



Race Track Industry Program

**37th ANNUAL
SYMPOSIUM ON RACING & GAMING**

WEDNESDAY, DECEMBER 8, 2010

NTRA Federal Legislative Advocacy

MODERATOR:

Eric Wing, Senior Director of Media Relations, NTRA

SPEAKERS:

Peggy Hendershot, Senior Vice President, Legislation & Corporate Planning, NTRA

Greg Means, Co-Founder and Principal, Alpine Group

Mr. Doug Reed: I'm going to do a little bit of an unorthodox intro to our first speaker. We probably, most of you in the room know Alex Waldrop, the president and CEO of the NTRA, so I'm not going to read his bio. His bio is in the back of the booklet. Please feel free to look at that. What I'd like to do is tell you just a quick little story.

We decided, I can't remember if it was Steve Barham or I, decided, "Wouldn't it be great to have Alex Waldrop come out and teach a class?" And one of us said, "Yeah, I'd like to have him do our class," and one thing led to another. Once one of us said yeah, we said, "You know, he's coming out that way, why don't we get him to do a Joe Hirsch speaker forum as well? The Joe Hirsch speaker forum is something we've had there at the program for many, many years. An informal setting with speakers from all walks of life comes into the classroom.

Well then, after we said that and we called him up and we found out he had business in either Phoenix or Tucson, so we could work it into his schedule as well, the other faculty member said, "Well shoot, I'm teaching this right now, why don't we have him do my class too?" And one thing led to another, and the poor guy I think, by the time we had his agenda set we had him doing four classes, and we really abused the heck out of him.

And that's not half the story. Not only did we decide to sign him up for every class and take a vacation, so the faculty didn't have to do anything for the several days that he was there, it turns out we had him scheduled to do classes on Wednesday and Friday, so he could have a day off in Tucson. Well, the son of a gun comes out there, he does classes, and when he gets out there, he says, "Well, I've got to go back to Hot Springs, Arkansas tomorrow." And we go, "Oh, shoot, you won't be able to do Friday's classes." He says, "No, no, no, I'm going there, I've got to do business, and I'm flying back Thursday night, and I'll be there for classes Friday." And the son of a gun did it.

So, I just thought I'd share that with you, because the students had the pleasure of having him in all the classes instead of Steve Barham and I, which was certainly a big treat for

them, and he did — he exceeded expectations, I guess is the way to say it. So, I just wanted to share that story with you, and it was great to have someone in his leadership position spend that much time with the students, and jump on that many planes to do it. Alex, thank you very much.

Mr. Alex Waldrop: Thank you, Doug. That was a very kind introduction. I did enjoy my time here. I have a soft spot in my heart for the University environment. And I think the Race Track Industry Program is a real jewel in this industry. We take it for granted, we love to come out here for the weather and the golf, and we forget that the reason we're here really is to support a very important academic institution, one that is not funded by the state of Arizona. But also, exists because of the good support of this industry. So, thank you Doug, and thank you to the program for inviting us.

And, welcome to all of you on behalf of the staff and the management of the NTRA. We have some exciting presentations for you this afternoon. We're going to be looking at an array of issues in the industry. We're also going to spend some time re-introducing many of you to the NTRA. It's been three years, actually, since we've been here to present to this conference, and since that time the industry has faced many serious challenges.

Who can forget the accidental death of Eight Belles, in our sport's most highest profile event? Huge integrity concerns have been raised about the use of steroids in our business, and an economic crisis has plunged our industry and indeed the entire country, if not world, into an economic decline as severe as any we have seen since the Great Depression of the 1930's.

Amazingly, each of these three events occurred in the year 2008. Tough year. It was a year, indeed, that was filled with crisis. But, it also proved to be a year that was a catalyst for some important changes in our business.

The loud and sustained public outcries for more safety and integrity were undermining the NTRA and the industry's efforts to market and promote our sport. And, they were also overshadowing our ability at the NTRA to advocate on behalf of this sport in Congress.

Fortunately, the industry rose to the challenge. Several groups like the Jockey Club Safety Committee, TOBA, the Breeders' Cup, came forward with numerous substantive recommendations on things we could do to address the safety and integrity issues that were facing the industry. Steroids were effectively banned within 12 months of our deciding to do that.

