

1 CHAIRPERSON JAMES: Mr. Salerno.

2 MR. SALERNO: Good morning, Madam Chair.

3 CHAIRPERSON JAMES: Good morning.

4 MR. SALERNO: Commissioners, ladies and gentlemen,
5 My name is Vic Salerno. I am President and CEO American
6 Wagering, a publicly traded NASDAQ company. The company's
7 business includes a network of sports books, a computer related
8 service that services the race and sports book industry and
9 several other gaming related subsidiaries.

10 I have been in the sports book industry for the past
11 20 years. After graduating from Marquette University with a
12 degree in dentistry in 1970, I practiced for eight years before
13 changing careers to become a bookmaker. My family was
14 dumbfounded at this change. However, now we consider it a great
15 move. I found a profession that took more work and was more
16 regulated than dentistry. I had to be educated in many more
17 diverse fields, from satellite communications to regulatory
18 compliance, and everything in-between. I was told by legal and
19 intelligence people to give it up and go back to dentistry.
20 Fortunately we now have a successful business. It gives me a
21 great sense of accomplishment in a profession that I am as proud
22 of as I was being a dentist.

23 Like myself, Nevada bookmakers come from diverse
24 professions such as law, meteorology, business, accounting,
25 horse training, computer science, and mathematics. The
26 profession even boasts of a former major league baseball pitcher

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1 and a covert operative for the Federal Government. Today I'd
2 like to provide some insight into Nevada's sports betting
3 industry and give you some of my opinions on illegal sports
4 wagering.

5 Legal sports wagering has gone from \$400,000.00 in
6 1970 to \$2.4 billion last year. It is a staggering growth rate.
7 There are several reasons for this increase; more televised
8 sporting events, Nevada's increased population, computerization
9 of operations, and expansion of the professional leagues. These
10 all have been instrumental in the increase in sports wagering.
11 Also the popularity and integrity of the business have played a
12 major factor. Bookmaking is one of the few industries in which
13 the consumer knows exactly what he's receiving.

14 We can purchase a car and get a lemon. When we
15 purchase food it could be spoiled and we are all well aware of
16 the questions we have in the health related fields, but when you
17 place a wager on the Green Bay Packers minus three and a half
18 points over the Pittsburgh Steelers, you know what you have
19 bought. The volume of illegal sports wagers has been guessed by
20 many. The estimates range from \$50 billion by the Council on
21 Compulsive Gambling of New Jersey, \$100 billion by Sports
22 Illustrated magazine to \$250 billion.

23 The latter was a study conducted at the Veterans
24 Medical Center in Drexville, Ohio. My own guess is that even
25 the \$250 billion might be too low. A Gallop survey done for
26 Psychology Today found out that one out of four males and one

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1 out of eight females place some type of wagers on this Super
2 Bowl. The question is, why do people bet on sports? I believe
3 there are several reasons.

4 Above all, it is definitely a type of entertainment
5 and enjoyment. It is a challenge for people to predict the
6 outcome of the game versus professional odds makers. Wagers are
7 made between governors on their respective state teams when they
8 play each other. Having a wager on the game increases the
9 interest in the event. Asking people why they bet on sports
10 brings several answers. The games are boring, betting makes it
11 exciting. Sports betting is much more economical entertainment
12 than golf. I'm a former high school and college player. Having
13 a wager on the game makes me feel like I am playing in the game.
14 As you can see, different people have different reasons.

15 Our company commissioned an independent agency to do
16 a study that included the profile of a sports better in Nevada.
17 The study interviewed 798 sports betters. The Commission has
18 been provided with the results of this study. Here's a quick
19 summarization of this study. Ninety percent are 30 years or
20 older. The average age is 45. Ninety-four percent are employed
21 or retired. Ninety percent earn over \$20,000 per year, 62
22 percent over \$35,000 per year. The average is near \$37,000.00
23 annually.

24 Ninety-six percent have a high school degree or
25 higher. Sixty-nine percent have some college or more.
26 Forty-six percent hold a managerial or professional position.

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1 From this study we can deduce that the typical better is
2 educated and can afford betting. One concern for both the
3 professional and the amateur leagues is the integrity of the
4 game. To a legal bookmaker this gives the major concern. The
5 bookmaker is target for anyone attempting to alter the outcome
6 of the game. We are the ones who have to pay if there are any
7 improprieties. Our industry has always offered aid to the
8 amateur and professional leagues to discover and investigate any
9 questionable activities. Recently we have supplied the NCAA
10 with an on-line computer terminal that shows the current odds at
11 our sports books and the changes in odds as they occur.

12 The Nevada Sports Books were responsible for the
13 discovery of the point shaving incident that occurred at Arizona
14 State University. We might be referred to as the point spread
15 policemen. Members of our industry meet with league regulatory
16 agencies involved in policing and governing the athletes to make
17 sure there are no improprieties occurring. There are more than
18 3,000 Division 1 men's basketball and football games played
19 annually. The professional leagues play over 5,000 games.

20 When looking at the number of games that are played
21 both in the amateur and professional ranks, the number of
22 improprieties is minuscule. When compared to other industries
23 such as financial or governmental industries, sport event
24 infractions pale into comparison to the black eyes of most other
25 businesses.

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1 Technology is expanding in our industry as in other
2 industries. Computer technology, advanced communications,
3 methods of positive identification and the Internet are changing
4 the way we do business. These new technologies when used
5 properly benefit the industry. Presently more information is
6 available to both customers and bookmakers. New tracking
7 software will enable us to identify problem betters. Methods
8 are being developed that will show the origination of remote
9 wagers.

10 New identification methods will provide us with
11 positive ID's. Advances in technologies are great. We just
12 explore and try these new technologies if we are going to create
13 a better world in sports wagering. Sports wagering is legal in
14 England, Canada, Australia, Italy, South Africa, Peru and
15 Israel. In fact, it is legal in more than 75 countries. Legal
16 sports wagering is regulated and pay state and federal taxes.

17 Illegal wagering is not. It allocates no monetary
18 benefits to local, state or federal agencies. I do not believe
19 that the governments can establish moral standards for their
20 citizens. In our country it is obvious that sports betting is
21 very popular and most of our citizens do not consider it to be a
22 great problem to our society.

23 In conclusion, sports wagering is intricately woven
24 into the fabric of American society. As leagues continue to
25 expand, the demand to wager will increase as well. The profile
26 of the average sports better indicates he is willing to wager a

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1 portion of his disposable income to enhance the enjoyment of the
2 sport itself. Likewise in an effort to maintain the bettor's
3 enjoyment legal bookmakers must continue to go to extreme
4 lengths to insure the game's integrity. Rapid technological
5 advances of the past decade, specifically the Internet, pose the
6 greatest challenge to the legal bookmakers and regulators.

7 If allowed to use these advanced forms of
8 communication and computer technology, legal bookmakers will
9 have the resources needed to continue its relentless protection
10 of the sports industry. Legal sports wagering is a civilized
11 and passive form of adult entertainment. In Nevada sports
12 wagering is a regulated industry. It contributes to our local
13 and national economy by the way of jobs and taxes. The sports
14 wagering paradigm developed by Nevada is the best way to deter
15 illegal bookmaking and regulate legal bookmaking.

16 Thank you.

17 CHAIRPERSON JAMES: Thank you, Mr. Salerno.

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