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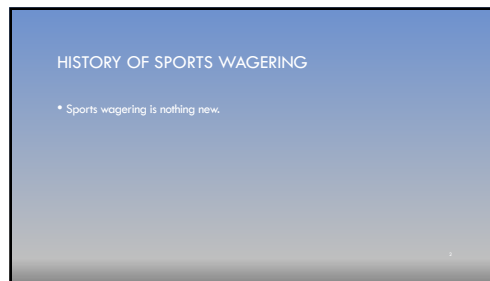
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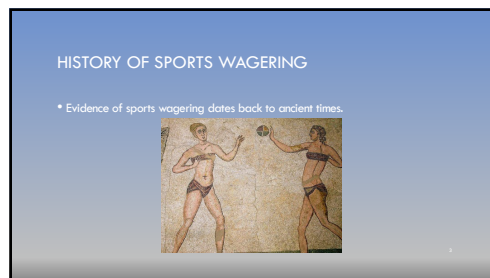
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### HISTORY OF SPORTS WAGERING

- Wagering on chariot racing, horses, and athletic combat was common in Ancient Rome.



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### HISTORY OF SPORTS WAGERING

- At its height, Rome itself had 7 different race tracks. This was a popular sport and a popular wagering activity for Romans.



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### HISTORY OF SPORTS WAGERING

- Romans also provided us with the first known wagering laws.
- Wagering on things other than sports and race went through periods of prohibition and permissiveness.
- At all times, wagering on races and athletic contests appear to have been permitted and governed.

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### HISTORY OF SPORTS WAGERING

- As the Roman Republic and Empire spread, so did the Roman past times of racing and athletic combat as well as wagering on such activities.

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### HISTORY OF SPORTS WAGERING

- An inscription on the mosaic of an African bath house says of a favorite horse: "Vincas, non vincas, te amamus, Polydexe!" Win or lose we love you Polydexe!



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### HISTORY OF SPORTS WAGERING

- Sports wagering continued to flourish through varying degrees of legality and illegality throughout the Roman world.

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### HISTORY OF SPORTS WAGERING

- Gambling in the middle ages was divided in part by economic class. The rich indulged in wagering on horse racing, cock fighting or other blood sports, while the poor often engaged in dice games.



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### HISTORY OF SPORTS WAGERING

- In 1190 kings Richard of England and Phillip of France of the crusades found it necessary to have a law drawn up settling just who could and who could not gamble, and for how much.



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### HISTORY OF SPORTS WAGERING

Horse racing was a popular wagering sport for as long as history records the use of horses by men.

Horse racing was used to improve bloodstock and wagering on racing was common place in nearly all cultures.

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### HISTORY OF SPORTS WAGERING

In the 16th century, we see the first preserved evidence of organized horse racing and wagering in Great Britain.

King James IV of Scotland is mentioned attending and wagering on races on the Sands at Leith in 1504.



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### HISTORY OF SPORTS WAGERING



In the mid 17th century, Oliver Cromwell, an Independent Puritan rose to power in the United Kingdom.

During Cromwellian times, horse racing and wagering were suppressed as dangerous assemblies.

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### HISTORY OF SPORTS WAGERING

During the reign of Charles II, racing and race wagering made a return to British society.

As a British historian noted that during this time, "early racing took the form of matches, direct head to head competition with one owner matching his horse against another. Invariably there was a wager on the outcome, and any number of side bets. Betting was in reality the very purpose of racing".



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## HISTORY OF SPORTS WAGERING



Betting on horse racing at this time was known as **match betting** and was generally unorganized and without recourse to bookmakers.

Members of the public would strike bets with each other and even offer odds.

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## HORSE RACING

- Horse racing was originally a head-to-head event.



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## HORSE RACING

- Match betting is relatively simple



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## HORSE RACING

- Over time field racing became popular



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## HORSE RACING

- Field wagering is much more complex than match wagering



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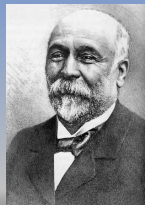
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## HORSE RACE WAGERING

In 1887, a Catalan inventor, Joseph Oller, developed a system to guarantee a profit for bookmakers.