By year's end, we formed the NTRA's Safety and Integrity Alliance, and that alliance quickly emerged as a leading force for implementing much of the needed reform in those two key areas of safety and integrity. And at the same time, financial pressure hit our entire industry, just like millions of other industries around this country. Handle declined almost 25% since 2007. Purses have declined too, although not quite so much, because of supplements from casinos. Auction sale prices are down, the foal crop is in decline. Racino legislation is reshaping our industry. Racetracks with casino gaming are dominating the competition for horses. Gaming states are now attracting top breeding stock. The so-called have-nots, the states where alternative gaming is not allowed at racetracks, they're watching as their traditional dominance slips away.

So, all of the pressures which I've mentioned, some societal and some economic, they've combined to reshape the NTRA as well. As you will hear from today's presentations, the NTRA is a much different organization than it was three years ago. Through the Alliance,

we're leading this industry to place human and equine safety and the integrity of our sport above all other priorities. We're learning that being proactive in these areas is vastly superior to being reactive. The Alliance is a primary way that the industry is rebuilding much needed credibility with fans and the public at large.

We're using Web 2.0 social networking, and a keen focus on horse player's issues, to develop nationwide promotions and events like the National Handicapping Championships. Opportunities that we believe are key to the future of this industry and its growth and innovation.

Our advocacy efforts are more effective than ever, because we're harnessing the power of this industry, finally. We're using cooperation to bring about change and reform. We're seeing newfound respect for the horse racing industry in the public sector, because we're now being recognized as a business that's willing to address some of its most fundamental issues. Entrepreneurship and innovation guide every decision at the NTRA today.

More so than ever, we look for every opportunity to create value for members and even non-members, in certain situations. NTRA Advantage is the cornerstone of that entrepreneurial effort, but today every NTRA program has to generate value for both the industry and the NTRA.

Leading all of this change is one fundamental principle. The NTRA must constantly listen and respond to the needs of its constituents. Doing so has led us to the conclusion that at this current time, we need to concentrate all our efforts and our resources on four key areas.

First is legislative advocacy. Second, marketing and promotion. Third, the alliance initiatives for safety and integrity, and last but certainly not least, Advantage, NTRA Advantage, our group purchasing program.

New priorities may emerge later. Circumstances may change, cause us to re-evaluate these priorities. But for now, this is what the industry has identified as our most important priorities. Now, you're going to hear from four sectors of the organization so that you can get a better understanding of the evolution that's taking place, in the NTRA but also in the industry as a whole.

I'll turn it over now to our senior director of Media Relations, Eric Wing, who is going to take us through today's presentations. Eric, if you will come forward?

Mr. Eric Wing: Thank you, Alex. As Alex mentioned, I will kind of guide us through the proceedings. I'll also be doing important things like changing the name plates as need be. But, as Alex just mentioned, we do have four essential segments to today's presentation. Legislative will kick things off, followed by our Safety and Integrity Alliance, then Marketing, and last but not least, NTRA Advantage.

One thing I want to assure everybody right here and now is, despite what it might say in your pamphlet, this is not intended to be a four-hour presentation. You won't need to shave part way through. We do expect — we do anticipate being done at 3:30, 4:00, something in there. So, we're not going to keep you in here until 5:30.

Also, we'd like to have enough time for Q&A at the end of each segment, if you all are interested. And also, Alex will be back at the end to kind of summarize things, put a bow around everything, and also take questions. So, Alex will indeed be back.

All right. So, we said our first topic is going to be the NTRA Federal Legislative Advocacy programs, and to lead us through that will be Peggy Hendershot, who's our senior vice president of Legislative Affairs. Peggy oversees the NTRA's Federal Legislative programs, she works on a variety of legislation ranging from internet gaming to taxation, equine welfare, immigration and a host of other issues. She's also the industry liaison, if you will, to groups on everything to do with legislative and public policy matters. In her spare time, she also serves as president of the NTRA's Federal Political Action Committee, also the executive director of NTRA Charities, and a board member of the Permanently Disabled Jockeys Fund. Last but not least, we're proud to count her as an esteemed graduate of the University of Arizona's Race Track Industry Program. So with that, I'll turn it over to one of your fellow graduates here, Peggy Hendershot.

