

Summary of Submission (Cormac Barry, Paddy Power)

Paddy Power

- Irish company operating for the last 21 years
- Multi channel gambling operator whose offerings include betting, poker, casino, bingo
- Listed on the Dublin and London Stock Exchanges with a market cap of \$1.5 billion and a turnover of over \$3 billion
- Operated an online poker business since 2005
- Only operates in licensed and regulated markets. Paddy Power holds licenses in Ireland, UK, Australia, Isle of Man, Malta
- Recently chosen by the PMU, French state licensed betting monopoly, to assist in offering online sports betting
- One of the very few online operators to have never taken play from customers in the USA

Locations of online businesses

The reason why companies located and regulated in offshore locations in the past was because companies had no option to locate in the mainstream jurisdictions as these jurisdictions has not passed legislation to enable this. It is always the desire of a public company to invest in regulated market to justify the considerable capital required to build long term sustainable revenues.

Optimal licensing model is an open, strictly regulated system with unlimited licenses

- This will stimulate innovation and competition
- Give consumers the best product and value
- Maximize protection for the players
- Maximize the tax revenue from the sector
- Maximize employment from the sector

Time to go live

After the legislation has been passed and any legal hurdles overcome we believe a licensing regime could be live in 6-9 months

Market Interest

There would be considerable interest to gain a foothold in the US market from a large number of online operators and the land based casinos in Nevada

Estimated Potential Tax Revenue

Year 1 \$30-50 million

Year 3 \$150-200 million

1,000's of new jobs

Additional use of services

Tax model

Significant license fee in the single digit millions (significantly larger than the Italian license fee)
Single digit fee (5-7%) surcharge on gross win/rake in order to remain competitive with off shore operators and maximize revenue for the state

Duration of licenses

Need to be 5-10 year in duration to justify the considerable investment required in human capital, marketing and technology to provide a competitive offering and to get a return on that investment

Impact on land based gaming operation

Regulation of online poker could stimulate activity in the land based casino and card clubs

These business grew strongly prior to the passing of the UIGEA when online poker was heavily promoted

Regulation will lead to advertising which should grow the gaming section as whole

Interstate poker

If another state regulated online poker it may be possible to have mutual license recognition between states which would increase the pool of players available

This is another reason for California to be a first mover in this space and become the centre of excellence of online poker in the USA

Unique Opportunity for California as it has

- Proven track record in entertainment and online services e.g. Google, E-bay, Movies
- The market size
- The human capital
- Significant pent up consumer demand