His system pooled wagers and recalculated odds as wagers were placed. The pool could then provide a payment to the track or bookmaker, then return the remainder as prizes to winning bettors.

The system was called the "pari-mutuel" wagering system.



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## HISTORY OF SPORTS WAGERING

Pari-mutuel wagering met with limited success until the invention of the totalizer board in the early 1900s.

The totalizer board allowed bettors to see the current odds and the change in odds as wagers were placed.

In 1927, the first totalizer board was installed at Arlington Race track in Illinois.

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## HORSE RACING

- How it works

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## HORSE RACING



**POOLED  
WAGER  
AMOUNTS**

• How it works

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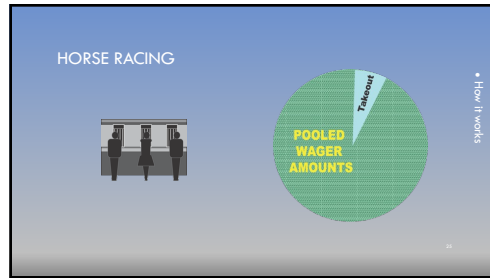
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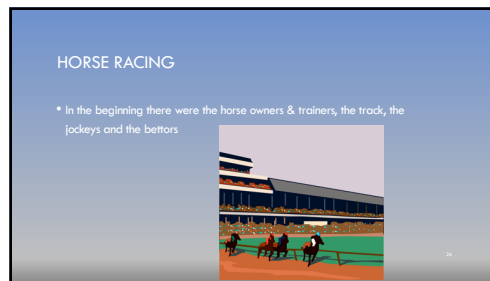
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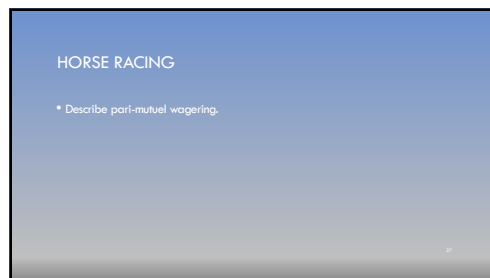
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HORSE RACING

- Bets are placed by patrons at the track
- Bets are placed in a "pool"
- Betting odds changed with wagers in the pool
- The pool is divided among winners, less a take out for the tracks and participants

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HORSE RACING

- What is a takeout?

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HORSE RACING

- What is an OTB?

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HORSE RACING

- What is comingling?

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HORSE RACING

- What is breakage?

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HORSE RACING

- What is a track fee?