Ms. Peggy Hendershot: Okay, thank you, Eric. We are going to start this, actually, with a technological challenge. That challenge will mostly be to me, but perhaps also to those of you in this room. We have on the phone with us today our lobbyist in Washington, D.C., Greg Means of the Alpine Group. Greg was not able to be here today, because as he will explain to you from the start, we have a bill pending in Washington right now that really needs his every moment's attention.

After Greg has given a few remarks and just an observation on this bill that we have pending right now, I'll pick it up from there and just kind of give you a little overview of how we got to where we are right now, and then we'll at the end, you'll be able to ask questions of either me or Greg. So Greg, are you on the phone?

Mr. Greg Means: I am on the phone.

Ms. Peggy Hendershot: All right. This is like a voice from heaven, here. It's very surreal. Okay, Greg, why don't you give us just a little bit of an overview? You're probably all aware right now that there is an internet gaming bill in Congress. You're probably also aware that there is a ginormous tax bill in Congress. Having said that, Greg, take it away.

Mr. Greg Means: Well, I'm not sure that a voice from Washington has been referred to as a voice from heaven any time in the last decade, but having said that, I'll give you the up to the minute skinny on what's going on.

As Peggy referenced, there is an internet gaming bill that is alive and kicking in the lame duck session of congress. That bill is not a massive internet gaming bill that would legalize an enormous amount of different games, as some of the earlier legislation would have. Basically, this bill would only legalize poker to be played online. It would not legalize other casino games. It has an emphatic ban on sports betting, like on football games and things like that.

So, when we're talking about an internet gaming bill in the context of current time in DC, it's a poker-only bill. This bill more or less came to life as the result of a couple of factors, and one of those was the election. As you know, on November 2, there was an election. The majority leader of the US Senate, as you probably also know, is from the state of Nevada, Senator Harry Reid. Harry Reid has kind of never been in favor of internet gaming, however, a number of Vegas interests, large casinos — Harrah's and Caesar's in particular, as well as some others — favor legalization of internet poker for a variety of reasons, or at least most of them do. In addition to that, there was another factor that occurred several months ago, which was for a long time, the National Football League and the NCAA and other sports groups were vehemently opposed to internet gaming. And finally, they decided

if it's a narrow bill and it emphatically bans betting on sports like the NFL, then we can be okay with that.

So, when Senator Reid started looking at more aggressively pushing something on internet gaming, and when the sports leagues got out of the way, that created an opportunity to perhaps consider a bill that would legalize again, in this case, something more narrow like internet poker.

When that kind of started several months ago, we have long had a relationship with a number of these stakeholder groups, and that dates all the way back to 2004, 2005, the couple of years that led up to the passage of the unlawful internet gaming enforcement act which was passed in 2006, which kind of further banned internet gaming with the exception of horse racing, because we were able to get an exemption in there to allow us to continue to lawfully wager on horse racing in the United States, pursuant to the Interstate Horse Racing Act.

So, we were kind of a stakeholder at the table as well, and we had maintained that stakeholder status. And in this process, we have argued that even though the bill thesis is poker, and to legalize poker, we have argued that there are certain things that ought to be done to assist our industry as well. And I guess I'll wait and let Peggy maybe run through what's in the bill, unless Peggy, you want me to do it.

But right now, I'm going to focus on where the bill stands right now. And look, I've been around this for a couple of decades, previously as a senior staffer on Capitol Hill, and now as a lobbyist. Lame ducks are called, "lame," for a reason. There's generally not a lot that passes. The one — I think the one, the biggest issue that's out there is the extension of what are known as the Bush-era tax cuts. That's occupying most of the time and the attention of both the House and the Senate. As you've probably read, there is a controversial deal that's been cut between President Obama and the Republicans primarily in the Senate, that would be able to extend those tax cuts for a couple of years.

The goal of the internet poker bill has always been to attach that to a much larger vehicle like the tax cuts, and let it ride along with that. Because, most people are going to be focused on the overall larger bill and the tax cuts as opposed to the Internet gaming piece, and frankly internet gaming would encounter some turbulence in the House of Representatives.

There's a large focus on this bill, this year, in the lame duck because with the election results, with the Republicans taking over the House come January, or as soon as this sessions over, the widespread belief which I think is accurate is that a Republican-dominated or Republican-controlled House of Representatives would never bring up a bill that would legalize internet gaming of any type.

