty that we saw was that even though it's Class Three, you basically have Class Two manufacturers doing server-based gaming. And you've got slot system manufacturers or designers trying to give you a central system. So you've got a server room that basically is filled with as many different manufacturers as you have on your floor, that's how many servers you have in there and you have that many different reports. So as an operator, you're trying to merge those things because, again, the systems aren't talking to each other. S2S protocols being what they are, have been adopted but you've got, unfortunately, John, I'm not going to point at you, but you've got the manufacturers pointing at each other saying, well, I've done my development piece now it's your turn, and they are saying, no, we've done ours, it's your turn to go. So who is stuck in the middle? It's the casino operators at this point in time as well as the regulators.

**MR. MCMULLEN:** I think I just, to follow up on that, I think the direction that IGT and a large part of the industry is going now with GSA and the open protocol that will allow not only just the traditional manufacturers but anyone, for that matter, in order to meet those minimum requirements we feel, again, that leads us into the next generation, if you will, server-based and so forth. We've been very open in our message of an open network and an open protocol moving forward.

**MR. MULLALLY:** With the merging of the technologies and the variety of games that are offered, have you found that the customers are any different? Do we see, from a customer standpoint, in the products that you offer them, is the customer that's walking into the racino any different than one that would walk into a traditional destination casino?

**MR. MCMULLEN:** Well, I can speak for the northeast specifically. When you look at jurisdictions much like Rhode Island that is a very competitive area with Connecticut right next to it with Mohegan Sun and Foxwoods, as well as the New York lottery market. It could be suggested that that customer and those product offerings are vying for that individual customer and it does cross over. And we do know and we have been told by our customers that they are looking and seeing

their customers being pulled away from them and into these other markets. So to say that there is a specific customer for a racino versus a casino, I don't know if that is necessarily true. I believe that customer will kind of gravitate towards convenience and the product offering, which you can see that level of product offering improving every day within not just the regular class three markets but your lottery markets as well.

**MR. MULLALLY:** One of the issues that many pari-mutuel supporters will identify is they worry about the gaming devices overwhelming the pari-mutuel environment, the racing environment. John Berkley, your company develops technology that helps these two different types of gaming coexist. What are the challenges in developing that type of technology and what can we expect in the future in the trying to provide an entertainment product that will appeal to those different types of customers? ..... **Other terms, concepts and keywords contained in the balance of this transcript are:** competitive advantage, Wager Vision, sharing of the funds, multiple regulatory environments, common electric wallet, regulatory perspectives, mobile devices, DigiDeal, Nevada, RFID Technology, Oklahoma, wireless technology, arcade games, skill-based amusement devices, legislature, law enforcement powers, illegal slot machines, legislative enactment, future of the Internet and pari-mutuel environment, interactive gaming legislation. ....If you desire a full transcript contact [bprewitt@ag.arizona.edu](mailto:bprewitt@ag.arizona.edu)