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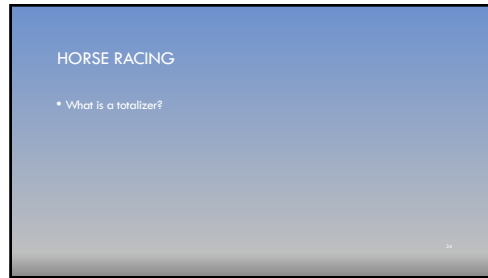
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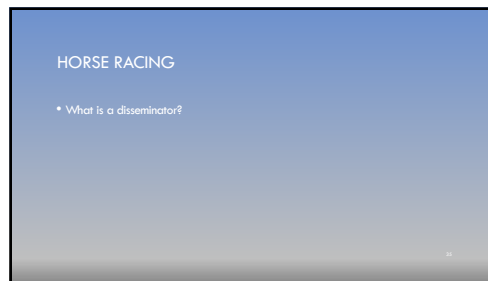
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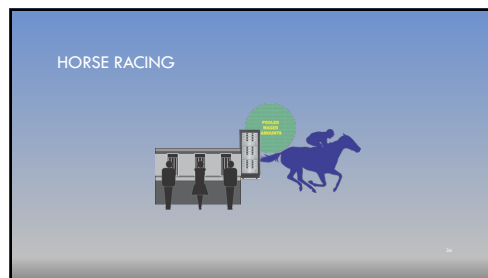
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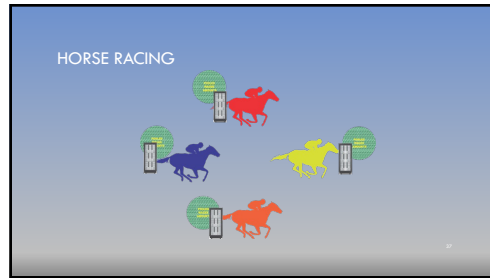
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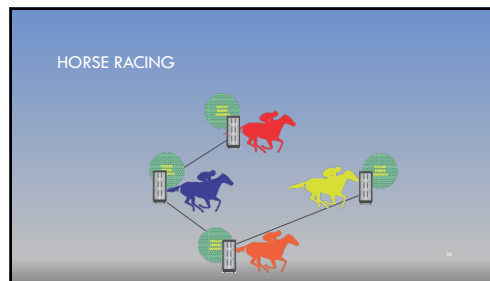
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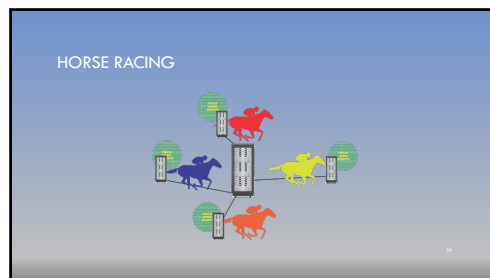
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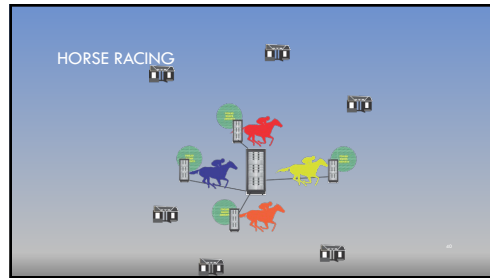
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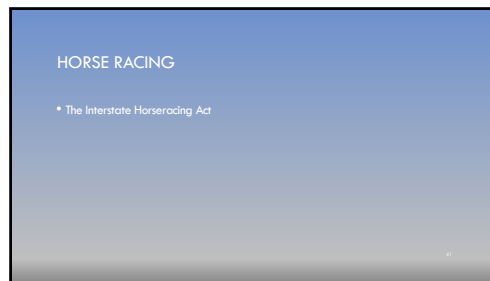
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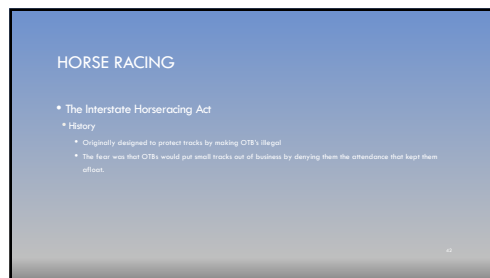
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HORSE RACING

- The Interstate Horseracing Act
  - \* History
    - \* During the legislative process the focus moved from prohibiting interstate horse racing wagers to a system of consents and revenue sharing

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HORSE RACING

- The Interstate Horseracing Act
  - \* The operative sections
    - \* 15 U.S.C. § 3002. Definitions - ....
      - \* (3) "interstate off-track wager" means a legal wager placed or accepted in one State with respect to the outcome of a horserace taking place in another State and includes pari-mutuel wagers, where lawful in each State involved, placed or transmitted by an individual in one State via telephone or other electronic media and accepted by an off-track betting system in the same or another State, as well as the combination of any pari-mutuel wagering pool;

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HORSE RACING

- The Interstate Horseracing Act
  - \* The operative sections
    - \* 15 U.S.C. § 3003. Acceptance of interstate off-track wager
      - \* No person may accept an interstate off-track wager except as provided in this chapter.
    - \* 15 U.S.C. § 3004. Regulation of interstate off-track wagering
      - \* (a) Consent of host racing association, host racing commission, and off-track racing commission as prerequisite to acceptance of "wager"
        - An interstate off-track wager may be accepted by an off-track betting system only if consent is obtained from—
          - (1) the host racing association, except that—

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HORSE RACING

- The Interstate Horseracing Act
  - The operative sections
- 15 U.S.C. § 3004. Regulation of interstate off-track wagering
  - (a) Approval of tracks as prerequisite to acceptance of wager; exceptions
    - (1) In addition to the requirement of subsection (c) of this section, any off-track betting office shall obtain the approval of—
      - (A) all currently operating tracks within 60 miles of such off-track betting office; and
      - (B) if there are no currently operating tracks within 60 miles then the closest currently operating track in an adjoining State.