So, the focus is to try to get this bill done, and try to get it done between now and whenever Congress adjourns, which is in the next couple of weeks. The negotiations have been ongoing, and non-stop, and believe me, I'd rather be in Tucson where it's got to be warmer than it is here, and negotiations have been going on around the clock between various senators, various stakeholders including us. And those are continuing. The bill, right now, and when I say "the bill", the internet poker piece of it, is not finalized by any stretch of the imagination. There's still a host of issues that remain. Some of them are large and controversial. They pretty much all pertain to poker. They do not pertain to us, at this point.

There are still some intramural fights going on between different stakeholders. There's some of the family, conservative family groups have kind of increased their lobbying because they don't like this bill. So, it's far from saying whether this — you know, whether it can be done or not. I felt more optimistic about it, frankly, a few days ago. Things have kind of gone, shall we say, into neutral right now while some of these discussions go on, and I think that one of the other issues that are out there is with all the controversy that's now generating or surrounding the bigger tax bill issue, the liberal Democrats are not happy with it. Even some of the staunch conservative Republicans have their problems with the tax cut extension bill.

There's, I think, maybe a nervousness that they need to be able to get the votes to pass that. And by adding on other perhaps controversial issues, does that help attract votes, or does it subtract votes so it comes down to a vote count? What I can tell you is, these negotiations will continue until the very end over the next couple of weeks. We're at the table and we're going to continue to fight for the provisions that we have. There are, again, there are a number of provisions that are in the bill that would benefit our industry, and we want to help push those across the finish line. But at this point, it's basically come down to some issues that do not involve us, but involve the poker world or the casino world much more than us.

So with that, Peggy, I'm going to stop. I can go further if you want, or I'll stick around to answer questions more specifically about what's in the bill or where the bill stands, or what the prospects are for it. It typically in the lame duck, look, everything at this point is 50/50. This bill is very much alive when the Senate Majority Leader wants to do something that adds additional weight to it. But it's — you know, it's not without controversy.

Ms. Peggy Hendershot: Okay, thank you. I think that is probably the shortest speech I've ever heard from Greg in the five years that I've known him, so.

Mr. Greg Means: Yeah, I talk for a living, but I was put on a short leash today.

Ms. Peggy Hendershot: Record, record time, thank you. Okay. Greg, if you would just hang on the phone while I go through some other talking points, then everybody here in the audience would have a chance to pose a question to either me or Greg at the end of this presentation just by using one of the microphones you'll be — Greg will be able to hear your question and you'll be able to hear his response.

So, what I wanted to start with is, usually you start with a headline on this. I think this picture of Obama, this was taken two days after the election, pretty much says it all. It's pretty obvious that the White House is under a lot of fire, and the Democrats were routed in the House, as you all know.

But, this picture really could be taken any number of times subsequent to the election. Bad jobs report, unemployment report, anything, you name it, this has really been a crunch time for the White House.

But at the same time, there's a lot been happening in Washington, as Greg alluded to, and I wanted to just kind of go over with you how we got to where we are. Because this process is not something that just sprang up overnight. This is a process that has been going on literally now for ten years, and it began with pretty much four simple things. The first one was a single change to the Interstate Horse Racing Act. The second was a change in the horse racing lobby. The third was the creation of a Political Action Committee called HorsePAC, and the fourth was lo and behold, unity in the industry.

I first want to talk to you about the single change to the Industry of Horse Racing Act. That was achieved in 2000. Essentially what that did was amend the IHA very simply to say that we could engage — our industry could engage in online pari-mutuel wagering. We were the only entity that was able to do that. That's still true. That's why everybody else wants in the market.

The change in that has resulted in a huge growth in ADW, not surprisingly. So, we start with zero, and we are now up to about \$1.65 billion in 2009. That's now about 14% of our total industry market.

We've got a horse racing lobby, but there's a lot to that horse racing lobby. The first is the Alpine Group. Greg is one of the principals of the Alpine Group and he has sort of a Democratic pedigree, I think is safe to say. But, we also have another principal in the Alpine Group working on our issues, named Bob Brooks. Bob is a Republican staffer who was with Congressman Jim McCreary, former head of the Ways and Means Committee. Both these guys are actually horseplayers, and Bob Brooks is also an owner-breeder.

We have a legislative counsel who works on our legislative issues all the time, mostly on our Internet Gaming Bill, Bob Penchina. Bob is an expert on the relationship between the Wire Act and the Interstate Horse Racing Act, which will come into play later on in some of my remarks. But, all you need to know is that the Justice Department maintains that what we do online is criminally illegal under the Wire Act, and we maintain that it is not, and it is authorized under the IHA.

The third leg of our lobbying group is Davis and Harman. Most of you know Tad Davis, he's been the tax counsel for the American Horse Council for probably about 30 years. Tad has advised us on many of our tax issues, particularly those that relate to horse players, and we'll get to that in a second. And, we also work with the American Horse Council and Jay Hickey on issues that really impact all breeds. Any time we need to get into a discussion, let's say about immigration and horse disease among — or diseases among horses, those are the kinds of issues that we work with the Horse Council on.

And finally, you have the NTRA. The NTRA's purpose in all of this is to A — fund lobbying, which is a pretty important thing to do. We also set the political agenda in Washington, help them frame the issues, and we really do that by gathering information about the sport and distilling it down into very, very simple points.

And finally, we also raise money for our Political Action Committee, HorsePAC.

What is HorsePAC? HorsePAC is a Federal Political Action Committee whose sole purpose is to make contributions to Federal political candidates and parties for purposes of re-election. The PAC was founded in 2002 and since 2003, we have given away nearly \$2 million to about 281 candidates in about 45 states. What's most important for you to know about HorsePAC is to us, it really doesn't matter who's in the House, or who's in the Senate. We are Bipartisan. So, regardless of the composition of Congress, we are a bipartisan PAC. That means we give basically 50/50.

This is just a little summary of where some of the HorsePAC dollars have gone. You'll see 11 states account for almost 60% of the contributions. These are mostly racing states, but what you need to know here is that the number one criteria for this isn't really what state the person is in, it's what committee the person serves on, that's the committee. So, do they serve for example on the Agriculture committee, the Ways and Means committee, do

they serve on Energy and Commerce? Do they serve on the committees that have some oversight, some aspect of involvement in our sport? It also helps, of course, that they are in leadership or that they have a racetrack, an OTB, farms, racing in their states, something like that. Those are other criteria, but the primary one remains committee membership. So, I know this is a little bit hard to read, but the primary racing states are covered there, are going to be things like California, Texas, Florida, New York, Kentucky, etc.

This may surprise you, but the horse racing industry has the largest gaming PAC. So, HorsePAC you see on the very far side of the screen, is number one. Number two is Harrah's-Caesar's. Number three, I know this is very hard to read, is Boyd Gaming. Number four is MGM Mirage. Number 11 is American Gaming Association.

And finally, the fourth thing that we have, is we have a united industry. Very often, we see ourselves as herding cats. But, that's not how Congress sees us. This is what Congress sees us as — jobs, jobs, jobs. Our industry supports nearly a half million jobs. We have an economic impact, not only racing, but the horse industry as a whole, a \$39 billion economic impact. We have 38 racing jurisdictions, but we are in every single state in the United States.

And, not only that, we have more than one thing that we do. We're sort of an agrotainment. We have agricultural issues, and we have business issues. And that, that duality in our presentations, is really very, very helpful to the sport because there is always more interest at stake than just one or the other.

So, what are the issues in 2010? Greg obviously alluded to the fact that I-gaming is number one, and mentioned a little bit about UIGEA. And the third is taxes. So, let's go through them individually.

UIGEA is the Unlawful Internet Gambling Enforcement Act. This bill was passed in 2006. It bans the use of credit cards for illegal — emphasis on illegal — online gaming. Because we are not illegal, because we are authorized under the Interstate Horse Racing Act, we are exempt from UIGEA, of course. But, the Justice Department continues to rattle its saber about us, and to make noises about the Wire Act actually having some ascendancy over this. So, it's been an issue and it's been a challenge.

So, UIGEA took effect after a six month delay, on June 1. The regulations actually went into effect many years after the bill was actually passed. It's been a little bit of a challenge for the credit card industry, because quite frankly they can't exactly tell who's legal and who's not. That was something that was difficult for them to determine. They were under the regulations required to come up with a program to help them do that, and they are really charged with blocking the illegal transactions. And, that is something — so the enforcement is actually on the credit card companies.