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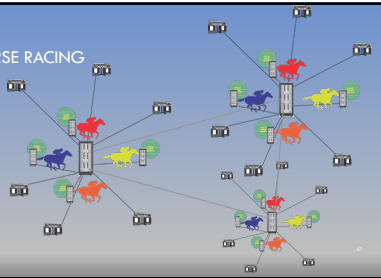
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HORSE RACING



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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion
    - Facts

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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion
    - Facts
      - Contract between Turfway and Horsemen expires
      - Horsemen want a bigger portion of the takeout for purses
      - Horsemen refuse consent for interstate off-track wagering on Turfway races
      - Turfway sought content directly from horse owners by inserting language into entry form

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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion
    - Facts
      - Horsemen seek to enjoin interstate wagering on Turfway races
      - Turfway counters with anti-trust defense and that the IHRA is unconstitutional
        - (lawful restraint on competition)

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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion
    - Facts – District Court
      - Found the Act to be an invalid restriction on commercial speech as well as being vague and irrational
        - The stimulus was commercial speech in that it is like an implied advertisement

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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion – Court of Appeals
    - Does the Act regulate commercial speech?

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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion – Court of Appeals
    - Does the Act regulate commercial speech?
      - No – The act regulates wagering not advertising.

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HORSE RACING

- The Interstate Horseracing Act
  - The Turfway Opinion – Court of Appeals
    - Is the Act unconstitutionally vague?

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## HORSE RACING

### • The Interstate Horseracing Act

#### • The Turfway Opinion – Court of Appeals

##### • Is the Act unconstitutionally irrational?

- The court said that the Act is rationally related to achieving Congress' legitimate federal interests in promoting the interstate horseracing industry. The court found that the Act is rationally related to the federal interest in promoting the interstate horseracing industry. The court found that the Act is rationally related to the federal interest in promoting the interstate horseracing industry. The court found that the Act is rationally related to the federal interest in promoting the interstate horseracing industry.

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## HORSE RACING

### • The Interstate Horseracing Act

#### • The DOJ

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## HORSE RACING

### • The Interstate Horseracing Act

#### • The DOJ

- The Department of Justice notes that S. 692 may incorrectly imply that the Interstate Horseracing Act of 1978, 15 U.S.C. § 3001, at once, allows for the legal transmission and receipt of interstate parimutuel bets or wagers. The Interstate Horseracing Act does not allow for such gambling, and if a parimutuel wagering business currently transmits or receives interstate bets or wagers (as opposed to interstate bets and wagers on the outcome of a race occurring in another state), it is violating federal gambling laws.

<sup>14</sup> – Letter to Senator Leahy June 9, 1999

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## HORSE RACING

### • The Interstate Horseracing Act

#### • The DOJ

- The Department of Justice views the existing criminal statutes as prohibiting the interstate transmission of bets or wagers, including wagers on horse races. The Department is currently undertaking a civil investigation relating to a potential violation of law regarding this activity. We have previously stated that we do not believe that the Interstate Horse Racing Act, 15 U.S.C. §§ 3001-3007, amended the existing criminal statutes.
- – U.S. House of Representative Testimony April 5, 2006

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## HORSE RACING

#### • In re: 1990s

- (a) Whenever being engaged in the business of betting or wagering, knowing or recklessness to communicate facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which assists the recipient to receive money or credit, shall be fined not more than \$100,000 or imprisoned not more than five years, or both.
- (b) Nothing in this section shall be construed to prevent the transmission in interstate or foreign commerce of information for use in news reporting of sporting events or contests, or for the transmission of information assisting in the placing of bets or wagers on a sporting event or contest from a State or foreign country where betting on that sporting event or contest is legal into a State or foreign country in which such betting is legal.

#### • 15 U.S.C. § 3002. Definitions -

- (3) "Interstate off-track wager" means a legal wager placed or accepted in any State with respect to the outcome of a horserace taking place in another State and includes pool mutual wagers, where placed or made, on State lotteries and other electronic media and accepted by an off-track betting system in the home or another State, as well as the transmission of any pari-mutuel wagering pools.