We had some discussions with major credit card providers. One of them has come up with a merchant category code or an MCC that is unique to pari-mutuel horse racing. That system tends to work pretty simply. Another has more of a two-step process, it's a little bit more complicated. However, we have met with them very recently and explained to them that we have operational issues, that not all of our transactions are being accepted even though we are clearly exempted from UIGEA. They've agreed, and we're just working through those kind of business-to-business issues to get this right.

So, as Greg mentioned, the I-Gaming legislation, there was a House bill that was introduced in 2009. This would have legalized all forms of online gaming. This was introduced by

Congressman Barney Frank, a Democrat from Massachusetts. A Senate bill was introduced by Senator Bob Menendez of New Jersey that legalized poker only. We were in the Menendez bill, some of our various provisions that I'll get to in just a second were in that Senate bill. And really, right now, the bill is in the hands of the Senate. The Senate is really driving that particular bus that we're on, and that's Harry Reid.

So, you may have seen that there was some statements made by Senator Jon Kyl, that he does not want poker to go into the large tax bill that is currently under consideration, so a lot of work to be done here, but it's not over yet.

So, what are our goals for an I-Gaming bill, if an I-Gaming bill passed? I want to just emphasize, all the things that we're going to be talking about here are things we've introduced in separate, stand-alone bills already. So, an I-Gaming bill is a vehicle for our various initiatives, but they're already out there separately and we just keep shopping wherever you're — you're just looking for a vehicle to attach your bills to. That's what everybody does, and that's what we're doing in this case as well.

So, the first thing is that we would want to be exempt from any tax and regulate schemes, so what they're doing is they're trying to tax and regulate poker. But, it would be tax and regulation that applied only to newcomers into the market. We've already been in the market for 10 years, so we're saying, "No, we don't get subject to this new tax and regulate scheme, so leave us out of there." We also need a definitive clarification of the Wire Act, and we have introduced separate legislation to achieve that clarification earlier this year.

And then, there are two important tax changes, there. Both of these are for horseplayers. One would double the reporting, which is at \$600 and has been since about 1978, to \$1200. That would give us basic parity with other forms of gaming which have three thresholds right now, \$1,200, \$1,500 and \$5,000 depending on the kind of game, but at least that gets us significantly up from where we are right now. It would also eliminate the automatic Federal withholding on winnings of \$5,000 or more at odds of 300:1 or more. So, the government's estimate of this is \$400 million over 10 years. The way the government is analyzing that is, this is what we're losing on the money that we're not collecting. The velocity of money is causing the government to lose basically interest on the revenue that it would otherwise expect from our horseplayers. So, that's the number that we have been able to put on it at least from the government.

So, after the vote, we all saw it, we're all getting very conservative now. So, the big push now is, we're moving to the right. There's just no question about it. The whole country is moving to the right.

So, what does that mean for us? Well, okay, the lame duck may be the last chance for Internet gaming. A Republican house may make it very hard to move an I-Gaming bill next year, if the thing falls apart this year it's probably going to be tougher next year. One reason for that is that Spencer Bachus, who was just named the Chairman of the House Financial Services Committee, is philosophically opposed to Internet gaming. So, you've got a person whose basic platform is very conservative, now on Financial Services.

But, the tax issues we have been very studious about getting bipartisan support for. So, all the tax bills that we've introduced, we have gone in and discussed with both Democrats and Republicans, so I feel a little bit better about that. I think both of those that we're good on the tax issues, we've just got to keep moving forward on them.

So, in summary, I think the industry's got a pretty strong lobby. We've got a good story to tell. We've been telling our story now for 10 years. We've been really talking about I-Gaming now for 10 years. And the players in Washington change, they change all the time. They change every two years, so you can't read a lot into the fact that the House has just flipped. The House is going to flip again. It'll flip again, the Senate will flip. What you need to know, is that you're there, you've got an organized, good system, good lobbying, a strong PAC, a good presence and a united horse industry behind you.

And now, I'd like to just turn it open to questions.

Mr. Eric Wing: Don't forget that Greg Means is still here also, so if you want to ask Greg a question maybe we can put that nice head shot of him back up while he's answering. We've got a gentleman, yep, right over there, Ed.

Mr. Ed DeRosa: Ed DeRosa, Thoroughbred Times. What's the marketing approach? Being in journalism myself, I know a common refrain when tax cuts, for lack of a better word, are proposed. It's easy to write a headline, "Racing Wants \$400 Million Tax Break." What's the marketing approach to trying to educate people of the benefits of upping the withholding and things of that nature?

Ms. Peggy Hendershot: Greg, you want — go ahead.

Mr. Greg Means: This is Greg. I think one of those is just a fairness argument, you know, because if you go into a casino for example, and we have no beef with them, but the tax treatment is different. So, you know, if you go and win a couple of grand on a craps table or something like that, you don't have to withhold. And in fact, if you — even if you're at a racino, if you're at one end of the racetrack and you're betting on horse racing, but you go to the other end and you're pulling the slot machines, then the tax on players, on withholding or reporting, is different. And, that doesn't make sense to us.

So, I think a big part of it has been a fairness argument to people, and in addition to that as Peggy mentioned earlier, jobs, jobs, jobs. At every racetrack, behind every horse and every race, there's a jockey, there's a trainer, there are owners, there are breeders, there are the back stretch workers, there's folks on the farm, and we're talking about over a million domestic jobs, here.

Clearly, the economy has hurt our industry, as just about every industry, and the ability to change an antiquated tax structure to allow more handle exotic bets didn't exist back when these reporting levels and withholding levels were set. Now, we have trifectas, superfectas, pick-3's, pick-6's, and all types of instruments that didn't exist by then. It's antiquated. It's not equitable, and it's helpful for our handle, which is helpful for jobs. We've got a pretty good story to tell.

Ms. Peggy Hendershot: Another question?

Audience Member: In the Kentucky senate debates, Rand Paul in my opinion openly attacked the horse racing industry, and he went on to win that race. Do you see that having any effect — I mean, if you can't have the support of the Senator from Kentucky, do you see that being used against any of the efforts that you're going with in Washington?

Mr. Greg Means: Not really. You know, I remember if you looked at that comment in its context, I think that was more aimed at Jack Conway, because Jack Conway was a thoroughbred owner, and I think he was trying to draw a contrast between himself and

Jack. So, I didn't — you've got to have thick skin in this business, so I didn't take that as a bad way. I would also note that he's the junior Senator from Kentucky. I'm sure that we will develop and have a fine relationship with Senator Paul.

Ms. Peggy Hendershot: Any other questions, comments?

Audience Member: Peggy, I want you to clarify something you said. Is it — it is true, these tax provisions are premised on the passage of the poker bill. There is not a separate tax bill that you — that has support, it needs the poker bill to pass in order for those tax provisions to pass, correct?

Ms. Peggy Hendershot: We're currently embedded in the poker bill, yes. Those bills are separate. There may be some sort of option, to put them in the larger tax vehicle, and I'd like Greg to address whether or not that has any feasibility at all. If the poker bill is dead, could we possibly move into the bigger bill?

Mr. Greg Means: I think if the poker bill's dead, then our chances of attaching to another vehicle are going to be slim, because there are going to be few other vehicles. Having said that, we have already been exploring with some of our allies in both the House and the Senate, and some of that exploration will continue at a 6:00 meeting tonight, if there are other places that we might be able to insert either the tax provisions or the Wire Act clarification. Frankly, the Wire Act clarification — neither will be easy, but the Wire Act clarification might be easier. The problem with the tax, the beauty of putting the tax provisions into the poker bill is that the poker bill does generate revenue. So that our tax provisions would get washed out in the newly-generated revenue from the poker bill. If we were to put it someplace else, then it would be a \$400 cost to the government that would be new spending, so to speak, and we would have to look for an offset, and that's always a much harder route.

So, we're not ruling anything out. Strange things happen in the last two weeks of any session, but the poker bill is the best bet for it, without question. No pun intended.

Ms. Peggy Hendershot: Any other questions? Okay. Thank you very much, everyone. Thank you, Greg.

Mr. Greg Means: Thank you.

Mr. Eric Wing: All right, well let me echo my thanks to Peggy and also Greg via telephone. Greg was originally planning to be here, but things are a little busy in Washington, and I guess everyone agreed that his time was better spent staying there in DC with things potentially popping and that worked out pretty well with him on the phone there, so. Always an engaging person to listen to.