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## TECHNOLOGICAL INNOVATION

• <https://www.kentuckybetting.com/interstate-horse-racing/bet-on-horseracing-racing/>

• <https://www.youtube.com/watch?v=Ux0P02N4g>

• <https://www.bet.com/US/How/WW/How>

• <https://www.youtube.com/watch?v=AluPQ8t9V0I>

• <https://www.youtube.com/watch?v=2uB80P2>

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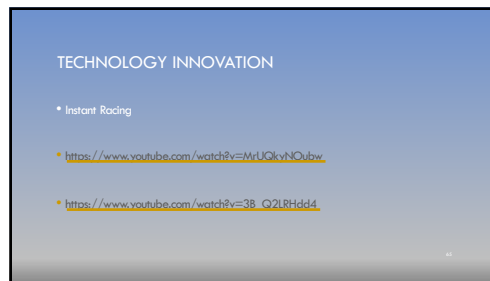
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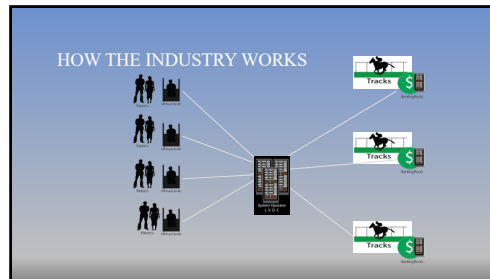
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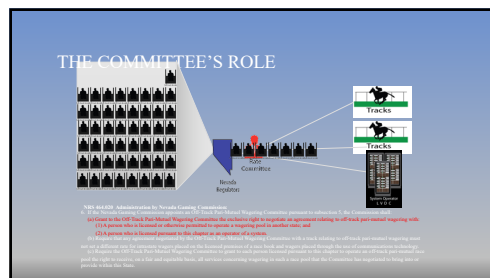
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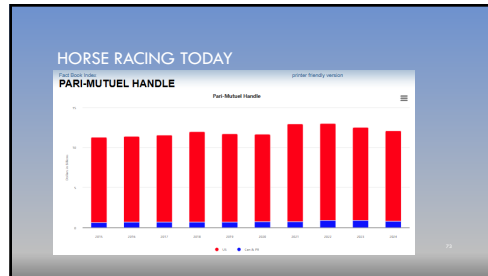
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### HORSE RACING TODAY

#### PARI-MUTUEL HANDLE

post-9/11 trends version

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Handle (Billion \$)	6.8	6.8	6.8	6.9	6.8	6.7	7.0	7.1	6.9	6.8	6.7

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### HISTORY OF SPORTS WAGERING

Meanwhile, in the 1800s a new game in America was growing in popularity. Baseball was becoming a national past time to rival horse racing. Just as with horse racing, wagering on baseball was not uncommon.

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### HISTORY OF SPORTS WAGERING

In the 1800s there was a relaxed attitude toward betting on baseball.

For example, in 1894, the Washington Post reported that

"Uncle Anson (Manager of the Chicago Colts) has already started making wagers on the position the Chicago Colts will have in the race for the National League Pennant next year. He put up \$100 a few days ago that his team would finish higher up in the race than the Pittsburgh Pirates."

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### HISTORY OF SPORTS WAGERING

In the late 1800s and early 1900s, sports wagering was generally an acceptable form of unregulated wagering.

Since the time baseball became a spectator sport, there were allegations of cheating and match fixing. By the time of the turn of the 20th Century, the term "hippodroming" became part of the lexicon to reference games exhibited or fixed for gambling purposes.



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### HISTORY OF SPORTS WAGERING



In 1919, the Chicago White Sox were one of the best teams in baseball.

The team had won a championship in 1917, and in 1919 it was expected to do so once again.

While the Chicago White Sox were good, their owner, Charles Comiskey, was well known for his miserly ways, and it was well known that players were underpaid.

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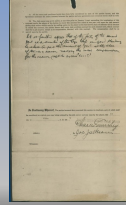
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## HISTORY OF SPORTS WAGERING

In 1919, baseball player contracts had a reserve clause that prevented players from negotiating or playing for other teams.

Thus, the underpaid Chicago White Sox players had no bargaining power for higher wages, despite the fact that their performance was superior to most players in the league.



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## HISTORY OF SPORTS WAGERING

The Chicago White Sox lost the 1919 world series, and many speculated that key players threw the series in order to get a payoff from a bookmaker.



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## HISTORY OF SPORTS WAGERING

In the early 20th century, Nevada saw the growth of Turf Clubs and sports books. Turf Clubs were stand alone sports betting locations (not part of a Casino).



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## HISTORY OF SPORTS WAGERING

Meanwhile, many other states were quick to prohibit sports wagering and bookmaking.

**Reynolds v. United States** (1894) - First federal case on the constitutionality of the First Amendment's Free Exercise Clause.

The Court held that the federal government could not prohibit the practice of polygamy in Utah, as it was a religious practice protected by the First Amendment.

The Court also held that the federal government could not prohibit the practice of sports wagering, as it was a secular activity not protected by the First Amendment.

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## HISTORY OF SPORTS WAGERING

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## PASPA

**§ 3702. Unlawful sports gambling**

"It shall be unlawful for—

"(1) a governmental entity to sponsor, operate, advertise, promote, license, or authorize by law or compact, or

"(2) a person to sponsor, operate, advertise, or promote, pursuant to the law or compact of a governmental entity, a lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.

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PASPA

- Professional and Amateur Sports Protection Act

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PASPA



WIN CASH  
CELEBRATE LIKE CRAZY

HOME

HOW TO PLAY

RESULTS

SCHEDULE

RULES

PROGRAM

HOW TO PLAY

WHAT IS SPORTS ACTION?+

Sports Action is the game where you try to beat the point spreads of pro football games. Make your picks from the Sports Action Official Program, published weekly, that lists the teams playing and point spreads.

GET CASH QUICKER

You can claim winning 3 of 3 and 4 of 4 Sports Action prizes the next day after the final event on your ticket has been played! All point-spread prizes can be claimed beginning at 5 a.m. on Tuesday. Sales for each week's games begin on Thursday at 5 a.m.

Read the Official Sports Action Program for a list of this week's Sports Action Events and Point Spreads. Along with this week's games, the Official Program lets you know:  
-which team is the Favorite and which one is the Underdog

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PASPA

- Senator Deconcini of Arizona introduced the Professional and Amateur Sports Protection Act (the "Act") because of the impending threat of state-sponsored sports lotteries.
- Because of the threat posed by state lotteries, the bill focused on state-sponsored sports wagering.
- According to Senator Deconcini, the "bill serves an important public purpose, to stop the spread of state-sponsored sports gambling.

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## PASPA

- Senator Bill Bradley also championed the bill because he believed that state sponsored puts the "imprimatur of the state on the activity" by creating the perception that sports gambling is ok.

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## PASPA

- Sec. 3702. Unlawful sports gambling
- It shall be unlawful for -
- (1) a ~~governmental entity~~ to sponsor, operate, advertise, promote, license, or authorize by law or compact, or
- (2) a person to sponsor, operate, advertise, or promote, pursuant to the law or compact of a governmental entity, a lottery, sweepstakes, or other betting, ~~game, device, or activity~~ (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.

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## PASPA

- Sec. 3704. Applicability
- Section 3702 shall not apply to -
- (1) a lottery, sweepstakes, or other betting, gambling, or wagering scheme in operation in a State or other governmental entity, to the extent that the scheme was conducted by that State or other governmental entity at any time during the period beginning January 1, 1976, and ending August 31, 1990.

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PASPA

- Sec. 3704. Applicability
  - Section 3702 shall not apply to -
  - (1) a lottery, sweepstakes, or other betting, gambling, or wagering scheme in operation in a State or other governmental entity, to the extent that the scheme was conducted by that State or other governmental entity at any time during the period beginning January 1, 1976, and ending August 31, 1990;

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PASPA

- Sec. 3704. Applicability
  - Section 3702 shall not apply to -
  - (2) a lottery, sweepstakes, or other betting, gambling, or wagering scheme in operation in a State or other governmental entity where both -
    - (A) such scheme was authorized by a statute as in effect on October 2, 1991; and
    - (B) a scheme described in section 3702 (other than one based on pari-mutuel animal racing or jai-alai games) actually was conducted in or by that State or other governmental entity at any time during the period beginning September 1, 1989, and ending October 2, 1991, pursuant to the law of that State or other governmental entity;

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PASPA

- Sec. 3704. Applicability
  - Section 3702 shall not apply to -
  - (3) a betting, gambling, or wagering scheme, other than a lottery described in paragraph (1), conducted exclusively in casinos located in a municipality, but only to the extent that -
    - (A) such scheme or a similar scheme was authorized, ~~as when~~ *that was prior to the effective date of this chapter*, to be operated in that municipality; and
    - (B) any commercial casino gaming scheme was in operation in such municipality throughout the 10-year period ending on such effective date pursuant to a comprehensive system of State regulation authorized by that State's constitution and applicable solely to such municipality; or
  - (4) pari-mutuel animal racing or jai-alai games.

<http://casinola9.VK08-4>

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PASPA

- States that fall within the exemptions
  - Nevada
  - Delaware
  - Montana
  - Oregon
  - Maybe New Jersey\*

94

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PASPA

- New Jersey

1993

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PASPA

- Delaware Rights

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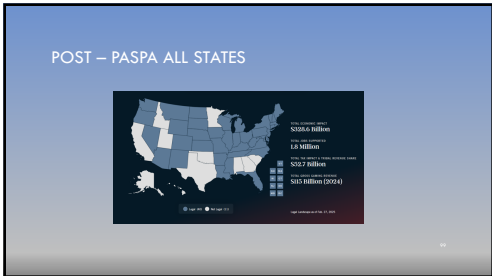
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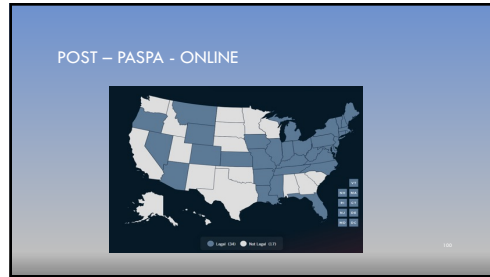
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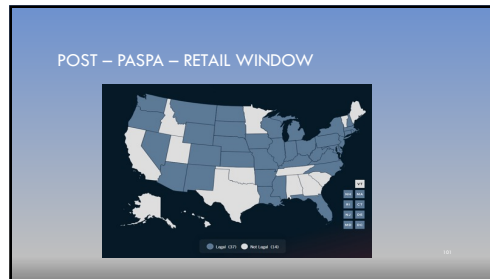
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101

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FEDERAL WIRE ACT

- Part of the 1961 legislative package designed to cut off activities that financially sustained organized crime and to help states enforce their gambling laws.

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## FEDERAL WIRE ACT

## • 18 USC §1084

- (a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.

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103

## ILLEGAL GAMBLING BUSINESS ACT

## • 18 U.S.C. §1955 the Statute

- (a) Whoever conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business shall be fined under this title or imprisoned not more than five years, or both

104

104

## ILLEGAL GAMBLING BUSINESS ACT

## • 18 U.S.C. §1955 the Statute

## • (b) As used in this section—

- (1) "illegal gambling business" means a gambling business which—

- (A) is a member of the law of a State or Federal jurisdiction in which it is conducted;
- (B) involves the use of credit facilities, loans, money, or other thing of value in interstate or foreign commerce;
- (C) involves the use of interstate or foreign commerce for a purpose in violation of the laws of the State or Federal jurisdiction in which it is conducted.

105

105

ILLEGAL GAMBLING BUSINESS ACT

- 18 U.S.C. §1955 the Statute
- (b) As used in this section—
  - (1) "illegal gambling business" means a gambling business, which—
    - (A) is a violation of the law of a State or political subdivision in which it is conducted;
    - (B) involves the use of money or credit, the receipt, payment, or use of any part of such money or credit;
    - (C) involves the use of interstate commerce or facilities of interstate commerce;

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QUESTIONS/DISCUSSION

Questions/Discussion

107

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QUESTIONS/DISCUSSION

Questions/Discussion

108

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